

## A COMPARATIVE STUDY OF CSR PRACTICES IN INDIA AND DEVELOPED COUNTRIES (USA AND JAPAN)

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### **ABSTRACT:**

This article presents a secondary data–based comparative study of Corporate Social Responsibility (CSR) practices in India and two developed economies, the United States and Japan. Information is drawn from existing sources such as the Companies Act 2013, government notifications, corporate CSR and sustainability reports, and published research, without using any primary survey or fieldwork.

India is one of the few countries where CSR spending has been given a legal framework, requiring eligible companies to allocate at least 2% of their average net profits to specified social and environmental activities. As a result, CSR initiatives in India largely focus on education, health, rural development, livelihood generation, and environmental protection, often implemented through NGOs, foundations, and public–private partnerships.

In contrast, CSR in the United States and Japan is not driven by a mandatory spending percentage. In the US, CSR and ESG (Environmental, Social, and Governance) practices are shaped mainly by investor expectations, market pressure, and global reporting standards. Key priorities include climate action, sustainability, diversity and inclusion, and ethical supply chains. In Japan, CSR is rooted strongly in culture and corporate philosophy, with emphasis on product quality and safety, employee welfare, community harmony, environmental conservation, and disaster preparedness.

The study uses tables and conceptual diagrams to summarize the legal nature, drivers, focus areas, reporting styles, and stakeholder orientation of CSR in the three countries. The analysis shows that, although the legal and cultural approaches differ, all three systems recognize the responsibility of business

towards society and the environment. The paper concludes that India's law-based CSR model has widened corporate participation in development, but there is a need to strengthen impact assessment, transparency, and long-term integration of CSR with business strategy, drawing lessons from the more mature ESG and ethics-driven frameworks of the US and Japan.

**KEYWORDS:**

Corporate Social Responsibility, Comparative Study, India, USA, Japan.

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**INTRODUCTION**

Corporate Social Responsibility (CSR) has changed from a simple idea of charity to a strategic obligation for companies. Businesses use natural resources, public infrastructure, and human talent to earn profit, so society now expects them to act responsibly towards people and the environment, not just shareholders. CSR captures this broader responsibility.

This article is based on secondary data, that is, information collected from existing sources such as government documents, company CSR reports, academic articles, and credible websites. No primary surveys or field visits have been conducted. Using this secondary information, the article explains how CSR is practiced in India and compares it with CSR practices in two developed economies, the United States and Japan.

India is special because it has a legal requirement for certain companies to spend at least 2 percent of their average net profit on CSR activities. In contrast, countries like the USA and Japan largely follow a voluntary, market- and culture-driven approach. By comparing these different models, the article aims to show how law, culture, and market forces shape CSR practices, and what India can learn from developed nations to improve the impact and quality of its CSR initiatives.

## OBJECTIVES OF THE STUDY

**The main objectives of the present study are:**

1. To explain the concept and evolution of Corporate Social Responsibility using secondary sources.
2. To study the legal framework and major CSR practices in India.
3. To examine basic CSR and ESG practices in two developed countries, namely the United States and Japan.
4. To compare CSR practices in India with those in the USA and Japan on selected dimensions.

## RESEARCH METHODOLOGY

This study is based entirely on secondary data. No primary data has been collected through surveys, interviews, or field visits. Instead, information has been taken from:

- The text of the Companies Act, 2013, and related CSR rules and notifications.
- CSR reports and sustainability reports of selected companies.
- Published research papers and articles on CSR in India, the USA, and Japan.
- Government publications and credible websites providing summary data on CSR spending and trends.

The method used is descriptive and comparative. First, CSR practices in India are described with special focus on the legal framework and typical areas of spending. Next, CSR and ESG practices in the USA and Japan are outlined based on existing studies. After that, the practices of the three countries are compared on the basis of certain criteria, such as legal nature, focus areas, reporting, and drivers. Tables and simple diagrams are used to summarize the comparison. As the study is based on secondary data, its findings depend on the accuracy and completeness of the available sources. However, the method is suitable for a theoretical

and policy-oriented comparison of CSR practices across countries.

## **REVIEW OF LITERATURE**

The literature on CSR shows that the concept has evolved over several decades. Early writers treated the main duty of business as economic and legal. Later, scholars like Archie Carroll proposed a four-part model of CSR, including economic, legal, ethical, and philanthropic responsibilities. This model is often represented as a pyramid, with economic responsibility as the base and philanthropic responsibility at the top.

Global studies highlight that CSR is increasingly linked with sustainability and ESG. In developed countries, CSR is integrated with corporate strategy, brand image, risk management, and long-term value creation. Studies conducted in the United States indicate that large corporations regularly publish comprehensive CSR or sustainability reports and respond to increasing investor pressure on ESG performance.

Indian literature points out that India is a pioneer in making CSR partly mandatory through Section 135 of the Companies Act, 2013. Studies based on Indian CSR data show that most CSR funds are directed towards education, health, rural development, and environment-related projects. At the same time, some researchers raise concerns about uneven distribution of CSR funds, lack of impact assessment, and the risk of CSR becoming a compliance exercise.

Studies on Japan's CSR practices indicate that Japanese companies are strongly influenced by cultural values such as long-term commitment, group harmony, and respect for community. Literature shows that Japanese CSR places strong emphasis on product quality and safety, employee welfare, environmental protection, and local community support, often communicated through integrated reports.

Overall, the existing literature suggests that while CSR

principles are broadly similar across countries, the legal framework, cultural context, and market pressures create different patterns of CSR practice. This forms the basis for the present comparative study.

## **DATA ANALYSIS & INTERPRETATION**

### **1. CSR IN INDIA – LEGAL FRAMEWORK AND PRACTICES**

Under Section 135 of the Companies Act, 2013, companies that meet specified thresholds of net worth, turnover or net profit are required to spend at least 2% of their average net profits of the previous three years on CSR activities. Such companies must form a CSR Committee of the Board, prepare a CSR Policy, and disclose CSR details in the Annual Report. Schedule VII of the Act lists approved CSR activities such as education, health, poverty reduction, environmental protection, and rural development. Secondary data from government sources and corporate reports indicates that CSR spending in India has increased significantly after the implementation of this law. Most CSR funds are directed towards:

- Education (schools, scholarships, digital learning).
- Health (health camps, hospitals, sanitation, nutrition).
- Rural development (infrastructure, drinking water, community assets).
- Environment (tree plantation, water conservation, waste management).
- Skill development and livelihood projects.

CSR is implemented through company foundations, partnerships with NGOs and trusts, and collaboration with government schemes. However, studies also show regional concentration of CSR spending around industrial and urban areas and limited focus on impact measurement.

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## 2. CSR PRACTICES IN THE USA

In the United States, there is no law that forces companies to spend a fixed percentage of profits on CSR. CSR and ESG activities are voluntary, but they are strongly driven by:

- Institutional investors and ESG rating agencies.
- Consumer expectations and media scrutiny.
- Global standards and sustainability indexes.

**American companies focus heavily on:**

- A. Climate change and carbon reduction.
- B. Renewable energy and resource efficiency.
- C. Diversity, equity and inclusion in the workplace.
- D. Human rights and ethical supply chains.
- E. Community engagement and philanthropy.

**Large corporations publish detailed CSR or sustainability reports following frameworks such as:**

- GRI (Global Reporting Initiative),
- SASB (Sustainability Accounting Standards Board) and
- TCFD (Task Force on Climate-related Financial Disclosures).

ESG performance often influences investor decisions, making responsible behaviour a strategic necessity.

## 3. CSR PRACTICES IN JAPAN

CSR in Japan is closely linked to cultural values like long-term orientation, group harmony, and respect for community. Though there is no mandatory CSR spending percentage, Japanese companies follow strong ethical traditions and stakeholder-oriented policies.

### Key focus areas in Japanese CSR include:

- Product quality and safety for consumers.
- Employee welfare, training, and job security.
- Environmental protection, energy efficiency, and recycling.
- Disaster preparedness and disaster relief support.
- Support for local communities and schools.

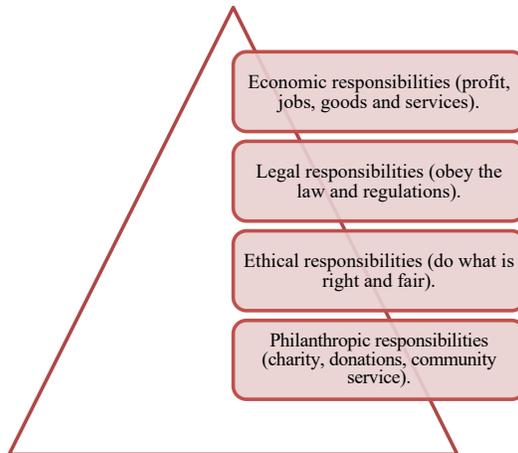
Japanese companies often publish sustainability or integrated reports. The tone of communication is generally modest, with emphasis on long-term trust rather than short-term publicity.

**TABLE 1: COMPARISON OF CSR PRACTICES IN INDIA, USA AND JAPAN**

Aspect	India	USA	Japan
<b>Legal nature of CSR</b>	Partly mandatory; Section 135 of Companies Act, 2013; eligible companies must spend at least 2% of average net profit on CSR activities.	No fixed mandatory percentage for CSR spending; CSR and ESG activities are voluntary but strongly influenced by market and investor pressure.	No mandatory percentage; CSR based upon company philosophy, ethics, and social expectations; guided by soft laws and guidelines.
<b>Main driver of CSR</b>	Law, compliance requirements, government rules.	Institutional investors, ESG ratings, consumer expectations, reputation.	Cultural values, long-term relationships, concern for community and employees.
<b>Key focus areas</b>	Education, health, rural development, livelihood, environment, women empowerment, sanitation.	Climate change, renewable energy, diversity and inclusion, ethical supply chain, community programmes.	Product quality and safety, employee welfare, environment, disaster preparedness, local community support.

<b>Implementation approach</b>	Company foundations; partnerships with NGOs; linkages with government schemes; project-based work in selected regions.	Internal policies plus external programmes; strong integration with sustainability strategy; partnerships with NGOs and global organizations.	Strong internal focus on quality, safety, employees; continuous improvement; close work with local governments and communities.
<b>Reporting pattern</b>	CSR section in Annual Report; Board CSR Committee; disclosure of amount required vs. amount spent.	Detailed CSR / ESG / Sustainability reports; use of global standards (GRI, SASB, TCFD).	Sustainability or integrated reports; emphasis on long-term value and stakeholder trust.
<b>Stakeholder focus</b>	Community, under-privileged groups, local population near plants or offices.	Investors, customers, employees, communities, regulators.	Employees, customers, suppliers, local community, future generations.

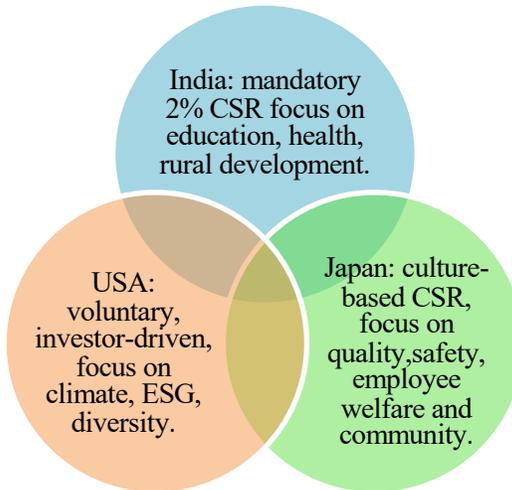
This table shows that India follows a law-based, development-oriented CSR model, while the USA and Japan rely on voluntary but structured CSR and ESG systems driven by markets and culture.



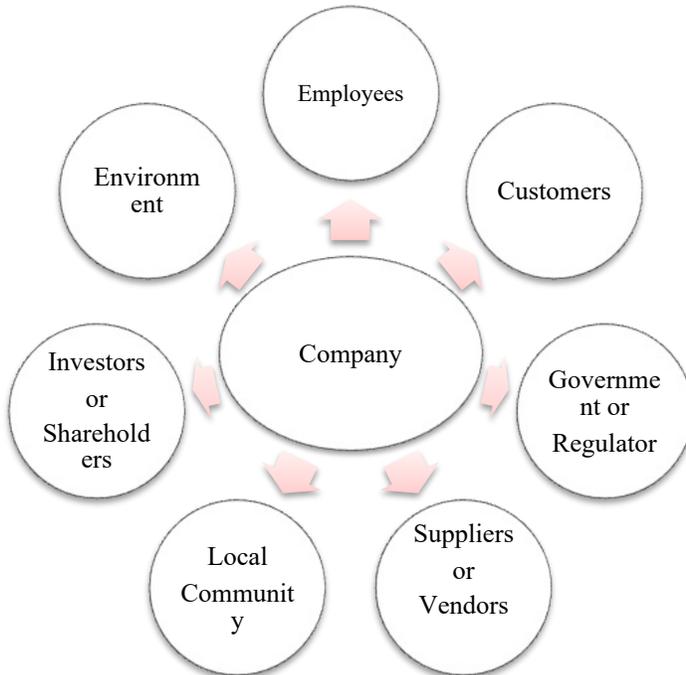
**Figure1: Pyramid of Corporate Social Responsibility (Carroll’s Model) Layers**

**From bottom to top:**

- Economic responsibilities (profit, jobs, goods and services).
- Legal responsibilities (obey the law and regulations).
- Ethical responsibilities (do what is right and fair).
- Philanthropic responsibilities (charity, donations, community service).

**Figure 2: Venn diagram – CSR in India, USA, and Japan**

- India: mandatory 2% CSR, focus on education, health, rural development.
- USA: voluntary, investor-driven, focus on climate, ESG, diversity.
- Japan: culture-based CSR, focus on quality, safety, employee welfare and community.
- Common area: environment concern, community support, social responsibility.



**Figure 3: CSR Stakeholder Map**

Shows that CSR means responsibility of Company towards all these stakeholders – (Employees, Customers, Suppliers/Vendors, Government/Regulators, Local Community, Investors/Shareholders, and Environment).

### MAJOR FINDINGS

1. India has given CSR a formal legal status by mandating 2% CSR spending for eligible companies, which has increased corporate contribution to social sectors such as education, health, and rural development.
2. CSR in the USA, though not legally mandated by percentage, is strong due to investor pressure, ESG ratings, consumer expectations, and the use of international reporting standards.
3. CSR in Japan is strongly influenced by culture and ethics, with

high emphasis on product quality, safety, employee welfare, environmental conservation, and community harmony.

4. All three countries agree that businesses have responsibilities beyond profit-making, but their approaches differ because of legal frameworks, cultural norms, and market conditions.
5. India's CSR spending is mainly external and development-focused, while the USA and Japan put more attention on internal policies, sustainability, and long-term integration of CSR with business strategy.
6. Challenges exist in each country: compliance-oriented attitude and unequal distribution of CSR funds in India, risk of greenwashing and complexity of ESG in the USA, and demographic and transparency pressures in Japan.

## **SUGGESTIONS**

1. India should move CSR beyond a mere compliance exercise and integrate it more closely with long-term business strategy and risk management.
2. Companies in India should strengthen impact assessment of CSR projects by using clear indicators, baseline data, and regular evaluation to measure real change.
3. CSR reporting in India can be improved by adopting clearer formats and, where possible, aligning with some international best practices.
4. More CSR funds should be directed towards backward and underserved regions, not only near company headquarters or plant locations.
5. India can learn from the USA's strong ESG integration and Japan's focus on quality, safety, and employee welfare as part of responsible business.
6. Partnerships between companies, NGOs, and government

agencies should be deepened to avoid duplication, scale successful projects, and ensure long-term sustainability.

## **CONCLUSION**

The study shows that CSR has become an essential part of corporate conduct in both developing and developed countries. India's legal approach has widened the base of corporate participation and increased financial resources available for social and environmental projects. At the same time, CSR in the USA and Japan illustrates how voluntary systems can become powerful when supported by investor expectations, market forces, and strong ethical traditions.

Despite different approaches, the general direction is similar: companies are increasingly expected to serve society, protect the environment, and respect stakeholders alongside earning profits. For India, the next step is to shift focus from only "how much was spent" to "what impact was created," and to integrate CSR more deeply into corporate strategy, governance, and culture, taking useful lessons from the more mature CSR and ESG practices of the USA and Japan.

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**Conflict of interest:**

The Authors have no conflict of interest to declare that they are relevant to the content of this article.

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