

## Corporate Social Responsibility: In the Eye of Indian Law

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### ABSTRACT

Corporate social responsibility is not a new concept of India. Business can be grown within the society and CSR is about giving back to society on behalf of corporate. Corporate firms need to balance between profit earning and social responsibility within existing regulations framework on this present corporate world. It involves applying the concept of sustainable development to the corporate world. Today CSR in India has not considered and charity or donation rather than it is an organizational fashion. Companies have to incorporate their CSR activities and spending in the annual report. Indian companies discharge their CSR activities as per the Law which had a great effect on the socio economical development of India. However, the challenges for the companies are to determine a strong and innovative CSR strategy which should deliver the expected performance in ethical, environmental and social areas and meet all the stakeholders' expectations.

**Keywords:** CSR, Company, Profit, Law, Development etc.

### INTRODUCTION

Profit earning is the main object of any object of business organization, but it is not only sole object of business. A business organization should do the business and earn profit in ways that, it comply the expectations of the society. Business concern has certain obligations towards society. Society has permitted to carry the industrial and commercial activities to earn profit. Therefore, the basic objective of the business is to respect social values and norms of behavior. But in short term business need to earn more profit ignoring the moral values. This socially undesirable practice may increase the profits of industry but will have a adverse effect on the society at large. So, every industry should respect the social values and norms of behavior. The voluntary fulfillment of social and ecological responsibility of companies is called Corporate Social Responsibility (CSR). CSR is a very important and pertinent concept is present business scenario. The Corporate Social Responsibility involves applying the concept of sustainable development to the corporate world. Companies that emphasis their stakeholder must naturally look after their growth and profitability but also be aware of the economic, environmental and social impact of their activities. Today CSR in India has not considered and charity or donation rather than it is an organizational fashion. Companies have to incorporate their CSR activities and spending in the annual report. CSR team of any company crate policy of making specific and strategies, and it is supported by the budget of the company. In the current scenario, CSR goes way beyond the old philanthropy of the past-donating money at the end of the financial year. Instead, it is an all year-round responsibility.

### REVIEW OF LITERATURE

**Lichtenstein et.al. (2004)** CSR is the activity conducted to pursue social values and satisfy social needs by the firm.

**Enock & Basavaraji (2013)** showed the greater importance of CSR in Indian firm in 21<sup>st</sup> century. The study focuses the CSR practices and reporting methods of Indian company.

**Bhupender & Joshiya (2012)** stated their research that CSR interest expanded to both economic and social interests. This paper showed the challenges polices of CSR in India and how Indian company is dealt with these activities.

**Anupam and Kiran (2012)** found the implementation policy of CSR activity some big firms in India.

**Batham (2013)** describe the conceptual framework of sustainable development and its pillar as the economic growth, environmental protection and social equality for a country.

**Bhalla (2013)** had shown in her study how different company discharge their CSR in environmental protection, public health and education wellbeing in India.

**Das (2016)** explained about the Corporate Social Responsibility discharged by Indian Cement Company through public health and hygiene, children education, children nutrition and rural development.

**De (2016)** had shown Corporate sustainability is an ongoing process and CSR strategy should deliver the expected performance through the discharge of ethical environmental and social areas and meeting shareholders expectation.

### **OBJECTIVE OF THE STUDY**

- To know the CSR from law point of view
- To know about the CSR activities as per Company Law.
- To assesses the discharging CSR activities by Indian companies.

### **RESEARCH METHODOLOGY**

The paper performs an extensive research on the basis of the data and information obtained from secondary sources. It involves the use of journal, research paper, and various reports of ministry of corporate affairs and authenticate finance website and online resources etc. for the collection of secondary data needed in the analysis.

### **CSR IN THE EYE OF LAW**

The Ministry of Corporate Affairs, Government of India has recently notified the section 135 of the Companies Act 2013 along with Companies Rules (CSR policy), 2014 and other notification related thereto which makes it mandatory for certain companies who fulfill the criteria as mentioned under sub section 1 of the section 135 to comply with the provisions relevant to CSR.

The ways Indian corporate do business and one such provision is spending on Corporates do business and one such provision is spending on CSR activities. CSR which is a voluntary contribution by corporate had now been included in law.

- Section 135 of the Companies Act 2013 states that every company having 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 during any financial year shall constitute a corporate social responsibility committee of the board.
- The committee would comprise of three or more directors out of which at least one director shall be an independent.

### **CSR COMMITTEE**

The CSR Committee constituted under section 135(1) shall prepare the CSR policy of the company which shall be including the following:

- a. Specify the projects and programmes that are to be undertaken.
- b. Prepare a list of CSR programmes which a company plans to undertaken during the implementation year, specifying modalities of execution in the areas chosen and implementation schedules for the same.
- c. CSR projects programmes of a company may also focus on integrating business models with social and environmental priorities and processes in order to create shard value.
- d. CSR Policy of the company should provide that surplus arising out of the CSR activity will not be part of business profits of a company.
- e. CSR policy would specify that the corpus would include the following:
  - 2% of the average net profits,
  - Any income arising there form,

- Surplus arising out of CSR activities.
- f. “Average Net Profits” shall be calculated to accordance with the provisions of section 198 of the 2013 Act.
- g. If the company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount.

The CSR Committee shall also prepare a transparent monitoring mechanism for ensuring implementation of the activities proposed to be undertaken by the company.

#### **CSR ACTIVITIES AS PER SCHEDULE VII**

- Eradicating extreme hunger and poverty with malnutrition.
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance.
- Training to promote rural sports, nationally recognized sports etc.
- Promotion of education.
- Promoting gender equality and empowering women.
- Slum area development.
- Rural development projects.
- Reducing child mortality and improving maternal health.
- Ensuring environmental sustainability.
- Employment enhancing vocational skills.
- Social business projects.
- Contribution of funds provided to different authorized fund by central and state government like PM national Relief fund, funds for SC or tribal development etc.
- Contribution or funds provided to technology incubators located within academic institution which are approved by the central government.

#### **CSR REPORTING**

The report of the board of directs attached to the financial statements of the company would also need to include an annual report on the CSR activities of the company in th format prescribed in the Annexure to the Companies Rules 2014.

#### **WAY OF DISCHARGING CSR ACTIVITIES BY SOME OF THE INDIAN COMPANIES**

- Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited and Hindustan Unilever Limited have emphasized on overall development in the villages. They provide better medical and sanitation facilities, build school and houses and help the villagers in becoming self-sufficient by teaching them vocational and business skills.
- Reliance Industries initiated a project “Project-Drishti” for eyesight of visually challenged from economically weaker section of the society. The number of beneficiaries under the project is 5000 people so fat.
- GlaxoSmith Kline Pharmaceuticals CSR programme primarily concentrate on healthy living. They work in trial villages where they provide medical check-ups and health camps and health awareness programmes.
- The Tata Steel Rural Development Society aims improve agricultural productivity and raise farmer’s standard of living.
- ACC- one of the leading cement company in India has established schools for the children, recognize Women’s empowerment as a profit. They help women SHG, Education and their development. They organize health camps, mobile van health services and health

care centers. ACC also contribute Aganwadicentre, give Scholarship to students, and work of rural children for their proper nutrition.

- It is important for CSR strategies to become part of the long term planning process; stakeholders are interested to know more on CSR initiatives of the companies. Many companies think that CSR is a peripheral issue for their business and customer satisfaction mere important for them. They image that customer satisfaction now only about price.

## **CONCLUSION**

CSR is becoming a important principles of top management and of entrepreneurs. Three need a growing awareness that business needs to manage its relationship with the wider society. Corporate are responsible for their corporations impact on society and the natural environment beyond legal compliance. The concept of CSR has the prospective to bring a revolution in the development of the economy. Across the globe the concept of CSR has been accepted as a factor for success and survival of business along with fulfilling social objectives. Indian companies discharge their CSR activities as per the Law which had a great effect on the socio economical development of India. However, the challenges for the companies are to determine a strong and innovative CSR strategy which should deliver the expected performance in ethical, environmental and social areas and meet all the stakeholders' expectations.

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