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CSR spending in India: gaps remain in health, water security and innovation, 'Catalytic CSR' report

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Mains: General Studies III (economy, inclusive growth); Prelims: Companies Act 2013 (Section 135), CSR



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What the report is

"Catalytic CSR: Where Focused Capital Can Move India's Developmental Needle" is the eighth edition of the annual CSR report by Sattva Consulting and India Data Insights (IDI). It analyses identifiable CSR projects of Rs 25 lakh and above reported to the Ministry of Corporate Affairs (MCA) between FY2023 and FY2025. The report identifies five areas where focused corporate funding could move the development needle: non-communicable diseases (NCDs), school-to-work transition, women's economic empowerment, groundwater resilience, and innovation and research.

Background: under Section 135 of the Companies Act, 2013, companies above prescribed thresholds must spend 2 per cent of their average net profit on CSR; India is regarded as the first country to mandate this. India's annual CSR spending stood at Rs 40,794 crore in FY2025, a 15 per cent compound annual growth rate (CAGR) over the past decade. Sector-

wise, education received about 35 per cent and healthcare about 21 per cent of funding; the top five sectors accounted for over 80 per cent of identifiable spending across FY23-FY25.

Key findings

Non-communicable diseases (NCDs)

- About 60 per cent of all deaths in India are attributable to NCDs; roughly 19-22 per cent of adults are affected by hypertension and about 18-21 per cent of Indians above 15 have blood sugar levels above the threshold.
- Rs 1,934 crore (41.2 per cent) of identifiable health CSR is directed towards NCDs, more than other identifiable disease areas (3x more than WASH and 4x more than nutrition).
- Yet this funding is concentrated in cancer: about 62 per cent (Rs 1,202 crore) of identifiable NCD funding goes to cancer, while cardiovascular diseases receive only about 12 per cent, despite their significant disease burden.

The education-to-employment link

- According to the report, one in four graduates faces unemployment, about 17 percentage points higher than youth with only higher secondary education.
- About 42 per cent of identifiable education CSR funding targets school-to-work transition; 57 per cent of that transition funding goes to academic and skilling support, with limited focus on preparing students for the future through mentoring, work exposure and similar components.
- 60 per cent of identifiable education funding stays concentrated in school education; investment within the transition continuum skews towards later stages, vocational education and training (TVET) received 1.8x more funding than higher education and about 8.5x more than the secondary and higher secondary stages combined.

Women's economic agency

- India ranks 144th out of 148 economies on economic participation and opportunity in the World Economic Forum's Global Gender Gap Report 2025; the female labour force participation rate for women aged 15 and above is 40 per cent, compared with 79 per cent for men.
- Of the Rs 3,872 crore in CSR projects (FY23-25) that name women as one of the primary beneficiaries, Rs 1,122.8 crore (29 per cent) targets economic agency, ahead of education (Rs 1,058 crore) and health (Rs 619 crore); about 77 per cent of this funding is concentrated on skilling and livelihoods.
- The report lists structural barriers such as missing care infrastructure, unsafe mobility, limited market access and workplace retention; funding is also concentrated, only 66 of 519 funders (12.7 per cent) funded this area in all three years, and they accounted for 49 per cent of total identifiable funding.

Groundwater resilience

- About one in seven of India's groundwater assessment units faces critical extraction stress, nearly half of them are located in Punjab, Haryana and Rajasthan. 20 per cent of tested groundwater samples exceed nitrate limits and about 9 per cent exceed fluoride limits.
- 19 per cent (Rs 1,110.8 crore) of identifiable environment and water-related rural development CSR funding targets groundwater resilience; 27 per cent of the identifiable funding in these sectors is water-related, and groundwater resilience accounts for 70 per cent of identified water-related investments.
- 95 per cent of this funding favours recharge and source sustainability, compared to water use efficiency, water quality planning and management.

Innovation and research

- India spends 0.84 per cent of its GDP on research and development, while leading innovation economies spend 2.5-5 per cent; researchers per million people number 259 in India, 4,567 in the USA and 1,600 in China.

- Between FY2023 and FY2025, innovation and research received about Rs 298 crore of identifiable CSR funding across 23 development sectors (excluding government funds); 43 per cent of it is concentrated in seven programmes of Rs 5 crore or more supported by six companies.
- 87 per cent of innovation funding sits in just four themes (STEM and education, health and life sciences, climate-energy-environment, digital and advanced technologies), while agriculture, transport and infrastructure together received only 4 per cent. The report calls 'research translation', taking scientific discoveries to validation, deployment and market, a key gap; public health research receives only about 0.02 per cent of GDP.

The report's recommendations

The report recommends three shifts: (a) re-evaluating programmes through data and outcome measurement; (b) investing in persistent needs where other capital is unlikely to reach; (c) using partnerships, innovation and technology to solve structural barriers. According to Srikrishna Sridhar Murthy, co-founder and CEO of Sattva, "CSR has brought size and predictability to funding. It now needs agility. CSR cannot replace the government, but it can be patient and risk-tolerant in ways other capital often cannot."

Related reading: Zero Coupon Zero Principal: CSR Through the Social Stock Exchange

Why it matters for the exam

- Prelims: Section 135 (the 2 per cent rule), Rs 40,794 crore (FY2025), NCDs at 60 per cent of deaths, cancer 62 per cent vs cardiovascular 12 per cent within NCD funding, groundwater resilience 19 per cent, R&D at 0.84 per cent of GDP.
- Mains: the mismatch between corporate funding and development priorities; usable as evidence in GS-III (inclusive growth, government-industry partnership).

Prelims Practice Questions

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Question 1. With reference to Corporate Social Responsibility (CSR) under the Companies Act, 2013, consider the following statements:

Statement 1: CSR activities are listed under Schedule VII of the Act.

Statement 2: Eligible companies are required to spend 5 per cent of their average net profit on CSR.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

▼ **Answer and Explanation**

Correct answer: (a)

Statement 1 is correct, CSR activities are listed in Schedule VII of the Act. Statement 2 is incorrect, under Section 135, eligible companies must spend 2 per cent of the average net profits of the preceding three financial years, not 5 per cent.

Question 2. According to the "Catalytic CSR" report, consider the following statements:

Statement 1: About 19 per cent of identifiable environment and water-related rural development CSR funding is directed towards groundwater resilience.

Statement 2: About 62 per cent of identifiable NCD CSR funding is spent on cardiovascular diseases and only 12 per cent on cancer.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

▼ **Answer and Explanation**

Correct answer: (a)

Statement 1 is correct, groundwater resilience received Rs 1,110.8 crore (18.8 per cent), and 95 per cent of that funding favours recharge and source sustainability. Statement 2 is incorrect, the order is reversed: about 62 per cent of identifiable NCD funding goes to cancer, while cardiovascular diseases receive about 12 per cent.

Mains Practice Question

"CSR funding in India has gained scale, but its alignment with real development needs remains a challenge." Comment in the light of the recent 'Catalytic CSR' report. (250 words)

Answer Outline

Introduction:

the global significance of Section 135; annual CSR spending of Rs 40,794 crore in FY2025; introduce the eighth-edition report and its methodology (MCA-reported projects of Rs 25 lakh and above, FY23-25).

Main Body:

(a) sectoral mismatches: cancer vs cardiovascular within NCDs (62 vs 12 per cent); 57 per cent of school-to-work transition funding to academic-skilling support, with mentoring and work exposure neglected; (b) regional and thematic imbalance: groundwater (nearly half of critical-stress units in three states; 95 per cent of funding on recharge); (c) neglected areas: innovation (Rs 298 crore, 43 per cent concentrated in seven programmes, R&D at 0.84 per cent of GDP), care infrastructure in women's empowerment (GGG rank 144); (d) remedies: the report's three recommendations, outcome measurement, funding persistent needs, partnerships and technology.

Conclusion:

only by treating CSR as 'patient capital' that complements the government can the last-mile gaps of development be bridged.

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Frequently Asked Questions (FAQ)

Which companies does the CSR rule apply to?

Under Section 135 of the Companies Act, 2013, every company with a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more in any financial year; such companies must constitute a CSR committee and spend at least 2 per cent of their average net profits of the preceding three financial years on CSR activities (Schedule VII).

What happens if a company fails to spend its CSR amount?

Under the amended 2021 rules, the unspent amount relating to an ongoing project must be transferred within 30 days of the end of the financial year to an 'Unspent CSR Account' (a special account with a scheduled bank) and spent within three financial years, failing which it must be transferred within 30 days to a fund specified in Schedule VII; if there is no ongoing project, the unspent amount goes to a Schedule VII fund within six months of the end of the financial year.

Sources

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