

Corporate Social Responsibility and Legal Mandate: A Systematic Literature Review *

[English version]

La responsabilidad social empresarial y el mandato
legal: un análisis sistemático de la literatura

Responsabilidade social corporativa e mandatos
legais: uma revisão sistemática da literatura

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Abstract

Objective: The growing demand for ethical behavior in businesses by stakeholders has been addressed through Corporate Social Responsibility (CSR). Normatively, CSR is practiced under hard law or soft law, which incentivizes social responsibility without requiring legislation. Recently, several countries have enacted laws on CSR, traditionally voluntary, although the literature shows academic skepticism about the effectiveness of mandatory laws due to contextual and axiological differences in CSR practice. **Methodology:** A systematic literature review of 148 scientific documents was conducted to discuss whether CSR should be understood as a legal mandate or voluntary action. **Results:** A relationship is evident between mandatory non-financial reporting and legitimacy, control, corporate performance, and innovation. Additionally, arguments are made in favor of maintaining CSR as a moral obligation rather than a legal requirement. **Conclusions:** The main findings indicate that companies should reconcile their interests with those of their stakeholders based on axiological principles that transcend legal mandates. This document has academic, business, and legal implications, providing insights for reconciling axiological and legal considerations.

Keywords: corporate social responsibility; voluntary; law; mandatory; reporting (obtained from UNESCO thesaurus).

Resumen

Objetivo: la creciente demanda de comportamiento ético en las empresas por parte de los stakeholders ha sido respondida mediante la responsabilidad social empresarial (RSE). Normativamente, la RSE se ejerce bajo leyes duras (hard law) o leyes blandas (soft law), que incentivan la responsabilidad social sin necesidad de legislación. Recientemente, varios países han legislado sobre la RSE, tradicionalmente voluntaria, aunque la literatura muestra escepticismo académico sobre la efectividad de las leyes obligatorias, debido a diferencias contextuales y axiológicas en el ejercicio de la RSE. **Metodología:** se ha desarrollado un análisis sistemático de la literatura a 148 documentos científicos sobre la discusión si la RSE debe ser entendida como mandato legal o actuación voluntaria. **Resultados:** se evidencia una relación entre el reporte no financiero obligatorio y la legitimidad, control, desempeño corporativo e innovación. Asimismo, se argumenta a favor de mantener el carácter voluntario de la RSE como obligación moral. **Conclusiones:** los principales resultados muestran que las empresas deben conciliar sus intereses con los de sus stakeholders con una base axiológica que trascienda el mandato legal. Este documento tiene implicaciones

académicas, empresariales y legales, que proporcionan elementos de juicio para conciliar lo axiológico con lo jurídico.

Palabras clave: responsabilidad social empresarial; voluntario; ley; obligatorio; informe (obtenidos del tesoro Unesco).

Resumo

Objetivo: a crescente demanda por comportamento ético nas empresas por parte dos stakeholders tem sido atendida por meio da responsabilidade social empresarial (RSE). Normativamente, a RSE é exercida sob leis rígidas (hard law) ou leis flexíveis (soft law), que incentivam a responsabilidade social sem necessidade de legislação. Recentemente, vários países legislaram sobre a RSE, tradicionalmente voluntária, embora a literatura mostre ceticismo acadêmico sobre a eficácia das leis obrigatórias, devido a diferenças contextuais e axiológicas na prática da RSE. **Metodologia:** foi desenvolvido um análise sistemática da literatura de 148 documentos científicos sobre a discussão se a RSE deve ser entendida como mandato legal ou ação voluntária. **Resultados:** evidenciou-se uma relação entre o relatório não financeiro obrigatório e a legitimidade, controle, desempenho corporativo e inovação. Além disso, argumenta-se a favor da manutenção do caráter voluntário da RSE como uma obrigação moral. **Conclusões:** os principais resultados mostram que as empresas devem conciliar seus interesses com os de seus stakeholders com uma base axiológica que transcenda o mandato legal. Este documento tem implicações acadêmicas, empresariais e legais, fornecendo elementos de julgamento para conciliar o axiológico com o jurídico.

Palavras-chave: responsabilidade social empresarial; voluntário; lei; obrigatório; relatório (obtidos do tesoro Unesco).

Introduction

Business ethics become crucial when profit pursuit negatively impacts society, the environment, and the company (Cheruvalath, 2017). Stakeholders demand companies to integrate socially responsible activities into their value propositions (Muniz et al., 2019) and avoid diverting funds towards activities without social benefit (Koya & Roper, 2020). Thus, companies have adopted corporate social responsibility (CSR) as a voluntary strategy that supports sustainable development (Krichewsky, 2017), and is based on corporate values like democracy, equality, solidarity, and community concern (Brzeska & Jędrzejewski, 2021), that goes beyond legal compliance (Lin, 2020).

In recent years, CSR has shifted in two major approaches. Firstly, it has expanded its reach from local to an international field, as corporations from industrialized countries have suppliers in emerging economies, facing several demands from stakeholders. Secondly, the government has become more involved in CSR through mandatory regulation with hard laws (Knudsen, 2018; Berger-Walliser & Scott, 2018) or promoting soft laws that encourage social responsibility without depending on legislation (Knudsen, 2018).

Social and environmental responsibilities have shifted from being optional to mandatory for many organizations (Baah et al., 2021). Progressive legislators and academics are increasingly demanding a legal mandate for corporate social responsibility (CSR) from companies (Kim, 2021), as they understand 'mandate', according to the jurist Francesco Carnelutti, as an indicator of a behavior that must be followed: "[...] do this, do not do that" (Mejía & Turizo, 2020).

Literature suggests that legality plays an important role in the impact on CSR processes and outcomes (Cosma et al., 2021), as well as in environmental issues (Baah et al., 2021). Regulatory initiatives correspond to relatively recent legal developments compared to CSR traditional voluntary approach. For example, mandatory sustainability reporting began in the 2000s (Fitriasari & Kawahara, 2018; Jain et al., 2017).

For several authors, the advantages of legal mandate for CSR practices are evident, like brand positioning (Sarkar et al., 2021), financial performance (Garg et al., 2021; Bag & Omrane, 2020; Mukherjee et al., 2018), corporate reputation, and customer satisfaction and loyalty (Islam et al., 2021; Barauskaite & Streimikiene, 2021). Although the transparency of mandatory non-financial reporting may be competitive for some companies, especially small ones, it is a burdensome practice (Kinderman, 2020; Yan, 2019).

Thus, the discussion turns around whether the legal regulation of corporate behavior effectively governs and moderates that behavior (Chiu, 2019). In fact,

a controversial topic relates to the change in CSR legal status, that is, voluntary versus mandatory nature of the concept (Gatti et al., 2019; Corrigan, 2019).

For the well-known jurist Francesco Carnelutti, law is not the same as justice: there is a relationship of means to an end between them; law is the means, justice is the end. People find peace (beyond treaties) when there is order within themselves and around them. Justice is conformity with the order of the universe (Mejía & Turizo, 2020).

As Vieira (2010) explained, while the law is hard because it is law (*Dura Lex - Sed Lex*: the first main principle of Roman Law), it is also true that applying objective law literally does not always necessarily lead to justice, as warned by its second fundamental principle: much law, much injustice (*Summum ius, summa iniuria*). This grants effectiveness and recognition to subjective and natural rights.

Similarly, Vieira (2010), the voluntary nature of CSR places the discipline within the subjective or natural realm, in the same intrinsic dynamic of businesses to maximize profits in a fair, equitable, moral, and sustainable environment. When the law comes into play, while it destroys the "naturalness" of its environment features, it is also true that it can "guarantee" them. There lies the dichotomy.

The well-known Francesco Carnelutti (Mejía & Turizo, 2020) claimed that although the law is fair for a wide majority of cases grouped in one category, legal academics have observed that the law ultimately produces unfair results in both situations. For Jackson et al. (2020) if the regulation related to disclosure of non-financial reporting leads to more policies and implementation efforts, it does not necessarily mean that outcomes improved.

There is still skepticism and caution among academics regarding the effectiveness of this regulation (Caputo et al., 2019; Lin, 2020; Tang & Demeritt, 2018). Literature states inconclusive positions on whether companies should be required to report, take actions, and or invest in CSR (41% of papers), maintain such behaviors voluntarily (45%), or adopt a neutral position (15%).

According to Knudsen (2018), legal context varies between countries, as socially responsible behavior may be voluntary in one place but not in another. Some opinions hold that proposals to legislate CSR should depend on existing legal rules in values and corporate law (Huang & Yue, 2017).

Literature lacks detailed empirical data to identify relationships between institutional issues (mandatory, normative, and specific) and non-financial reporting in developing countries (Dagilienė & Nedzinskienė, 2018). CSR mandatory disclosure in these countries is poorly studied (Ramananda & Atahau, 2019).

It becomes evident that there is a need to review the relevant and updated literature on the main perspectives about the debate on CSR as a legal mandate, and to analyze the main arguments for considering CSR to be legally mandatory or voluntary for companies.

Methodology

This paper is based on a systematic literature review, useful for processing large volumes of papers on a specific topic and guiding future research (Al-Tabbaa et al., 2019). There are four steps in the review process: Identification of the review question, definition of the first sample, selection of the final sample, extraction and synthesis of data. These steps are combined with the PRISMA approach by Moher et al. (2015), for clarify and transparency in systematic reviews in four phases: identification, screening, eligibility, and inclusion. The methodological phases are described as follow:

(i) The Initial Review Question

Recent literature has highlighted some challenges and gaps about the relationship between CSR and its compliance mandatory or voluntary. What are the main perspectives in recent literature about the debate on CSR as a legal or voluntary mandate? What are the main arguments for or against, the main advantages and disadvantages, of considering CSR (Corporate Social Responsibility) as legally mandatory or voluntary for companies?

(ii) Definition of Initial Sample

The authors followed the PRISMA approach proposed by Moher et al. (2015) in four stages: Identification, screening, eligibility, and inclusion. The last two take place in the "selection of the final sample."

Identification: The literature has recently focused on the relationship between CSR and law, with a notable increase in academic production since 2017 based on search results. Therefore, papers from that year were selected from Scopus and Web of Science (WoS) databases which are considered relevant for systematic reviews in social fields (Pérez-Escoda, 2017).

Additionally, supplementary files were included in the sample to reinforce and clarify the theoretical background and discussion surrounding the topic, as none of the papers from the search explicitly addressed topics like legal hermeneutics and own definitions of the theoretical framework (17 papers).

Screening: the combinations of keyword search were established in WoS and Scopus databases: "corporate social responsibility," "mandatory," "obligatory," "law," and "voluntary." 273 articles were selected, and duplicate papers were excluded for a total of 262.

(iii) Selection of the Final Sample

For the selection of the final sample, the authors carried out the stages of "Eligibility" and "Inclusion," according to Moher et al. (2015). After iterative discussions among the authors, four questions were defined as criteria for inclusion/exclusion:

- Does the paper explore whether or not CSR should be required by law?
- Does the paper analyze advantages or disadvantages, pros and cons of CSR as legally mandatory and/or voluntary?
- Does the paper expose empirical evidence and/or theoretical approaches to address the discussion on whether CSR should be legally mandatory and/or voluntary?

The authors independently analyzed titles, abstracts, and, in special cases, the full text of several papers, and applied inclusion and exclusion criteria. Out of 262 papers, 114 were excluded for not meeting inclusion and exclusion criteria. 66 did not respond to inclusion questions, as they addressed CSR in different contexts (*e.g.*, USR, circular economy, CSR committees, CSR reporting, successful cases, industry 4.0, donations, teaching ethics, global warming, relationship with reputation, loyalty, financial and environmental performance, strategic planning, and innovation), without considering whether CSR should be mandatory or voluntary.

47 papers that analyzed disciplines other than CSR and/or their legal/mandatory nature (*e.g.*, staff training, biomaterials, construction, occupational health, communications, retirement, blood supply, agency theory, animal cruelty, gambling, pandemic, IFRS, legal ontology, biofuels, theological voluntarism) were excluded. Finally, 148 papers were selected, along with 17 additional ones to provide context and theoretical accuracy. PRISMA flow (figure 1), serves as a graphic of identification, screening, eligibility, and inclusion process for this paper.

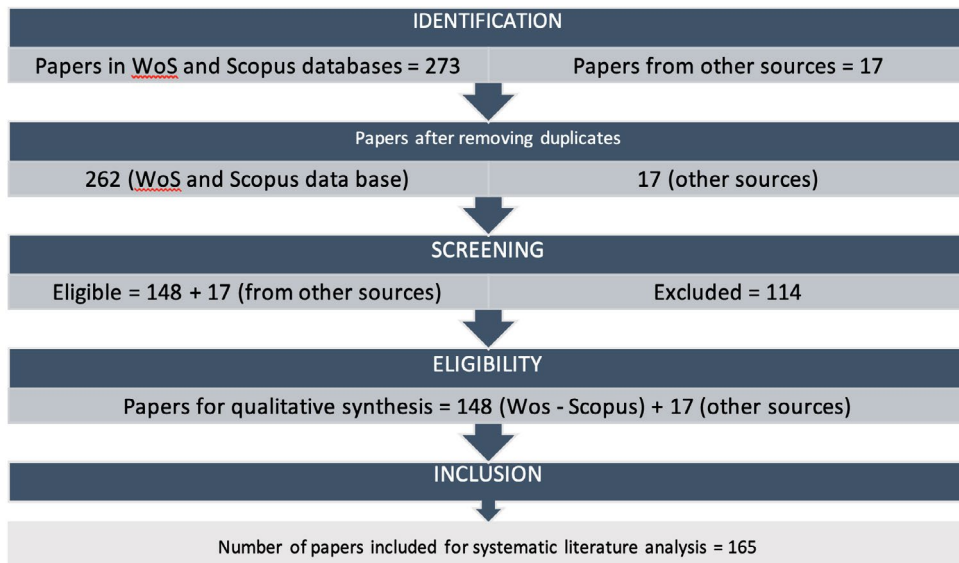


Figure 1. PRISMA Flow.

Source: Authors based on Moher et al. (2015).

(iv) Extraction and Synthesis of Information

For the extraction and synthesis of information, an analytical reading was conducted to identify relevant arguments, ideas, and/or citations to answer the established questions. This analysis aimed to answer these questions: What is the research about? What is the main goal? What are the main results? What are the main arguments for or against establishing a CSR legally mandatory and/or voluntary?

Then, the theoretical background was established. Each paper was classified into approaches from their respective content analyses. Work perspectives and their sub-perspectives were presented as follows:

The first is called "Mandatory/Voluntary Disclosure of CSR" (90 papers), with two sub-perspectives related to recommending, supporting, or agreeing that companies should prepare a mandatory CSR report (40 papers); or, on the contrary, with voluntary reporting through an argumentative analysis of advantages or disadvantages that support that position (41 papers); or, alternatively, a clearly neutral stance (9 papers).

The second is called "Mandatory or Voluntary CSR Actions and Investments" (58 papers), with two sub-perspectives related to recommending, supporting, or agreeing that companies should undertake mandatory CSR actions and/or investments (20 papers); or that such actions and/or investments should be voluntary, through an argumentative analysis of advantages or disadvantages that support this position (25 papers); or a clearly neutral stance (13 papers).

Results. Perspectives on Mandatory/Voluntary Nature of CSR

Conceptual and Legal Reference. CSR and Law

Globalization and business growth have led to a greater call for corporations to take responsibility for their environmental and social impacts and increase transparency about non-financial risks (Berger-Walliser & Scott, 2018). CSR is a way to incorporate ethical behaviors into business and can be used to increase profits and ensure corporate growth as long as it fulfills responsibilities towards employees, community, and ecological system (Cheruvath, 2017). Several authors state that CSR and its mandatory reporting positively influence financial performance (Baah et al., 2021).

Although its meaning is unclear (Gatti et al., 2019), "CSR" is an evolving concept with roots in human civilization. Based on charity and human drive to share and care, CSR is currently known as 'corporate citizenship,' 'triple bottom line,' 'corporate consciousness,' and 'business sustainability' (Padhi et al., 2018). It is also related concepts like "accountability" (La Torre et al., 2020), "deontology," "charity," "philanthropy" (Padhi et al., 2018), "circular economy" (Fortunati et al., 2020), "customer loyalty" (Islam et al., 2021), "business strategy" (Jha & Aggrawal, 2019), and "university social responsibility" (Ali et al., 2021).

"CSR" concept as well as its pragmatism, has traditionally been approached with a voluntary character (Gatti et al., 2019; Yan, 2019). However, the idea has been advocated that it should be legally mandatory, whether through hard laws (Knudsen, 2018; Berger-Walliser & Scott, 2018; Kim, 2021) or soft laws (Knudsen, 2018), this approach is relatively recent (Fitriasari & Kawahara, 2018; Jain et al., 2017).

Several countries have adopted laws to promote CSR through the disclosure of non-financial reporting and encouragement of responsible behaviors.

In India, Section 135 of The Companies Act 2013 requires organizations that meet certain criteria to spend at least 2% of their average net profits from the last 3 years on CSR and report their activities annually (Bag & Omrane, 2020).

The European Union Directive 2014/95/EU aims to promote CSR by requiring the disclosure of non-financial reporting on environmental sustainability, social issues, human rights, and diversity policies (Hombach & Sellhorn, 2019).

Indonesia implemented a mandatory CSR approach in 2007, with legal regulations on environmental conservation and waste management (Fitriasari & Kawahara, 2018).

In Japan, Law No. 77 of 2004 demands companies to prepare and publish annual environmental reporting (Fitriasari & Kawahara, 2018).

In China, Review 2014 by China Securities Regulatory Commission establishes rules for information dissemination by listed companies (Huang & Yue, 2017).

In South Africa, the King III Code of 1993, promoted by the Institute of Directors, demands listed companies on Johannesburg Stock Exchange to prepare integrated reporting on finance and sustainability (Barth et al., 2017; du Toit et al., 2017).

Yan (2019) identifies three main forms of hard law approach in CSR: mandatory laws to promote responsible behavior, minimum standards for business behavior, and mandatory disclosure of CSR issues.

The stated approach in this paper aligns with the previous author regarding two main groups of approaches: CSR mandatory/voluntary disclosure, and socially responsible behaviors (actions and investments) of a mandatory/voluntary nature.

Mandatory / Voluntary Disclosure of CSR

With the modern coverage of information and communication technologies, a company that receives higher levels of media coverage finds itself in the spotlight and, therefore, experiences an incentive and need to publish reporting to highlight its strengths (Shabana et al., 2017).

CSR has become an interesting excuse for organizations to disclose their non-financial information. It helps to reduce information asymmetry (Lu et al., 2018) of greater transparency and accountability (Yan, 2019). Indeed, the legal obligation, in some cases, is associated with a greater quantity and quality of CSR reporting (Mio et al., 2020).

However, there is a price for these transparency initiatives. For example, companies that wide disclose their emissions (*e.g.*, greenhouse gases) in response to financial incentives, social pressure, and/or regulatory compulsion (Tang & Demeritt, 2018), may find that their stock value is similarly diminished (Oware

& Mallikarjunappa, 2020), despite evidence that regulation drives the reduction of such emissions (Saha et al., 2021), and that the cost of social capital increases (Gerged et al., 2021). It can be considered as a disincentive for disclosing non-financial reporting (Huang & Yue, 2017), that is why, lawmakers have relied on lack of voluntary disclosure to justify regulatory intervention (Hombach & Sellhorn, 2019).

Advantages Associated with Mandatory CSR Reporting.

Based on literature review, various advantages associated with mandatory reporting of CSR can be observed. In general, the inclusion of information about CSR in financial reporting can have effects on organizational performance (Christensen et al., 2017). The findings show an association between CSR reporting and improvements in legitimacy, control, corporate performance, and innovation.

From the perspective of social legitimacy, voluntary reporting does not include penalties for false statements or undeclared data, it can undermine the reliability of reported information (Fitriasari & Kawahara, 2018). It is known in Roman law as *lex imperfecta*, a law that does not carry a penalty in case of violation (Gatti et al., 2019).

Voluntary corporate responsibility may not be able to keep up with the intensity and level of social demands, not to mention that the incentives driving corporations often differ from social expectations (Chiu, 2017). The desire for legitimacy from stakeholders, associated with mandatory regulation, influences environmental and social responsibility and financial performance (Baah et al., 2021).

A main problem in corporate law regarding CSR reporting is whether executives should be accountable only to shareholders or also to other stakeholders. Even more, while it is expected that senior executives, in their role as agents of a corporation, should work almost exclusively for the "principals" (Huang & Yue, 2017), it is true that boards of directors are not necessarily forced to maximize shareholder value (Yan, 2019).

According to Lipton (2020), reporting only to shareholders can be beneficial for large companies with a high social impact, but operating out of public eye can have significant negative effects on employees, customers, and competitors. The lack of transparency makes it difficult to understand social and industrial overview and, therefore, to improve services for communities. A minimum regulatory intervention is necessary (Jain et al., 2017) along with an ethical commitment from companies (Berger-Walliser & Scott, 2018) and top management (Koya & Roper, 2020) to balance their interests with those of society.

Large companies face more pressure to meet social expectations than smaller ones (Shabana et al., 2017). The mandatory nature of CSR not only increases reports volume (Carini et al., 2018), it also provides stakeholders with accessible and useful information for their decisions (Hombach & Sellhorn, 2019; du Toit et al., 2017).

Even organizations that had not experienced negative events have seen the usefulness of publishing CSR reports as a defense against negative public perceptions (Shabana et al., 2017). For some authors, the mandatory reporting of CSR enhances transparency (Nair et al., 2019; Aureli et al., 2020; Hombach & Sellhorn, 2019; Caputo et al., 2021).

Business executives are noticing that failing to report their CSR has regulatory sanction implications (Shabana et al., 2017), this is why CSR reports have increased and improved in content and quality (Arraiano & Hategan, 2019). The requirement for reports allows companies to determine the structure and content of information to be disclosed (Fitriasari & Kawahara, 2018). These improvements are associated with a higher company value, increased liquidity, better investment efficiency (Barth et al., 2017), greater social capital (De Luca et al., 2020), a reduction in information asymmetries (Wang et al., 2018), and, in general, better social performance (Kinderman, 2020).

Mandatory regulation can also be seen as an effective mechanism of control. Mandatory disclosure of CSR improves the monitoring of companies in China, especially when they have had serious agency problems (Liu & Tian, 2021) and contributes to enhancing internal control. Jackson et al. (2020) conducted an analysis of OECD member nations and found a relation of non-financial reporting associated with strict minimum criteria. Likewise, it is related to better quality in sustainability (Dilling & Harris, 2018) and financial reporting (Wang et al., 2018; Ahenkan et al., 2018).

Regulation can also be seen as a driver of better corporate performance and innovation. This is expressed by several authors like Nair and Bhattacharyya (2019), who argue that mandatory reporting constitutes a factor of competitive advantage (in the case of Indian companies), and, in some cases, it leads to better organizational performance (Kundu, 2017).

Some papers included in this review argue that mandatory disclosure of CSR reporting is associated with improvements in economic, financial, business sustainability, and market indicators, a better risk rating (Garg et al., 2021); greater social capital (De Luca et al., 2020); improved return and investment efficiency (Liu & Tian, 2021); a realignment of capital markets with sustainability principles (Esty & Karpilow, 2019); enhancement of stock liquidity and price efficiency (Ji et al., 2019); increased organizational value in the market (Xu et al., 2020); lower corporate bond costs (Gong et al., 2018); improvement of corporate sustainability

(Brzeska & Jędrzejewski, 2021); greater environmental responsibility (Liu et al., 2021); enhancement of institutional image (Shabana et al., 2017); increased transparency and promotion of stakeholder participation (Aureli et al., 2020); and a greater trust (Mio et al., 2020) and value for shareholders (Juniarti, 2021).

Disadvantages associated with mandatory CSR reporting.

Several papers included in this review describe some factors that have negatively influenced in CSR reporting practice in public and private companies. Some of them are the lack of collaboration or even counterproductive nature of non-financial information and financial performance —stakeholder or market— (Phan et al., 2020), and the lack of awareness regarding accountability and absence of regulatory disciplinary frameworks (Andrades et al., 2019); or simply the lack of corporate maturity to take on the responsibility of comprehensively reporting their CSR (du Toit et al., 2017).

For some authors, the disadvantages of mandatory reporting include a decrease in investment efficiency and organizational performance. Contrary to what was mentioned before mandatory CSR disclosure may be associated with negative outcomes in organizational performance like poorer financial performance (Oware et al., 2021). Chen et al. (2018), Fahad & Busru (2021) and Lu et al. (2021) argue that companies with mandatory CSR reporting often experience a decline in profitability for disclosure of low environmental and social scores that create negative externalities for shareholders. The agreement of interests of shareholders with both parties is complicated (Huang & Yue, 2017).

It is also argued that mandatory reporting significantly reduces payments (Ni & Zhang, 2019) and, in certain cases, it is associated with an increased risk of stock price loss (Huang & Yue, 2017; Manchiraju & Rajgopal, 2017). Harper (2018) states that the current disclosure of corporate sustainability is inadequate for investment analysis. There is a trend towards greenwashing (Tang & Demeritt, 2018), a decrease in information about environmental performance (Sharma & Verma, 2021), and an inefficiency in reducing human rights abuses (Chilton & Sarfaty, 2016).

In contrast, voluntariness can stimulate CSR reporting and is associated with better organizational performance. Several researches show that voluntariness is related to positive perceptions of stakeholders in organizational legitimacy (Fallan & Fallan, 2019), corporate citizenship (Corrigan, 2019), credibility of sustainability documents (Loza, 2020), reduction of information asymmetries (Cortesi & Vena, 2019), brand loyalty (Muniz et al., 2019), value for shareholders

(Manchiraju & Rajgopal, 2017), better environmental indices (Barbosa et al., 2021), and quality of non-financial reporting (Zhang & Chen, 2019).

Mandatory/Voluntary Shares and Investments in CSR

Some governments have started to implement laws to ensure the mandatory disclosure of CSR to adopt responsible practices on their own or under pressure of their stakeholders (Chilton & Sarfaty, 2016), and to improve the efficiency of their CSR investments. According to Makosa et al. (2020) legal pressure acts more as a stimulating inertia than as a strictly positive or negative effect.

Companies in countries with mandatory CSR disclosure engage in more CSR activities (Jackson et al., 2020) and demonstrate a greater commitment to Sustainable Development Goals (Mishra, 2021). They also promote commitment of senior management and boards of directors (Subramaniam et al., 2017). CSR mandatory report not only encourages organizations to engage in socially responsible behaviors, but it also strengthens the arguments for world leaders to take on environmental responsibilities (Mishra, 2021). Some laws, such as in India, explicitly regulate investment and CSR shares. For example, Smriti and Das (2021) find that the mandatory presence of women in corporate governance positions is positively associated with company profitability.

Several authors demonstrate positive impacts of mandatory spending on CSR on financial performance (Oware & Mallikarjunappa, 2020; Bag & Omrane, 2020), asset performance and cash flow (Bhattacharyya & Rahman, 2019), company value (Sharma & Verma, 2021), cash levels (Jadiyappa et al., 2021), and R&D intensity through environmentally sustainable practices (Banerjee & Gupta, 2019).

However, while for approximately half of reviewed authors both legal disclosure and socially responsible activities offer economic, social, and environmental benefits, the other half believes that these advantages are primarily due to the voluntary nature of CSR.

This could respond to a lower managerial commitment when forced to implement CSR practices (Guo & Shen, 2019), especially if top management has a significant equity stake (Ahenkan et al., 2018). Cosma et al. (2021) state that stakeholder participation in CSR depends more on the characteristics of board directors than on mandatory CSR.

Mandatory regulation does not prevent socially irresponsible behaviors (Jackson et al., 2020) nor does it guarantee a positive change in organizational culture (Koya & Roper, 2020). For example, mandatory transparency can lead executives to act according to preferences of their key stakeholders (Hombach

& Sellhorn, 2019). Changing laws and policies does not necessarily eliminate harmful behaviors for society or businesses (Koya & Roper, 2020).

An ethical manager makes decisions based on moral rules to do what is right even if it is not the most profitable, such as refusing to lie to a customer, even if it means losing a sale (Mapletoft, 2021).

Government regulation often imposes stricter minimum standards, but it can be rigid due to its "one-size-fits-all" approach (Jackson et al., 2020). This approach can cause problems by treating all companies the same way, it ignores their specific characteristics (Jain et al., 2017). For example, an environment of mandatory CSR in bureaucratic public companies can threaten outsourced CSR projects (Subramaniam et al., 2019).

At a global level, EU legislation has shown a complex and fragmented evolution with adverse effects like low efficiency in CSR (MacGregor & MacGregor, 2020), limited corporate governance (Chiu, 2019), and a decrease in investment in CSR (Makosa et al., 2020). Furthermore, the identification of long-term effects and evaluation of effectiveness of social investments is complicated (Zaytsev, 2019).

Critical literature highlights the inefficiency of investment in CSR under legal mandate. In India, CSR mandatory investment under Section 135 of the Indian Companies Act 2013 has shown negative results. The legislation has disappointed some authors (Mukherjee et al., 2018), it showed a negative impact on profitability (Bhattacharyya & Rahman, 2020) and limited environmental performance (Prasad et al., 2019). Furthermore, spending on CSR has not been linked to financial inclusion (Bhattacharyya et al., 2021), and a reduction in overall CSR spending has been observed (Mukherjee et al., 2018), and funding for low-impact actions (Jain et al., 2021).

It can be stated that CSR mandatory is not "the" determinant of social investment. For some authors, investment depends more on specific characteristics of the company like size, economic sector, balance level, and cash flow from operations (Bhattacharyya & Rahman, 2019) or the maturity of its life cycle (Trihermanto & Nainggolan, 2018).

Discussion

The results show differences in literature regarding advantages and disadvantages of mandatory reporting. Some authors advocate for business profitability associated with mandatory reporting while others claim the opposite. Furthermore,

although several papers link mandatory CSR reporting with the increase in value for shareholders, some authors like Cordazzo et al. (2020) argue that non-financial reporting do not contribute to this increase. Therefore, it is crucial to research into these differences to better understand the reasons and information that support different positions in specific contexts.

Research has methodological limitations. First, research was based on two databases, WoS and Scopus, although they are relevant, they do not cover all scientific journals or legal hermeneutics. Secondly, conference papers, reviews, or working papers that could have provided additional information were excluded. Finally, although systematic analysis aims to be objective, the interpretation of results can have subjective biases. To mitigate these biases, the research included discussions among three authors with prior information about the papers.

To promote complementary research, it is crucial to evaluate the concrete impacts of public CSR policies on state regulatory power that demands more empirical research, including transnational comparative studies (Krichewsky, 2017).

In several legal systems, CSR is already implicitly regulated by environmental, economic, and social laws, often without being called a "CSR law." The evaluation of social, economic, and environmental effects of these laws is still an ongoing progress, as legislation on social responsibility is relatively recent.

There is few detailed empirical research on relationships between institutional factors and non-financial reporting in developing countries (Dagilienė & Nedzinskienė, 2018). The disclosure of CSR in these countries is poorly studied (Ramananda & Atahau, 2019). Future research should expand and deepen empirical evidence on transparency in corporate disclosure regulation (Hombach & Sellhorn, 2019).

Finally, the relationship between CSR and legal mandate often focuses only on corporate effects, not on possible effects on the legislator. Studies are needed to explore whether public policies on CSR reinforce state regulatory power or weaken state intervention by institutionalizing private forms of governance (Krichewsky, 2017).

Conclusions

CSR focuses on ensuring that companies are responsible for their activities, they combine their interests with those of their stakeholders and their environmental impact. Companies with CSR initiatives can gain a competitive advantage by

improving their public image and generating higher profits and return on investment (Barauskaite & Streimikiene, 2021).

The stakeholder theory holds that CSR improves the perception of stakeholders (Masoud & Vij, 2021). Mandatory CSR reporting reduces bridge gaps in stakeholder expectations, increases recognition and respect for the organization (Shabana et al., 2017), which has positive effects on corporate performance (Christensen et al., 2017). These include improvements in legitimacy, control, corporate performance, and innovation.

However, the literature also points out disadvantages of legal obligation and advocates for keeping CSR as a voluntary practice. Despite the trend to legislate on CSR and view it as a tax (Koya & Roper, 2020), academic skepticism about the effectiveness of this regulation persists (Caputo et al., 2019; Lin, 2020; Tang & Demeritt, 2018).

Before legislating, it is essential to understand the needs and expectations of the main stakeholders (Subramaniam et al., 2017). Lipton (2020) suggests that, instead of laws on mandatory CSR reporting, a transparency system should be developed according to stakeholders needs and ensuring information usefulness for investors and the public and promoting dialogue.

Fahad and Busru (2021) recommend that business executives seriously consider and invest in CSR after researching needs, rather than doing so merely to meet minimum requirements. Companies must fulfill their legal responsibilities and integrate social and environmental practices into their operations (Yan, 2019).

An ethics code, managerial commitment, and supply chain principles are negatively associated with unethical behaviors (Yun et al., 2019). Committed companies to do the right thing will comply with the law and engage in voluntary activities without additional regulation, thereby, it reduces the law's impact on their behavior (Yan, 2019).

Literature suggests that a combination of hard and soft laws may be more effective in CSR, it enhances stakeholder trust (Subramaniam et al., 2019). Japan is an example how a country can be strict in sustainability disclosure to the government while maintaining voluntary public reporting (Fitriasari & Kawahara, 2018).

It is crucial to consider corporate particularities like location and type of production when introducing CSR mandates. Koya and Roper (2020) argue that aligning mandatory campaigns with corporate values makes them more meaningful.

The main discussion is that good performance in CSR does not always arise from regulation (Kinderman, 2020). Without values and moral responsibility, the law, whether hard or soft is unnecessary. CSR should be a moral obligation, not

a legal imposition (Cheruvath, 2017). Moral considerations should motivate prosocial corporate actions (Kim, 2021).

In conclusion, legislating CSR is complicated and may diminish corporate "pride" in their responsible activities (Huang & Yue, 2017; Koya & Roper, 2020). Recent legislation is challenging and undermining the understanding and concept of CSR- Corporate Social Responsibility (Lin, 2020; Berger-Walliser & Scott, 2018).

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