

Corporate Social Responsibility (CSR) in India

A Comprehensive Guide to CSR Compliance under the Companies Act, 2013

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1. Overview of CSR in India

Corporate Social Responsibility (CSR) in India became mandatory from April 1, 2014, under Section 135 of the Companies Act, 2013. India is one of the few countries in the world to mandate CSR spending by law, making it a unique approach to corporate accountability and social development.

Key Principle: The CSR provisions aim to make corporations utilize their innovations and managerial skills in delivering public goods while contributing to India's socio-economic development.

2. Legal Framework

The CSR mandate is governed by:

- **Section 135** of the Companies Act, 2013
- **Schedule VII** - List of permissible CSR activities
- **Companies (Corporate Social Responsibility Policy) Rules, 2014**
- Various circulars and amendments issued by the Ministry of Corporate Affairs (MCA)

3. Eligibility Criteria

A company must comply with CSR provisions if it meets **any one** of the following thresholds during any financial year:

Parameter	Threshold Amount
Net Worth	₹500 crore or more
Turnover	₹1,000 crore or more
Net Profit	₹5 crore or more

Important Note: These provisions apply to Indian companies, their holding/subsidiary companies, and foreign companies with branch or project offices in India.

4. CSR Spending Requirements

4.1 Mandatory Spending

Companies meeting the eligibility criteria must spend **at least 2% of their average net profits** from the preceding three financial years on CSR activities.

4.2 Calculation of Net Profit

Net profit is calculated as per the financial statements prepared under the Companies Act, 2013, but excludes:

- Profits from overseas branches
- Dividends received from other companies in India that are already complying with CSR provisions

4.3 Unspent CSR Amount

If a company fails to spend the prescribed CSR amount:

- Ongoing projects: Transfer unspent amount to a separate Unspent CSR Account within 30 days of the financial year end. These funds must be spent within three financial years.
- Other projects: Transfer unspent amount to a fund specified in Schedule VII (such as PM CARES Fund, Swachh Bharat Kosh, Clean Ganga Fund) within six months of the financial year end.

5. CSR Committee Requirements

Companies covered under CSR provisions must constitute a CSR Committee of the Board with the following composition:

Requirement	Details
Minimum Directors	Three or more directors
Independent Director	At least one independent director (where applicable)

For Private Companies	If only two directors exist, both shall constitute the committee
For Foreign Companies	At least two persons, including one person resident in India authorized to accept service of notices

5.1 Responsibilities of CSR Committee

- Formulate and recommend CSR Policy to the Board
- Recommend CSR expenditure amounts
- Monitor CSR Policy implementation
- Prepare CSR annual action plan
- Ensure activities align with Schedule VII

6. Permissible CSR Activities (Schedule VII)

Companies can undertake CSR activities in the following areas:

1. **Eradicating hunger, poverty and malnutrition** - Promoting health care including preventive health care and sanitation
2. **Promoting education** - Including special education, employment enhancing vocation skills
3. **Promoting gender equality** - Empowering women, setting up homes and hostels for women and orphans
4. **Reducing child mortality and improving maternal health**
5. **Combating HIV/AIDS, malaria, and other diseases**
6. **Ensuring environmental sustainability** - Ecological balance, flora and fauna, animal welfare, agroforestry, conservation of natural resources
7. **Employment enhancing vocational skills**
8. **Social business projects**
9. **Contribution to PM National Relief Fund or similar government funds**
10. **Rural development projects**
11. **Slum area development**
12. **Disaster management** - Relief, rehabilitation and reconstruction activities
13. **Armed forces veterans welfare** - War widows and their dependents
14. **Training to promote rural sports, Paralympic sports and Olympic sports**
15. **Technology incubators** - Located within academic institutions approved by the central government

16. Rural development projects

17. Promoting access to healthcare in rural areas

Geographic Preference: While companies may give preference to local areas where they operate, they are encouraged to undertake CSR activities across the country to ensure inclusive development. The preference for local areas is directory, not mandatory.

7. Implementation and Compliance

7.1 Mode of Implementation

Companies can implement CSR activities through:

- Direct implementation by the company
- Through implementing agencies (registered trusts, societies, Section 8 companies, NGOs)
- Collaboration with other companies
- Contribution to government funds specified in Schedule VII

7.2 Registration of Implementing Agencies (CSR-1)

Since July 14, 2025, the MCA introduced a web-based CSR-1 registration process for entities undertaking CSR activities. Requirements include:

- Minimum three-year track record in similar development work (unless set up by the company or government)
- Certification by CA/CS/Cost Accountant
- Valid registration under applicable laws

7.3 Reporting Requirements

Companies must file **Form CSR-2** as an addendum to their annual financial statements:

- For FY 2023-24: Deadline was March 31, 2025
- Filed separately from AOC-4/AOC-4 XBRL forms

Annual Board Report must include:

- CSR Policy overview and web link
- Composition of CSR Committee
- Average net profit and prescribed CSR expenditure
- Details of CSR spending - project-wise, location-wise
- Unspent amount and reasons for shortfall (if any)

- Impact assessment details (for projects with outlay of ₹1 crore or more and completed at least one year prior)

8. Recent Statistics and Trends (FY 2023-24)

Key Highlights:

- **Total CSR Spending:** ₹29,987 crore (increased from ₹26,580 crore in FY 2022-23)
- **Number of Companies:** 24,392 companies contributed to CSR
- **Number of Projects:** 51,966 projects implemented (up from 44,425 in FY 2022-23)
- **Private Sector Contribution:** 84% of total CSR spending
- **CPSE Spending:** ₹4,911 crore (19% increase from previous year)
- **Development Sectors Covered:** 14 major sectors

8.1 Sector-wise Allocation

Sector	Approximate Spending
Education	₹10,085 crore (Highest)
Healthcare	Significant allocation
Rural Development	Major focus area
Environmental Sustainability	Growing allocation

8.2 Geographic Distribution

States with highest CSR investments include:

- Maharashtra
- Gujarat
- Delhi
- Tamil Nadu
- Karnataka

However, there's growing emphasis on rural areas and underdeveloped states for inclusive development.

9. Examples of Leading CSR Initiatives

Reliance Industries Limited

CSR Spending (FY 2023-24): ₹1,592 crore

- Water conservation projects - increased water harvesting capacity by 28.5 million cubic meters
- Healthcare and education initiatives

Apollo Tyres Limited

CSR Spending (FY 2023-24): ₹15.7 crore impacting 1.23+ million people

- TB elimination program for trucking community (partnership with government and USAID)
- Project Navya - empowering rural women through microfinancing and skill training

Adani Group

CSR Spending (FY 2023-24): ₹650+ crore

- Commitment to invest \$100 billion in green energy projects over the next decade
- Alignment with India's net-zero emissions goal by 2070

10. Penalties and Non-Compliance

Failure to comply with CSR provisions can result in:

- Penalties as specified under the Companies Act, 2013
- Mandatory disclosure of reasons for non-compliance in the Board Report
- Reputational risk and stakeholder concerns

Note: Companies must provide reasons in the Board Report if they fail to spend the prescribed CSR amount.

11. Best Practices for CSR Compliance

- Develop a comprehensive CSR Policy aligned with business values and Schedule VII
- Establish a robust CSR Committee with regular meetings and monitoring
- Conduct need assessment and impact studies before project selection
- Maintain transparency in CSR spending and disclosures
- Collaborate with credible implementing agencies
- Integrate CSR with business strategy for long-term sustainability

- Document and report CSR activities accurately and timely
- Conduct periodic impact assessments
- Ensure timely filing of Form CSR-2

12. Conclusion

Corporate Social Responsibility in India represents a transformative approach to integrating business success with social welfare. The mandatory CSR provisions under the Companies Act, 2013, have mobilized thousands of crores of rupees toward addressing India's pressing social, environmental, and economic challenges.

As India continues its journey toward sustainable development and achieving Sustainable Development Goals (SDGs), CSR will play an increasingly critical role in bridging gaps in education, healthcare, rural development, and environmental conservation.

Companies should view CSR not merely as a compliance requirement but as an opportunity to create shared value, strengthen community relationships, and contribute meaningfully to nation-building.

Disclaimer: This document is for informational purposes only and should not be considered as legal or financial advice. Companies should consult with legal and financial experts for specific guidance on CSR compliance.

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