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**MUMBRA**

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**PRACTICAL TRAINING**

**ON THE TOPIC**

**IMPACT OF THE CORPORATE SOCIAL RESPONSIBILITY LAW: SEC 135 OF THE  
COMPANIES ACT, 2013 ON INDIAN CORPORATES**

**Group: Business law**

**Under the Guidance of**

**Prof. Zaman Fatima**

**Submitted by:**

**Khan Firdos Mohd Umer**

## **CERTIFICATE**

This is to certify that this Practical Training entitled “**IMPACT OF THE CORPORATE SOCIAL RESPONSIBILITY LAW: SEC 135 OF THE COMPANIES ACT, 2013 ON INDIAN CORPORATES**” submitted by **MS. KHAN FIRDOS MOHD UMER** in partial fulfillment of the requirement of the degree of LL.M in the M.S College of Law, Department of Law under University of Mumbai, is based on the results of the research work carried out under my guidance and supervision. The manuscript has been subjected to plagiarism check by Turnitin. This Project or any part thereof has not been submitted for any purpose to any other University or Institute.

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## **DECLARATION**

This is to certify that this Practical Training entitled **“IMPACT OF THE CORPORATE SOCIAL RESPONSIBILITY LAW: SEC 135 OF THE COMPANIES ACT, 2013 ON INDIAN CORPORATES”** submitted by **Ms. Khan Firdos Mohd Umer** in partial fulfilment of the requirement of the degree of LL.M in M.S College of Law, Affiliate to University of Mumbai, is based on the results of the research work carried out under the guidance and supervision of **Professor Zaman Fatima**. The manuscript has been subjected to plagiarism check by Turnitin. This Project or any part thereof has not been submitted for any purpose to any other University or Institute.

Place: Mumbra, Thane

Sign:

Date: 27/05/2025

Ms. Khan Firdos Mohd Umer

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## **Abstract**

The enactment of Section 135 of the Companies Act, 2013 marked a significant milestone in the evolution of Corporate Social Responsibility (CSR) in India, making it the first country in the world to mandate CSR for certain categories of companies.

This research paper, through its empirical research, attempts to study and analyze the multifaceted impact of this legislative intervention on Indian corporates since its implementation. The study evaluates how mandatory CSR spending has influenced corporate behavior, governance structures, stakeholder engagement, and long-term sustainability strategies. It further explores sector-wise trends, compliance patterns, and the evolving perception of CSR from a philanthropic obligation to a strategic business function.

This research investigates the legislative intent, implementation challenges, compliance trends, and the broader socio-economic impact of this provision on Indian corporates. It evaluates the shift from voluntary to mandatory CSR, its effects on business practices, and how it has influenced corporate image, stakeholder engagement, and sustainability initiatives. Through the analysis of empirical data, case studies, and legal commentary, this paper seeks to critically assess the effectiveness and limitations of Section 135 in fostering inclusive and responsible corporate behavior. The study concludes by proposing reforms and policy measures to enhance the efficacy of CSR implementation in India.

**Keywords:** Corporate Social Responsibility, Environmental impact, CSR Compliance, Corporate Governance

# **Impact of the Corporate Social Responsibility Law: Section 135 of the Companies Act, 2013 on Indian Corporates**

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## **1. Introduction**

Corporate Social Responsibility (CSR) reflects a company's commitment to conduct business ethically, contribute to economic development, and improve the quality of life of its workforce and society. With the enactment of the Companies Act, 2013, India became the first country to mandate CSR through law. Section 135 mandates that certain companies allocate a percentage of their profits to CSR activities. This shift from voluntary CSR to a statutory requirement has had significant implications for Indian corporates. Corporate Social Responsibility (CSR) has emerged as a significant aspect of corporate governance and sustainable business practices in the 21st century. The enactment of Section 135 of the Companies Act, 2013 marked a transformative shift in the corporate regulatory landscape, compelling qualifying companies to undertake CSR initiatives as a statutory obligation rather than a voluntary choice. These activities must be aligned with the areas specified in Schedule VII, which includes education, poverty alleviation, healthcare, environmental sustainability, and other socially beneficial causes. The law also mandates the constitution of a CSR Committee and the disclosure of CSR expenditures in the company's annual report, thereby increasing transparency and accountability.

This research critically examines the impact of Section 135 on Indian corporates, exploring how mandatory CSR compliance has influenced corporate behavior, strategic planning, financial performance, and stakeholder engagement. The study also investigates whether the legislation has led to meaningful societal outcomes or has merely fostered a compliance-based approach. By analyzing empirical data, case studies, and regulatory developments, the research aims to assess the effectiveness of CSR law in achieving its intended objectives and its broader implications on corporate governance and social responsibility in India. This research delves into the transformative implications of this statutory obligation, evaluating how companies have adapted to these requirements both in letter and spirit. It explores the shift from voluntary philanthropy to structured, reportable initiatives that align with Schedule VII of the Act, which lists permissible CSR activities. A key area of focus is the strategic integration of CSR into core business operations and the

emergence of CSR as a tool for enhancing brand reputation, investor confidence, and stakeholder trust. The study also investigates the challenges faced by corporates, such as identifying meaningful projects, ensuring compliance and transparency, and navigating the dynamic regulatory landscape following amendments to CSR rules, especially those introduced in 2021 which imposed penalties for non-compliance.

## **2. Objectives of the Study**

- To understand the statutory framework of CSR under Section 135.
- To analyze compliance patterns and challenges faced by Indian companies.
- To assess the socio-economic and corporate impact of mandatory CSR.
- To explore case studies of effective CSR implementation.
- To recommend reforms for improving the CSR regime in India.

The study is descriptive in nature and based upon secondary source of data such as journals, newspaper articles, books, annual reports of companies, research papers, websites, etc. for analysis.

## **3. Legal Framework: Section 135 of the Companies Act, 2013**

The legal framework for Corporate Social Responsibility (CSR) in India is primarily rooted in the **Companies Act, 2013**, Section 135 lays down the foundational legal requirement for CSR in India. It applies to companies meeting any one of the following criteria in the immediately preceding financial year:

### **3.1 Applicability**

Section 135 applies to every company having:

- Net worth of ₹500 crore or more,
- Turnover of ₹1,000 crore or more, or
- Net profit of ₹5 crore or more during any financial year.

**Such companies are required to:**

- Form a CSR committee.
- Spend at least 2% of average net profits (of the last three financial years) on CSR activities.
- Disclose CSR policy and expenditure in their annual reports.
- Failure to spend the mandated amount, or transfer unspent CSR funds to specified accounts, may attract fines.

### **3.2 Amendment in 2021**

The Companies (Amendment) Act, 2021 made spending on CSR mandatory. Non-compliance can now attract penalties, making the provision more stringent.

### **3.3 Schedule VII of the Companies Act, 2013**

Schedule VII enumerates the areas eligible for CSR spending. These include:

- Eradicating hunger, poverty, and malnutrition
- Promoting education and gender equality
- Technology incubators in academic institutions

India's legal framework for CSR is dynamic, evolving with socio-economic priorities and corporate behavior. While Section 135 provides the statutory backbone, the rules and circulars ensure practical enforcement and accountability. The framework aims not only to formalize corporate philanthropy but also to foster inclusive development and ethical business conduct through legal mandates.

## **4. Corporate Response and Implementation Trends**

### **4.1 Compliance Trends**

- Large Corporates like Reliance, Tata, and Infosys have aligned their CSR with sustainable development goals.
- Mid-sized Companies show variability in compliance due to resource and strategic constraints.
- Startups and MSMEs (though largely exempt) often engage in voluntary CSR to build brand value.



## **4.2 Key Focus Areas**

- Education and Skill Development
- Health and Sanitation
- Environmental Sustainability
- Rural Development
- COVID-19 Relief (notably in FY 2020-21)

## **5. Challenges in Implementation**

- Lack of understanding of legal provisions and eligible activities.
- Difficulty in measuring impact and outcomes.
- Shortage of credible implementation partners (NGOs).
- Board-level disconnect between business strategy and CSR planning.
- “Tick-box” approach in many cases rather than genuine commitment.

## **6. Case Studies**

This list some of the prominent companies that have integrated CSR as a corporate strategy. These companies have been consistently high in CSR efforts.

### **6.1 Tata Group**

Pioneered socially responsible initiatives long before the mandate. Post-Section 135, Tata Trusts has streamlined CSR operations with focused interventions in healthcare and education.

### **6.2 Infosys Ltd**

Known for strategic CSR that aligns with community development. The Infosys Foundation focuses on heritage conservation, education, and disaster relief.

### **6.3 Reliance Industries**

Engages in large-scale CSR projects in areas like rural transformation, healthcare, and disaster management, often exceeding the mandated 2% threshold.

#### **6.4 ITC Limited**

Engages in strategic CSR projects in areas like Water conservation, agriculture, primary education, women empowerment and have Social forestry and watershed programs across 14 states.

### **7. Socio-Economic Impact**

The introduction of Section 135 of the Companies Act, 2013 marked a legal shift in the perception of corporate responsibilities in India—from voluntary philanthropy to mandatory corporate accountability. Since its implementation, the law has significantly impacted both the social and economic fabric of Indian society and the internal functioning of corporate entities.

- Enhanced community development in rural and underdeveloped regions.
- Increased partnerships between corporates and civil society.
- Raised awareness of sustainable and inclusive growth.
- Encouraged innovation in social business models.

#### **7.1 Social Impact**

- Improvement in Education

Thousands of underprivileged children have gained access to quality education through CSR-funded schools, scholarships, and digital literacy programs.

Projects like Nanhi Kali (Mahindra) and Infosys Foundation's rural school programs have helped reduce school dropout rates and improve girl child education.

- Healthcare Accessibility

Companies like Reliance and Tata have improved access to health care in remote areas through mobile medical units, hospitals, and health awareness campaigns.

CSR efforts were pivotal during the COVID-19 pandemic, with contributions to PM CARES, vaccine awareness, and hospital capacity enhancement.

#### - Women Empowerment

CSR initiatives have enhanced gender equality through vocational training, microfinance support, and awareness programs.

Programs like Wipro's women entrepreneurship training have helped create self-reliant communities.

#### - Rural Development and Infrastructure

Many companies, such as ITC and Hindustan Unilever, invest in rural sanitation, drinking water, and electrification projects.

This has improved living standards and created employment in previously underserved areas.

#### - Environmental Sustainability

Several corporates have integrated sustainability into their CSR programs through afforestation, water conservation, and waste management.

Programs like ITC's Water Stewardship and e-Choupal have led to sustainable farming and water table restoration in drought-prone areas.

### **7.2 Economic Impact**

#### - Enhanced Corporate Accountability and Governance

Mandatory CSR has improved corporate transparency, with detailed annual disclosures on CSR spending and implementation.

It has institutionalized ethics and social responsibility within corporate governance frameworks.

#### - Employment Generation and Skill Development

Skill training programs under CSR—e.g., L&T's Construction Skills Training Institutes—have led to employability and job creation.

Over time, this has reduced dependency on government schemes and boosted local economies.

- The law has led to the growth of a robust ecosystem of NGOs, consultants, and auditing agencies that partner with corporates for CSR delivery.

It has also led to the formalization of the social entrepreneurship sector in India.

- Boost to Regional Economies

By focusing on backward and rural regions, CSR projects have triggered microeconomic development—through better health, education, and infrastructure.

Increased CSR investment has played a complementary role to state development efforts.

## **8. Judicial and Regulatory Oversight**

The Ministry of Corporate Affairs (MCA) has issued various circulars, FAQs, and amendments to clarify implementation. Courts have upheld the public interest nature of CSR but emphasized the need for transparency and accountability.

### **8.1 Regulatory Oversight**

- Ministry of Corporate Affairs (MCA)

Primary regulatory authority responsible for administering and updating CSR provisions under the Companies Act.

Through the Companies (CSR Policy) Rules, 2014, and its amendments (notably in 2021), MCA provides:

Guidance on what qualifies as CSR.

Mandatory disclosures in board reports and company websites.

Mandatory impact assessments for large CSR projects (from 2021 onwards).

Rules regarding unspent CSR funds and their transfer to specific funds under Schedule VII.

- National CSR Portal

Developed and maintained by MCA, this portal (<https://csr.gov.in>) enables public disclosure of CSR spending by eligible companies.

Acts as a transparency and accountability mechanism.

- Registrar of Companies (ROC)

Monitors and enforces compliance with CSR obligations.

Companies failing to comply with CSR provisions or misreporting are subject to inquiries, show-cause notices, and potential prosecution under Section 134 and Section 135.

## **8.2 judicial oversight**

Though CSR is a relatively new legal obligation, Indian courts and tribunals have begun interpreting it in the context of corporate compliance, good governance, and public interest.

## **9. Recommendations**

The concept of Corporate Social Responsibility is now firmly rooted in the global business agenda. But in order to move from theory to concrete action, many obstacles and challenges need to be overcome. The paper makes the following recommendations in this regard:

- Encourage long-term CSR projects with measurable outcomes.
- Develop a centralized CSR impact evaluation framework.
- Incentivize over-compliance and innovation in CSR.
- Strengthen collaboration between corporates, NGOs, and government bodies.
- Provide capacity-building support to SMEs for voluntary CSR initiatives.

## **10. Conclusion**

Section 135 of the Companies Act, 2013, has significantly reshaped the way Indian corporates perceive and practice social responsibility. While compliance rates are improving and some companies have made notable contributions, the potential of CSR to drive inclusive growth is yet to be fully realized. A more strategic, transparent, and collaborative approach is necessary to harness the transformative potential of CSR law in India.

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