Revisiting CSR in India

Evidence, Gaps, and Contradictions from Recent Parliamentary Answers

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It has been a decade since the corporate social responsibility legislation in India was first implemented in 2014. Although aggregate CSR spending has risen sharply, its distribution remains highly uneven. Compliance patterns reveal a shift towards "tick-box" adherence, with many firms spending exactly the mandated 2% via safe, centralised contributions rather than community-driven projects. The article argues that weak enforcement has created a low-effort equilibrium, limiting the potential of CSR, and the law risks degeneration into a bureaucratic ritual rather than a transformative developmental instrument.

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From March to August 2025, the Indian government, in response to a series of parliamentary questions, presented the latest official account of corporate social responsibility (CSR) in India.[1] These disclosures present a dual narrative—one that offers grounds for both commendation and critical reflection. While the total amount of CSR spending has reached record levels, persistent regional imbalances, questions about compliance, and corporate bias towards safe, highly visible projects continue to limit its developmental impact. Now over a decade old, the CSR mandate under Section 135 of the Companies Act, 2013 forms the backdrop against which we examine the recent parliamentary responses, supplementing them with additional data for a more comprehensive analysis.

Section 135 of the Companies Act, 2013 mandates that corporate firms meeting any of the three specified criteria must allocate at least 2% of the average net profit of the previous three years to CSR activities outlined in Schedule VII of the Companies Act. These criteria are: (i) companies with a minimum net worth of ₹500 crore and more, (ii) a turnover of ₹1,000 crore or more, and (iii) a net profit of ₹5 crore or more. The act requires the establishment of a CSR committee comprising at least three directors, including one independent director. The committee is responsible for recommending and overseeing CSR activities. Additionally, the act requires a disclosure of CSR policy and CSR spending in the annual financial report. If a company fails to meet the requirements of the act, it must provide reasons for its failure.

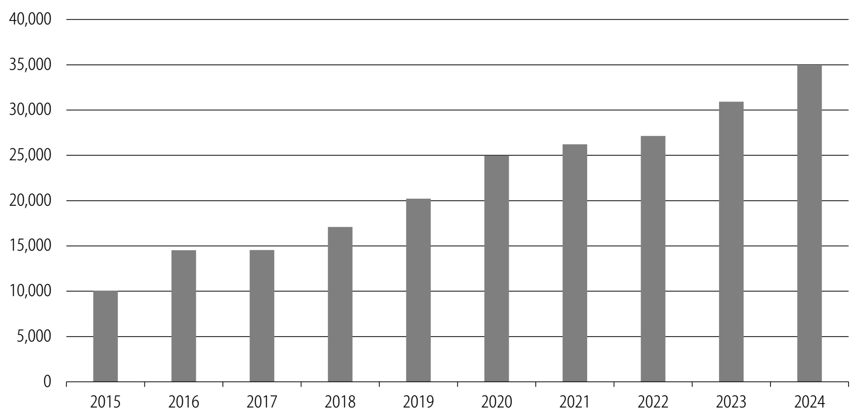
This article looks at these latest developments and draws on both empirical evidence and theoretical perspectives. We observe that India's CSR is becoming more of a ritual that foregrounds the need for greater equity, enhanced accountability and transformative impact.

Scale and Geography of CSR Spending

The data submitted to Parliament from March to August 2025 shows that the CSR expenditure climbed from ₹26,210.95 crore in 2020–21 to ₹29,987.92 crore in 2022–23, a cumulative spend of nearly ₹83,000 crore over just three years. We analyse data from the CSR portal. The CSR expenditure has continuously increased year-on-year (Figure 1), more than tripling from 2015 to 2024. Post-regulation, there is a 247% growth in CSR spending, where total spending by companies on CSR in FY 2024 is ₹34,909 crore compared to ₹10,066 crore in FY 2015. At first glance, this upward trajectory seems to signal the growing effectiveness of the regulation. However, a closer look reveals that these impressive aggregates mask stark spatial and distributional inequities.

The study also takes into consideration the state-wise CSR spending done by

Figure 1: CSR Spending over the Years (₹ crore)



Source: Ministry of Corporate Affairs (2025), https://www.csr.gov.in/.

companies (Figure 2). Our analysis of geographic disparities reveals an imbalance in the allocation of CSR funds by companies. We can see disparities in the geographical allocation of CSR funds. Maharashtra alone gets one-fourth of the total CSR spending (among states and union territories, excluding pan India and non-mention category). The top five states—Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Andhra Pradesh—together constitute 56% of the total CSR spending. In these states, we see a high concentration of CSR funds, and these states are more industrialised than others. In contrast, less industrialised states receive disproportionately low funds. The bottom 15 states and the union territory receive only 1.38% of the total spending. Twenty-four out of 36 states and union territories receive less than the national average CSR allocation of ₹4,061 crore. This uneven distribution indicates a limitation of the current mandate, which emphasises spending in areas where the business operates rather than areas with higher needs.

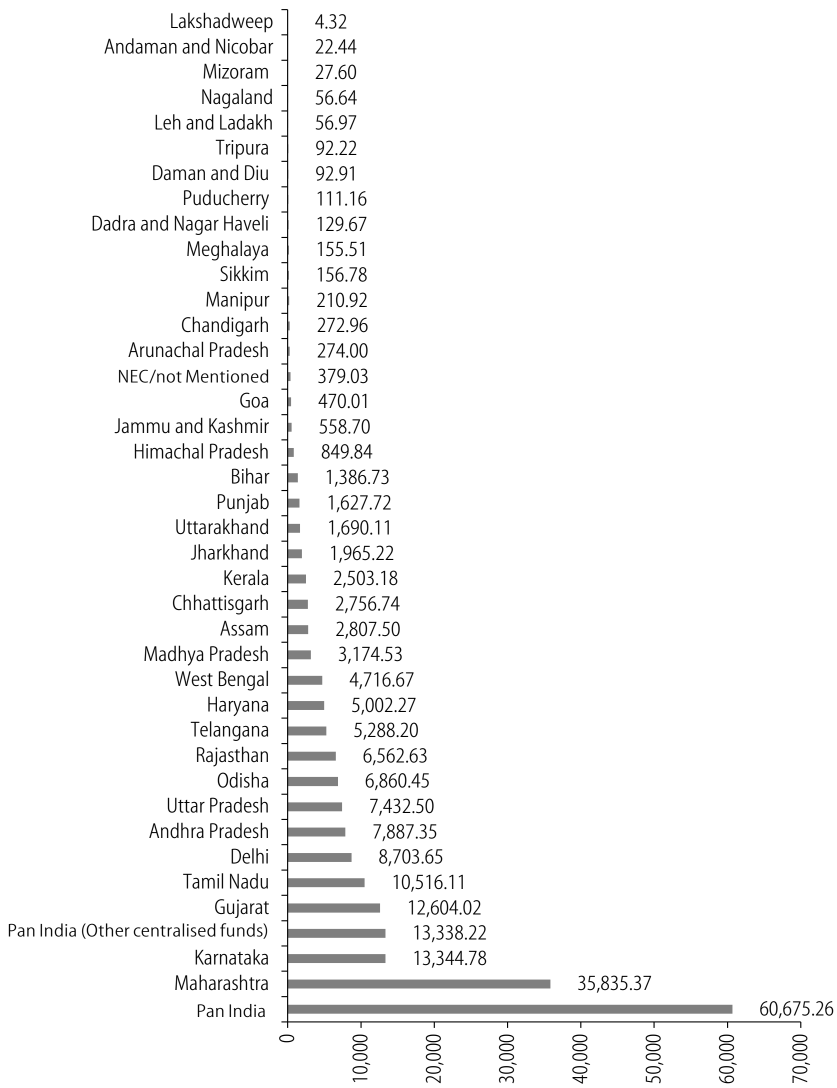
The government's periodic exhortation to prioritise underdeveloped "aspirational districts" has not yet translated into significant funding. In 2022–23, just ₹1,393 crore, less than 5% of the total CSR outlay, was allocated to these districts. The parliamentary data lay bare a persistent contradiction; while the stated intent of the law is to address social and regional imbalances, its implementation has often reinforced them. The growing trend of routing CSR money to pan-India or centralised government projects further dilutes the spirit of local area development. In 2022–24, nearly ₹6,960 crore was directed to "pan-India" projects and another ₹1,000 crore to centralised government funds. Together, these account for roughly 33% of the total CSR spending from 2015 to 2024. This shift raises critical concerns about the effectiveness and intent of the CSR mandate. While such centralised funding may simplify compliance for companies, it risks diluting the purpose of the CSR to foster local development through meaningful corporate-community engagement. The trend towards centralised, non-localised spending suggests the law is increasingly being treated as a compliance checkbox rather than a tool for an innovative, impactful social investment approach (Jumde and du Plessis 2022).

Sectoral Patterns

The sectoral disbursement of CSR funds, as reported in the recent parliamentary answers, reveals a pronounced skew in favour of health and education. In 2022–23, education accounted for over ₹10,000 crore, healthcare for nearly ₹6,800 crore, and environmental sustainability around ₹2,000 crore. While these sectors are understandably popular due to their visibility and political safety, this concentration reveals significant shortcomings in the broader CSR landscape.

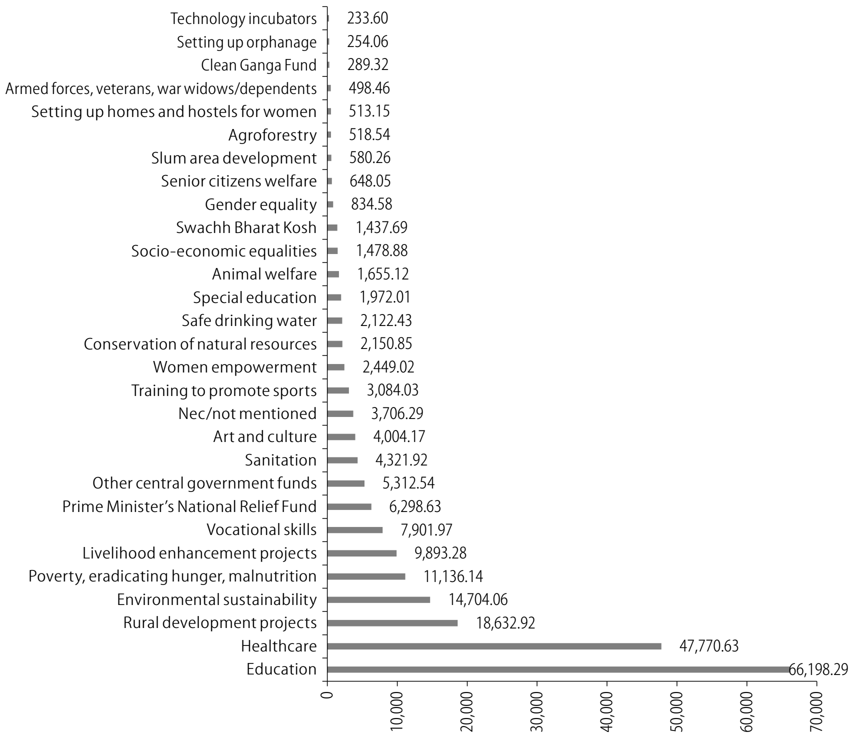
The grassroots capacity building, systemic poverty reduction, and support for the most marginalised communities receive disproportionately low funding (Figure 3, p 23). As a result, the bulk of spending is directed towards projects with clear short-term outputs but often little evidence of sustainable, systemic change. The tendency of companies to avoid politically sensitive or administratively challenging sectors and geographies exacerbates this imbalance. Firms prefer "sanitised philanthropy," leveraging CSR as a tool for corporate branding and regulatory compliance while minimising engagement with complex local realities. This risk is heightened by companies' increasing tendency to avoid sectors or geographies that might be politically contentious or administratively demanding.

Figure 2: State-wise and Pan-India CSR Spending from 2014 to 2024 (₹ crore)



Source: Ministry of Corporate Affairs (2025), https://www.csr.gov.in/., and the authors' calculation.

Figure 3: CSR Spending across Development Sectors from 2015 to 2024 (₹ crore)



Source: Ministry of Corporate Affairs (2025), https://www.csr.gov.in/, and the authors' calculation.

Perhaps the most striking recent trend is the increasing centralisation of CSR spending. From 2018–19 to 2022–24, more than ₹13,338 crore was transferred to central government funds, such as PM CARES, Swachh Bharat Kosh, and the Clean Ganga Fund. In 2022–23 alone, contributions to PM CARES and National Relief Funds topped ₹815 crore, while Swachh Bharat and Clean Ganga received ₹55 crore and ₹41 crore, respectively. For many companies, contributing to these funds offers a risk-free route to compliance, bypassing the operational uncertainties and reputational risks associated with ground-level projects. This development marks a significant shift away from the original intent of Section 135, which was to promote local area development and corporate engagement with community needs. When the CSR is channelled into national funds, it risks becoming a form of quasi-taxation: companies fulfil their legal obligations, but the potential for innovation, partnership, and context-sensitive development is lost. Centralisation is, in game theory terms, a dominant strategy for risk-averse firms.

Both the main answers and government statements explicitly confirm that the government does not direct corporates to allocate CSR funds to particular sectors or regions, even as concerns are repeatedly raised about regional imbalances, such as in the north-eastern region and aspirational districts. While the government makes data available and sets standards for transparency, corrective and incentive mechanisms are still lacking. Companies are mandated to transfer unspent funds to central government accounts, further centralising CSR and diluting local impact.

Governance, Monitoring, and Compliance

The governance framework for CSR is, in principle, robust: a board-driven process supported by mandatory disclosures, the oversight of a CSR committee, and statutory audit requirements. Companies are obliged to file annual reports of their CSR activities on the Ministry of Corporate Affair's (MCA) MCA21 portal, with auditors required to flag unspent amounts. However, as the recent parliamentary responses indicate, these formal safeguards do not necessarily translate into substantive accountability or impact. Given the mandatory nature of CSR spending and the option of comply or explain, companies can opt to explain rather than spend.

Recent parliamentary answers reinforce that India's CSR framework remains board-driven, with annual disclosures, audit requirements, and a self-reporting mechanism through the MCA21 portal. Statutory audit and compliance oversight have been strengthened by the Companies Auditor's Report Order, 2020, with auditors now required to flag unspent CSR amounts.

We analyse variations in firms' CSR spending and examine the number of companies spending less than, equal to, and more than the mandated 2% on CSR in the post-regulation period 2015–24 (Table 1). We can see a significant decline in the companies' spending less than the mandatory amount from 2021 onwards. Companies spending exactly 2% have an upward trend, suggesting that most companies are treating CSR as just a compliance measure and take a tick box approach. The number of companies spending more than the mandatory requirements has increased over time, showing an increase in corporate generosity by spending beyond the legal requirement. One possible reason may be the CSR's role in reputation building and focus on long-term corporate sustainability.

Though there is a variation in CSR spending, there is a presence of unspent CSR funds in the given year (Table 2, p 34). A company must transfer unspent CSR amount to the specified funds within six months from the end of the financial year. If these unutilised funds are part of an ongoing CSR project, the company should transfer these funds to an exclusive account.

Table 1: Companies' CSR Spending Less than, Equal to, and More than the Mandated 2%

Year	Less than	Equal to	Greater than	Total Companies
2015	2,117	819	769	3,705
2016	2,710	1,483	1,202	5,395
2017	2,848	2,010	1,406	6,264
2018	3,019	2,397	1,597	7,013
2019	3,109	2,836	1,943	7,888
2020	3,154	2,907	2,077	8,138
2021	2,069	3,746	2,841	8,656
2022	2,127	3,669	3,274	9,070
2023	2,082	3,413	3,379	8,874
2024	508	767	546	1,821

Source: Prowess Database, Centre for Monitoring Indian Economy and authors' calculation.

Between 2019–20 and 2023–24, only 30 companies were penalised for non-compliance with CSR requirements, amounting to ₹19.94 crore in total penalties. This represents an extremely small fraction compared to thousands of firms that are subject to the law, highlighting that enforcement has been minimal. The 2021 amendment, which downgraded non-compliance from a criminal to a civil offence, has made penalties less threatening. This has significant implications for compliance. When the probability and severity of punishment are both low, companies may rationally optimise for minimalist, procedural compliance. The expected cost of non-compliance, in most cases, is dwarfed by the costs or perceived risks of ambitious, community-driven projects. Impact assessment is only mandatory for large companies (average CSR obligation >₹10 crore) and for large projects (outlay ≥₹1 crore). There is no requirement for universal third-party evaluation.

Table 2: Unspent CSR Amount (₹ crore)

Year	CSR Unspent
2015	4,195.92
2016	5,368.34
2017	5,485.94
2018	4,350.59
2019	4,375.72
2020	3,834.92
2021	2,782.73
2022	2,761.01
2023	3,162.32
2024	2,196.29

Source: Prowess Database, Centre for Monitoring Indian Economy and authors' calculation.

Game-theoretic perspectives help explain why compliance under India's CSR regime often settles into a low-effort equilibrium. In a repeated game context where regulatory monitoring is weak and penalties are rare, firms have little incentive to exceed the statutory requirements. Occasional high-profile penalties serve more as warning shots than as a credible threat, creating short-term behavioural adjustments without alerting the underlying incentive structure. The evolution of compliance under India's CSR regime is well explained by game theory. Rational firms weigh the substantial costs and uncertainties of genuine, community-driven engagement against the much lower expected cost of being found non-compliant, and therefore optimise for procedural, minimal compliance. The law's heavy reliance on self-reporting and internal audits reinforces this dynamic, with "compliance" often reduced to the completion of paperwork rather than substantive pursuit of developmental objectives.

The growing preference for contributions to government funds is another manifestation of rational strategy. For most companies, it is simpler and safer to comply via a direct contribution to central government funds than to build partnerships or implement challenging projects. Yet, this strategy, while rational at the individual level, is collectively suboptimal. It reduces the developmental potential of CSR and distances companies from the grassroots and society in general.

Concluding Observations

India's initiative to implement mandatory CSR under the Companies Act, 2013 is a critical turning point. The aggregate numbers, as presented in Parliament, suggest success. However, underlying issues remain; distribution is uneven, compliance is often merely procedural, and the law's promise of inclusive and transformative development is still out of reach. By recalibrating incentives, decentralising action, and democratising governance, CSR can become a genuine force for social progress. Without reforms, the risk is that mandatory CSR, once celebrated as a global first, may become little more than another bureaucratic ritual.

The data and practices surrounding CSR in India highlight several ongoing tensions that remain unresolved. Geographically, the movement of funds tends to exacerbate regional inequalities rather than correct them. Aspirational districts and backward regions receive only a small fraction of the total CSR spending. The sectoral bias towards health and education comes at the expense of neglected but important issues such as rural livelihoods, social justice, and gender equality. Despite an elaborate legal framework, impact assessment remains mostly a matter of form, with little independent verification or learning. The governance model is still insular, with limited space for community voice, local government participation, or genuine collaboration with civil society.

Enforcement remains the weakest link in the system. The change of penalties from criminal to civil has reduced deterrence, and the total number of penalised firms remains extremely low. From a game-theoretic perspective, the entire compliance structure relies on signals that are infrequent and mild. In such an environment, most companies choose procedural compliance or safe, centralised giving, further perpetuating the cycle of low-impact, low-risk CSR. To move beyond the current impasse, policymakers need to fundamentally rethink both incentives and safeguards.

Earmarking a defined share of CSR expenditure for aspirational districts and other backward regions would help address entrenched geographic disparities in fund allocation, better aligning corporate investment with the developmental mandate of the law. Complementing this, mandatory independent third-party impact evaluations for major projects would ensure that reported outcomes are accurate and substantively linked to actual progress, while randomised audits and enhanced public disclosure of enforcement actions would strengthen transparency and deterrence. Regulatory incentives or formal recognition for companies engaging in challenging, high-impact sectors or underserved geographies could further rebalance current sectoral and spatial skews.

Finally, CSR should be reimagined as a process of collaborative engagement, innovation, and learning, rather than as a regulatory obligation or public relations exercise.

NOTE

1 Rajya Sabha/Lok Sabha unstarred questions from March–April 2025 can be accessed from https://sansad.in/rs/questions/questions-and-answers and, https://sansad.in/ls/questions/questions-and-answers.

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