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Measuring the Impact of CSR Activities: Legal and Ethical Perspectives

Dr. Sonali Yadav[a]

[a]Head of Department, Legal Studies, Seth M R Jaipuria School, Gomti Nagar, Lucknow, India

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This Article explores the multi-dimensional impact of Corporate Social Responsibility (CSR) in India from both legal and ethical perspectives. Legally, the study examines the framework established by Section 135 of the Companies Act, 2013, including the applicability criteria, the formation of CSR Committees, the formulation of a CSR Policy, and the mandatory 2% profit spending rule. Furthermore, it examines the permissible activities outlined in Schedule VII, the required disclosure requirements under Rule 8 of the CSR Rules (2014), and the significant amendments introduced after 2019, including the addition of penal provisions and the treatment of unspent funds. The institutional role of the Ministry of Corporate Affairs (MCA) and the digital CSR reporting platforms is also discussed. The ethical dimension investigates whether CSR initiatives are driven by genuine social responsibility or are merely compliance tools. Using Stakeholder Theory, Utilitarianism, and Kantian ethics, the study evaluates the moral intent and impact of CSR practices in uplifting communities. Case studies of Tata and Reliance compare reported CSR activities with actual implementation, revealing trends of both genuine engagement and instances of possible CSR-washing. International perspectives from the UK, South Africa, the EU, and the USA are used to provide a comparative framework. This study will propose solutions by recommending the usage of tools like Social Return on Investment (SROI), mandatory third-party audit proposals, rights-based CSR obligations, enhanced stakeholder consultations and legal mechanisms to ensure that CSR is both ethically responsible and legally enforceable.

Keywords: *CSR, section 135, company, stakeholder theory, ethics.*

STATEMENT OF THE PROBLEM

While India's CSR law, under Section 135 of the Companies Act, mandates corporate contributions toward social development, a visible disconnect remains between legal compliance, reported CSR activities, and actual community impact. Moreover, questions persist about whether CSR efforts are genuinely motivated by ethics or primarily driven by regulatory pressure. With examples such as Tata and Reliance, this study examines the legal effectiveness, implementation realities, and ethical integrity of CSR practices in India.

HOW EFFECTIVE IS THE CURRENT LEGAL FRAMEWORK UNDER THE COMPANIES ACT, 2013, INCLUDING SECTION 135, SCHEDULE VII, AND CSR RULES, IN ENSURING IMPACTFUL AND ACCOUNTABLE CSR IN INDIA?

India stands out globally as the only country with a legislated mandate for Corporate Social Responsibility (CSR).[1] Under Section 135 of the Companies Act, 2013,[2] CSR compliance is mandatory for any company, public or private, domestic or foreign subsidiaries, meeting any of the following thresholds during the preceding financial year:

1. Net worth of ₹500 crore or more;
2. Turnover of ₹1000 crore or more;
3. Net profit of ₹5 crore or more.[3]

These companies must constitute a CSR Committee with at least three directors (or two in case of private companies), one of whom must be independent, formulate a CSR policy, and ensure that at least 2% of average net profits (of the preceding three years) is spent on eligible CSR activities each fiscal year.[4] In KHS Machinery Pvt. Ltd. v Union of India & Ors.,[5] The Gujarat High Court, The benefit of decriminalisation of the offence ought to ensure the benefit of the petitioner... punishment in cases about CSR violations has been decriminalised and reduced to the imposition of a fine.

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[1] 'FAQ: Corporate Social Responsibility' (*ICNL*) <https://www.icnl.org/wp-content/uploads/India-FAQ-3---Corporate-Social-Responsibility-FINAL.pdf> accessed 14 July 2025
[2] The Companies Act 2013, s 135
[3] *Ibid*
[4] CSR Policy Rules 2014
[5] *Keshavlal Khemchand and Sons Pvt Ltd & Ors v Union of India & Ors* (2015) AIR SCW 1082

PERMISSIBLE ACTIVITIES: SCHEDULE VII

Schedule VII of the Act provides an expansive and liberal list of CSR focus areas, including:

1. Eradicating hunger, poverty, and malnutrition
2. Promoting education and healthcare
3. Ensuring environmental sustainability
4. Rural development and slum rehabilitation
5. Protecting heritage, art, and culture
6. Welfare of veterans and promoting sports
7. Contributions to the PM Relief Fund and public research[6]

The Ministry of Corporate Affairs (MCA) has clarified that this is an illustrative, not exhaustive, list and should be interpreted liberally to encourage innovation in social investment.[7]

COMPLIANCE, REPORTING, AND ENFORCEMENT

The Companies (CSR Policy) Rules 2014, and later amendments, require companies to disclose CSR spending in the Board's report and on their websites using a prescribed format (Rule 8). Further, a cap of 5% of the CSR budget is allowed for administrative overheads.[8] Importantly, employee volunteering time does not count toward CSR expenditure.[9]

After the 2019 Amendment, non-compliance now triggers stricter provisions. If unspent CSR funds are not used for ongoing projects, they must be transferred to a Schedule VII-compliant fund (e.g., PM CARES) within six months.[10] For ongoing projects, funds must be transferred to a dedicated Unspent CSR Account within 30 days and spent within three financial years.[11]

[6] Companies Act 2013, sch VII; FAQ: Corporate Social Responsibility (n 1)
[7] 'Clarifications with regard to provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013 – MCA General Circular No. 21/2014 (*IBC Laws*, 18 June 2014) <https://ibclaw.in/clarifications-with-regard-to-provisions-of-corporate-social-responsibility-under-section-135-of-the-companies-act-2013-mca-general-circular-no-21-2014-dated-18-06-2014/> accessed 14 July 2025
[8] CSR Policy Rules,2014, r 8
[9] FAQ: Corporate Social Responsibility (n 1)
[10] Companies Act 2013, s 135(5)–(7)
[11] Companies (Amendment) Act 2019; FAQ: Corporate Social Responsibility (n 1)

IMPLEMENTATION MODELS

Companies may execute CSR Activities via:

1. Direct Implementation,
2. Their Registered Foundations,
3. Registered Implementing Partners (e.g., NGOs, Section 8 Companies[12]) with a 3-year track record.[13]

However, companies must avoid CSR being reduced to one-off events, sponsorships, employee benefits, or political contributions, which are not considered CSR under the law.

GROUND-LEVEL REALITIES AND GAPS

Despite robust legal obligations, compliance remains partial. As per the India CSR Outlook Report 2024:[14]

- Only 66% of eligible companies fully met their 2% CSR spending mandate in FY 2022-23.
- The top two sectors, Education (34%) and Healthcare (33%), accounted for 67% of total CSR spending, while sectors like environment, sports, and rural development received less priority.
- There's a concerning trend where many companies focus more on reporting compliance than meaningful social transformation, leading to surface-level or CSR-washed initiatives.

CSR IN INDIA: A COMPARATIVE STUDY OF TATA AND RELIANCE

Corporate Social Responsibility (CSR) in India has evolved from a philanthropic ideal to a legally mandated responsibility under the Companies Act, 2013. Among the front-runners in CSR implementation are two industrial titans, Tata Group and Reliance Industries, each representing distinct models of business ethics, engagement, and social impact. Tata, with its legacy of trusteeship and nation-building, has embedded social good into its corporate DNA,

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[12] The Companies Act 2013, s 8
[13] FAQ: Corporate Social Responsibility (n 1)
[14] *India CSR Outlook Report 2024* (CSRBOX, 2024)

allocating substantial CSR funds toward education, healthcare, and environmental sustainability.[15]

Initiatives like Tata Volunteering Week, Masti Ki Pathshala, and investments in cancer care and tribal education underscore its grassroots-driven, ethically motivated approach. In contrast, **Reliance** positions CSR as a privilege, highlighting quality over quantity through structured programmes in education, health, and digital empowerment. Projects such as Swasth Chetna and solar-powered microgrids reflect its modern, infrastructure-oriented strategy.[16] While both conglomerates meet or exceed their 2% CSR obligation,[17] Questions remain about whether these efforts are driven by ethical imperatives or regulatory compliance, and how effectively they translate into real social change.

THE ROLE OF TATA AND RELIANCE IN INDIAN SOCIETY

The Tata Group**,** renowned for its ethical legacy and nation-building ethos, has consistently integrated social welfare into its business strategy. It has undertaken wide-ranging CSR interventions in education, healthcare, environment, empowerment, and **nutrition**, often exceeding statutory CSR requirements. Over 66% of the group's profits are channelled back into philanthropic activities through its trusts, with a legacy of supporting the Indian government in critical times over the last 150 years.[18] Tata's commitment is evident in transformative initiatives like Tata Volunteering Week, Masti Ki Pathshala (a program for rehabilitating street children), and Collectives for Integrated Livelihood Initiatives (CInI), which support tribal school children in Jharkhand.

In education, the Tata Trusts have supported over 1.52 million volunteering hours annually**,** and companies such as Tata Steel, TCS, and Titan have implemented pioneering programs. For example, Titan Kanya has benefited over 17,000 underprivileged girls, and Discovery Education has collaborated with TCS to enhance computational thinking among students.[19] Tata's efforts extend to structural transformation through the establishment of premier

[15] Dr. A Porchelvi et al., 'CSR in India: A Comparative Study of Tata and Reliance' (2024) 7(4-I) International Journal of Advanced Research in Commerce, Management & Social Science <https://inspirajournals.com/uploads/Issues/223810649.pdf> accessed 14 July 2025

[16] *Ibid*

[17] Companies Act 2013, s 135; India CSR Outlook Report 2024 (n 14)

[18] Porchelvi (n 15)

[19] India CSR Outlook Report 2024 (n 14)

institutions, such as the Indian Institute of Science, TIFR, and TISS, reinforcing its commitment to long-term societal capacity building.

Conversely, Reliance Industries, India's largest private-sector conglomerate, articulates its CSR ethos as a privilege rather than a responsibility.[20] The company operates across education, healthcare, rural development, and environmental sustainability with a quality over quantity approach. Its CSR framework focuses on enriching school infrastructure, ensuring 100% enrolment, promoting hygiene, and organising immunisation drives, particularly in underserved regions.[21] Notably, its Swasth Chetna initiative, oncology centres in rural Maharashtra, and the Kokilaben Dhirubhai Ambani Hospital showcase Reliance's deep healthcare outreach.

In Women's empowerment, both companies have demonstrated a significant impact: Tata's SHG-based dairy initiatives and digital literacy programs have empowered **over** 30 million rural women with access to smartphones and the internet.[22] Reliance also supports adolescent girls' health awareness and hygiene workshops, particularly in government school settings.

On the environmental front, the Tata Group has implemented large-scale biodiversity conservation and afforestation programs. Tata Power, for example, has planted over 18 million saplings in the Western Ghats. TCS and Tata Chemicals have also created botanical reserves to protect native flora. Reliance similarly integrates sustainability into its operations through solar microgrids, waste-to-energy technology, and carbon emission audits, all aligned with ISO standards.[23]

From healthcare leadership (Tata Memorial Hospital and MANSI) to environmental innovation (Tata Chemicals Innovation Centre and Rallis Innovation Chemistry Hub), Tata's CSR model represents an institutionalised, ethical approach to development. Reliance's

[20] Porchelvi (n 15)

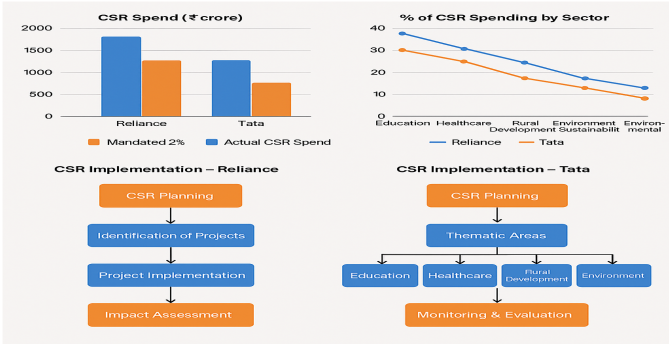
[21] *CSR Report 2023–24* (Reliance Industries Limited, 2024)

[22] 'The Tata culture of giving back flows from the tradition of nation and community building sowed more than a century back by Jamsetji Tata, the Founder of the group' (*TATA*) <https://www.tata.com/community/empowerment> accessed 14 July 2025

[23] *Integrated Annual Report 2023-24* (Reliance Industries Limited, 2024)

model, while equally impactful, is rooted in strategic community engagement, often in synergy with governmental schemes and digital infrastructure.

CRITICAL ANALYSIS



Aggregated data from: CSR in India: A Comparative Study of Tata and Reliance[24]

The comparative diagram offers a multidimensional overview of how Tata and Reliance implement their Corporate Social Responsibility (CSR) initiatives. At first glance, both companies appear to exceed the 2% mandated spending under Section 135 of the Companies Act, 2013. Reliance, in particular, significantly overspends, which may reflect either a robust philanthropic commitment. Tata, by contrast, adheres more closely to the statutory requirement, indicating a focused and intentional allocation of CSR resources rather than a volume-driven approach.

CSR EXPENDITURE BY TATA AND RELIANCE

According to the Companies Act (2013), all listed companies are required to contribute 2% of their average net profit for the preceding three years to CSR programmes annually. Since these two conglomerates are the major players in different business activities, it is essential to understand the monetary value of their socially responsible performance they have. Data on the amount spent on CSR has been collected from 2015 to 2023 and displayed in the following tables:

[24] Porchelvi (n 15)

Table 1: Amount Spent by Tata Group Companies

Year	Company	Amount Spent on CSR(cr)
2015-2023	Tata Power	5.58
2015-2023	Tata Steel	2493.94
2015-2023	Tata Motors	91.1
2015-2023	Tata Consultancy	4264.6
2015-2023	Tata Global Beverages	79.41
2015-2023	Tata Investment Corporation	27.6

Table 2: Amount Spent by Reliance Group Companies

Year	Company	Amount Spent on CSR(cr)
2015-2023	Reliance General Insurance	26.02
2015-2023	Reliance Cement	25.32
2015-2023	Reliance Power	6.77

2015-2023	Reliance Industries	6269.78
2015-2023	Reliance Jio Infocom	612.83
2015-2023	Reliance Home Finance	9.91

Sector-wise distribution of these conglomerates reveals important ethical and legal distinctions. While both of these companies give priority to sectors like education and healthcare under Schedule VII, the Tata Group demonstrates a more balanced and inclusive allocation across rural development and environmental sustainability. Reliance's sectoral expenditure, in contrast, diminishes significantly beyond core sectors, thereby suggesting a narrow focus when it comes to CSR expenditure.

From 2015 to 2023, Tata Consultancy (Rs 4264.6 Cr) and Tata Steel (Rs 2493.94 Cr) emerged as the largest CSR contributors within the Tata Group, thereby reflecting sustained investment in education, healthcare, skill development, and rural empowerment. Reliance Industries, by contrast, has accounted for ₹6269.78 Cr, with Reliance Jio Infocom alone contributing ₹612.83 cr. This showcases two distinct models. First, Tata companies distribute CSR more evenly across multiple group entities and thematic areas, whereas Reliance's CSR is concentrated in a few entities, making impact assessment less transparent and harder to trace at the community level.

Although both groups comply with Rule 8 of the CSR Rules, 2014, which mandates disclosures and impact assessments to maintain transparency, Tata's decentralised approach, marked by grassroots participation and thematic diversity, resonates with stakeholder theory and Kantian ethics, which prioritise community needs and long-term sustainability over mere superficial compliance. Reliance, despite its higher absolute spend, risks shifting into a utilitarian overreach, thereby maximising aggregate benefits in education and healthcare but without robust participatory validation or transparency mechanisms.

Therefore, while both models meet legal obligations as per section 135 and the CSR rules, 2014, Tata's CSR practice aligns more closely with the spirit of the law and ethical responsibility, whereas Reliance's approach, though impactful in scale, requires stronger stakeholder engagement and disclosure to ensure its social responsibility efforts achieve inclusive and lasting outcomes.

RECOMMENDATIONS AND SOLUTIONS

India's Corporate Social Responsibility (CSR) framework, anchored in Section 135 of the Companies Act, 2013, was a path-breaking step towards legislating corporate contribution to social welfare. Over the past decade, corporate compliance with CSR obligations has improved substantially in terms of disbursing mandated 2% profits, forming CSR committees, and creating policy frameworks. However, several systemic issues persist, including tokenistic implementation, the lack of impact assessments, and limited community engagement. The divergence between companies like Tata Group, which integrates CSR with ethical business philosophy, and Reliance, which often showcases high spending but faces critiques over transparency and local impact, exemplifies the challenges.

In this context, strengthening India's CSR architecture requires a combination of legal enforcement, ethical reorientation, international benchmarking, and policy-level reforms. Based on a detailed examination of CSR reports, Ministry of Corporate Affairs (MCA) disclosures, and case studies of Tata and Reliance, certain key issues emerge. Most companies treat CSR as a box-ticking exercise, which, of course, is merely meeting the threshold and not delivering a meaningful impact. CSR planning, which rarely involves stakeholders such as the organisations, and even no statutory requirement exists for independent third-party audits. Instead of investing in a few areas over the long term, companies often spread their efforts across multiple sectors with limited synergy. The absence of a national impact measurement framework limits cross-comparability. Corporate branding is often prioritised over transformative change, leading to concerns of CSR-washing.

One possible recommendation is that India's CSR regime, as outlined in Section 135, needs immediate strengthening through the adoption of global best practices. The European Union Corporate Sustainability Reporting Directive (CSRD) provides a useful template by requiring independent annual audits of CSR projects. India should adopt a similar model, mandating third-party verification of impact on long-term outcomes, such as school retention or employment rates. Reports must be uploaded to the MCA CSR portal to ensure transparency.

This would prevent companies such as Tata or Reliance from relying on self-reported claims, e.g., volunteering hours or enrolment numbers, without third-party proof.

Furthermore, learning from the UK Vedanta and Okpabi cases, directors should be held personally liable for CSR misreporting. The corporate veil should be lifted so that penalties are proportional to the project's value, with disqualification in cases of repeated greenwashing. India should also introduce integrated CSR-ESG-SDG reporting, inspired by South Africa's King IV, combining financial, sustainability, and governance metrics. Additionally, a National CSR Fund Pool can channel collective resources toward high-impact areas, such as climate resilience and aspirational districts. Together, these reforms, verification audits, personal liability, integrated reporting, and pooled funding would move CSR away from symbolic spending towards measurable, accountable, and community-driven development.

CONCLUSION

Corporate Social Responsibility (CSR) in India has traversed an extraordinary journey from voluntary philanthropy to a statutory mandate under Section 135 of the Companies Act, 2013.[25] The post-2019 amendments have strengthened compliance by introducing mandatory transfer of unspent funds and penalties for default, signalling the government's resolve to ensure that CSR is not a ceremonial gesture but an enforceable corporate duty.[26] However, the Tata and Reliance case studies reveal a persistent gap between self-reported achievements in CSR reports and ground realities, particularly in terms of fund utilisation, community participation, and measurable impact.

Ultimately, CSR in India must be rights-based rather than charity-based, a system where communities are not passive recipients of corporate benevolence but equal partners in co-designing, executing, and evaluating CSR initiatives. This requires a fear of legal consequence, a culture of ethical leadership, and technology-driven transparency. If India adopts these reforms, its CSR framework will not merely comply with statutory requirements. Still, it will embed social responsibility at the heart of corporate purpose, ensuring that the next decade witnesses measurable, equitable, and lasting change.

[25] Companies Act 2013, s 35
[26] Companies (Amendment) Act 2019, s 21