



Introduction And Legal Analysis Of Corporate Social Responsibility Under The Companies Act, 2013

Author

Rajan Panwar

Research Scholar

Co- author

Dr. Pritam Singh Panwar

ABSTRACT

The notion of corporate social responsibility is mostly concerned with the obligation of corporations for the good of society and our environment. Corporates should be able to contribute towards the betterment of the society. They draw on the resources of the community, such as raw materials, human resources, etc. Ministry of Corporate Affairs has adopted CSR as a concept in the Ministry of Corporate Affairs. As per section 135 in the companies Act of 2013 and Companies Rule 2014, it aims to encourage CSR initiatives. It has seen major change in its scope, being seen as a charitable endeavor as opposed to corporations' obligations to society. It is mandatory for companies covered under Section 135(1) of the companies Act, 2013 to spend 2% of their net- profit in three years of operation as per CSR policy.

Key Words:- 7th Schedule of the Act. 2013, Environmental responsibility, Ethical responsibility, Applicability of CSR

What is the C.S.R. - Corporate Social Responsibility (CSR) is actually a Mahatma Gandhi vision of putting into practice the principle of trusteeship of the Father of the Nation, Mahatma Gandhi, that industrialists and wealthy people become trustee of their wealth and become responsible for social responsibility. **CSR is defined as a management concept, under which companies integrate social and environmental concerns with their stakeholders, with their business partners¹.** They will work for the discharge they themselves are not the master of their money but its trustee is that guards, cores of rupees per year nep should realize their social responsibilities for this increase C.S.R. which is currently approx. 2.5% it is necessary to taut the tax at 50% for this, we should implement the C.S.R. system effectively by abolishing the income tax in such a way that when an industrialist voluntarily invests his money in specific work, then he will also have spiritual satisfaction and the society. There is corruption in the government and there is delay in the work, if we take forward the C.S.R. on the basis of trusteeship then it can be of great benefit to the country. Corporate Social Responsibility is a broad concept that can take many forms depending on the company and industry. Through C.S.R. programs, philanthropy and volunteer efforts, business can benefit society while promoting their brands. The concept of C.S.R. in India governed under Section **135 of the Companies Act, 2013.**

Scope of the Activities-

The Act lists the activities that come under the ambit of C.S.R. This list is included in the **7th Schedule of the Act**, involved in these activities:

- I. Education of poverty and hunger,
- II. Promotion of education, gender equality and women empowerment,
- III. Preparation to fight Human immunodeficiency Virus, A Acquired immune Deficiency Syndrome and other diseases,
- IV. To ensure environmental balance.
- V. To provide established and safe drinking water.

- VI. Environmental stability, ecological balance, protection of flora, animal welfare, agro-forestry, conservation of natural resources and maintaining the quality of soil, air and water, including setting up of the clean Ganga Fund by Central Government for rejuvenation of the river Contribution is included.
- VII. Rural development programs and projects.
- VIII. Contribution or funds provide to technology incubators located within educational institutions, which are approved by The Central Government.

In general, there are some types of Corporate Social Responsibility. A company may choose to engage in any of these separately, and lack of involvement in one area does not exclude a company from being socially responsible².

1. **Environmental Responsibility-**

Environmental responsibility is a pillar of corporate social Responsibility, which has its roots in the protection of Mother Nature. Through optimal operations and support of related causes, a company can ensure that it leaves natural resources better than before its operations. Companies often practice environmental management by:

- Minimizing pollution, waste, natural resource consumption and emissions through its manufacturing process.
- Recycling of goods and materials during its processes, including promoting recuse practices with its customers.
- Eliminating negative impacts by offsetting natural resources or by contributing factors that help neutralize the impact company.
- Consciously delivering goods by choosing methods that have the least impact on emissions and pollution.
- Creating product lines that enhance these values. For example, a company that offers gas mowers may design an electric mower.

2. Ethical Responsibility-

Ethical responsibility is a pillar of Corporate Social Responsibility which lies in acting in a fair, ethical manner. Companies often set their own standards, although external forces or customer demands may shape ethical goals³. Examples of ethical responsibility include:

- Treat all customers fairly, regardless of age, race and culture
- Positive treatment of all employees, including fair pay and benefits in excess of the Mandated minimum. It includes the consideration of fair employment for all persons regardless of personal differences.
- Extending vendor access to use different suppliers of different races, genders, veteran status or economic conditions.

Legal Analysis of Companies coming the ambit of CSR-

Any company in India has to get itself registered to do its business. Every small and big company has to be registered under the provisions and procedures of the **Companies Act, 2013**. Not every company in India comes under the ambit of CSR⁴. Small companies with very limited income or work are not forced to spend CSR. Corporate Social Responsibility has been mandatory through provisions under **Section 135** of the **Companies Act, 2013**. This means that every company whether private limited or public limited, which has a net worth of Rs. 500 crore or a turnover of Rs.1,000 crore or net profit of Rs. 5 crore, for three financial years, shall immediately report its average At least 2% of the net profit is required to be spent on CSR activities. Although be it any company, be it private or government, corporate social responsibility has made mandatory through the provisions under section 135 of the Companies Act, 2013. And the company which comes under this rule has to spend CSR, whether it is private or government⁵. Be it Infosys or Wipro or Reliance in private companies everyone does CSR whereas in government companies PSU i.e. Public Sector Undertaking, government companies like Hindustan Petroleum, Indian Oil, and NTPC do CSR on a large scale. The Companies Act 2013 has framed section 135, Companies (Corporate Social Responsibility) Rules 2014 and Scheduled VII which lays down mandatory provisions for companies to carry their CSR. The purpose of this article is to analyze these provisions (including all amendments to it). As per section 135 in the companies Act of 2013 and Companies Rule

2014, it aims to encourage CSR initiatives. It has seen major change in its scope, being seen as a charitable endeavor as opposed to corporations' obligations to society. It is mandatory for companies covered under Section 135(1) of the companies Act, 2013 to spend 2% of their net- profit in three years of operation as per CSR policy⁶.

- **Applicability of CSR-**

Section 135 of the companies Act 2013 apply to any company under the Act and any earlier companies law, which has a net worth of more than **Rs. 500 crore**. This also applies to companies whose turnover **exceeds Rs. 1,000 corer**. Further, these rules apply if your company generates a net profit of more than **5 corers** during any financial year⁷. The circular further states that the term “any financial year” means any one of the last three financial years.

- **Fines and Penalties for non-compliance-**

The member of the company's board of directors are required to make public all information regarding its CSR policy and its implementation on an annual basis. If the company does not comply with the CSR rules, the company is subject to a **fine, which shall not exceed Rs. 50,000 with a maximum limit of Rs. 25, 00,000**. Further, the defaulting office is punishable with fine, which shall not be less than Rs. 50,000 and may go up to **Rs. 5, 00,000. Or imprisonment for 3 months or a combination of both**. The Act provides for penalties in case of non-disclosure of details regarding CSR activities. However, this does not make them liable in case of non-involvement in CSR activities.

Conclusion-

Promoting the welfare of the lower strata of the society by companies of India is like having Sweets in both the hands for both the companies and the government. Spending in CSR, where on hand the government gets some relief from the expenditure for the welfare of the people, on the other hand, and the image of the companies in the eyes of the people also becomes that of a good company, so that it becomes easier for the company to sell its products easily. It occurs.

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