



INTERNATIONAL LAW
JOURNAL

**WHITE BLACK
LEGAL LAW
JOURNAL**
**ISSN: 2581-
8503**

Peer ~ Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

WWW.WHITEBLACKLEGAL.CO.IN

DISCLAIMER

No part of this publication may be reproduced or copied in any form by any means without prior written permission of Editor-in-chief of White Black Legal

– The Law Journal. The Editorial Team of White Black Legal holds the copyright to all articles contributed to this publication. The views expressed in this publication are purely personal opinions of the authors and do not reflect the views of the Editorial Team of White Black Legal. Though all efforts are made to ensure the accuracy and correctness of the information published, White Black Legal shall not be responsible for any errors caused due to oversight or otherwise.

WHITE BLACK
LEGAL

EDITORIAL TEAM

Raju Narayana Swamy (IAS) Indian Administrative Service officer



Dr. Raju Narayana Swamy popularly known as Kerala's Anti Corruption Crusader is the All India Topper of the 1991 batch of the IAS and is currently posted as Principal Secretary to the Government of Kerala . He has earned many accolades as he hit against the political-bureaucrat corruption nexus in India. Dr Swamy holds a B.Tech in Computer Science and Engineering from the IIT Madras and a Ph. D. in Cyber Law from Gujarat National Law University . He also has an LLM (Pro) (with specialization in IPR) as well as three PG Diplomas from the National Law University, Delhi- one in Urban Environmental Management and Law, another in Environmental Law and Policy and a third one in Tourism and Environmental Law. He also holds a post-graduate diploma in

professional diploma in Public Procurement from the World Bank.

Dr. R. K. Upadhyay

Dr. R. K. Upadhyay is Registrar, University of Kota (Raj.), Dr Upadhyay obtained LLB , LLM degrees from Banaras Hindu University & Phd from university of Kota.He has succesfully completed UGC sponsored M.R.P for the work in the ares of the various prisoners reforms in the state of the Rajasthan.



Senior Editor

Dr. Neha Mishra



Dr. Neha Mishra is Associate Professor & Associate Dean (Scholarships) in Jindal Global Law School, OP Jindal Global University. She was awarded both her PhD degree and Associate Professor & Associate Dean M.A.; LL.B. (University of Delhi); LL.M.; Ph.D. (NLSIU, Bangalore) LLM from National Law School of India University, Bengaluru; she did her LL.B. from Faculty of Law, Delhi University as well as M.A. and B.A. from Hindu College and DCAC from DU respectively. Neha has been a Visiting Fellow, School of Social Work, Michigan State University, 2016 and invited speaker Panelist at Global Conference, Whitney R. Harris World Law Institute, Washington University in St.Louis, 2015.

Ms. Sumiti Ahuja

Ms. Sumiti Ahuja, Assistant Professor, Faculty of Law, University of Delhi, Ms. Sumiti Ahuja completed her LL.M. from the Indian Law Institute with specialization in Criminal Law and Corporate Law, and has over nine years of teaching experience. She has done her LL.B. from the Faculty of Law, University of Delhi. She is currently pursuing Ph.D. in the area of Forensics and Law. Prior to joining the teaching profession, she has worked as Research Assistant for projects funded by different agencies of Govt. of India. She has developed various audio-video teaching modules under UGC e-PG Pathshala programme in the area of Criminology, under the aegis of an MHRD Project. Her areas of interest are Criminal Law, Law of Evidence, Interpretation of Statutes, and Clinical Legal Education.



Dr. Navtika Singh Nautiyal

Dr. Navtika Singh Nautiyal presently working as an Assistant Professor in School of law, Forensic Justice and Policy studies at National Forensic Sciences University, Gandhinagar, Gujarat. She has 9 years of Teaching and Research Experience. She has completed her Philosophy of Doctorate in 'Intercountry adoption laws from Uttranchal University, Dehradun' and LLM from Indian Law Institute, New Delhi.

Dr. Rinu Saraswat



Associate Professor at School of Law, Apex University, Jaipur,
M.A, LL.M, Ph.D,

Dr. Rinu have 5 yrs of teaching experience in renowned institutions like Jagannath University and Apex University. Participated in more than 20 national and international seminars and conferences and 5 workshops and training programmes.

Dr. Nitesh Saraswat

E.MBA, LL.M, Ph.D, PGDSAPM

Currently working as Assistant Professor at Law Centre II, Faculty of Law, University of Delhi. Dr. Nitesh have 14 years of Teaching, Administrative and research experience in Renowned Institutions like Amity University, Tata Institute of Social Sciences, Jai Narain Vyas University Jodhpur, Jagannath University and Nirma University.

More than 25 Publications in renowned National and International Journals and has authored a Text book on Cr.P.C and Juvenile Delinquency law.



Subhrajit Chanda



BBA. LL.B. (Hons.) (Amity University, Rajasthan); LL. M. (UPES, Dehradun) (Nottingham Trent University, UK); Ph.D. Candidate (G.D. Goenka University)

Subhrajit did his LL.M. in Sports Law, from Nottingham Trent University of United Kingdoms, with international scholarship provided by university; he has also completed another LL.M. in Energy Law from University of Petroleum and Energy Studies, India. He did his B.B.A.LL.B. (Hons.) focussing on International Trade Law.

ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provided dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

THE INCORPORATION OF SMALL SCALE ENTERPRISES UNDER CSR REGULATIONS

AUTHORED BY - VENMATHI. C

B.Com.LL.B(Hons.), LL.M (Business Law)

School of Excellence in Law, TNDALU

CO-AUTHORED BY - H. ASHWATH.

B.Com.LL.B(Hons.), LL.M (Taxation Law)

School of Excellence in Law, TNDALU

ABSTRACT

The Companies Act, 2013 in India mandates certain classes of companies to allocate a portion of their profits towards Corporate Social Responsibility (CSR) activities, marking a shift from voluntary to compulsory CSR practices. This legal requirement aims to ensure that businesses contribute positively to society beyond their core operations, integrating social, ethical, and environmental considerations into their business strategies. The Small-Scale Enterprises (SSEs), which form a significant portion of India's business landscape, are currently exempt from this CSR mandate. SSEs play a crucial role in the economy by generating employment, fostering entrepreneurship, and contributing to local development. Despite their economic significance, SSEs often face resource constraints that limit their capacity to engage in CSR activities voluntarily.

This research paper seeks to explore the feasibility and potential impact of extending the CSR mandate to SSEs. By including SSEs in the CSR framework, there is an opportunity to enhance their social and environmental contributions while promoting sustainable business practices. The paper aims to analyze how this inclusion could benefit SSEs by improving their reputation, competitiveness, and access to markets that value corporate responsibility.

This study will address the challenges and implications of integrating SSEs into the CSR mandate. These may include regulatory compliance issues, resource constraints, and the need for tailored CSR strategies that align with the unique characteristics and challenges faced by SSEs.

Keywords: Corporate Social Responsibility (CSR), Corporate ethics, CSR Compliance, Social Welfare, Small Scale Enterprises

1. INTRODUCTION

The Corporate companies have mostly focused primarily on profit maximization and shareholder value. But in recent decades, there has been a growing recognition of the broader impact that businesses have on their communities, the environment, and the world at large.

In recent years, Corporate Social Responsibility (CSR) has evolved from a voluntary initiative to a regulatory mandate under the Companies Act, 2013 in India. This legislative framework requires certain classes of companies to allocate a portion of their profits towards activities that benefit society and the environment. This involves a commitment to sustainable development, transparent business practices, and active participation in social welfare initiatives. Companies are increasingly expected to take responsibility for their environmental footprints, ensure fair labor practices, engage in philanthropy, and foster inclusive growth.

The Small-Scale Enterprises (SSEs), despite their significant role in economic development and employment generation, currently operate outside this CSR mandate. SSEs often face challenges such as limited resources and operational constraints, which can hinder their ability to engage in voluntary CSR practices. Recognizing the potential of SSEs to contribute to broader societal welfare, there is a growing interest in exploring the feasibility and impact of extending CSR obligations to these enterprises. This paper aims to examine the implications, challenges, and potential benefits of integrating SSEs into the CSR framework, with a focus on enhancing their social and environmental contributions while fostering sustainable business practices.

1.1 AIMS AND OBJECTIVES

- To analyse the legal framework governing the CSR in India: Companies Act 2013.
- To identify the limitations of existing CSR legal framework.
- To examine the socio-economic impact of legal CSR mandates overall development.
- To provide policy recommendations for effectiveness in promotion of CSR.

1.2 RESEARCH QUESTIONS

- How has the implementation of the Companies Act, 2013, impacted corporate social responsibility practices in India?
- What obstacles do Indian companies encounter in implementing and reporting CSR activities in accordance with legal requirements?
- How has the compulsory CSR spending requirement impacted the socio-economic development of local communities in India?
- How can the inclusion of SSEs in the CSR framework contribute to sustainable development goals and societal welfare in India?

1.3 RESEARCH METHODOLOGY

The Authors utilized the Doctrinal research methodology, which involved an extensive examination of various sources, both offline and online. These sources include books, articles, journals, magazines, Case Studies, Supreme Court and High Court cases. By employing this approach, the researcher aimed on understanding the nature of the issue at hand and identify existing statutory provisions along with their limitations and impact. The study employed a combination of historical and analytical methods, relying heavily on primarily and the secondary sources. These sources encompassed a diverse range of materials, such as bibliography, commentaries, criticisms, histories, and literary criticisms like journal articles, magazines, and case laws, which were instrumental in conducting this research.

1.4 REVIEW OF LITERATURE

The book, *“Corporate Social Responsibility in India”*¹ by *Sanjay K. Agarwal* (New Delhi: SAGE Publications, 2008) - offers a thorough exploration of CSR practices in the country, focusing on their development and current status. The book examines the legal framework, specifically the Companies Act, 2013, which mandates certain CSR obligations for select categories of companies. An in-depth analysis of these legal requirements, the challenges of compliance, and their influence on corporate conduct. Using case studies and practical examples, the book demonstrates how Indian firms have incorporated CSR into their operational strategies and the positive socio-economic outcomes that have ensued.

¹ Sanjay K. Agarwal, *“Corporate Social Responsibility in India”* (New Delhi, SAGE Publications, 2008)

The book, *“Corporate Social Responsibility in India : A Practitioner’s Perspective”*² by Nirbhay Lumde gives insights into CSR practices in India. It offers practical advice on implementing CSR projects, addressing legal mandates, and fostering sustainable results. The Author enriches the text with case studies and practical examples that showcase successful approaches to embedding CSR into corporate strategies. This book is essential reading for professionals seeking to grasp the practical nuances of CSR execution in India, emphasizing its role in promoting sustainable business practices and fostering community development.

The book *“Corporate Social Responsibility in India: Cases and Development after the Legal Mandate”*³, by Nayan Mitra and Dr. Rene Schmidpeter, offers a thorough examination of CSR practices in Indian corporations subsequent to the 2013 legal requirement mandating corporate spending of profits on CSR initiatives.

2. THE CONCEPT OF CSR

Increasing profits is no longer the sole indicator of business performance for corporations. They must now also act as responsible corporate citizens by engaging in activities that benefit society and the environment under the umbrella of Corporate Social Responsibility (CSR). Since organizations utilize resources that belong to society, they are expected to operate sustainably and allocate funds towards the preservation and sustainability of these societal resources.⁴

CSR arises from the unique sociological contexts of each era, influencing how businesses adopt more considerate and responsible behaviours. In the past, businesses conducted these activities through dedicated charities. Over time, the concept evolved into broader welfare programs and activities aligned with social responsibility. In recent decades, CSR has transformed from simple philanthropic efforts to integrating business interests with the needs of the communities they serve. By demonstrating socially, environmentally, and ethically responsible behaviour in their operations, businesses can generate value and long-term sustainability while contributing positively to societal betterment.

² Nirbhay Lumde, *“Corporate Social Responsibility in India : A Practitioner’s Perspective”* (2018)

³ Nayan Mitra and Dr. Rene Schmidpeter, *“Corporate Social Responsibility in India: Cases and Development after the Legal Mandate”* (Springer International Publishing, Switzerland, 2016)

⁴ Dash, D. (2022). “CORPORATE SOCIAL RESPONSIBILITY AND ITS SUSTAINIBILITY”. *Indian Scientific Journal of Research in Engineering and Management*, 06(06). <https://doi.org/10.55041/ijsrem14420>

CSR is a concept where companies consider not only their profitability and growth but also the interests of society and the environment, taking responsibility for the impact of their activities on these areas. CSR aims to meet societal expectations of businesses and is seen as a comprehensive set of social policies, practices, and programs integrated throughout business operations. Over the years, CSR has evolved into a strategic approach and a business opportunity to earn goodwill from stakeholders.

2.1 THE INDIAN LEGAL SCENARIO

The philosophy of giving back to society has been an integral part of Indian culture and ethos, deeply embedded in traditional Indian businesses since time immemorial. The principle of contributing to societal well-being is enshrined in our holy scriptures. India's ancient wisdom, which remains relevant today, inspires individuals and businesses to work towards the greater good of all stakeholders. Historically, Indian businesses have been socially responsible, with some business houses demonstrating their efforts in this regard in commendable ways. The foresight of Kautilya, reflected in his Arthashastra remark that *"birds flock to a tree which yields fruits"* continues to resonate within organizations today. Despite this, the culture of social responsibility needs to be further ingrained in the governance of all business entities. To integrate CSR into the core business philosophy, the Government of India has mandated that companies meeting certain thresholds in terms of turnover, net worth, or net profit must allocate at least 2% of their average net profit from the previous three years to CSR activities. This mandate broadly aligns with national priorities, including public health, education, food security, water conservation, and natural resource management.

In 2009, the Ministry of Corporate Affairs (MCA) of the Government of India issued the 'Voluntary Guidelines on Corporate Social Responsibility,' marking a significant step towards integrating the concept of business responsibility into mainstream practices. Following this, in June 2011, the United Nations Human Rights Council (UNHRC) adopted the United Nations Guiding Principles on Business and Human Rights (UNGPs), which India has endorsed. In line with this endorsement, the MCA introduced a new set of guidelines in 2011, known as the National Voluntary Guidelines on the Social, Environmental, and Economic Responsibilities of Business (NVGs). These guidelines were designed to offer businesses clear guidance on what constitutes responsible business conduct, encouraging them to adopt practices that are socially, environmentally, and economically sustainable.

With the enactment of the Companies Act, 2013, CSR became a mandatory practice in India. India is the first country in the world to mandate corporate social responsibility, following an amendment to the Companies Act in April 2014.⁵

In 2015, the Ministry of Corporate Affairs (MCA) established a High-Level Committee (HLC-2015) chaired by Shri Anil Bajjal to recommend measures for monitoring and enhancing the CSR framework. Under these regulations, businesses can invest their profits in areas such as education, poverty alleviation, gender equality, and hunger as part of their CSR compliance.

In response to the COVID-19 pandemic, the Ministry of Corporate Affairs announced that companies' expenditures on pandemic-related efforts would be considered valid CSR activities. This includes spending on healthcare promotion, preventive healthcare, sanitation, and disaster management related to COVID-19.

2.2 THE APPLICABILITY OF S. 135 OF COMPANIES ACT, 2013

Section 135⁶ of the Companies Act 2013 mandates that specific companies are required to allocate at least 2% of their average net profits from the preceding three financial years towards Corporate Social Responsibility (CSR) activities. This provision applies to companies that meet certain criteria related to net worth, turnover, or net profit. By mandating this allocation, the Act aims to ensure that businesses contribute to social, environmental, and economic development in a structured and accountable manner.

This legislative requirement encourages companies to engage in activities that promote the welfare of society and the sustainable management of resources, aligning corporate operations with broader national priorities.⁷

As per section 135 (1) of the Act, the CSR provisions will be applicable to companies which fulfil any of the following criteria during the immediately preceding financial year:

⁵ Briefing, I. (2022, October 10). Corporate Social Responsibility in India - India Briefing News. India Briefing News. <https://www.india-briefing.com/news/corporate-social-responsibility-india-5511.html/> (Last Visited on: 3rd July , 2024)

⁶ Companies Act, 2013, s.135

⁷ Kaif, M. (2023, February 28). Corporate Social Responsibility in India: Legal Framework & Recent Developments. TaxGuru. <https://taxguru.in/company-law/corporate-social-responsibility-india-legal-framework-developments.html> (Last Visited on: 3rd July , 2024)

- Net worth of Rs. 500 crore or more; or
- Turnover of Rs. 1000 crore or more; or
- Net profit of Rs. 5 crore or more

Every such company is required to constitute a CSR committee of the Board.

Rule 3(1)⁸ of CSR Rules requires compliance of CSR provisions by holding and subsidiary companies, as well as by foreign companies having branches or project offices in India, which fulfill the criteria specified under section 135(1) of the Act.

Rule 3(2)⁹ of the CSR Rules provides that every company which ceases to be a company covered under section 135(1) of the Act for three consecutive financial years, shall not be required to –

- (i) constitute a CSR Committee; and
- (ii) comply with the CSR provisions till such time it meets the criteria specified in sub-section (1) of section 135.

Schedule VII¹⁰ outlines various CSR activities that corporations can undertake, including:

- Addressing hunger, malnutrition, and poverty eradication.
- Promoting healthcare and sanitation initiatives.
- Supporting education and enhancing vocational skills for employment.
- Promoting gender equality, empowering women, and establishing facilities like old age homes and daycare centres.
- Promoting sports activities.
- Protecting and restoring historical monuments and establishing public libraries.
- Ensuring environmental sustainability, such as contributing to initiatives like the Clean Ganga Fund.
- Contributing to the Prime Minister's Relief Fund or similar funds aimed at supporting vulnerable groups such as scheduled castes, scheduled tribes, minorities, persons with disabilities, or women.
- Development of slum areas and other related community development activities.

These activities are intended to guide corporations in aligning their CSR efforts with national priorities, promoting sustainable development, and fostering inclusive growth across communities.

⁸ CSR rules , 2014, R.3 (1)

⁹ CSR rules , 2014, R.3 (2)

¹⁰ Companies Act, 2013, Schedule VII

2.3 THE CHALLENGES IN INDIA

Achieving long-term sustainability requires corporations to balance profit maximization with societal and environmental responsibilities. However, several key issues and challenges hinder the effective implementation of CSR projects:

1. **Lack of Holistic Approach:** Many companies still view CSR primarily as a means to comply with legal mandates or manage reputation, leading to a superficial engagement with CSR initiatives. This approach often results in missed opportunities for long-term benefits. Corporations may fail to recognize CSR as a strategic opportunity that can enhance bottom-line performance over time. Embracing CSR can potentially strengthen customer loyalty, attract and retain a skilled workforce prioritizing self-actualization, mitigate legal risks, reduce volatility, and enhance overall profitability.
2. **Limited community participation:** The local community shows minimal interest in engaging with and supporting corporate CSR activities. This lack of engagement is primarily due to the community's limited understanding of CSR, exacerbated by a lack of efforts to raise awareness and build confidence in these initiatives. Additionally, insufficient communication between companies and grassroots community levels exacerbates the situation.
3. **Transparency issues:** Companies can engage in CSR activities independently or through contributions to nonprofit organizations or local implementing agencies. According to a survey conducted by TNS India and IRRAD to assess CSR dynamics in India, sample companies expressed concerns about the transparency of local implementing agencies. They reported that these agencies often fail to adequately disclose information regarding their programs, audit procedures, impact assessments, and fund utilization. This lack of transparency undermines trust-building between companies and local agencies, which is crucial for the success of CSR initiatives at the grassroots level.
4. **Deficiencies in planning, execution, and implementation:** Embedding CSR as a fundamental corporate strategy demands sustained commitment and engagement across all organizational levels. A CSR initiative cannot achieve its intended impact if it encounters any of these challenges. To enhance effectiveness, CSR programs must be meticulously planned, strategically executed, and carefully implemented.
5. **Inadequate financial resources and infrastructure:** CSR initiatives typically demand significant capital investment, prompting companies to carefully assess costs and benefits. Effective planning and prioritization of investments are crucial. However, financial, operational, or

infrastructural constraints can pose challenges to the successful implementation of CSR initiatives.

6. Building local capacities is essential: There is a shortage of well-trained and efficient local non-governmental organizations, particularly in remote and rural areas, that can effectively support ongoing CSR activities initiated by companies. This significantly hampers the expansion of CSR initiatives and thereby restricts their potential impact and scope.
7. Disagreement over CSR implementation: Local agencies often lack consensus on CSR projects, leading to duplication of efforts among corporate entities in their targeted areas. This unnecessary competition among implementing agencies and corporations undermines the primary goal of CSR initiatives.¹¹

3. SMALL SCALE ENTERPRISES UNDER CSR

In India, small-scale businesses are typically not required to contribute to Corporate Social Responsibility (CSR) under the Companies Act, 2013. Due to their size, these businesses often lack the extensive budgets needed for large-scale CSR initiatives. However, social responsibility does not necessarily involve donating substantial sums of money to nonprofits or undertaking large-scale environmental projects like planting thousands of trees.

Small businesses can still embrace social responsibility through simpler, more manageable actions that can yield significant benefits. For instance, they can set up additional recycling bins, reduce waste, or switch to energy-efficient light bulbs. These modest yet impactful steps help small businesses contribute to societal and environmental well-being without requiring extensive resources.¹²

3.1 BENEFITS OF SOCIAL RESPONSIBILITY IN SMALL BUSINESS ENTERPRISES

Enhanced Brand Reputation: A strong brand image is crucial for attracting and retaining customers. In addition to providing high-quality products and services, companies that engage in CSR activities often receive favourable media coverage. This positive exposure serves as an effective form of

¹¹ Gupta, S. (2022). Corporate Social Responsibility- Issues and Challenges in India. ResearchGate. https://www.researchgate.net/publication/372420180_Corporate_Social_Responsibility-Issues_and_Challenges_in_India (Last Visited on: 6th July , 2024)

¹² Small Business Social Responsibility: Benefits, Ideas & Examples. (n.d.). <https://aspireapp.com/blog/small-business-social-responsibility> (Last Visited on: 6th July , 2024)

advertising. By gaining good press through contributing to worthy causes, businesses can shine a spotlight on their operations and elevate their public profile.

Easier Access to Finance: Investing in CSR activities can significantly enhance a company's access to financing options. Socially and environmentally responsible businesses tend to have a stronger brand image and are perceived as more trustworthy. This positive reputation can improve the likelihood of securing financing from banks and attracting investment from other financial stakeholders.

Increased Sales and Profit: Incorporating CSR into a business's unique selling proposition can lead to higher sales and profits. Socially conscious customers often prefer to purchase from companies that engage in social initiatives over those that do not. They are also typically willing to pay a premium for products or services from businesses that demonstrate a commitment to societal well-being. Moreover, many CSR activities can positively impact a company's bottom line. For example, adopting smaller packaging is environmentally friendly and can reduce packaging costs, thereby boosting profitability.

4. JUDICIAL PRECEDENT EMPASIZING CSR

***Indian Petrochemicals Corporation Ltd. v. MC Mehta*¹³**

In this landmark case, the Supreme Court of India addressed environmental pollution resulting from industrial operations. MC Mehta, a notable environmental activist, filed a public interest litigation (PIL) against Indian Petrochemicals Corporation Ltd. (IPCL), alleging that the company's industrial activities were causing significant environmental harm and pollution.

The court underscored the necessity of balancing industrial development with environmental protection. It ruled that industries must operate without causing environmental damage and must comply with environmental regulations and standards. This judgment reinforced the concept of sustainable development and emphasized the need for industries to adopt eco-friendly practices.

The case underscored the judiciary's role in enforcing environmental laws, ensuring that industrial

¹³ *Indian Petrochemicals Corporation Ltd. v. MC Mehta*, AIR 1987 SC 982

growth does not occur at the expense of environmental degradation. It set a precedent for holding companies accountable for environmental damage and highlighted the importance of corporate responsibility towards environmental sustainability.

***Union Carbide Corporation v. Union of India*¹⁴**

The Supreme Court of India addressed the aftermath of the Bhopal gas tragedy, one of the world's worst industrial disasters, caused by a gas leak at the Union Carbide India Limited (UCIL) pesticide plant in December 1984. The leak released methyl isocyanate (MIC) gas, resulting in thousands of deaths and long-term health complications for the local population.

In 1989, Union Carbide Corporation (UCC) reached a settlement with the Indian government, agreeing to pay \$470 million in compensation. However, this settlement faced criticism for its perceived inadequacy given the scale of the disaster.

In 1992, the Supreme Court of India reviewed the settlement in the case of Union Carbide Corporation v. Union of India. The Court upheld the settlement, affirming its finality and binding nature. The Court justified the settlement as providing immediate relief to victims, balancing the need for prompt compensation against the challenges of prolonged litigation.

This case underscored the difficulties in achieving justice and adequate compensation in major industrial disasters. It also highlighted the judiciary's role in addressing corporate accountability and ensuring victim compensation under legal frameworks.

***Rio Tinto plc v. Comisión Nacional de Energía (CNE)*¹⁵ (2015)**

Judgment of the Spanish Constitutional Court No. 95/2015,

The Spanish Constitutional Court ruled that Rio Tinto, a mining corporation, was obligated to engage in consultations with local communities prior to commencing mining operations. This landmark judgment emphasized the critical need to uphold the rights of indigenous communities and ensure their active participation in decisions affecting their lands and resources. The ruling underscored the

¹⁴ Union Carbide Corporation v. Union of India, 1992 AIR 248

¹⁵ Rio Tinto plc v. Comisión Nacional de Energía (CNE) (2015) Judgment of the Spanish Constitutional Court No. 95/2015

principle of community engagement and highlighted the importance of inclusive decision-making processes in natural resource management.

“The absolute liability rule is modified strict liability. This rule applies without exception and makes a person fully accountable for any mistake. Absolute liability and great retraction constitute this liability as an absolute liability.”¹⁶

Rylands v. Fletcher (1868)¹⁷

The English courts established the doctrine of strict liability regarding the escape of hazardous substances from one's property. The case arose from a situation where a reservoir constructed on the defendant's land caused flooding in a neighboring mine, despite the defendant's lack of negligence. The court ruled that the defendant was responsible for the resulting damages. This landmark ruling established the principles of the Rylands v. Fletcher doctrine, which holds individuals liable if they bring onto their land and retain anything likely to cause harm if it escapes. This doctrine has been pivotal in shaping tort law principles concerning liability for environmental damage caused by dangerous activities. The case marked a significant development in legal precedent, highlighting the responsibility of landowners to prevent harm from substances or activities under their control, irrespective of negligence.

The Supreme Court of India established absolute liability in the case **M.C. Mehta v UOI 1987 SCR (1) 819** and Bhopal Gas Leak **AIR (1989) (1)SCC 674: AIR 1992 SC 248** cases. Also, the SC extended the Rylands V. Fletcher [1868] UKHL 1 rule passed by the House of Lords of the United Kingdom on strict liability.

5. CONCLUSION

Implementing Corporate Social Responsibility (CSR) in small-scale businesses transcends mere regulatory compliance; it represents a strategic imperative and opportunity. While larger corporations often lead CSR initiatives mandated by regulations, small businesses also play a crucial role in contributing positively to society and the environment. Mandating CSR ensures that these enterprises integrate ethical practices into their operations, thereby enhancing their reputation, fostering customer

¹⁶ Bharat Parmar & Aayush Goyal, “Absolute Liability: The Rule of Strict Liability in Indian Perspective” *Manupatra*, 2020

¹⁷ Rylands v. Fletcher (1868) UKHL 1

loyalty, and promoting sustainability.

Aligning CSR activities with core values enables small businesses to build goodwill within their communities, attract socially conscious customers, and boost employee morale. Despite initial challenges such as resource constraints and operational complexities, complying with CSR mandates offers substantial long-term benefits. These include enhanced brand equity, increased resilience in competitive markets, and improved relations with stakeholders.

While CSR mandates may initially pose regulatory hurdles for small-scale businesses, they also stimulate innovation, encourage sustainable growth, and promote responsible entrepreneurship. Embracing CSR not only meets legal obligations but also cultivates a culture of ethical business conduct. This commitment not only positively impacts local communities but also contributes to broader societal well-being, reinforcing the role of small businesses as drivers of positive change in the global economy.

5.1 SUGGESTIONS

- Launch awareness campaigns and capacity-building programs tailored specifically for SSEs. These initiatives should educate SSEs about the benefits of CSR, provide guidance on compliance requirements, and offer training on implementing CSR practices effectively.
- Develop sector-specific CSR guidelines that recognize the diverse nature of SSEs. These guidelines should outline practical steps and best practices for SSEs to integrate CSR into their business operations without imposing undue burdens.
- Provide financial support mechanisms and incentives to facilitate SSEs' compliance with CSR obligations. This could include grants, tax incentives, or access to subsidized resources for implementing CSR initiatives.
- Establish a robust monitoring and evaluation framework to track SSEs' CSR activities and outcomes. This framework should include metrics to measure the social, environmental, and economic impacts of CSR initiatives undertaken by SSEs.
- Recognize the diverse capabilities and operational contexts of SSEs by promoting flexibility in CSR implementation. Allow SSEs to choose CSR activities aligned with their core competencies, local needs, and stakeholder expectations.

- Ensure alignment of government policies and regulations with the inclusion of SSEs in the CSR mandate. Policy frameworks should be supportive and conducive to SSEs' participation in CSR while addressing regulatory compliance challenges.
- Enhance SSEs' organizational capacity through training programs in CSR strategy development, stakeholder engagement, impact assessment, and reporting. Equip SSEs with the necessary skills and resources to manage CSR initiatives effectively.

