



## CSR Expenditure 2023

**For Prelims:** [Corporate Social Responsibility](#), [Amendments to the Companies Act](#), [National Company Law Appellate Tribunal \(NCLAT\)](#), [Transforming Indian Education: Towards Long-Term Vision](#)

**For Mains:** Social impact of CSR spending, Issues related to CSR expenditure

[Source: BS](#)

### Why in News?

Recently, government data revealed that education received the highest share of [corporate social responsibility \(CSR\)](#) expenditure in FY23, with Rs 10,085 crore allocated, **this ignited debate about uneven spending of CSR in a few sectors and regions.**

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

#### ▪ Overview:

- Total CSR expenditure increased from **Rs 26,579.78 crore in FY22 to Rs 29,986.92 crore in FY23**. The number of CSR projects rose from 44,425 to 51,966.
- Companies outside the public sector contributed 84% of the total CSR spend.

#### ▪ Sector Wise Expenditure:

- Education accounted for one-third of the CSR spend in FY23.
- CSR spending on vocational skills rose slightly to Rs1,164 crore in FY23 from Rs 1,033 crore the previous year.
- **Technology incubators got the lowest amount, with only Rs 1 crore** in FY23 compared to Rs 8.6 crore in the previous year
- Health, rural development, **environmental sustainability, and livelihood enhancement also received significant CSR funds.**
- CSR spending on [animal welfare](#) surged from Rs 17 crore in FY15 to over Rs 315 crore in FY23.
- CSR expenditure under the [Prime Minister Relief Fund](#) dropped to Rs 815.85 crore in FY23, down from Rs 1,698 crore in FY21 and Rs 1,215 crore in FY22.
  - **Contribution to disaster management fell the most (77%),** followed by that on slum development (75%).

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# STATE OF BENEFITS



## TOP SPENDERS (FY23)

Amount (₹ cr)

HDFC Bank

TCS

RIL

ICICI Bank

Tata Steel

803.15

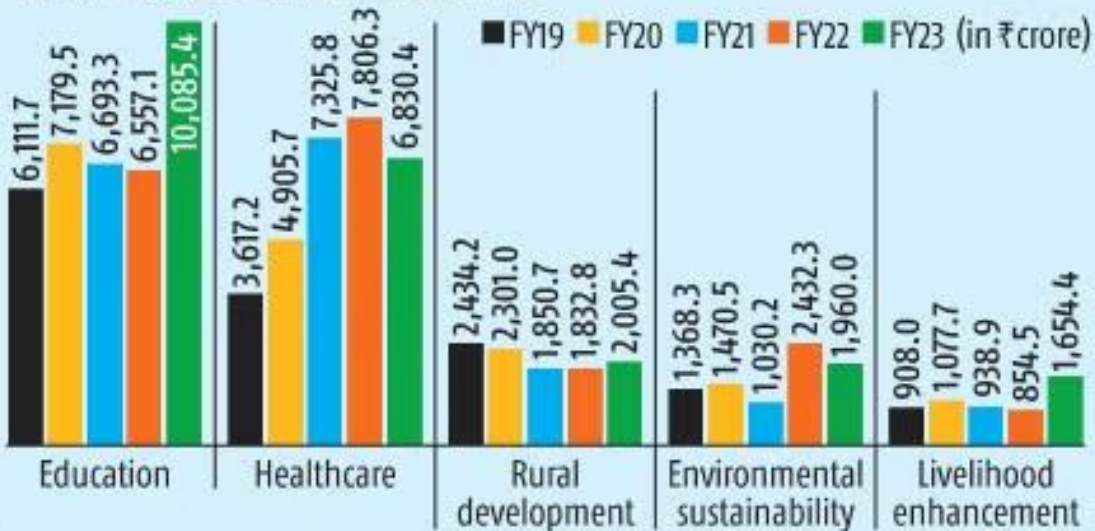
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743.40

476.55

475.10

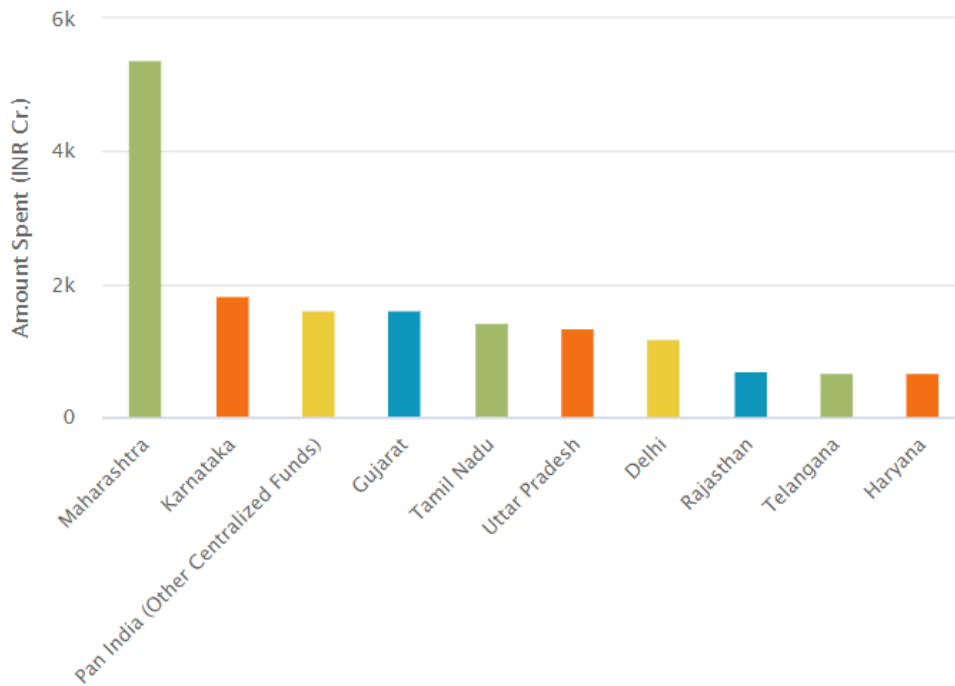
## CSR SPENDING BY SECTORS



### Region Wise Expenditure:

- Maharashtra, Karnataka, Gujarat received the most CSR spends while North East states, Lakshadweep and Leh and Ladakh received the least CSR spendings.

## CSR Spent: Top 10 States



## What is CSR?

### ▪ About:

- **Corporate Social Responsibility (CSR)** in general can be referred to as a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.
- **It is a self-regulating business model** that helps a **company to be socially accountable**. By practising corporate social responsibility, **companies can be conscious of the impact they are having on economic, social, and environmental factors**.
- India is the **first country to mandate CSR spending** under clause 135 of the **Companies Act, 2013**, with a framework for identifying potential CSR activities.
  - Unlike India, **most countries have voluntary CSR frameworks**. Norway and Sweden, which have moved to mandatory CSR provisions, began with voluntary models.

### ▪ Applicability:

- CSR provisions apply to companies meeting any of the following criteria in the preceding financial year.
  - **Net worth over Rs. 500 crore**
  - **Turnover over Rs. 1000 crore**
  - **Net profit over Rs. 5 crore.**
- **Such companies must spend at least 2% of their average net profits from the last three financial years on CSR activities, or if newly incorporated, based on the average net profits from preceding financial years.**

### ▪ Types of Corporate Social Initiatives:

- **Corporate Philanthropy:** Donations to charity via a corporate foundation.
- **Community Volunteering:** Company-organised volunteer activities.
- **Socially-responsible Business practices:** Producing ethical products.
- **Cause Promotions and Activism:** Company-funded advocacy campaigns.
- **Cause-based Marketing:** Donations to charity based on sales.
- **Corporate Social Marketing:** Company-funded behaviour-change campaigns

## ▪ Eligible Sectors:

- CSR activities encompass a range of initiatives, including eradicating hunger and poverty, promoting education and gender equality, combating diseases like [HIV/AIDS](#), ensuring environmental [sustainability](#), and contributing to government relief funds (Like [PM CARES](#) and [PM Relief Fund](#)) for socio-economic development and the welfare of disadvantaged groups

## What are the Issues Pertaining to CSR Compliance?

- **Geographical Disparity in CSR Spending:** Spending is **concentrated in industrial states like Maharashtra (5375cr.), Gujarat, Karnataka, and Tamil Nadu**, while North Eastern states (**Mizoram 6.9 cr**) and Lakshadweep, Leh and **Ladakh receive comparatively less funding, reflecting a regional imbalance.**
- **CSR Allocation Trends:** [MCA](#) data reveals that nearly **75% of CSR funds are concentrated in three sectors: education, health (including [sanitation and water](#)), and rural poverty.**
  - Sectors related to Livelihood enhancement (Rs 1,654 cr) have very less spending.
- **PSU vs Non-PSU Spending: Non-PSUs contribute 84% of total CSR spending, while PSUs account for the remaining 16%, highlighting a significant difference in CSR expenditure between the two sectors.**
- **Strategic Misalignment in CSR:** Many companies have **merged sustainability with business strategies, prioritising profit margins over genuine social impact**, thus undermining the true purpose of CSR.
- **Finding Right Partners:** Despite growing awareness about the significance of CSR compliance, the challenges remain in identifying the **right partners as well as in selecting projects that are long-term impactful, scalable, and are self-sustaining.**
- **Issues of Transparency:** There is an expression by the companies that there exists lack of **transparency on the part of the local implementing agencies** as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilisation of funds.

## What are the Ways to Enhance the Effectiveness of CSR Expenditure?

- **Enhancing CSR Engagement and Oversight:** Aligning CSR with local government programs like the [ADP\(Aspirational Districts Programme\)](#) can boost community participation and engagement, while the **government should ensure effective CSR implementation, and leverage AI for better oversight.**
  - **NGOs can work along with companies in remote and rural areas to ensure successful implementation of CSR activities.**
- **Address Sectoral and Geographical Disparity:** Need to Invest in **higher education and high impact technological and environment friendly projects** that focus on skill development and livelihood enhancement.
  - Develop CSR **programs for underserved regions, offer incentives for spending in less-funded areas or make a mandatory provision to address regional disparity in spending**, and collaborate with local [NGOs](#).
- **PSU vs Non-PSU Spending Disparity:** Encourage [PSUs](#) to increase contributions, implement benchmarking, and **promote joint CSR initiatives between PSUs and non-PSUs.**
- **Company Roles and Governance:** Conduct regular reviews, set clear objectives, and update governance roles. Establish new SOPs for fund utilisation, impact assessments, and detailed checklists.

## Conclusion

To maximize the impact of CSR, **companies must move beyond mere compliance and embrace strategic alignment** with local government programs, **address sectoral and regional disparities**, and ensure transparency and accountability.



By **fostering stronger collaborations between PSUs and non-PSUs** and investing in innovative, scalable projects, **CSR can drive sustainable social change and contribute to India's long-term socio-economic development.**

**Drishti Mains Question:**

Q. Describe how Corporate Social Responsibility can become a financing arm to address the socio-economic issues of society?

PDF Reference URL: <https://www.drishtias.com/printpdf/csir-expenditure-2023>

