# CORPORATE SOCIAL RESPONSIBILITY

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# INTRODUCTION

**CORPORATE SOCIAL RESPONSIBILITY** mostly called **CSR,** is a dominant policy that every corporation must adhere to.It is commonsensical that the corporate entity though it is difficult to bifurcate must make it clear what responsibilities are personal towards the corporation and what responsibilities are categorised as the SOCIAL RESPONSIBILITIES.

This recent trend which is part of globalization, Corporate Social Responsibility is becoming a very important vector for the performance evaluation of business operations. This has also consequently, put the corporation under the pressure on economic sustainability of resources and the environment, national market regulators, and investors on corporate social responsibility.

# LAW RELATING TO CSR WORLD WIDE: A COMPARATIVE STUDY

Corporate Social Responsibility (CSR) refers to the ethical and voluntary commitment of businesses to contribute to the well-being of society and the environment, beyond their legal obligations and profit motives. The laws and regulations governing CSR can vary significantly from one country to another. Here are some key aspects of CSR laws and regulations in several major jurisdictions:

1. **United States:** The U.S. does not have specific federal legislation mandating CSR, but companies are subject to various laws and regulations that require transparency and reporting on certain social and environmental aspects. The U.S. Securities and Exchange Commission (SEC) requires publicly traded companies to disclose material information, which may include CSR-related information.
2. **European Union:** The EU has adopted directives requiring certain large companies to disclose non-financial information, including environmental and social matters, in their annual reports. These directives aim to promote transparency and accountability in CSR practices.
3. **India:** India has a legally mandated CSR framework under the Companies Act, 2013. Certain eligible companies are required to spend at least 2% of their average net profit from the previous three financial years on CSR activities. They must also establish a CSR committee and report their CSR activities in their annual reports**.**
4. **United Kingdom:** The UK has regulations that require certain large companies to report on their social and environmental impact. The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 mandates the inclusion of a strategic report in annual reports, which may include CSR information.
5. **China:** China has encouraged CSR through guidelines and recommendations, but there is no specific law requiring CSR activities. However, the Chinese government has been working on strengthening CSR regulations, including reporting requirements for certain state-owned enterprises and listed companies.
6. **Brazil:** Brazil has laws and regulations related to CSR, primarily through the "Lei da Transparência" (Transparency Law) and the "Lei das Estatais" (State-Owned Enterprises Law), which require certain disclosures related to CSR activities for state-owned and publicly traded companies.
7. **South Africa:** South Africa has the Broad-Based Black Economic Empowerment Act, which encourages businesses to engage in social and economic upliftment initiatives, particularly focusing on historically disadvantaged individuals and communities.
8. **Japan:** Japan has encouraged CSR through guidelines and recommendations, and some companies voluntarily engage in CSR activities. However, there are no specific legal requirements for CSR in Japan.

It's important to note that CSR laws and regulations are subject to change. Additionally, the specifics of CSR requirements can vary based on factors such as, company size, industry, and local regulations. Companies must consult with legal and compliance experts in their respective jurisdictions to ensure compliance with current CSR requirements.[[1]](#footnote-1)

# JURISPRUDENCE/ HISTORY

The concept of Corporate Social Responsibility (CSR) is more seemingly related to the utilitarian school than is related by Jurists like Bentham, Locke, and J.S. Mill. This relationship states that social responsibility however is the social contract between the stakeholders to society, which is an essential requirement of civil society. Thus, it could be said that social responsibilities extend not only to the people existing in the corporation but also beyond that to society. That is the motto of the Utilitarian school i.e., “Greatest happiness for the greatest number” has been subsumed within its ambit.[[2]](#footnote-2)

# DEFINITION

There is no proper definition of Corporate Social Responsibility.

But according to EU Commission [(2000) 347 final:5]

*“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”*

Hetherington (1973:37) states

*“There is no reason to think that the shareholders are willing to tolerate an amount of corporate non-profit activity which appreciably reduces either dividends or the market performance of the stock.”*

Thus, this definition majorly focuses on the societal part of corporate social responsibility as it recognizes that an organization's activities impact the external environment and has suggested that one of the accounting roles should be to report upon the impact of an organization *as* in this respect.

Dahl (1972/18) states, *“… every large corporation should be thought of social enterprise; that is the entity whose existence and decisions can be justified insofar as they serve public or social purposes.”*

Milton Friedman (1970)

“*There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud*”

Basically, Corporate Social Responsibility (CSR) refers to a business approach where companies take into consideration the social, environmental, and ethical impacts of their operations and decisions. It involves a commitment to not only generating profits but also contributing positively to society and the environment. CSR encompasses a wide range of activities and initiatives that aim to benefit various stakeholders, including employees, customers, communities, and the planet. These activities go beyond legal requirements and address issues such as environmental sustainability, philanthropy, ethical business practices, employee well-being, and community development. The ultimate goal of CSR is to create a more sustainable and equitable business model that balances economic success with social and environmental responsibilities.[[3]](#footnote-3)

# OBJECTIVE OF CORPORATE SOCIAL RESPONSIBILITY

The primary objectives of Corporate Social Responsibility (CSR) are to foster positive impacts on society, the environment, and various stakeholders while maintaining the company's long-term sustainability. Some key objectives of CSR include:[[4]](#footnote-4)

1. Social Impact: CSR aims to improve the quality of life for communities by addressing social issues such as poverty, education, healthcare, and human rights. Companies engage in initiatives that contribute to community development and upliftment.
2. Environmental Sustainability: CSR focuses on minimizing the environmental footprint of business operations and products. This includes efforts to reduce waste, conserve resources, promote renewable energy, and mitigate pollution.
3. Ethical Business Practices: Companies with strong CSR practices prioritize ethical behaviour and transparency. They strive to avoid unethical practices such as corruption, unfair labour practices, and human rights abuses.
4. Stakeholder Engagement: Effective CSR involves engaging with stakeholders such as employees, customers, investors, suppliers, and local communities. It aims to build trust and maintain positive relationships with these groups.
5. Employee Well-being: CSR initiatives often include efforts to ensure employee's health and safety. This can involve providing fair wages, a safe working environment, training opportunities, and work-life balance.
6. Long-Term Sustainability: Companies practicing CSR understand that long-term success requires a sustainable business model that considers social and environmental impacts. This approach helps to build a resilient reputation and maintain customer loyalty.
7. Reputation Enhancement: Positive CSR initiatives contribute to building a favourable reputation for the company, which can lead to increased brand value, customer loyalty, and investor confidence.
8. Innovation: Companies that prioritize CSR may invest in research and development to create products and services that address societal and environmental challenges, driving innovation in their industries.
9. Risk Mitigation: By proactively addressing social and environmental issues, companies can mitigate potential legal, financial, and reputational risks that may arise from non-compliance or negative impacts.
10. Community Development: CSR often involves supporting local communities through philanthropic activities, charitable donations, and partnerships that address specific community needs.
11. Global Development: Companies with a global presence may engage in CSR initiatives that promote sustainable development in different regions, contributing to economic growth and social progress.

In essence, the main objective of CSR is to align business activities with broader societal and environmental goals, creating value not only for the company but also for the communities and ecosystems in which it operates.

# TYPES OF CORPORATE SOCIAL RESPONSIBILITY

There are four main types of corporate social responsibility which are as follows:

1. **Environmental Responsibility**: this responsibility is the most importantcorporate social responsibility as it is rooted in preserving mother nature. A company can pursue environmental scrutiny through various processes like:
2. Reducing pollution, waste, natural resource consumption, and emissions through its manufacturing process.
3. Recycling goods and materials throughout its processes, including promoting re-use practices with its customers.
4. Offsetting negative impacts by replenishing natural resources or supporting causes that can help neutralize the company's impact.
5. Distributing goods consciously by choosing methods that have the least impact on emissions and pollution.
6. Creating product lines that enhance these values.
7. **Ethical Responsibility:** Ethical responsibility is the pillar of corporate social responsibility rooted in acting in a fair, ethical manner. Companies often set their own standards, although external forces or demands by clients may shape ethical goals. Instances of ethical responsibility include:
8. Fair treatment across all types of customers regardless of age, race, culture, or sexual orientation.
9. Positive treatment of all employees including favourable pay and benefits in excess of mandated minimums. This includes fair employment consideration for all individuals regardless of personal differences.
10. Expansion of vendors use to utilize different suppliers of different races, genders, veteran statuses, or economic statuses.
11. Honest disclosure of operating concerns to investors in a timely and respectful manner. Though not always mandated, a company may choose to manage its relationship with external stakeholders beyond what is legally required.
12. **Philanthropic Responsibility:** Philanthropic responsibility is the pillar of corporate social responsibility that challenges how a company acts and how it contributes to society. In its simplest form, philanthropic responsibility refers to how a company spends its resources to make the world a better place. This includes:
13. Whether a company donates profit to charities or causes it believes in.
14. Whether a company enters transactions only with suppliers or vendors that align with the company philanthropically.
15. Whether a company supports employee philanthropic endeavours through time off or matching contributions.
16. Whether a company sponsors fundraising events or has a presence in the community.[[5]](#footnote-5)
17. **Financial Responsibility:** Financial responsibility is the pillar of corporate social responsibility that ties together the three areas above. A company might make plans to be more environmentally, ethically, and philanthropically focused; however, it must back these plans through financial investments in programs, donations, or product research. This includes spending on:
18. Innovation for new products that encourage sustainability.
19. Recruiting different types of talent to ensure a diverse workforce.
20. Initiatives that train employees on DEI, social awareness, or environmental concerns.
21. Processes that might be more expensive but yield greater CSR results.
22. Ensuring transparent and timely financial reporting including external audits.[[6]](#footnote-6)

# INDIAN LAWS AND RULES

Indian law relating to Corporate Social Responsibility (CSR) is primarily governed by the Companies Act, 2013, and the Companies (Corporate Social Responsibility Policy) Rules, 2014. These laws mandate CSR obligations for certain categories of companies in India. Here are the key provisions related to CSR in India:

1. Applicability: The CSR provisions apply to companies meeting specific financial criteria. Companies with a net worth of INR 500 crore or more, or a turnover of INR 1,000 crore or more, or a net profit of INR 5 crore or more during any financial year are required to comply with CSR provisions.
2. CSR Expenditure: Covered companies are required to spend at least 2% of their average net profits from the three preceding financial years on CSR activities.
3. CSR Committee: These companies must constitute a CSR Committee consisting of at least three directors, including at least one independent director. The committee is responsible for formulating and recommending CSR policies and activities.
4. CSR Policy: The CSR Committee is responsible for formulating a CSR policy that outlines the areas or projects on which the company intends to spend the CSR funds.
5. Eligible CSR Activities: The Companies Act provides a broad framework for eligible CSR activities, including activities related to eradicating hunger and poverty, promoting education, healthcare, gender equality, environmental sustainability, and more.
6. Reporting: Companies are required to disclose their CSR activities in their annual reports, specifying the amount spent and the projects undertaken.
7. Unspent CSR Funds: If a company fails to spend the prescribed CSR amount in a given financial year, it must explain the reasons for the same in its annual report. Any unspent CSR funds must be transferred to a specified government fund.
8. Impact Assessment: The CSR rules encourage companies to assess the impact of their CSR projects and activities. This is to ensure that the funds are being used effectively for the intended social and environmental benefits.
9. Auditing: CSR expenditures are subject to audit by statutory auditors, and the findings are reported in the annual financial statements.
10. Penalties: Non-compliance with the CSR provisions can result in penalties, including fines on the company and its officers.

It's essential for companies to adhere to these CSR requirements and engage in socially responsible activities that align with the prescribed areas and objectives. [[7]](#footnote-7)

# CONCLUSION

Corporate Social Responsibility (CSR) is a concept that encourages businesses to voluntarily contribute to the well-being of society and the environment beyond their legal obligations and profit motives. CSR involves ethical and responsible business practices aimed at making a positive impact on various stakeholders, including employees, customers, communities, and the planet. Here's, CSR refers to the commitment of companies to engage in activities that promote social, environmental, and ethical objectives alongside their core business operations. Its objectives are clear as it includes morals like improving the reputation of the company, fostering positive relationships with stakeholders, contributing to the community's well-being, and addressing environmental and social challenges. And the most significant responsibilities under CSR activities encompass a wide range of initiatives, such as philanthropy, employee volunteering, sustainable business practices, environmental conservation, ethical sourcing, and support for local communities. Thus we must adhere to CSR as it can bring various benefits to businesses, including enhanced brand image, increased customer loyalty, improved employee morale and recruitment, access to new markets, and long-term sustainability.

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