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# Bridging the Equity Gap: Towards Inclusive, Accountable and Sustainable CSR Investments in Education

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**Abstract— Corporate Social Responsibility (CSR) has emerged as a critical financial mechanism for social development in India. Since the enactment of Section 135 of the Companies Act, 2013, CSR has acquired a statutory and governance dimension, with education consistently attracting the largest share of Schedule VII allocations. Corporate outlays have expanded school infrastructure, scholarships, digital learning, skill development, and teacher training. However, increasing expenditure does not inherently guarantee equitable access, systemic quality, transparent governance, or sustained educational outcomes.**

**This article critically examines the governance architecture and outlines Policy Recommendations for Governance Reform.**

**Keywords: Corporate Social Responsibility, CSR, Education, Equity, Inclusion, Accountability, Sustainability, Reinvestment, Surplus, Educational Governance, Social Impact, India**

## 1. CSR Investment in Education in India

Education constitutes a fundamental driver of **human capability development, intergenerational social mobility and socio-economic participation**. In the Indian context, corporate engagement in social development acquired a statutory dimension with the enactment of **Section 135 of the Companies Act, 2013**, which requires eligible companies to spend at least 2% of their average net profits of the preceding three financial years on activities falling within the prescribed CSR framework. Education is explicitly recognised as an eligible area of CSR intervention under **Schedule VII** of the Act.

The distribution of CSR expenditure across development sectors demonstrates the prominent position occupied by education within the Indian CSR landscape. As presented in **Table 1**, education received the highest sector-wise CSR expenditure in **FY 2024–25, amounting to ₹13,877.34 crore**, followed by healthcare at ₹8,530.60 crore and environmental sustainability at Rs. 3,396.75 crore. Other significant sectors included livelihood enhancement projects (₹2,547.71 crore), rural development (₹2,476.96 crore), vocational skills (₹1,945.22 crore), and poverty eradication, hunger and malnutrition (₹1,647.24 crore).

**Table 1: Sector-wise CSR Expenditure in India, FY 2024–25**

| Development Sector | CSR Expenditure (₹ crore) |
|---|---|
| Education | 13,877.34 |
| Healthcare | 8,530.60 |
| Environmental Sustainability | 3,396.75 |
| Livelihood Enhancement Projects | 2,547.71 |
| Rural Development Projects | 2,476.96 |
| Vocational Skills | 1,945.22 |
| Poverty Eradication, Hunger & Malnutrition | 1,647.24 |
| Training to Promote Sports | 1,130.02 |
| Art & Culture | 692.22 |
| Animal Welfare | 560.78 |
| Women Empowerment | 521.38 |


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***Source**: CSR expenditure data, Ministry of Corporate Affairs, Government of India. Figures should be cross-checked with the relevant MCA dataset/report before publication.*

The data therefore demonstrate that **education constituted the largest single sector of CSR expenditure in FY 2024–25**. The scale of investment is noteworthy not only in absolute terms but also in comparison with other major development sectors, particularly healthcare and environmental sustainability. This sustained concentration of CSR resources in education suggests that corporations increasingly perceive education as an important avenue for generating long-term social and developmental outcomes.

**Trends in CSR Investment in Education**

The sectoral distribution of CSR expenditure over the **six-year period** presented in Figure: 1 further demonstrates the sustained prominence of education within corporate social investment in India. Across the period, education consistently accounts for a substantial share of CSR expenditure and remains among the leading areas of corporate intervention.

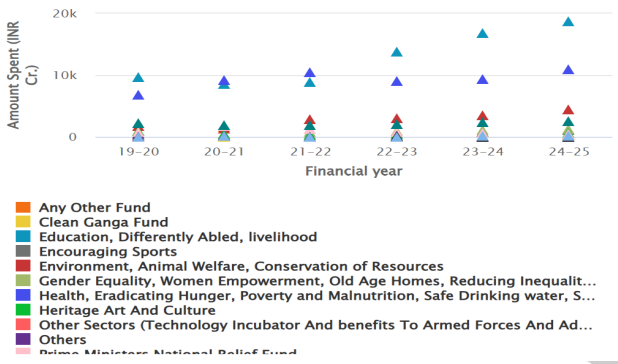



**Figure:1:** Development Sector Wise CSR Spent

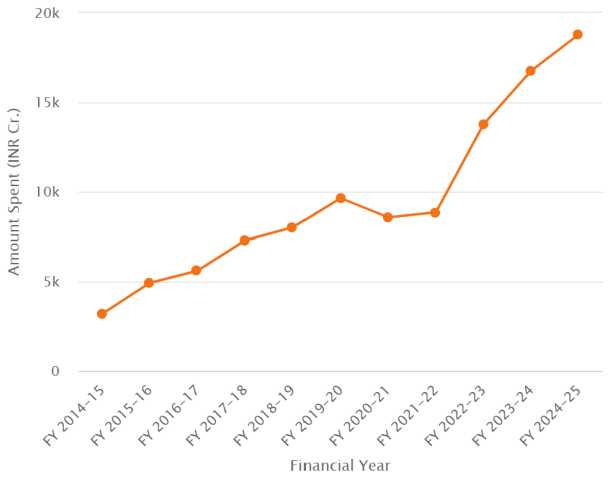



**Figure:2:** Years wise CSR Funds for Education Sector

Division of Development sectors

| S. No | Sub-sectors | Amount Spent (INR Cr.) |
|---|---|---|
| 1 | Education | 13877.34 |
| 2 | Livelihood Enhancement Projects | 2547.71 |
| 3 | Vocational Skills | 1945.22 |
| 4 | Special Education | 423.38 |

This trend is significant from a policy and governance perspective. The continued concentration of CSR resources in education reflects the sector's broad alignment with the objectives of **human capital development, employability, social inclusion and long-term socio-economic development**. At the same time, the volume of financial investment raises an important question for CSR scholarship: **whether higher expenditure in education necessarily translates into equitable access, improved quality, measurable learning outcomes and sustainable institutional impact**.

Thus, the dominance of education in CSR expenditure should not be interpreted solely as evidence of effectiveness. Rather, it provides a basis for examining the **distribution, quality, accountability and sustainability of CSR investments in education**. The key analytical issue consequently shifts from


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*how much is being invested* to *where, for whom, through which interventions, with what outcomes, and under what accountability mechanisms*.

The six-year expenditure trend, therefore, provides an important empirical foundation for examining the emerging governance challenges associated with CSR-funded educational initiatives, particularly issues of **equity, geographical distribution, beneficiary targeting, outcome measurement, institutional sustainability and utilisation of financial surpluses generated through CSR-supported educational activities**.

While this statutory framework has successfully scaled financial commitments into the sector, expansion raises a critical governance challenge: **Does increased expenditure necessarily translate into equitable, inclusive, and sustainable educational outcomes?**

Physical infrastructure built without teaching staff, digital devices deployed without connectivity, and scholarships awarded without addressing underlying dropout drivers illustrate the limits of input-centric philanthropy. Furthermore, as CSR-funded educational institutions and vocational centers scale, they frequently generate user charges, service fees, or interest income—creating complex legal questions regarding revenue ownership, statutory accounting, and surplus utilization.

## 2. Statutory Framework and Surplus Governance Mechanics:

### 2.1 The Rule 7(2) Mandate and the 2021 Amendments

A critical yet under-analyzed area of CSR governance involves projects that generate financial receipts or operational surplus. Rule 7(2) of the Companies (CSR Policy) Rules, 2014 explicitly provides:

*"Unspent CSR amount, if any, or surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy..."*

The **Companies (CSR Policy) Amendment Rules, 2021** further tightened this framework by mandating strict timelines. Any unspent surplus generated through CSR activities must either be reinvested into the same project or transferred to an **Unspent CSR Account** within **6 months of the financial year-end**, or remitted to a Schedule VII designated fund within **30 days** of financial year closing if not tied to an ongoing project.

### 2.2 Reinvestment vs. Commercial Exploitation Typologies

To assist corporate boards, auditors, and implementing agencies, the distinction between permissible financial sustainability and impermissible commercial appropriation is illustrated below:

| Scenario A PERMISSIBLE REINVESTMENT | Scenario B IMPERMISSIBLE DIVERSION |
|---|---|
| ○ Ploughed back into project operations | ○ Absorbed into Corporate Business Profit |
| ○ Deposited into Unspent CSR Account | ○ Transferred to Commercial Trust Fund |
| ○ Earmarked for Student Scholarships | ○ Used to offset general commercial overheads |

**Scenario A (Permissible Reinvestment / Non-Profit Continuity):** A CSR-funded vocational training center charges nominal enrollment fees to foster trainee commitment and offset consumable material costs. The annual net surplus is audited, disclosed, and directed into an endowed scholarship fund for female trainees from low-income households or transferred to the company's dedicated Unspent CSR Account strictly for educational expansion.

**Scenario B (Impermissible Diversion / Commercial Profit):** A school building constructed using CSR funds


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charges market-rate tuition fees. The resulting operational surplus is credited back to the parent corporation's revenue account or absorbed by a commercial trustee as ordinary profit, violating Rule 7(2).

**3. Policy Recommendations for Governance Reform:**

1. **Standard Surplus Management Clause in MoUs:** Corporate CSR committees must mandate an explicit Rule 7(2) surplus clause in all Tripartite Agreements signed with implementing NGOs, ensuring any revenue generated is ring-fenced for social reinvestment.
2. **Mandatory Needs Gate for Capital Outlays:** Infrastructure projects exceeding ₹50 Lakhs should require a formal "Education Equity Assessment" to verify that funding targets underserved geographies (such as Aspirational Districts or tribal belts) rather than over-resourced urban centers.
3. **Transition to Independent Social Audits:** Moving beyond financial audits, large-scale educational interventions must undergo independent social impact evaluations as mandated under Rule 8(3) for projects exceeding Rs. 1 Crore.
4. **Public CSR Education Knowledge Repository:** Developing an open-access digital portal mapping CSR education interventions, expenditures, and verified outcomes to prevent duplicate spending and facilitate cross-sectoral replication.

**4. Conclusion**

The mandatory CSR regime in India has established corporate capital as a vital instrument of educational development. However, fulfilling its strategic potential requires moving beyond a compliance-centric expenditure model. By enforcing rigorous surplus governance under Rule 7(2), corporate entities can ensure that every rupee spent creates verifiable, equitable, and enduring educational value.

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