COMPARATIVE ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY: INDIA'S MANDATORY MODEL VS. WESTERN VOLUNTARY FRAMEWORKS

Jeevananth, SRM Institute of Science and Technology

ABSTRACT

Corporate social responsibility (CSR) has shifted from a voluntary activity linked to charity and reputation to a challenged system of CG, public accountability and sustainable development. India is unique in this evolution as Section 135 of the Companies Act, 2013 mandates qualifying companies to spend at least two percent of average net profits on eligible CSR activities, backed by board oversight, prescribed reporting and rules for unspent amounts. Conversely, many Western jurisdictions have in the past relied more heavily upon voluntary standards, investor pressure, stakeholder engagement and disclosure. That difference is real but partial: European sustainability reporting and due diligence laws, anti-greenwashing rules and everyday environmental, labor and consumer law, generate binding obligations around the periphery of voluntary CSR; the United States combines private standards with sectoral regulation, securities law and uneven statelevel rules. This paper contrasts the normative foundations, institutional design, enforcement mechanisms and reported social outcomes of these approaches. It contends that India's spending mandate offers a predictable pool of development finance and renders board responsibility visible, but spending is an input rather than proof of social impact. The model can promote box-ticking, fragmented projects, local elite capture and an overly narrow interpretation of corporate responsibility. Voluntary frameworks offer flexibility, innovation and integration with business strategy, but may reward firms for choosing easy commitments, communicating selectively and shunning costly structural changes. The analysis uses doctrinal review of Indian legislation, comparative policy analysis and synthesis of academic and institutional literature. Official Indian data show reported CSR expenditure rising from around ₹24,966 crore in financial year 2019–20 to ₹34,909 crore in 2023–24. This clearly indicates scale but does not, in itself, demonstrate additionality or durable outcomes. Evidence from Western contexts also shows that disclosure and voluntary pledges can lead to greater transparency, with impact varying according to verification, enforcement, stakeholder voice and material incentives. The paper concludes that neither mandatory spending nor voluntary commitment alone are enough. An architecture that works better combines a legal floor,

outcome-oriented evaluation, independent assurance, accessible data, credible sanctions, meaningful stakeholder participation, and safeguards against symbolic compliance.

Keywords: Corporate Social Responsibility (CSR), Section 135 (Companies Act, 2013), Mandatory vs. Voluntary Frameworks, Corporate Governance, Sustainability Reporting, Greenwashing, Social Impact Assessment, Stakeholder Accountability.

Introduction

The prevailing idea of what corporations should be is "corporate social responsibility". Corporations should be aware of the social and environmental consequences of their decisions and not only make legal profits for the shareholders as a class. The modern idea is a product of a combination of many forces: the rise of big corporations, public awareness of industrial damage, organized labor, environmental movements, consumer activism, global supply chains and the rising visibility of inequality.[1] Charity, donations to hospitals, schools, religious causes or neighborhood projects, was part of a bigger discussion in many companies about the responsibilities of corporate power. Carroll's influential model considers economic, legal, ethical and philanthropy responsibilities as interconnected dimensions and not as interchangeable labels (Carroll, 1991). The model, however, has some utility: it reminds us that charity is not a substitute for unlawful conduct or serious injury in the ordinary course of a company's business.

Personal, episodic, and discretionary. That was philanthropy at its best. A company may pick up the tab with a donation after the catastrophe, or a school may find an owner, but the beneficiaries had little chance to ask for continuity, or to influence priorities. Usually, the firm would decide the cause, amount and timing. But these contributions could also be the result of personal preferences, public relations objectives or the quest for social legitimacy. They don't have to be directed at the source of a firm's negative externalities. A polluting factory that pays for a clinic can be hailed as a philanthropist and given a pass for the damage it does in the normal course of business.[2] "Today, corporate social responsibility (CSR) is less about what companies give away and more about how they make money, treat their workers, source their

[1] Howard R. Bowen, *Social Responsibilities of The Businessman* (Harper & Row 1953); Archie B. Carroll, *A History of Corporate Social Responsibility*: Concepts and Practices, In the Oxford Handbook Of Corporate Social Responsibility 19 (Andrew Crane Et Al. Eds., Oxford Univ. Press 2008).
[2] Michael Kotchen & Jon Jungbien Moon, *Corporate Social Responsibility for Irresponsibility*, 12 B.E. J. Econ. Analysis & Pol'y, Art. 55 (2012).

materials, impact communities and deal with environmental risks.

This was the consequence of the complicated business results of global supply chains. The brand may be selling in one country but the sub-contractors, mines or farms or factories may be in another. Decisions flow down the company. A company may have legal liability in more than one location. These gaps were addressed by developing stakeholder standards, sustainability reporting and voluntary codes. The United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights addressed human rights, labor, the environment and anticorruption, but they were not directly comparable in their implementation to domestic law (United Nations, 2011; OECD, 2023). They tied sustainability data to risk assessment and capital allocation, also known as ESG, or environmental, social and governance investing.[3]

In India, the law is very specific. Companies that cross a certain revenue threshold are mandated to spend a specified percentage on corporate social responsibility activities. Section 135 was added in 2014 under a wider company law framework. That is not to say that there is no longer a need for environmental, labor or human rights obligations, or that every business is responsible for every social issue. Instead, the rules mandate that eligible businesses implement governance procedures and spend a fixed value amount on activities listed in Schedule VII of the Companies Act. The law means corporations should systematically contribute to development[4].

It is not regulation in India and no regulation in the West, there is a difference with the West. The US, the UK and other market economies have voluntary CSR, but Western companies also have binding rules on pollution, workplace safety, discrimination, consumer protection, securities disclosure and anti-bribery. At the same time, a large part of the EU's expectations has been turned into legal duties through laws on sustainability reporting and due diligence.[5] The engagement to the CSR is voluntary to a certain degree and does not form the full legal environment. The paper, therefore, compares the mandatory CSR-spending model of India with the historically voluntary CSR regimes of Western economies. The new layer of binding

[3] Elizabeth Pollman, *The Making and Meaning of Esg*, 14 Harv. Bus. L. Rev. 403 (2022).
[4] Anandita Afsharipour, *Directors as Trustees of The Nation? India's Corporate Governance and Corporate Social Responsibility Reform Efforts*, 34 Seattle U. L. Rev. 995 (2011); Umakanth Varottil, *Analysing the Csr Spending Requirements Under Indian Company Law*, In Globalisation of Corporate Social Responsibility and Its Impact On Corporate Governance 231 (J.J. Du Plessis Et Al. Eds., Springer 2018).
[5] Luca Enriques Et Al., *Corporate Law and Sustainability: European Union Developments in Comparative Perspective*, 25 Eur. Bus. Org. L. Rev. 1 (2024).

sustainability law is taken separately. The key research question is whether a compulsory spending model can generate better social outcomes than voluntary models and under which conditions. Three sub-questions are: First, how do the models apportion responsibility across boards, managers, investors, regulators and communities? Second, what incentives produce meaningful action rather than symbolic compliance? What does the evidence say now about social impact, thirdly? And what is not yet known? The paper argues that the Indian model is strong on predictable financial floor and formal board accountability. Voluntary frameworks are high on flexibility and alignment with business strategy. Reporting trumps performance in such cases and both are at risk. So, in practice the only policy option is a hybrid system. Voluntary innovation + legal minimums. Robust disclosure + independent assessment and enforcement + required baseline.

Research Approach, Definitions and Limits

This paper is based on a qualitative, comparative, literature-based approach. It reviews the main Indian statutes and regulations, international soft law instruments, European Union sustainability initiatives, select United States regulatory approaches, academic theories of CSR, and institutional reports on spending and disclosure. Instead of attempting to estimate a causal effect of Section 135 or a particular voluntary standard, it synthesizes the sources into a common analytical framework. The distinction is important; an increase in expenditure, number of reports or number of sustainability pledges is evidence of activity; it does not necessarily prove that people are healthier, ecosystems are recovering or workers safer because of the CSR regime.[6]

Here CSR denotes the policies and actions by which a firm addresses its responsibilities to people and the environment in relation to its operations and its broader social role. The term is used loosely enough to include philanthropy, community investment, responsible business conduct and stakeholder engagement but the paper draws a distinction between these activities and compliance with ordinary law. ESG is generally used to describe environmental, social and governance factors used to assess corporate performance, risk or suitability for investment.[7] Sustainability reporting is the way impacts, risks, targets and performance are reported. Due

[6] Michael L. Barnett, Ioannis Henriques & Bryan W. Husted, *Beyond Good Intentions: Designing Csr Initiatives for Greater Social Impact*, 46 J. Mgmt. 937 (2020).
[7] Stuart L. Gillan, Andrew Koch & Laura T. Starks, *Firms and Social Responsibility: A Review of Esg and Csr Research in Corporate Finance*, 66 J. Corp. Fin. Art. 101889 (2021).

diligence is a process for identifying, preventing, mitigating and accounting for adverse impacts. These concepts are very similar but not synonyms.

Here mandatory CSR is primarily India's Section 135 spending and governance requirements. By "voluntary frameworks" we mean standards and commitments voluntarily adopted by companies beyond binding law. These include reporting standards, codes, targets, certification schemes and stakeholder initiatives.

"Western" is an imperfect regional category. The United States, the United Kingdom, the member states of the European Union, Canada and Australia all have different legal systems and political economies. Accordingly, the paper applies the international standards used in Western markets and considers the EU and the US as primary contrasting examples. It doesn't mean every firm or country is going to have one single, uniform approach.

A major methodological limitation is that the two models are not cleanly separable. Indian companies use voluntary ESG standards and have securities disclosure obligations; Western companies may voluntarily fund communities and at the same time face mandatory reporting or due diligence requirements.[8] Results depend on institutional context, public capacity, income levels, inequality, state provision, market concentration and civic space, irrespective of CSR rules.[9]

So, any statement that one model "works better" needs to be qualified with the outcome and confounding factors. The paper does not rank regimes on spending totals alone and treats official data as descriptive evidence rather than an evaluation of causal impact.

Doctrinal Foundations of Corporate Social Responsibility

The doctrinal debate begins with the purpose of the corporation. The narrow, shareholder view is that managers should aim at shareholder value, within the framework of the law and accepted rules of fair competition. The most frequently quoted definitive statement of this position is Friedman's famous declaration that executives should not pursue social objectives on behalf of the corporation unless so directed (Friedman, 1970). And the strongest version doesn't

[8] Securities & Exchange Board of India, Business Responsibility and Sustainability Reporting by Listed Entities, Circular No. Sebi/Ho/Cfd/Cmd-2/P/Cir/2021/562 (May 10, 2021).
[9] Dirk Matten & Jeremy Moon, *"Implicit" And "Explicit" Csr: A Conceptual Framework for A Comparative Understanding of Corporate Social Responsibility*, 33 Acad. Mgmt. Rev. 404 (2008).

necessarily excuse illegal or harmful conduct. It says social priorities and allocation of funds through taxation should be set by elected governments, not managers. This creates a genuine worry about democratic accountability. Corporate executives are unelected public officials, and they may be using CSR funds to pursue private preferences.[10]

Another explanation is provided by stakeholder theory. Freeman (1984) claims that firms' long term success depends on the relationship with groups influenced by or influencing the firm's activities. These groups include employees, customers, suppliers, communities, creditors and investors. Seen from this angle, CSR is not merely a question of generosity. That's part of responsible management because corporate decisions spread benefits and risk across a complex web of stakeholders. Stakeholder theory also helps explain the importance of consultation: those affected may understand the implications better than distant managers or investors. But the theory has a hard time with the conflict of interest between stakeholders. It is not possible to pursue every interest at the same time and when voluntary stakeholder language is used, affected people have no real influence.[11]

Another classic framework is the Carroll's CSR pyramid. 5 It makes a distinction between economic, legal, ethical and philanthropic responsibilities. The important implication is that philanthropy is alongside and not above legal and ethical duties (Carroll, 1991). If the company is primarily engaged in a business that violates labor standards and causes intentional and substantial environmental damage, making a cash donation is not enough to make the company socially responsible. The pyramid is descriptive rather than a precise legal test, but nonetheless useful in analyzing the limits of expenditure-based CSR. Section 135 can fund socially useful projects, but it does not certify the responsible character of the overall conduct of the company.

Legitimacy theory involves the relationship of corporate behavior and the expectations of society. What companies rely on is social license, access to labor and capital, permission to operate and credibility of claims. Those projects can maintain that legitimacy through reporting and community. But there is substantive legitimacy and symbolic legitimacy. Selective disclosure can be used to manage impressions and firms can alter their activities to meet social

[10] Lucian A. Bebchuk & Roberto Tallarita, *The Illusory Promise of Stakeholder Governance*, 106 Cornell L. Rev. 91 (2020); Robert B. Reich, Supercapitalism: The Transformation of Business, Democracy, And Everyday Life (Alfred A. Knopf 2007).
[11] Michael C. Jensen, *Value Maximization, Stakeholder Theory, and the Corporate Objective Function*, 12 Bus. Ethics Q. 235 (2002).

expectations.[12] Suchman (1995) defines legitimacy as a generalized perception or assumption that the actions of an entity are desirable or appropriate within some socially constructed system of norms, values, beliefs and definitions. This framework is especially relevant to greenwashing communication can save reputation even if performance does not change greatly.

Institutional theory adds that organizations respond to legal rules, professional norms, investor expectations and imitation. Regulators may require companies to implement such reporting systems, investors may require comparable data or competitors may have made sustainability a market standard. DiMaggio and Powell (1983) identify three types of pressures that can drive convergence in organizational practice: coercive, normative and mimetic. Such pressures can dilute useful standards, but they can also lead to ceremonial adoption: there are policies and committees on paper, but everyday decisions are the same.[13] Mandatory CSR is a source of coercive pressure, and voluntary reporting is a source of normative and mimetic pressure. Neither mechanism should reasonably be expected to deliver substantive results without internal capacity and external scrutiny.

Political CSR and the business-and-human-rights approach push the discussion further beyond the corporation's relationship with its immediate stakeholders. Corporations can influence public goods, labor conditions and environmental standards in global markets where state capacity is low or supply chains are difficult to monitor. Scherer and Palazzo (2011) suggest multinationals are becoming more involved in governance, raising questions of legitimacy and accountability.

The UN Guiding Principles on Business and Human Rights, a widely used framework, is based on the state duty to protect, the corporate responsibility to respect human rights and access to remedy (United Nations, 2011). These principles aren't a universal treaty that imposes liability directly on every business but they do inform laws, contracts, investor expectations and due diligence practices.

These theories account for why the comparison of mandatory versus voluntary is more than a

[12] Blake E. Ashforth & Barrie W. Gibbs, *The Double-Edge of Organizational Legitimation*, 1 Org. Sci. 177 (1990); Chan H. Cho & Dennis M. Patten, The Role of Environmental Disclosures as Tools of Legitimacy: A Research Note, 32 Acct. Orgs. & Soc'y 639 (2007).
[13] John W. Meyer & Brian Rowan, *Institutionalized Organizations: Formal Structure as Myth and Ceremony*, 83 Am. J. Soc. 340 (1977); Patricia Bromley & Walter W. Powell, From Smoke and Mirrors to Walking the Talk: Decoupling In The Contemporary World, 6 Acad. Mgmt. Annals 483 (2012).

technical comparison. It's about who defines social responsibility, who pays, who benefits and who can question a company's claims. The statutory spending requirement is a response to the concern that voluntary generosity may be insufficient or sporadic. Voluntary arrangements deal with the concern that central rules cannot anticipate every local need or innovation. A sound governance system should retain the strengths of both while limiting managerial discretion, symbolic compliance and the shift of public priorities on corporate preferences.

India's Legal Architecture: Section 135 and Related Rules

The only mandatory CSR provision in India is Section 135 of Companies Act, 2013 applicable to eligible companies. The legal thresholds are for a company with net worth of ₹ 500 crore or more or turnover of ₹ 1,000 crore or more or net profit of ₹ 5 crore or more in the immediately preceding financial year. The thresholds are alternatives, not cumulative. Any company complying with any of them shall be covered by the provisions subject to the Act and the rules applicable thereto. The framework was effective from 1 April 2014 and has few rules and legislative amendments (Companies Act, 2013, s. 135; Ministry of Corporate Affairs [MCA], 2014).

The law doesn't just govern, it makes governance. CSR Committee under Section 135 shall be constituted by the Board. The CSR Committee shall comprise of a minimum of three Directors, out of which one shall be an Independent Director, and the remaining shall be Directors, subject to the statutory exceptions in cases where an Independent Director is not required.[14] The committee develops and recommends a CSR Policy, recommends expenditure and monitors implementation. The Board considers the recommendations of the committee and approves the policy which is disclosed in the report of the Board and on the company's website (if applicable). The Board will ensure that activities that are approved are performed. These responsibilities are part of the CSR corporate governance structure, not the informal public relations department.

135(5) The Board shall ensure that the company spends not less than two per cent of the average net profits earned during the three immediately preceding financial years or the shorter period where the company has not completed three financial years. Net Profit shall be calculated as per the Act and CSR Rules including relevant exclusions and adjustments. The statutory

[14] Companies (Amendment) Act, 2020, No. 29 Of 2020, § 27 (India).

amount is a floor, not a ceiling. There may be some more spending. If qualifying, the excess expenditure may, subject to conditions, be carried forward under the Rules and offset against CSR requirements in subsequent financial years.[15] The two per cent rule provides companies with a predictable obligation and makes under-spending visible. But that does not mean that the project chosen is effective, or that the spending would not have happened without the mandate.

Elimination of Hunger, Poverty and Malnutrition Healthcare and sanitation Vocational skills that enhance education and employment Gender Equality and Women's Empowerment Environmental sustainability Preservation of national heritage, art and culture Veterans Sports Support Contributions to defined funds Rural Development Slum Areas Development Disaster management, relief, and rehabilitation The Schedule should be read in conjunction with the statutory text, amendments and MCA guidance. The broad approach also provides companies with an opportunity to respond to local needs but requires clear project design and accurate classification . A project with only social value is not sufficient to be considered as CSR expenditure. The activity must also be legal and respect the rules in force.

The operational details are prescribed in the Companies (CSR Policy) Rules, 2014 as amended. The Rules cover various aspects like eligible implementing agencies, registration requirements for CSR, annual action plans, administrative overheads, treatment of surplus, capital assets, reporting and impact assessment etc. Firms can take up projects either on their own or through qualified entities such as certain Section 8 companies or registered public trusts or registered societies subject to registration and other requirements. The rules seek to improve traceability and reduce the chance of CSR funds being passed through ineligible or unaccountable entities. But the quality of implementation is not simply a matter of formal registration. Due diligence should also look into governance, financial controls, local credibility, safeguarding practice and capacity to deliver the promised outcome.

Annual action plan: a key governance instrument It should describe approved projects and how they will be implemented, schedules for use, mechanisms for monitoring and reporting and, where applicable, needs or impact assessments.[16] The Board may from time to time amend the

[15] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, R. 7(3), G.S.R. 40(E), Gazette of India (Jan. 22, 2021) (India).
[16] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, R. 5(2), G.S.R. 40(E), Gazette of India (Jan. 22, 2021) (India).

plan, subject to the Rules and to good cause. This promotes forward planning rather than panic buying in the last weeks of the financial year.

A good plan should explain the problem, baseline, intended beneficiaries, activities, expected outcomes, measurable indicators, risks and arrangements for sustaining the project after completion. A plan can be technically correct, but without those elements doesn't give you much to measure success against.

The law also has special rules about amounts you haven't spent. However, where any amount relates to a project which is ongoing such amount shall be transferred to an Unspent CSR Account within the period specified in the Act and shall be spent within the period prescribed which is normally three financial years. Any amount remaining unspent in the Unspent CSR Account at the end of the prescribed period shall be transferred to a fund specified in Schedule VII within the time specified in the Act. If it is not related to any ongoing project, within a period of six months of the closing of the financial year, the company should transfer the remaining amount to a Schedule VII fund.[17] The Board has no expenses to report. These provisions are important because they have legal consequences for lack of expenditure and not only for nondisclosure. The exact treatment will depend on the statutory conditions and is subject to verification against the current Act and Rules. 135. Accountability for excess spending and project surpluses is also covered.

The administrative overheads, generally, are limited at five per cent of the total CSR expenditure incurred for the financial year. The profits earned from CSR activities will not be treated as business profits. Such surplus shall be utilized as provided in the Rules, by way of reinvestment in the project or transfer to the relevant account or fund or otherwise. The Rules also prescribe the manner of holding the capital assets created through CSR so that the assets created for the benefit of the community are not treated as unrestricted corporate property.[18]

This is a major principle. The CSR fund should be used for the purpose it was committed for and not as a clandestine profit center. Then there is the big one of impact assessment. Rule 8(3) states that impact assessment shall be carried out for projects falling under prescribed criteria including project outlays of at least Rs 1 crore and completed at least 1 year prior to the study

[17] Companies (Amendment) Act, 2019, No. 22 Of 2019, § 21 (India).
[18] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, R. 7(1)– (4), G.S.R. 40(E), Gazette of India (Jan. 22, 2021) (India).

by an independent agency for companies with average CSR obligation of Rs 10 crore or more during the three preceding financial years. The rules also define the form of reporting and accounting of assessment costs. In principle an impact assessment is different to a financial audit. A financial audit asks whether money and accounts are properly recorded; an impact assessment asks whether an intervention helped bring about changes in peoples lives or the environment. A good evaluation takes into account baseline conditions, plausible counterfactuals, unintended effects, sustainability and the views of intended beneficiaries.

The reporting requirements make CSR visible to shareholders and the public. The Board shall include in its report the prescribed CSR information and the company shall be required to make available on its website, the relevant policy and project information. Certification by the Chief Financial Officer or other financial management official that CSR funds were used for the purposes for which they were approved and in accordance with applicable requirements.[19] Regulators and Statutory Auditors can audit financial reporting and compliance within their mandates. But a disclosure-first regime can still produce poor information if data are inconsistent, indicators are vague, outcomes are inflated, or reports are inaccessible to local communities. Quality of governance is more than simply having a report, it is about credibility and use of information.

The legal framework has also evolved from a largely 'comply and explain' approach to a more complex treatment of unspent amounts and statutory non-compliance. "Amendments to the Companies Act and rules have provided for monetary penalties for certain defaults including defaults relating to transfer of unspent CSR funds.[20] The old summaries referring to the earlier penalty provisions are not to be read for present consequences; The statute and rules as amended shall be construed. The bigger point is that the regime attempts to make spending obligations enforceable, but project choice is more or less left to corporate boards Schedule VII The design is therefore hybrid: the floor on spending is binding but there is considerable managerial discretion in the selection and implementation of eligible projects.

Governance Mechanics and Practical Operation in India

How well section 135 works will depend on turning formal legal duties into decisions. The

[19] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, R. 4(5), G.S.R. 40(E), Gazette of India (Jan. 22, 2021) (India).
[20] Companies (Amendment) Act, 2020, No. 29 Of 2020, § 27 (India); Ministry of Corporate Affairs, Report of The High-Level Committee on Corporate Social Responsibility 2018 (Gov't of India 2019).

CSR Committee should not be simply a pre-finalization meeting for the annual report. This requires access to operational data, community needs assessments, project evaluations and risk data.

The first question to operationalize is "How do you assess needs?" (1) Any company may undertake any project specified in Schedule VII. But the choice should not be made simply because of the brand's visibility, its proximity to a major facility or the preferences of senior executives.[21] Community consultations, district development data, independent needs assessments and engagement of local public institutions can bridge the gap between corporate priorities and actual needs.

The second question concerns the implementing agencies. Local trust and technical knowledge can come from specialist NGOs, and companies can bring procurement, logistics and project management capacity. Partnerships can bring these strengths together but they can also result in principal-agent problems.[22]

Third, Financial and Operational Monitoring. It is necessary to follow the release of money, but not enough. Companies should clarify the difference between committed, disbursed, used and unspent amounts and delays.

Fourth question is responsibility for failure. A project may fail because of wrong assumptions, lack of capacity to implement, local conflict or because the intervention does not fit the problem well. A sophisticated CSR system must reward adaptation and honest reporting, not turn every failure into a reputation hit. Companies should document what went wrong, why it went wrong, and what they did about it. In the absence of these incentives to report, there are incentives to claim success where there is none and to continue ineffective projects.[23] Evaluation, independent and with strong safeguards for the independence of evaluators, should be designed to support learning and assurance.

Another governance issue is the connection between CSR and the firm's own externalities. The

[21] N. Subramaniam, M. Kansal & S. Babu, *Governance of Mandated Corporate Social Responsibility: Evidence from Indian Government-Owned Firms*, 143 J. Bus. Ethics 543 (2017).
[22] James E. Austin & M. May Seitanidi, *Collaborative Value Creation: A Review of Partnering Between Nonprofits and Businesses*, Part 2: *Partnership Processes and Outcomes*, 41 Nonprofit & Voluntary Sector Q. 929 (2012).
[23] Alnoor Ebrahim, *Accountability Myopia: Losing Sight of Organizational Learning*, 34 Nonprofit & Voluntary Sector Q. 56 (2005).

list of projects that the statute enumerates as eligible is not a license to do harm with CSR expenditure. A corporation that funds health programs but does not control hazards in the workplace or pollution is not relieved of legal and ethical responsibilities.

The local-area preference in section 135(5) is based on the intuition that companies should give back to the communities in which they operate. It may also help to fill gaps in local infrastructure, and recognizes that neighboring communities may incur a cost from industrial activity. But this tight local focus can be a problem for remote communities, or for national priorities that don't connect directly to a particular company.[24]

Another problem is co-ordination. This can lead to situations where several companies are supporting similar projects in the same district without any coordination among them and some communities are getting double facilities and others are under serviced.[25] Government agencies, local authorities, civil society organizations and companies can share information about needs and coordinate investments, but without compromising community autonomy or turning public services into corporate branding opportunities.

Public-private coordination must also ensure that the state does its part in providing basic services.

CSR can contribute to public development, but it cannot replace accountability through taxation, public budgeting or universal service obligations. And finally, information must be understandable to be able to allow accountability through digital transparency. Researchers, journalists and citizens can use public portals with data sorted by company, project or state to identify spending patterns. But overall numbers can mask the quality of interventions. Technical reports may not be available to beneficiaries.

Western Voluntary Frameworks: Standards, Incentives and Legal Context

In the Western economies, voluntary CSR mechanisms include corporate codes, industry initiatives, investor engagement, non-governmental advocacy and reporting standards. They can grow up, they can. A global business can have a common policy across jurisdictions, can

[24] Amit Mukherjee & Richard Bird, *Analysis of Mandatory Csr Expenditure in India: A Survey*, 7 Int'l J. Corp. Governance 32 (2016).
[25] Kpmg India, India's Csr Reporting Survey 2019: Commemorating Five Years of Csr in India (Kpmg Assurance & Consulting Servs. Llp 2020).

respond to emerging risks before legislation, and can frame up commitments to sector conditions. A voluntary code can go beyond the legal minimum, to cover issues such as supplier standards, living wages, biodiversity, community consultation and responsible lobbying. It also allows companies to experiment with new approaches and to share experience, rather than waiting for a legislature to agree on a particular rule.

International standards have provided a common language. Companies that participate in the UN Global Compact agree to align their business strategies and operations with principles concerning human rights, labor, environment and anti-corruption. The UN Guiding Principles on Business and Human Rights set out the standards for human rights due diligence and remedy.

Reporting frameworks make corporate performance more comparable. The Global Reporting Initiative (GRI) measures the impact of an organization on the economy, environment and people. The IFRS Sustainability Disclosure Standards were created by the International Sustainability Standards Board to provide reports on sustainability-related risks and opportunities that may affect enterprise value relevant to investors (GRI, 2021; IFRS Foundation, 2023).

The Task Force on Climate-related Financial Disclosures (TCFD) has popularized governance, strategy, risk management and metrics and targets as core categories for climate disclosure and its recommendations have influenced later reporting rules and standards (TCFD, 2017).

There are many good reasons to adopt voluntarily. Investors need information to assess transition risks, supply chain disruption or long term resilience. Responsible sourcing may matter to consumers.[26]

But voluntary systems have their own problems too. Companies decide which commitments to make, which issues to address and sometimes which data to share. The company can fix the little damage and ignore the big damage. The EU case shows a transition from voluntary standards to the mandatory governance of sustainability [52, 53]. Since 2023, the Corporate Sustainability Reporting Directive (CSRD) has been raising the bar for sustainability reporting.

[26] Philipp Krueger, Zacharias Sautner & Laura T. Starks, *The Importance of Climate Risks for Institutional Investors*, 33 Rev. Fin. Stud. 1067 (2020); Jens Hainmueller, Michael J. Hiscox & Sandra Sequeira, Consumer Demand for The Fair-Trade Label: Evidence from A Multi-Store Field Experiment, 97 Rev. Econ. & Stat. 242 (2015).

The European Sustainability Reporting Standards are a full reporting framework The framework is based on the concept of double materiality, which means companies need to disclose on issues that are material to sustainability and to them, and the impact of their activities on people and the planet.[27]

Instead, the US has relied more on private standards, shareholder activism, securities disclosure, and sectorspecific rules. But the system's unevenness has generally been due to political and federal-state differences. Companies can use GRI, SASB metrics, TCFD framework or other frameworks but there is no consistent use and assurance. In March 2024, the Securities and Exchange Commission adopted climate-related disclosure rules, but litigation delayed implementation of those rules, and the Commission changed its litigation position in 2025.[28]

We are not bound by voluntary western customs, we are bound by laws. We don't have to forget about it. The number of CSR commitments is beside the point, because corporate behavior is independently constrained by environmental permits, emissions standards, labor law, occupational health and safety, antidiscrimination protections, consumer law, anti-bribery laws and securities requirements. Sustainability is a voluntary model. You could sue under false advertising or consumer protection laws for environmental lies.[29] Supplier codes of conduct are important to both sides as well. This is regulated India versus unregulated West. It is a cocktail of mandatory spending, disclosure, due diligence, private standards, market incentives and public enforcement. Voluntary frameworks are most credible when commitments are specific, measurable, time-bound, and tied to operational decisions.

A climate pledge should include clarity about the scope of emission reductions, baseline year, boundary of emissions, any interim targets, assumed offsets, and definitions of capital allocation and methods of verification. Labor commitments to cover direct employees and contractors, grievance mechanisms, remediation and consequences for suppliers. "Voluntary standards are beautiful because they give companies the opportunity to experiment, to try

[27] Johannes Baumüller & Katharina Sopp, *Double Materiality and The Shift from Non-Financial to European Sustainability Reporting: Review*, Outlook and Implications, 23 J. Applied Acct. Rsch. 8 (2022); Eur. Fin. Reporting Advisory Grp., Commission Delegated Regulation (Eu) 2023/2772 (2023).
[28] Carlo Busco Et Al., *A Preliminary Analysis of Sasb Reporting: Disclosure Topics, Financial Relevance, And the Financial Intensity of Esg Materiality*, 32 J. Applied Corp. Fin. 117 (2020); State of Iowa V. Sec. & Exch. Comm'n, No. 24-1522 (8th Cir. 2024).
[29] Fed. Trade Comm'n, Guides for The Use of Environmental Marketing Claims, 16 C.F.R. Pt. 260 (2012); Magali A. Delmas & Vanessa C. Burbano, The Drivers of Greenwashing, 54 Cal. Mgmt. Rev. 64 (2011).

things, to go beyond the minimum standards.

The biggest problem is probably that the companies that most need scrutiny are the least likely to sign on to tough standards.[30] Investor pressure is asymmetric too; markets reward short-term financial performance more than longer-term social benefit. Not every community affected has the purchasing power or access to investors.

Comparative Enforcement, Accountability and Greenwashing

The most obvious institutional difference between India's mandatory spending regime and purely voluntary CSR commitments is enforcement. Section 135 of the law addresses the eligibility criteria, the calculation of expenditures, the duties of the Board, reporting and the handling of unspent funds. If the duties are not performed, the company and officers may be subject to statutory consequences.

Public-law sanctions are generally not imposed on a company that simply falls short of an aspirational target under voluntary frameworks. Instead, consequences could be felt in loss of reputation, investors voting, divestment, employees leaving, consumer backlash, exclusion from procurement or contract breach. These mechanisms can be powerful for known firms and salient issues, but uneven.

Greenwashing occurs when an organization makes a false, exaggerated, selective or unsubstantiated claim about its environmental or social performance. This can be done in many ways: invoking undefined terms like "green" or "sustainable"; emphasizing a small positive initiative to offset major harms; setting far-off targets without credible plans; counting offsets as though they were equivalent to direct emissions reductions; reporting relative improvements while absolute impact grows; or using charitable projects to draw attention away from harmful core operations. [31] Greenwashing is more than simply making environmental claims.

Mandatory spending removes one avenue of discretion by requiring eligible companies to spend a certain amount. It does not preclude the choice of projects that generate publicity, favor visible infrastructure over less visible capacity-building or the choice of easy-to-count outputs.

[30] Andrew A. King & Michael J. Lenox, Industry Self-Regulation Without Sanctions: The Chemical Industry's Responsible Care Program, 43 Acad. Mgmt. J. 698 (2000).
[31] Thomas P. Lyon & A. Wren Montgomery, *The Means and End of Greenwash*, 28 Org. & Env't 223 (2015); S.V. De Freitas Netto Et Al., Concepts And Forms Of Greenwashing: A Systematic Review, 32 Env't Sci. Eur., Art. 19 (2020).

A company can meet its two per cent obligation without knowing if the intervention is necessary or effective.

Voluntary reporting poses a different risk: selective self-definition. By selecting the issue, metric, boundary and reporting period, a company can tell a positive story, while leaving important impacts out of the frame. A company might report on its energy efficiency, but not on the emissions of its supply chain; describe a code of conduct, but not on the number of supplier violations it fixed; or report on training sessions, but without any evidence of changed behavior.

The answer is not to abandon voluntary standards, many of which have improved practice, but to enhance comparability, materiality, verification and penalties for misleading claims. There are many sources of legal controls against greenwashing. Securities law may prohibit materially misleading statements to investors; consumer protection law may deal with deceptive advertising; environmental law may demand accurate compliance reporting; and competition or advertising authorities may examine unfair claims. In Europe, consumer law initiatives and national enforcement have increasingly focused on the substantiation of green claims, and the UK's Competition and Markets Authority has published guidance on environmental claims.[32]

One answer is independent assurance, but it is not the whole answer. It can give assurance that reported data matches defined criteria and systems work as described. It cannot automatically show that a target is ambitious, a project is fair or a corporate strategy is compatible with a scientifically grounded transition pathway.[33] The assurance statement should clearly state what was reviewed, the level of assurance, the criteria used and any exclusions and limitations. A limited review of select data should not be presented as a complete validation of the company's social performance.

There are at least six parts to a good accountability architecture. The claim has to be specific starting and it has to be tied to evidence. Second, the reporting boundary and methodology have to be disclosed. Third, material information should be verifiable by an independent party.

[32] Directive (Eu) 2024/825 Of the European Parliament and Of the Council Of 28 February 2024, 2024, O.J. (L 825).
[33] Olivier Boiral & Isaac Heras-Saizarbitoria, *Sustainability Reporting Assurance: Creating Stakeholder Accountability Through Hyperreality?*, 243 J. Cleaner Prod., Art. 118596 (2020); Int'l Auditing & Assurance Standards Bd., International Standard On Sustainability Assurance (Issa) 5000 (2024).

Fourth, affected stakeholders should have available means to question or correct the account. Fifth, regulators and courts should hold accountable material deception or legal non-compliance. Sixth, the company should repair the harm, not view disclosure as the end of the process. These elements are relevant for both mandatory and voluntary systems.

The comparison also suggests a democratic worry. Schedule VII guides the eligible CSR expenditure in India but the priorities are a matter of discretion for companies. In the West, in voluntary systems, management and investors can even more directly set the priorities.

Empirical Outcomes: India's CSR Spending and Social Development

Data on CSR in India suggest that the statutory model has mobilized significant financial resources. The expenditure was ₹24,965.82 crore in 2019 - 2020, ₹26,210.95 crore in 2020–21, ₹27,141.45 crore in 2021– 22, ₹30,932.08 crore in 2022–23 and ₹34,908.75 crore in 2023–24, according to a Ministry of Corporate Affairs response. During these five years, the total exceeded ₹1.44 lakh crore (Press Information Bureau [PIB], 2026). The most obvious benefit to society is that private funds will flow more predictably to eligible development activities. Companies can fund school infrastructure, scholarships, health programs, sanitation, skill development, environmental restoration and disaster response. Big companies might have the professional project-management systems, technical staff and supply-chain reach to support delivery. CSR can also offer resources to communities neighboring industrial sites and foster the establishment of longterm partnerships between companies and civil society organizations. Projects designed with public agencies and communities can fill the gaps, test innovations and support services that are otherwise underfunded.

The spending mandate is most valuable when companies commit to multi-year contracts. A one-off donation can meet an immediate need but a multi-year program may train health workers, support girls' education, maintain water systems or improve livelihoods over time. The Rules' treatment of ongoing projects and annual action plans can be used substantively by boards to support continuity. The big empirical problem is attribution. A multiplicity of actors create social outcomes – public budgets, local government, household decisions, charitable organizations, economic growth, demographic change and other private investment. If a district's school attendance improves following a CSR program, the improvement could be due

to the program, a government scheme, wider economic changes, or a combination of all three.[34]

It is important to differentiate between inputs, outputs and outcomes. Input measures are money spent and staff time. Output Indicator(s) Number of classrooms built, Number of people trained, Number of trees planted or Number of medical consultations delivered. There are distributional problems as well. CSR spending may be concentrated in states, districts or sectors where big companies operate or where implementation partners are well entrenched. This concentration may be sensible when the local impacts are felt by nearby communities, but it can leave high-need regions with a limited corporate footprint underfunded.[35]

Visibility can influence the selection of projects. It's easier to photograph and write about buildings, equipment and one-off events than it is to capture and report on improvements in institutional capacity, mental well-being, teacher quality or ecological resilience. A firm may prefer a project that creates a visible asset before the annual reporting deadline. The second risk is substitution. A company can label a business activity it is already engaged in as CSR, or public authorities can start to rely on corporate funding for duties that should be covered by public budgets.[36]

This limits what can be considered CSR. For example , the law and rules limit activities in the ordinary course of business and political contributions. That said, classification disputes can arise. A third risk is the capacity of the implementing agencies. There may simply be more demand for eligible CSR projects than there are organizations able to absorb funds responsibly. Community organizations may be well placed to understand local needs but lack the accounting systems or registration requirements to access corporate support. Larger intermediaries may have more robust compliance systems but less local accountability. Companies should invest in proportionate capacity building, transparent selection and fair payment terms.

They don’t get to have all the control of the strategy and impose unreasonable reporting burdens on grassroots organizations. The most useful conclusion from the available Indian data is thus

[34] Paul J. Gertler Et Al., Impact Evaluation in Practice (2d Ed. 2016).
[35] A. Awadhiya & M. Basha, *Regional Disparity in Corporate Social Responsibility Expenditure in India: An Empirical Analysis of National Csr Portal Data*, 15 Indian J. Corp. Governance 214 (2022); M.M. Bergman, Z. Bergman & L. Berger, An Empirical Exploration, Typology, And Definition of Corporate Sustainability in India, 11 Sustainability, Art. 4221 (2019).
[36] Dhammika Dharmapala & Vikramaditya Khanna, *The Impact of Mandated Corporate Social Responsibility: Evidence from India’s Companies Act Of 2013*, 56 Int’l Rev. L. & Econ. 92 (2018); Harish Manchiraju & Shivaram Rajgopal, Does Corporate Social Responsibility (Csr) Create Shareholder Value? Evidence From the Indian Companies Act 2013, 55 J. Acct. Rsch. 1257 (2017).

measured. The mandate has created a large and growing conduit of development expenditure and processes at board level for planning and reporting. Significant institutional achievements.

Empirical Outcomes in Western Voluntary and Hybrid Systems

Western CSR outcomes are more difficult to generalize with one aggregate figure as voluntary frameworks differ and expenditure is not collected around a universal statutory percentage. Different systems allow companies to report on donations, employee volunteering, emissions reductions, supplier audits, diversity indicators, renewable energy procurement, and community partnerships. These activities are not directly comparable. The strongest evidence for voluntary frameworks is in the area of organizational learning, information and diffusion of practice. Reporting standards can compel companies to map emissions, identify supply-chain risks, assign board responsibility and set targets. Investor engagement can bring long-term risks into the conversation about capital allocation. Supplier codes can set expectations across value chains and certification and procurement systems can foster incentives for better practices.

In some sectors, voluntary agreements have been used to set common expectations in advance of legislation. These mechanisms are particularly helpful when the problem is technically complicated or when companies have to test solutions. But adoption is not the same as diffusion. So a company can produce a full sustainability report and not actually reduce its overall environmental impact. Supplier code could mean more audits, not better pay or worker voice.[37] There can be indirect consequences of disclosure. Investors can better price risks, civil society can compare companies and boards can face reputational consequences if they do badly. Yet disclosure only changes behavior if someone can act on the information, and has the incentives or authority to do so.

Transparency may be little more than symbolic if investors care about short-term returns, consumers are unable to distinguish credible claims, or affected communities have no access to remedy. Data overload can also hinder scrutiny, for example when companies report hundreds of indicators without explaining the most material impacts. The EU's new mandatory sustainability regime may encourage comparability and accountability but also presents

[37] Richard M. Locke, *The Promise and Limits of Private Power: Promoting Labor Standards In A Global Economy (Cambridge Univ. Press 2013)*; Genevieve Lebaron, Jane Lister & Peter Dauvergne, *Governing Global Supply Chain Sustainability Through The Ethical Audit Regime*, 14 Globalizations 958 (2017).

implementation challenges. Detailed standards can provide reliable information and force companies to consider impacts beyond what is financially material. Meanwhile, the costs of reporting can be considerable, especially for companies with complex supply chains and limited data systems.

Variations across the US states, industries and investor groups mean some companies are under strong pressure to be sustainable and some are under less pressure. Federal rules challenged, large publicly traded companies may respond to investor expectations, customer demands and global supply-chain standards Or sustainability efforts could be vulnerable to pushback from politically polarized audiences and companies could change what they say publicly without changing what they do.[38]

The empirical comparison should also take into account baseline differences. Western firms are more likely to be in markets with more developed capital markets and higher average incomes, and different public services systems. India has its own specific development needs and inequities. "A dollar or rupee of CSR spending does not have the same purchasing power or social effect in every context.

Another complication is that western firms may report outcomes more systematically because of reporting infrastructure, not necessarily because their social performance is better. A firm with good emissions accounting might appear more transparent than a firm with bad data systems, even if its real environmental impact is worse.

Weak reporting can also mask good local work. Data quality is an important outcome in its own right, but not to be confused with substantive improvement. Researchers should ask not only about the trustworthiness of the reporting process, but also about the social or environmental conditions that underlie it. The data support a cautious conclusion. Voluntary programs can spur significant action when linked to management incentives, strong metrics, stakeholder pressure and penalties for failure. If they are based only on reputation, or allow firms to cherry-pick favorable issues, they are less reliable. The EU's move to binding standards accepts these limits.

[38] Lara Gatti, Marco Pizzetti & Peter Seele, *Greenhushing: A Systematic Literature Review and Research Agenda On Strategic Silence In Sustainability Communication*, 174 J. Bus. Ethics 563 (2021).

Direct Comparison of the Two Models

The two models can be compared in a number of dimensions. Firstly, the origin of obligation is different. Section 135 requires that qualifying companies in India spend a minimum amount. In the West, voluntary commitments to CSR are typically driven by corporate strategy, investor expectations, codes or stakeholder initiatives. India's model scores over the others in terms of predictability. Boards could forecast minimum requirements, and plan how to distribute. The public authorities and implementing agencies may expect a considerable flow of funding but the actual expenditure will depend on profitability, eligibility and choices of companies. The advantage of voluntary frameworks is innovation. Companies can experiment with circular-economy models, inclusive design, living-wage programs or new systems for supply-chain traceability, without waiting for formal rules to be put in place.

Voluntary commitments can also exceed the minimum legal obligations and can be designed for specific industry risks. But innovation relies on incentives. Voluntary action may be constrained in cases where the market rewards cheap products and short-term profit and others pay the costs of the harm. Legal floor can fix some incentives. That prevents firms to compete by under-investing in social responsibilities. The accountability comparison is a mixed bag. Section 135 provides for formal accountability to Board, shareholders, regulators and public through reports and transfer of unspent funds. Beneficiaries of projects may have little say, either directly or indirectly, in selection or evaluation.

Also, the models are different in terms of corporate responsibility. Section 135 mandates social spending as a defined corporate obligation once specific thresholds are satisfied. Voluntary CSR usually defines responsibility as an ongoing strategic commitment to the material impacts and relationships of the firm.

And they are not mutually exclusive. A company can comply with Section 135 but also do human rights due diligence, climate targets and transparent reporting. Indeed, a good Indian company should see statutory provision as just one component of a larger framework of responsibility, and not the only measure of its social performance.

One big weakness of mandatory spending is input orientation. A company can satisfy the legal requirement and at the same time finance a bad project. The key weakness of voluntary schemes is discretion. A firm may choose a limited agenda, make promises it doesn't have the resources

to keep, or retreat when it becomes too costly. The incentives to report both systems can bias toward easily counted activities and good stories. So reforms should improve the connection between spending or commitment and results, but without creating a rigid system that prevents experimentation.

A hybrid approach would preserve the spending floor of Section 135, increase transparency at the project level, improve the usefulness of impact assessment and encourage companies to adopt widely recognized standards of reporting and due diligence. India's predictable funding mechanism may be an education for the West's system, particularly where public benefit is predicated on continued investment. Lessons for India include impact materiality, supply chain due diligence, independent assurance, and stakeholder-led remediation. Both acknowledge the tenet that corporate philanthropy should not be a cover for failure to prevent harm in core operations.

There is no one framework that solves all problems. Rules that are mandatory can be blunt instruments, costly to put in place or politically contentious. Voluntary standards can be lax, but enforcement can be flexible. I think good governance requires a layered approach: minimum binding duties for material risks and financial accountability; voluntary innovation beyond the minimum; independent verification of key claims; accessible remedies for those affected; and public institutions able to enforce the law.

The test of success must be real, lasting improvements in people's lives and the environment, not the elegance of a policy document or the scale of a public relations campaign.

Reform Proposals for India

First, India should continue to view Section 135 as a legal floor, but also enhance the quality of project selection and assessment. Boards should require each major project to have a clear social problem, baseline conditions, beneficiaries, theory of change, measurable outcomes, risks and a sustainability plan. This doesn't mean every little project needs a complex experimental evaluation. The extent of evaluation should be commensurate with the scale, risk and complexity of the project. Big or repetitive projects will be more rigorously scrutinized, while smaller local interventions can be based on simpler but salubrious indicators.

Secondly, reporting should differentiate between inputs, outputs, outcomes and long term

impact. The annual report on the CSR must not allow activities to substitute for evidence of change. Companies could report on what they wanted to achieve, what they achieved, why there was a variance and what the followup plan is. Where impact is not yet measurable, the report should say so. The use of standardized data fields would facilitate better comparisons over time and between companies, but narrative explanations would maintain context. The goal should be a useful practical reporting system for regulators, researchers, communities and boards rather than a formal compliance exercise.

Third, independent impact assessment should be shielded from conflicts of interest. Evaluators should be selected according to transparent criteria, have relevant expertise, and disclose relevant relationships. Companies should not be allowed to bury bad results just because they paid for the research. Reports should report methods, data limitations, and the difference between correlation and causation. For big programs, an executive summary and a clear management response would allow the public to see if findings led to changes or not. Evaluation should not be a procurement exercise with lowest provider winning.

Fourth, it should be easier for the public to analyze and understand CSR data; Consistent identifiers, location data at an appropriate level, implementing-agency information, expenditure status and outcome summaries, duplication and geographical gaps could be identified by researchers, by using machine-readable project data. The system must protect personal data and vulnerable beneficiaries. Transparency is not about revealing sensitive information about individual patients, children or survivors. Public dashboards should let users compare spending patterns with district-level needs, while clarifying that correlation between CSR spending and need does not mean it is effective.

Fifth, the capacity of the implementing agencies needs to be improved. Smaller non-profits might have local credibility, but also limited compliance infrastructure. To enable capable organizations to participate without undermining safeguards, grants for capacity building, standardized reporting templates, due diligence proportionate to risk and prompt payment practices could be used. Partners should be assessed on community trust, technical ability, safeguarding and learning and documentation A strict compliance culture that funds only large intermediaries may lead to concentration of funding and exclusion of organizations best placed to reach marginalized groups.

Sixth, boards need to clearly separate CSR from legal compliance and remedy. Remediation of

damage caused by the company (or other legally required activities) should not be described as philanthropy. Pollution control. Workplace safety.

In the first instance, companies should seek to prevent and mitigate negative impacts from their own operations and business relationships. CSR projects may lead to wider development but cannot replace rights violations. The board reports need to make a clear differentiation between the two, to prevent the risk of compliant spending being used as a reputational shield.

Seventh, community participation should be more meaningful. Companies should know who will benefit, who will be harmed and who will be left out before approving major projects. Consultations should take place in appropriate languages and formats, taking into account, as appropriate, gender, disability, caste, tribal status and local power relations. Grievance mechanisms should be accessible, confidential where appropriate, and able to generate a response. “Companies should tell us how community input factored into the design of the project. The number of meetings held should not be the sole measure of participation.

Eighth, regulators should focus on material misreporting and repeated failures, and provide clear guidance to companies acting in good faith. The more clear the obligations, the more comparable the data and the more proportionate the penalties to the breach, the more credible the enforcement. A system that penalizes only technical failures may be an obstacle to results. A system that doesn't penalize intentional misstatement is a trust killer. Where rules change, guidance to the public should be updated and companies should keep documentation to support the calculations, eligibility and transfers. Consistent enforcement of rules can reduce uncertainty and deter strategic non-compliance

Ninthly, the linkage of CSR allocation and local development planning should be addressed. Companies should work with local institutions and coordinate when it makes sense to do so, but not set the community’s priorities. A public needs map can pinpoint areas that are underserved, and safeguards can ensure that CSR does not replace statutory public spending. Corporate projects must have a clear maintenance and exit strategy. If a CSR asset is to be part of a public service, ownership, staffing, repair obligations and rules of access should be agreed prior to handover.

Finally, India needs to champion voluntary sustainability reporting and due diligence over and above Section 135. Spending obligations tell us nothing about a company’s emissions, labor

practices, human rights issues or supply chain conduct. Companies should adopt credible standards and disclose material impacts and set targets related to operational decisions. Where legal reporting requirements exist these should be incorporated into CSR reporting, not confused.[39] The complete responsibility profile of a company is the way it spends its CSR funds and how it creates economic value.

Reform Proposals for Western Frameworks

Western jurisdictions should permit voluntary innovation but not to abdicate core obligations to good will. Governments should set out clear minimum standards on material environmental and human rights risks, misleading claims, workplace protection and financial disclosure. Voluntary standards can help companies get above the floor. Such a structure removes incentives for responsible firms to be undercut by competitors exporting costs and leaves room for sector-specific solutions. We need standards for interoperable reporting. Investors, regulators, customers and civil society are all attacking – and all making contradictory demands. Instead of performance improvements, each framework sets its own limits and metrics, wasting resources reconciling reports. Interoperability doesn't mean all standards do the same thing. Investor-relevant disclosures ask different questions than impact-relevant disclosures do. But you need to be clear on what data you need to collect and why and how it fits with other systems. Unnecessary compliance costs can be reduced through clear transition periods and stable implementation schedules.

The regulators' emphasis should be on the message that a reasonable audience would take from the environmental and social claims, not on narrow technical language. The claim must only be published after verification, the claim must be clearly defined and it must not contain material omissions which are contrary to it. A company that markets a product as "carbon neutral" should provide assumptions, how offsets are calculated and what real emissions reductions are achieved. All ethical sourcing claims need to be covered, verified & fixed. Enforcement guidance can help firms to speak clearly but not ban all aspirational language. Assurance systems should be very autonomous. Assurance providers should disclose the scope and criteria, limitations and any relevant conflict of interest . Regulators and standard setters ought to consider the need for additional assurance for data that is highly material. Assurance

[39] Ministry Of Corporate Affairs, National Guidelines on Responsible Business Conduct (2019); Securities & Exchange Board of India, Brsr Core—Framework For Assurance And Esg Disclosures For Value Chain, Circular No. Sebi/Ho/Cfd/Cfd-Sec2/P/Cir/2023/122 (July 12, 2023).

should not be a costly badge that smaller firms cannot wear, nor should it be a technical shield that prevents public questions being asked about the ambition behind it. Social adequacy decisions corporate strategy. Information test assurance against criteria.

Remedy also should be linked to stakeholder engagement. Consultation meetings are not consultation, grievance hotline is not dealing with the grievances. Effective systems require safe channels for reporting, no retaliation, timely investigation, feedback and corrective action. Purchasing practices matter in global supply chains: a buyer demanding very low prices and short lead times may compromise the labor standards it asks of its suppliers.[40] "The responsibility should not only be on the suppliers, but also consider the company's own role in risk in responsible business conduct" The thing investors need to do is to divorce the sustainability performance from the language of sustainability. Investment analysis may include target credibility, capital spend, absolute impacts, transition plans, workforce impacts and remediation. Does management have incentives to achieve stated goals? That's the question shareholder engagement should be asking. They do this by combining disclosures and penalties for false statements. But investors cannot substitute for democratic decision making, and financial materiality may not capture serious harms that do not immediately impact enterprise value. Governments also should avoid the regulatory whiplash that discourages longer-term investment. Planning climate infrastructure, supply chain transformation, and workforce development is a multiyear effort. But there are sudden reversals that can add to uncertainty and cause firms to retreat. Where there is evidence of disproportionate costs or ineffective requirements the rules should be looked at. But we believe that such reviews should be evidence-based, transparent and sensitive to the stakeholders involved. Stability is particularly important for firms that have already invested in data systems, assurance and operational transition.

Finally, the additionality and accountability of voluntary initiatives need to be evaluated. Industry alliances may create common expectations and avoid duplication, but may also water down standards for members. Codes should establish clear expectations, include independent monitoring, sanctions for repeated failure and allow for open reporting of progress. Membership does not ensure responsible behavior. The usefulness of a framework is that it can

[40] Mark Anner, Predatory Purchasing Practices in Global Apparel Supply Chains and The Employment Relations Squeeze In The Indian Garment Export Industry, 159 Int'l Lab. Rev. 459 (2020).

change behavior and provide a legitimate way to remedy when harm happens.

Conclusion

The difference between the mandatory CSR model in India and the voluntary model in the West speaks to two different approaches to a shared problem: corporate resources and decision-making have important social consequences, but voluntary goodwill may not be enough to ensure accountability. There is a clear stipulation for expenditure, for eligible Indian companies with board level governance, rules for eligible activities, reporting and provisions for unspent amounts under Section 135 of the Companies Act, 2013. The regime has unleashed a large and growing reported spending flow. Its primary contribution is institutional: it makes CSR a permanent governance responsibility, not an occasional act of charity. This is an achievement not to be sneezed at. Spending is not an output, it's an input. Companies can fund badly targeted, short-lived or feebly evaluated projects to meet the two percent requirement. Effectiveness of the law depends on the quality of decisions made by the boards, implementation agencies, community engagement, data, impact assessment and enforcement. CSR spending should also be distinct from the obligation to comply with environmental, labor and other laws and to prevent or remedy harms caused by the company's operations. Social benefit project can not justify an irresponsible business model.

The flexibility of Western voluntary frameworks can connect sustainability with innovation, investor analysis, procurement and operational strategy. International standards have helped to establish shared expectations on disclosure, human rights and responsible business behavior. The problem is that participation and enforcement is patchy, companies cherry pick the issues they want to work on, set weak targets or report progress without making the changes that are necessary. Greenwashing can be in mandatory and voluntary settings, but will assume different forms. Mandatory spending can result in visible but low impact projects, while voluntary reporting can result in selective disclosure and aspirational claims that are not borne out by performance. India and the West are also narrowing the gap. Indian companies are facing growing expectations with regards to sustainability disclosure, supply chains and responsible business conduct. The laws on European sustainability reporting and due-diligence are no longer based on pure voluntarism. The relevant comparisons are not between regulation and no regulation, but between different mixes of spending mandates, disclosure duties, due diligence, market incentives, independent assurance and remedies. Each applies to a different failure and

cannot be used alone.

A better system would set a legal floor, and then layer substantive accountability over that. India can keep its spending mandate and improve outcome reporting, evaluator independence, community voice, data accessibility, and coordination with public development priorities. Western jurisdictions are able to protect voluntary innovation, to define clear baseline duties, to examine false claims and to protect stakeholder access to remedy. Both should force companies to detail what they spent, what they delivered, what changed, and what's unclear. They should also interrogate the company's core activities to see if they align with its social claims.

Ultimately, real corporate responsibility is about whether the lives of people and the conditions of the environment have been changed in ways that can be verified and sustained. A report is useful if it enables stakeholders to understand performance. "A target is useful when resources and decisions support the target. CSR projects are worthwhile when they fill a real need and offer a defensible benefit. The best framework for the future is neither fully mandatory nor fully voluntary. It is a layered system where law sets minimum expectations, voluntary standards improve on those, claims can be independently tested, and affected people can influence decisions and seek redress.

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