

STAKEHOLDER MANAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY REPORTING

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ABSTRACT

The present financial and economic crisis is only one of several recent events that have brought the sustainability and responsibility of corporate strategy management into the limelight. It is anticipated that companies will thrive in all aspects of society and the environment, not just financially. Companies may leverage the problem of corporate responsibility to enter new markets and seize opportunities. However, more research on this specific segment is needed.

On the other hand, stakeholders often put pressure on business that affects the employees and well as their social receptibilities, CEOs should put an example by handling this type of situations through CSR. The purpose of this study is to examine the potential for businesses to live up to the expectations of their stakeholders via the application of CSR principles. Furthermore, the research explores the mechanisms through

which stakeholder engagement processes impact the quality and credibility of CSR reports. To adopt a relational approach, stakeholders must be engaged not just in reporting obligations but also in discussions about the corporation's purpose, principles, and management processes. Through a comprehensive analysis, the paper will investigate different theoretical frameworks and empirical evidence regarding CSR reporting and stockholder management. The study uses a mixed approach combining "quantitative and qualitative analysis". The result of this analysis aims to provide insight into the alignment between CSR reporting practices and stockholder management strategies.

The results of the research have implications for both practice and theory the study offers practical recommendations for corporations seeking to improve the stockholder engagement process and CSR reporting framework that will ultimately help in sustainable business practices.

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INTRODUCTION

“A company is considered successful if it provides a good or service that makes people happy in every sense of the word.” - Csixzentmihalyi, Mihalyi

Shareholders and other important people are pushing businesses to do more than just make money. Also, they are being asked to help fix some of the toughest issues facing the country, like those related to green issues and economic growth. Many people have different thoughts on how the public and private sectors should work together to share duty. On the other hand, according to corporate stakeholders, which typically include shareholders, employees, customers, suppliers, communities, governments and regulators, companies must do more to address these issues.² These days, businesses work with stakeholders more and more to find out what they think and feel about various economic, social, environmental, and corporate governance issues. This is known as Corporate Social Responsibility (CSR) helps a company make strategic decisions based on those thoughts and feelings.³ A CSR report, also known as a corporate citizenship, sustainability or social performance report, plays a large part in how a company engages stakeholders, as it usually contains a lot of information that those stakeholders care about..⁴ The CSR report can be used to show stakeholders

how a company has dealt with or is dealing with their CSR concerns and how these concerns are being considered when the company makes strategic decisions.

The Judiciary system in India is very strong, and it supports good corporate governance that is tied to handling stakeholders and reporting on corporate social responsibility (CSR).⁵ This system, which is made from many acts, rules, laws, and requirements, is what makes it possible to promote honesty, responsibility, and long-lasting enterprise practices. People and businesses that do enterprise in India need to understand these laws inside and out.⁶ They inform them what they need to do for their clients, how they are able to help society, and how they want to comply with guidelines of the government. By analysing those acts, and policies carefully, corporations can learn plenty about what the regulation needs for them. This makes it simpler for them to connect to stakeholders in a significant way and enables them to construct a way of life of desirable business citizenship.

Many Indian companies struggle to meet their CSR reporting requirements, even though the Companies Act, 2013 and CSR Rules, 2014 provide a clear legal framework. The issue stems from the fact that there isn't enough information available to determine the full extent of CSR activities, it's hard to find good projects to work on, and there aren't enough systems in place to track and assess the results of these efforts. In addition, organisations typically struggle to devote enough resources (both financial and human) to CSR initiatives due to competing business goals and

2. Anne-Sophie Hesvalis et al., “Corporate Social Responsibility and the Health and Being of External Stakeholders: A Perspective” (2020) 9 Journal of Public Health Research.
3. Jiaji Yan, He D and Mifang Yao, “Stakeholder Governance and CSR in Banks: An Analysis of Internal Governance Mechanism Based on Game Theory” (2022) 13 Frontiers in Psychology.
4. Jung-Gyu Park et al., “Classifying CSR, ESG and Corporate Citizenship through a Text Mining-Based Literature Review” (2023) 15 Sustainability 3892.
5. Isabel Gallego Alvarez and Maria Consulo Pochetta Martinez, “CSR Reporting and Corporate Governance Mechanisms: An International View from Emerging Countries” [2019] Business Strategy and Development.
6. Neelam Chawla and Basanta Kumar, “E-Commerce and Consumer Protection in India: An Emerging Trend” (2021) 180 Journal of Business Ethics.

limited resources. Corporate social responsibility (CSR) reporting becomes inconsistent as a result, which weakens accountability and transparency in corporate governance.⁷ Companies run the danger of facing fines and harm to their reputations if they don't follow CSR standards. They also lose the trust of their stakeholders and can't fulfil their social responsibility promises. To overcome these obstacles, we need to learn more about the Indian law that regulates corporate social responsibility reporting and put into place effective measures to improve stakeholder involvement, simplify CSR procedures, and encourage sustainable business practices.

The following research aims to evaluate the importance of stakeholder engagement in the context of CSR reporting and rationalize its impact. The paper attempts to analyse the relationship between stakeholder management and CSR reporting to understand the effect of integrating stakeholder management on CSR reporting and to evaluate the process of stakeholder management on fostering CSR practices. The paper also raises the following questions such as what are the mechanisms through which stakeholder management influences CSR practices, what are its contributions on CSR reporting for the business, how does the legal framework outlined in the Companies Act, 2013, and CSR Rules, 2014, influence the CSR reporting practices of Indian companies and to what extent do Indian companies effectively engage stakeholders in the process of formulating CSR policies.

THE COMPANIES ACT, 2013

In 2019, the House of Representatives passed the Companies (Amendment) Bill. As a result, certain amendments were made to the Companies Act, 2013. It reviews laws governing Indian companies. Indian companies and organizations are governed by the Companies Act, 2013.⁸ Business in the country was first regulated under the Companies Act, which was passed in 1956, the year after independence.⁹ The recommendations of the Bhabha Committee formed the basis of the 1956 Act, which was amended recently in 2013. India is the first country to formally mandate CSR spending under the Act, as stipulated in Section 135 of 2013. law.¹⁰

The idea of "sleeping companies" was introduced by her. If a company is in business for two consecutive years, it is considered inactive. As a result, the National Company Law Tribunal was constituted.¹¹ It is a quasi-judicial institution in India that decides business disputes. It replaced the Organisational Law Board. There is now a strict deadline for when businesses must begin the process of rehabilitation or liquidation in the event of a financial catastrophe.

Corporate social responsibility (CSR) committees and policies are required by law for all businesses. Regarding corporate social responsibility (CSR), obligatory disclosures have been imposed for some businesses. The Act requires that financial statements be prepared and presented using certain accounting standards. It specifies the qualifications, powers, responsibilities, and appointment of auditors. The issuance, transfer,

7. SV Subramanian et al., "Progress on Sustainable Development Goal Indicators in 707 Districts of India: A Quantitative Median Assessment Using National Family Health Surveys, 2016 and 2021" (2023) 13 *Lancet Regional Health - Southeast Asia* 5. 1001
8. icsi.edu, "The Companies (Amendment) Act, 2019 Perspective 2" (2019) <https://www.icsi.edu/media/filer_public/9e/cf/9ecf2ae7-9df1-45f8-9653-b1a4975d3gepanba/react_p> 27 Retrieved March 2024.
9. mca.gov, "The Companies Act, 1956" (mca.gov.in2000) <<https://www.mca.gov.in/Ministry/reportonexpertcommittee/chapter1.html#:~:text=The%20Companies%20Act%201956%20was,Companies%20Act%201913%20was%20reale.>>> Accessed on March 27, 2024.
10. Shuchi Pahuja, 'Corporate Social Responsibility in India' [2021] *CSR, sustainability, ethics & governance* 689.
11. Shuchi Pahuja, 'Corporate Social Responsibility in India' [2021] *CSR, sustainability, ethics & governance* 689.

and repurchase of shares are all matters pertaining to capital that are governed by the Act. The Act requires certain types of businesses to allocate a set portion of their income towards corporate social responsibility initiatives (CSR) as outlined in Section 135.¹²

In order to comply, businesses must organise a CSR committee, create a CSR policy, and provide details about their CSR initiatives in yearly reports. Companies are allowed to integrate, or rebuild themselves according to the Act, as long as they get permission from the government and follow certain steps. For example, Registrar of Companies (RoC), National Company Law Tribunal (NCLT), and the National Company Law Appellate Tribunal (NCLAT) are regulatory bodies set up with the aid of the Act to make certain that policies are accompanied and to settle disagreements.¹³

CSR RULES, 2014

The Companies Act, 2013 has an addendum known as the CSR Rules, 2014. These regulations supply Indian corporations which might be eligible for more special guidelines on a way to perform CSR initiatives. Because of Section one hundred thirty-five of the Companies Act, those policies had been made to ensure that the CSR clauses work and that cash goes to appropriate causes.¹⁴ The essential elements of the CSR Rules are those that specify what CSR is, how to inform if an employer can take part in CSR projects, and the way to

document how a lot of money has been spent on public service projects. In addition, the regulations provide that the board of directors must establish a CSR committee to oversee the creation and execution of CSR programmes and policies. The CSR Rules, 2014, stress the government's will to encourage corporations to participate in social welfare initiatives in order to promote sustainable development and responsible business practices.¹⁵ Suppose qualifying businesses want to show they care about CSR and make a real difference in the social and economic development of the areas where they operate. In that case, they must comply with these regulations.

INDIAN CYBER LAWS

Every activity and reaction in cyberspace has legal and cyber implications. The term "cyber law" refers to legal issues arising in the domain of cyberspace. It is a combination of several laws aimed at addressing and overcoming the daily fears and obstacles that humanity faces on the Internet.¹⁶ Due to the ongoing process of cybercrime specialization, there is presently no worldwide regulatory framework that comprehensively addresses this issue. In contrast, internet-based harmful activities that violate the rights of users are regulated by the Information Technology Act, 2000, which is implemented by the Indian government.¹⁷ There may be instances where provisions of the IT Act and the IPC that criminalize such conduct overlap. Despite adopting a liberal and compassionate

12. NCLAT, 'About NCLAT | National Company Law Appellate Tribunal (NCLAT)' (nclat.nic.in2024) <<https://nclat.nic.in/about-NCLAT>> accessed 27 March 2024.

13. NCLAT, 'About NCLAT | National Company Law Appellate Tribunal (NCLAT)' (nclat.nic.in2024) <<https://nclat.nic.in/about-NCLAT>> accessed 27 March 2024.

14. AIC India, 'Error' (www.aicofindia.com2014) <https://www.aicofindia.com/AICEng/General_Documents/Tenders/CSR%20policy-%20Amended_10_11_2022.pdf> accessed 27 March 2024.

15. AIC India, 'Error' (www.aicofindia.com2014) <https://www.aicofindia.com/AICEng/General_Documents/Tenders/CSR%20policy-%20Amended_10_11_2022.pdf> accessed 27 March 2024.

16. infosecawareness, 'Cyber Laws of India' (ISEA2024) <<https://infosecawareness.in/cyber-laws-of-india>> accessed 27 March 2024.

17. CHANDER HARISH and KAUR GAGANDEEP, CYBER LAWS and IT PROTECTION, SECOND EDITION (PHI Learning Pvt Ltd 2022) <<https://books.google.co.in/books?hl=en&lr=&id=k7RtEAAAQBAJ&oi=fnd&pg=PP1&dq=internet-based+harmful+activities+that+violate+the+rights+of+users+are+regulated+by+the+Information+Technology+Act>> accessed 27 March 2024.

stance, it is impossible to comprehend all facets of emergency cyberspace when interpreting India's current legislation in relation to diverse internet activities. Without establishing new cyber laws, interpreting existing legislation in the context of an ever-changing cyberspace will undoubtedly involve significant risks and challenges, according to prudent judgement and experience. Therefore, pertinent cyber legislation must be implemented.

EXPLORING THE PROCESS OF STAKEHOLDER IN CSR PRACTICES

The importance of corporate social responsibility (CSR) in helping nations grow faster is well-established. In India, CSR has been known for a long time as social duty or kindness. Over the years, it has taken on a more general meaning. India has the most people who need basic services and the second most people in the world. This means that the country's healthcare sectors need to work harder as part of these kinds of programmes. Section 135 of the Companies Act, 2013¹⁸ governs the concept of corporate social responsibility in India. The Act was passed by both Houses of Parliament and signed by the President of India on 29 August 2013.¹⁸ One good thing about it is that it makes a lot of things easier to understand and aims to make doing business in India more open and simpler. The Act lists the kinds of things that can be done as part of CSR. Companies can do these things as long as they take into account the area conditions and get approval from the board first. Some of the things that are being done are promoting education, ending extreme food and poverty, promoting gender equality and women's rights, protecting the environment, helping people get jobs by improving their trade skills, fighting HIV/AIDS, malaria, and other diseases.

In India, CSR has become an important part of business planning. It will help the companies raise knowledge of their brands and improve their image in the market with this input. The growth of society should be seen as an important part of the organisation's plans.

The CSR actions of Indian private (RIL) and public sector companies (ONGC), as well as the CSR policies and programmes of the Indian government.¹⁹ The data showed was that both public and private Indian companies are trying to do better in terms of CSR, but that more needs to be done. The study showed that the Indian banking industry's work on corporate social responsibility (CSR) is a good start, but there is still room for improvement in this area.²⁰ Some banks are not following the rules when it comes to CSR. Social and financial issues seem to get more attention from banks as part of their social duty, while environmental problems get less attention. Also, the public sector banks spend more overall than the private sector banks.

Planning, monitoring and improving stakeholder relations are all part of the stakeholder management process. It involves planning and implementing a series of steps to engage with stakeholders, systematically identify them and assess their needs and expectations. A well-thought-out stakeholder management strategy allows you to manage your interactions and assess the quality and status of your relationships with different stakeholders.

EVOLUTION OF STAKEHOLDER THEORY

- 1919: The Ford Motor Company v. Dodge case. The shareholder primacy principle. Henry Ford was required by the court ruling to run the business in the best interests of its

18. CSR.Gov, 'History' (Csr.gov.in2022) <<https://www.csr.gov.in/content/csr/global/master/home/aboutcsr/history.html>> accessed 27 March 2024.

19. ongcindia, 'CORPORATE SOCIAL REponsibility & SUSTAINABILITY POLICY CONTENTS' (2021) <<https://ongcindia.com/documents/77751/0/csrpolicy2021.pdf>> accessed 27 March 2024.

20. Eliza Sharma and M. Satish, "'Does CSR lead to economic growth or not': An evidence-based study to link CSR activities in the Indian banking sector to economic growth in India" [2022] Asian Journal of Business Ethics.

shareholders, not in the best interests of its workers or clients.

- 1951: Frank Abrams, CEO of Standard Oil Company of New Jersey, uses the phrase “interest groups” to define “shareholders, employees, customers and the public at large” in his first essay.
- 1957: The management of the company should “see itself as responsible to stockholders, employees, customers, the general public, and, perhaps most important, the firm itself as an institution,” according to Harvard University’s Carl Kaysen, who added this information to the Abrams’s interested groups.
- 1958: According to Modigliani and Miller (the MM theorem), a company’s value is unaffected by its capital structure.
- 1965: Igor Ansoff used the term “stakeholders”³ in the context of strategic planning, using Abram’s paper as inspiration (wikipedia states that the term was first used in a 1964 Stanford Research Institute internal communication).
- In 1970, Milton Friedman presented his Friedman doctrine, sometimes known as the shareholder hypothesis.
- 1984: Edward Freeman described the stakeholder theory²¹

Milton Friedman in his essay “The social responsibility to do business is to increase its profits” published in 1970 says that the highest responsibility of a business is to make profits. The company is an entity which is established to do business, and the public invest in the company to get profit for their shares. He says that don’t mix welfare mechanisms with the companies, let the state do that. The highest goal in Friedman analysis is for an executive to return as much as money

possible to the shareholders. But society has come a long way from this. If Friedman had been alive today, he would have been a stakeholder theorist. He was against the idea that social responsibility has nothing to do with business and everyone will be against it too.

CSR forms a part of the business itself rather than a reaction to social concerns. As it is made mandatory it has become a legal responsibility for businesses more than a social responsibility. If CSR can be wisely used by the companies it cannot be a mere cost, but they can create great wealth, it can be more than a cost, constraint or charitable deed. The idea of companies to involve in CSR activities is the enlightened self- interest. To get extra and more satisfied customers, employees may be more committed and motivated and increase their loyalty. Successful CSR initiatives can lead to increased profitability through enhanced brand loyalty, operational efficiencies and risk management which can support higher or more stable dividend payments in the long run. Engaging with a broad range of stakeholders to understand their perspectives and priorities can build a balanced approach to CSR and dividends, enhance long-term shareholder value, supports sustainable business developments and meet diverse stakeholder expectations.

TATA GROUP CASE STUDY

The Tata Group, one of India’s major conglomerates, has established a precedent for Corporate Social Responsibility (CSR) efforts by aligning its operations with the regulatory framework specified in the Companies Act of 2013 and the CSR Rules of 2014. According to section 135 of the corporations’ act, it requires an organization to spend some percentage of their income on CSR, TATA groups are the best example of following the rule in India. The company has shown a comprehensive commitment to corporate social

21. Alex Savkin, “Stakeholder Management in strategic planning: Practical Examples, BSC Designer, Jun 30,2024,9;30 p.m, <https://bscdesigner.com/stakeholders.htm>

responsibility (CSR) via projects like Tata Trusts, the electrification of rural areas by Tata Power, and skill development programs by Tata Consultancy Services.²² These activities comply with regulatory requirements and satisfy societal demands.

INFOSYS AND COMPLIANCE WITH CSR REGULATIONS

A major brand Infosys has handed India's complicated CSR rule, they followed the Companies Act, 2013. They have set strict CSR rules, and field reports on their CSR actions required by the law. Unlike many other companies, Infosys takes a serious commitment to CSR.²³ A long-term, significant influence on many parts of society is the goal of this strategic commitment. The executive team of Infosys understands the importance of both running the company and making a difference in the communities where it has branches.²⁴

CURRENT STATUS OF INDIA REGARDING CSR

When it comes to making CSR obligatory, India is the global pioneer. The Company Act of 2013 was amended to permit corporations to allocate a portion of their revenues towards initiatives addressing starvation, poverty, gender equality, and education. According to the proposed amendment to the Companies Act, corporations falling within a specific threshold in size should be obligated to allocate 2% of their mean three-year profits towards corporate social responsibility (CSR).²⁵ One of the main goals of requiring CSR is to get businesses more involved in the communities where they have operations. Another example of this is the need

to prioritize the local region of operation in the CSR laws. Research shows that in the first year of required CSR expenditure, private enterprises paid 82% of the mandated spend, whereas public sector companies spent just 66.7%.

According to the CSR guidelines established in 2010 by the department of public enterprises, publicly traded firms were formerly required to put aside a portion of their net income ranging from 0.5% to 5% depending on the company's profitability. Companies that were essentially governed by the state enjoyed an advantage of five years when it came to allocating funding for CSR projects. Given the current state of affairs and the benefits of CSR, it is imperative that both the government and corporations actively participate in order to significantly ramp up CSR initiatives in India.

CONCLUSION

The connectedness of stakeholder management, corporate social responsibility (CSR), and the laws that guide CSR reporting becomes a key factor in the way business is work in India. Compliance with the Companies Act, 2013 and subsequent guidelines issued by regulatory bodies such as the Minister of Corporate Affairs in (MCA) and the Securities and Exchange Board of India (SEBI) is a keyway for businesses to ensure accountability in their CSR efforts. Stakeholder involvement and corporate social responsibility (CSR) programs help businesses not only meet their legal obligations but also build trust and goodwill among their stakeholders. Despite problems with implementation, like a lack of resources and travel measuring results, the benefits of CSR compliance,

22. TATA power, "Tata Power – CSR Overview" (www.tatapower.com2024) <<https://www.tatapower.com/sustainability/social/csr-overview.aspx>> accessed on 27 March 2024.

23. LinkedIn, "Infosys in India: CSR Case Study in Impactful Transformation" (www.linkedin.com2023) <<https://www.linkedin.com/pulse/infosys-india-csr-case-study-impactful-transformation-tpaxf/>> Accessed on 27 March 2024.

24. Infosys, 'Corporate Social Responsibility - Investors | Infosys' (www.infosys.com2024) <<https://www.infosys.com/investors/corporate-governance/social-responsibility.html>> accessed 27 March 2024.

25. Raut Nilesh Kumar Kailash Bhai, "CSR in India – Current Scenario and Challenges" [2023] IBRA International Journal of Environment, Economics, Trade and Educational Management 66.

like better brand image and a positive effect on society, make it very important in the Indian business world. As stakeholder management, corporate social responsibility (CSR), and the law are all connected, they push companies to use sustainable

and socially responsible methods, which makes growth and development more inclusive. The paper concludes with a look at stakeholder management, corporate social responsibility, and the laws in India that govern CSR reports.