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SIGNIFICANCE OF COMPANIES ACT, 2013 ON CORPORATE SOCIAL RESPONSIBILITY (C.S.R) VIS-À-VIS SMALL MEDIUM ENTERPRISES & THE SAME CONSENSUS WITH THE UNDERSIGNED

By *Aditi Raj*

From Amity University, Noida

By *Dr. Amit Dhall*

Associate Professor, Amity University, Noida

INTRODUCTION OF CORPORATE SOCIAL RESPONSIBILITY:

Only through the consumption and utilization of natural and societal resources can the process of economic growth be sustained. The extraction and use of environmental resources inevitably influence not only economic development but also ecological balance and social well-being. In this context, Corporate Social Responsibility (CSR) emerges as a framework through which corporations acknowledge and manage their responsibility towards society by accounting for the impact of their activities on various stakeholders, including consumers, employees, shareholders, local communities, and the environment.

CSR is broadly understood as the integration of a company's economic, environmental, and social responsibilities in a manner that generates a positive and sustainable impact on society. It is often described through various terms such as corporate citizenship, corporate conscience, social performance, or responsible and sustainable business practices. The underlying principle of CSR is that the long-term survival and success of business enterprises are closely linked with the well-being and stability of society at large. As such, CSR has acquired multiple interpretations and dimensions depending on organizational goals and societal expectations.

In contemporary business practice, CSR is also viewed as a strategic approach aimed at reducing operational risks and enhancing profitability through the development of trust among key stakeholders. Many organizations incorporate CSR initiatives into their branding, marketing, and public relations strategies to strengthen their reputation and improve stakeholder engagement. It serves as a mechanism to build corporate credibility and social acceptance, thereby enhancing the organization's image in the eyes of the public. In this sense, CSR is not only an ethical obligation but also a long-term business strategy that integrates environmental sustainability and social responsibility into corporate decision-making.

Furthermore, CSR emphasizes the need for businesses to create and maintain long-term value for all stakeholders, including present and future generations. Companies are expected to balance profit-making objectives with their responsibilities toward society, ensuring that their operations do not compromise the ability of future stakeholders to meet their needs. Since no business operates in isolation, its survival depends on multiple interconnected factors such as social acceptance, environmental sustainability, and stakeholder trust. Therefore, CSR becomes an essential component of sustainable business practice, as it ensures that corporate activities contribute positively to both organizational growth and societal development.

Company needs to grow its business by utilizing what it already has to achieve its goals. Every firm may play a significant role in shaping the CSR dialogue at the local, national, and even international levels. The inclusion of mandated CSR measures in the new companies legislation represents a sincere effort to achieve India's social and sustainable development objectives (S.D.G). Businesses have neglected the external expenses of their operations, and it is time for them to consider their social duties to their employees, consumers, stakeholders, and society. There is an immediate need for a more inclusive management of CSR initiatives, in which corporations do not perceive



CSR as an impediment to conducting business in India. Rather, it should be viewed as an opportunity to positively benefit the community. CSR provides India with an opportunity to establish a balance between social, environmental, and economic imperatives while protecting the interests of diverse stakeholders and lowering administrative burdens.

Corporate Social Responsibility has received a great deal of attention in recent years. Citizenship or corporate social responsibility strives to evoke the corporate conscience through the incurrance of short-term costs that do not deliver an immediate financial benefit to the company but instead promote positive social and environmental change. The notion of required CSR was introduced by the New Companies Act of 2013, which will replace the antiquated Companies Act of 1956.

CHANGING TRENDS OF CORPORATE SOCIAL RESPONSIBILITY FROM CHARITY TO RESPONSIBILITY:

Before the 1990s, Corporate Social Responsibility (CSR) was largely understood in a narrow sense, primarily associated with philanthropy. Businesses that engaged in CSR during this period generally limited their contributions to occasional donations or charitable grants. These activities were often unstructured and episodic, without long-term planning or sustained commitment. Moreover, corporate decision-making rarely incorporated the interests of stakeholders such as employees, consumers, or local communities, which significantly reduced the overall effectiveness and impact of such initiatives.

In recent decades, however, the concept of CSR has undergone a significant transformation. The relationship between the private sector, the state, and civil society has changed considerably due to globalization, liberalization, privatization, and the gradual redefinition of boundaries between government and market functions. These structural changes have reshaped expectations regarding the role of businesses in contributing to societal development and public welfare. As a result, corporations are now

increasingly expected to go beyond profit-making and actively participate in addressing social and environmental challenges.

Simultaneously, the interaction between businesses and civil society has evolved from a traditional, paternalistic model of charity to a more balanced framework that recognizes mutual responsibilities and shared value creation. Modern CSR emphasizes accountability, stakeholder engagement, and sustainable development rather than one-sided philanthropic gestures. This shift reflects a broader understanding that businesses are integral components of society and must contribute to its overall well-being in a structured and continuous manner.

Need for Corporate Social Responsibility

Corporate Social Responsibility is essential because meaningful social development requires adequate financial and organizational support. Efforts to uplift marginalized sections of society cannot be achieved without the active participation of the corporate sector, which possesses significant economic resources and managerial capabilities. In this sense, economic strength becomes a crucial enabler for achieving broader social objectives, making CSR an important bridge between business success and social progress.

The theoretical foundation of CSR is often explained through Carroll's CSR Pyramid, which places economic responsibility at its base, followed by legal, ethical, and philanthropic responsibilities. This structure highlights that while profitability remains the primary objective of any business, it must be balanced with compliance with law, ethical conduct, and voluntary social contribution. Without financial stability, CSR initiatives cannot be effectively sustained, much like a river cannot flow without water. Therefore, CSR represents a structured approach where economic goals support, rather than conflict with, social responsibility obligations.



Pyramid of Corporate Social Responsibility

Source: Carroll 1991

Corporate Social Responsibility: Rationale and Framework (Rephrased)

While it is widely accepted that profit generation is essential for the survival and continuity of any business enterprise, organizations are also expected to contribute positively to society and enhance overall quality of life. Businesses do not operate in isolation; rather, they are deeply embedded within the social structure in which they function. They depend on society for critical resources such as infrastructure, human capital, and a consumer base. In this sense, Corporate Social Responsibility (CSR) reflects the alignment of business objectives with broader societal expectations and long-term economic self-interest.

In today's highly competitive and brand-oriented markets, CSR plays an important role in aligning corporate strategies with the evolving expectations of stakeholders. It enables companies to reflect societal values in their operations, particularly in relation to consumers, who increasingly prefer ethically responsible and socially conscious businesses. CSR is therefore not limited to isolated charitable initiatives but extends to the entire operational framework of an organization, influencing its daily decision-making and strategic direction.

Because CSR involves addressing the expectations of multiple stakeholder groups, it impacts nearly every functional area of a company. Each operational

component contributes to the overall corporate reputation and brand identity, which is shaped by the cumulative effect of responsible practices. Various factors support the adoption of CSR, including economic, human resource, legal, and ethical considerations.

From an economic perspective, socially responsible firms are able to enhance their reputation, differentiate themselves from competitors, and improve both short-term and long-term profitability. In terms of human resources, such organizations are more likely to attract and retain skilled and motivated employees. Legally, CSR helps companies maintain compliance and avoid regulatory conflicts. Ethically and philanthropically, CSR reflects the moral responsibility of corporations to contribute to societal welfare, rooted in the principle that powerful institutions carry greater obligations toward society than individuals.

Comparison of CSR Provisions under Companies Act, 1956 and 2013 (Rephrased Overview)

CSR under the Companies Act, 2013

The Companies Act, 2013 introduced a structured and mandatory CSR framework in India through Section 135. This provision applies to companies meeting any of the following financial thresholds during a financial year: net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more. Companies satisfying any of these conditions are required to constitute a CSR Committee consisting of at least three directors, including one independent director.

CSR compliance is based on the principle that if a company meets the eligibility criteria in any of the preceding three financial years, it must comply with CSR obligations. This ensures continuity and accountability in CSR implementation. The provision applies equally to both public and private sector companies that fall within the prescribed limits.

The legal framework for CSR under the 2013 Act is spread across multiple sections, including disclosure requirements in board reports, penalties for non-



compliance, CSR policy formulation, mandatory CSR spending obligations, and director responsibilities. Schedule VII of the Act provides a list of approved activities eligible for CSR expenditure, thereby guiding corporate participation in social development.

Additionally, the Companies (Corporate Social Responsibility Policy) Rules, 2014 provide operational clarity regarding CSR implementation. These rules define key terms such as CSR, CSR policy, and net profit, and also outline procedures for CSR committees, policy formulation, expenditure norms, reporting requirements, and disclosure obligations, including publication on company websites.

CSR expenditure is generally calculated as 2% of the average net profit of the preceding three financial years. However, the computation of net profit under Section 198 involves complex accounting adjustments, making the calculation process technically demanding. Issues also arise regarding classification of CSR activities, geographical scope of spending, treatment of capital expenditure, and identification of eligible CSR projects.

The Companies (Accounts) Rules, 2014 further mandate disclosure of CSR policies in the Board's report. Public sector enterprises are also guided by Department of Public Enterprises (DPE) guidelines, which complement the statutory framework. Together, these regulations ensure transparency, accountability, and structured reporting of CSR activities.

However, certain expenditures are excluded from CSR eligibility. These include activities unrelated to Schedule VII, routine business expenses, benefits limited exclusively to employees, political contributions, statutory obligations under other laws, and expenditures outside India (in most cases). One-time events and activities not aligned with CSR policy are also excluded from qualifying CSR expenditure.

The Board of Directors plays a crucial role in CSR governance by reviewing CSR committee

recommendations, approving CSR policies, ensuring compliance with Schedule VII, and monitoring mandatory CSR spending. The Board is also responsible for ensuring that companies allocate at least 2% of their average net profits towards CSR activities in accordance with statutory requirements.

Corporate Social Responsibility Committee

Under Section 135 of the Companies Act, 2013, it is mandatory for eligible companies to constitute a Corporate Social Responsibility (CSR) Committee at the board level. This committee is responsible for formulating, implementing, and monitoring CSR policies of the company. As per the statutory requirement, the committee must consist of at least three directors, and in such composition, at least one-third of the members are required to be independent directors to ensure objectivity and transparency in decisionmaking.

Economic growth can only be maintained through consumption and use of natural and societal resources. The exploitation and utilization of environmental resources will always affect not only economic progress but the ecological equilibrium and social well-being. Corporate Social

Responsibility (CSR) in this context comes out as a model where corporate entities recognize and deal with their accountability to the society by taking into consideration the effects of their operations on different stakeholders such as the consumers, employees, shareholders, local communities, and the environment.

CSR is widely perceived as the combination of economic, environmental, and social responsibilities of a company in a way that produces a positive and sustainable impact to the society. It can be explained in many different ways like corporate citizenship, corporate conscience, social performance or responsible and sustainable business practices. The essence of the idea of CSR is that the existence and prosperity of business enterprises in the long term are directly connected to the health and welfare of the



society in general. In this way, CSR has taken on various meanings and aspects basing on organizational objectives and social standards.

The CSR in modern business practice is also considered as a strategic tool to minimize the operational risks and increase the profitability with the help of the building of trust between the main stakeholders. Most organizations have integrated CSR efforts in their branding, marketing, as well as PR strategies to enhance their reputation and better stakeholder interactions. It is a way of creating a corporate credibility and social acceptance and hence improving the image of the organization in the minds of people. In this respect, CSR is not merely the moral duty but a business strategy in the long run that involves the implementation of environmental sustainability and social responsibility in the corporate decision-making.

In addition, CSR highlights the importance of businesses to design and deliver long-term value to all stakeholders including the current and future generations. Business enterprises are supposed to strike a balance between profit making goals and their role to the society so that their actions will not affect the capacity of future stakeholders to fulfill their needs. Because no business can go it alone, its survival is pegged on several interrelated issues like social acceptance, environmental sustainability and trust of its stakeholders. Thus CSR turns out to be an inevitable aspect of sustainable business practice, as it will make sure that corporate operations are beneficial to the growth of the organization and the development of society.

The requirement of the new companies legislation to have mandated CSR measures is an honest move towards the attainment of the social and sustainable development goals of India (S.D.G). Companies have forgotten the external cost of their operations and companies should start thinking about their social responsibilities towards their employees, consumers, stakeholders and the society. A more inclusive approach to CSR initiatives, where corporations do

not see CSR as a barrier to doing business in India is urgently needed. Instead, it can be regarded as a possibility to contribute positively to the community. CSR offers India a chance to create a balance between social, environmental and economic demands, as well as safeguard interests of various stakeholders, reducing administrative costs.

In the recent years, Corporate Social Responsibility has been given much attention. Citizenship or corporate social responsibility attempts to arouse corporate conscience by incurring short term costs which do not directly give an immediate financial payoff to the company but rather encourage positive social and environmental change. The concept of the necessary CSR was brought about by New Companies Act of 2013, which will substitute the outdated Companies Act of 1956.

Shifting the trend of corporate social responsibilities towards charities to responsibilities:

Until the 1990s, the concept of Corporate Social Responsibility (CSR) was mostly interpreted in a small sense, and was mainly linked to charity. Companies that practiced CSR at this time tended to make few donations or grants to charity. These were frequently unorganized and ad hoc, with no planning or commitment. In addition, corporate decision-making seldom took the interests of the stakeholders, including employees, consumers, or local communities, which greatly decreased the total efficiency and effectiveness of such initiatives.

The concept of CSR has however changed significantly in the past few decades. Globalization, liberalization, privatization, and the gradual renegotiation of the role of government and market roles have significantly transformed the relationship between the state, the private sector and civil society. Such structural transformations have redefined what is expected of businesses as a means of contribution to the development and well-being of the society. Consequently, companies today are more than ever looked upon to do more than just make profits and



instead take an active role in solving social and environmental problems.

At the same time, the relations between businesses and civil society have changed to a more equal structure that considers the mutual obligations and value creation in addition to a more traditional, paternalistic model of charity. The contemporary CSR focuses on accountability, stakeholder involvement and sustainable development as opposed to unilateral acts of philanthropy. This change is indicative of a larger realization that businesses are part and parcel of society and should play a role in its well-being in a more organized and consistent fashion.

Corporate Social Responsibility.

CSR is a necessity, as the process of meaningful social development needs sufficient financial and organizational resources. The upliftment of the marginalized groups in the society is not possible without the involvement of the corporate world which has a vast amount of resources economically and in terms of management. In this regard, economic power turns out to be a key facilitator of attaining wider social goal hence CSR is a key mediator of business success and social development.

The conceptual framework of CSR is commonly illustrated with the help of the CSR Pyramid offered by Carroll, where the economic responsibility is at the bottom, and the legal, ethical, and philanthropic responsibilities are located. This framework underscores the fact that the major goal of any business is profitability but it has to be mixed with adherence to the law, ethical behavior and voluntary contribution to society. CSR initiatives cannot be maintained without financial stability just as a river cannot flow without water. Thus, CSR is an organized strategy in which economic objectives facilitate, and do not contradict social responsibility requirements.

Some relaxations are however given in situations where the standard composition is not applicable. The CSR Committee can be formed with a smaller number of members in businesses in which the appointment of

an independent director is not obligatory and where the number of required directors is three or more. As an example, a CSR Committee can be constituted by two directors only in case of a private company. On the same note, those companies that do not necessarily need to have independent directors can be the committee without implicating any. Where foreign companies have been set up in India, the authorized representative in India, together with another nominee nominated by the company, may be the members of

CSR Committee.

CSR Corpus

The CSR corpus is the sum of money that is spent and used on CSR activities by a company. It is mostly comprised of 2% of the average net profit earned by the company over the last three financial years, which is required by Section 135 of the Act. Besides this obligatory donation, the corpus can also comprise the revenues of CSR projects, the excess funds of the past CSR projects, and the interest on the unused CSR funds.

To compute CSR allocation, the net profit, before tax, is computed as per Section 198 of the Companies Act. This calculation does not consider the profit of foreign branches. When a company has not existed three financial years, the calculation will be done on the available financial data.

To ascertain eligibility, financial position of foreign firms is evaluated on their operation in India. This will involve the determination of net worth, turnover and net profit of the activities in India as calculated according to Section 198 and Section 381 of the Companies Act. Essentially, CSR requirements are only applicable on the Indian part of their business processes.

Schedule VII CSR Activities and Schedule of the Companies Act, 2013

CSR activities are defined as the programs, projects or initiatives that companies implement based on their accepted CSR policy. According to Rule 4, businesses can either have CSR activities or through registered



trusts, societies or Section 8 companies. These projects can be done either independently or in partnership with holding, subsidiary, or associate firms or even in partnership with other corporate entities.

In cases where the implementation of CSR activities is done by external implementing agencies, the agency should be at least three years old in implementing comparable projects. To ensure transparency and accountability the Board of Directors must clearly articulate how the funds will be used, systems of monitoring as well as reporting. This model of collaboration enables group companies to collectively pursue CSR initiatives without having to report separately.

Comply or Explain Principle

The CSR framework provided in the Companies Act, 2013 adopts a comply or explain strategy as opposed to having strict penalties in case of non-compliance. Businesses are supposed to allocate their average net profits on CSR activities at least 2 per cent but where they cannot, they must explain well in the Board Report.

The Act places an emphasis on disclosure and transparency, as opposed to punitive enforcement. In this regard, non-spending of the prescribed amount of CSR is not necessarily the subject to monetary penalties, as long as the causes of non-compliance are duly reported in the statutory reporting forms.

CSR under Companies Act, 1956

There was no statutory provision that specified Corporate Social Responsibility in the Companies Act, 1956. During this time, CSR was mainly voluntary. Nevertheless, in 2011, the Ministry of Corporate Affairs has presented the National Voluntary Guidelines on Social, environmental and Economic responsibilities of Business, offering a guideline on responsible business practices.

These principles have since been reconsidered, and aligned with international trends, including the

Sustainable Development Goals (SDGs) and the United Nations Guiding Principles on Business and Human Rights (UNGPs). They were updated and republished in 2019 under the name National

Guidelines on Responsible Business Conduct (NGRBC), in a more comprehensive and systematic form of corporate responsibility.

Historically, corporate governance rested on the concept of shareholder primacy, pre-conditioned by the idea that the profit maximization is the major goal of business. Nevertheless, the changing world realities like environmental degradation, inequality, and climate change have brought change of heart, as businesses have increasingly taken up a more social responsible role in the society.

Reporting Committee on Business Responsibility

To enhance non-financial disclosure, a Committee on Business Responsibility Reporting was established with a Joint Secretary in the chair. Members of regulatory organizations like SEBI and the Ministry of Corporate Affairs, professionals of leading institutes, and industry professionals were all a part of the committee. Its main aim was to develop standard reporting frameworks of listed and unlisted companies.

The committee also established a systematic reporting system which is consistent with National Guidelines on Responsible Business Conduct. A holistic framework was developed after much consultation with the stakeholders such as NITI Aayog, corporate sustainability professionals and the MSME sector representatives. International standards like UNGPs and SDGs were also taken into consideration in this framework to make sure there was an international fit.

Environmental and Social Reporting Concept

Environmental and Social Reporting, also known as Sustainability Reporting, has followed a different path. Literature indicates that sporadic social reporting began in the western world in the 1970s, and then shifted to environmental issues in the 1980s;



according to Ans Kolk, the first independent environmental report was published in 1989. The simultaneous reporting of social and environmental issues did not begin until the 1990s. According to a 2017 study by the World Business Council for Sustainable Development (WBCSD), the number of "reporting provisions" has increased approximately tenfold in the 25 years since the 1992 Rio Earth Summit, indicating the complexity and necessity of such reporting

Business Case for Reporting on Sustainability:

Historically, businesses have been dependent on natural resources and human capital to create the goods and services demanded by the society. By so doing, the by-products of this production were usually dumped onto the environment but was treated as an infinite resource. This model of development has over the years become exploitative and unsustainable, which is evident in the increasing social and economic inequality, natural resource depletion, environmental degradation, and increasing impacts of climate change. Consequently, the stakeholders have become more aware and businesses are currently being requested to be accountable to the social and environmental impacts of their operations.

This change has been greatly affected by stakeholder pressure. Civil society groups, investors, consumers and governments are pushing companies to provide information on the positive and negative impacts of their operations. Regulations have also been reinforced in order to safeguard the rights of the citizens, as well as, environmental interests. Meanwhile, market pressures have been pushing businesses, especially suppliers and manufacturers of global value chains and connected to multinational enterprises, to write sustainability reports and exercise responsible business practices.

Sustainability Reporting Frameworks

In the past few decades, a number of international reporting systems on corporations have emerged to assist businesses to quantify, track and report on their sustainability. These reports which are sometimes

called sustainability reports besides financial statements are of different levels of scope and detail but commonly discuss such issues as environmental protection, labour practices, social welfare and human rights. Most of these frameworks are investor-led, because investors want to be in a position to assess risks and opportunities in relation to factors of environmental, social and governance. They are generally consultative in their development and this is based on the expectations of many stakeholders.

Corporate Social Responsibility and Sustainability

The idea of sustainability is based on the definition of sustainable development provided by the Brundtland Commission that defined sustainable development as the development which satisfies the current needs without jeopardizing the future generations to fulfill their needs.

Corporate Social Responsibility (CSR) in India has always been aimed at applying the profits once they are earned, typically in either charitable or community-oriented activities. Sustainability, however, is wider in its scope, and looks at how profits are made, considering the environmental and social impacts of any business activity. In this way, CSR can be considered as a part of the general definition of sustainability or responsible business practices. This wider insight is embodied in current policy prescriptions that incorporate CSR and sustainable development into one single framework.

CSR and sustainability are mutually related and can be interpreted as the promise of the organization to carry out its business in a way that is economically viable, socially positive, environmentally sustainable, transparent and ethical whilst addressing the expectations of the stakeholders. The World Business Council of Sustainable Development has noted that businesses are inherent to society and require society to legitimize them and to provide support. Thus, society and business have to operate based on understanding and responsible behaviour.



On the same note, Michael Porter and Mark Kramer have argued that successful businesses need healthy societies and healthy societies need successful businesses. Whereas a lot of the literature is aimed at big enterprises, small and medium enterprises (SMEs) can also play an essential role as the society also requires all enterprises, irrespective of their size, to act responsibly.

Business organisations are a product of society, and they cannot survive without the social acceptance. The society thus puts some expectations on them. CSR is a wide area of activities that are aimed at meeting the interests of various stakeholders and ensuring the harmonious relations with the local population. It is generally considered that businesses contribute positively to society since they generate job opportunities, wealth, goods and services. However, employee, community, government, and environmental group expectations are on the rise, and this puts an increased burden on firms to be responsible.

Another significant role in fostering CSR is played by the public policy which establishes legal and regulatory mechanisms that can persuade businesses to consider environmental and social issues in their decision-making. Governments in the world, the European Union included have stressed on the importance of businesses having a proactive attitude to sustainable development.

The main motivators to CSR are:

1. Values- A change of corporate values has caused businesses to realize that they are not just responsible in creating wealth but also in the welfare of social and environmental issues.
2. Strategy - The best behavior has become a requirement of long term business development and competitiveness.
3. Public Pressure- Companies are placed under increasing pressure by consumers, the media, governments and activist groups to adopt socially responsible behaviour.

The growing interest in sustainable development has changed the attitudes of people to businesses. Corporate ethics have grown significantly and accountability has become more of an issue. Over the past 30 years, businesses have been forced to meet increasing requirements of disclosure, emergence of civil society organisations, non-governmental organisations and governments. Simultaneously, most companies have come to realise that responsible practices could also create some tangible business advantages.

The relationship between CSR Expenditure and Profitability of Firms is the main subject of the second question.

The new mandatory CSR expenditure requirements brought about by the Companies Act, 2013 generated a lot of debate. A lot of corporate entities claimed that mandatory CSR spending would become an unwarranted burden and make them less profitable. Nonetheless, the research conducted on the correlation between after-tax profits and donations and community development expenditure in the past years shows that there is a positive and growing relationship.

CSR spending will enhance profitability by enhancing a company reputation among consumers, suppliers, investors, and governments. It can also assist companies to differentiate their products in a strategic manner compared to their competitors. Companies that have environmental effects in their business might employ CSR activities to communities to curb protests, enhance relations, and to evade a more future regulation. These deliverables lessen uncertainty and business risk and enhance longterm stability and profitability.

Positive correlation between company size, profits and CSR spending can also be evidenced. The bigger companies tend to invest more in CSR as they usually have more resources to invest and are able to incorporate CSR in long-term business strategy. CSR has over time evolved to be philanthropic, then community development, and finally, strategic CSR.



Smaller companies have fewer resources and will more likely concentrate on charity or welfare programs like support to employees with children in school.

Strategic CSR initiatives that are more in line with business objectives are however better implemented by larger companies. As an instance, consumer goods firms can undertake hygiene awareness programmes aimed at women that are responsive to social needs and can pose as market presence building measures. These activities are more likely to yield better returns in the long term. The positive correlation between profitability and CSR expenditure is more likely to increase with firm size. Strategic CSR could also spur innovation and enhance service delivery, which would generate sustainable competitive advantages in the long-term.

A definition of a Small and Medium Enterprise (SME) does not exist universally. Every nation has its definition of SMEs based on the economic factors and policy goals.

Typically, SMEs are categorized according to their employee count, annual turnover, capital invested in them, fixed assets, and production capacity. The most popular and used of these criteria is the number of employees.

Just like the Corporate Social Responsibility (CSR), there is no single standard definition of the concept of SMEs. What is defined in one country may be defined differently in another country, in one industry it may be defined differently in another industry and in one government agency it may be defined differently in another government agency and in one educational institution it may be defined differently in another educational institution. SMEs are numerically defined as the businesses that have between one hundred and one worker in most instances and two hundred and fifty employees in some jurisdictions. Small-scale enterprises have between five and fifty workers, with medium-sized enterprises having at least a workforce of between

one hundred and twenty-five to two hundred and fifty, on average.

The European Union has defined the SMEs as businesses that have less than 250 employees, an annual turnover of not more than 50 million euros and the balance sheet amount of around 43 million euros. Nevertheless, these definitions might not be applicable to all countries since what is regarded as medium-sized business in one country might be considered large in another country. This illustrates that SMEs are made up of a wide spectrum of businesses, some of which are long-established family businesses with more than one hundred employees and others which are self-employed people with informal micro-enterprises.

Besides quantitative indicators, qualitative features can also be used to identify SMEs.

These are; low market share, owner-managed operations, personal direct supervision and absence of a formal bureaucratic structure. The characteristics that characterise SMEs as being independent, multitasking, limited in terms of financial resources, personal relations, and informal organisational structures, are therefore commonly used to draw a line between SMEs and large corporations.

Johan Lepoutre and Aimé Heene defined responsible small businesses as those whose entrepreneurs treat customers, business partners and competitors fairly and honestly, are concerned about the health, safety and welfare of their employees and clients, promote staff training and development, are good citizens in the community and respect natural resources and the environment.
