International Journal of KIU

Journal home page : https: //ij.kiu.ac.lk/
DOI: https://doi.org/10.37966/ijkiu2026062094

Original Article

Mandatory vs Voluntary Corporate Social Responsibility: A Comparative Analysis of Corporate Social Responsibility Practices in India and Sri Lanka

Dasalya B.L.D.

Faculty of Law, KIU, Sri Lanka

Article history:
Received: 06.03.2026
Received in revised form: 07.05.2026
Accepted: 20.05.2026

Cite as: Dasalya B.L.D. (2026) Mandatory vs Voluntary Corporate Social Responsibility: A Comparative Analysis of Corporate Social Responsibility Practices in India and Sri Lanka, International Journal of KIU, 6 (2), 1-11. https://doi.org/10.37966/ijkiu2026062094

*Corresponding author: dinithi@kiu.ac.lk

Abstract

Corporate Social Responsibility (CSR) has emerged as a vital aspect of modern corporate governance, emphasizing the accountability of businesses not only to shareholders but also to society at large. While CSR methods are extensively embraced worldwide, the regulatory approach to CSR varies greatly among countries. India has initiated a mandatory CSR framework under section 135 of the Companies Act of India (2013). This statutory obligation has created a structured approach compelling companies to actively contribute to social welfare, environmental sustainability and community development. In contrast, Sri Lanka continues to rely predominantly on voluntary CSR practices guided by soft law instruments such as the Corporate Governance Codes issued by the Colombo Stock Exchange and individual company policies. This study conducts a comparative analysis of the CSR frameworks in India and Sri Lanka focusing on the legal, regulatory and practical dimensions of mandatory versus voluntary CSR. This research examines how statutory obligations in India have influenced corporate behaviour and enhanced transparency and created measurable social impact while exploring the strengths and limitations of Sri Lanka's voluntary CSR practices. The research identifies the gaps in Sri Lanka's current CSR system, particularly in terms of enforcement, reporting standards and alignment with national development priorities. By analysing case studies, corporate reports and existing literature, this study aims to provide actionable insights and recommendations for Sri Lanka. It considers whether aspects of India's mandatory CSR model can be adapted to strengthen Sri Lanka's CSR framework, including potential statutory reforms, regulatory oversight and enhanced corporate accountability. This research contributes to the broader discourse on CSR by highlighting how legal mechanisms can shape corporate social engagement and societal outcomes. Ultimately, the study offers a policy-oriented perspective for enhancing CSR effectiveness in Sri Lanka.

Keywords: Accountability of Companies, Mandatory corporate social responsibility, Regulatory framework, Voluntary corporate social responsibility.

Introduction

Corporate Social Responsibility (CSR) is a management concept that describes how a company contributes to the well-being of communities and society through environmental and social measures.[1] This denotes the idea that a business has a responsibility to the society that exists around it and it is traditionally divided into four categories; namely environmental, philanthropic, ethical and economic responsibility.[2] Whilst there is no universally accepted definition of CSR, it was In its infancy, CSR was considered primarily in terms of philanthropic activities performed voluntarily by corporations.[3] Furthermore, whilst CSR began as a voluntary policy initiative, it has now become a mandated necessity in countries such as India.[4] In order to achieve corporate accountability and quantifiable social benefits, this study aims to determine if a mandatory Corporate Social Responsibility (CSR) framework is superior to a voluntary model. The study contrasts Sri Lanka's and India's CSR frameworks, emphasizing the differences between mandatory and voluntary CSR activities. In addition to assessing the advantages and disadvantages of Sri Lanka's primarily voluntary CSR strategy, it seeks to analyze how India's statutory CSR duties affect business behavior, compliance, and societal effect. Additionally, the study aims to find gaps in Sri Lanka's CSR framework and evaluate whether certain aspects of India's mandatory CSR regime could be modified to improve corporate accountability, regulatory oversight, transparency, and the general efficacy of CSR initiatives in Sri Lanka.

Further, this research's main research question is whether Sri Lanka's voluntary CSR framework is sufficient to guarantee successful corporate social responsibility and long-lasting social impact, or if elements of India's mandatory CSR model should be included to enhance legal enforcement, accountability, transparency, and alignment with national development goals.

Considering the available literature, CSR has evolved from a voluntary philanthropic concept to a structured component of corporate governance. Bowen first conceptualised CSR as the obligation of businesses to pursue policies desirable in terms of societal objectives.[5] Freeman's stakeholder theory expanded this idea by positing that companies must consider the interests of all stakeholders, not just shareholders.[6] In contrast, Friedman argued that the primary role of business is profit maximisation within legal constraints, and that social responsibilities should be pursued by individuals rather than corporations.[7] In the Indian context, mandatory CSR was introduced under Section 135 of the Companies Act, 2013, requiring qualifying companies to spend at least 2% of their average net profits on specified CSR activities.[8] Studies indicate that this legal obligation has improved CSR reporting and provided a more structured approach to corporate social engagement.[9] However, scholars also caution that compliance driven implementation may overshadow strategic and value-based CSR practices.[10]

Comparative research on CSR frameworks suggests that statutory obligations, like India's,

1 Nadia Reckmann, 'What is Corporate Social Responsibility?' (2024) <https://www.businessnewsdaily.com/4679-corporate-social-responsibility.html > accessed 16 September 2025.

2 Tim Stobierski, 'What Is Corporate Social Responsibility? 4 Types' (Harvard Business School Online 2021) < https://online.hbs.edu/blog/post/types-of-corporate-social-responsibility> accessed 16 September 2025.

3 Alejandra Adriana Montiel Justo, 'Should CSR be mandatory, voluntary or both?' (2019) < https://www.researchgate.net/publication/333161843_Should_CSR_be_mandatory_voluntary_or_both> accessed 16 September 2025

4 Arshiya Banu R, Jyotirmoy Banerjee, 'Exploring The Legal Debate On Corporate Social Responsibility: Mandatory Vs Voluntary CSR Approach' (Indian Journal of Integrated Research in Law-Vol IV Issue VI) < https://ijirl.com/wp-content/uploads/2025/01/EXPLORING-THE-LEGAL-DEBATE-ON-CORPORATE-SOCIAL-RESPONSIBILITY-MANDATORY-VS-VOLUNTARY-CSR-APPROACH.pdf > accessed 16 September 2025.

5 Howard R. Bowen, *Social Responsibilities of the Businessman* (University of Iowa Press, 1953).

6 R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman, 1984).

7 Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," *The New York Times*, September 13, 1970 < https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html>accessed 20 September 2025

8 Government of India, Companies Act, 2013, Section 135 and Schedule VII on CSR <http://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/companies-act-2013.htm > accessed 20 September 2025.

9 V. K. Chaitanya and M. Shankar, "Mandatory CSR in India: Post-adoption trends and reporting," *Journal of Business Ethics* (2021).

10 N. Gupta, "CSR after Companies Act 2013: Compliance culture vs. strategic CSR," *Indian Journal of Corporate Governance* (2020).

can enhance transparency and accountability, while voluntary systems allow greater flexibility but often lack comparability and measurable impact.[11] This study seeks to bridge that gap by investigating the legal, regulatory and practical aspects of both approaches.

Methodology

This research article follows a qualitative doctrinal analysis and a comparative approach to evaluate the CSR frameworks in India and Sri Lanka. The study analyses the legal and regulatory features of CSR largely through secondary sources such as legislative provisions, regulations, policy frameworks, academic literature and journal articles. In India, Companies Act of 2013 and its implementation receive particular attention but in Sri Lanka, the Colombo Stock Exchange's Corporate Governance Codes and company level CSR programs are prioritized. In addition, corporate reports, sustainability disclosures and selected case studies in both countries are researched to evaluate the practical aspects of the CSR.

Discussion

(i.) Concept of CSR

Although definitions of CSR vary, it is generally understood as a mechanism whereby companies take responsibility for the impacts of their decisions and practices by holding themselves to a set of ethical, social and ecological standards with the aim of contributing towards the health, welfare and sustainable development of society.[12] Further, the European Commission defines CSR as enterprises taking responsibility for their societal impacts, emphasizing that businesses must comply with laws, act ethically, and contribute to communities.[13]

It is a management concept whereby companies integrate social and environmental concerns in their businessoperations and interactions with their stakeholders.[14]

Further, it is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders.[15]

In essence, CSR is a gesture of showing the company's concern and commitment towards society's sustainability and is considered an ethical expression of a company's behaviour towards society.[16] A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.[17] Thus, it is not only about social and environmental benefit but also about the shareholders, stakeholders and company itself.

CSR encompasses four key dimensions: economic responsibilities, legal responsibilities,

11 A. Jamali et al., "Comparing Mandatory and Voluntary CSR: Insights and Challenges," *Business Ethics Quarterly* (2017).

12 Rima Hanano, 'Corporate Social Responsibility (CSR) – Prioritising Positive Societal Impact' (2023) < https://en.reset.org/corporate-social-responsibility-csr-societal-responsibility-companies/?gad_source=1&gad_campaignid=60755819&gbraid=0AAAAAD27bt- b1KjNHk1cUocxG7yyxywrr&gclid=CjwKCAjwlaTGBhANEiwAoRgXBSnh0qrfHxphxRKD_LiMS9SkcZJwZUASHoY1BASa3YE-I71r-d-6QRoCUAQQAvD_BwE > accessed 17 September 2025.

13 'Corporate Social Responsibility (CSR)' (Digital Transformation Collaborative Finance Toolkit – FactSheets by UNESCO) < https://www.unesco.org/en/dtc-finance-toolkit-factsheets/corporate-social-responsibility-csr > accessed 20 September 2025.

14 'United Nations Industrial Development Organization' (UNIDO) <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what- csr#:~:text=Corporate%20Social%20Responsibility%20is%20a,and%20interactions%20with%20their%20stake holders.> accessed 20 September 2025.

15 ibid.

16 Kanchan Damithendra, 'Corporate Social Responsibility' < https://www.casrilanka.com/casl/images/stories/EDBA/lecture%2010-csr.pdf > accessed 20 September 2025.

17 'United Nations Industrial Development Organization' (UNIDO) <https://www.unido.org/our- focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr#:~:text=Corporate%20Social%20Responsibility%20is%20a,and%20interactions%20with%20their%20stake holders.> accessed 20 September 2025.

ethical responsibilities, and discretionary (philanthropic) responsibilities.[18] In practice, CSR initiatives often involve environmental sustainability efforts, ethical labour practices, philanthropy, responsible sourcing, transparency, supply chain sustainability, and workplace diversity.[19] Most common examples of CSR are donating a percentage of profits to environmental or social causes, committing to using recycled and eco-friendly materials, sourcing fair-trade materials and ingredients, engaging in social activism or fundraising on behalf of social causes and establishing employee well-being programs that support their physical and mental health.[20]

Generally, there are two ways for businesses to implement CSR.[21] The traditional approach is that companies deliver a CSR programme, often seen as charity, which is separated from their core operations.[22] On the other hand, some scholars including Porter and Kramer argue that CSR is not successful unless mainstream companies begin reporting some aspects of CSR as being critical to the company's performance.[23] Another point is that CSR can be just a tool to raise a business's own brand image and reputation, which are core corporate motives.[24] In that sense, the concept of CSR has two main pillars. First, CSR is about the contribution towards social and environmental. Secondly, it concerns the reputation and good name of a company. Thus, the understanding of the concept of CSR can be phrased as a strategy undertaken by companies to not just grow profits, but to take an active and positive social role in the world around them.[25]

18 'Corporate Social Responsibility (CSR)' (Digital Transformation Collaborative Finance Toolkit – FactSheets by UNESCO) < https://www.unesco.org/en/dtc-finance-toolkit-factsheets/corporate-social-responsibility-csr > accessed 20 September 2025.

19 ibid.

20 'What is corporate social responsibility (CSR)?' < https://www.ibm.com/think/topics/corporate-social- responsibility > accessed 20 September 2025.

21 Masato Abe and Wanida Ruanglikhitkul, 'Developments In The Concept of Corporate Social Responsibility (CSR)' (CHAPTER II) 15 < https://www.unescap.org/sites/default/files/6%20-%20Chapter%20II_Developments%20in%20the%20concept%20of%20CSR_0.pdf > accessed 20 September 2025.

22 ibid.

23 ibid.

24 ibid.

25 Sean Michael Kerner, 'What is corporate social responsibility (CSR)?' (2024) < https://www.techtarget.com/searchcio/definition/corporate-social-responsibility-CSR> accessed 20 September 2025.

(ii.) CSR in Sri Lanka

According to one of the most frequently cited definitions, CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of European Communities, 2001).[26]

Focusing on the Sri Lankan context, privatization, the opening of Sri Lanka to foreign investment and increased domestic private investment have transformed Sri Lanka's private sector into the country's largest employer and most important source of revenue, as has occurred elsewhere around the world.[27] The way the private sector acts and performs, therefore, will have more impact on the development of the country and its people.[28] This reflects the connection between business and the social context in Sri Lanka. The importance of CSR as a recognizable activity of businesses operating in the private sector in Sri Lanka has been growing amidst skepticism of the general public towards businesses.[29] As such several non-governmental organizations and professional associations have taken steps to encourage adherence to and reporting of CSR practices through various initiatives, including the organization of CSR Awards.[30]

Further, in exploring the meaning of CSR, the liberal model by Milton Friedman, the stakeholder model by Edward Freeman, and the ethical model

26 'Promoting a European framework for Corporate Social Responsibility' (Commission Of The European Communities 2001) <https://www.europarl.europa.eu/meetdocs/committees/deve/20020122/com(2001)366_en.pdf > accessed 25 September 2025.

27 A. M. Sheham, 'Survey On Corporate Social Responsibility In Sri Lanka' p4-6 < https://www.seu.ac.lk/researchandpublications/symposium_fia/2016/SURVEY%20ON%20CORPORATE%20SOCIAL%20RESPONSIBILITY%20IN%20SRI%20LANKA%20-Sheham%20AM%20(2).pdf > accessed 25 September 2025.

28 ibid.

29 Farzana Khan, Eshani Beddewela, 'Corporate Social Responsibility Practices: A Comparative study of Local and Multinational Companies in Sri Lanka' (Sri Lankan Journal of Management Vol 13, 2008) 7 <https://pim.sjp.ac.lk/pimweb/sljm/admin/uploads/80_1681812806.pdf> accessed 25 September 2025.

30 ibid.

by Gandhi offer a framework for analysis. The liberal model seems inward oriented in that it gives primary concern to company owners. The stakeholder model includes parties who have an actual or potential interest over the state of affairs of a company. The ethical model requires genuine voluntary commitment from the firms to enhance the total well-being of society.[31] Hence it can be said that Sri Lanka is following the ethical model.

Moreover, CSR initiatives of Sri Lankan firms can be understood from two broad perspectives: a) externally focused (popular visible level) and b) the internal policy level.[32] The former includes themes that appeal to the public at large. For instance, Union Assurance, an insurance company, has been carrying out a public awareness campaign on general safety aimed at children and the company sponsored a public awareness campaign on precautions to be taken in lighting fireworks in festive seasons.[33] According to the scholars the concept of CSR is used in Sri Lanka, although it is considered as only philanthropic. This means that Sri Lankan companies, like the majority of companies in other Asian countries, regard CSR simply as being about charitable activities and providing financial assistance to various altruistic causes.[34]In other words, the most common understanding of CSR is related to sponsorship of community activities and donations to good causes, and hence most people are ignorant of the broader objectives of CSR.[35]

Further, a comprehensive survey examining the CSR perceptions and attitudes of the Sri Lankan public and businesses was carried out by a leading non-governmental organisation, International Alert, in 2004.[36] It concluded that the understanding of CSR is still at a very low level among the private sector in Sri Lanka and that although most organisations were aware of the short-term benefits arising from the practice of CSR, few were aware of the long-term benefits, including those of sustainable development (IA, 2005).[37]

Focusing on the legal framework in Sri Lanka, there is no legal provision which mandates the adoption of CSR initiatives. Sri Lanka adopts "voluntary" initiatives. However, the Code of Best Practice on Corporate Governance provides that "the organization should include an integrated approach to build a relationship with the community for sustainable development including a process for responsive community engagement, fair competition and business practices, thereby demonstrating corporate social responsibility."[38] This can be highlighted a guidance on CSR in Sri Lanka. The major aim of the development of the code of best practice was to improve corporate governance practices in Sri Lanka.[39]

Further, the Sri Lanka Accounting and Auditing Standards Board mandate that all listed companies must document their CSR contributions in their annual reports.[40] This has led to a rise in dedicated CSR reporting, often following international guidelines such as the Global Reporting Initiative (GRI).[41] Additionally, the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995 gave power to the Institute of Chartered Accountants of Sri Lanka (ICASL) to approve SLAS and SLAuS[42] for the Sri Lankan organisations.[43] This

31 H.C.Rathnasiri, 'Corporate social responsibility practices of Sri Lankan private sector : An exploratory study' (Sri Lankan Journal of Management Vol 13, 2003)<https://sljm.pim.sjp.ac.lk/admin/uploads/178_1681805745.pdf > accessed 25 September 2025.
32 ibid.
33 ibid.
34 ibid.
35 Khan (n 29).
36 ibid.
37 ibid.
38 'Code of Best Practice On Corporate Governance 2023' < https://iccslk.org/en/wp-content/uploads/2024/05/CG-Code-Publication-for-printing-2nd-proof-after-page-setup-2023-with-cover.pdf>accessed 25 September 2025.
39 K. K. Tilakasiri, 'Advantages of Corporate Social Responsibility Concept: Evidences from Sri Lanka' 188 < https://www.seu.ac.lk/researchandpublications/airc/2015/Proceedings%2022%20-%20Page%20180-194.pdf > accessed 25 September 2025.
40 'Environmental and Socially Related CSR practices in Sri Lanka: Insights from Annual Report Disclosures' 14<http://www.dr.lib.sjp.ac.lk/bitstream/handle/123456789/8511/661060530Vcat2Full%20Paper- Environmental%20and%20Socially%20Related%20CSR%20practices%20in%20Sri%20Lanka-RMIT%20GAS%202018%20Sep%20%282%29.pdf?sequence=1&isAllowed=y#:~:text=responsibility%20activities%20towards%20their%20all,is%20given%20in%20table%202.>accessed 25 September 2025.
41 ibid.
42 Sri Lanka Auditing Standards (SLAuS) and Sri Lanka Accounting Standards (SLAS).
43 Tilakasiri (n 39).

act was also in order to constitute an independent Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) to perform auditing functions.[44]

The major issue pertaining to this voluntary CSR system is lack of enforcement. Without a legislative obligation, many firms contribute inconsistently or marginally to social and environmental efforts, reducing CSR's total effect.[45] Reporting rules are often fragmented and inconsistent, making it difficult to evaluate the efficacy, openness and accountability of corporate donations. Furthermore, voluntary CSR activities frequently fail to coincide with national development goals, since businesses may select programs based on publicity or corporate interests rather than addressing critical social needs such as education, healthcare, or sustainable infrastructure.[46] As a result, while CSR exists in concept, its ability to generate real, coordinated and quantifiable development in Sri Lanka is limited.

(iii.) CSR in India

Corporate social responsibility (CSR) is an important component of business operations in India.[47] With the New Companies Act, 2013, in early April 2014, India became the first country in the world to make CSR mandatory.[48] As a result, businesses are allowed to invest all of their profits in areas such as education, gender equality, poverty and hunger, which is an important element of any CSR compliance.[49]

India's mandatory CSR initiative, established by the said Act, requires companies of a certain size to spend at least 2% of their average net profits from the previous three years on CSR activities.[50] Act compels them to engage in activities that contribute to the social, environmental, and economic development of the country.[51] The CSR mandate implemented a strategy that India hoped would help achieve sustainability goals and stakeholder activism nationally.[52]

Section 135 of the said Act provides that certain companies must mandatorily contribute a certain amount towards CSR activities.[53] More specifically, section 135 (1) stated that "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during 2 [the immediately preceding financial year] shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director".[54] Thus this provision of CSR applies to every company fulfilling any of the following conditions in the preceding financial year. Namely, (a) Net worth more than Rs.500 crore, (b) Turnover of more than Rs.1000 crore, (c) Net profit of more than Rs.5 crore.[55]

For instance, Hero MotoCorp Limited, a leading Indian company with over 100 million two-wheelers sold to date, has spent Rs. 99.72 Cr. for its CSR initiatives.[56] Out of which, they have contributed Rs. 31 Cr. for COVID relief, Rs. 13 Cr. for education, Rs. 6 Cr. for environment sustainability, Rs. 2.86 Cr. for rural development projects and Rs. 0.96 Cr. for healthcare activities. Majorly, the projects are running in North India.[57] However, challenges persist, including

44 ibid.
45 Amee Ishwarbhai Dave, 'Voluntary vs. Mandatory CSR' (IJIRMF 2017) < https://www.ijirmf.com/wp- content/uploads/IJIRMF201704056.pdf > accessed 20 September.
46 Tilakasiri (n 39).
47 Melissa Cyril, 'Corporate Social Responsibility in India' (India Briefing 2025) < https://www.india- briefing.com/news/corporate-social-responsibility-india-5511.html/ > accessed 20 September.
48 Ankit Pandey, ' Top 50 Companies in CSR Activities Funding in India'<https://csrbox.org/Impact/description/Article_full_Top-50-Companies-in-CSR-Activities-Funding-in-India_36>accessed 22 September
49 ibid.
50 'Corporate Social Responsibility (CSR)' (Digital Transformation Collaborative Finance Toolkit – FactSheets by UNESCO) < https://www.unesco.org/en/dtc-finance-toolkit-factsheets/corporate-social-responsibility-csr > accessed 20 September 2025.
51 Cyril (n 47).
52 Robert Nichols, 'India's Corporate Social Responsibility Experiment' <https://cas.lehigh.edu/articles/indias- corporate-social-responsibility-experiment > accessed 22 September.
53 Mayashree Acharya, 'Corporate Social Responsibility Under Section 135 of Companies Act 2013' (2025) <https://cleartax.in/s/corporate-social-responsibility > accessed 22 September.
54 'The Companies Act, 2013 – India' <https://www.indiacode.nic.in/bitstream/123456789/2114/5/A2013-18.pdf> accessed 22 September.
55 Acharya (n 53).
56 Pandey (n 48).
57 ibid.

varying company capacities to implement CSR effectively, a lack of government guidance, a focus on spending targets over social impact, and unequal distribution of funds across regions.[58]

Further, as per the Act, 'Corporate Social Responsibility' means and includes but is not limited to: (a)Projects or programmes relating to activities specified in Schedule VII to The Act; (b) Projects or programmes relating to those activities which are undertaken by the Board of Directors of a company in ensuring the recommendation of the CSR Committee of the Board as per declared CSR Policy along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.[59] The board of directors usually has a Corporate Social Responsibility Committee and all funds provided under the Corporate Social Responsibility programme are primarily and solely for the purpose of addressing social development issues and improving the living standards of hundreds of thousands of economically poor and disadvantaged people in our society so that they can live a dignified and productive life as well.[60] Additionally, according to Section 135, if a company fails to spend the required amount on CSR, the board must specify the reasons for not doing so in the company's annual performance and financial reports.[61]

As further initiatives, the Ministry of Corporate Affairs (MCA) has rolled out a new web- based CSR-1 registration process, from July 14, 2025, under the amended Companies (Corporate Social Responsibility Policy) Rules, 2025 and this new system replaces the earlier downloadable PDF format and introduces strict conditions for non-profit entities who want to carry out CSR activities on behalf of companies.[62] The entities must show a minimum three- year track record in similar development work unless they are set up by the company itself or by a government body but Non-governmental organizations (NGOs) or other agencies that are already holding a valid CSR Registration Number issued before July 2025 are not required to re-register.[63]

(iv.) Advantages and disadvantages of Mandatory CSR

Accordingly, considering about benefits of mandatory CSR, it strives to have a positive impact on the world through direct benefits to society, nature and the community in which a business operates.[64] Mandatory CSR requires companies to make systematic contributions to social, environmental and community development, guaranteeing that corporate earnings are translated into genuine societal benefits. One significant consequence is the promotion of social equity by allocating resources to education, healthcare, infrastructure and poverty reduction,

mandated CSR supports to close the gap between underprivileged populations and more fortunate portions of society.[65] This results in a more balanced social environment, which may indirectly promote economic stability and lessen social discontent.

From the perspective of a company, a company may experience internal benefits. With the knowledge that their company is promoting good causes, employee satisfaction may increase and staff retention may improve and the consumers may be more likely to transact with a company that's attempting to make a more conscious positive impact beyond the scope of its business.[66] Thus, it is evident that through CSR a company may achieve benefits such as increased employee satisfaction, increased customer loyalty, increased employee engagement, attract and retain top talent, enhanced brand position,

58 'Corporate Social Responsibility (CSR)' (Digital Transformation Collaborative Finance Toolkit – FactSheets by UNESCO) < https://www.unesco.org/en/dtc-finance-toolkit-factsheets/corporate-social-responsibility-csr >

59 Acharya (n 53).

60 Pandey (n 48).

61 Bhavishya Goel, 'FAQ: Corporate Social Responsibility in India'(ICNL) <https://www.icnl.org/wp- content/uploads/India-FAQ-3---Corporate-Social-Responsibility-FINAL.pdf > accessed 20 September 2025.

62 Cyril (n 47).

63 ibid.

64 Jason Fernando, 'Corporate Social Responsibility (CSR): What It Is, How It Works, and Types' (Investopedia 2025)< https://www.investopedia.com/terms/c/corp-social-responsibility.asp > accessed 20 September 2025.

65 ibid.

66 ibid.

increased revenue of the company and supports local and global communities.[67]

At the macroeconomic level, mandatory CSR may encourage local development by sponsoring community initiatives, assisting small businesses and offering job opportunities. Over time, this improves the country's socioeconomic fabric, leading to overall progress. Furthermore, required CSR guarantees that social contributions are not left to voluntary discretion, which might be inconsistent but rather institutionalizes an accountability culture and ethical corporate governance.[68] Therefore, it can be said that mandatory CSR may furnish more benefits than a voluntary CSR.

On the other hand, it is reasonable to argue that, when companies incur additional costs for CSR initiatives, these costs are ultimately passed on to both shareholders and consumers.[69] From a shareholder's perspective, mandatory CSR resembles an additional tax, since a portion of corporate profits is redistributed to society rather than shareholders.[70]

Conclusion

India pioneered the mandatory CSR framework under Section 135 of the Companies Act, 2013, requiring corporations satisfying financial conditions to spend at least 2% of their average net income on social and environmental initiatives. This legislative requirement fosters social equality, establishes an accountability culture and assures consistent contributions to national development goals such as healthcare and poverty reduction. The mandatory model helps society, nature and the community, but it may also deliver internal advantages to the organization, such as higher employee happiness and enhanced brand image. In contrast, Sri Lanka depends heavily on voluntary CSR efforts, which are directed by soft law mechanisms such as Corporate Governance Codes. This approach, which is distinguished by an ethical concept of voluntary commitment, is sometimes viewed as restricted to philanthropic and charity acts. The main flaws found in the Sri Lankan system include a lack of enforcement, fragmented and uneven reporting requirements and a failure to match business operations with national development goals. This mismatch greatly limits CSR's potential to drive meaningful, coordinated and quantitative progress in the country. This comparative examination of CSR frameworks in India and Sri Lanka shows a significant divergence between the efficacy of mandated and voluntary approaches in influencing business conduct and attaining measurable social results. Lastly, the analysis demonstrates that, while voluntary programs provide flexibility, they frequently result in inconsistent and minor contributions, diminishing the overall impact of CSR. As a result, the paper proposes that Sri Lanka consider implementing features of India's mandated CSR approach to strengthen its own framework.

Acknowledgement

I would like to express my sincere gratitude to all individuals and institutions who supported and contributed to the completion of this work. Special appreciation is extended to the academic staff, colleagues, and peers for their valuable guidance, encouragement, and assistance throughout the process.

Conflict of interest statements

I hereby declare that there is no conflict of interest regarding the publication/submission of this work.

67 'Making an Impact: The Benefits of Corporate Social Responsibility (CSR)' (Cooleaf) <https://www.cooleaf.com/guides/making-an-impact-the-benefits-of-corporate-social-responsibility-csr >accessed 20 September 2025.

68 Dinesh Ramdhony, 'The Implications of Mandatory Corporate Social Responsibility—A Literature Review Perspective' (Scientific Research Publishing Inc) <https://www.scirp.org/journal/paperinformation?paperid=82474 > accessed 20 September 2025.

69 Sang Yop Kang, ' Mandatory Corporate Social Responsibility: A Multidimensional Analysis' (2025) < https://www.ecgi.global/publications/blog/mandatory-corporate-social-responsibility-a-multidimensional- analysis > accessed 20 September 2025.

70 ibid.

References

Jamali, A. et al., 'Comparing Mandatory and Voluntary CSR: Insights and Challenges,' *Business Ethics Quarterly* (2017).

Sheham, A. M., 'Survey On Corporate Social Responsibility In Sri Lanka' p4-6 < https://www.seu.ac.lk/researchandpublications/symposium_fia/2016/SURVEY%20ON%20CORPORATE%20SOCIAL%20RESPONSIBILITY%20IN%20SRI%20LANKA%20-Sheham%20AM%20(2).pdf > accessed 25 September 2025.

Montiel Justo, A. A., 'Should CSR be mandatory, voluntary or both?' (2019) < https://www.researchgate.net/publication/333161843_Should_CSR_be_mandatory_vo luntary_or_both> accessed 16 September 2025.

Dave, A. I., 'Voluntary vs. Mandatory CSR' (IJIRMF 2017) < https://www.ijirmf.com/wp-content/uploads/IJIRMF201704056.pdf > accessed 20 September.

Pandey, A., 'Top 50 Companies in CSR Activities Funding in India' <https://csrbox.org/Impact/description/Article_full_Top-50-Companies-in-CSR- Activities-Funding-in-India_36 > accessed 22 September.

Banu, A. R., and Banerjee, J., 'Exploring The Legal Debate On Corporate Social Responsibility: Mandatory Vs Voluntary CSR Approach' (Indian Journal of Integrated Research in Law- Vol IV Issue VI) < https://ijirl.com/wp-content/uploads/2025/01/EXPLORING-THE-LEGAL-DEBATE-ON-CORPORATE-SOCIAL-RESPONSIBILITY-MANDATORY-VS-VOLUNTARY-CSR-APPROACH.pdf > accessed 16 September 2025.

Goel, B., 'FAQ: Corporate Social Responsibility in India'(ICNL) <https://www.icnl.org/wp-content/uploads/India-FAQ-3---Corporate-Social- Responsibility-FINAL.pdf > accessed 20 September 2025.

'Corporate Social Responsibility (CSR)' (Digital Transformation Collaborative Finance Toolkit – FactSheets by UNESCO) < https://www.unesco.org/en/dtc-finance- toolkit-factsheets/corporate-social-responsibility-csr > accessed 20 September 2025.

Ramdhony, D., 'The Implications of Mandatory Corporate Social Responsibility-A Literature Review Perspective' (Scientific Research Publishing Inc) < https://www.scirp.org/journal/paperinformation?paperid=82474 > accessed 20 September 2025.

'Environmental and Socially Related CSR practices in Sri Lanka: Insights from Annual Report Disclosures' <http://www.dr.lib.sjp.ac.lk/bitstream/e/123456789/8511/661060530Vcat2Full% 20PaperEnvironmental%20and%20Socially%20Related%20CSR%20practices%20in%20Sri%20LankaRMIT%20AS%202018%20Sep%20282%29.f?sequence=1&isAllowed=y#:~:text=responsibility%20activities%20towards%20their%20all,is%20g iven%20in%20table%202.> accessed 25 September 2025.

Khan, F., and Beddewela, E., 'Corporate Social Responsibility Practices: A Comparative study of Local and Multinational Companies in Sri Lanka' (Sri Lankan Journal of Management Vol 13, 2008) <https://pim.sjp.ac.lk/pimweb/sljm/admin/uploads/80_1681812806.pdf> accessed 25 September 2025.

Rathnasiri, H. C.,'Corporate social responsibility practices of Sri Lankan private sector: An exploratory study' (Sri Lankan Journal of Management Vol 13, 2003) <https://sljm.pim.sjp.ac.lk/admin/uploads/178_1681805745.pdf > accessed 25 September 2025.

Bowen, H. R., 'Social Responsibilities of the Businessman' *University of Iowa Press* (1953).

Fernando, J., 'Corporate Social Responsibility (CSR): What It Is, How It Works, and Types' (Investopedia 2025) < https://www.investopedia.com/terms/c/corp-social-responsibility.asp > accessed 20 September 2025.

Damithendra, K., 'Corporate Social Responsibility' < https://www.casrilanka.com/casl/images/stories/EDBA/lecture%2010-csr.pdf > accessed 20 September 2025.

'Making an Impact: The Benefits of Corporate Social Responsibility (CSR)' (Cooleaf) < https://www.cooleaf.com/guides/making-an-impact-the-benefits-of-corporate-social-responsibility-csr > accessed 20 September 2025.

Abe, M., and Ruanglikhitkul, W., 'Developments in the Concept of Corporate Social Responsibility (CSR)' (CHAPTER II) 15 <https://www.unescap.org/sites/default/files/6%20-%20Chapter%20II_Developments%20in%20the%20concept%20of%20CSR_0.pdf > accessed 20 September 2025.

Acharya, M., 'Corporate Social Responsibility Under Section 135 of Companies Act 2013' (2025) <https://cleartax.in/s/corporate-social-responsibility > accessed 22 September 2025.

Cyril, M., 'Corporate Social Responsibility in India' (India Briefing 2025) < https://www.india-briefing.com/news/corporate-social-responsibility-india-5511.html/ > accessed 20 September 2025.

Friedman, M., 'The Social Responsibility of Business is to Increase its Profits', *The New York Times*, September 13, 1970 < https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-

Gupta, N., 'CSR after Companies Act 2013: Compliance culture vs. strategic CSR,' *Indian Journal of Corporate Governance* (2020).

Reckmann, N., 'What is Corporate Social Responsibility?' (2024) < https://www.businessnewsdaily.com/4679-corporate-social-responsibility.html > accessed 16 September 2025.

'Promoting a European framework for Corporate Social Responsibility' (Commission of the European Communities 2001) <https://www.europarl.europa.eu/meetdocs/committees/deve/20020122/com(2001)366_en.pdf > accessed 25 September 2025.

Freeman, R. E., 'Strategic Management: A Stakeholder Approach' (1984). responsibility-of-business-is-to.html > accessed 20 September 2025.

Hanano, R., 'Corporate Social Responsibility (CSR) – Prioritising Positive Societal Impact' (2023) < https://en.reset.org/corporate-social-responsibility-csr-societal- responsibilitycompanies/?gad_source=1&gad_nid=60755819&gbraid=0AAAAAD27bt-Cjwk CAjwla TGBhANEiwAoRgXBSnh0qrfHx phxRKD_LiMS9SkcZJwZUASHoY1BASa3YE-I71r-d-6QRoCUAQQAvD_BwE > accessed 17 September 2025.

Nichols, R., 'India's Corporate Social Responsibility Experiment' <https://cas.lehigh.edu/articles/indias-corporate-social-responsibility-experiment > accessed 22 September 2025.

Kang, S. Y., ' Mandatory Corporate Social Responsibility: A Multidimensional Analysis' (2025) < https://www.ecgi.global/publications/blog/mandatory-corporate- social-responsibility-a-multidimensional-analysis > accessed 20 September 2025.

Kerner, S. M., 'What is corporate social responsibility (CSR)?' (2024) < https://www.techtarget.com/searchcio/definition/corporate-social-responsibility-CSR> accessed 20 September 2025.

'The Companies Act, 2013 – India' <https://www.indiacode.nic.in/bitstream/123456789/2114/5/A2013-18.pdf> accessed 22 September 2025.

Tilakasiri, K. K., Advantages of Corporate Social Responsibility Concept: Evidence from Sri Lanka' <https://www.seu.ac.lk/researchandpublications/airc/2015/Proceedings%2022%20-%20Page%20180-194.pdf > accessed 25 September 2025.

Stobierski, T., 'What is Corporate Social Responsibility? 4 Types' 4 Types' (Harvard Business School Online 2021) < https://online.hbs.edu/blog/post/types-of-corporate- social-responsibility> accessed 16 September 2025.

'United Nations Industrial Development Organization' (UNIDO) <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive- trade-capacities-and-corporate-responsibility/corporate-social-responsibility-mar'Code of Best Practice On Corporate Governance 2023' < https://iccslk.org/en/wp- content/uploads/2024/05/CG-Code-Publication-for-printing-2nd-proof-after-page- setup-2023-with-cover.pdf > accessed 25 September 2025.

Chaitanya, V. K., and Shankar, M., 'Mandatory CSR in India: Post-adoption trends and reporting,' *Journal of Business Ethics* (2021).

'What is corporate social responsibility (CSR)?' <https://www.ibm.com/think/topics/corporate-social-responsibility > accessed 20 September 2025.