Corporate Social Responsibility in India: From Voluntary Philanthropy to a Statutory Mandate under Section 135 of the Companies Act, 2013

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Abstract

Corporate Social Responsibility (CSR) in India has changed significantly since the introduction of Section 135 of the Companies Act, 2013. What was largely a voluntary activity has become a statutory responsibility for companies meeting specified financial criteria. This study examines the growth of CSR expenditure in India and considers whether the increase has been accompanied by a more balanced distribution of funds across sectors, states and companies. The study follows a descriptive-analytical approach based on secondary data from the Ministry of Corporate Affairs' National CSR Portal and the Bharat CSR Performance Report 2026. The findings indicate substantial growth in corporate social investment, alongside questions about the distribution and measurement of its benefits. The study recommends stronger outcome-based reporting, independent impact assessments and greater attention to underserved regions and sectors.

Keywords: **Corporate Social Responsibility, Section 135, Companies Act 2013, CSR expenditure, India, social impact, corporate governance**

1. Introduction

Corporate Social Responsibility refers to the responsibility of businesses towards society and the environment, beyond their primary objective of earning profits. Companies operate within communities, use natural resources and depend on employees, consumers and public infrastructure. Their responsibilities therefore extend to the wider social and economic environment in which they function.

In India, CSR received a major legislative push through Section 135 of the Companies Act, 2013. The provision requires companies meeting specified financial thresholds to comply with CSR requirements, including a prescribed spending obligation. Companies covered by the provision must spend at least 2% of their average net profits from the three immediately preceding financial years on eligible CSR activities, subject to the applicable legal provisions (Companies Act, 2013).

The introduction of mandatory CSR marked an important change in the relationship between business and society. It established a legal framework for corporate contributions to areas such as education, healthcare, environmental sustainability and rural development.

The present study examines India's CSR spending trends, sectoral priorities and company-level concentration. Its central concern is whether the growth in expenditure has been accompanied by a sufficiently balanced distribution of resources and adequate attention to social outcomes.

3. Objectives of the Study

1. To examine the legal framework governing CSR in India under Section 135 of the Companies Act, 2013.
2. To analyse reported CSR expenditure in terms of its growth, sectoral allocation, company-level contribution and geographical distribution.

3. To assess whether the reported spending patterns indicate concerns relating to the distribution and measurement of CSR resources.

4. Research Question and Hypothesis

Research Question

Has the increase in CSR expenditure in India been accompanied by a balanced distribution of funds across sectors, states and companies?

Hypothesis (H1)

The growth in CSR expenditure in India has not been accompanied by an equally distributed allocation of funds across sectors, states and companies.

4.1 Hypothesis Testing

The hypothesis is examined using descriptive analysis of secondary data reported for FY 2024–25, alongside the expenditure figures presented for earlier years. The analysis considers sector-wise allocation, company-level concentration and the available information on geographical distribution.

Indicator	Evidence reported in the study	Interpretation
Sector-wise allocation	Education received 34% and healthcare received 21% of total CSR expenditure.	The two sectors accounted for 55% of reported expenditure, indicating sectoral concentration.
Company-level allocation	The ten largest spenders accounted for Rs. 7,123 crore, or 17% of total expenditure.	A substantial share of expenditure came from a relatively small group of companies.
Geographical allocation	Gujarat recorded reported year-on-year growth of 68%, while Maharashtra led in cumulative CSR inflows.	The figures indicate differences in geographical spending patterns, although they do not establish the extent of inequality across all states.

Decision on the hypothesis: The descriptive findings provide support for H1 in relation to sector-wise and company-level concentration. The geographical evidence also suggests differences in spending patterns, but the information available is insufficient to measure the extent of state-wise inequality conclusively. Therefore, H1 is supported by the available descriptive evidence, but it is not statistically proven. The study does not use statistical significance tests, and the findings should not be interpreted as proof that CSR funds are distributed unequally in every dimension or that unequal allocation necessarily results in unequal social outcomes.

5. Review of Literature

Dharmapala and Khanna (2018) studied the effects of mandatory CSR under the Companies Act, 2013. Their findings indicate that the legislation increased CSR activity among affected companies. At the same time, some large firms that had initially spent above the prescribed level reduced their expenditure after the mandate. This suggests that the effect of compulsory spending can vary according to companies' existing practices.

Ruhupatty and Ruhupatty (2024) examined investor responses to mandatory CSR. Their study found differences in market reactions between firms that were already active in CSR and those that were required to increase their involvement. The findings raise questions about whether a uniform spending threshold affects all companies in the same way.

Rajeev and Kalagnanam (2017), identies implementation and capacity-building challenges involving companies and non-governmental organisations. Such challenges are relevant because effective CSR depends not only on funding but also on project selection, implementation and monitoring.

Arul Nivetha (2026), who discusses geographical disparities, weak impact measurement and a compliance-oriented approach to CSR. These concerns are consistent with the broader question addressed in the present study: whether the growth of mandatory CSR expenditure is sufficient to ensure balanced and effective social development.

Taken together, the literature suggests that mandatory CSR has encouraged corporate participation, but questions remain about how companies respond to the mandate and how the effectiveness of their contributions should be assessed. The present study contributes a descriptive examination of reported national spending patterns.

6. Research Methodology

This study uses a descriptive-analytical research design based entirely on secondary data. No primary survey, interview or field investigation was conducted.

The data are organised into four areas: overall expenditure, sectoral allocation, geographical distribution and contributions by major companies. Descriptive comparisons and percentages are used to interpret the reported patterns.

The study has certain limitations. Its findings depend on the accuracy and coverage of the secondary sources. Aggregate expenditure figures do not establish whether individual projects achieved their objectives, and the absence of primary data limits the assessment of community experiences. The analysis is descriptive and does not establish causal relationships between the CSR mandate and specific social outcomes.

7. Data Analysis and Findings

7.1 Growth in CSR Expenditure

According to the figures presented in the poster, India's CSR expenditure increased from approximately Rs. 10,000 crore in 2014–15 to Rs. 34,909 crore in 2023–24 and Rs. 40,794 crore in 2024–25. The latest figure represents a reported year-on-year increase of approximately 17%. Reports show cumulative CSR investment of more than Rs. 2.61 lakh crore since the introduction of the mandate.

This trend supports H1 at the descriptive level. It indicates that CSR has become a substantial source of corporate funding for social development. Nevertheless, higher expenditure should be treated as an indicator of financial contribution rather than proof of improved social outcomes.

7.2 Sector-wise Distribution

The reported sectoral figures show that education received Rs. 13,877 crore, representing approximately 34% of total CSR expenditure in 2024–25. Healthcare received Rs. 8,531 crore, accounting for about 21%.

Together, these two sectors received approximately 55% of the reported total. Environmental sustainability accounted for Rs. 3,397 crore, while livelihood enhancement and rural development received Rs. 2,548 crore and Rs. 2,477 crore, respectively.

The figures indicate that education and healthcare are major priorities for corporate spending. Their prominence may reflect substantial social needs in these areas. However, the concentration also raises the question of whether other eligible areas receive sufficient attention. The data alone cannot establish that these allocations are inappropriate; such a judgement would require evidence about local needs, project quality and results.

7.3 Company-level Concentration

The ten largest CSR spenders contributed Rs. 7,123 crore, or approximately 17% of total expenditure in 2024–25. Reliance Industries accounted for Rs. 3,826 crore, followed by HDFC Bank at Rs. 1,309 crore and Tata Consultancy Services at Rs. 1,039 crore.

These figures show that a relatively small group of companies contributes a substantial share of total CSR expenditure. Such contributions can support large-scale projects, but they also highlight the importance of transparent reporting and effective monitoring among major spenders. The figures support H1 in relation to company-level concentration.

7.4 Geographical Distribution

Maharashtra is found as the leading state in cumulative CSR inflows and reports a 68% year-on-year increase in Gujarat. These figures suggest that geographical patterns deserve closer examination.

However, the reported growth rate for Gujarat does not establish that it receives the largest overall allocation or that other states necessarily receive inadequate funding. A stronger assessment would require comparable state-wise expenditure data, population figures, measures of social need and information about project outcomes.

7.5 Allocation through Projects and Government Funds

Approximately Rs. 39,851 crore, or 98% of expenditure, went directly to social projects, while about Rs. 943 crore, or 2%, went to government funds.

This indicates that most of the reported expenditure was directed towards projects rather than government funds. However, the route through which money is allocated does not, by itself, establish the quality or effectiveness of the resulting work. Project-level monitoring remains necessary.

7.6 Overall Interpretation

The findings support the hypothesis in relation to sector-wise and company-level concentration. They also support the concern that expenditure growth and concentration figures cannot establish whether benefits are evenly distributed or whether projects achieve their intended results.

8. Suggestions

Outcome-based reporting: Companies should strengthen CSR reporting by explaining what projects achieved alongside the amount spent. Relevant indicators could include school attendance, access to healthcare, livelihood opportunities or improvements in environmental conditions.

Attention to local needs: Companies should consider local needs when selecting projects. Areas and communities with limited access to essential services should receive appropriate attention, based on credible assessments rather than expenditure totals alone.

Independent impact assessments: Large CSR spenders should strengthen independent impact assessments. Such assessments can help identify successful projects, implementation difficulties and areas where funds could be used more effectively.

Capacity building: Companies should invest in the capacity of implementing organisations. Better planning, financial management, monitoring and evaluation can improve the quality of project delivery.

Clearer disclosure: CSR disclosure should distinguish financial compliance from social outcomes. Spending the required amount is important, but reporting should also explain whether the funded activities made a meaningful difference.

9. Conclusion

Section 135 of the Companies Act, 2013 has established a statutory framework that has accompanied a substantial rise in CSR expenditure in India. The figures presented in this study show that reported spending reached Rs. 40,794 crore in 2024–25, with education and healthcare accounting for more than half of the total.

At the same time, the reported concentration of expenditure among selected sectors and large companies highlights the need to examine how CSR resources are distributed and evaluated. Differences in state-level spending also deserve closer investigation, although the available figures do not establish the actual distribution of social benefits.

The central conclusion is that increased spending and effective social development are related but distinct questions. A stronger CSR framework should combine financial accountability with transparent outcome reporting, appropriate project selection and credible impact assessment. This would help companies move beyond meeting statutory requirements towards making their social contributions more meaningful and measurable.

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