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## CORPORATE COMPLIANCE WITH CSR UNDER SECTION 135 OF THE COMPANIES ACT, 2013: A LEGAL AND GOVERNANCE ANALYSIS

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### ABSTRACT

Corporate Social Responsibility (CSR) refers to the obligation of business organisations to operate ethically while contributing to social welfare, environmental sustainability, and economic development. In India, CSR has evolved from voluntary and philanthropic practices into a mandatory corporate governance requirement with the enactment of Section 135 of the Companies Act, 2013. The present study examines corporate compliance with statutory CSR provisions and the role of governance mechanisms in shaping CSR implementation and reporting practices. Adopting a descriptive and analytical research design, the research analyses secondary data from official CSR sources for the period FY 2014–15 to FY 2023–24 to assess CSR applicability, expenditure patterns, and average CSR spending per company. The findings indicate a steady expansion in CSR-eligible companies, a substantial increase in total CSR expenditure, and rising firm-level CSR spending, reflecting strengthened compliance and governance maturity. On the basis of findings, the study substantiates that mandatory CSR has been effectively embedded within India's corporate governance framework, signalling a transition from philanthropic voluntarism to legally anchored and accountable corporate responsibility.

**KEYWORDS:** Corporate Social Responsibility (CSR), CSR compliance, corporate governance, Section 135, Companies Act 2013, CSR reporting

### 1. INTRODUCTION

**Corporate Social Responsibility (CSR)** refers to the responsibility of business organisations to contribute to economic development while addressing social welfare, ethical conduct, and environmental sustainability. It reflects the expectation that corporate entities are accountable not only to shareholders but also to society at large. CSR was initially conceptualised as a **multidimensional construct comprising economic, legal, ethical, and philanthropic responsibilities** (Carroll, 1999). In India, CSR practices before 2013 were largely **voluntary and philanthropic**, influenced by charitable traditions and lacking formal regulatory oversight (Visser, 2008). A major shift occurred

with the enactment of **Section 135 of the Companies Act, 2013**, which transformed CSR into a **statutory obligation** for eligible companies and embedded it within the corporate governance framework. Post-mandate studies indicate improvements in CSR reporting, spending patterns, and stakeholder engagement, though challenges remain regarding transparency, governance effectiveness, and alignment with long-term development goals. The applicability of mandatory CSR is determined by specific **financial thresholds relating to net worth, turnover, and net profit** **Figure 1** illustrates the **criteria for CSR eligibility under Section 135 of the Companies Act, 2013**, which provides the basis for identifying CSR-applicable companies and underpins the analysis undertaken in this study.

**Figure 1: Criteria for CSR Eligibility under Section 135 of the Companies Act, 2013**



**Source** Compiled by the Author available at <https://www.mca.gov.in> Ministry of Corporate Affairs (2014–2023)

## 2. REVIEW OF LITERATURE

The literature on CSR in India reflects a trajectory from voluntary philanthropy to statutory compliance and governance-oriented practices. The top six influential studies, presented in ascending chronological order, provide a conceptual and empirical foundation.

**Carroll (1999)** Carroll conceptualized CSR as a four-layered construct—economic, legal, ethical, and philanthropic responsibilities—forming the “Pyramid of CSR.” The study emphasized that businesses must balance profit generation with societal obligations and highlighted the importance of embedding CSR in corporate strategy rather than treating it as peripheral. Carroll’s framework provides a theoretical lens to evaluate whether CSR is compliance-driven or strategically institutionalized within corporate governance structures. The study remains foundational for understanding CSR integration,



performance measurement, and stakeholder engagement in both developed and emerging markets.

**Sood & Arora (2006)** analyzed CSR practices in India prior to legal mandates. They observed that CSR was primarily voluntary, philanthropic, and lacking formal governance mechanisms. Reporting standards were inconsistent, and CSR initiatives were often driven by managerial discretion or reputation concerns. Their study highlighted the absence of standardized frameworks, monitoring, and evaluation practices, underscoring the need for statutory interventions to ensure accountability, structured reporting, and effective resource utilization.

**Balasubramanian, Kimber, & Siemensma (2005)** This study examined CSR and corporate governance in emerging markets, focusing on India. The authors observed that while companies increasingly recognized stakeholder responsibilities, formal compliance mechanisms were weak, and reporting standards were inconsistent. CSR initiatives were fragmented, often lacking board-level oversight, long-term planning, or performance metrics. The research highlighted the importance of governance structures in ensuring strategic alignment and effective CSR outcomes, laying the foundation for post-2013 compliance assessment.

**Visser (2008)** explored CSR practices in developing economies like India, highlighting that early CSR initiatives were philanthropic and reactive rather than proactive or strategic. CSR lacked governance frameworks, stakeholder engagement, and standardized reporting. The study emphasized that legislative mandates alone are insufficient; CSR requires institutional mechanisms, monitoring systems, and alignment with sustainable development goals to achieve measurable social impact. Visser's findings are particularly relevant in evaluating the effectiveness of Section 135 in formalizing CSR practices.

**Freimann, Ham, & Mijoc (2014)** The authors studied objective well-being (economic development) and subjective well-being (quality of life perceptions) as indicators of sustainable development. They highlighted the importance of systematic monitoring, quantification, and benchmarks to evaluate corporate contributions to societal welfare. Their study underscores that CSR effectiveness requires measurable indicators, data-driven evaluation, and monitoring frameworks to ensure accountability and assess social impact comprehensively.

**Kumar, Murphy, & Balsari (2018)** Post-Companies Act, these authors examined CSR compliance and reporting in India. While most qualifying companies disclosed CSR spending, many projects lacked alignment with long-term community development objectives. The study identified a compliance–commitment gap, emphasizing the role of governance mechanisms—board oversight, CSR committees, and structured reporting—in enhancing CSR effectiveness. Sectoral variations were



observed, with some industries demonstrating stronger strategic alignment of CSR activities. Their findings highlight the need for embedding CSR within corporate strategy and governance frameworks to achieve meaningful social outcomes.

### 3. RESEARCH GAP

The reviewed literature shows that CSR in India has evolved from voluntary philanthropy to a statutory obligation after the Companies Act, 2013. While early studies (Carroll, 1999; Sood & Arora, 2006) focus on conceptual and pre-mandate aspects, later research (Balasubramanian et al., 2005; Kumar et al., 2018) highlights governance and compliance challenges. However, limited empirical evidence exists on how governance mechanisms such as board oversight and CSR committees influence compliance quality, transparency in CSR reporting by eligible companies, and long-term patterns of CSR compliance and average spending. Addressing these gaps, the present study undertakes a legal and governance-based analysis of corporate CSR compliance under Section 135 of the Companies Act, 2013.

### 4. OBJECTIVES OF THE STUDY

- 4.1 To examine the corporate compliance with CSR mandates under Section 135 of the Companies Act, 2013
- 4.2 To assess corporate governance practices—regarding compliance and reporting mechanisms works

### 5. METHODOLOGY

The study employs a **descriptive and analytical research design** to examine corporate compliance with CSR provisions under **Section 135 of the Companies Act, 2013**. It is based on **secondary data** collected from the **Ministry of Corporate Affairs**, the **National CSR Portal**, the **Sahayi Centre CSR Database**, and company disclosures, covering the period **FY 2014–15 to FY 2023–24**. The analysis of **Average CSR Spending per Company (₹ Crores)** is computed using the following formula

$$\text{Average CSR Spending (₹ Crores)} = \frac{\text{Total CSR Amount Spent (₹ Crores)}}{\text{Number of CSR-Eligible Companies}}$$

This formula ensures a **standardized, replicable calculation** of firm-level CSR spending for trend analysis and evaluation of compliance patterns over the study period.

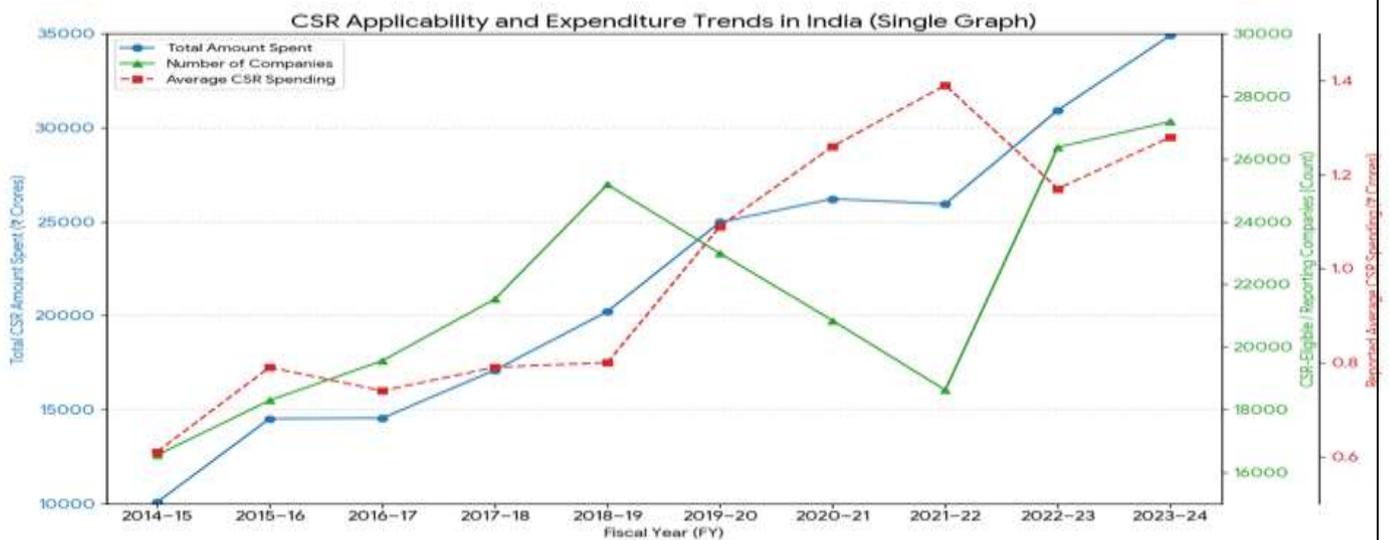
6.CSR APPLICABILITY AND EXPENDITURE TRENDS IN INDIA (FY 2014–15 TO FY 2023 -24)

Table 1: CSR Applicability and Expenditure Trends in India (FY 2014–15 to FY 2023–24)

FY	CSR-Eligible / Reporting Companies	CSR Amount Spent (₹ Crores)	Reported Average CSR Spending (₹ Crores)
2014–15	16,548	10,065.93	0.61
2015–16	18,292	14,517.21	0.79
2016–17	19,556	14,542.51	0.74
2017–18	21,525	17,098.58	0.79
2018–19	25,181	20,217.66	0.80
2019–20	22,985	24,965.82	1.09
2020–21	20,840	26,210.95	1.26
2021–22	18,623	25,932.80	1.39
2022–23	26,377	30,932.08	1.17
2023–24	27,188	34,908.75	1.28

Source: Table 1 data compiled by the author based on Sahayi Centre CSR Database (2024) <https://sahayi.org>; National CSR Portal (2023) – <https://csr.gov.in>; The CSR Journal (2024) – <https://thecsrjournal.in>.

Figure 2 CSR Applicability and Expenditure Trends in India (FY 2014–15 to FY 2023–24)



Source Table No.1

**Table 1** depicts the trends in CSR applicability and expenditure in India during the period FY 2014–15 to FY 2023–24, highlighting the progressive institutionalisation of Corporate Social Responsibility following the enforcement of Section 135 of the Companies Act, 2013. The data reveal a steady expansion in the number of CSR-eligible and reporting companies, increasing from 16,548 in FY 2014–15 to 27,188 in FY 2023–24, which reflects broader corporate coverage under the statutory CSR framework. Despite a temporary decline in reporting companies during FY 2019–20 to FY 2021–22—largely attributable to pandemic-induced economic disruptions—the overall long-term trend remains upward, indicating sustained compliance.

The table further demonstrates a significant and consistent rise in aggregate CSR expenditure, which increased from ₹10,065.93 crore in FY 2014–15 to ₹34,908.75 crore in FY 2023–24. This more than threefold growth underscores strengthened adherence to the statutory 2 per cent CSR requirement and suggests that companies are progressively prioritising CSR within their financial planning. Importantly, CSR expenditure continued to rise even during periods of economic stress, highlighting the non-discretionary nature of CSR under Section 135.

The **average CSR spending per company** increased from ₹0.61 crore in FY 2014–15 to ₹1.28 crore in FY 2023–24. This upward trend reflects improved firm-level commitment and a gradual shift from minimal statutory compliance toward more substantive engagement with CSR objectives. Although minor fluctuations are observed in certain years due to operational and economic variations, the overall trajectory indicates a deeper integration of CSR into corporate governance structures and strategic decision-making. Further, Figure 2 effectively complements Table 1 and the accompanying discussion by visually illustrating parallel trends, including the expansion in the number of CSR-eligible companies, growth in total CSR expenditure, and the steady rise in average CSR spending per company. Collectively, these patterns reinforce the argument that CSR in India has evolved from a compliance-driven obligation into a governance-embedded and strategically aligned corporate practice over the past decade.

## **7. FINDINGS OF THE STUDY**

Based on the empirical analysis of CSR applicability and expenditure trends presented in **Table 1** and **Figure 2**, several significant findings emerge, reflecting the progressive institutionalisation of Corporate Social Responsibility under Section 135 of the Companies Act, 2013.

**First**, there is a consistent increase in the number of CSR-eligible and reporting companies—from 16,548 in FY 2014–15 to 27,188 in FY 2023–24—indicating a broadening corporate footprint under the mandatory CSR regime. This trend reflects improved regulatory identification, greater awareness of statutory obligations among companies, and enhanced reporting compliance over time. It also



reflects the maturing enforcement environment under the Ministry of Corporate Affairs, where CSR compliance has become a routine governance requirement rather than an exceptional obligation.

**Second**, the temporary decline in reporting companies observed during FY 2019–20 to FY 2021–22 does not signify a structural weakening of the CSR framework. When viewed alongside the sustained growth in aggregate CSR expenditure, this period highlights the resilience and robustness of the statutory regime. The recovery in reporting companies during FY 2022–23 and FY 2023–24 demonstrates that CSR compliance remained stable and embedded despite economic disruptions.

**Third**, aggregate CSR expenditure has shown a sharp and sustained rise, increasing from ₹10,065.93 crore in FY 2014–15 to ₹34,908.75 crore in FY 2023–24. This more than threefold growth illustrates strengthened adherence to the statutory 2 per cent CSR requirement and reflects the integration of CSR into corporate financial planning and budgeting processes.

**Fourth**, CSR expenditure continued to increase even during periods of economic stress, particularly in FY 2019–20 and FY 2020–21, underscoring its non-discretionary nature under Section 135. This trend indicates a shift from philanthropic voluntarism toward legally mandated corporate accountability, reinforcing CSR's role as a core governance obligation.

**Fifth**, the average CSR spending per company increased from ₹0.61 crore in FY 2014–15 to ₹1.28 crore in FY 2023–24. This upward trend reflects greater engagement at the firm level, indicating that companies are not only meeting statutory requirements but are also investing more substantially in social initiatives. The increase demonstrates improved spending intensity and a gradual shift from minimal, compliance-driven CSR activities toward more meaningful and structured corporate social responsibility practices, highlighting a deeper integration of CSR into corporate planning and governance frameworks over the decade.

**Sixth**, the divergence between the trends in the number of reporting companies and total CSR expenditure suggests that compliance is increasingly driven by the depth and quality of CSR spending rather than mere numerical participation. This indicates a gradual transition from symbolic compliance to financially meaningful and governance-supported CSR implementation. Collectively, these findings provide strong empirical evidence that Section 135 of the Companies Act, 2013 has successfully institutionalised CSR within India's corporate governance framework. Board oversight, CSR committees, and mandatory disclosure norms have played a pivotal role in embedding CSR as a stable, accountable, and strategically aligned corporate function.



## 8. CONCLUSION

The study intends to outline corporate compliance with CSR mandates under Section 135 of the Companies Act, 2013 and assessed the role of corporate governance mechanisms in ensuring effective CSR implementation and reporting. Based on a decade-long analysis (FY 2014–15 to FY 2023–24), the study provides clear empirical evidence of the transformative impact of the statutory CSR framework on corporate practices in India.

With respect to the first objective, the findings demonstrate a marked improvement in corporate compliance with CSR obligations. The steady increase in CSR-eligible and reporting companies, along with the more than threefold growth in aggregate CSR expenditure, confirms that Section 135 has effectively widened CSR coverage and financial commitment. The consistent rise in average CSR spending per company indicates a transition from symbolic fulfilment to substantive, firm-level engagement. Notably, CSR spending has remained resilient during economic stress, highlighting its institutionalised and relatively non-discretionary nature within corporate planning.

Regarding the second objective, the study underscores the growing importance of corporate governance mechanisms in supporting CSR compliance. The stabilisation and maturity of CSR practices over time demonstrate the critical role of board oversight, CSR committees, and mandatory disclosure requirements in embedding CSR within corporate governance. The observed divergence between the number of reporting companies and total CSR expenditure further emphasizes that quality and strategic alignment, rather than mere numerical reporting, increasingly drive CSR outcomes.

Overall, the study concludes that Section 135 of the Companies Act, 2013 has successfully integrated CSR into India's corporate governance architecture. While initial years reflected adjustment and compliance learning, later years reveal governance maturity, spending stability, and deeper firm-level engagement, signalling a shift from philanthropic voluntarism to legally anchored corporate responsibility. By empirically linking CSR compliance trends with governance mechanisms over an extended period, this study contributes a structured legal–governance perspective for policymakers, regulators, and corporate decision-makers, reinforcing CSR as a core element of sustainable and accountable corporate practice in India.

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