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CORPORATE SOCIAL RESPONSIBILITY AND LEGAL COMPLIANCE: THE INFLUENCE OF CSR REGULATIONS ON CORPORATE CONDUCT CHALLANGES IN EMERGING MARKET

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ABSTRACT

The concept of business Social Responsibility (CSR) has undergone substantial development in contemporary India, particularly as a result of legislative frameworks, business mandates, and public expectations. An important turning point was the adoption of mandated corporate social responsibility (CSR) under the Companies Act of 2013, which compelled firms to devote money for social development. However, despite these advancements, the implementation of corporate social responsibility (CSR) in India is confronted with a number of obstacles, including as a lack of strategic integration, insufficient community participation, and an uneven focus on environmental sustainability. Companies frequently face difficulties in connecting their corporate social responsibility (CSR) programs with their primary business objectives, which results in outputs that are fragmented and have less of an impact. The success of corporate social responsibility (CSR) programs is further hindered by regulatory challenges, such as the complexity of compliance and monitoring. A balance between generating a profit and doing good for society is promoted by the Gandhian model of trusteeship, which continues to have an influence on the philosophical foundations of corporate social responsibility in India. To summarise, the required corporate social responsibility law has been a driving force behind the participation of corporations in social concerns. However, the dynamics of corporate social responsibility in India are influenced by the interaction of legal frameworks, business strategy, and the larger social context. This calls for a more integrated and holistic approach.

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INTRODUCTION

"If you are not sensitive and responsible to the society you operate in, you'd be soon out of business" –Indra K. Nooyi, CEO and President of PepsiCo.[3]

Corporate social responsibility requires companies to act ethically and responsibly, not just donate money. Its triple bottom line approach shows its dedication to corporate social responsibility, which includes economic, social, and environmental sustainability. Corporate social responsibility (CSR) holds that large, successful companies should aim to maximize profitability and shareholder wealth while solving social problems. Human well-being and firm operations and social welfare are covered in the theory. [4]

The phrase "responsibility." implied that businesses had a duty to address social issues and provide more than financial services to their communities. This notion encourages companies to include social and environmental challenges into their daily operations and stakeholder engagements. [5]A company's principal goal should be to make a profit by satisfying customer demands with a product or service. This allows the business to reap financial rewards for its backers while also making positive societal impacts, including the steady increase in job possibilities. A company can't just focus on making money if it wants to be seen as socially responsible; it also has responsibilities to its suppliers, consumers, workers, shareholders, and the community at large. Here are some guidelines for managing a company in a way that satisfies all applicable laws and shows care for people, places, and things.

While giving back to the community is still very much on the rise, there has been a shift in Indian thinking about CSR away from traditional charity and toward more environmentally conscious company methods. Despite receiving negative feedback from a number of sources, community development efforts nonetheless remain importance for corporations. When it comes to India's CSR initiatives, they are also crucial. The main points of contention center on companies that allegedly breach social and environmental rules by not being upfront and clear about how they want to develop their communities. Businesses, the Indian government,

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[3] Corporate Social Responsibility in India by Sanjay K. Agarwal-SAGE Publications Ltd,1st edition, page 18.

[4] McAdam, R., and Leonard, D. (2003). Corporate Social Responsibility inaTotal Quality Management Context: Opportunities for Sustainable Growth. Corporate Governance: The International Journal of Busness In Society, 3(4), 36-45.

[5] Zhang, F. (2008). Corporate Social Responsibility in Emerging Markets: The Role of Multinational Corporations. Foreign Policy Centre.

and the courts were all hit hard by the Bhopal Gas tragedy, which highlighted the critical importance of addressing corporate social and environmental responsibility in India.[6]

Indian enterprises are now legally obligated to participate in CSR initiatives as a result of the enterprises Act of 2013. Businesses and individuals in India and throughout the world have responded positively to the government's proposal to reform the industry. Equal opportunity for all individuals is a crucial component in the fight against injustice. In order to complete our mission, we must all do our part.

One of the most important tools for business strategy is corporate social responsibility, or CSR. More and more, companies' long-term plans include consideration of social and environmental concerns, whether such concerns are public or private. The Indian corporate structure has found a middle ground between its authoritative ideas, financial resources, and society at large through CSR, making it a crucial weapon of public policy. According to the social responsibility notion, responsibility is defined as the duty to improve society overall. The fact that most global economies are based on capitalism has increased the importance of corporate social responsibility (CSR) in ensuring the long-term viability of companies, ecosystems, and human civilization.

While CSR as a concept has gained traction in recent years, increasing concern for workers' well-being and productivity among manufacturers goes all the way back to the mid to late 1800s. However, in recent times, there have been notable CSR initiatives in management practices worldwide. The "Triple-Bottom-Line Approach," sometimes called corporate social responsibility, combines the three Ps: profit, people, and the ecology.[7]

In corporate social responsibility (CSR), the "Triple-Bottom-Line Approach" means that businesses can achieve both their financial and social goals at the same time. Striking a balance between financial interests and employee welfare is highly valued by firms in today's globalized environment. The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility (CSR) as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large." Governmental organisations, the media, non-governmental organisations, and private people all hold

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[6]Ernando A.C. (2013) Ethical Issues in Human Resource Management, Business Ethics: An Indian Perspective,2/e Dorling Kindersley (India) Pvt. Ltd., Pearson, New Delhi- Page 437.

[7] Watt, Phil; God, Home; Rrio, Tinto (2000). "Company's social duty: conferences changing expectations" coaches, Geneva, WBCSD publishing.

businesses accountable for their sustainable business practices. Corporate social responsibility, or CSR, encompasses a wide range of actions, such as giving to charities, settling labour disputes, protecting human rights, etc., in order to implement sustainable business practices. CSR practices, however, vary from company to company. The protection and advancement of society at large is the aim of corporate social responsibility, or CSR. The participation of large corporations has raised the concept's profile globally. [8]

Corporate Social Responsibility (CSR) now encompasses the economics of a company's business partners in addition to the upper echelons of the organisation. Corporate social responsibility, or CSR, has at last established a connection in India between company and community needs and environmental stability. Businesses were forced to address urgent societal issues by CSR. The reporting and transparency practices of both governmental and commercial organisations have been discussed in India. The activities listed in Schedule VII have also given the corporates access to a menu with a greater variety of developmental activities. Corporate social responsibility, or CSR, is the strategy or policy used by businesses to achieve sustainable development by helping society's members on a social, environmental, and technological level.

Corporate culture engagement in CSR looks into whether business success has a positive or negative impact on the community in order to maintain the emphasis on the performance of the organisation. Governments and corporations must work together to solve societal demands through corporate social responsibility, or CSR. India was one of the first countries to participate in CSR projects because of its diverse cultural norms, habits, and practices. Its inception dates back to the Vedic era. Many of the lessons and ideals contained in epics such as the Bhagwad Gita, the Ramayana, the Mahabharata, the Vedas, the Artha Shastras, etc. are rooted in the idea of ethics' role in the Indian value system. The moral idea that has endured since the beginning of time in the current corporatization and globalisation era is known as "corporate social responsibility." This chapter looks at the policies surrounding corporate social responsibility (CSR), as opposed to Indian CSR, and how they are implemented in other nations. The two main goals of corporate social responsibility are to improve stakeholder management and increase accountability. It could have a charitable foundation or be more focused on morals, openness, or the community's overall well-being. Nearly all

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[8] Shinde, Shilpa (2014). ―Study of impact of CSR application on client's buying conduct for FMCG merchandise in Mumbai.‖ Abhinav worldwide monthly refereed journal of studies in management and era 3(four) pp 67-73.

nations place a high priority on environmental, social, and economic issues; however, the primary areas of attention differ based on the historical context, prevailing laws and regulations, and public preferences. The degree of government involvement—whether active or passive—influences how CSR is implemented. functions and how its goals, strategies, and objectives affect corporate social responsibility. CSR, or corporate social responsibility, is a guarantee of a company's dedication to advancing society. It is not an altruistic necessity, but rather one of resource usage. "Corporate social responsibility" is a relatively new legal concept. [9]

A CSR policy may be stated clearly or it may just be observed in practice. Once more, these norms' nature and extent vary according to a number of internal factors. Comparative analysis is performed to analyse it equitably. The findings' practical value also lies in the revision of CSR policies. There is a dearth of comparative study on CSR legal policy, as the prior research on CSR policy change amply illustrates. The fact that there are multiple operational definitions of corporate social responsibility (CSR) has been correctly observed, indicating that the findings of empirical research are not comparable. Empirical research is still in its infancy and is referred to as a "emergent field."

THE COMPANIES ACT, 2013: CSR PROVISIONS AND IMPLICATIONS

Companies doing business in India are required to adhere to certain guidelines about CSR under the Companies Act 2013, which was passed by the government of India. Legal standards and a framework for CSR efforts are outlined in these regulations. The Companies Act 2013's corporate social responsibility (CSR) provisions are summarized here:

1. **Applicability:** Companies that meet certain criteria are eligible to participate in the CSR provisions. The CSR provisions must be followed by companies having a net worth of 500 crore or more, a turnover of 1,000 crore or more, or a net profit of 5 crore or more during any financial year.

2. **CSR Expenditure:** Such businesses must allocate a minimum of 2% of their average net income from the three fiscal years ending just before the current one to corporate social responsibility initiatives. This funding needs to go toward CSR projects and programs that qualify.

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[9] Bottomley, Andrew (2002). ―The cancer affected person and exceptional of life‖. The oncologist 7(2) pp 120-125.

3. **Eligible CSR Activities:** The Act lays forth a wide range of things that can be used as CSR funds. Education promotion, poverty and hunger eradication, gender equality, environmental sustainability, aiding government relief funds (such as the Prime Minister's National Relief Fund), and technological incubator support are all examples of what this category encompasses.

4. **CSR Committee:** A CSR Committee is required of all companies that are subject to the CSR rules. A minimum of three directors, one of whom must be an independent director, should make up the committee. The committee's duties include coming up with CSR policy recommendations, overseeing the company's CSR initiatives, and making sure they're properly implemented.

5. **CSR Policy:** A corporate social responsibility (CSR) strategy outlining the company's approach to CSR initiatives is mandatory. Corporate social responsibility (CSR) goals, areas of emphasis, methods for implementation, and procedures for monitoring and assessment should all be part of the policy. The CSR Committee has to sign off on the policy before it can be made public on the business website.

6. **Reporting and Disclosure:** Detailed information regarding corporate social responsibility (CSR) initiatives, policies, expenditures, and justifications for non-compliance should be included in annual financial statements and the report prepared by the board of directors. Additionally, companies are encouraged to provide qualitative and quantitative information regarding the impact of their CSR initiatives.

7. **Impact Assessment:** Organizations are urged under the law to evaluate the effects of their corporate social responsibility initiatives. This is useful for gauging the results and efficacy of the company's CSR efforts.

8. **Penalties:** Company and officer sanctions may arise from failure to comply with CSR provisions. Companies are subject to fines if they do not meet certain CSR spending requirements or if they do not comply with other regulations. In addition, the company's CSR officers may be subject to penalties or jail time.

Now, since the Companies Bill has become an Act, around 8,000 companies in India – including private and public companies need to focus on planning, designing and implementing CSR initiatives pertain to areas, such as, care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, environment and social and inclusive development etc. The practical implementation of CSR is faced with a lot of issues and challenges. As a result, there are several key challenges, which are

anticipated. Many companies think that corporate social responsibility is a secondary issue for their business and customer satisfaction is more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water.[10] The change is named as a social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include:

The Shrinking Role of Government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the discovery of voluntary and non-regulatory initiatives instead.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

There is evidence that the moral conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environs International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

Growing Investor Pressure

Investors are changing the way they assess companies' performance and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than $2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

Competitive Labour Markets

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[10] Slack, R. E., et al. "Exploring Employee Engagement with (Corporate) Social Responsibility: A Social Exchange Perspective on Organisational Participation." Journal of Business Ethics, vol. 127, no. 3, 2015, pp. 537–48. JSTOR, http://www.jstor.org/stable/24702836. Accessed 29 Aug. 2024.

Employees are increasingly looking beyond paychecks and benefits and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Supplier Relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation[11].

KEY COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

a. Environmental Sustainability:

Companies need to lessen their impact on the environment by encouraging energy efficiency and green practices. Some ways to achieve this goal include reducing waste, switching to renewable energy, and developing production network methods that are both manageable and environmentally friendly.

b. Social Welfare:

Corporate social responsibility initiatives often aim to help the communities where businesses operate by forming partnerships with local nonprofits, making charitable pledges, and carrying out community improvement projects. This can involve providing financial support for initiatives aimed at alleviating poverty, healthcare initiatives, and educational programs. Programs that aim to promote the health and wellness of employees are examples of corporate social responsibility initiatives. Other examples include diversity and inclusion efforts, employee volunteer programs, and health and wellness programs[12].

c. Stakeholder Engagement:

To better understand their challenges and incorporate their input into their CSR initiatives, organizations reach out to partners. This makes sure that the projects address the things that are really important to the partners and that their needs are met. By highlighting these CSR

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[11] Sheehy, Benedict. "Defining CSR: Problems and Solutions." Journal of Business Ethics, vol. 131, no. 3, 2015, pp. 625–48. JSTOR, http://www.jstor.org/stable/24703631. Accessed 29 Aug. 2024.

[12] Amarchand Mangal Das, and Suresh Shroff, Corporate Governance – Benefits, Models and Best Practices, (Wolters Kluwer India Private Ltd, 2009)

initiatives., companies may show they care about social and environmental issues beyond just making money. This can help create a more responsible and sustainable business climate.

d. Augmenting Government Efforts:

Just considering the sheer number of people living in India makes it nearly impossible for the government to meet everyone's unique needs and provide comprehensive solutions to issues. One excellent option for businesses to back government programs is through CSR initiatives. Involvement in social and environmental issues is another way for businesses to help with programs like healthcare, education, and poverty reduction. Because of this, the government is able to focus on other priorities and work together more effectively.

e. Addressing Resource Constraints

Corporate social responsibility (CSR) programs are vital in getting more money to solve important problems when the government doesn't have much to spend. Organizations can bridge gaps in basic administrations and framework through their Corporate Social Obligation initiatives, promoting achievable improvement in areas where resources may be few.[13]

CONCLUSION& SUGGESTIONS

Economic responsibility, or the centrality of corporations to society, is the foundation of the CSR pyramid. Making a profit while providing goods and services that people want is our top priority. Legal responsibility follows when businesses follow the rules set down by federal, state, and local governments.

Ethical obligation is the third and last form of responsibility. As a whole, society expects or disapproves of certain behaviors and actions, even though they aren't explicitly stated in the law. The highest form of CSR is philanthropic responsibility, which involves companies engaging in charitable operations in response to public expectations that they should behave responsibly as members of society.Visser (2008)'s revised CSR pyramid advises developing nations to prioritise economic, charitable, legal, and ethical commitments. CSR's importance in developing nations was acknowledged and addressed. CSR in underdeveloped nations is seen by some academics as an environmental responsibility. According to a content study of CSR definitions, corporate social responsibility includes stakeholder, social, economic, voluntary, and environmental responsibilities.

All parties must support CSR for it to work. A corporation can't exist without stakeholders because they have a stake in its success. Any individual or group with a vested interest in the

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[13]Ioannou, I., &Serafeim, G. (2017). The consequences of mandatory corporate sustainability reporting

outcome of an organization's mission is considered a stakeholder, according to Freeman. Actions speak louder than words when it comes to how companies treat their stakeholders. Corporations' decisions affect stakeholders. Consumers, employees, managers, shareholders, governments, and NGOs can all be stakeholders.

Corporate social responsibility (CSR) pushes for business accountability to varied stakeholders beyond shareholders and investors. Environmental protection and worker, neighbor, and civil society health are key concerns. The new idea of corporate social responsibility (CSR) states that companies should consider not just what is required by law, but also social, environmental, and ethical considerations while making business decisions. Being a good corporate citizen means that businesses care about more than just making a profit. Corporate social responsibility (CSR) strategies, when implemented correctly, can encourage businesses to do the right thing by their communities. One aspect of corporate social responsibility is addressing societal needs. In order to thrive, businesses must take on societal problems. The ideas of sustainable development, which promote CSR and call on businesses to consider the monetary, social, and environmental impacts of their decisions, are closely related to CSR. Corporate social responsibility (CSR) helps to put a price on a company's impact by contrasting the good it does with the bad it does through its goods and operations.

In the end, the company's performance is decided by the shareholders. Companies, however, have a wide variety of interested parties whose needs must be considered. Everyone from workers and shareholders to customers and suppliers as well as communities and lawmakers are on the hook. Despite differing from shareholders, these stakeholders have power and rights that must be respected. The company's actions and methods affect the environment, communities, and people everywhere.

The particular aims of the research were as follows:

- To gain a better understanding of the Indian and worldwide perspectives on the efficacy of CSR.

- To watch the various organisations' strategies and how well they work.

- To zero in on problems and obstacles encountered while putting CSR initiatives into action in India.

- To suggest new methods or provide answers to problems that have developed during the course of CSR's implementation.

This study used descriptive and analytical data, focusing on introduction and observation. Analytical methods were used to evaluate a country's social condition and CSR social psychology issues, while descriptive methods were used to analyze legislation provisions.

The eight chapters (introduction, body, and conclusion) follow the research's goals, objectives, questions, and hypotheses.

Ethics-wise, corporate social responsibility (CSR) emphasizes the company's moral commitment to stakeholders. Ethical corporate social responsibility (CSR) emphasizes that firms should serve their constituents for financial gain and the betterment of society. Firms that pledge to behave ethically, grow the economy, and improve the lives of their employees, family, community, and the world at large are some examples of CSR that take a more moral approach. In addition to making a profit, companies have a moral obligation to improve society and secure the future for generations to come, according to the CSR ethical framework.

Recommendations

Here are some recommendations for strengthening the CSR legal framework and its implementation:

1. **Clarify and Simplify Regulations:**

   o The current CSR regulations in India can be complex and difficult for companies to navigate. Simplifying these regulations and providing clear guidelines can help businesses understand their obligations better and ensure compliance. This includes providing specific examples of qualifying activities and standardizing reporting requirements.

2. **Incentivize Compliance:**

   o Offering tax incentives or recognition awards for companies that excel in their CSR initiatives can encourage more businesses to actively participate in CSR activities. These incentives can be tiered based on the impact and sustainability of the CSR projects undertaken.

3. **Enhance Monitoring and Evaluation:**

   o Establishing an independent body to monitor and evaluate CSR activities can ensure that companies are genuinely contributing to societal welfare and not

merely complying with the letter of the law. This body can also provide feedback and support to companies to help improve their CSR strategies.

4. **Promote Transparency and Accountability:**

   o Requiring companies to publish detailed CSR reports, including financial expenditures, project outcomes, and beneficiary feedback, can enhance transparency and accountability. These reports should be audited to ensure accuracy and reliability.

5. **Support Collaboration:**

   o Encouraging partnerships between companies, non-profits, and government agencies can amplify the impact of CSR activities. Collaborative efforts can pool resources, expertise, and reach to address larger social issues more effectively.

6. **Focus on Impact Assessment:**

   o Implementing a robust impact assessment framework can help measure the real-world effects of CSR initiatives. This should include both qualitative and quantitative metrics to evaluate the social, economic, and environmental impacts of CSR projects.

7. **Provide Capacity Building:**

   o Offering training and resources to help companies develop and implement effective CSR strategies can ensure that even small and medium enterprises can contribute meaningfully. This includes workshops, online courses, and access to CSR experts.

8. **Encourage Long-Term Projects:**

   o Promoting long-term CSR projects rather than short-term initiatives can lead to sustainable development and more significant societal benefits. Companies should be encouraged to commit to multi-year projects that address root causes of social issues.