Open Access

IJASSH

International Journal of Arts, Social Sciences and Humanities

(A Quarterly, Refereed, & Peer Reviewed International Journal)
Published by: AAASSHER, Mumbai, (MS) India
Journal homepage: https://ijassh.aaassher.org/
ISSN (Online): 2584-1130
Volume 4, Issue 4, December 2026; Pages 656 – 676
DOI: 10.5281/zenodo.24460932

Original Research Article

Beyond the 2% Mandate: From Checkbox Compliance to Real Impact in Indian CSR

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Received: 14 November, 2026 | Accepted: 18 November, 2026 | Published: 23 November, 2026

Abstract

Purpose: More than a decade after Section 135 of the Companies Act, 2013 made India the first major economy to legislate mandatory corporate social responsibility (CSR) spending, annual CSR expenditure has grown by roughly 247 percent — from ₹10,065.93 crore in FY 2014–15 to ₹34,908.75 crore in FY 2023–24, and ₹40,794.00 crore in FY 2024–25 under updated official filings. Despite near-universal statutory compliance, official disclosures reveal systematic asymmetries between where corporate CSR capital flows and where multidimensional deprivation concentrates. This study quantifies those asymmetries using verified government data, diagnoses the institutional mechanisms that sustain "checkbox compliance", and develops a governance blueprint for transitioning Indian CSR from expenditure-driven compliance to outcome-oriented impact.

Design/Methodology/Approach: The study triangulates universe-level secondary data across FY 2014–15 to FY 2024–25: statutory CSR disclosures filed in the MCA-21 registry as reported in Ministry of Corporate Affairs (MCA) written replies to Parliament (PIB Release ID 2226018; Lok Sabha Unstarred Questions 2338, 2367 and 2312; Rajya Sabha Unstarred Question 211), the NITI Aayog National Multidimensional Poverty Index (NFHS-5, 2019–21), SEBI Business Responsibility and Sustainability Reporting (BRSR/BRSR Core) disclosures, and company-count compilations derived from MCA data. Spatial concentration ratios, a sectoral Herfindahl–

Hirschman Index (HHI), and CSR-share-to-population-share mismatch ratios are computed directly from the official tables.

Findings: Five structural anomalies are documented. First, spatial concentration: Maharashtra alone absorbed ₹6,065.95 crore (17.4 percent of the national total) in FY 2023–24 against a multidimensional poverty headcount of 7.81 percent, whereas Bihar — with the highest poverty headcount (33.76 percent) — received ₹260.53 crore (0.75 percent); the three leading industrial states captured 40.9 percent of state-assignable CSR. Second, sectoral crowding: education (34.8 percent) and health care (20.5 percent) together absorbed 55.25 percent of FY 2023–24 expenditure (HHI ≈ 1,819 points), while women's empowerment received 1.30 percent and slum-area development 0.11 percent. Third, accountability dilution through transfers to central government funds (₹1,000.83 crore; 2.87 percent in FY 2023–24). Fourth, a rigid 5 percent administrative-overhead cap that squeezes grassroots implementing organisations, compounded by the tightened Form CSR-1 (G.S.R. 452(E), effective 14 July 2025). Fifth, structural weaknesses in Rule 8(3) impact assessment, including client-paid evaluation and per-project threshold fragmentation.

Practical & Policy Implications: The study evaluates the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 (G.S.R. 452(E)) and the landmark notifications of 27 May 2026 (G.S.R. 415(E) and G.S.R. 416(E)), which inserted Schedule VII item (xiii) and new Rule 4A, allowing up to 10 percent of CSR expenditure to be deployed through zero coupon zero principal (ZCZP) instruments on the Social Stock Exchange (SSE). Reforms proposed include need-weighted rebalancing of the "local area" preference in Section 135(5), a poverty-weighted CSR credit for the 112 Aspirational Districts, routing unspent balances into diversified SSE-listed ZCZP pools, harmonising MCA Form CSR-2 with SEBI BRSR Core outcome indicators and the ICAI Social Audit Standards (SAS 100–1600), and a regulator-allocated social-audit pool to remove client-paid bias.

Originality/Value: Moving beyond descriptive compliance summaries, the study recalibrates the spatial, sectoral and accountability diagnostics of India's mandatory CSR regime using exclusively verified official data — including the revised FY 2023–24 totals published in 2026 — and integrates the July 2025 and May 2026 regulatory innovations into a coherent reform agenda for emerging-market mandatory CSR.

Keywords: Mandatory CSR; Section 135; Companies Act 2013; allocative inefficiency; spatial inequality; Social Stock Exchange; ZCZP instruments; SEBI BRSR Core; social audit

JEL Classification: M14; G38; O18; L31; K22

1. Introduction

India's statutory Corporate Social Responsibility (CSR) regime under Section 135 of the Companies Act, 2013 — enacted on 29 August 2013, with the CSR provisions operative from 1 April 2014 — represents the world's most ambitious legislative experiment in institutionalising corporate philanthropy as an instrument of national development (Ministry of Corporate Affairs [MCA], 2013). The statute applies to every company registered in India that meets any of three financial thresholds in the immediately preceding financial year: net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more. Qualifying boards must constitute a CSR Committee and ensure that the company spends, in every financial year, at least 2 percent of the average net profits made during the three immediately preceding financial years on activities enumerated in Schedule VII of the Act.

The first proviso to Section 135(5) directs companies to "give preference to the local area and areas around it where it operates" — a provision whose interpretive status is examined below.

Evaluated strictly as a capital-mobilisation mechanism, the 2 percent mandate has achieved remarkable scale. According to the Ministry of Corporate Affairs' written reply tabled in the Rajya Sabha on 10 February 2026, annual CSR expenditure reported through MCA-21 filings rose from ₹24,965.82 crore in FY 2019–20 to ₹34,908.75 crore in FY 2023–24, with the five financial years from FY 2019–20 to FY 2023–24 totalling ₹1,44,159 crore (MCA, 2026a). Combined with National CSR Portal compilations for the earlier years, cumulative spending over the first decade (FY 2014–15 to FY 2023–24) reached approximately ₹2.21 lakh crore, and the updated parliamentary tables of August 2026 place FY 2024–25 expenditure at ₹40,794.00 crore (Lok Sabha, 2026) — a roughly 305 percent increase over the FY 2014–15 base. The Indian Institute of Corporate Affairs has itself framed the decade as a journey "from ₹10,065.93 crores in FY 2014–15 to ₹34,908.75 crores in FY 2023–24" (Press Information Bureau [PIB], 2025).

The enforcement architecture also hardened over the decade. The Companies (Amendment) Act, 2019 and the Companies (Amendment) Act, 2020 converted the original "comply-or-explain" regime into a "comply-or-pay" regime: unspent amounts relating to ongoing projects must be transferred to a separate Unspent CSR Account within thirty days of the financial year end and spent within three financial years, while unspent amounts unrelated to ongoing projects must be transferred to a Schedule VII fund within six months of the financial year end; default attracts a penalty of twice the amount required to be transferred, subject to a ceiling of ₹1 crore for the company and one-tenth of that amount, subject to ₹2 lakh, for every officer in default (MCA, 2013; MCA, 2021). The Companies (Auditor's Report) Order, 2020 additionally requires statutory auditors to report on unspent CSR amounts (Rajya Sabha, 2025). These provisions, together with the detailed disclosure requirements of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended in January 2021, have made outright non-disclosure rare.

Yet beneath this fiscal record lies a developmental paradox: high statutory compliance coexists with allocative patterns that appear weakly related to need. Because the regulatory apparatus penalises financial under-spending, corporate boards and chief financial officers increasingly treat CSR as a statutory levy and an audit-defence exercise. Rather than deploying patient, risk-tolerant capital in India's poorest districts, corporations gravitate toward easily auditable physical infrastructure near their urban headquarters and industrial plants, or toward year-end transfers into central government funds. This study quantifies that paradox using only verified official data and asks what combination of statutory amendment and market-based verification instruments can close the gap between compliance and impact.

1.1 The interpretive status of the "local area" preference

A point of frequent confusion — and one corrected in this study — concerns whether the local-area proviso legally obliges companies to spend near their operations. In its written reply of 3 August 2026, the Ministry of Corporate Affairs stated that while the first proviso to Section 135(5) provides for preference to the local area, "the emphasis on local area is only directory and not mandatory in nature and companies need to balance local area preference with national priorities" (Lok Sabha, 2026). The spatial concentration documented in Section 5 of this paper is therefore the product of corporate preference operating within a directory statutory signal, reinforced by monitoring convenience and audit economics — not of a binding legal requirement. This distinction matters for

reform design: policy must change corporate incentives and disclosure, not merely amend a provision that is already non-binding.

1.2 Research questions and study objectives

Addressing the tension between financial compliance and developmental efficacy, this study investigates three interrelated research questions. RQ1 (Expenditure and allocation patterns): how have Indian companies allocated their mandated CSR funds across states, Schedule VII thematic categories, ownership categories (public sector undertakings versus private firms), and implementation channels over the first decade of Section 135? RQ2 (Institutional and structural anomalies): why do systematic spatial and sectoral disconnects persist between corporate CSR inflows and multidimensional poverty indicators, and which statutory and institutional provisions reward risk-averse "checkbox compliance"? RQ3 (Regulatory recalibration and policy remedies): how can the recent regulatory innovations — the July 2025 substitution of Form CSR-1 (G.S.R. 452(E)), the May 2026 notifications enabling CSR subscription to zero coupon zero principal (ZCZP) instruments on the Social Stock Exchange (G.S.R. 415(E) and G.S.R. 416(E)), and SEBI's BRSR Core assurance framework — be combined with statutory reform to convert Indian CSR into an outcome-driven engine of equitable development?

2. Theoretical Framework and Literature Review

2.1 Neo-institutional theory: coercive and mimetic isomorphism

Neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) provides the principal lens for diagnosing corporate behaviour under state-mandated CSR. When organisational legitimacy is tied to strict statutory rules, firms undergo coercive isomorphism — adapting internal governance structures to satisfy regulatory surveillance rather than to optimise social welfare. Under Section 135, because statutory financial auditors verify CSR compliance primarily through financial disbursement vouchers, utilisation certificates and Form CSR-2 disclosures, corporate boards have strong incentives to decouple formal compliance from substantive ground-level impact — the "myth and ceremony" of Meyer and Rowan (1977).

Simultaneously, uncertainty about how to measure complex social interventions triggers mimetic isomorphism. Rather than experimenting with high-risk interventions in climate adaptation, agrarian distress or urban slum rehabilitation, companies imitate the CSR portfolios of industry peers. Such herd behaviour concentrates expenditure in standardised, highly visible capital works within education and health care — school infrastructure, diagnostic equipment, sanitation blocks — which yield immediate photographic evidence for annual reports and uncomplicated audit clearance. The sectoral concentration indices computed in Section 4.2 (HHI ≈ 1,819 points in FY 2023–24) are consistent with this mechanism.

2.2 Agency theory, managerial opportunism and the local-area distortion

While Porter and Kramer's (2011) creating-shared-value paradigm posits that strategic CSR can simultaneously advance competitiveness and community welfare, agency theory (Jensen & Meckling, 1976) warns that managers may deploy philanthropic resources to advance localised operational or reputational interests. In the Indian setting this agency distortion interacts with the statutory preference for the "local area": because corporate headquarters, information-technology parks and manufacturing corridors are concentrated in industrialised states, locally oriented spending structurally favours capital-rich regions even though the preference is legally directory rather than mandatory (Lok Sabha, 2026). The result is a spatial allocation pattern in which corporate proximity, not deprivation, is the strongest observable predictor of CSR inflows.

2.3 Synthesis of prior empirical literature and the research gap

Table 1 synthesises the principal empirical literature on India's mandatory CSR regime. Quasi-experimental work establishes the statute's behavioural bite: Dharmapala and Khanna (2018) show that firms previously spending below 2 percent increased outlays toward the target while firms already spending above it reduced outlays, evidencing a strong anchoring effect; Manchiraju and Rajgopal (2017) document negative announcement-period returns for affected firms, consistent with CSR spending being partly value-reducing at the margin. Firm-level studies of the early "comply-or-explain" years (Mukherjee, Bird & Duppati, 2018) and of the punitive era (Bhattacharyya & Rahman, 2019) link compliance and performance to profitability, ownership and governance; Aswani, Chidambaran and Hasan (2021) examine which firms and stakeholders bear or benefit from the mandate; and Subramaniam, Kansal and Babu (2017) analyse governance of mandated CSR in Indian government-owned firms. Conceptually, Gatti, Vishwanath, Seele and Cottier (2019) and Nair and Bhattacharyya (2019) locate the Indian experiment within institutional and resource-based framings, while practitioner surveys (KPMG in India, 2023) document reporting practice.

Table 1. Evolution of empirical literature on mandatory CSR in India

Author(s) and year	Sample and data window	Core empirical focus	Key findings and unresolved gap
Manchiraju & Rajgopal (2017)	Affected Indian firms; 2013–2014 event window	Shareholder-value effects of the mandate	Negative announcement returns for forced spenders; value effects not linked to allocation quality
Dharmapala & Khanna (2018)	Top 500 BSE firms; 2012–2016	Quasi-experimental impact of Section 135 on spending	Below-target firms raised, above-target firms cut spending toward the 2% anchor; no spatial or poverty linkage
Mukherjee, Bird & Duppati (2018)	223 listed companies; 2014–2016	Determinants of compliance under comply-or-explain	Profitability and governance drove early compliance; predates the 2021 punitive transfer rules
Subramaniam, Kansal & Babu (2017)	Indian government-owned firms	Governance of mandated CSR in PSUs	Board structures condition PSU compliance; private-sector allocation left unexamined
Bhattacharyya & Rahman (2019)	Listed firms; 2014–2018	Mandatory CSR expenditure and firm performance	Performance effects of forced spending; no project-level outcome analysis
Aswani, Chidambaran & Hasan (2021)	Indian firms; post-2013	Incidence of the mandate across firms and stakeholders	Distributional incidence established; spatial mismatch with poverty not addressed
NITI Aayog (2023); ICAI (2023)	National MPI (NFHS-5) and 16 Social Audit Standards	Deprivation mapping and social-impact measurement	Baselines and audit standards created, but not yet linked to MCA CSR flow data
Present study (2026)	Universe-level MCA-21 filings, FY 2014–15 to FY 2024–25; 2026 Rules	Spatial asymmetries, sectoral crowding and SSE-ZCZP reform	Integrates official parliamentary CSR tables with NITI Aayog MPI and the G.S.R. 452(E) and G.S.R. 415(E)/416(E) reforms

Source: *Authors' compilation from the cited studies. Bibliographic details are given in the reference list.*

Two gaps motivate the present study. First, the empirical literature is overwhelmingly firm-centric; almost no published work cross-tabulates the universe-level CSR flow data that the Ministry of Corporate Affairs now publishes through parliamentary replies against district- and state-level deprivation. Second, the regulatory environment has changed materially since 2021 — through the 2022 revision of the impact-assessment expenditure rule, the July 2025 substitution of Form CSR-1, and the May 2026 integration of the Social Stock Exchange into Schedule VII — and no study has yet assessed what this "CSR 2.0" architecture implies for the spatial and sectoral pathologies documented here.

2.4 Hypotheses

Building on neo-institutional and agency theory and on the statutory architecture of Section 135, four testable propositions guide the diagnostics.

H1 (Spatial home-bias paradox). Ceteris paribus, state-level CSR inflows are positively associated with corporate-headquarters density and industrial output, and negatively associated with the state multidimensional poverty headcount; formally, the ratio of a state's share of national CSR to its share of national population exceeds unity in low-poverty industrial states and falls far below unity in high-poverty states.

H2 (Sectoral crowding and audit bias). CSR expenditure exhibits persistently high sectoral concentration — measured via the Herfindahl–Hirschman Index over Schedule VII categories — disproportionately favouring tangible infrastructure in education and health care over behavioural, livelihood and environmental interventions.

H3 (Compliance escape via central funds). Following the 2021 mandatory unspent-transfer amendments, a measurable share of annual CSR is routed into Schedule VII central government funds as a low-monitoring compliance channel, with the share rising in years immediately following enforcement changes.

H4 (Absorptive-capacity squeeze). The combination of the 5 percent administrative-overhead cap (Rule 7(1)) and tightened implementing-agency registration (Form CSR-1, substituted with effect from 14 July 2025) systematically disadvantages grassroots organisations in high-deprivation districts relative to large urban implementers.

3. Data and Research Methodology

3.1 Secondary data sources, triangulation and data vintages

To ensure empirical rigour and full replicability without reliance on primary surveys, the study constructs a multi-source secondary architecture spanning FY 2014–15 to FY 2024–25, supplemented by statutory notifications through May 2026. Source 1: universe-level corporate CSR disclosures filed in the MCA-21 registry, accessed through the Ministry of Corporate Affairs' written replies to Parliament and the official press releases built upon them — PIB Release ID 2226018 (10 February 2026) for the five-year FY 2019–20 to FY 2023–24 series; Lok Sabha Unstarred Question 2338 (15 December 2025) for the state-wise FY 2023–24 distribution; Lok Sabha Unstarred Question 2367 (15 December 2025) for five-year state-wise, sector-wise and Aspirational-District tables; Rajya Sabha Unstarred Question 211 (22 July 2025) for development-sector and specified-fund tables; and Lok Sabha Unstarred Question 2312 (3 August 2026) for the updated sector-wise series covering FY 2024–25 (MCA, 2026a; Lok Sabha, 2025a, 2025b, 2026; Rajya Sabha, 2025).

A data-vintage caveat is essential. MCA figures are revised upward as late CSR-2 filings are processed. The official FY 2023–24 total of ₹34,908.75 crore (data up to 31 March 2025) was revised to ₹35,917.98 crore in the updated tables of August 2026 (data up to 31 March 2026), and FY 2024–25 filings stood at ₹40,794.00 crore in the

same update (Lok Sabha, 2026). This study uses the vintage stated in each table and flags cross-vintage comparisons explicitly. Company counts by financial year, which the Ministry does not publish in a single official series, are taken from compilations derived from MCA data (Fulcrum, 2025) and are treated as indicative.

Source 2: the NITI Aayog National Multidimensional Poverty Index — A Progress Review 2023, computed on National Family Health Survey-5 (2019–21) microdata, providing state- and district-level headcount ratios, population shares and poverty-reduction estimates across twelve indicators spanning nutrition, child and adolescent mortality, maternal health, schooling, and seven living-standard dimensions (NITI Aayog, 2023). Source 3: SEBI's Business Responsibility and Sustainability Reporting for the top 1,000 listed companies and the BRSR Core reasonable-assurance framework introduced by the circular of 12 July 2023, which phases assurance on a defined set of KPIs across the top listed companies and their value chains (SEBI, 2022, 2023). Source 4: Social Stock Exchange registration and ZCZP-issuance records, and MCA-derived corporate-count compilations (Fulcrum, 2025), including ownership splits for FY 2023–24 corroborated by contemporaneous reporting (Fortune India, 2025).

3.2 Variable operationalisation

Table 2. Operationalisation of variables and data sources

Variable	Construct	Operational measurement	Data source
CSR_Share_s	State CSR receipt share	State's CSR expenditure in FY 2023–24 as a percentage of the national total of ₹34,908.75 crore (basis: all filings including PAN-India and centralised funds)	Lok Sabha USQ 2338 (2025)
PopShare_s	Population share	State share of national population implied by NFHS-5 (2019–21) projections	NITI Aayog (2023)
Mismatch_R_s	Spatial mismatch ratio	CSR_Share_s divided by PopShare_s; values above 1 indicate over-receipt relative to population	Authors' computation
MPI_HCR_s	Multidimensional poverty headcount	Percentage of state population multidimensionally poor, NFHS-5 (2019–21), 12 indicators	NITI Aayog (2023)
HHI_Sec_t	Sectoral concentration	Sum of squared shares of CSR expenditure across the 29 disclosed development sectors in year t (Equation 1)	Rajya Sabha USQ 211 (2025)
Entropy_t	Sectoral diversity	Shannon entropy across Schedule VII sector shares in year t (Equation 2)	Rajya Sabha USQ 211 (2025)
CentralFund_t	Passive central-fund transfer ratio	CSR contributions to specified Schedule VII central funds as a share of annual CSR expenditure	Rajya Sabha USQ 211 (2025)
AD_Share_t	Aspirational-district allocation share	CSR expenditure in the 112 Aspirational Districts as a share of national CSR expenditure	Lok Sabha USQ 2367 (2025)

Admin_Ratio_i	Administrative-overhead share	Company's CSR administrative overheads as a share of total CSR outlay (capped at 5 percent under Rule 7(1))	Form CSR-2 filings; MCA (2021)
IA_Threshold_i	Impact-assessment exposure	Company's average CSR obligation of ₹10 crore or more (three preceding FYs) and project outlays of ₹1 crore or more (Rule 8(3))	MCA (2021); MCA (2022)

Source: *Authors' operationalisation; statutory citations are given in the reference list.*

3.3 Analytical framework

Hypotheses H2 and H3 are evaluated with concentration and composition measures computed directly from the official sector tables. The sectoral Herfindahl–Hirschman Index in year t is defined over the N disclosed development sectors as

$$HHI_{Sec,t} = \sum_{j=1}^{N} \left(\frac{Spend_{j,t}}{TotalSpend_t}\right)^2 \quad (1)$$

where Spend(j,t) is expenditure on sector j in year t and TotalSpend(t) the annual total; the Shannon entropy is

$$Entropy_t = -\sum_{j=1}^{N} s_{j,t} \ln s_{j,t} \quad (2)$$

with s(j,t) = Spend(j,t)/TotalSpend(t) the budget share of sector j. An HHI exceeding 1,800 points (0.18 on the unit scale) indicates severe thematic concentration by antitrust convention. Hypothesis H1 is evaluated through the mismatch ratio defined in Table 2, which divides each state's share of national CSR by its share of national population; under a purely population-proportional allocation the ratio would equal one for every state. H4 is assessed qualitatively against the statutory design of Rules 4(2), 7(1) and 8(3) and documented implementation friction, following the non-profit starvation-cycle logic of Lecy and Searing (2015). Where the paper reports firm-level splits (public sector versus private), it relies on MCA-derived compilations (Fulcrum, 2025) because the Ministry does not publish a consolidated official series; these are labelled accordingly. For hypothesis H1 in its econometric form — a two-way fixed-effects panel of state-level per-capita inflows on headquarters density, industrial output and MPI headcounts — the present study specifies but does not estimate the model, because consistent state-level covariate panels for the full decade are not yet available in the public record.

4. Empirical Findings: Macro-Fiscal Trajectory and Allocation Patterns

4.1 Decade-long macro-fiscal trajectory (FY 2014–15 to FY 2024–25)

Table 3 assembles the longitudinal trajectory of statutory CSR expenditure from the inception of Section 135 through FY 2024–25. The FY 2019–20 to FY 2023–24 figures are drawn directly from the Ministry of Corporate Affairs' parliamentary table (MCA, 2026a); the FY 2014–15 to FY 2018–19 figures are the National CSR Portal compilations of the corresponding years; and the FY 2024–25 figure is the updated official aggregate published in August 2026 (Lok Sabha, 2026). Over the eleven-year window, annual expenditure expanded more than four-fold, from ₹10,065.93 crore to ₹40,794.00 crore, with the five financial years FY 2019–20 to FY 2023–24 alone accounting for ₹1,44,159 crore.

Table 3. Longitudinal trajectory of mandatory CSR expenditure in India, FY 2014–15 to FY 2024–25

Financial year	Total CSR spend (₹ crore)	Year-on-year growth (%)	Reporting companies (no.)
FY 2014–15	10,065.93	—	16,548
FY 2015–16	14,517.21	+44.2	18,292
FY 2016–17	14,542.51	+0.2	19,556
FY 2017–18	17,098.58	+17.6	21,525
FY 2018–19	20,217.65	+18.2	25,181
FY 2019–20	24,965.82	+23.5	22,985
FY 2020–21	26,210.95	+5.0	20,840
FY 2021–22	27,141.45	+3.6	18,623
FY 2022–23	30,932.08	+14.0	—
FY 2023–24	34,908.75	+12.9	27,188
FY 2024–25	40,794.00	+16.9	29,546

Note. *FY 2019–20 to FY 2023–24 from the official parliamentary table (MCA, 2026a; data up to 31 March 2025); FY 2024–25 from the updated tables (Lok Sabha, 2026; data up to 31 March 2026); earlier years from National CSR Portal compilations. Company counts are annual portal and MCA-derived compilations (Fulcrum, 2025) and vary across data vintages; — indicates no comparable official count.*

Three structural features stand out. First, growth has been persistent but uneven: the 44 percent jump in FY 2015–16 partly reflected a low base as compliance routines formed, growth stalled in FY 2016–17 and softened during the pandemic years (+5.0 percent in FY 2020–21 and +3.6 percent in FY 2021–22), before re-accelerating to 12.9–16.9 percent in the last two years. Second, ownership composition matters: in FY 2023–24, MCA-derived compilations attribute ₹30,136 crore (86.3 percent) to 26,814 non-PSU companies and ₹4,773 crore (13.7 percent) to 374 public sector undertakings, whose average annual outlay of ₹12.76 crore is more than ten times the private-sector average of ₹1.12 crore — a concentration driven by Maharatna and Navratna energy, mining and financial PSUs (Fulcrum, 2025; Fortune India, 2025). Third, the number of CSR-reporting firms has grown far more slowly than expenditure, implying that marginal growth is increasingly contributed by large incumbents rather than by new entrants.

4.2 Sectoral distribution across Schedule VII activities

Table 4 disaggregates FY 2023–24 expenditure across the development sectors disclosed in the official tables (Rajya Sabha, 2025). Education (₹12,134.57 crore; 34.76 percent) and health care (₹7,150.81 crore; 20.48 percent) jointly command 55.25 percent of all CSR funds. Adding environmental sustainability, rural development and livelihood enhancement brings the five-sector total to 75.87 percent. At the other end of the distribution, women's empowerment received ₹454.22 crore (1.30 percent), gender equality ₹204.17 crore (0.59 percent), and slum-area development ₹38.82 crore (0.11 percent) — the smallest disclosed category of any substantive size. The composition was broadly stable into FY 2024–25: education 34.0 percent, health care 20.9 percent, environmental sustainability 8.3 percent, women's empowerment 1.28 percent and slum-area development 0.09 percent (Lok Sabha, 2026).

Table 4. Sectoral distribution of CSR expenditure across disclosed development categories, FY 2023–24

Development sector (Schedule VII theme)	**Expenditure (₹ crore)**	**Share of total (%)**
Education (including special education: ₹396.57 crore)	12,134.57	34.76
Health care	7,150.81	20.48
Environmental sustainability	2,429.97	6.96
Rural development projects	2,408.09	6.90
Livelihood enhancement projects	2,360.09	6.76
Vocational skills	1,396.55	4.00
Poverty, eradicating hunger and malnutrition	1,233.93	3.53
Art and culture	704.04	2.02
Training to promote sports	692.09	1.98
Animal welfare	531.14	1.52
Specified central government funds (see Table 5 of Rajya Sabha, 2025)	1,000.83	2.87
Women empowerment	454.22	1.30
Conservation of natural resources	423.47	1.21
Sanitation	375.23	1.08
Safe drinking water	327.45	0.94
Gender equality	204.17	0.59
Slum area development	38.82	0.11
All other disclosed categories	646.71	1.85
Total	**34,908.75**	**100.00**

Note. *Compiled from Rajya Sabha USQ 211 (2025), data up to 31 March 2025; percentages computed on the official total of ₹34,908.75 crore. The specified-funds line comprises the Prime Minister's National Relief Fund (₹589.61 crore), Swachh Bharat Kosh (₹140.12 crore), the Clean Ganga Fund (₹62.96 crore) and other central government funds (₹208.14 crore).*

Computing Equation (1) on the 29 disclosed categories yields a sectoral Herfindahl–Hirschman Index of approximately 1,819 points (0.182 on the unit scale) for FY 2023–24 — marginally above the 1,800-point threshold that conventionally denotes severe concentration. Shannon entropy over the same distribution is low relative to the uniform benchmark, confirming that CSR portfolios cluster tightly in two audit-friendly themes. These descriptive indices support Hypothesis H2 and motivate the anomaly diagnosis of Section 5.

5. Diagnosing the Broken Links: Five Structural Anomalies

5.1. Anomaly 1: The spatial paradox — capital flows away from deprivation

Cross-tabulating state-wise CSR inflows from the official parliamentary table (Lok Sabha, 2025a) against the NITI Aayog National Multidimensional Poverty Index (NITI Aayog, 2023) exposes the single most severe distortion in Indian CSR: capital flows toward industrial wealth rather than human deprivation. Table 5 reports the verified FY 2023–24 distribution for states where both data points exist, together with the mismatch ratio (state CSR share divided by state population share). A ratio of one would correspond to purely population-proportional allocation.

Table 5. The spatial paradox: state-level CSR inflows (FY 2023–24) versus multidimensional poverty (NFHS-5, 2019–21)

State	CSR inflow (₹ crore)	Share of national CSR (%)	Population share (%)	MPI headcount (%)	Mismatch ratio
Maharashtra	6,065.95	17.38	9.12	7.81	1.91
Gujarat	2,707.54	7.76	5.13	11.66	1.51
Karnataka	2,254.88	6.46	4.90	7.58	1.32
Tamil Nadu	1,968.76	5.64	5.59	2.20	1.01
Delhi	1,949.95	5.59	—	3.43	—
Uttar Pradesh	1,545.01	4.43	16.95	22.93	0.26
Odisha	1,389.39	3.98	3.35	15.68	1.19
Haryana	816.95	2.34	2.17	7.07	1.08
Madhya Pradesh	600.47	1.72	6.21	20.63	0.28
Assam	488.62	1.40	2.57	19.35	0.54
Jharkhand	414.63	1.19	2.83	28.81	0.42
Chhattisgarh	422.73	1.21	2.17	16.37	0.56
Meghalaya	30.94	0.09	0.24	27.79	0.37
Bihar	260.53	0.75	9.06	33.76	0.08
All eight North-Eastern states	713.53	2.04	—	—	—
PAN-India / multi-state (unassigned)	6,960.21	19.94	—	—	—
Specified central funds	1,000.83	2.87	—	—	—

Note. CSR figures from Lok Sabha USQ 2338 (2025), FY 2023–24, data up to 31 March 2025; population shares and MPI headcounts from NITI Aayog (2023), NFHS-5 2019–21. Mismatch ratio = CSR share ÷ population share (authors' computation); — = not separately disclosed. National total: ₹34,908.75 crore.

The pattern is stark. Maharashtra — where, according to MCA-derived compilations, 6,499 CSR-reporting companies maintain their headquarters or principal operations (Fulcrum, 2025) — absorbed ₹6,065.95 crore, or 17.38 percent of the national pool (22.5 percent of the state-assignable portion), despite a poverty headcount of 7.81 percent; its mismatch ratio of 1.91 is the highest among major states. The three leading industrial states (Maharashtra, Gujarat and Karnataka) jointly captured ₹11,028.37 crore — 31.6 percent of the national total and 40.9 percent of the state-assignable spend — and the top ten states absorbed 60.1 percent. Uttar Pradesh, India's most populous state with a 22.93 percent poverty headcount, received ₹1,545.01 crore — barely one quarter of Maharashtra's inflow and a mismatch ratio of 0.26. Bihar, with the country's highest poverty headcount (33.76 percent, down from 51.89 percent in 2015–16 but still nearly double the national average of 14.96 percent), received ₹260.53 crore: 0.75 percent of the national pool, a mismatch ratio of 0.08, and less than one twenty-third of Maharashtra's inflow in absolute terms. All eight North-Eastern states combined received ₹713.53 crore (2.04 percent), of which Assam alone accounted for ₹488.62 crore — the remaining seven states together received 0.64 percent.

NITI Aayog's 112 Aspirational Districts — the administrative focus of India's development effort — received ₹1,521.44 crore in FY 2023–24, or 4.36 percent of national CSR, up from ₹307.06 crore in FY 2019–20 (Lok Sabha, 2025b). The trajectory is genuinely positive but remains roughly one quarter of what a population-

proportional allocation would imply, given that these districts contain approximately one in six Indians and a disproportionate share of the multidimensionally poor. Hypothesis H1 is therefore strongly supported by the descriptive evidence: statutory preference, corporate convenience and monitoring economics jointly pull CSR capital away from the highest-need geographies.

5.2. Anomaly 2: Sectoral herd behaviour and brick-and-mortar audit bias

Why do corporate boards crowd 55.25 percent of funds into education and health care while allocating 1.30 percent to women's empowerment and 0.11 percent to slum-area development? The answer lies in statutory audit mechanics rather than in any demonstrated social-return ranking. Financial auditors signing off on Form CSR-2 can instantaneously verify a tax invoice for school desks, a CT scanner or solar streetlights: the expenditure is capitalised, visible and photographable. By contrast, multi-year behavioural interventions — reducing anaemia among women, improving foundational numeracy, or formalising rural women's producer collectives — require longitudinal outcome tracking, carry execution uncertainty, and offer fewer ribbon-cutting opportunities for corporate leadership. The 2021 codification of "ongoing projects" and the three-year Unspent CSR Account window (Section 135(6)) further reward projects with clean, invoice-able expenditure profiles. The result is the herd equilibrium predicted by neo-institutional theory (DiMaggio & Powell, 1983): since no company is penalised for imitating peers, and every company risks audit friction for deviating, the aggregate portfolio concentrates. The paper does not endorse any claimed national ranking of social returns — no verified all-India SROI meta-evaluation exists — but notes that the observed concentration is a property of audit visibility, not of measured impact.

5.3. Anomaly 3: Year-end transfers to central government funds

Under the statutory transfer architecture, any unspent CSR amount not tied to a board-approved ongoing project must be transferred to a fund specified in Schedule VII within six months of the financial year end (second proviso to Section 135(5)), while unspent amounts of ongoing projects must move to the Unspent CSR Account within thirty days and be spent within three financial years (Section 135(6)). Table 6 summarises what companies actually transferred to the specified central funds. In FY 2023–24 the total was ₹1,000.83 crore (2.87 percent of annual CSR): ₹589.61 crore to the Prime Minister's National Relief Fund, ₹140.12 crore to Swachh Bharat Kosh, ₹62.96 crore to the Clean Ganga Fund and ₹208.14 crore to other central government funds (Rajya Sabha, 2025). The historical peak came in FY 2020–21, when ₹3,491.30 crore — 13.32 percent of that year's expenditure — flowed into central funds amid pandemic-era appeals. Contributions to chief ministers' relief funds are explicitly excluded from eligible CSR (Rajya Sabha, 2025).

Table 6. CSR contributions to specified central government funds, FY 2019–20 to FY 2023–24

Fund	FY 2019–20	FY 2020–21	FY 2021–22	FY 2022–23	FY 2023–24
Prime Minister's National Relief Fund	798.43	1,698.38	1,229.35	855.23	589.61
Other central government funds*	932.16	1,618.17	311.14	187.70	208.14
Swachh Bharat Kosh	53.47	161.35	35.05	56.69	140.12
Clean Ganga Fund	6.63	13.39	55.46	46.15	62.96
Total (₹ crore)	**1,790.69**	**3,491.30**	**1,631.01**	**1,145.78**	**1,000.83**
Share of annual CSR expenditure (%)	7.17	13.32	6.01	3.70	2.87

Note. *Compiled from Rajya Sabha USQ 211 (2025), data up to 31 March 2025; shares are authors' computations. *The official footnote states that the centralised-funds category includes the Clean Ganga Fund, Swachh Bharat Kosh, the Prime Minister's National Relief Fund and the PM CARES Fund; fund-wise PM CARES amounts are not separately published in these tables for FY 2022–23 onwards.*

These transfers are fully lawful and individually risk-free — indeed they are the rational compliance choice in the closing weeks of March when a company finds itself holding unallocated CSR balances, a pattern widely described in practitioner commentary as "checkbook philanthropy". The systemic cost is an accountability vacuum: contributing corporations receive no project-level utilisation reports, no geographic disbursement breakdown and no beneficiary metrics, and the statutory audit trail effectively terminates at the fund. Hypothesis H3 is supported in composition terms — the transfer channel absorbs a non-trivial, enforcement-linked share of national CSR — although its quantitative importance has declined as companies professionalise multi-year project pipelines. The paper finds no published quantitative estimate of the share of annual CSR spent in the final month of the financial year; the "March rush" therefore remains a qualitative, not a measured, phenomenon.

5.4 Anomaly 4: The 5 percent administrative cap and the July 2025 Form CSR-1 tightening

Rule 7(1), inserted by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 (MCA, 2021), caps corporate administrative overheads at 5 percent of total CSR expenditure, with "administrative overheads" defined as expenses on the general management and administration of CSR functions and expressly excluding direct project design, implementation, monitoring and evaluation costs. In practice, corporate procurement teams pass this squeeze downstream to implementing organisations, refusing to fund field-staff salaries, monitoring systems, cybersecurity or statutory audit — the institutional overheads on which delivery quality depends. This reproduces, in a mandated-CSR setting, the "non-profit starvation cycle" that Lecy and Searing (2015) dissect for the voluntary sector: unrealistic overhead expectations force under-investment in capacity, which degrades outcomes, which in turn justifies further overhead compression.

The compliance threshold for implementing organisations has simultaneously risen. Rule 4(2), effective 1 April 2021, required every implementing entity to register with the Central Government by filing Form CSR-1. With effect from 14 July 2025, the Ministry substituted the form through the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 (Notification G.S.R. 452(E), dated 7 July 2025), introducing a web-only e-form with stricter eligibility declarations and mandatory certification by a practising chartered accountant, company secretary or cost accountant (MCA, 2025). The reform is defensible as shell-entity hygiene, but its interaction with the 5 percent cap is regressive for delivery capacity: organisations in tribal and rural districts — precisely where Schedule VII objectives are hardest to reach — face the same documentation burden as metropolitan implementers, while the overhead ceiling denies them the resources to meet it. Hypothesis H4 is thus grounded in statutory design and sector evidence, though a direct causal test awaits firm-level implementation data.

5.5 Anomaly 5: Rule 8(3) impact assessment — structural weaknesses

Under Rule 8(3)(a), every company with an average CSR obligation of ₹10 crore or more over the three preceding financial years must undertake impact assessment, through an independent agency, of CSR projects with outlays of ₹1 crore or more that have been completed not less than one year before the study; reports must be placed before the board and annexed to the annual report on CSR (MCA, 2021). Rule 8(3)(c), substituted in September 2022, permits the assessment expenditure to be booked as CSR expenditure subject to the lesser of 5 percent of total CSR expenditure or ₹50 lakh (MCA, 2022) — notably, it is not part of the 5 percent administrative-overhead cap. Two

structural weaknesses follow from the rule's design. First, threshold fragmentation: because the trigger is per project, a company can structure a large thematic programme as multiple sub-₹1 crore projects across districts or fiscal years and fall entirely outside mandatory assessment. Second, client-paid evaluator bias: the evaluated company selects and pays the independent agency, within a fee ceiling of ₹50 lakh; because evaluators depend on repeat corporate mandates, published assessments exhibit systematic positivity bias — documenting inputs and outputs while remaining silent on attrition, deadweight and displacement. The ICAI Social Audit Standards (SAS 100–1600), issued by the Institute's Sustainability Reporting Standards Board in January 2023 for social entities and CSR activities (ICAI, 2023), and SEBI's social-auditor regime for the Social Stock Exchange provide the professional infrastructure to correct both weaknesses, but neither instrument yet binds non-listed CSR implementers.

5.6 Summary of diagnostic estimates

Table 7 consolidates the computed diagnostics against the four hypotheses. Every figure is derived from the official tables cited above or computed by the authors from them; none is borrowed from secondary commentary.

Table 7. Summary diagnostic estimates for FY 2023–24 and hypothesis assessment

Diagnostic	Value	Benchmark / comparison	Hypothesis
Top-2 sector share (education + health care)	55.25%	—	H2 supported
Sectoral HHI (29 disclosed categories)	1,819 points (0.182)	Severe concentration above 1,800 points	H2 supported
Top-5 sector share	75.87%	—	H2 supported
Top-3 states, share of state-assignable CSR	40.9% (31.6% of national total)	—	H1 supported
Maharashtra mismatch ratio	1.91	Bihar 0.08; Uttar Pradesh 0.26	H1 supported
Maharashtra-to-Bihar inflow ratio	23.3 : 1	Population-proportional benchmark ≈ 1 : 1	H1 supported
Aspirational-district allocation share	₹1,521.44 crore = 4.36%	112 districts; ≈ 1/6 of population	H1, H4 supported
Central-fund transfer share	2.87% (peak 13.32% in FY 2020–21)	—	H3 supported
Administrative-overhead ceiling	5% (Rule 7(1))	Non-profit starvation-cycle logic	H4 supported (design)

Note. *All values computed by the authors from Lok Sabha USQ 2338 (2025), Lok Sabha USQ 2367 (2025), Rajya Sabha USQ 211 (2025), Lok Sabha USQ 2312 (2026) and NITI Aayog (2023); see Sections 4 and 5.*

6. How to Fix It: A Multi-Tiered Policy and Governance Blueprint ("CSR 2.0")

Bridging the gap between statutory compliance and ground-level developmental impact requires dismantling perverse incentives while scaling the market-based verification instruments introduced between 2023 and 2026. We propose a four-pillar reform architecture. The pillars are deliberately complementary: Pillar 1 changes where CSR money goes, Pillar 2 changes how grassroots organisations can raise it, Pillar 3 changes how outcomes are verified, and Pillar 4 changes who has the capacity to deliver.

6.1 Pillar 1: Statutory and disclosure recalibration to reverse spatial inequality

1. **Make local-versus-non-local allocation a mandatory disclosure item.** Because the local-area preference is directory rather than mandatory (Lok Sabha, 2026), a direct statutory cap is legally awkward. The first-best instrument is transparency: Form CSR-2 should require every company to disclose the split of its CSR expenditure between its "local area" and other geographies, together with the district-level mapping that the MCA-21 registry already captures. Publication of an annual local-concentration league table would use reputational incentives where legal compulsion is unavailable.
2. **Introduce a 1.5x poverty-weighted CSR credit for Aspirational Districts.** Because operating in remote regions entails higher logistical friction, a pure command-and-control mandate would invite corporate resistance and cosmetic compliance. An incentive multiplier is better aligned with market logic: every ₹1.00 of verified CSR expenditure deployed in the 112 Aspirational Districts — or the fifty lowest-ranked districts on the NITI Aayog MPI — would be credited as ₹1.50 toward the statutory 2 percent obligation, with verification through the existing CSR-2 and utilisation-certificate machinery. The fiscal arithmetic is favourable: a five-percentage-point reallocation of the FY 2023–24 pool would redirect roughly ₹1,745 crore a year toward high-deprivation districts, and lifting the Aspirational-District share from today's 4.36 percent toward 15 percent would move approximately ₹5,236 crore annually based on the same baseline. Anti-abuse safeguards — project pre-registration, utilisation certificates and the existing audit trail — would prevent the credit from subsidising repapered urban projects.

6.2 Pillar 2: Scaling the Social Stock Exchange–ZCZP channel created in May 2026

The regulatory bridge that this study anticipated has now been built. On 27 May 2026 the Ministry of Corporate Affairs notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026 (G.S.R. 415(E)) and a consequential Schedule VII amendment (G.S.R. 416(E)) (MCA, 2026b). Schedule VII now contains item (xiii): "Subscription to zero coupon zero principal instruments on Social Stock Exchange." New Rule 4A permits a company to implement CSR through ZCZP instruments — non-transferable securities issued by a Not-for-Profit Organisation registered on the Social Stock Exchange segment of a recognised stock exchange, as defined by reference to SEBI's Issue of Capital and Disclosure Requirements Regulations — subject to four design features: expenditure on such instruments may not exceed 10 percent of the company's total CSR expenditure for the financial year; projects funded through them must have a duration of not more than three succeeding financial years; on termination of listing, unspent amounts must be transferred to a Schedule VII fund with a compliance report to SEBI; and subscription exempts the company from impact assessment of projects funded through the instrument, with Rules 4(5) and 4(6) — the fund-utilisation certification requirements — not applying to ZCZP implementation (MCA, 2026b).

This architecture directly attacks the trust bottleneck that has historically deterred Mumbai- or Bengaluru-based CFOs from funding grassroots organisations in Bihar or the North-East: exchange-level due diligence, disclosure and escrow monitoring substitute for firm-level disbursement certification. Uptake, however, remains modest and must be the baseline for policy expectations. By April 2024, 51 not-for-profit entities were registered on the BSE Social Stock Exchange and 50 on the NSE segment; by mid-2026 registrations across the two exchanges had risen to roughly 176, but only about eleven issuers had listed a ZCZP instrument, and cumulative issuance stood in the range of tens of crores of rupees — tiny relative to the ₹40,794 crore CSR pool. Two policy responses follow. First, Section 135(5) should be amended so that unspent year-end balances from non-ongoing projects may be

subscribed into diversified, SEBI-supervised "Aspirational District ZCZP basket funds" on the exchange rather than transferred into passive central funds; this converts the accountability vacuum of Anomaly 3 into exchange-disclosed project portfolios. Second, the 10 percent cap should be treated as a prudential pilot limit — appropriate while only a handful of issuers exist — and revisited as the issuer base deepens, with the three-year project-duration limit calibrated to multi-year programme realities.

6.3 Pillar 3: Outcome auditing via SEBI BRSR Core and the ICAI Social Audit Standards

1. **Unify Form CSR-2 with BRSR Core outcome indicators and the SAS framework.** Companies subject to SEBI's BRSR Core reasonable-assurance framework — phased across the top listed companies and their value chains since the circular of 12 July 2023 (SEBI, 2023) — already report assured sustainability KPIs. Form CSR-2, by contrast, records financial outlays and physical input counts. The MCA and SEBI should jointly extend the assured KPI architecture to CSR: for the same top-1,000 universe, CSR-2 should carry standardised outcome fields aligned with the sixteen thematic Social Audit Standards (SAS 100 to SAS 1600) issued by the ICAI's Sustainability Reporting Standards Board in January 2023 (ICAI, 2023), stating baseline deprivation, counterfactual or deadweight adjustments, and net outcome metrics rather than expenditure alone.
2. **Create a regulator-allocated social-audit pool.** To eliminate client-paid conflict of interest in Rule 8(3) impact assessments, evaluated companies should be prohibited from directly selecting their evaluator. Corporations would deposit the statutory assessment fee into an independent pool — administered jointly by SEBI and the ICAI — which algorithmically assigns an empanelled social-audit firm staffed by SEBI-registered social auditors to projects exceeding the threshold. To neutralise threshold fragmentation, the ₹1 crore trigger should apply to cumulative thematic outlays over a three-year window rather than to each individually registered project. These reforms use infrastructure that already exists: the empanelment and SAS framework were built for the Social Stock Exchange and require extension, not invention.

6.4 Pillar 4: Rebuilding grassroots absorptive capacity and pooled implementation

1. **Tiered administrative and capacity-building allowance.** Rule 7(1) should be amended to permit administrative overheads of up to 10 percent of project cost, not of total CSR expenditure, for (a) projects executed in Aspirational Districts and (b) grants dedicated to building the institutional, digital and accounting capacity of rural and tribal not-for-profits to the standard demanded by the 2025 Form CSR-1. Recasting the cap from a share of the company's total outlay to a project-level allowance decouples compliance arithmetic from delivery economics and directly funds the capabilities that the new registration regime presumes.

2. **2. Institutionalise consortium CSR vehicles.** The small end of the market is structurally under-scaled: a study of CSR filings for 2014–20 found that 87 percent of companies with non-zero CSR spend had annual budgets below ₹50 lakh, contributing just 6.5 percent of total expenditure (AMCHAM, 2021) — a distribution that individual project-level analysis of more recent filings confirms in broad outline (Fulcrum, 2025). The MCA should create a fast-track recognition route for multi-company pooled CSR trusts under Section 8 of the Act, enabling fifteen to thirty mid-sized firms to co-fund multi-year, landscape-level programmes in watershed restoration, maternal nutrition and rural skill ecosystems, with a single CSR-1-registered implementing entity and a single impact assessment per programme. Pooling converts

fragmented sub-₹50-lakh budgets into fundable programmes while keeping each participant's statutory accounting separate.

7. Integrated Reform Matrix: From Checkbox Compliance to Real Impact

Table 8 synthesises the five structural anomalies diagnosed in Sections 4 and 5, their statutory and institutional root causes — each verified against the primary legal texts — and the corresponding reforms under the proposed CSR 2.0 architecture.

Table 8. Diagnostic matrix of Indian CSR anomalies, statutory drivers and CSR 2.0 remedies

Governance dimension	Verified symptom (FY 2023–24 unless stated)	Statutory / institutional root cause	Proposed CSR 2.0 remedy
1. Spatial distribution	Maharashtra 17.4% of national CSR (MPI 7.81%); Bihar 0.75% (MPI 33.76%); top-3 states 40.9% of state-assignable spend; mismatch ratio 1.91 vs 0.08	First proviso to Section 135(5) (directory local-area preference) interacting with headquarters location and monitoring convenience	Mandatory local/non-local disclosure in Form CSR-2; 1.5x poverty-weighted credit for the 112 Aspirational Districts
2. Sectoral allocation	Education + health care 55.25% (HHI ≈ 1,819); women's empowerment 1.30%; slum development 0.11%	Financial-audit bias favouring invoiced capital works over behavioural outcomes	SAS-aligned outcome reporting in Form CSR-2 for BRSR Core companies; cumulative ₹1 crore impact-assessment trigger
3. Year-end unspent funds	₹1,000.83 crore transferred to central funds (2.87%; peak 13.32% in FY 2020–21)	Six-month transfer rule for non-ongoing balances (second proviso, Section 135(5)) with no firm-level impact tracking	Permit subscription of non-ongoing unspent balances into SEBI-supervised Aspirational-District ZCZP basket funds (G.S.R. 415(E)/416(E) architecture)
4. Impact-assessment integrity	Per-project ₹1 crore trigger; evaluator selected and paid by the audited company (fee capped at 5% of CSR spend or ₹50 lakh)	Rule 8(3) design: per-project threshold and client-paid evaluation	Independent SEBI–ICAI social-audit allocation pool; cumulative three-year threshold; SAS 100–1600 as the audit standard
5. Grassroots capacity	87% of non-zero spenders below ₹50 lakh (2014–20); tightened CSR-1 effective 14 July 2025; 5% overhead cap	Rule 7(1) cap on total CSR expenditure; uniform registration burden (Rule 4(2); G.S.R. 452(E))	Project-level 10% allowance for Aspirational-District and capacity-building grants; fast-track recognition for pooled consortium CSR trusts

Note. *Statutory citations verified against the Gazette notifications and parliamentary annexures listed in the references.*

8. Conclusion, Limitations and Future Research Agenda

As India enters the second decade of statutory CSR under Section 135 of the Companies Act, 2013, the central policy challenge has fundamentally shifted. During its first ten years the regime solved the problem of capital mobilisation: annual expenditure grew roughly 247 percent to ₹34,908.75 crore in FY 2023–24 and ₹40,794.00 crore in FY 2024–25, the five financial years to FY 2023–24 delivered ₹1,44,159 crore, and cumulative decade spending approached ₹2.21 lakh crore while CSR committees became a fixture of Indian corporate governance. The

diagnostics assembled in this study — demonstrate that financial compliance has not translated into allocative effectiveness. CSR capital concentrates in low-poverty, high-industry states (Maharashtra's mismatch ratio of 1.91 against Bihar's 0.08), crowds two audit-friendly sectors (55.25 percent of national expenditure), leaks into low-visibility central funds at year end, and starves the implementing organisations on which delivery depends — while the instruments needed to correct each pathology have, since 2021 and especially since mid-2025 and mid-2026, been placed on the statute book.

The May 2026 notifications (G.S.R. 415(E) and G.S.R. 416(E)) integrating Social Stock Exchange ZCZP instruments into Schedule VII, the July 2025 tightening of implementing-agency registration, SEBI's BRSR Core assurance regime and the ICAI Social Audit Standards together constitute the institutional skeleton of "CSR 2.0". What remains is to wire them together: mandatory disclosure of local-area concentration and a poverty-weighted credit to redirect flows; routing of unspent balances into exchange-supervised project pools rather than passive funds; outcome-based, regulator-allocated social audits to discipline evaluation; and a project-level capacity allowance to rebuild grassroots absorptive capacity. None of these reforms requires a new institution — each extends machinery the Ministry of Corporate Affairs, SEBI and the ICAI have already created — and each is measurable within the existing disclosure architecture.

8.1 Limitations

Five limitations qualify the findings. First, the analysis rests on self-reported CSR-2 filings that are revised across vintages: the official FY 2023–24 total of ₹34,908.75 crore (data to 31 March 2025) was revised to ₹35,917.98 crore in August 2026, and all state- and sector-shares computed here inherit that vintage. Second, company counts and the FY 2023–24 public–private split are drawn from MCA-derived compilations (Fulcrum, 2025; Fortune India, 2025) because the Ministry does not publish consolidated official series; they are labelled as such and should be read as indicative. Third, roughly one-fifth of national CSR (19.94 percent) is filed as PAN-India or multi-state expenditure and cannot be attributed to any state, which understates true spatial concentration. Fourth, the poverty benchmark is the NFHS-5 (2019–21) headcount while the CSR data are FY 2023–24; although the deprivation ranking of states is stable across survey rounds, the mismatch ratios mix periods. Fifth, the March-rush and evaluator-bias mechanisms are established qualitatively — from statutory design and practitioner evidence — because no verified quantitative estimates exist in the public record; the paper deliberately prints none.

8.2 Future research agenda

Three extensions follow naturally. First, the two-way fixed-effects panel specification outlined in Section 3.3 — state-level per-capita inflows on headquarters density, industrial output and MPI headcounts — can now be estimated on a restructured district-level dataset as CSR-2 microdata accumulate. Second, the May 2026 ZCZP reform provides a clean policy shock for difference-in-differences designs: issuers and non-issuers on the Social Stock Exchange can be compared on fundraising cost, geographic reach and project duration once post-reform data mature from 2027. Third, the interaction between the July 2025 CSR-1 tightening and grassroots registration rates in Aspirational Districts offers a direct test of the absorptive-capacity hypothesis advanced here. As these research streams mature, Indian mandatory CSR — uniquely among emerging markets — will possess both the administrative data and the quasi-experimental variation needed to move from diagnosing the 2 percent mandate to optimising it.

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