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## Corporate Social Responsibility (CSR) Legislation In India And Its Implications

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### Abstract

As a management concept, corporate social responsibility (CSR) integrates social and environmental concerns with the interests of business partners and stakeholders. Section 135 of the 2013 Companies Act governs India's CSR industry. For the first time, India has made corporate social responsibility (CSR) a legal requirement and created a framework for selecting appropriate CSR operations. The evaluation of direct and indirect changes to the target beneficiaries and the environment around them by CSR projects is called 'Impact Assessment Studies'. This study proposes a legislative framework for implementing CSR in company law efficiently. In this we study the evolving CSR regime in India and emphasizes significant characteristics of the developing frameworks. It begins an outline of the new Companies Act of 2013, and corporate governance reform to comprehend backgrounds of CSR regime in India.

**Key Words:** Corporate Social Responsibility (CSR), India, Indian Companies Act, 2013, Philanthropic Responsibility, Stakeholder Theory

### 1. Introduction

In August 2013, the Revised Companies Act 1) came into force, and for the first time in 57 years, India's company law was fully amended. The revised Company Act is evaluated as an advanced law that systematically replaces the old 1956 company law with the goal of improving governance, reducing and liberalising regulatory provisions, strengthening disclosure and accounting systems, securing effectiveness, and protecting investors. corporate social responsibility. (Corporate Social Responsibility, CSR) Committee composition, disclosure of activities, and mandatory provisions for expenditure it also refers to the responsibility of society.[1]

The legal meaning of CSR is more or less the same. Whether the company's management should only consider the interests of shareholders in making management judgments (shareholder primacy) or the interests of all stakeholders, such as shareholders, executives, creditors, workers, consumers, and communities (stakeholder theory (model): stakeholders) has been discussed as a matter of (i.e., the company's basic theory of whether the company is an object of exclusive property rights of shareholders or whether responsibility should be recognised as a member of society with an independent legal entity). The India Revised Companies Act transforms the existing attitude of counting English laws that conform to shareholders' territorialism throughout the world. There is a progressive law that institutionalises this harmonicist and mandates CSR activities. However, for the first time in the world, the company's social contribution through charitable donations is made by law, and the provision is criticised as nothing different from the tax system, and the scope and scope of the issue of predictability and legal stability has also been raised.

Chapter II introduces the basic contents of the Revised Companies Act, which is the basis for the evaluation of the Indian CSR Law, and the technical contents of the CSR Obligations Section, and then reviews the CSR Obligations in Chapter III, non-plated. In terms of purpose and scope, we do not intend to discuss the company's basic theory surrounding CSR, namely shareholder equity and stakeholders, and we would like to examine the content and methods of the CSR legalisation in India from the point of view of stakeholder caution recognising CSR. Critical observations of the new Indian CSR law may serve as methodological legislative data for our company's law, which does not have explicit CSR regulations, to establish the direction of future development of relevant legal systems. Furthermore, we look forward to establishing a desirable CSR company legal model to be an example of other legal systems, such as Asian countries.

## 2. Amendment of company law and corporate social responsibility (CSR) law

### I. 2013 Revised Companies Act

#### (a) Background of revision

Based on British company law and enacted after independence, India was a former British colony. For the Companies Act of 1956, which was more than 50 years old until 2013, we have maintained company law for a month.[2] Since independence, the initial Indian company law was a socialist and protectionist structure in which the government led industries and businesses.[3]

Quarter systems and complex and slow permit procedures have created a system in which several family-oriented, foot-oriented, or state-owned enterprises close to state power lead the industry as a whole.[4] Corruption in power-hungry footbaths and state-owned enterprises became more severe, and the establishment of sound corporate governance was a catalyst [5]

This socialist and protectionist company law has changed dramatically since the 1991 foreign exchange crisis in which it fits. At the time, India's depletion of foreign exchange reserves was severe, and it was eventually required to receive a bailout from the IMF on the condition of economic reforms to the national economy and industry as a whole. Since then, the national monopoly system has been abolished, state-owned enterprises have been sold, and market liberalization, privatization, and three systems of systemization have been introduced in earnest. The new economic policy has legalized the restructuring programmed of the IMF and World Bank, and in particular [6], the U.S. company law has been introduced to attract foreign investment.[7]

This restructuring was the introduction of the U.S. system by abolishing permits and corporate and trade regulations. Starting with this, India enters the economic growth gap. This is similar to South Korea's experience in introducing the U.S. Company Act of 1997, including improving corporate governance while receiving a bailout from the IMF to resolve the foreign exchange crisis.[8] There is a preconceived notion that India's socioeconomic system will be under the influence of deep-rooted socialism, but since 1991, India has practically implemented a liberal market economy system. Since the 1990s, India's corporate law has been based on the Ministry of Corporate Affairs (MCA), a securities regulatory body established in 1992 based on the Securities and Exchange Commission of the United States (SEC). The Exchange Board of India (SEBI) has evolved around regulating publicly traded stocks [9].

The Securities and Exchange Commission of India has led the improvement of India's governance by amending Article 49 of the Listing Agreement of Stock Exchanges.[10] In particular, through the revision of the partnership in 2005, the company introduced English-American securities law, such as the non-executive director system and the audit committee system, into the Indian law system, and has planned to improve the governance of the Indian law system, and has planned to improve the governance of publicly traded companies.[11]

The Ministry of Business and Business has also proposed corporate governance [12] guidelines to improve the company's legal system. It is true that these reforms have played a very positive role in India's market opening. However, much of the governance line has been limited to publicly traded companies, and the company law itself has been maintained through only partial modifications.[13] In 2008, the Government of India, which has made it no longer difficult to adhere to outdated forms of company law in economic reform, has been pushing for a sweeping revision of the Company Act of 1956, which was enacted in 2008. After several recurrences and amendments, the amendments were eventually passed in the Lower House of The House of Representatives (Lok Sabha) in December 2012 and in the Senate in August 2013, with presidential consent, and took effect on August 30, 2013. There is.[14]

#### (b) Key contents of the revision

The revised Company Act of 1956 under sizes the paradigm shift of completely replacing the Company Act of 1956 by introducing new concepts in the company's legal system, introducing a new concept in the company's legal system, introducing a system of independent directors and audit committees, and strengthening internal transaction regulations. We wanted to establish a framework for improving corporate governance that meets the criteria. Furthermore, the company has focused on protecting investors by strengthening disclosure and accounting systems to ensure transparency, introducing a minority shareholder protection system, and eliminating existing corporate regulatory provisions to promote market liberalization. it's a revision. National Company Law Tribunal, Special Courts, in addition to securing effectiveness through the creation of a reconciliation system, the company's restructuring and mergers and acquisitions were also improved.[15] Below, we will examine the characteristics of India's corporate governance, which can be said to be the primary background for sweeping revisions to the Company's law, and introduce the 2013 revision's efforts to evolve the governance line.

### (c) Advance of corporate governance

The revised company law is a "trendy" law that greatly reflects advanced laws in line with the global era. I'm getting it. Among the reforms to the law, corporate governance improvements are key. A sound corporate governance structure will first look at the issues of Indian governance and improvements to the revised company law in order to understand and analyze the Daejeon Inbar CSR law for companies to fulfill their social role. Similar to South Korea, India has been intensively supporting certain companies since independence. In pursuit of economic development, large corporations have a governance that focuses on ownership and management for the controlling shareholders of the family.[16] This governance is a unique form that is difficult to understand from the perspective of the U.S. system, which is divided into ownership and management, but it is familiar to us. Intensive governance is common in Assyrian countries, including Korean conglomerates, and rather than the question of how to protect the state from management, as in the United States, minority rights and corporate transparency from maximizing the self-interest of management and controlling shareholders. the question of how to protect the back is deeply troubling. India's backward corporate governance and corruption diseases are more severe in India than in South Korea. India. In 2009, Satyam comfier services' accounting division was the largest corporate scandal in India.' Rather, it shocked the national council.[17] Ramalinga Raju, founder and CEO of Satyam Corporation, inflated 94% of Sathiam's assets due to accounting manipulation, amounting to a billion dollars in gold.

At the time of its state-of-the-art facilities and welfare beyond Silicon Valley, Satiamsa and Raju, India's fourth-largest IT company, were a success story for India's IT industry, and the Indian public's response to the scandal was shocking and horrifying. Even now, corruption in Indian companies is one of the most deeply rooted and serious social issues, and the anger and concern of the Indian people is growing day by day. For this reason, the Government of India is trying to fundamentally change the governance of the company through the opening of the Company Act.

The Revised Companies Act foreshadows significant changes in Indian corporate governance. most important Changes include the introduction of a non-executive director system and the strengthening of the independence of directors. In India, the Board of Directors is made up of members who do not have interests in dissenting internal officials, especially the ruling family, or vice versa, making it notorious for transparency and public qualitative issues in board decisions. In this situation, the mandate for non-executive directors and the strengthening of their independence are significant progress. Opaque corporate audit practices have been seriously problematic in any country, and the Revised Companies Act ensures that audits are regularly replaced to eradicate the covert audit practices that enable another Satyam accounting audit. In addition, the financial officer's personal responsibility is further strengthened. On the other hand, the introduction of collective ownership system has allowed companies under the influence of public companies but certain families and other controlling shareholders to put pressure on them to implement sound governance. In particular, it gives the Serious Fraud Investigation Office (SCIO) vast powers to investigate, arrest, and seize corporate-related corruption, fraud, and conflicts of interest and bribery.[18] The new company law's commitment to securing effectiveness. In addition, the creation of the National Company Law Tribune to facilitate the resolution of corporate disputes is also aimed at strengthening governance effectiveness.

### (d) CSR Mandatory Clause 135

As mentioned earlier, the Company Act of 2013 is in line with the economic open environment, such as improving governance. It is a broad and extensive legal overhaul that revamps The Rock India's corporate law system. However, there is a new system that makes it difficult to find the legislative case among the contents of the dog, which has become an object of interest and controversy. This is Article 135 of the CSR Obligations. Below, we will look at the CSR obligations set forth in the agreement.

### (e) CSR Committee and Disclosure Duties

In the fiscal year (i) more than 5 billion rupees (approximately 90 billion won) of net assets, or (ii) more than 10 billion rupees (about 180 billion won) in total sales, or (iii) any company whose net profit is one or more of the criteria of more than 50 million rupees (about 900 million won), including one or more non-executive directors, the CSR above the configured[19] The Board report shall describe the configuration of the CSR Committee and detail the CSR policies planned and implemented by the Company in the year.[20] The CSR Committee shall (a) establish a CSR Business Activities Policy and recommend it to the Board of Directors, (b) recommend to the Board the costs necessary for CSR activities pursuant to this Policy, and(c) supervise the CSR Policy at all times.[21] In accordance with this, the Board shall approve the book for the Company, publish the details of the policy in the report, and post it on the Website, taking into account the CSR policy recommended by the CSR Committee.[22]

The Board shall also ensure that the implementation of the CSR policy is pursued by the Company.[23] In the case of a publicly traded company, in 2012, the Securities and Exchange Commission of India stipulated the provisions of the disclosure of CSR activities of publicly traded companies.[24]

### (g) Duty of expenditure

The company's board of directors for each fiscal year, whose net assets are more than 5 billion rupees (about 90 billion won), or (ii) more than 10 billion rupees (about 180 billion won) in total sales, or (iii) any of the criteria for net income of more than 50 million rupees (approximately 900 million won), for each fiscal year. At least 2% of the average net income shall be used for CSR activities, and the company's location and neighborhood shall prevail in its budget expenditures, and the reasons for the failure of the above expenditures shall be specified in the Board report.

To activities that may be included in the CSR Policy set forth in the By-Laws VII) and (i) combat hunger, poverty and malnutrition, promote preventive health care and public health, provide safe drinking water, and (ii) promote education and vocational education; Promoting employment, (iii) promoting gender equality and empowering women, (vi) ensuring environmental continuity,[25] (v) national heritage, art, and cultural protection and the establishment of public libraries, (vi) veterans and family welfare, (vii) sports promotion education, (viii) This includes donations to government development or relief funds, such as the Prime Minister's Relief Fund, (ix) donations and contributions to technology development projects by educational institutions approved by the central government, and (x) rural development projects.[26]

### Conclusion

There are no explicit CSR regulations on the part of our commercial law companies. However, this is the CSR law in Korea. It does not mean that there is no Many company-related laws already govern the company's activities to realise CSR. This practical corporate law governs the outcome, conduct, process, and internal governance of the company's activities, there being an efficient and systematic acceptance of CSR as a legal system to protect various stakeholders across economic, social, and environmental dimensions. It will be a good mechanism. From this point of view, the CSR Spending Mandate Act introduced in India's 2013 Revised Companies Act is very restrictive legislation that focuses on charitable responsibility. Value theory suggests institutionalising charitable responsibilities in the future when the company's moral, legal, and ethical responsibilities are fully fulfilled socially. However, in a society where economic, legal, and ethical responsibilities are ignored, we cannot agree with India's legislative theory that seeks to implement CSR into the company's legal system, focusing on charitable responsibilities. Rather, we believe that systematically implementing the company's economic and legal responsibilities first is a priority for the company's legal and legal system. We believe that the systematic establishment of legal regulations that minimise the company's negative risk to society by preventing harm caused by the company's economic activities is a desirable corporate legal acceptance of CSR. The world's first charitable CSR mandate may be a progressive legislative case that presents a third CSR model, but it may fall into a type of tax system named after CSR. A more desirable direction is to We believe that legal and ethical responsibilities are to promote social development by systematically and efficiently institutionalising the company through various company laws governing the company's activities. In our case, the current company law already implements this CSR principle, but the lack of legislation on corporate basic theory leads to a misconception that our law denies CSR. If we supplement these legislative disclosures by establishing or legislating laws that confirm the company's resignation, we will be able to become an advanced legal model.

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- [20]. "The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee." The Companies Act, 2013 §135(2).
- [21]. "The Corporate Social Responsibility Committee shall, — (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time." The Companies Act, 2013 §135 (3). net worth, Total sales, net profit Standard in one Even if I go If applicable, Mandatory Target Because east Provisions The ramifications Very much big.
- [22]. " The Board of every company referred to in sub-section (1) shall,— (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed." The Companies Act, 2013 §135 (4)(a).
- [23]. "The Board of every company referred to in sub-section (1) shall,—(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company." The Companies Act, 2013 §135 (4)(b).
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