



CSR in Transition: from Voluntary to Mandatory – the Indian Case

Literature Review
Research Paper
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Literature Review Research Paper

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Results of a Systematic Literature Review (SLR)
about India's Mandatory CSR Legislation (2013)



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Abstract

The research presented here summarizes the first stage of a large bilateral (Israeli and Indian) academic effort. This scholarly endeavor involves an attempt to explore the impact of the Indian Mandatory CSR (MCSR) law from both practical and theoretical perspectives. We look at this unique legislation as a “pilot” scheme that challenges traditional terminologies such as Corporate Social Responsibility (CSR), with its basic precondition of voluntarism (“beyond compliance”), Corporate Philanthropy and the role of taxation between the two. Our focus in this study is on the concept of CSR and on a thematic discussion of the literature review’s findings. The two other themes are left for future investigation.

The systematic review includes quantitative and qualitative analysis of 47 academic papers regarding MCSR in India. The results provide significant background information for intended further research on the subject matter. For example, 72% of the studies were conducted by Indian scholars, suggesting that the MCSR is not an attractive research topic, possibly because Western researchers do not view it as relevant. Another finding is that most of the studies reviewed (63%) were qualitative, perhaps indicating that they are focused more on managerial interviews, other reviews, and legal articles, and less on financial performance or other statistical measures. Qualitatively, the leading themes were that MCSR is debated as a form of taxation, the 2% spending cap that became a ceiling, the limits of the “comply or explain” approach, corporate fraud, MCSR’s relevance to SMEs, the director’s duties to the stakeholders and last, geographical inequality.

Introduction

1. CSR from a Global Perspective

An attempt to trace the origins of CSR reveals no discrete starting point. Since corporations were first established, they have been involved in various social engagements (Witkowska, 2016). One point of reference for the early discourse on CSR is *Social Responsibilities of the Businessman* by H. R. Bowen, originally published in 1953 (Bowen, 2013). Bowen opens his book with the following statement: *"The decisions and actions of the businessman have a direct bearing on the quality of our lives and personalities. His decisions affect not only himself, his stockholders, his immediate workers, or his customers – they affect the lives and fortunes of us all"* (p. 3). He concludes that businessmen are obliged to pursue policies, make decisions, and follow lines of action that are desirable to society.

Another early point of reference is *The Future of Industrial Man* by Peter Drucker who argues that, in addition to an economic purpose, companies have a social dimension that is primarily addressed by company responsibility and the preservation of freedom (Drucker, 1942). Today, almost a century after the coining of the term, CSR is becoming established as a well-known academic field, but still lacks a clear and accepted definition.

Of the several definitions in use, one was articulated by McWilliams and Siegel (2001), who stated that CSR consists of the *"[a]ctions of the firm that appear to advance some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law"* (Perez-Batres, Doh, Miller, & Pisani, 2012; Witkowska, 2016). This definition set the boundary of CSR in the realm of "beyond compliance," as a voluntary scheme for mitigating social and environmental influences.

Various institutional definitions of CSR are also available. One appears in the formal papers of the European Union, which state that CSR is *"[t]he responsibility of enterprises for their impacts on society."* For full compliance with their social responsibility, enterprises *"should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders"* (EU, 2011).

Another institutional definition is that of the Deutsche Bank Group, which sees CSR as a conceptual framework that includes many issues—corporate governance, employee relationships, business ethics, customer relations, environmental management, philanthropy, community involvement, transparency (via non-financial reporting), and more (Deutsche Bank Group, 2012). These diverse definitions may reflect CSR's status as a developing field of research and practice, especially in the current era of globalization.

Despite globalization, regional conventions, agreements, and growing international financial and economic cooperation, countries vary widely in their regulatory frameworks and in their ability to impose them on citizens and corporations. Businesses confront mounting social and environmental

challenges at local and global levels, requiring them to develop policies and practices that incorporate responsible behavior into their operations and global value chains. Their responsive framework is their CSR policy (Ruggie, 2013, p. xxvi). In turn, governments have encouraged corporations to embrace CSR strategies and other private-public initiatives as a kind of substitute for the welfare state (ibid., p. xxvii).

Most prominent in the CSR academic corpus is the stakeholder theory: a conceptual framework of business ethics and organizational management that addresses moral and ethical values in the management of a business. It was first proposed by R. Edward Freeman in *Strategic Management: A Stakeholder Approach* (1983), and outlines how management can satisfy the stakeholders' interests in a business. The stakeholder theory holds that business organizations must play an active role in the society where they operate and corporations should consider the effects of their actions on stakeholders (who have an interest or "stake" in the corporations), meaning all parties directly or indirectly affected by a firm's operation (Omran & Ramdhony, 2015).

2. CSR from an Indian Perspective

CSR is a term describing a managerial approach applied to the development and growth of the business corporation. The historical course of corporate growth in the West, however, is quite different from the Indian one, and the depiction of CSR in India cannot be detached from historical, social, and economic factors. In the eighteenth and nineteenth centuries, Indian merchants used to share their income through charity and donations. Their conduct was based on the Indian ethos of giving, instilled through cultural and religious traditions and practices, with concepts of dharma and sustainability ingrained in the collective psyche of Indian commercial communities (Dhanesh, 2015).

At a later stage, under Mahatma Gandhi's influence, trusts were established to run schools, colleges, and other institutions that corporations traditionally supported as a philanthropic activity (Atul, 2020). This approach was referred to as the "trusteeship" model, which Gandhi described as "India's gift to the World." Its goal was to provide the means for transforming the society's capitalist order into an egalitarian one. It did not recognize any right to private ownership of property except insofar as it may be permitted (because deemed harmless) by society. Businesspersons were requested to regard themselves as trustees and servants of the poor and, therefore, to regulate their commerce for toiling millions and be "satisfied with earning an honest penny" (Mitra & Schmidpeter, 2017).

This was the prevailing model until the 1960s (a period known as the years of the Indian freedom struggle). It was followed by a socialist period, which was characterized by the decline of corporate philanthropy due to public mistrust in business (Dhanesh, 2015). The 1990s marked the end of this period and India endorsed a more liberalized economy, which was characterized by increasingly polarized socioeconomic conditions: extreme social need, limited public finance, improved returns to industry, and a pro-business environment (ibid.)

To reconcile these trends, the Indian Ministry of Corporate Affairs (MCA) launched the CSR Voluntary Guidelines in 2009, which were later refined and came to be known as the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. In December 2012, the voluntary guidelines evolved into an Amendment to the Companies Bill, 2011 passed by the Lok Sabha (House of the People or the Lower House of the Indian Parliament), and then passed under the Companies Act, 2013 (Mitra & Schmidpeter, 2017).

India, then, is the first country in the world to make CSR mandatory, following the amendment to the Companies Act, 2013 that was enacted in April 2014. According to the Act, and as part of their CSR compliance, businesses must invest a portion of their profits in areas such as education, poverty, gender equality, and hunger. The amendment to the Companies Act, 2013 requires companies with a net worth of INR 5 billion (US\$70 million) or more, or an annual turnover of INR 10 billion (US\$140 million) or more, or a net profit of INR 50 million (US\$699,125) or more, to spend two percent of their average net profits over three years on CSR.

CSR includes, but is not limited to, projects related to activities specified in the Companies Act or to activities initiated by the company board as recommended by the CSR Committee, provided these activities cover items listed in the Companies Act. Businesses must note that expenses towards CSR are not eligible for tax deductions.

Some amendments have been approved recently, under the Companies (Amendment) Act, 2019. Until now, a company unable to spend all its CSR funds in a given year could carry the amount forward and add it to the money allotted for the next fiscal year. The amendments now require companies to deposit the unspent CSR sums before the end of the fiscal year into a fund prescribed under Schedule VII of the Act and utilize them within three years of the transfer date.

The new law prescribes penalties—fines and imprisonment—for non-compliance. The fines range from INR 50,000 (US\$700) to INR 2.5 million (US\$35,000), and the company's defaulting officer may be liable to imprisonment for up to three years, or a fine of up to INR 500,000 (US \$7,023), or both. The government, however, is reviewing these rules after companies objected to the strict provisions (especially concerning jail terms for CSR violations) and is yet to operationalize them.

Since the enactment of the mandatory CSR provision in 2014, CSR spending by corporate India has significantly increased. In 2018, companies spent 47 percent more than the amount in 2014-15, contributing US\$1 billion to CSR initiatives (KPMG, 2018). Listed companies in India spent INR 100 billion (US\$1.4 billion) in various initiatives ranging from educational programs, skills development, social welfare, healthcare, and environmental conservation, while the Prime Minister's Relief Fund saw an increase of 139 percent in CSR contributions over last year.

Most of the funding (38 percent of the total) went to education, followed by hunger, poverty, and healthcare (25 percent), environmental sustainability (12 percent), and rural development (11 percent). Projects in technology incubators, sports, the armed forces, and reducing inequalities saw negligible expenditures (KPMG, 2018).

According to the Indian CSR Portal (www.csr.gov.in), out of the 18,290 Indian companies requested to allocate resources to CSR projects, only 24% are doing so (see Fig.1). 26% of the companies are spending less than required, and half are not complying with the law at all (National CSR portal). Considering the recent amendments to the CSR provisions, it is estimated that CSR compliance will improve (KPMG, 2018).

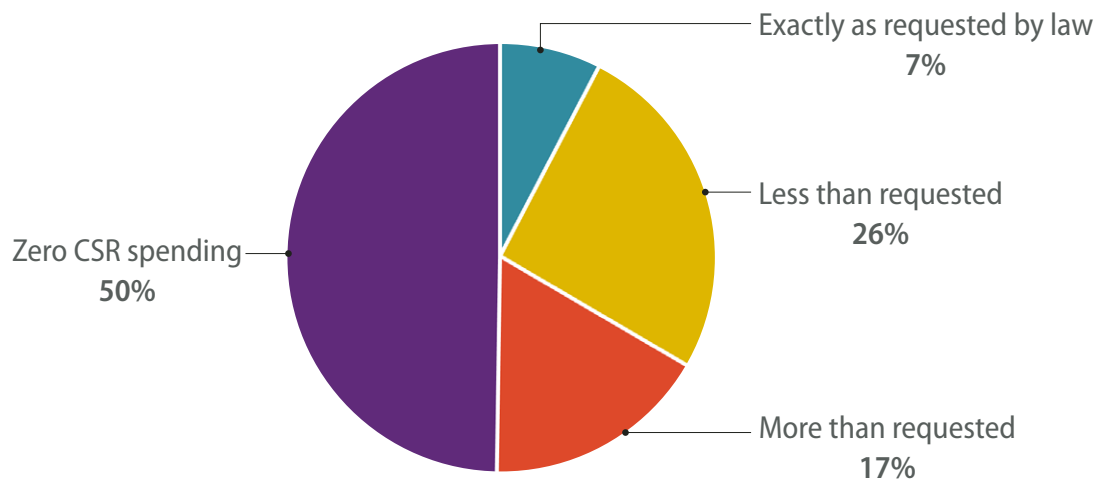


Fig. 1. CSR Compliance (number of companies)

This use of one shared term, CSR, as a focal point of our research, “forces” a seemingly comparative approach which requires us to be cautious in our conclusions. In addition to the different historical settings and challenges in defining CSR, it should be noted that the differences are also a result of social & environmental conditions and circumstances. Quality of life in developed countries—the environment, the level of services, working conditions, and so forth—is already relatively high. Voluntary spending on social issues, then, is fairly easy, a decision of the company according to its own judgment. By contrast, social, environmental, and sustainability problems are more acute in developing countries, especially those influenced by globalization and rapid economic growth where corruption, infrastructure problems, and poor quality of labour are serious concerns. In those countries, then, deciding on social activities on a voluntary basis poses a greater challenge as the social ‘demand’ is enormous (Dhanesh, 2015).

Research Outline

Our research aims to explore current CSR theoretical models and practical schemes responding to what we are identifying as the weakening, if not the phasing out, of traditional CSR—from “beyond compliance” schemes to mandatory (state regulated) attempts to impose corporate social conduct. This trend is evident in many pillars of CSR most dominantly in non-financial (sustainability) reporting. Recent laws include topic-specific reporting provisions such as, for example, the modern slavery acts in Australia and Canada, the new EU directive on conflict minerals (2017), or laws on equality and equal pay in the UK and the Netherlands. In total, 27 new laws and regulations introduced since 2016 are by EU member states, which transposed the Non-Financial Reporting (NFR) directive into national law (GRI, 2020). The Indian MCSR law and other broad or narrow regulations are an integral part of this new form of mandatory CSR.

In the study we conducted a systematic literature review (SLR) of all academic publications covering the Indian MCSR Law in some way. In the SLR, we identified the academic “narratives” that accompanied the new law—the research questions, the common methodologies, the dominant institutions and scholars researching the issue, the studies’ main findings, and so forth.

Quantitative Results

Relying on a detailed questionnaire, the SLR examined 49 papers. Following are the findings that emerged from the responses to our questions:

1. Distribution According to Indian and Non-Indian Research Institutions

In this question, we considered the location of the academic institutions that carried out the research. Our goal was to explore whether interest in the MCSR law is global or confined mainly to India and Indian institutions. The results showed that Indian institutions have conducted the vast majority of studies (72%). Only 14% were carried out by non-Indian institutions and the other 14% resulted from collaborative academic efforts.

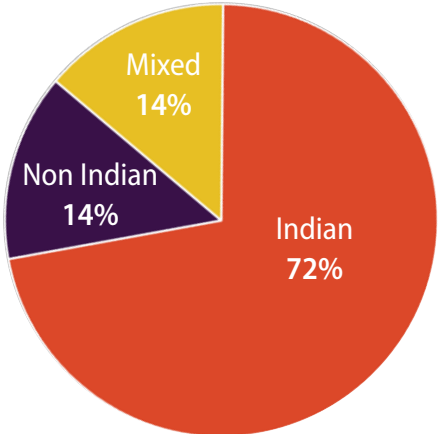


Fig. 2. Distribution according to Indian & Non-Indian Research Institutions

2. Publication Year

The second question focused on the studies' year of publication. Until 2020, the distribution had been even, averaging about 5.5 publications per year. A significant rise was recorded in 2020, with the publication of 20 studies.

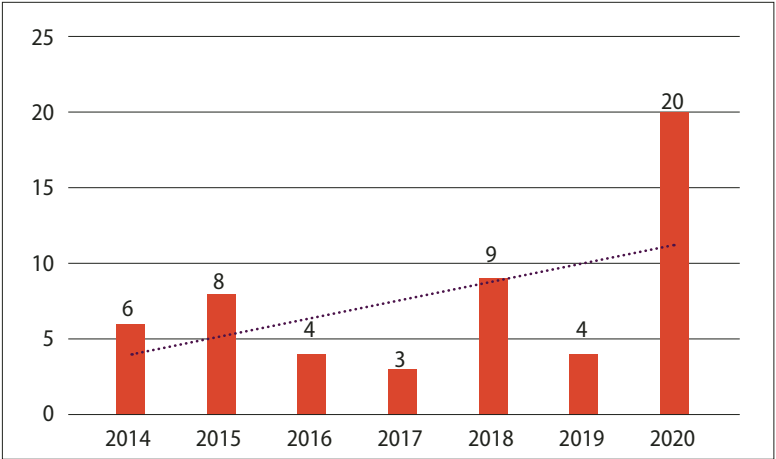


Fig. 3. Number of Publications per Year

3. Research Method

The third question dealt with the research method used in these studies. Of the 49 papers we examined, the majority (63%) were qualitative studies, 29% were quantitative studies, and 8% used a mixed method. This result could suggest that most of the research had not been meant to explore the law's effects on economic parameters such as financial evaluation and revenue generation.

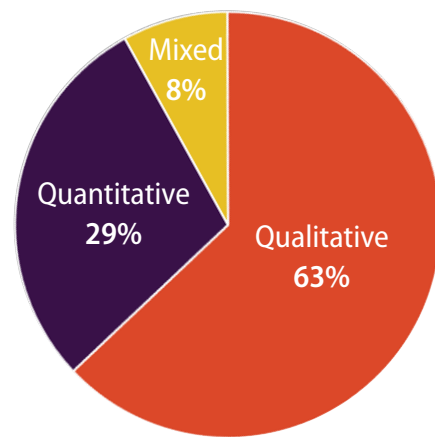


Fig. 4. Distribution According to Research Method

4. The Discipline of the Publication Venue

In the fourth question, we looked at the publication venues' fields of study. More than half of the papers (61%) were published in business management journals while the rest appeared in social (25%) and legal ones (14%), possibly indicating greater scholarly interest in the business ramifications of the legislation than in its legal/normative or social implications.

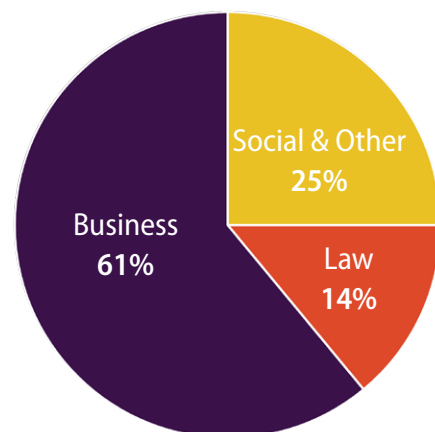


Fig. 5. Discipline of Publication

5. The Reasons/Motivations for Mandating CSR in India.

The fifth question explored scholars' beliefs about the reasons and motivations for mandating CSR (specifically in India). We used a histogram here because some papers mentioned more than one reason. The motivation most frequently mentioned (30 out of 49) was the social one, followed by the business-oriented one. Surprisingly, the environmental motivation received the lowest score, preceded by economic motivation. According to these findings, then, society pushed this legislation forward in collaboration with the business sector.

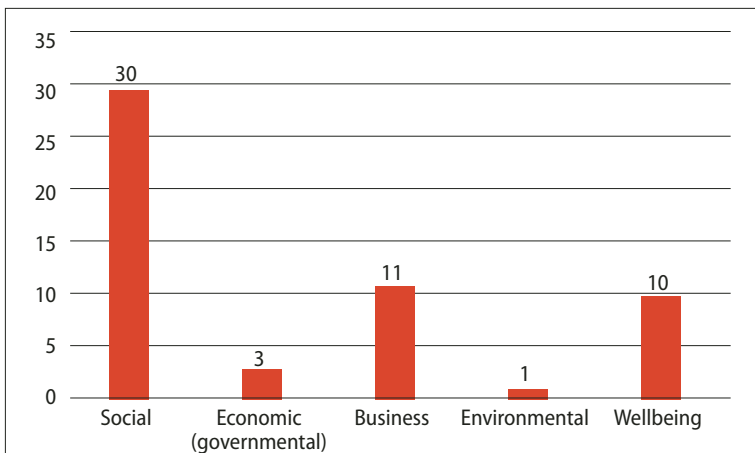


Fig. 6. Reasons & Motivations for Mandating CSR in India

Qualitative Results – Leading Themes

1. MCSR Spending as a New Form of Taxation

From an economic point of view, the main purpose of a tax is to collect revenue and divert it to the national budget. When the government imposes a tax, it need not identify a specific benefit accruing from it but allocate its takings according to agreed public priorities. This is not the purpose of MCSR. The funds allocated by companies to CSR initiatives are not routed to government coffers but assigned to earmarked activities. Opinions in the literature split between those who see MCSR as a tax and those who see it as a more efficient way of allocating resources to social needs.

One discussion in the literature focuses on whether the new mandatory expense is a form of corporate taxation (Gupta, A., 2013). Those claiming it is, present it as an implicit corporate tax adding to the fiscal pressure burdening corporations already and reducing the global competitiveness of Indian companies (Jain, 2015). Those claiming it is not, argue that the new CSR law is much more effective than a tax because companies are free to prioritize the social causes they wish to support and, since funds are pumped directly into CSR initiatives, their impact is much greater (Ibid.).

2. The New Law Limits Spending on CSR to 2%: Creating a Glass Ceiling

The new law requires some companies to spend 2% on CSR. Before the law's enactment, the amount corporations could spend had not been limited, though only few had spent more than 2% on CSR. After the law, more companies are allocating financial resources to it, but up to a 2% limit. Should a company choose to spend more, it might find it difficult to explain this decision to its shareholders.

The increase in CSR allocations was limited to firms that had spent less than 2% of their net profits on CSR. Only few firms had done so before MCSR, and they appear to have decreased their CSR spending after the law came into effect, presumably an unintended and undesirable outcome (Dharmapala & Khanna, 2018). According to a survey carried out by Forbes India, only 6 out of the top 100 companies of India (ranked on the basis of net sales figures) contributed more than 2% of their profits after taxes toward CSR initiatives (Hussain, 2015)

Dharmapala and Khanna (2018) examined voluntary spending on corporate social responsibility prior to the Companies Act 2013 and the changes brought about by the legislation. They found a substantial increase in CSR activity among companies subject to the law, which is an indication that the legislation had a positive impact on CSR spending. They also found that, among a sample of India's top 100 companies, those that had initially spent less than 2% of their average profits increased their spending, while those that had initially spent more than 2% reduced their spending on CSR.

Studies showed that, before the enactment of the 2013 Corporate Law, the resources allocated by corporations had been low. A study of CSR spending between 2001 and 2012 in the 30 companies included in the BSE Sensex showed that none of the companies had spent 2% of its profits on CSR activities (Krishnan, 2018). In the period closest to the enactment of the 2013 Corporate Law, a study found that, in the 2012-13 financial year, 51 companies included in the Sensex or Nifty 50 indexes had spent, on average, 1% of their average earnings before tax in the previous tax year (Varotttil, 2018).

3. Companies Complying with the MCSR Law Are Not Involved in Social Projects

Companies complying with the MCSR law remain largely uninvolved in the social projects they support. Previously, however, when the corporate roadmap for engagement had been social and/or philanthropic, company involvement had been more significant.

The MCSR fostered gaps in three important aspects. The first is motivation—does the corporate leadership wish to measure and assess the social impact of its financial allocation? The second relates to the program’s design, which is crucial for monitoring its progress and evaluating its results—is the leadership willing to learn and determine outcomes for its CSR initiatives? The last one is capability—do companies have the internal capability to implement social tracking and impact-evaluation related tasks? (Singh, Holvoet, & Pandey, 2018).

4. The Company’s Expenditure on CSR and its Relevance to Reputation

The research unveiled that most of the companies that allocate financial resources to CSR projects do not report or communicate them publicly. This might prevent them from using them to their advantage, missing out on the positive economic gains they might have been gained well as on the potential contribution to their enhanced reputation (Varotttil, 2018). An effective CSR communication strategy must pinpoint the different communication channels required for addressing the needs and expectations of different stakeholders. The company’s choice in selecting a communication channel for CSR not only reflects who its stakeholders are but also provides information on its CSR strategy (Krishnan, 2018).

A CSR communication study that surveyed the corporate websites of India’s top 100 information technology companies showed that the number of companies featuring CSR information in them was surprisingly low and indicated that Indian companies would do well to develop more competitive standards for CSR practice and communication (Varotttil, 2018).

5. The MCSR Law “Comply or Explain” Attitude

The MCSR law offers companies a “comply or explain” loophole path—Section 135—best described as a hybrid provision that is included in the board’s mandatory report template (the eight-column “Format for the Annual Report on CSR Activities”). In every financial year, as noted, a company is required to spend 2% of its net profits on CSR projects and programs. Should it fail to do so it is called upon to provide an “explanation” on its website and in the Annual Director’s Report. This measure ensures accountability since the company must deliver a credible explanation to the public for the shortfall in its CSR expenditures. The content of the explanation provided, however, is entirely the company’s choice, and the government does not stand in judgment on its quality or validity (Chatterjee & Mitra, 2017; Ghosh, 2020)

The construct of the law, then, de facto enables companies to choose whether to comply with it, given the possibility of explaining non-compliance (and avoiding the expense of CSR) without incurring punishment (Poddar, Narula, & Zutshi, 2019). Recent amendments to the law have tried to address this challenge by stating, for instance, that if a company fails to make the 2% allocation in a given fiscal year, the CSR committee must submit an explanation to avoid penalties. It does not specify, however, what the explanation would need to include to be legally valid. Barring a coercive enforcement mechanism, however, widespread compliance is unlikely, and the “mandatory” CSR will remain largely voluntary (Varotttil, 2018). Since the objective of mandatory CSR is to engage corporations in developmental activities, stipulating clear incentives and penalties for compliance and non-compliance is a significant step (Prasad M, 2018).

6. MCSR Law and Fraud

a. Hiding earnings. The first fraudulent measure that the MCSR law might encourage is that companies will cheat in their accounting, showing smaller gains so as to be exempted from CSR expenditures (Dharmapala & Khanna, 2018).

b. Partnership with corrupt institutions and self-dealing. The CSR mandate may give rise to corrupt or fraudulent forms of spending such as “self-dealing,” where the firm directs funds to a fraudulent organization that then returns most of the money to it (Dharmapala & Khanna, 2018; Varotttil, 2018).

7. The Relevance of the MCSR Law to SMEs

Currently, the MCSR law covers only large companies. The literature points to a need to involve SMEs as well, given their (quantitative) relevance to the country’s economy: SMEs employ close to 40% of India’s workforce and contribute 45% of India’s manufacturing output (Gupta, K., 2014).

8. Global v. Local in the MCSR Law

CSR is an overarching global theme, which creates in business corporations an ethical commitment to their stakeholders, to future generations, and to the environment. The Indian MCSR law tries to promote this concept among Indian companies using a local tool—state-based regulation. But will an Indian approach work for an Indian company operating outside India (or supplying products/services outside India) if it falls short of international standards or of standards applicable in other relevant overseas jurisdictions? The only elements of the local CSR approach that may prove useful are those aiming to improve the fulfillment of social expectations and responsibilities. In many cases, globally harmonized CSR norms will have to be adopted (Mukherjee & Bird, 2016).

This localization of CSR should not be framed around distinctions between “global” and “local,” which have become increasingly problematic due to changes in global competition scenarios. These scenarios are not necessarily pro CSR, and local business actors may not be interested in improving standards if they benefit from a specific organization of production and labour outcomes. Global and local players may indeed have substantially different agendas to be accomplished through different strategies (Mezzadri, 2014).

Additionally, as globalization accelerates and large corporations come to serve as global providers, they have become increasingly aware of the benefits ensuing from providing CSR programs in their various locations. With growing recognition of their social responsibilities, the traditional responses of companies contributing to good causes have dramatically shifted away from mere philanthropy (Gulavani, Nayak, & Nayak, 2016).

9. Dilemma Regarding Implementation of Directors’ Duties toward Stakeholders

Section 166 (2) in the Indian Company Act 2013, “Duties of Directors,” stipulates: *“A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.”* (The Companies Act, 2013, 2013)

The director’s duty towards the stakeholders stipulated in this section poses a practical dilemma. The lack of a clear definition of stakeholders leads to ambiguity. Except for the term “employees,” the other two categories are vague and could be referring to the general public interest. This poses a serious challenge to the directors, who are entrusted with the responsibility for balancing the shareholders’ interests and the stakeholders’ concerns. Moreover, the 2013 Act makes no provision for the enforcement of stakeholders’ interests. It bears emphasis that, as scholars have pointed out that, “derivative action” or “class action” suits cannot be instituted by stakeholders under the 2013 Act (Prasad M, 2018).

10. Geographical Inequality

Poor areas in India do not have many relevant industries and, since the law requires that investments be made in a company's physical surroundings, these areas receive no financial benefits. As a national statute, therefore, the MCSR law has further widened the social gaps between the country's provinces—without an operating company, no financial resources are available (Chatterjee & Mitra, 2017).

Section 135 provides that companies should prioritize their surroundings as the location of expenditures earmarked for CSR activities. In the initial years of implementing CSR, companies did focus their CSR activities near their factories or project areas, leaving vast territories untouched. A case in point is India's north-eastern states, which receive meagre CSR grants because they lack the industrial settings needed for large, stable companies. By contrast, Maharashtra, India's wealthiest and most industrialized state, takes the major share of CSR disbursements (Kumar, 2020).

11. "Name and Shame" Policy

The MCSR mandate is solely based on the "name and shame" principle, whereas experience has shown the need for stricter measures. Merely serving notice to non-compliant companies is not enough, and some cautioning penal action needs to be introduced to ensure acquiescence. Incidentally, even two years after the law's enactment, as many as 57% of the companies had not spent any CSR funds (Chatterjee & Mitra, 2017).

Discussion

This study presents the results of the first stage of a broad academic inquiry into the theoretical and practical ramifications of the Indian MCSR law. In the course of it, we conducted a systematic review of the academic literature to explore the arguments that surrounds it. Some of the findings, particularly the quantitative ones, provide significant background information. For example, 72% of the studies were conducted by Indian scholars, suggesting that the MCSR is not an attractive research topic, possibly because Western researchers do not view it as relevant.

Another finding is that most of the studies reviewed (63%) were qualitative, perhaps indicating that they are focused more on managerial interviews, other reviews, and legal articles, and less on financial performance or other statistical measures. We found no follow-up studies regarding the quantitative parameters, while qualitative findings can be the starting point for further research.

This study, as noted, began by putting forth several concepts we sought to validate in the literature review. These early concepts and ideas were suggested by the co-authors and in peer discussions relying on each participant's experience and academic background, and were not grounded in empirical findings. After exploring their appearance in the literature, we were able to validate them and put forward the most important ones: MCSR as a form of taxation, the 2% spending that became a ceiling, the limits of the "comply or explain" approach, corporate fraud, MCSR's relevance to SMEs, the director's duties to the stakeholders and last, geographical inequality. Some of these issues have already been dealt with in amendments to the law, and some require further study.

Conclusion

The business corporation was initially based on clear stipulations as to what it could and could not do. These stipulations, now more broadly addressed as its purpose, have been neglected in recent years mainly due to shareholders' absolutism. The social aspects got lost in the ever-growing race toward profit maximization and now, more fiercely than ever, this race is under examination by scholars and regulators in an unexpected outcome of the current post-Corona times.

The Indian mandatory CSR is a model rooted in Indian culture and history. It is an output of social pressures and expectations that may be looked upon as a wake-up call for Western thinking to consider how the business corporation, originally a socially integrated entity, detached itself from the society and might, by adopting CSR, attempt to reclaim its legitimacy and its social role. Indian society, through the MCSR model, clarifies that the business corporation's engagement with society is now mediated through this law, which stipulates financial allocations to social outcomes.

Further study is certainly required on the social role of the business corporation and a foremost guideline for such research is to understand and respect local cultures and norms. Though it is widely used and recognized as a global theme, CSR is not. It is always local, and all we have tried to do is present it... the Indian style.

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Annex: THE COMPANIES ACT, 2013

135. Corporate Social Responsibility –

1. Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
2. The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
3. The Corporate Social Responsibility Committee shall,— (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time.
4. The Board of every company referred to in sub-section (1) shall,— (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.
5. The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy: Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities: Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount. Explanation. —For the purposes of this section —average net profit shall be calculated in accordance with the provisions of section 198.

