

ISSN: 2582-6433



INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS

Open Access, Refereed Journal Multi Disciplinary
Peer Reviewed 6th Edition

VOLUME 2 ISSUE 7

www.ijlra.com

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SCRUTINIZING THE CORPORATE

RESPONSIBILITY IN INDIA

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ABSTRACT

Corporate Social Responsibility can be defined in multiple ways but what binds every definition is the expectation that both private and public enterprises behave ethically with every stakeholder. Corporates do not exist in vacuum and there exists a responsibility for them to ensure welfare of both internal and external stakeholders; their deep pockets make them perfect partners for the government's efforts towards social development.

In today's world, it is pertinent that society and business cannot be incongruous. Social responsibility is a critical factor in where employees choose to work and where consumers decide to spend their money. Understanding the impact of society on business has never been more crucial for corporates. CSR has evolved from charity to initiatives working on the root cause of the glaring issues of society.

With growing consumer awareness and new regulations being imposed on the corporations like the Business Responsibility and Sustainability Reporting (BRSR), the focus of corporate reporting has translated to Environmental, Social and Governance (ESG) perspective. The companies are in dire need to foster the bond with consumers by investing strategically on their CSR activities. As more people are becoming aware, the pressure on business's to be socially responsible is growing tremendously.

Key Words: Corporate Social Responsibility (CSR), Social Objective, Companies Act, 2013, Section 135, Triple Bottom Line.

Introduction

Corporate Social Responsibility, commonly referred to as CSR is a very dynamic and complex concept. While CSR was once an internal initiative of a corporate concern, usually as a part of their ethical endeavour, now there are various national and international laws fostering and governing CSR activities of a corporation. Now, the CSR activities have diversified beyond individual or even industry-wide initiatives.¹

Managing risk is a key function of every business. With a substantial rise in the number and turnover of the corporations, the awareness in the society regarding business operations of a corporation has also increased. This has added a new dynamic to 'corporate image'.² With rising concerns over the responsibility of the corporates towards the society and environment, the governments have also taken up initiatives to hold companies more socially responsible.

Through this research I have tried to decrypt the evolution of the concept, the efficacy of the policies governing CSR and how it impacts the various stakeholders.

Review Of Literature

- **Freeman and Hasnaoui (2011)³**: The contrast between the historical and present interpretations of CSR is examined by them. According to them, the semiotics of the language employed determines how the phrase is understood. Due to cultural, political, economic, social, and institutional frameworks that may span national borders, this is distinct. As a result, distinct meanings emerge in different parts of the country, even within the same country.
- **Spodarczyk E. (2019)⁴**: According to Spodarczyk, there is a coherent tie between a business and the society. She believes that CSR aids in the development of brand loyalty and the creation of a distinct identity in the market for firms with a good reputation.
- **Rangan, Chase, and Karim (2015)⁵**: Through their research, they discovered that organisations with best practises run coordinated and interdependent CSR programmes throughout their whole portfolio. Some of their activities provide shared benefit for the company and society; others, while aimed at the firm, generate greater value for society; and yet others are aimed only at society.

¹ Dann, J, *Business Ethics Integral to Corporate Strategy*, says Stanford's Malhotra, CBS News (July 1, 2009, 1:45 PM), <https://www.cbsnews.com/news/business-ethics-integral-to-corporate-strategy-says-stanfords-malhotra/>

² Tomar, Vernika, *CORPORATE RESPONSIBILITY AND ENVIRONMENT IMPACT ASSESSMENT*, 50 Journal of the Indian Law Institute 230, 231 (2008), <http://www.jstor.org/stable/43952436>.

³ Freeman, I., & Hasnaoui, A., *The Meaning of Corporate Social Responsibility: The Vision of Four Nations*, 100(3) Journal of Business Ethics 419, 419-443 (2011), www.jstor.org/stable/41475851.

⁴ Spodarczyk, Edyta, *An attempt to determine the determinants of an effective impact of corporate social responsibility on consumer behaviour: A pilot study report*, 23(2) Management Report 64, 64-79(2019), <https://doi.org/10.2478/manment-2019-0019>.

⁵ Rangan V.K., Chase L. and Karim S. (2015), *The truth about CSR*, Howard Business Review (February, 2015), <https://hbr.org/2015/01/the-truth-about-CSR>.

- **Kuokkanen and William (2020)⁶**: Strategic CSR is the key area of discussion of . The process of developing a CSR strategy include selecting particular tactics from a variety of viable possibilities. The plan should demonstrate consumer CSR values, interests, and expectations in order to appeal to and engage the Corporate–Consumer congruence interaction channel.
- **Sheehy B. (2014)⁷**: He recommends that corporations have a clear definition of CSR so that they can work in a targeted and controlled manner. He discusses CSR's definitional challenges as well as the concerns with firms' current CSR approaches.
- **Ward (2004)⁸**: She classified the government's involvement in CSR strengthening into four categories: requiring, facilitating, cooperating, and endorsing. It is also considered if a fifth role – demonstrating – is required. The importance of government and governance in effective CSR initiatives has been discovered.
- **Bhagawan M. and Mukhopadhyay (2018)⁹**: The impact of legislating CSR on business value is empirically assessed by splitting firms into two main categories: firms that spent on CSR in FY 2014-15 and later, and firms that did not spend on CSR in FY 2006-16. They discover that, despite the fact that the Companies Act of 2013 makes CSR expenditure discretionary in the first years, business value has grown statistically following its passage, with no mention of the sort of expenditure that had this influence.
- **Kumar and Priyadarshini (2016)¹⁰**: According to Kumar and Priyadarshini, research is needed to better understand the impact of CSR in banks from the perspectives of internal and external stakeholders. In order to close this study gap, they use the Gallop scale (2001) to examine consumer attitudes and discover that banks' perceived CSR has a positive influence on customer attitudes.
- **Arabia, Albahussain, Elgaraihy, and Mobarak (2014)¹¹**: In Saudi employ an artificial neural network technique to quantify the influence of CSR on competitive advantage. According to the findings, businesses should develop social responsibility activities to improve customer happiness, since this has a good influence on both corporate reputation and long-term viability.

⁶ Kuokkanen, H., William S., *Companies, Meet Ethical Consumers: Strategic CSR Management to impact consumer choice*, 166 Journal of Business Ethics 403, 403-423 (2020), https://econpapers.repec.org/article/kapjbuset/v_3a166_3ay_3a2020_3ai_3a2_3ad_3a10.1007_5fs10551-019-04145-4.htm.

⁷ Sheehy, B., *Defining CSR: Problems and Solutions*, 131 Journal of Business Ethics 625, 625-648 (2015), <http://www.jstor.org/stable/24703631>.

⁸ Ward, H., *Public Sector Roles in Strengthening Corporate Social Responsibility: Taking Stock*; Corporate Social Responsibility Practice of the World Bank Group 1, 5-7 (2004), <https://documents1.worldbank.org/curated/en/548301468313740636/pdf/346560CSR1Taking1Stock.pdf>.

⁹ Praveen Bhagawan M and Jyoti Prasad Mukhopadhyay, *Does Mandatory CSR Expenditure Affect Firm Value? Evidence from Indian firms*, Ideas for India, (2018), www.ideasforindia.in.

¹⁰ T. Praveen Kumar and Dr. Kirupa Priyadarsini.M, *Impact of CSR on Performance – An Internal and External Customer Perspective with Reference to Selected Banks*, 19-22 (2016), https://www.researchgate.net/publication/312126024_IMPACT_OF_CSR_ON_PERFORMANCE_-_REFERENCE_TO_SELECTED_BANKS.

¹¹ Albahussain,S.A., Elgaraihy. W.H. & Mobarak, A.M, *The Prediction of Corporate Social Responsibility Impact on Competitive Advantage: An Artificial Neural Network Approach*, 3 International Journal of Academic Research in Economics and Management Sciences 143, 143 –144 (2014).

- **Varottil (2018)¹²**: He examines the impact of Companies Act, 2013 on CSR expenditure and practices and finds a general spike in expenditure. However, upon close examination, it is concluded that the quasi-mandatory format of the 2013 amendment requires stricter and more elaborate disclosure norms.
- **Bansal and Khanna (2018)¹³**: Both these authors after attempting to compile varied definitions of CSR, mention the two different types of CSR activities – activities directed at the internal stakeholders of corporates and those directed towards the external stakeholders. This study also briefly draws a comparison between outlook towards CSR in developed and developing countries.

Research Methodology

1. RESEARCH METHODS

The research is based on both primary and secondary sources of information. The primary sources of data are various statutes, legislations, policies, treaties, conventions and declarations (national and international jurisdiction). The secondary sources of data include various articles, research papers, surveys and reports, prepared and analysed by other researchers.

2. OBJECTIVES

- To understand CSR and its evolution.
- To give a critical analysis of CSR laws in India and draw comparison with global CSR laws and approach.
- To study the relationship between the businesses and society with the virtue of CSR activities and to analyse the factors affecting CSR.
- To study the environmental impact of CSR.

¹² Varottil, U, *Analysing the CSR Spending Requirements Under Indian Company Law*; Jean J. du Plessis 1, 1-25 (2018),

https://www.researchgate.net/publication/322895339_Analysing_the_CSR_Spending_Requirements_Under_Indian_Company_Law.

¹³ Bansal. S and Khanna M., *Corporate Social Responsibility in India: An Assessment*, 53 Economic and political weekly 44, 44-51 (2018),

https://www.researchgate.net/publication/324691640_Corporate_social_responsibility_rules_in_India_An_assessment#:~:text=The%20corporate%20social%20responsibility%20rules,profit%20for%20socially%20responsible%20expenditures.&text=The%20analysis%20is%20based%20on,Indian%20firms%20for%202010%2D15.

Findings And Discussions

1. EVOLUTION OF CSR:

The very origin of the concept “Corporate Social Responsibility” has been ambiguous. The concept was indirectly first talked about by Chanakya in his treatise “Arthashastra”, in which he talks about the ethical consideration of a business towards the society. In the 19th century, corporate responsibility was more of a philanthropic concern. It was only by 1900s that the corporate responsibility was realized as a key driver to societal progress and sustainability. This evolved responsibility of the corporates was first seen in India in the early 20th century when rich industrialists like Tata, Bajaj, Birla and Godrej started setting up charitable hospitals, schools and trusts for the betterment of society. It is important to understand that the concept is not static, but an ever-evolving line of thought. Various scholars and authors have defined it with a different agenda. The connotation of CSR also varies with demographic differences. Many terms such as ethics, sustainability, social responsibility, social response, corporate-social relations have been linked with it. The concept has also been interpreted in the sense that there is no need for a universal definition (Campbell,2007)¹⁴. CSR has a long history when it comes to academic papers. The first reference of Corporate Social Responsibility can be witnessed in a monograph published by Clark¹⁵ who explains that business has certain obligations towards the society. The concept, however, was formally proposed in the 1950s. Howard Bowen, often regarded as the “Father of CSR”, coined the term “Corporate Social Responsibility”. According to him the primary objective of the business is to formulate policies in such a manner that the targets of the organisation are achieved whilst abiding the values of the society.¹⁶ Later Davis interpreted the concept as - the businessman’s decision apart from the one’s dealing with the economic objectives should be linked to the social development, which enhance the company’s social image (Davis,1960)¹⁷. The relevance of CSR grew by 1980s, to foster the corporate and social bond, something which was increasingly considered necessary for the survival of the business. Aupperle, Carroll and Hatfield (1985) first applied the definition of CSR given by Carroll (1983)¹⁸ to CSR assessment indicators, which involves economic, legal, ethical and discretionary components. With the advent of Globalization, penetration of market-driven corporates witnessed a surge across the world. This provided an impetus to CSR. In the present times, with the evolution of the concept, CSR initiatives and philanthropy cannot be used interchangeably, especially in India. Unlike philanthropy, in which corporations just donate money, CSR involves a more dedicated approach at solving social and environmental issues, working at the grass-root level. The concept is transformative and could generate positive effects

14 Campbell, T., *The normative grounding of corporate social responsibility: a human rights approach*, 1 New Corporate Accountability: Corporate Social Responsibility and the Law - Cambridge University 528, 529-564 (2007), <https://researchoutput.csu.edu.au/en/publications/the-normative-grounding-of-corporate-social-responsibility-a-huma>.

¹⁵ Clark, J. M., *Social Control of Business*, University of Chicago Press, Chicago, (1926), <https://www.journals.uchicago.edu/doi/abs/10.1086/intejethi.37.1.2378212>.

¹⁶ Bowen, H. R., *Social Responsibilities of the Businessman*, Harper & Row, New York, (1953), https://www.researchgate.net/publication/290915036_Social_responsibilities_of_the_businessman.

¹⁷ Davis, K., *Can Business Afford to Ignore Social Responsibility?*, 2(3) California Management Review 70, 70-76 (1960), <https://journals.sagepub.com/doi/10.2307/41166246>.

¹⁸ Carroll, A. B., *Corporate Social Responsibility: Will Industry Respond to Cutbacks in Social Program Funding?*, 49(19) Vital Speeches of the Day, 604-608 (1983), <https://www.scienceopen.com/document?vid=5eac7b8f-f9a0-45a1-8f26-6c8e208ef4e2>.

through entire industries. An example to understand the difference between the two notions – If a company donates a certain amount to an NGO working for orphans, then the act of the company would be termed as philanthropy, but if the same company forms a foundation or a trust to support the orphans directly, then it would be termed as a CSR initiative.

The contemporary behaviour of CSR has deviated in a certain sense from the historical definition. Earlier, it was believed that the ulterior motive of a business was to serve society. In modern terms, CSR is realized as an integral objective of a business. The competitive times, in which the market mechanisms are dominated by consumers' will, serving the society has become a preponderant issue for the corporates. The survival of the companies is based on a coherent relation between society and business.

2. CSR AS A LEGAL REQUIREMENT IN INDIA:

Corporate Social Responsibility has been a voluntary practise in India since decades. On April 1st, 2014, India became the first country to mandate CSR by modifying the Companies Act 1956 to require CSR under Section 135 of the Act. As a result, the issue of "Why was it necessary to enforce CSR?" becomes significant.

Mandating CSR is crucial for various reasons. Businesses do not operate in a vacuum, and it is their obligation to serve the society. Large corporations' enormous coffers make fulfilling this commitment simpler. Based on such a rationale, the most apparent justification for implementing CSR is to support the government's and public sector's efforts to promote societal progress that is holistic and inclusive. According to Bansal and Khanna (2018)¹⁹, the benefit of CSR has been acknowledged mostly as a result of economic and regulatory pressures in industrially developed nations; enforcing CSR in India generates this regulatory pressure. CSR may motivate NGOs and governments to adopt innovative ways to overcome public-sector and social-development gaps (Ward, 2004)²⁰; regulating transparency of CSR engagement facilitates this. Business compliance with CSR initiatives and planning is nudged by regulating CSR operations. There is a need to look at the role of the public sector and government in enhancing CSR practises before delving into the legislative aim underlying the Companies Act Amendment of 2013²¹. The four fundamental tasks of the public sector in enhancing CSR, according to Ward (2004), are requiring, facilitating, cooperating, and endorsing. Now, while CSR can contribute significantly to growth, it is never a substitute for good governance.

The "comply or explain" or "quasi-mandatory" approach of Indian legislation guarantees that CSR is based in localised sustainable development rather than being forced by a third-party stakeholder (government). Section 135 of the Companies Act of 2013 has embraced a hybrid approach in which compliance is optional but disclosure is required.

- The first sub-clause of this section outlines the corporations that are subject to this act [although, there is a spirit of rivalry because companies that are not subject to this act have also raised CSR expenditure (Bansal and Khanna, 2018)]. Only huge corporations are ostensibly covered by this law. It also advocates for the development of a director-led CSR committee. Internal control, oversight, and planning of CSR initiatives are ensured by this clause, as well as the third sub-clause that establishes committee tasks.
- Sub-clause two requests that the structure of this committee be made public, allowing for external verification.
- Sub-clause four assures that each company's Board of Directors is responsible for internal oversight, transparency, and compliance with the Act.

¹⁹ Bansal and Khanna, *supra* note 13, at 6.

²⁰ Ward, *supra* note 8, at 4.

²¹ The Companies Act, 2013, § 135, The Gazette of India, pt. II sec. 1 (August 30, 2013).

- Sub-clause five specifies the amount of CSR spending that must be made. This is where the aforementioned hybrid approach comes into picture.

CSR norms, according to Section 135 of the Companies Act, 2013, are applicable on companies which have

- *Net worth of Rs 500 Crore or above; or*
- *Turnover of Rs 1000 Crore or above; or*
- *Net profit of Rs 5 Crore or above*

The companies, that cross this threshold, are required to spend at least 2% of their average net profit of preceding 3 financial years on CSR.

Schedule 7 of the same Act outlines activities that can be incorporated in corporate social responsibility plans, as well as the role of the public sector as a facilitator.

Despite large companies' strong compliance with the Companies Act, 2013 Amendment, it has been found that disclosure levels are inadequate (Varottil, 2018)²², advocating for tougher disclosure rules. It's worth noting that CSR's growing prominence has the potential to undercut government initiatives, resulting in a slew of negative consequences. If this happens, corporations may gain a monopoly in social areas, with no assurance that they would contribute constructively to society; politicians should endeavour to prevent this from happening. The purpose of this amendment is to instil an ethical and social responsibility mentality in organisations, allowing CSR to extend beyond charity efforts by developing strategies to link corporations with social empowerment.

3. COMPARITIVE ANALYSIS OF CSR PRACTISES

Internationally, CSR falls under the ambit of United Nations Industrial Development Programme in order to deal with issues such as environment preservation, employee and community relations, eco-efficacy, responsible sourcing, labor and working conditions. The CSR programme by UNIDO is hinged on the Triple Bottom Line approach. This approach is used for gauging corporate performance against economic, social and environmental aspects. The approach is basically an effort to align private enterprises to sustainable goals and development by providing extra or comprehensive working objectives and not only the goal of making profits. The viewpoint is that an organisation must be economically secure, limit (or, preferably, eradicate) its negative ecological consequences, and operate in accordance with society's expectations in order to be sustainable. The TBL approach has been a successful tool for the greater part.²³

Countries may assist in assuring the practise of CSR in two ways:

- 1) In countries where CSR reporting is required by law, such as France, Spain, Australia, China, Denmark, Germany, and others.
- 2) By not having legally required CSR policies, but insuring it by certain criteria through contract, bylaws, etc., such as in the United States, the United Kingdom, and other nations.

²² Varottil, U, *Analysing the CSR Spending Requirements Under Indian Company Law; Globalisation of Corporate Social Responsibility and its Impact on Corporate Governance*, Springer Intl. Publishing, 231-253 (2018), https://www.researchgate.net/publication/322895339_Analysing_the_CSR_Spending_Requirements_Under_Indian_Company_Law.

²³ Khan, A. Farooq, and Adrian, A, *Managerial Attitudes to Social Responsibility: A Comparative Study in India and Britain*, 6 Journal of Business Ethics 1, 2-8 (1987), www.jstor.org/stable/25071680.

CSR methods vary from nation to country and firm to company, even after following certain basic standards. The fundamental emphasis of India's CSR framework is on how to disclose practises rather than how to practise them; similarly, comparable nations with required CSR reporting requirements, such as the ones stated above, are focused on how to report practises rather than how to conduct them.²⁴

Another thing to keep in mind is that Indian CSR is primarily focused on assisting the disadvantaged, mixing traditional charity with contemporary CSR concepts. However, most nations throughout the globe use the strategy of merging core business and its charitable influence on society's many facets into CSR. Google, for example, organises technological and innovation projects, whereas Johnson & Johnson is concerned with social and environmental health.²⁵

- The Indian government requires expenditure, which is one of the most significant contrasts between India and the rest of the globe when it comes to CSR. Both CSR investment and reporting are now required in India. Pressure is coming from both inside India and from the worldwide market. India firmly adheres to the TBL method. For example, in the United States, the Bureau of Economic and Business Affairs' (EB) CSR team is in charge of the Department's interaction with American firms in the promotion of responsible and ethical business practises. In India, however, as previously mentioned, there is a compulsion on CSR expenditure.
- In India, CSR is seen as a means of mitigating the negative consequences of corporate activity on local communities, but in the United States, CSR is frequently defined as voluntary social involvement that go beyond financial reporting and strive for the common good.
- A clear distinction between business and its CSR operations is required. In most locations, from the United States to the European Union, the two are seen as mutually beneficial. In India, however, both are considered offensive. If a company's core skill and self-interest are combined with CSR, the effect might be even more beneficial.
- Another observation is that, in comparison to Western nations, Indian CSR focuses less on environmental and human rights.

The majority of the differences between Indian and foreign approaches to CSR policy are related to priorities. In the Indian CSR setting, community development and reported investment play a significant role. In a western context, such activity would be referred to as charity or corporate philanthropy.²⁶

4. **RESPONSE OF SOCIETY TOWARDS CSR**

In today's world, it is pertinent that society and business cannot be incongruous. Social responsibility is a critical factor in where employees choose to work and where consumers decide to spend their money. Understanding the impact of society on business has never been more crucial for corporates. CSR has evolved from charity to initiatives working on the root cause of the glaring issues of society.

With growing consumer awareness, the companies are in dire need to foster the bond with consumers by investing strategically on CSR activities. This has a lot to do especially in building a distinct image of the company with regards to the social initiatives undertaken by them. The established companies have evidently benefitted from their CSR activities, meanwhile the companies which do not have established themselves, are affected to a low extent with respect to

²⁴ Young, Suzanne, and Thyil. V, *Corporate Social Responsibility and Corporate Governance: Role of Context in International Settings*, 122 *Journal of Business Ethics* 1, 3-10 (2014), www.jstor.org/stable/42921413.

²⁵ Berman.S, *CSR in a comparative perspective*, Gateway House 1, 1-7(2015), <https://www.gatewayhouse.in/CSR-in-a-comparative-perspective/>.

²⁶ Ramachandran.R., *Indian CSR - Is It Different from Western?*, *SSRN Electronic Journal* 1, 16-22 (2016).

their CSR activities.

Authors like L. Marin, S. Ruiz and A. Rubio (2009)²⁷ have raised the issue of positive affect of social responsibility on consumer loyalty. They claim, many firms that pride themselves on being socially responsible operate on the assumption that customers will reward them for their efforts. The results of their research show that socially responsible initiatives are linked to stronger consumer loyalty because consumers perceive and appreciate the company's development in a socially positive direction, and they identify with the company more strongly.

With the change in the market mechanisms and a shift to consumer-oriented markets, the responsibility of the business has grown altogether to a different level. In order to survive a company must serve the society. Therefore, the objective of business has transformed from profit maximization to profit optimization, and the treatment of shareholders as stakeholders.

5. **ENVIRONMENTAL SUSTAINABILITY AS A KEY COMPONENT OF CSR**

The coexistence of human beings and other forms of lives are inexplicably linked. The concept of environment protection and human rights protection has been argued to be interlinked and interdependent²⁸. Some authors have directly linked economic prosperity to environmental sustainability.²⁹ Academicians now also believe that there is a definite correlation between the ecology, economic growth, and human rights when it comes to global issues like healthcare, safety, and personal liberty.³⁰

In this scenario, resolving environmental issues is beyond the reach of any national authority. CSR is a diverse concept under which organisations amalgamate social and environmental concerns into their business operations and interacts with their various stakeholder groups. This has led to the emergence of a new concept within CSR, that is, Corporate Environmental Responsibility (CER). CER denotes a corporation management's environmental obligations as well as pellucid functioning under environmentally responsible corporate ecological standards.

CER denotes a corporation's obligation towards energy management as well as pellucid functioning under environmentally responsible corporate ecological standards. An environmentally concerned company has its economic objectives in tandem with essential ecological principles like:

- Adopts the 'precautionary principle' and promotes sustainability
- Follows government requirements
- Judicious use of resources
- Preparation of Environment Impact Assessment (EIA) Reports

From the standpoint of getting statistics on the condition of a company's environmental policy, the CER assessment methods of monitoring, auditing, and publishing and reporting are fundamental. Section 102 (2) of the National Environmental Policy Act, USA coined the phrase "Environmental Impact Assessment." EIA as suggested by NEPA is a method of predicting, measuring, and weighing the ecological changes that may occur as a result of a planned project.

It aids decision-makers in weighing the ecological risks and consequences of a given project. The

²⁷ Marin, L., Ruiz, S., Rubio, A., *The Role of Identity Saliency in the Effects of Corporate Social Responsibility on Consumer Behavior*, 84 Journal of Business Ethics 1, 65-78 (2009), <https://link.springer.com/article/10.1007/s10551-008-9673-8>.

²⁸ G.S. Karkara, *Human Rights, Development and Environmental Law: An Anthology* 52 (2006).

²⁹ Robert E. Lutz, Ibrahim Shihata, David Wirth, Philip Alston, Stephen McCaffrey, John Porter and John Warren Kindt, *Environment, Economic Development And Human Rights: A Triangular Relationship?* 82 American of International Law Proceedings 40, 40 (1988).

³⁰ Vernika Tomar, *Corporate Responsibility and Environment Impact Assessment*, 50 Journal of the Indian Law Institute 230, 230-234 (2008).

project is deemed ecologically justifiable if the benefits outweigh the costs. EIA is a critical management strategy for assuring the best possible use of nature's resources for long-term sustainability. It's a formal research method for predicting the environmental impacts of any proposed development. As a result, EIA ensures that possible issues are identified and dealt with immediately in the project planning.

The apex court in the case of *M. C. Mehta v. Union of India*³¹ held that the precautionary principle necessitates pre-emptive action to prevent any damage or harm in any place up to 5km from the Delhi-Haryana border area on the ridge side of Haryana and also in the Aravali Hills, that mining activity causes ecological damage. In *Andhra Pradesh Pollution Control Board v. M. V. Nayadu*³², the Supreme Court reaffirmed and clarified the precautionary principle. The concept of precaution entails anticipating environmental damage and taking steps to prevent it or choosing the least ecologically hazardous activity, according to the highest court. It is founded on scientific ambiguity. Environmental protection should endeavour to safeguard not just people's health, property, and economic interests, but also the environment itself. Precautionary obligations must be triggered not only by the suspicion of a specific danger, but also by (justified) anxiety or risk potential. The concept implies that if there is a known danger of substantial irreversible damage, the burden of evidence should be placed on the individual or organisation proposing the potentially detrimental to the environment action.

In his dissenting decision in the *Narmada Bachao Andolan v. Union of India*³³ case, Bharucha J emphasised the necessity of the Narmada Sagar Project's EIA, without which he believes the dam's development should be halted. Perhaps one of the earliest clear and detailed judicial recognitions of EIA, in which it is stated that EIA should not be administered at the discretion of the administrative branches of the government since its strength comes from the legislation itself. Even the government has been pushing in many ways to hold companies more environmentally accountable. Securities Exchange Board of India, in a board meeting held on 25th March 2021 decided to make a transition from a conventional standard of business reporting to a more sustainable and transparent standard of reporting.

The Business Responsibility and Sustainability Reporting (BRSR) would be applicable on the top 1000 listed companies by (market capitalisation). The reporting requirement is voluntary for the Financial Year 2021-22; however, it would be mandatory from the Financial Year 2022-23.

The non-financial disclosures under BRSR would be focusing more on the Environmental, Social and Governance (ESG) perspective. Environment disclosures are likely to include details regarding the resources of energy used, pollutant emissions by the company during its operations, waste generated, etc., while the social disclosures may encompass the workforce distribution according to gender, number of differently-abled employees, median wages, corporate social responsibility measures, social impact assessment etc.

Even after such regulations and CSR norms companies have been able to evade the compliances. For instance, Volkswagen attempted, but failed, to make a clean-diesel market drive. Their diesel automobiles included software that detected emissions testing and managed the pollution sensors to ensure that the cars passed. This was done in order to recoup their stock price losses. They claimed that their vehicles were environmentally clean, but the measured pollution levels revealed that they released far more nitrogen oxide than the legal limit. Volkswagen's CSR programme purportedly intended to provide safe goods while reducing emissions.

Moreover, Unilever, which claims to be committed to environmental protection, had its employees exposed to mercury at its thermometer facility in Kodaikanal. Mercury was spilled in the surrounding regions, causing harm to the environmental and the locals. Their policy to focus

³¹ M. C. Mehta v. Union of India, AIR 2004 SC 4016.

³² Andhra Pradesh Pollution Control Board v. M. V. Nayadu, AIR 1999 SC 812.

³³ Narmada Bachao Andolan v. Union of India, AIR 2000 SC 3751.

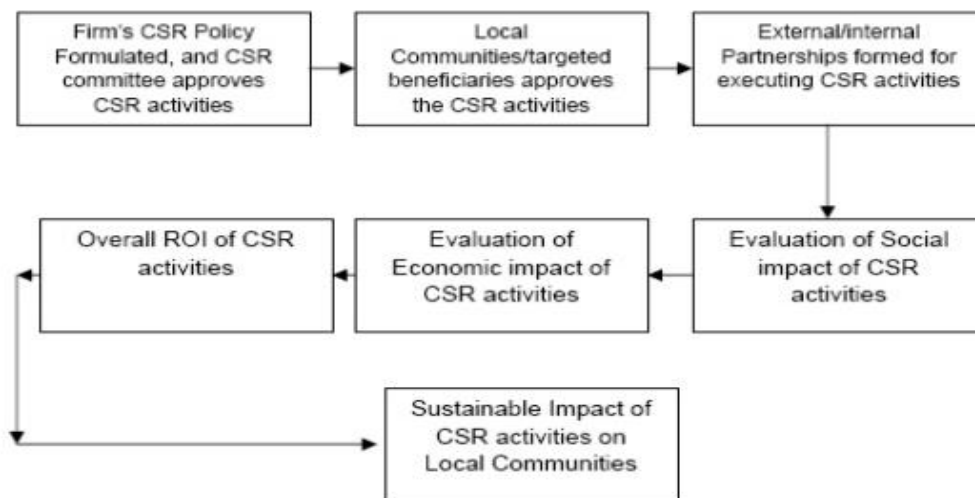
on social issues also failed when cases of African workers of Unilever had to pay their supervisors in order to please them and stop them from making advances emerged.

Suggestions

- Corporates should focus on long-term impact of CSR initiatives. It has been observed that efficacious CSR campaigns have been successful in gaining recognition, building brand loyalty amongst the consumers to a certain extent.
- From the findings of previous studies on this topic, there is an evident need to strengthen disclosure norms and regulations by making the legislation more elaborate and allowing for third party verification of CSR reports. Future amendments to the Act should be done keeping in mind that there should be clarity in the government’s actions and legislations and predictability in the intervention to ensure maximum effectiveness of corporate efforts.
- The corporations should commit more than just financial resources. A change can be brought not only by matching a number of percentages but also by putting in morals and emotions.

An interesting suggestion has been put forward by XYZ and the corporates can utilize the method to study the impact of the Corporate Social Responsibility on the community.³⁴

Framework for evaluating CSR Projects



³⁴ Singh, Ramendra & Agarwal, Sharad, *Corporate Social Responsibility for Social Impact: Approach to measure Social Impact using CSR Impact Index*, Working Paper Series: IIM Calcutta 729, 729 (2013).

Conclusion

- CSR is an evolving process and with the rapid changes that the society has been going through, the response of business must be dynamic towards the society. The interpretation of the concept changes with how the people respond to business.
- Mandating CSR is a step in the right direction for India and its positive impacts are visible in the increased expenditure by firms. The evident fallbacks in the Companies Act, 2013 Amendment can be solved by more legislative discussions and robust execution of existing norms. The legislation and execution of this Act should be so as to find a balance such that CSR is only a tool to aid government efforts and never a substitute for it.
- Although, CSR is followed with the same agenda in every part of the world, there are certain differences between Indian and foreign approach. Even if the main difference remains about the legal mandate and laws, countries have different approaches towards implementation and reporting of CSR related activities. The society has a significant influence on the corporate decision making too.
- Environmental Protection is a key component of CSR and new concepts like CER have been emerging to ensure corporations' responsibility towards the ecology.

Limitations To Research And Future Scope

- Lack of previous research studies on the topic
- Primary Research on the Topic
- Time constraints
- Restrained access to primary sources of data

More research can be done using primary sources of data by dividing samples based on sector of employment and various posts of employment. Research can also be done to understand the perspective of internal stakeholders such as investors, employers and employees on Corporate Social Responsibility practices and expenditure.