



## Growth in CSR Spending

**For Prelims:** [Corporate Social Responsibility](#), [Companies Act, 2013](#), [UN Sustainable Development Goals](#), [NGOs](#), [Injeti Srinivas Committee Report on CSR](#)

**For Mains:** Significance of CSR Activities in India, Social Impact of CSR spending, Major Issues Related to CSR in India.

[Source: IE](#)

### Why in News?

The report by PRIME Database (Indian market data firm) reveals a **16% rise** in **Corporate Social Responsibility (CSR)** expenditure by [listed companies](#) in FY 2023-24.

- This can be attributed to **improved profitability across sectors** and reflects **changing priorities in corporate philanthropy** and **compliance culture**.

**Note:** **Listed companies** are those whose shares are **listed & traded** on **recognized stock exchanges** like the [Bombay Stock Exchange \(BSE\)](#) or [National Stock Exchange \(NSE\)](#) in India and **comply with regulatory requirements**.

### What are the Recent Trends in CSR Expenditure?

- **Trends in CSR Spending (FY 2023-24):** CSR spending by listed companies **rose to Rs 17,967 crore in 2023-24** from **Rs 15,524 crore in FY 2022-23**, reflecting an **overall increase in profits**.
  - About **98% of companies met their CSR obligations**, and nearly **half went beyond the required spending**.
- **Sectoral Allocation and Shifts:** **Education received the largest allocation** (Rs 1,104 crore), followed by **healthcare** (Rs 720 crore).
  - However, support for areas like **slum development, rural development, and welfare of armed forces veterans declined sharply**
- **State-wise Trends:** **Maharashtra, Rajasthan, and Tamil Nadu** were the top three recipients of CSR funds, with the **top 10 states accounting for 60%** of the total CSR expenditure.

### What is Corporate Social Responsibility?

- **About:** **Corporate Social Responsibility (CSR)** refers to a **company's responsibility towards society and the environment**.
  - It is a **self-regulating model** that ensures **businesses remain accountable for their**

**impact on economic, social, and environmental well-being.**

- By adopting CSR, **companies become more aware of their broader role in sustainable development.**



- **Legal Framework:** India is the **first country to make CSR spending mandatory** under **Section 135** of the [Companies Act, 2013](#), providing a structured framework for eligible activities.
- **Applicability:** CSR rules apply to companies that, in the **preceding financial year**, have a **net worth exceeding Rs 500 crore, or a turnover over Rs 1,000 crore, or a net profit above Rs 5 crore.**
  - Such companies **must spend at least 2% of their average net profit** of the last 3 financial years (or available years if newly incorporated) on CSR activities.
- **Types of CSR Initiatives:**
  - **Corporate Philanthropy:** Charitable donations
  - **Community Volunteering:** Organised employee service
  - **Ethical Practices:** Producing socially responsible products
  - **Cause Promotion:** Supporting social causes
  - **Cause Marketing:** Linking sales to donations
  - **Social Marketing:** Funding campaigns for public good
- **Eligible Sectors:** CSR spending covers areas like **eradicating poverty, promoting education and gender equality, fighting diseases** like [HIV/AIDS](#), ensuring environmental [sustainability](#), and contributing to government relief funds (Like [PM CARES](#) and [PM Relief Fund](#)) for socio-economic development and the welfare of disadvantaged groups.

## What are the Challenges Related to CSR Spending in India?

- **Geographical Disparity in Spending:** Spending is **concentrated in industrial states** like Maharashtra, Rajasthan, Gujarat, Karnataka, and Tamil Nadu, **while North Eastern states** (Mizoram, Sikkim) and Lakshadweep, Leh and Ladakh receive **comparatively less funding**, reflecting a regional imbalance.
- **CSR Allocation Trends:** Over **75% of CSR funds** were concentrated in key areas like **education and vocational skills, hunger, poverty and healthcare, environmental sustainability, rural development** and sports.
  - Sectors related to **slum development, disaster management and armed force veterans** have very less spending.
- **Implementation Delays and Poor Planning:** Implementation delays from **late approvals and fund allocation** cause companies to **favor quick infrastructure** over long-term community development.
  - Lack of **strategic vision reduces CSR to charity**, while absent long-term policies and **duplicated efforts lead to unclear spending** and competition instead of collaboration.
- **Monitoring and Evaluation (M&E) Gaps:** Current M&E systems **focus on quantitative outcomes rather than real social impact**.
  - **Lack of standardized methods and inconsistent reporting by third-party evaluators** hinder transparency and make comparison between projects difficult.
- **Challenges with NGO Partnerships:** **Weak coordination between companies and NGOs** limits project planning and execution.
  - **Short-term CSR cycles and restrictions on using funds** for NGO reserves affect capacity building. **Increasing dependence on intermediaries** further reduces efficiency and accountability.
- **Unspent CSR Amount:** Despite mandates, **27 companies did not spend on CSR**.
  - Most **avoid innovative or high-impact projects, favoring safe, repetitive initiatives**, which limits CSR's potential for sustainable development.

## What Steps can be taken to Strengthen the Impact of CSR Initiatives in India?

- **Simplify and Broaden CSR Regulations:** **CSR guidelines should be simplified and made more flexible to eliminate regulatory ambiguity**, helping companies understand permissible activities better.
  - The list of eligible CSR activities should be expanded to **allow innovation and better alignment** with real societal needs.
- **Create a Centralized Platform:** A **national CSR portal** should be developed where companies **report their projects, fund usage, and outcomes**.
  - It can also **connect corporates with NGOs** and government schemes in need of support, improving fund matching and transparency.
- **Audits and Impact Assessment:** Mandatory **third-party audits for large projects** can prevent fund misuse. Companies should also **publish impact assessments** showing actual results, shifting focus from just spending money to **creating meaningful social change**.
- **Promote Partnerships & Collaboration:** Companies should **work with NGOs, local authorities, and other firms** for better **on-ground execution**.
  - Pooling CSR funds across industries or **within sectors can enable larger and more impactful projects**, especially in areas like **rural healthcare, climate adaptation, and education**.
- **Support Long-Term Projects:** Incentives like CSR awards can promote creative and effective initiatives.
  - Policies should **encourage long-term projects** that address root problems such as **education reforms, healthcare systems, and environmental sustainability**, rather than short-term events or donations.
- **Capacity Building & Balanced Allocation:** Capacity building in **smaller firms** can enhance CSR impact. CSR funds should **focus on underdeveloped regions** and key areas like **climate change, women's empowerment, public health, disaster management, heritage**

**conservation**, and **slum rehabilitation** for balanced, inclusive development.

- **Awards & Recognition: Annual CSR awards** can be established for 2 categories of companies-**large and small**, as recommended by the **Anil Baijal Committee (2015)**.

## Injeti Srinivas Committee Recommendations on CSR

- Make CSR expenditure **tax-deductible**.
- Allow companies to **carry forward unspent CSR funds** for 3 to 5 years.
- Align **Schedule VII of the Companies Act, 2013** (which specifies the activities eligible for CSR initiatives) with **SDGs**, balancing local and national priorities.
- Mandate **impact assessments for CSR spend** exceeding Rs 5 crore.
- Register **CSR implementation agencies** on the **MCA portal**.
- Create a **CSR exchange portal** to connect contributors, beneficiaries, and agencies.
- Permit **CSR investments in social impact bonds**.
  - A **social impact bond** is a **financing tool** involving government, private, and charitable sectors **to address social problems**.
- Encourage the **promotion of social impact companies**, which **prioritize social and environmental goals alongside profit**.

## Conclusion

CSR in India has evolved from a voluntary act to a regulated tool for inclusive growth. As corporate profits and public expectations grow, there is a need to make CSR more strategic, transparent, and aligned with national priorities. Revising thresholds and strengthening evaluation mechanisms can shift CSR from mere compliance to a powerful driver of sustainable socio-economic development.

### **Drishti Mains Question:**

Discuss the challenges in effective Corporate Social Responsibility (CSR) implementation and suggest measures to improve its impact on socio-economic development.

## UPSC Civil Services Examination, Previous Year Question

**Q.** Corporate social responsibility makes companies more profitable and sustainable. Analyse. (2017)