WINGS
ELEVATING PHILANTHROPY

India's CSR Law: Mobilising Corporate Giving Through Mandatory CSR

TIER 2
Catalyser

Why this case matters

India's corporate social responsibility (CSR) law shows how governments can mobilise large-scale domestic resources for public-benefit purposes by embedding social responsibility within corporate law. By making CSR spending mandatory for qualifying companies, the reform transformed corporate giving from a voluntary and uneven practice into a predictable, rules-based system.

At the same time, the case highlights important trade-offs. While the framework has increased funding and improved transparency, it has also introduced compliance burdens and raised questions about flexibility, equity and long-term impact.

India's story of change

India introduced a mandatory Corporate Social Responsibility (CSR) framework through the Companies Act, 2013, requiring qualifying companies to allocate at least 2% of their average net profits to public-benefit activities.

This reform built on a long tradition of corporate philanthropy but shifted it from a voluntary and uneven practice to a structured system with board-level oversight, standardised reporting and clearer accountability. Over time, the framework has evolved beyond a "spend and report" model to include stricter compliance rules, treatment of unspent funds and impact assessment requirements for larger programmes.

Relevant EE Guide recommendations

This case illustrates the following recommendation in practice:

- **Rec. 5:** Introduce or expand fiscal incentives for charitable giving

Policy lever

Mandatory CSR spending embedded in company law.

The result is one of the world's largest mandated corporate giving systems, generating significant and predictable funding flows for the social sector, while also raising important questions about effectiveness, equity and the balance between regulation and flexibility.

Country snapshot: India

Country overview	▶ Lower-middle-income country with an open philanthropic environment ▶ One of the world's largest economies (5th globally, according to World Bank data), with significant wealth concentration ▶ High levels of inequality, with the top 1% owning ~40.1% of total personal wealth ▶ Presence of substantial philanthropic capital despite overall income levels, according to the 2026 World Inequality Report ▶ Global Philanthropy Environment Index (GPEI) Score (2025): 3.38/5
Intervention type	▶ Regulatory reform introducing mandatory CSR spending under the Companies Act, 2013
Outcome type	▶ New regime establishing mandated CSR spending with defined thresholds, governance requirements and reporting obligations ▶ According to the National CSR Portal, CSR spending reached INR 349 billion (~USD 3.7 billion) in FY 2023–24, a 13% year-on-year increase, supporting 59,634 projects
Key challenges/barriers prior to the intervention	▶ **Fragmented and uneven corporate giving:** Corporate social spending was largely voluntary and discretionary, with wide variation across firms in scale, quality, transparency and duration ▶ **Limited accountability and strategic alignment:** The absence of a common governance and disclosure framework made it difficult to track spending, assess outcomes or align corporate giving with public priorities

Introduction: the background

India's CSR mandate emerged from a recognition that rapid economic growth following the 1991 liberalisation reforms was not translating evenly into social progress across areas such as education, health, livelihoods and basic services. Public resources alone were insufficient to address these gaps, prompting greater attention to the role of private sector contributions.

Corporate giving in India was already well established, rooted in a long tradition of business philanthropy, including the concept of trusteeship: the idea that private wealth should be used to advance broader social welfare. However, prior to the Companies Act, 2013, this giving was largely voluntary and discretionary. Practices varied widely across firms in scale, quality, transparency and duration, and were often limited by weak governance and limited long-term planning.

Earlier efforts to encourage more structured corporate responsibility through voluntary guidelines did not produce consistent uptake. This highlighted the limits of a purely voluntary approach and strengthened the case for a statutory framework.

The CSR provisions introduced under the Companies Act, 2013 were designed to bring greater consistency, predictability and oversight to corporate social spending. The reform aimed to broaden participation beyond a small group of voluntary leaders and to standardise governance and disclosure, enabling spending to be tracked and aligned more clearly with public priorities. In doing so, it sought not only to increase the scale of resources, but also to shift corporate giving from ad hoc activities toward a more structured and sustained channel of development finance.

Intervention: the what

The fragmented and discretionary nature of corporate giving created a strong case for reform, prompting policymakers to introduce a statutory CSR framework to expand participation, improve transparency and accountability, and channel private resources more systematically toward national development priorities.

India's CSR framework is anchored in Section 135 of the Companies Act, 2013, which requires companies meeting specified financial thresholds to undertake CSR activities and allocate a minimum level of spending toward eligible public-benefit purposes.

Applicability	▸ Applies to all companies, including foreign companies with branch or project offices in India
Requirements	▸ **CSR Committee:** Eligible companies must constitute a Board-level CSR Committee (minimum three directors, including at least one independent director) to formulate policy and oversee implementation ▸ **Spending requirement:** Companies must spend at least 2% of their average net profits from the previous three years on eligible CSR activities ▸ **Local preference:** Companies must give preference to local areas of operation when undertaking CSR activities ▸ **Disclosure:** Companies must report CSR policy, spending and outcomes through prescribed disclosures ▸ **Treatment of unspent amounts:** Unspent funds must be transferred either to an Unspent CSR Account (for ongoing projects) or to a Schedule VII fund within specified timelines; later amendments introduced monetary penalties
Financial threshold	Any of the following must be met in the immediately preceding financial year: ▸ Net worth of INR 5 billion (~USD 60 million) or more ▸ Turnover of INR 10 billion (~USD 120 million) or more ▸ Net profit of INR 50 million (~USD 0.6 million) or more
Excess set-off	▸ Excess spending above the 2% requirement may be carried forward for up to three financial years, subject to Board approval
Permissible activities	▸ Must align with Schedule VII (e.g. education, health, environment, rural development, etc.)
Other conditions	▸ **Intermediary registration:** Since April 2021, CSR must be implemented directly or through registered entities (Form CSR-1) ▸ **Impact assessment:** Companies with CSR obligations of INR 100 million (~USD 1.2 million) or more must conduct independent impact assessments and report findings to the Board

Implementation: the how

India's CSR framework developed through a gradual process that moved from voluntary guidance to statutory mandate, supported by evolving policy thinking and institutional design.

- **Positioning corporate giving as a development instrument:** In the late 2000s, policy discourse began linking corporate engagement to inclusive growth. India's 11th Five-Year Plan (2007–2012) helped establish the idea that companies could play a legitimate role in addressing social and development gaps, reframing corporate giving as part of a broader development compact.
- **Testing a voluntary approach:** The Ministry of Corporate Affairs introduced voluntary CSR guidance in 2009, followed by the National Voluntary Guidelines in 2011. Developed through consultation with industry bodies, such as the National Foundation for Corporate Governance, and professional associations, these frameworks helped formalise expectations and allowed companies to adapt. However, uptake remained uneven and insufficient.
- **Shift to statutory obligations:** Limited progress under the voluntary approach led policymakers to conclude that corporate giving would remain fragmented without a legal mandate. This marked a transition from encouraging CSR to requiring minimum levels of spending and governance, while also prompting debate about "mandatory philanthropy".
- **Building legislative support:** The Parliamentary Standing Committee on Finance endorsed the statutory inclusion of CSR (via the 21st report), including provisions on Board responsibility and disclosure, helping establish political and institutional legitimacy for the reform.
- **Embedding CSR within company law:** CSR was incorporated into the Companies Act, 2013 (Section 135), integrating it into India's broader corporate governance framework rather than introducing it as a standalone policy. This facilitated institutional adoption and alignment with existing regulatory systems.
- **Strengthening the framework over time:** From 2020 onwards, reforms tightened compliance through rules on the treatment of unspent funds, the introduction of monetary penalties, and enhanced requirements for reporting and impact assessment, signalling a shift toward stronger oversight and accountability.

Corporate giving in India long predates the CSR law, rooted in established philanthropic traditions and shaped by ancient Indian practices of wealth stewardship. Yet these contributions remained uneven, largely discretionary and weakly standardised in governance and disclosure. Against persistent development gaps, the Government moved to institutionalise CSR through company law, despite industry criticism that this amounted to "forced philanthropy". After limited uptake under the voluntary regime, this culminated in the Companies Act, 2013, which embedded mandatory CSR obligations within India's broader corporate governance framework rather than through a standalone law. The implementation pathway was gradual (see Annex).

Role of key actors

- **Ministry of Corporate Affairs (MCA):** Lead drafter of the Companies Act provisions; positioned CSR within company law and designed the threshold criteria, governance structures and disclosure framework.
- **Parliamentary Standing Committee on Finance:** Reviewed successive versions of the Companies Bill, gathered stakeholder input and shaped the positioning of CSR, including debates on feasibility, enforceability and the "comply or explain" approach.
- **Cabinet/Union Government:** Provided political approval for key policy choices through inter-ministerial processes, balancing mandatory requirements with a disclosure-based accountability model.
- **Industry and business associations (e.g. CII, FICCI, ASSOCHAM):** Contributed through consultations and formal submissions, advocating for flexibility, clearer definitions and practical compliance mechanisms.
- **Philanthropic actors:** Played an important supporting role in shaping practice and ecosystem readiness. Institutions such as Tata Trusts demonstrated large-scale social investment, the Azim Premji Foundation helped professionalise philanthropic approaches, and Dasra strengthened the implementing partner ecosystem.
- **Social sector networks and CSR practitioners:** Brought implementation perspectives into consultations, highlighting the need for predictability, transparency and safeguards against superficial compliance.
- **Corporate law experts, accounting bodies and think tanks:** Informed the technical design, particularly on reporting standards, governance requirements and enforceability.

Outcomes and early signals of impact

Over time, India's CSR framework has generated measurable shifts in the structure, predictability and governance of corporate social investment. Evidence and practitioner insights point to the following enabling-environment effects:

- **Greater scale and predictability of CSR:** The mandate has significantly increased both the scale and reliability of corporate social investment, while embedding CSR within formal governance and reporting systems. According to the National CSR Portal, CSR spending reached **INR 349 billion (~USD 3.7 billion) in FY 2023–24, a 13% year-on-year increase, supporting 59,634 projects**. Spending remains somewhat concentrated, with the top 10 companies accounting for 17% of total spend and the top five states receiving 43%.
- **A stronger implementation and compliance ecosystem:** The introduction of structured disclosure and oversight requirements has driven the growth of a supporting ecosystem of intermediaries, including organisations focused on partner due diligence, project sourcing, reporting and evaluation. Recent reforms, particularly around impact assessment for larger projects, signal a shift from "spend and disclose" to "spend, disclose and demonstrate results."
- **More predictable domestic resource mobilisation:** CSR has created a quasi-institutionalised stream of corporate funding. While distinct from voluntary philanthropy, it has formalised corporate giving and embedded it within governance and reporting frameworks, effectively mainstreaming CSR as a regulated corporate function.

- **More stable funding flows into the social sector:** Stakeholders report that CSR now represents a more predictable share of philanthropic capital, supporting planning and continuity, particularly where companies adopt multi-year funding approaches.
- **Greater standardisation and transparency:** Mandatory disclosure requirements have improved baseline visibility into CSR allocations and enabled more consistent monitoring and comparison over time. While CSR is not typically positioned as risk capital, practitioners note that it can play a catalytic role in scaling evidence-based interventions.
- **Professionalisation of implementing organisations:** Registration and reporting requirements have encouraged implementing organisations to strengthen governance, documentation and financial management systems.
- **Scaling of proven interventions:** With a focus on sectors such as education, health and nutrition, the framework has supported the expansion of established programmes over longer time horizons.

Caveats for policymakers

India remains one of the only countries to have implemented mandatory CSR in some form. While this has generated important gains, including increased resource mobilisation, more predictable corporate social spending, and stronger governance and reporting, it has also attracted sustained criticism. These concerns highlight key risks and implementation challenges for other jurisdictions.

- **Legitimacy concerns ("forced philanthropy"):** Some corporate actors argue that mandated CSR shifts responsibility for public goods from the state to private firms, raising questions about accountability and the appropriate role of business in development.
- **Minimum requirements can become compliance ceilings:** Although the law sets a 2% spending requirement, evidence suggests many companies treat this as a target rather than a minimum. This can encourage "tick-box" behaviour, where compliance and reporting are prioritised over outcomes, learning or systemic impact.
- **Limited internal capacity:** CSR functions within companies are often under-resourced or staffed by non-specialists and may not consistently influence Board-level decision-making. Caps on administrative spending (5% of CSR budgets) can further constrain investment in internal expertise.
- **Compliance costs and capability constraints:** Reporting, audits, impact assessments and registration requirements increase transaction costs. These burdens can be particularly challenging for companies with smaller CSR budgets, encouraging short-term, low-risk, compliance-focused programming.
- **Crowding out of smaller organisations:** Stringent compliance requirements and limited flexibility can favour larger, well-established organisations, while making it harder for smaller, community-based actors to access funding or participate.

- **Narrowing of eligible and funded causes:** India's CSR law restricts companies to an enumerated list of permissible activities, and in practice spending has concentrated heavily within a few of them. Education and healthcare alone absorb over half of total CSR expenditure, while areas such as livelihoods, mental health, climate resilience, arts and culture, and disaster preparedness remain comparatively underfunded. Mandated giving regimes can therefore narrow rather than broaden the diversity of causes supported, crowding flows toward auditable, large-scale, headline sectors and away from issues that may be equally important but less visible or harder to measure.
- **Geographic and sectoral concentration:** CSR spending remains unevenly distributed, with a significant share directed to more economically developed states where companies operate. Less-developed regions receive a smaller proportion of funding, highlighting a persistent mismatch between need and allocation.

Lessons for policymakers

India's experience shows that the key question is not whether to mandate corporate spending, but how to design the governance, reporting and incentive architecture around it. While legislation can create predictable resource flows, the effectiveness of those resources depends on how the system is structured and managed in practice. Key lessons include:

- **Define the policy objective clearly:** Governments should be explicit about whether the primary goal is resource mobilisation, improved transparency, better development outcomes or changes in corporate behaviour. India has been strongest on mobilisation and disclosure, with impact assessment required only for larger projects and limited emphasis on shifting core business practices.
- **Use disclosure to shape behaviour, but prioritise quality:** Structured disclosure can improve transparency and accountability, but it must be supported by clear templates, proportionality, comparability and accessible data systems to avoid superficial compliance.
- **Establish governance and review mechanisms early:** Board oversight, clear rules on unspent funds, audit linkages and credible review processes are essential to ensure accountability and strengthen implementation.
- **Support long-term, outcome-oriented approaches:** Systems that prioritise annual spending can inadvertently reward expenditure over results. Governments should enable multi-year funding, realistic evaluation timelines and more outcome-focused approaches.
- **Design proportionate compliance requirements:** Excessive reporting and administrative burdens can distort participation and disadvantage smaller actors. Capacity-building and differentiated requirements can help maintain inclusivity.
- **Use complementary measures to address imbalances:** Mandatory spending alone may not direct funds to underserved regions or sectors. Coordination mechanisms, pooled funding vehicles and improved data transparency can help address concentration without centralising allocation.
- **Position CSR as complementary to public finance:** Corporate social spending should be framed as a supplement to, not a substitute for, public expenditure and tax-based redistribution.

Final reflections

India's CSR legislation is widely recognised for its scale and ambition, but it remains contested in both design and implementation. The key debate is not whether it has mobilised resources – it clearly has – but how it shapes incentives, governance, impact and longer-term behaviour across companies and the social sector.

The experience demonstrates that mandatory or quasi-mandatory frameworks can generate predictable domestic resource mobilisation at scale. However, their effectiveness depends on how well governments balance enforcement with proportionality, accountability with learning, and compliance requirements with incentives for strategic and innovative approaches.

The broader lesson is that legislation alone is not sufficient. Effective CSR systems require ongoing stewardship to ensure that mandated spending translates into transparency, meaningful outcomes and more equitable developmental impact.

Annex

Timeline of events

Timeline	Milestone	Activity
Phase I: The "voluntary" CSR phase		
▶ **Recognition of two core ideas:** ▶ India's long-standing tradition of business philanthropy ▶ The role of "India Inc." as a development partner supporting national priorities		
2007-2008	The precursor	▶ India's 11th Five-Year Plan (2007–2012) emphasises inclusive growth and the role of business in social development ▶ Early attempts to introduce CSR requirements face industry resistance
2009	CSR Voluntary Guidelines	▶ Ministry of Corporate Affairs (MCA) issues voluntary CSR guidance ▶ Developed through stakeholder consultations led by the National Foundation for Corporate Governance, incorporating industry input
2011	National Voluntary Guidelines	▶ Expansion and refinement of CSR guidance into a broader responsible business framework ▶ Builds explicitly on stakeholder engagement
Phase II: Legislative process (2009-2012)		
2010	Standing Committee review (21st Report, 2010)	▶ Parliamentary Standing Committee on Finance supports statutory CSR, including disclosure and Board accountability
2011	CSR introduced in Companies Bill	▶ CSR formally included in the Companies Bill, later enacted as Section 135 of the Companies Act, 2013 ▶ Debate on whether "comply or explain" weakens enforcement

2012	Companies Amendment Bill passed by the Lok Sabha, the lower house of India's Parliament	▸ Strengthens CSR provisions ▸ Introduces local area preference ▸ Retains "comply or explain" approach
Phase III: Enactment and operationalisation		
2013	Companies Act and Rules	▸ Companies Act, 2013 enacted ▸ CSR operationalised through Companies (CSR Policy) Rules, 2014
Phase IV: Post-enactment evolution		
2020–2021	Increased scrutiny	▸ Mandatory transfer regime for unspent CSR funds introduced ▸ Decriminalisation of offences with monetary penalties ▸ Introduction of impact assessment requirements
Ongoing	Review and refinement	▸ Continuous review by MCA, including high-level committees ▸ Ongoing amendments clarify eligible activities, strengthen compliance, and expand reporting and registration systems

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Interview

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