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CORPORTATE SOCIAL RESPONSIBILITY IN INDIA (CSR)

(Review of the Indian Companies Act -2013)

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ABSTRACT

India is the first country in the world to make CSR mandatory following an amendment to the companies act 2013 in April 2014. As per CSR any company which have a turn over of 1000 Crores have to spend at least 2% of their average net profit towards making positive impact on the society, the local area they operate, the environment etc.

Companies can invest their profit in areas such as education , poverty ,gender equality as part of the CSR compliance.

Even though it's mandatory some companies push it further by contributing more than the 2% which also helps these companies brand identity and the relationship between the company and the consumers.

During the Covid -19 outbreak the ministry of corporate affairs notified that companies expenditure of fight the pandemic will be considered valid under CSR activities. Funds can be spend on various activities related to Covid-19 such as promotion of health care including preventive health care and sanitation and disaster management.

This paper analyse the concept of CSR and explain the importance of the CSR and CSR reporting frame work in India.

KEYWORDS

Companies , environment ,corporate ,responsibility, stake holder, CSR.

INTRODUCTION

The Government of India in 1976 has inserted the term socialist in the preamble of country constitution there by committing itself to development process, but post liberalization 1991 can be seen in the largest role being consciously curved for the private sector in an economy which was earlier largely controlled and managed by the state. Now increasing the acceptance of the CSR by large number of corporate.

The idea of CSR first came up in 1953 when it became an academic topic on Howard R Bowen's "Social responsibilities of the business " book.

World business council for sustainable development defined CSR as the continuing commitment of business to behave ethically and contribute to economical development while improving the quality of life of the workforce and their families as well as the local community and society at large scale.

OBJECTIVE OF THE STUDY

1. To understand the meaning & importance's of CSR.
2. To identify the process & strategies of the companies to implement CSR. efficiently.
3. To understand the CSR Amendment act 2019
4. To understand CSR reporting frame work.
5. Challenges of CSR.
6. Penality for non compliance of CSR.

CSR Under Indian Companies Act 2013

Under section 135 of the Indian companies act 2013 prominently deals with various provision regarding CSR.

Sec 135 contain five major provision along with schedule VII as regard to CSR.

1) Section 135 (1) under Indian Companies act 2013.

   It is mandatory for companies to follow the CSR provision- Composition of CSR committee.

2) Section 135 (2)

   Companies board report should include CSR disclosures.

3)Section 135 (3)

   CSR committee role.

3) Section 135(4)

   Board of the company creating CSR policy.

4) Section 135(5)

   Mandatory CSR spends-schedule VII: CSR activities.

Applicability of CSR

Every company including its holding & subsidiary company having,

1) Net worth of rupees 500 crores or more.
2) Turn over of rupees 1000 crores or more.
3) Net profit of rupees 5 crores or more.

Every foreign company has defined under section 2(42) of the act havin ts branch office or project office in India which fulfil the condition shall comply the provision of sec 135 of the act along with rules.

CSR COMPRISES OF 3 TERMS

Corporate- Organised Business

Social - People/Society

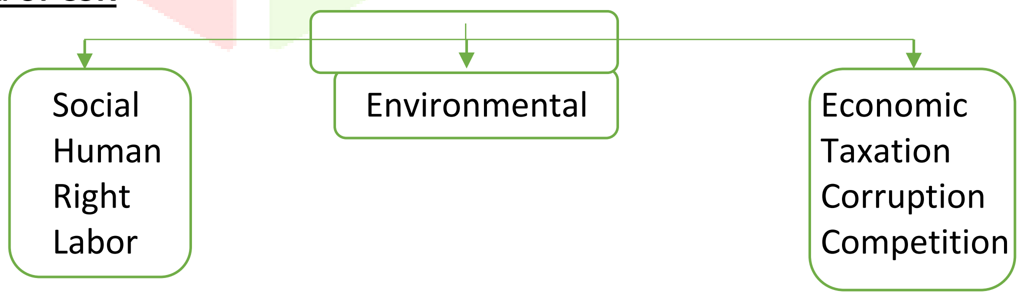
Responsibility- Accountability between the above two.

IMPORTANCE OF CSR

CSR is an important business strategy because,

1. Consumers prefer to buy product from companies they trust.
2. Suppliers like to have business partnership they can rely on.
3. Employees want to work for companies they respect and have fame.
4. NGOS increasingly want to work together with companies seeking feasible solutions and innovations in area of common concern.
5. Satisfying each of these stakeholders group allows companies to maximize their commitment to another important stakeholder group. Their investors who benefit most when the need of these other stake holder groups are being met.

Core area of CSR



Why CSR is important for Companies?

Customer Loyalty

Nowadays people are donating more money to charitable organization in high number. Companies are more active to attract these consumers and keep their loyalty, because these customers feels they have shared values and pride of using the company or brand and more chance they stick with the company and recommend to others. Best marketing a company can get is royal customers.

Corporate responsibility makes employees fulfilled and happier.

Research shows that employees of business that prioritize CSR are happier and more fulfilled. 80% of employees report feeling more purpose when they believe their work make a difference in the world.

That sense of purpose is essential to employee loyalty, and retention. Personally, fulfilled people are less vulnerable of fatigue and stress.

It makes a business more sustainable.

CSR makes companies to think innovative and creative and forces company to stay relevant and adjust according to what customers want, at present and foreseeable future. This ability to adapt is important for longevity and sustainability.

CSR attracts more Investors

Companies that commit to social change and willing to adapt are very attractive to investors. Incorporating CSR is an effective way to attract socially minded investors as well as those thinking about long term financial success.

Corporate responsibility makes the world a better place

Larger corporations have lot of influence, this makes them play an essential role in progress apart from raising awareness of issues. By taking responsibility for their impact, corporations can help the world become a healthier, happier place.

Process of implementing CSR

Conducting CSR assessment

Developing strategy

Developing CSR commitments

Implementation of the Commitments and Strategies

Evaluation and improvisation

CSR Amendments under the Companies (Amendment) Act, 2019

Until now, if a company was unable to fully spend its CSR funds in a given year, it could carry the amount forward and spend in the next year. In addition to the money allotted for that year.

The CSR Amendments introduced under the Act now require companies to deposit the unspent CSR funds into a fund prescribed under schedule VII of the Act within the end of the Fiscal year. This amount must be utilized within three years from the date of transfer failing which the fund must be deposited in to one of the specified funds.

Penalty for Noncompliance with provision of CSR

Section 135 (7) of companies Act, 2013 as inserted vide companies Amendment Act, 2020 from 22-1-2021 provides for penalty on company of twice the amount required to be to the fund specified in schedule VII or Rs. one crore whichever is less.
CSR reporting framework

Some of the reporting guidelines (or) standard for social accounting, auditing and reporting are as follows:

Accountability – Developed by the institute for social and ethical accountability. It provides standard for social and ethical accounting, auditing and reporting including mandatory external verification and stakeholder engagement.

Social Accountability- Initiated by council on economic priority accreditation agency (CEPAA). It seek to provide transparent measurable and verifiable performances standard in area if child health labour and safety.

Guidances on social responsibility

ISO 26000 – It is intended to assist organizations in contributing to sustainable development and to encourage them to go beyond legal compliances.

Good Corporation:

Developed by the institute of business ethics, this covers fairness to employees suppliers, customers and providers of finance, contribution to the community and protection to the environment.

Challenges of CSR

*Lack of awareness of general public in CSR activities.
*Need to build local capacities
*Issues of transparency
*Non availability of well organized non-governmental organization.
*Non availability of clear CSR guidelines
*Lack of consensus

Suggestion and recommendation

Under the companies Act 2013, a company can only be penalized for not filing of details regarding CSR. But no penal action for no performance. Hence there should be clear clarification for penal action.

Creating awareness among the general public in CSR and improve communication is very important between the general public at the grass root.

The role of Media in highlighting good cases of successful CSR. To promote awareness to the general public.

The Companies in their CSR activities should give more preferences for education, environmental issues, poverty elevation programs employment generation road and power etc.

If the company does not meet the criteria under Section 135.

In case the company ceases to be covered under Section 135 does not any more have a net worth of Rs. 500 crore (or) profit of Rs. 5 crore etc. then the company is not liable to follow the CSR norms as laid by the Companies Act 2013.

Companies are required to follow CSR norms form a CSR committee as long as they meet the said requirement. There are no penalties for non obligations of CSR policy (or) if the company ceases to be covered under Sec 135.

Conclusion:

While corporate social responsibility in India is undertaken by many of the corporate sector companies this research has also revealed that social responsibility is regarded as important business issues among the business community irrespective of the size, age, sector, primary purpose (or) location for the enterprise. It has clearly emerged from the study that institutionalizing the CSR in business strategy has long term benefits.

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