

June 2026

Corporate Social Responsibility implementation through zero coupon zero principal instrument

The Ministry of Corporate Affairs (“MCA”), *vide* notification¹ dated May 27, 2026, and in exercise of its powers under Section 135 and Section 469 of the Companies Act, 2013 (“CA 2013”), has permitted companies to undertake Corporate Social Responsibility (“CSR”) activities through subscription to Zero Coupon Zero Principal (“ZCZP”) instruments issued by eligible not-for-profit organisations (“NPOs”) which are listed on the Social Stock Exchange (“SSE”).

This development operationalises a regulated mechanism for deployment of CSR funds through market-linked instruments, while retaining oversight under the existing CSR framework.

Background

The CSR framework under Section 135 of the CA 2013 mandates eligible companies to undertake specified social development activities. Traditionally, CSR spending has been routed through direct implementation, implementing agencies, or registered trusts and societies.

The introduction of the SSE as a regulated platform, coupled with recognised fundraising instruments such as ZCZPs, provides an alternative channel for companies to deploy CSR funds in a transparent and standardised manner. The MCA’s clarification integrates this mechanism within the CSR regime, subject to prescribed conditions.

Key features of the notification

Permissibility of ZCZP instruments for CSR

Companies may utilise CSR funds by subscribing to ZCZP instruments issued by NPOs registered with and listed on the SSE. Such instruments do not carry any repayment obligation (principal or interest) and are intended strictly for funding eligible social projects.

This enables companies to participate in pooled funding structures while continuing to meet their statutory CSR obligations.

Regulatory framework governing ZCZP instruments

¹ [MCA notification](#)

ZCZP instruments are subject to a defined regulatory structure, including:

1. issuance only in dematerialised form;
2. minimum issue size of INR 50 lakhs;
3. minimum application size of INR 10,000;
4. requirement to achieve at least 75% subscription of the proposed issue; and
5. utilisation of proceeds strictly for specified social objectives within the prescribed timeframe.

NPOs issuing such instruments are required to comply with disclosure and reporting requirements, including submission of fundraising documents and ongoing impact reporting.

Role of the Social Stock Exchange

The SSE, operated by recognised stock exchanges, serves as a regulated platform for listing ZCZP instruments issued by eligible NPOs.

The SSE framework provides for:

1. pre-screening and registration of eligible NPOs;
2. standardised disclosure requirements;
3. monitoring of fund utilisation; and
4. independent social audits and impact assessments.

This structure enhances transparency and accountability in deployment of CSR funds.

Conditions applicable to CSR expenditure

The MCA has prescribed certain conditions for utilisation of CSR funds through ZCZP instruments, including:

1. CSR expenditure through this route shall not exceed 10% of the total CSR obligation of the company for the relevant financial year;
2. the funded project shall have a maximum duration of three financial years; and
3. upon completion or termination, any unspent amounts are required to be transferred to funds specified under Schedule VII of the CA 2013.

These safeguards ensure that the mechanism operates within the broader objectives of the CSR framework.

Reporting and compliance obligations

NPOs raising funds through ZCZP instruments are required to:

1. utilise funds strictly for eligible Sustainable Development Goals;
2. adhere to timelines specified in fundraising documents; and
3. submit periodic disclosures and impact reports verified by independent social auditors.

Companies, in turn, must ensure that their CSR reporting appropriately reflects such expenditure in accordance with applicable rules.

Conclusion

The MCA's recognition of ZCZP instruments as a permissible CSR avenue marks an important evolution in the CSR framework by introducing a regulated, market-based mechanism for funding social initiatives.

From a corporate perspective, this route provides an additional option for deploying CSR funds through a structured and transparent system, while leveraging the standardization and oversight embedded in the SSE framework.

At the same time, the prescribed caps and compliance conditions ensure that companies continue to maintain direct oversight over their CSR strategy and obligations.

Companies may evaluate the suitability of this mechanism in the context of their CSR policies, project preferences, and compliance considerations.

Corporate Practice

SA's corporate practice is centered around transactional and legal advisory services including day-to-day business, regulatory issues, corporate and governance affairs. We have an expert team of attorneys who advise on legal issues concerning inbound and outbound investments, strategic alliances, collaborations and corporate restructurings. We advise clients through all stages of complex and marquee assignments including restructuring, mergers and acquisitions (including those in the public space), private equity and joint ventures. Our vast clientele includes multinational corporations and large Indian businesses in the private, public and joint sectors. We work closely with in-house counsel teams, investment banks, consulting and accounting firms, along with multilateral agencies and policy-making institutions on the development of policy and legal frameworks. We provide assistance and counsel to start-ups and venture-backed companies by drawing upon our in-depth understanding of how companies are incorporated, financed and grown. With an in-depth understanding of the industry combined with years of expertise, our attorneys provide innovative and constructive solutions to clients in complex transactional engagements. We emphasise teamwork across our wide network of offices across India. This allows us to benefit from the various specialisations available for the ultimate benefit of our clients. We also provide assistance in dealing with diverse corporate governance and compliance issues including FCPA/Anti-Bribery/Anti-Corruption matters and investigations.

This Prism has been prepared by:



Sajai Singh
Partner



Anup Vijay Kulkarni
Partner



Sathyanarayanan V.S
Senior Associate



Krishna Chandak
Paralegal



19 Practices and
40 Ranked Lawyers



8 Ranked Practices,
22 Ranked Lawyers



15 Practices and
20 Ranked Lawyers



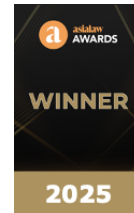
13 Practices and
49 Ranked Lawyers



20 Practices and
24 Ranked Lawyers



8 Practices and
15 Ranked Lawyers
Highly Recommended in 5 Cities



**Regional Legal Expertise Awards
(APAC) of the Year**
Energy Firm Competition/
Antitrust Firm



Among Best Overall
Law Firms in India and
14 Ranked Practices

9 winning Deals in
IBLJ Deals of the Year

15 A List Lawyers in
IBLJ A-List – 2026



Recognised in World's 100 best
competition practices of 2026



Ranked Among Top 5 Law Firms in
India for ESG Practice



Asia M&A Ranking
2025 – Tier 1

For more details, please contact km@jsalaw.com

www.jsalaw.com



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.

Copyright © 2026 JSA | all rights reserved