

# CSR SPENDING – ECONOMY

Recently, a new Developmental Intelligence Unit (DIU) report reveals that 60% of India's CSR spending (₹29,990 crore, 2022–23) went to six states.

## Key Findings of Developmental Intelligence Unit (DIU) Report

Rising CSR Outlay: In 2022–23, CSR expenditure touched ₹29,989.92 crore, a 12.8% rise over the previous year.

### 1. Concern Raised in the Report

#### 1. Regional Allocation Imbalances

##### Geographic Concentration

60% of total CSR funds went to Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Delhi, and Gujarat.

##### Neglect of Aspirational Districts

Aspirational Districts (per NITI Aayog) mainly in Jharkhand, Chhattisgarh, Bihar, Odisha, Madhya Pradesh, and Northeastern states received less than 20% of the total pool.

##### Proximity-Driven Allocation

Companies prefer projects near manufacturing hubs, mining units, or corporate headquarters for ease of monitoring and operational convenience.

##### Local Area Clause Misuse

The "local area preference" clause is often treated as mandatory, restricting CSR to business peripheries rather than national priorities.

*Section 135 of the Companies Act, 2013 suggests that companies should give preference to the local area and areas around where they operate when undertaking CSR activities. However, this is advisory, not mandatory but has been interpreted by many corporations as an implicit priority requirement.*

### 2. Strategic & Thematic Misalignments

#### 1. Duplication of Government Schemes

Significant funds go into mid-day meals, sanitation drives, and basic skill development — areas already covered by public programmes — instead of plugging last-mile service gaps.

#### 2. Weak SDG Integration

CSR allocations often lack direct linkage to India's Sustainable Development Goals (SDG) 2030 commitments.

### 3. Governance & Accountability Gaps

Transparency & Participation Deficit: Minimal community involvement in project design, limited disclosure of allocation rationale, and funding often guided by legacy projects or board preferences instead of data-driven needs.

#### The top-down Approach

This approach in allocating funds results in limited community participation and a lack of nuanced understanding of local needs, aspirations, or systemic gaps.

### Impact Measurement Issues

Most companies rely on output indicators (e.g., number trained, toilets built) rather than impact metrics (e.g., sustainable employment, improved sanitation outcomes).

### Development Intelligence Unit (DIU)

It is a joint initiative of Transform Rural India and Sambodhi Research & Communications, serving as a rural data and analytics clearinghouse. It supports evidence-based policymaking and development interventions by providing accessible, high-quality rural data.

#### Objectives

Democratise rural data for stakeholders in public, private, and civil society sectors. Support equitable rural service delivery through robust analytics. Collaborate with the government (e.g., Ministry of Rural Development for Mission Antyodaya) in survey design, indicator development, and dashboard creation.

#### Reports Released

1. Rural Youth Employment Trends
2. Impact of Climate Change on Marginal Farmers
3. Health and Education in Rural India
4. Millet Consumption Patterns
5. Mission Antyodaya GP-Level Rankings

### Corporate Social Responsibility (CSR)

CSR is the idea that companies should evaluate and take responsibility for their impact on the environment and social welfare. It promotes positive social and environmental change.

#### Types of CSR

Type	Focus Areas / Components	Example
Environmental Responsibility	Reducing environmental harm, promoting sustainability, conserving resources, adopting eco-friendly technologies.	Installing solar panels, reducing carbon emissions, adopting water recycling systems.
Ethical Responsibility	Ensuring fair and transparent business practices, upholding human rights, avoiding exploitation.	Following fair trade practices, ensuring ethical sourcing of raw materials.
Philanthropic / Social Responsibility	Supporting employees, communities, and society through charitable initiatives, skill development, and welfare programs.	Funding education for underprivileged children, sponsoring community health camps.
Economic Responsibility	Operating profitably while ensuring fair business practices and contributing to economic development.	Generating employment, paying fair taxes, supporting local suppliers.

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### CSR & Sustainable Development Goals (SDGs)

1. No Poverty (SDG 1): Livelihood programs, community development.
2. Zero Hunger (SDG 2): Agricultural support, food distribution.
3. Good Health (SDG 3): Healthcare services, sanitation.
4. Quality Education (SDG 4): Scholarships, building schools.
5. Gender Equality (SDG 5): Women empowerment, gender sensitivity.
6. Clean Water (SDG 6): Water purification, sanitation facilities.
7. Clean Energy (SDG 7): Renewable energy projects.
8. Economic Growth (SDG 8): Job creation, skill development.
9. Innovation (SDG 9): Infrastructure development.
10. Reduced Inequality (SDG 10): Inclusive growth programs.
11. Sustainable Cities (SDG 11): Urban development, smart city initiatives.
12. Responsible Consumption (SDG 12): Waste management, recycling.
13. Climate Action (SDG 13): Reforestation, reducing carbon footprint.
14. Life Below Water (SDG 14): Marine conservation.
15. Life on Land (SDG 15): Wildlife conservation, afforestation.
16. Peace and Justice (SDG 16): Legal rights promotion, anti-corruption.
17. Partnerships (SDG 17): Collaborating with NGOs, governments.

### CSR in India

**Global First in CSR Legislation:** India, the first country to mandate CSR under Companies Act, 2013.

**Decade-long CSR Investment Scale:** The CSR has seen over ₹2.21 lakh crore invested (2014–2024).

**Agriculture-focused CSR Potential:** With agriculture employing nearly 45.5% of the workforce and contributing around 18.4% to GDP, interest in channeling CSR funds toward agricultural sustainability is rising.

### 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.

Nodal Ministry: Ministry of Corporate Affairs.

1. Applicability under Companies Act 2013
2. An annual turnover of ₹1,000 crore or more
3. A net worth of ₹500 crore or more
4. A net profit of ₹5 crore or more

### CSR Spending Provisions

#### 1. Mandatory Spend

Companies must spend at least 2% of their average net profit over three years on social welfare activities listed in the Companies Act, 2013.

## 2. Eligible Donations

Currently, companies can donate to non-profit organizations outside of Social Stock Exchanges (SSEs) under their CSR activities but cannot use SSEs for this purpose.

*A Social Stock Exchange is a platform under the Securities and Exchange Board of India (SEBI) that enables non-profit organisations (NPOs) and for-profit social enterprises (FPEs) to raise funds from investors for projects with measurable social impact.*

### Examples of CSR Initiatives by Indian Corporates

**1. Reliance Industries Limited (Reliance Foundation),** Through its CSR arm Reliance Foundation, it focuses on rural transformation, education, healthcare, disaster response, sports for development, and arts and culture.

**2. Tata Consultancy Services (TCS),** This corporate company invests in education, skill development, employment, and entrepreneurship to bridge the opportunity gap for marginalized groups.

**3. ITC (Mission Sunehra Kali),** Through this mission, they focus on sustainable agriculture, water management, and community development.

**4. Mahindra & Mahindra,** It runs 'Nanhi Kali' program that supports girl child education, alongside initiatives for rural and skill development.

**5. Adani Group,** This group runs a sustainable livelihoods program which aims to increase the quality of life in rural areas through various developmental projects.

### Permitted CSR activities under Schedule VII of Companies Act 2013

Category	Activities
Eradicating Poverty & Hunger	<ol style="list-style-type: none"><li>1. Promoting healthcare (preventive &amp; sanitation)</li><li>2. Contributing to Swachh Bharat Kosh for sanitation</li><li>3. Providing safe drinking water</li></ol>
Education & Skill Development	<ol style="list-style-type: none"><li>1. Supporting education (including special education)</li><li>2. Enhancing vocational skills for children, women, elderly, and differently-abled</li><li>3. Funding livelihood enhancement projects</li></ol>
Gender Equality & Social Equity	<ol style="list-style-type: none"><li>1. Promoting gender equality and women's empowerment</li><li>2. Building homes &amp; hostels for women &amp; orphans</li><li>3. Setting up old age homes &amp; daycare centers</li><li>4. Reducing inequalities faced by disadvantaged groups</li></ol>
Environmental Sustainability	<ol style="list-style-type: none"><li>1. Protecting environment &amp; ecological balance</li><li>2. Conserving flora &amp; fauna, promoting animal welfare</li><li>3. Practicing agroforestry &amp; natural resource conservation</li><li>4. Maintaining air, water, and soil quality</li><li>5. Contributing to river Ganga rejuvenation</li></ol>

Culture & Heritage	<ol style="list-style-type: none"> <li>1. Protecting national heritage, art, and culture</li> <li>2. Restoring historical sites and artworks</li> <li>3. Setting up public libraries</li> <li>4. Promoting traditional arts and handicrafts</li> </ol>
Supporting Veterans & Families	<ol style="list-style-type: none"> <li>1. Providing benefits to armed forces veterans, war widows, and their dependents</li> <li>2. Supporting Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans and their dependents</li> </ol>
Sports Development	Training programs for rural sports, national sports, Paralympic sports, and Olympic sports
Social Welfare Contributions	<ol style="list-style-type: none"> <li>1. Contributing to government funds for socio-economic development, relief, and welfare of disadvantaged groups (Scheduled Castes, Scheduled Tribes, Other Backward Classes, minorities, and women)</li> <li>2. Contributing to the PM's National Relief Fund or other central government funds for socio-economic development and relief.</li> </ol>
Science & Technology	Supporting government-funded incubators or research projects in science, technology, engineering, and medicine (STEM)
Research & Development	Contributing to public-funded universities, IITs, national laboratories, and autonomous bodies conducting research in STEM for Sustainable Development Goals (SDGs)
Rural & Slum Development	<p>Implementing rural development projects</p> <p>Supporting slum area development initiatives</p>
Disaster Management	Participating in disaster relief, rehabilitation, and reconstruction activities

#### Sector-Wise Allocation of CSR Funds

<p>Education (33%-40%)</p> <p>The largest share of CSR funds is spent on:</p> <ol style="list-style-type: none"> <li>1. Building schools.</li> <li>2. Providing scholarships.</li> <li>3. Developing educational infrastructure.</li> <li>4. Offering vocational training.</li> </ol>	<p>Health Care (20%-30%)</p> <p>Funds are used for:</p> <ol style="list-style-type: none"> <li>1. Setting up hospitals.</li> <li>2. Conducting health camps.</li> <li>3. Promoting sanitation and disease prevention.</li> </ol>
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<p>Environmental Sustainability (5%–10%)</p> <p>CSR projects focus on:</p> <ol style="list-style-type: none"> <li>1. Biodiversity conservation.</li> <li>2. Waste management.</li> <li>3. Renewable energy initiatives.</li> </ol>	<p>Agriculture (10%–15%)</p> <p>CSR funds are directed towards:</p> <ol style="list-style-type: none"> <li>1. Building agricultural infrastructure.</li> <li>2. Promoting better farming practices.</li> <li>3. Supporting livelihood enhancement for farmers.</li> </ol>
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## Benefits of CSR

For Sustainable Development

### 1. Alignment with SDGs

Corporates are crucial in advancing Sustainable Development Goals through innovation and targeted projects. Example: Skill training for women advances SDG 1 (No Poverty) and SDG 5 (Gender Equality).

### 2.Environmental Sustainability

Initiatives in degraded ecosystem restoration, renewable energy adoption, and water conservation contribute to climate resilience.

### 3. Innovation & R&D

CSR for Technology Incubators (2019 Amendment), Contributions to government/PSU-funded incubators or R&D bodies qualify as CSR, spurring India's innovation ecosystem.

### 4.Businesses Enhanced Brand Reputation & Loyalty

Builds consumer trust and attracts like-minded partners.

### 5.Cost Savings & Operational Efficiency

Sustainable practices reduce waste, emissions, and resource costs.

### 6.Attracting Responsible Investors

1. Socially Responsible Investors (SRIs) prefer strong CSR performers.
2. Competitive Advantage, Differentiates firms in saturated markets.
3. Risk Mitigation, addresses reputational and regulatory risks before they escalate.

### 7.Employees, Retention & Motivation

Improves loyalty and morale. Employee Engagement, CSR programs involving staff foster pride and purpose.

### 8.Governance & National Priorities

Public–Private Synergy, CSR complements government schemes in underserved regions. Local Development, Improves infrastructure, health, education, and livelihoods in backward areas.

## Challenges in CSR Implementation

### 1.Geographic & Sectoral Disparities

Regional Imbalance: Funds concentrated in industrial hubs (recent data by DIU) with minimal flows to Bihar, Jharkhand, NE states, and Ladakh.

### 2.Sectoral Imbalance

Education (37%) and health (29%) dominate; environment gets only ~9%.

### 3. Neglected Sectors



Disaster management, heritage conservation, and slum development receive little attention.

## Structural Causes

### 1. Operational Convenience

Funds often deployed near corporate operations to lower logistical and monitoring costs.

### 2. Capacity Constraints

Backward regions lack credible NGOs and implementation partners.

### 3. Risk Aversion & Visibility Bias

Preference for short-term, high-visibility projects over systemic reforms.

### 4. Regulatory Gaps

Current reporting tracks compliance but not equity or developmental impact.

### 5. Governance & Transparency Gaps

1. Lack of Transparency: Insufficient disclosures limit public scrutiny.
2. Greenwashing: Cosmetic CSR for publicity rather than impact.
3. Weak Monitoring: Focus on outputs (e.g., number of beneficiaries) over long-term social change.

### 6. Planning & Coordination Issues- Short-Term Focus

Quick projects prioritized over systemic change.

1. Poor NGO Coordination: Weak partnerships and regulatory restrictions on NGO reserves.
2. Duplication of Efforts: No central mapping of projects, leading to overlaps.

### 7. Implementation Delays & Compliance Issues

1. Approval & Fund Allocation Delays: Push preference for quick-fix projects.
2. Low Innovation: Avoidance of high-risk, high-impact projects.
3. Unspent CSR Funds: Some firms report zero spending despite the legal mandate.

## Implications of Current CSR Gaps

1. Equity Concerns: Skewed CSR flows weaken its redistributive potential and risk widening inter-state disparities.
2. Governance Inefficiency: Overlap with government programs limits innovation and complementarity.
3. Reduced Developmental Impact: Without targeting high-need districts, CSR's contribution to poverty reduction, inequality, and SDG targets remains suboptimal.

### Key Recommendation of Injeti Srinivas Committee

1. Tax Deductibility: Make CSR expenditure tax-deductible.
2. Carry Forward of Unspent Funds: Allow companies to carry forward unspent CSR funds for 3–5 years.
3. Alignment with SDGs: Align Schedule VII with Sustainable Development Goals (SDGs), including additional focus areas like sports promotion, senior citizens' welfare, differently-abled welfare, disaster management, and heritage protection.
4. Local vs. National Priorities: Balance local area preferences with national priorities for CSR projects.

5. Impact Assessment: Require impact assessment studies for CSR obligations of ₹5 crore or more.
6. Registration of Implementation Agencies: Mandate the registration of CSR implementation agencies on the MCA portal.
7. CSR Exchange Portal: Develop a portal to connect contributors, beneficiaries, and implementing agencies.
8. Social Benefit Bonds: Permit CSR contributions in social benefit bonds.
9. Social Impact Companies: Promote the creation and support of social impact companies.
10. Third-Party Evaluation: Introduce third-party assessment for major CSR projects.
11. Resource Gap Funding: Avoid using CSR funds to fill resource gaps in government schemes and discourage passive contributions to Schedule VII funds.
12. Technology-Based Solutions: Encourage CSR spending on innovative, technology-based solutions for social issues.
13. Exemption for Small Companies: Exempt companies with CSR obligations below ₹50 lakh from forming a CSR committee.
14. Civil Offence for Non-Compliance: Make CSR violations a civil offence, subject to penalty instead of criminal charges.

## Way Forward

### Strengthening the CSR Ecosystem- Clarify Legal Provisions

Make "local area preference" discretionary, not binding.

1. Balanced Sectoral Allocation: Incentivise a minimum share (e.g., 25%) for environmental regeneration in operational areas.
2. Pooled CSR Funds: District/state-level CSR trusts to aggregate small contributions for large-scale, strategic projects.

### Legal & Policy Measures Incentivise Backward-Region Investment

Recognition awards, tax offsets, or matching grants for Aspirational District projects.

1. Expand Eligible Activities: Include innovation, disaster resilience, heritage conservation.
2. Mandatory Audits & Impact Assessment: Integrate CSR into statutory audits and require third-party evaluations for large projects.

### Implementation Reforms-Participatory Planning

Mandate consultations with local communities and panchayats.

1. Collaborative CSR Models: Cross-company partnerships for hospitals, renewable energy parks, climate adaptation.
2. Capacity Building: Train NGOs and local bodies in backward regions for project design and execution.

### Transparency & Reporting- Impact-Based Reporting

Publish long-term outcomes alongside outputs. Align with SDGs, Use development indicators to guide CSR funding priorities.



## Conclusion

Grounded in DPSPs and the goal of social-economic justice, CSR since its 2013 mandate faces regional bias and structural gaps. Strategic, equitable, and accountable reforms can make it a driver of inclusive growth and SDG goals.

Source: <https://www.newindianexpress.com/nation/2025/Aug/08/csr-spending-heavily-concentrated-in-six-states-report-flags-neglect-of-underdeveloped-regions>

