

# An Analysis of Corporate Social Responsibility Around the World

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## Abstract

This research report reviews and analyses how corporate social responsibility works in different countries, with different kinds of social, political and economic environments. Various factors, like judiciary, government and development of a country impact and influence CSR activities. Thus, a comparative study will be made between various countries of the world, based on their companies' CSR activities. Moreover, the phenomenon of globalization has affected corporate social responsibility in various ways, as it has completely changed the interaction between businesses and their clients. On the other hand, certain countries like India, have mandated CSR by law and in countries like the USA, there are no laws mandating CSR activities.

**Keywords:** CSR (Corporate Social Responsibility), Philanthropy, Corporate Governance, Sustainability, Environment, Stakeholders.

## 1. Introduction

Corporate social responsibility refers to the commitment of a company to carry out activities in a socially responsible manner, by contributing to the betterment of society. The goal of CSR goes beyond the profit motive of a company, which is the primary motive of a company's operation. CSR integrates social and environmental concerns into its business operations.

Various countries have their ways of governing corporate social responsibility. The differences between CSR activities can be due to the cultural and societal needs of those countries. There is a general assumption that CSR activities are based on charity and philanthropic needs but it encompasses a wide range of activities including legal compliance and also improving the brand reputation of a company.

## 2. History of CSR



CSR's history can be traced back to the early 20<sup>th</sup> century, the time when businesses started to engage in charitable and philanthropic activities. On the other hand, it wasn't until the 1950s and the 60s that the concept of CSR slowly started to materialize. In the 1970s the term "**corporate citizenship**" began to gain importance, which emphasized the ethical responsibility of a business. Thus, this shifted the businesses' motive from just profit-making to fulfilling the needs of all stakeholders and also working on sustainability in the 2000s.

One example of early CSR that mainly focused on philanthropy, includes business leaders Andrew Carnegie and John D. Rockefeller who utilised their wealth to fund a wide range of charitable causes like education and healthcare.

Nowadays, CSR has become an important consideration for businesses of all kinds of sectors as it helps companies build strong and healthy relationships with their stakeholders like employees, customers, the society it works in and others.

### **3. CSR Policies of different countries**

The CSR policies of different countries are modelled under various ways that can be applied like

1. Philanthropic/Charitable
2. Legal
3. Ethical
4. Economic

Or it can be an amalgamation of the above.

In major parts of the world, minorities are the most focused groups when it comes to CSR activities. Because, we can observe that the majority of companies' CSR activities work on women's education, improving the conditions of socially and economically underprivileged people's lives and so on. Other examples include providing job opportunities to minorities by training them to make them suitable for employment.

### **4. Various factors that influence CSR**

Many factors that influence the CSR activities of a country. The various factors, may either be a positive influence or at times a negative influence on the CSR activities of a country.

#### **❖ Legal and regulatory framework**

The legal and regulatory framework of a particular country may significantly impact the CSR practices of the country. Certain countries have very strict, rigid laws to regulate CSR activities, whereas others have relaxed regulations or even voluntary guidelines regarding CSR.

#### **❖ Cultural and social norms**

Every country has unique cultures and social expectations. This factor can affect CSR practices in a significant manner because the social expectations are a major factor that influences the CSR activities of a company. The meaning of being socially responsible will change from one country to another depending on its culture.

#### **❖ Economic development**

Economic development is one of the prominent factors that determine the CSR operations of a country. Wealthy and developed nations may have more resources for initiating CSR activities.

#### **❖ Consumer preference**

Consumer behaviour and attitude is some of the key factors that help in shaping CSR activities. Some countries would prefer company brands that focus more on its products and services, rather than working on being socially responsible. On the other hand, in certain countries, people prefer socially responsible brands.

#### ❖ **Government and political climate**

How the government sees CSR is an important factor that influences a country's CSR activities. Some countries may provide incentives and encourage CSR activities performed by companies of that nation, while other countries may not.

#### ❖ **Market structure and competition**

The market structure and the competition between the businesses is also a factor that influences CSR activities. If a country has a very competitive environment, then the companies may start working on CSR activities effectively to earn a competitive edge over others in the market.

#### ❖ **Availability of natural resources**

The availability of natural resources is another important factor that influences and shapes the approach towards CSR in a country. As the usage of natural resources, the availability of the same is linked with how sustainable a company can be to be socially responsible.

#### ❖ **Ethical and moral values**

The ethical along with the moral beliefs of a country can significantly impact the guidelines regarding CSR practices of a country. Ethical and moral values become the principles that can guide efforts towards CSR.

#### ❖ **Environmental and social issues**

The prevalent environmental and social issues of a country can be an influence on CSR. For instance, a country facing unemployment issues may have their companies work on CSR activities, that can train unemployed youth to make them fit for employment and a country that has issues regarding water scarcity may have their companies work on activities that help in water conservation, like spreading awareness.

### **5. Legal framework of CSR around the world**

Corporate social responsibility differs from one country to another based on the legal framework. The following is an overview of CSR in various countries:

#### • **India**

India introduced mandatory CSR law by the Companies Act, 2013. Companies exceeding the threshold limit of profit or turnover or net worth prescribed in section 135 of the Companies Act, 2013, must spend a portion of their profits on CSR activities. India has one of the most explicit mandates concerning CSR activities.

#### • **China**

The landscape of China's CSR has been evolving. Although it doesn't have stringent regulations, the Chinese government has been encouraging the practices of CSR by providing guidelines and incentives. Thus, companies are expected to contribute to social and environmental initiatives.

#### • **United States of America**

There is no legal mandate made by law in the United States of America. However, there are federal laws and other state laws that require the businesses of the country to act responsibly, especially concerning environmental protection and the rights of the employees. Thus, the concept of CSR is voluntary and is driven by on pressure in the market due to competitors and the expectations of stakeholders.

#### • **European Union**

The EU has a very comprehensive regulation concerning CSR. The companies are required to disclose information that is not financial in nature like social and environmental impacts in their annual report. For larger companies, the European Union has reporting on due diligence and sustainability.

- **United Kingdom**

Similar to the approach made by the EU, the UK regulates CSR requiring companies to report social and environmental impacts.

- **Germany**

Germany has strict and strong CSR-related regulations and it includes the requirement for large companies to report on social and environmental impacts. These requirements are a part of the German CSR Directive Implementation Act.

- **Japan**

Japan has an underdeveloped legal framework with respect to CSR. However, the international stakeholders of Japanese companies expect the companies to be more socially responsible.

- **Brazil**

Brazil has legal provisions for CSR, which includes reporting requirements on environmental as well as social activities. The Brazilian Monetary Council and Central Bank issued guidelines regarding CSR for the financial sector.

- **South Africa**

South Africa has unique requirements towards CSR under the Broad-Based Black Economic Empowerment (B-BBEE) Act, which mandates that companies must contribute to empowerment as well as economic transformation of the country.

Thus, we can conclude that, the laws regarding CSR activities and the guidelines prescribed change from one country to another. Some countries prescribe strict guidelines with respect to CSR, while certain countries prescribe flexible guidelines, and certain countries that have almost no laws towards CSR.

Companies operating internationally, must often adapt to the country and comply with the local regulations as prescribed in that country and thus, also meet the expectations of the stakeholders.

## 6. CSR Models in various countries

The models of CSR vary from one country depending on various external factors like culture, legal framework etc. that were discussed previously. An overview of CSR models in various countries is given as follows:

- **India**

- In India, CSR is governed by the provision of section 135 of the Companies Act, 2013.
- A particular amount of profit earned by the companies is invested in CSR activities
- The CSR activities in India, mostly focus on eliminating poverty, educating youngsters, healthcare etc. and other activities as prescribed in Schedule VII.

- **China**

- The Chinese government has issued guidelines on CSR reporting and encourages companies to be socially responsible.
- The key focus of CSR activities in China is based on reducing pollution and social inequality.

- **United States of America**

- The CSR practices in the US are usually a mix of philanthropy, environmental sustainability and ethical business practices.
- A lot of US companies have created foundations to support many environmental and social concerns of the country.

- Although CSR activities are not mandated by law, companies listed by the stock exchange often disclose their CSR activities to their shareholders.
  - **European Union**
    - The European Commission promotes CSR as a key part of corporate behaviour.
    - Many European companies involve themselves in sustainability practices and transparency in reporting their CSR initiatives.
  - **United Kingdom**
    - The UK government encourages reporting on environmental, social and governance issues.
    - The Companies Act, 2006 requires the companies to take social and environmental concerns into account, in the process of decision making.
  - **Japan**
    - Japanese companies traditionally, have concentrated on sustainable practices, community engagement and innovation.
    - CSR is not mandated by law in Japan. Companies, may, however, report voluntarily.
  - **Brazil**
    - The Brazilian government has always encouraged CSR initiatives and reporting.
    - In Brazil, CSR centres around sustainability, social inclusion and ethical business practices.
  - **South Africa**
    - South Africa has made CSR a priority with a prime focus on various issues like employment, equality, empowerment, and social development.
    - The King Code of Corporate Governance provides guidelines regarding CSR practices in South Africa.
- The above are some examples indicating, how CSR practices vary between various countries of the globe. CSR practices, may sometimes, vary even within countries.

However, globalisation and increasing focus on environmental and social issues have led to a more universal approach towards CSR.

## 7. CSR Activities in Developed Vs Underdeveloped Countries

The development of a country is an important factor that determines the kind of CSR activities taking place in a country.

### 7.1 CSR in developed countries

- Companies in a developed country setting have more advantages compared to their counterparts in underdeveloped parts of the world. This could be due to the following reasons:
- ❖ **Increased resources:** Companies in the developed nations, usually have more financial resources and better infrastructure to invest in CSR activities.
- ❖ **Advanced reporting:** Developed countries have advanced reporting and disclosure requirements, making CSR more transparent.
- ❖ **Standard of Corporate Governance:** The standards of corporate governance are generally higher in developed nations, thus stressing more on ethical conduct, transparency and accountability.
- ❖ **Innovation and technology:** Developed nations often hold on to innovation and technology to address CSR challenges.
- ❖ **Spotlight on sustainability:** There is a lot of importance given to sustainability in CSR activities in developed nations, as they implement rigid environmental regulations.

- ❖ **Ethical Supply Chains:** Developed nations are more likely to establish ethical supply chains as they focus on fair labour practices, transparency in the supply chain and sourcing responsibly.
  - ❖ **Higher Social Conscience:** Companies in developed countries focus more on charitable and philanthropic activities by donating and implementing volunteer activities.
  - ❖ **Focus on diversity and inclusion:** Many companies in developed nations, have made efforts in promoting diversity in their work spaces and also inclusivity in the promotion of their brand. For instance. An advertisement that promotes a brand can be made by people of various backgrounds, thus promoting diversity and inclusivity.
  - ❖ **Employee Well-being:** The employees working in a company of a developed nation enjoy various benefits such as not being exploited or made to work overtime.
- Hence, we can conclude that, in developed countries CSR is an aggregate approach towards economic, social and environmental issues by the companies. Companies in developed countries understand that corporate social responsibility is not only expected by the stakeholders but can also contribute to the financial success of a business organisation overall.

## 7.2 CSR in underdeveloped countries

- Companies of underdeveloped countries work on CSR with a set of unique challenges as well as opportunities, as compared to their Western counterparts. The scenario of CSR in such countries can be illustrated as follows:
  - ❖ **Developing the economy:** In most developing countries, the prime focus of CSR activities, would be to develop its economy by initiating CSR practices.
  - ❖ **Meeting basic or essential needs:** One of the crucial aspects of CSR in underdeveloped countries is with respect to meet the basic and essential needs of the society. So, companies can invest on projects related to healthcare, sanitation and education to improve the quality of life.
  - ❖ **Limited access to resources:** Most underdeveloped countries have limited and lesser access to resources. This situation is due to limited resources like energy and substandard infrastructure in such nations.
  - ❖ **International supply chains:** Some companies in underdeveloped countries may participate in global supply chains, which may open doors towards challenges and opportunities related to ethical practices and responsible sourcing.
  - ❖ **Influence of government:** The governments of underdeveloped countries play an important role in regulating the CSR activities of such nations.

Hence, we can conclude that CSR activities in underdeveloped countries are about addressing its issues, meeting the basic needs of the society for the betterment of its citizens and respecting the rights of the people. CSR in such regions can be a powerful tool to impact society positively. The companies of such countries are expected to approach CSR in such a manner that they can overcome the challenges and utilise the opportunities to the fullest extent.

## 8. CSR under different political structures

Corporate social responsibility can change depending on the political structure of a country. The political structure of a country is one of the key factors that influence a country's CSR practices and policies. It can be understood as given below:



- **Democracy**

Under democracy, there is greater importance given to transparency and accountability. Such a structure helps create robust CSR enforcement. Public opinion and consumer preference play a very important role in the CSR activities of countries under democratic political structure.

- **Federal System**

In a country with a federal political structure, the regulations regarding CSR may vary from one state to another. This is due to the subnational governments having the authority to formulate their laws. Thus, companies must ensure that they comply with the laws of the region they operate in.

- **Authoritarian Regime**

In countries under an authoritarian regime, CSR practices and initiatives can be influenced by government policies, which may prioritize economic development over social concerns. Companies in such countries may face challenges concerning transparency, as the governments may have more rigid rules and control over information.

- **Hybrid Systems**

In countries with hybrid political systems, where there is a coexistence of democratic and authoritarian political structure, CSR practices would become strenuous. This situation is due to companies juggling between complying with the law mandate regulating CSR activities, as well as meeting the expectations of society and stakeholders.

Thus, we can sum up, by saying the political structures can impact the CSR practices of a country significantly. However, an important point to keep in mind is that CSR initiatives must always align with universal ethical principles, regardless of the political structure of a country.

## 9. Globalization and CSR

Globalization has significantly impacted CSR around the world. It has enabled companies to extend their operations across borders. When companies start operating in multiple countries, they get exposed to diverse social, political and legal environments thus making countries work on a more comprehensive approach towards CSR.

The global supply chains have become very complicated by involving many suppliers and contractors. This situation has made companies to be more vigilant about ethical sourcing.

Although globalization has opened opportunities in new markets, it also exposes businesses to new kinds of risks including regulatory and reputation-related risks. The companies must be able to face these risks strategically.

Various global standards and frameworks related to CSR have been formulated due to globalization. United Nations and the International Labour Organization have established guidelines and principles for responsible business conduct.

Global companies have played an important role in combatting issues like the Covid 19 and other disaster relief by providing humanitarian aid on a global scale.

Moreover, globalization has made the world a global village and thus companies of different countries operate in various regions of the world, thus the companies contribute towards CSR, depending on where they operate.

## 10. Examples of CSR activities of companies in different countries

### ▪ United States-Starbucks

Starbucks, a global coffee company, has committed to ethical sourcing by partnering with coffee growers and ensuring payment of fair wages and sustainable farming practices. Moreover, concerning environmental issues, they have worked on recycling and reducing the usage of water.

### ▪ India-Infosys Foundation

In India, the Infosys Foundation has supported a wide range of social causes like education and healthcare. It has also aided in rural development, thus promoting regional balance in the country.

### ▪ China-Alibaba Group

Alibaba Group of China has a very strong commitment and has made efforts towards CSR by addressing education, healthcare and other issues. Moreover, Alibaba Cloud also supports research projects focussing on global health.

### ▪ Brazil-Natura

Natura is one of Brazil's largest cosmetic companies. Natura promotes sourcing ingredients sustainably and supports local communities and social well-being.

### ▪ South Africa-Nedbank

Nedbank, which is a South African bank runs financial literacy programmes to educate people on responsible money management. Such initiatives may encourage people to educate themselves and also promote financial inclusion.

The above examples demonstrate that CSR is global. CSR initiatives are therefore tailored depending on the country a company operates in. The company can work on social, environmental or economic issues depending on the needs of a country.

## 11. Conclusion

Around the world, throughout the years, CSR has been a very important function of companies. This function can vary depending on the requirements of a country, its political structure, economic development and other factors that influence CSR activities.

In other situations, for instance, state capitalistic countries may have a different approach towards CSR. This is because the government in such countries plays an important role in shaping CSR activities. Another example, may be given by depicting how the civil war has made a profound impact on CSR activities in Sri Lanka, as the war has impacted the country socially, economically and environmentally.

In the process of research about various countries' CSR activities, many people concluded, by relying on the theories of Western countries' CSR activities alone, which represent the CSR activities of developed countries. Whereas, the CSR practices in underdeveloped are left unanalysed. There is a lot of difference between the CSR initiatives in a developed nation and the same in an underdeveloped nation. This is primarily due to economic factor that influences CSR policies of a country

Moreover, the legal framework of a country highly determines the CSR practices in a country. But we must always keep in mind that CSR extends beyond just legal compliance.

Every country has its model to deal with CSR, depending on the model of that country the companies must tailor their CSR initiatives to fit in the country's requirements and comply with the prescribed guidelines. On the other hand, globalization has made a huge change and reshaped the concept of corporate social responsibility. The phenomenon has caused to formulation of global standards concerning CSR. The companies must now focus on meeting the needs of both national and international stakeholders.



The companies of different countries have made their effort to comply with the CSR guidelines, either voluntarily or as mandated by law. The companies have a lot of power and can even represent a country. Thus, a company's CSR activities can impact a nation significantly by solving the country's problems and reducing income disparity and other issues in the country. The companies can also get benefits in return by getting a competitive edge and improving their brand reputation.

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