

Corporate Social Responsibility and Rural Development

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Abstract

In this research paper, the author will attempt to discuss the significance of Corporate Social Responsibility (CSR) and how it has contributed to the development of rural areas. This paper's main focus will be on the relationship between corporate social responsibility (CSR) and rural development. It is indisputable that CSR is important to our society as its transformation depends on a number of factors, including CSR. Following the implementation of section 135 of the corporations Act of 2013, which requires the selected corporations to make CSR spending. India has a wide range of goals due to its needs for human, social, and economic growth. This paper examines the genuine impact of Corporate Social Responsibility (CSR) contributions in the context of rural development in India. With two-thirds of India's population residing in rural areas, there is an urgent need to prioritize efforts that address the challenges faced by these communities. The assessment aims to highlight the significance of CSR initiatives in fostering sustainable development and improving the living conditions in rural regions.

Keywords: CSR Rural Development CSR activities Social Obligation

1. Introduction

Rural India holds roughly two-thirds of the country's people and most of its developmental deficits: thin public healthcare, uneven schooling, livelihoods that depend on the monsoon, and patchy physical and digital infrastructure.¹ The State has tried to close these gaps through constitutional commitments, centrally sponsored schemes and the panchayati raj architecture of Part IX.² Public spending alone has not been enough, and a liberalised economy has produced a corporate sector with large surpluses and a growing obligation to the communities around it.

That obligation is now statutory. Section 135 of the Companies Act, 2013,³ in force since 1 April 2014, requires qualifying companies to constitute a board committee, adopt a policy and spend a prescribed share of profits on socially useful activities. India was among the first countries to make CSR spending a legal duty. Rural development is an express head of permissible spending under Schedule VII, and it is where the mandate's effects are most visible.

This chapter treats CSR and rural development as a question of both law and development policy. Whether corporations should contribute is no longer the issue, since the statute has settled it. The issue is whether the mandate sends capital where it is needed and produces lasting results instead of one-off expenditure. Three arguments run through the chapter. First, the Indian regime is a hybrid: the law compels spending but leaves the choice of project, place and implementer largely to the board. Second, that hybrid creates a

¹CSR and Rural development in india, Dr. B.R. Manasa, <https://www.ijfmr.com/papers/2026/3/82150.pdf>

² Article 40, 243G and Eleventh Schedule, Constitution of India

³ Section 135, Companies Act (no.18 of 2013)

systematic tension between corporate convenience and rural need, seen in the geographic clustering of funds and the preference for short, easily reported projects. Third, the 2019, 2020 and 2021 amendments have tightened accountability considerably, but the regime still leans on disclosure more than on verified outcomes, and rural communities remain at the edge of project design.

2. Concept of Corporate Social Responsibility

Meaning. CSR has no single accepted definition. The World Business Council for Sustainable Development describes it as business's continuing commitment to behave ethically and contribute to economic development while improving life for workers, their families, local communities and society. The common thread is that a company's duties reach beyond shareholders and beyond bare legal compliance.

The theoretical debate is old. Howard Bowen's *Social Responsibilities of the Businessman* (1953) is usually treated as the starting point. Archie Carroll's pyramid (1991) layered economic, legal, ethical and philanthropic responsibilities, treating them as cumulative.⁴ Milton Friedman (1970) took the opposite view: the only social responsibility of business is to increase profit within the rules. Edward Freeman's stakeholder theory (1984) answered that managers owe duties to everyone the enterprise affects, and Porter and Kramer's "shared value" (2006, 2011) offered a middle path in which well-designed social investment improves a firm's competitive context.

Indian CSR carries all of these strands. Gandhian trusteeship, the idea that wealth is held in trust for society, sits beside the shareholder-value logic of the modern company, and Section 135 is a legislative compromise between them. Rule 2(1)(d) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 defines CSR by exclusion: it leaves out activities in the normal course of business, activities benefitting only employees and their families, and contributions to political parties.⁵ That negative definition matters, because it signals that CSR money must have a real public dimension and be additional to ordinary commercial activity.

Evolution. The history runs in four phases. The first was philanthropy and trusteeship, led by merchant communities and industrial houses such as the Tatas, Birlas and Bajajs, whose schools, hospitals and trusts combined religious giving traditions with a nationalist sense that industry should build the nation. The second, from independence to the 1980s, was the mixed economy, when the State led development and corporate responsibility meant mostly employment, worker welfare and company townships. The third began with liberalisation in 1991, when global norms on ethical sourcing and environmental standards reached Indian firms; voluntary instruments multiplied, including the Ministry of Corporate Affairs' National Voluntary Guidelines of 2011, and SEBI began requiring Business Responsibility Reports from large listed companies.

The fourth phase is statutory. The Companies Bill, 2011 proposed mandatory CSR to both support and criticism, and the provision emerged as Section 135 with Schedule VII and the 2014 Rules. The Companies (Amendment) Acts of 2019 and 2020 and the 2021 Amendment Rules then restructured compliance and monitoring, while SEBI's Business Responsibility and Sustainability Reporting framework deepened non-financial disclosure for the top thousand listed companies. The path runs from voluntary charity, through disclosure, to compulsion, and that changes the questions we may fairly ask. A gift cannot sensibly be judged on efficacy, but a statutory spend, in effect a charge on profit, invites scrutiny of results.

⁴ The Pyramid of Corporate Social Responsibility, Archie B. Carroll

⁵ Rule 2(1)(d) of companies (corporate social responsibility policy) rule 2014

Objectives and importance. The statutory design points to five objectives: redistributive (directing surplus to sectors where State capacity is thin), ethical (giving back to the society a company draws on), relational (securing a social licence to operate), strategic (reputation and trust) and regulatory (compliance and avoiding penalty). They do not always align. The strategic motive in particular can draw money towards projects with reputational payoff and away from those of greatest need, a point developed in Part 13.

For rural development, CSR's value lies in additional and recurring capital, managerial capacity that rural institutions often lack, flexibility to fund pilots and gap-filling work that rigid public schemes cannot, and the ability to convene government, NGOs and communities. Its limits deserve equal honesty. CSR spending is small beside the Union's rural development and MGNREGA allocations. It complements State action and never replaces it, and design and evaluation should proceed on that footing.

3. Concept of Rural Development

Rural development means improving the economic well-being and quality of life of people in rural areas, especially those with the least access to resources.⁶ The World Bank's 1975 sector policy paper framed it as a strategy to improve the economic and social life of the rural poor. Robert Chambers, in *Rural Development: Putting the Last First* (1983), challenged top-down approaches and insisted on the knowledge and priorities of the poor themselves. Amartya Sen's capability approach goes further, treating health, education and participation as part of development itself and not merely as routes to higher income. In India the idea has constitutional weight. Article 40 directs the State to organise village panchayats as units of self-government. Article 243G and the Eleventh Schedule allow devolution to panchayats of subjects including agriculture, minor irrigation, rural housing, drinking water, electrification, education, health and sanitation.⁷ Article 47 makes raising nutrition and public health a State duty.⁸ Rural development is therefore a constitutional commitment and not a policy option, and CSR enters the field as a non-State actor contributing to ends the Constitution assigns to the State.

Its objectives include reducing rural poverty and inequality, diversifying livelihoods, raising farm productivity, guaranteeing basic services, building infrastructure, strengthening local self-government and managing natural resources sustainably. They span five connected dimensions: **economic** (incomes, non-farm jobs, credit and markets, in a country where agriculture employs far more people than its share of output would suggest); **social** (reducing caste-, gender- and community-based disadvantage); **infrastructure** (roads, power, irrigation and connectivity, without which markets, schools and clinics cannot work); **human resources** (education, health, nutrition and skills, whose returns are cumulative and intergenerational); and **environmental** (land, water and forests, whose degradation is itself a cause of poverty).⁹

These dimensions are interdependent. A school without a road, a clinic without power or a credit scheme without irrigation will each underperform. That interdependence is the strongest argument for integrated, area-based CSR programming over scattered single-sector projects.

⁶ An Investigation of Sustainable Development within CSR for Rural Development in India, Rupa Khanna Malhotra, Narendra Singh Bohra & Rajesh Upadhyay <https://ilkogretim-online.org/index.php/pub/article/view/1262>

⁷ Article 40, 243G and Eleventh Schedule, Constitution of India

⁸ Article 47, Constitution of India

⁹ CSR and Rural development in India, Dr. B.R. Manasa, <https://www.ijfmr.com/papers/2026/3/82150.pdf>

4. Legal Framework of CSR in India

The statute. The Companies Act, 2013 replaced the 1956 Act, which had no CSR provision. Section 135, supported by Schedule VII, makes the board of directors the locus of responsibility, and Section 134(3)(o) requires the Board's report to describe CSR initiatives, tying the duty to the annual disclosure cycle.

Section 135(1) applies to a company that, in the preceding financial year, had a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more.¹⁰ The thresholds are alternatives, so meeting any one is enough. Under Section 135(5), the board must ensure the company spends at least two per cent of its average net profit over the three preceding financial years,¹¹ computed under Section 198, and must give preference to the local area and the areas around its operations.

Committee and policy. A covered company must constitute a CSR Committee of the Board, with relaxed composition for companies not required to appoint independent directors, and a company whose CSR obligation does not exceed ₹50 lakh need not constitute one at all. The committee recommends the CSR policy and the amount of expenditure and monitors implementation. The Board approves the policy, discloses it in its report and places it on the company website. Discretion thus sits at board level: the board chooses sectors, locations and implementing agencies. This is a deliberate feature of the regime and, as later parts argue, a source of its main weaknesses.

Schedule VII. The Schedule lists twelve heads of permissible activity. The ones most relevant here are hunger, poverty, health, sanitation and safe drinking water (item i); education and vocational skills (ii); gender equality and women's empowerment (iii); environmental sustainability, agroforestry and conservation of natural resources (iv); and rural development projects (x). The rest cover heritage, veterans, sports, relief funds, technology incubators, slum development and disaster management.

Item (x) is drafted broadly, and much rural-in-effect spending on health, schooling, water and livelihoods is booked under other items. Head-wise totals therefore understate how much CSR reaches rural areas, and anyone using reported data should keep this in mind.

The Rules. The Companies (CSR Policy) Rules, 2014, as substituted by the Amendment Rules of 2021 (in force from 22 January 2021), are the operative subordinate legislation. Their principal features are these.

- Implementing agencies must register through Form CSR-1, companies report projects in Form CSR-2, and the Board's report carries an annual CSR report in the prescribed format.
- "Ongoing projects" of up to three years (excluding the year of commencement) are recognised. Their unspent funds go to a special Unspent CSR Account within thirty days of year-end and must be spent within three years, failing which they pass to a Schedule VII fund. Other unspent amounts go to a Schedule VII fund within six months.
- Administrative overheads are capped at five per cent of CSR expenditure, and excess spending can be set off against up to three succeeding years.
- Companies with an average CSR obligation of ₹10 crore or more over the preceding three years must commission independent impact assessments of projects with outlays of ₹1 crore or more completed at least a year earlier.
- Under Section 135(7), as amended in 2019 and 2020, default attracts a civil penalty: on the company, twice the unspent amount or ₹1 crore, whichever is less; on each officer in default, one-tenth of the

¹⁰ Section 135(1), Companies Act (No.18 Of 2013)

¹¹ Section 135(5), Companies Act (no.18 of 2013)

amount or ₹2 lakh, whichever is less. The 2020 amendment removed the criminal character of the earlier provision.

The move from "comply or explain" to a mandatory spend-or-transfer rule is the most important legal development since enactment. A soft-law expectation became a hard duty to deploy funds, and the room for discretionary non-compliance narrowed sharply.

5. CSR and Rural Development

As an instrument of rural development, CSR has four advantages over State programmes: speed, freedom from rigid scheme guidelines, access to corporate expertise and capacity to back innovation. Its weaknesses are as plain. Project choice is voluntary, the money depends on profitability, and a downturn that cuts net profit also cuts the obligation, leaving communities that rely on CSR-funded services exposed. The legal design also builds in a structural bias. Because Section 135(5) points spending towards the company's own locality, CSR follows industry, and industry clusters in a few states. The most deprived rural districts often have no industry and therefore little CSR.¹² This is a consequence of design and not of administrative failure, and Part 13 returns to it.

CSR reaches rural development through several channels.¹³ On **poverty**, it funds both nutrition support and livelihood programmes, and the sustainable gains come from the latter, since consumption support relieves deprivation without raising earning capacity. On **employment**, it can add value to MGNREGA by funding durable assets such as water-harvesting structures; convergence of this kind beats parallel provision. On **livelihoods**, where its potential is greatest, it supports farmer producer organisations, handloom and handicraft clusters and self-help group enterprises, which need multi-year commitment and so make the "ongoing project" category important. On **infrastructure**, it builds quickly, but assets without a plan for operation and a clear handover to a local institution decay; that is a governance problem and not a funding one, and involving panchayats from the start is the best answer. On **agriculture**, outcomes are slow and weather-dependent, which sits awkwardly with annual reporting cycles.

6. Role of CSR in Education and Skill Development

Education is among the most favoured CSR sectors and the one with the firmest constitutional footing. Article 21A guarantees free and compulsory education for children aged six to fourteen, and the Right of Children to Free and Compulsory Education Act, 2009 implements it.¹⁴ National learning surveys repeatedly find that many rural upper-primary children cannot read at grade level, which suggests that the binding constraint is the quality of learning and not enrolment. CSR is therefore better spent on foundational literacy, numeracy and teacher support than on buildings. It must also respect the State's primary role: corporate funding should never become a reason for the State to withdraw, and support to government schools should be planned with education authorities.

Digital education shows the same lesson. CSR has funded devices and classrooms, but hardware without electricity, connectivity, local-language content and trained teachers sits idle. Vocational training under item (ii) suffers from a different mismatch, between what courses are easy to run and what the local labour

¹² Harnessing the Potential of Corporate Social Responsibility Initiative to Drive Comprehensive Rural Development in Bangalore, S. Ayyappan & Micky Golani, <https://ssjar.singhpublication.com/index.php/ojs/article/download/232/463?inline=1>

¹³ The Impact of CSR Initiatives on the Development of Rural Areas in India, Brundaban Panda, Rinki Mishra & N.V.J. Rao <https://journalra.org/index.php/jra/article/view/413/222>

¹⁴ Article 21A, constitution of India, Right of Children to Free and Compulsory Education Act, 2009(no.35 of 2009)

market wants; courses chosen for convenience produce certificates, not livelihoods. Better practice starts from local demand, ties training to employers and tracks placement and income six to twelve months afterwards. Scholarships are easy to administer and help girls and disadvantaged students, but they address only demand and do nothing for weak schools; they work best bundled with mentoring at transition points such as the move from school to college.

7. Role of CSR in Rural Healthcare

Rural health care runs through sub-centres, primary health centres and community health centres, with well-documented gaps in staff and equipment.¹⁵ The State's primary responsibility rests on Article 47 and on the right to health as part of Article 21, recognised in *Paschim Banga Khet Mazdoor Samity v. State of West Bengal*¹⁶. CSR helps by funding diagnostics, upgrading facilities, supporting telemedicine and supplementing staff. The risk is parallel corporate facilities outside the public system, leaving a community dependent on one company's continued goodwill. Integration with the National Health Mission is the safer course.

Medical camps and mobile units reach remote habitations, but they are episodic, and without follow-up they do little for chronic illness. Maternal and child health remains a priority;¹⁷ CSR is most useful when it reinforces Integrated Child Development Services and Poshan Abhiyaan, through Anganwadi centres and training for ASHAs, and least useful when it duplicates them.

Sanitation and water complete the picture. The Swachh Bharat Mission expanded toilet access, but sustained use and maintenance still need work, and behaviour change matters as much as construction. Contamination affects many districts, and the Jal Jeevan Mission aims at functional household taps. CSR can fund purification and community management, but water systems last only with a viable maintenance model, usually through a village water and sanitation committee.

8. CSR and Women Empowerment

Item (iii) of Schedule VII¹⁸ names gender equality and women's empowerment. The case rests on justice, drawing on Articles 14, 15 and 39, and on development, since women's labour participation and control over resources are linked to better household welfare. Rural women face real constraints: limited land ownership, difficult access to credit, restricted mobility and heavy unpaid care work. Programmes that offer training without addressing childcare or transport achieve little.¹⁹

Self-help groups, promoted at scale under the National Rural Livelihoods Mission, are the central institution for rural women's economic participation, offering savings, lending, bank linkage and a base for collective enterprise. CSR can strengthen them through capacity building, market links and working capital. The caution is that SHGs are better at financial inclusion than at enterprise growth, and production without a buyer yields stock and not income, so programmes should be designed backwards from the market. Financial and digital Literacy matter as mobile banking spreads, and because first-time users are exposed to fraud, consumer protection belongs in the curriculum.

¹⁵ Article 21 And 47, Constitution of India

¹⁶ *Paschim Banga Khet Mazdoor Samity V. State of West Bengal* (1996) 4 SCC 37

¹⁷ Corporate Social Responsibility in Rural Development: A Study of Select Indian Companies, D.Srinivasa <https://indianjournals.com/article/ajdm-13-1-014>

¹⁸ Schedule VII (Iii) Companies Act 2013 (No. 18 Of 2013)

¹⁹ Article 14,15,39 Of Constitution of India

Participation in governance is the other strand. Article 243D reserves at least a third of panchayat seats for women, and many states have raised this to half, yet proxy representation by male relatives is well documented. CSR that builds procedural knowledge and confidence among elected women can make their presence substantive and improve local governance.

9. CSR and Sustainable Agriculture

²⁰Agriculture is the main rural livelihood, and most holdings are small or marginal. CSR support for productivity includes better seed, soil testing and machinery through custom hiring centres, and because small farmers cannot individually afford many technologies, collective models usually beat individual support. New practices such as drip irrigation can be underwritten in their early stages, but they must suit local agro-ecology and farmer capacity; top-down technology drops have often been abandoned the moment outside support ended.

Water is the binding constraint in much of rural India, and groundwater depletion is growing. Watershed development, farm ponds and micro-irrigation work best when planned at watershed level and coordinated with MGNREGA. They also raise a governance question about who controls the resulting water, and community-based arrangements must be built in from the beginning so that larger landholders do not capture the benefit. Organic and sustainable farming cuts input costs and manages climate risk, but the transition brings lower yields and uncertain premiums that small farmers cannot easily absorb; CSR can help through certification support and market development.

Market access decides whether higher productivity becomes higher income. Farmer producer organisations provide aggregation, bargaining power and access to processing and storage, and backing them with governance training, working capital and market links is among the most valuable things CSR does in agriculture.²¹ One caution applies: an FPO that becomes merely a vendor to its sponsoring company has moved from development to captive sourcing.

10. CSR and Rural Infrastructure Development

Roads link villages to markets, schools and clinics. The Pradhan Mantri Gram Sadak Yojana is the main public programme, and CSR typically adds last-mile links and small bridges. Because roads are public assets, CSR spending needs coordination with local government for handover and upkeep, and a road that chiefly serves a company's own operations raises the question whether it falls within the exclusion for activities in the normal course of business. Decentralised renewables such as solar lighting, pumps and mini-grids can fill gaps where grid supply is unreliable.

Digital connectivity is increasingly a precondition for education, finance, e-governance and markets, and BharatNet seeks to link gram panchayats by optical fibre. CSR can add community Wi-Fi, service centres and training, but connectivity without power, devices and literacy achieves little. Community buildings, housing for vulnerable households and water systems raise the sustainability issue once more: they should be owned by community institutions, with contribution arrangements that make maintenance affordable, because donated infrastructure that needs permanent outside funding is a liability and not an asset.

²⁰ An Investigation of Sustainable Development within CSR for Rural Development in India, Rupa Khanna Malhotra, Narendra Singh Bohra & Rajesh Upadhyay <https://ilkogretim-online.org/index.php/pub/article/view/1262>

²¹ Impact of corporate social responsibility on sustainable agriculture and livelihood of farmers, Shuchi Benara Misra, Sneha Kumari, Varun Miglani, <https://onlinelibrary.wiley.com/doi/10.1002/bsd2.70007>

11. CSR and Environmental Sustainability

Item (iv) covers ecological balance and agroforestry. Afforestation brings carbon sequestration, soil conservation and fruit and fodder income, but survival rates are low when planting is treated as an event and not as a multi-year commitment to care and community stewardship. Species should suit the local ecology, monocultures should be avoided, and tenure rights, including those under the Forest Rights Act, 2006, must be respected on forest-fringe land. Water conservation links environmental and livelihood aims, but watershed management and groundwater recharge need local rules on use to prevent over-extraction.

Rural renewable energy reduces dependence on firewood and kerosene and improves indoor air quality. It also raises an ethical and legal question, since many companies that fund such projects are significant emitters. CSR must not stand in for compliance with environmental law, such as the conditions of an environmental clearance; the two obligations are distinct. Common property resources such as pastures, ponds and village forests matter most to the poorest households, and Gram Sabhas, and in Scheduled Areas the Panchayats (Extension to the Scheduled Areas) Act, 1996, give a legal base for local control through which CSR should work.

12. Role of Stakeholders in CSR-Based Rural Development

Corporations supply the money and often the project-management skill. The quality of CSR depends on what lies beyond the statutory minimum: long-term engagement, internal expertise, and project selection driven by community need and not corporate visibility. CSR should never stand in for compliance with labour, environmental or other legal duties.

Government regulates (framing Rules, enforcing penalties), facilitates (running the CSR portal, publishing data) and complements (converging CSR with public schemes through district administrations). Directing CSR to aspirational districts is a promising response to the geographic imbalance.

NGOs and implementing agencies bring local knowledge and delivery capacity, and mandatory CSR-1 registration since 2021 improves traceability. Their problems are dependence on funding cycles, pressure to produce reportable outputs and weak bargaining power; small NGOs struggle to negotiate project design or fund core costs. Reasonable overheads and multi-year commitments would improve outcomes.

Panchayati Raj Institutions are the constitutionally recognised units of local government, with authority over many of the subjects CSR touches. Involving them aligns projects with Gram Panchayat Development Plans and improves ownership and maintenance.²² Yet CSR planning often proceeds with little panchayat consultation, and the statute does not require any, a significant gap in the legal design.

Local communities are the intended beneficiaries and ought to be the principal participants: identifying needs, contributing resources, managing assets. Gram Sabhas provide the formal forum. This is the participatory approach Chambers argued for, and it fits the constitutional emphasis on local self-government.

13. Challenges in CSR and Rural Development

Weak community participation. In many projects corporate teams or consultants decide what a village

²² Harnessing the Potential of Corporate Social Responsibility Initiative to Drive Comprehensive Rural Development in Bangalore, S. Ayyappan & Micky Golani, <https://ssjar.singhpublication.com/index.php/ojs/article/download/232/463?inline=1>

needs, and the result is mismatch and low ownership.²³ Neither the statute nor the Rules require community consultation, and because the regime is built around board approval and disclosure to the regulator, accountability runs upward to regulator and shareholder and not downward to the people served.

Poor planning. Baseline studies are often missing and exit strategies absent; the ongoing-project mechanism encourages multi-year planning but does not require baselines or defined outcomes.

Unequal distribution. Reported CSR expenditure concentrates heavily in a few industrial states such as Maharashtra, Gujarat, Karnataka and Tamil Nadu, while states with weaker development indicators, including those in the north-east and parts of eastern India, receive far less. This follows from the local-area preference in Section 135(5), the location of company headquarters and operations, and the convenience and visibility of working near existing facilities. It is a predictable product of legal and commercial incentives and not a failure of goodwill, and nothing in the regime steers funds towards need. The tension between local-area preference and needs-based allocation is among the most important structural problems of the system.

Thin monitoring and evaluation. Monitoring has focused on spending and outputs, such as toilets built or people trained, and not on changes in health, learning or income. The 2021 impact assessment rule is a real step forward, but it covers only larger companies and projects and operates after completion, so it offers no chance of mid-course correction.

Short-termism and poor coordination. Annual budgets and the habit of spending to hit the two per cent figure encourage event-based activity, and three years may still be too short for livelihoods or learning outcomes. Meanwhile companies, NGOs and departments often work in isolation, and no formal district-level mechanism aggregates CSR plans.

Sustainability. This is the cumulative test of all the above. Projects fail when funding ends because no local institution, financing model or capacity remains to carry on. It is the most significant challenge because it decides whether CSR leaves lasting development or only a passing benefit.

14. Impact of CSR on Rural Development

The honest assessment is that CSR has delivered visible, valuable results at project and village level, but robust evidence of transformative impact at district or state level is still lacking. Annual CSR spending since 2014 has run to tens of thousands of crores of rupees, large in absolute terms but modest beside government rural expenditure, and standardised outcome data are scarce. Current figures should be taken from the National CSR Portal of the Ministry of Corporate Affairs.

Economically, support to farmer organisations, enterprises and skills has strengthened livelihoods, and socially it has improved access to services and strengthened SHGs. There are costs too: dependence on corporate benefactors, divisions where benefits fall unevenly, and the use of CSR to build goodwill that may soften community resistance to harmful corporate activity, a concern sharpest in extractive and industrial settings. In education, the effect on learning depends on whether interventions reach teaching quality and are sustained, and in health the best results come where CSR works through the public system and the weakest where it creates parallel, episodic services.

Environmentally, benefits must be weighed against the company's own footprint, and whether CSR offsets or merely distracts from harm caused by core operations cannot be answered in the abstract. For women,

²³ The Impact of CSR Initiatives on the Development of Rural Areas in India, Brundaban Panda, Rinki Mishra & N.V.J. Rao <https://journalraa.org/index.php/jra/article/view/413/222>

SHG and enterprise programmes have improved economic participation most clearly where economic support is combined with attention to social constraints and market access.

15. Suggestions for Effective CSR in Rural Development

Plan with communities. CSR planning should start from participatory needs assessment through the Gram Sabha and align with the Gram Panchayat Development Plan.²⁴ The Rules could require the CSR policy and annual action plan to record how community or panchayat consultation was carried out for projects above a set size. That would turn good practice into a procedural duty without removing the board's discretion over what to fund.²⁵

Think longer. The three-year limit on ongoing projects should be reconsidered for livelihoods, watershed development and education, where results take longer. At minimum, projects should carry an explicit handover and exit plan from the first year.

Measure outcomes. Impact assessment should be extended in proportionate form to mid-sized companies and projects, and baseline data should be required at inception, since impact cannot be measured without one. Standardised outcome indicators on the National CSR Portal would allow comparison across projects and sectors.

Partner with the State, and report openly. Convergence with MGNREGA, the National Rural Livelihoods Mission, Jal Jeevan Mission and Swachh Bharat lets CSR leverage public funds and reach scale. District-level platforms led by the administration, with companies, NGOs and panchayats, would reduce duplication and help direct money to the neediest districts, always on the principle that CSR supplements and never replaces State obligation. Project-level data on location, budget, implementer and outcomes should be public, and accountability should also run downward, for instance through Gram Sabha social audits. The penalty regime punishes failure to spend; something is needed to address spending that complies in form but achieves little.

Build around sustainable livelihoods. Given the interdependence of the dimensions of rural development and the sustainability problem, livelihood creation should be the organising objective, with health, education and infrastructure designed to support it. Area-based, multi-sector programmes in a limited number of villages will probably achieve more than thin single-sector projects scattered widely.

Address geography without abandoning locality. The local-area preference has a sound rationale in community accountability and need not be removed. But the law could encourage companies to place a portion of CSR funds in pooled mechanisms aimed at the least-developed districts, whether by widening the list of eligible Schedule VII funds or through a transparently governed national pool. Any such design must avoid crowding out genuine community-level work and respect the principle that CSR is a corporate obligation carried out by the company and is not a tax.

16. Conclusion

Section 135 of the Companies Act, 2013 has placed Indian companies in a new relationship with rural India. By mandating expenditure, fixing responsibility at board level and, since 2021, tightening reporting,

²⁴ Harnessing the Potential of Corporate Social Responsibility Initiative to Drive Comprehensive Rural Development in Bangalore, S. Ayyappan & Micky Golani, <https://ssjar.singhpublication.com/index.php/ojs/article/download/232/463?inline=1>

²⁵ Towards grassroots sustainable development using human centered design and participatory rural appraisal: A study in two rural Indian villages <https://www.sciencedirect.com/science/article/pii/S2666188825001741>

impact assessment and the treatment of unspent funds, the law has increased the resources available for rural development and made corporate contributions more visible.

The analysis here also shows tensions built into the design. Board discretion over projects, combined with the local-area preference, yields geographic concentration and a bias towards projects that are visible, short and easy to report. Accountability runs upward to regulators and shareholders, not downward to communities. The move from "comply or explain" to spend-or-transfer ensures that money is spent or transferred, but not that it is spent well,²⁶ and the durability of assets and institutions remains the persistent weakness.

The way forward lies in refining the regime and not replacing it: participatory planning, longer horizons, outcome-based monitoring, convergence with public programmes and a more balanced geography of spending. Throughout, CSR has to be understood as a complement to the State's constitutional responsibilities. Its legitimacy and effectiveness depend on staying additional to public action and aligned with it, and on treating rural communities as participants in their own development and not as recipients of corporate benevolence.

²⁶ The Impact of Mandated Corporate Social Responsibility: Evidence from India's Companies Act of 2013, Dhammika Dharmapala & Vikramaditya Khanna <https://www.sciencedirect.com/science/article/pii/S0144818818301182>