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## Research Paper

## A STUDY OF COMPANIES ACT 2013: CORPORATE SOCIAL RESPONSIBILITY (CSR)

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**C**orporate Social Responsibility (CSR) is rising as another field in the administration look into. In India, many firms have taken the activities of CSR practices which have met with differing needs of the general public. Corporate social duty is one such specialty zone of corporate conduct and administration that requirements to get forcefully tended to and executed thoughtfully in the associations. In the meantime, CSR is one successful instrument that synergizes the endeavors of corporate and the social part offices towards manageable development and advancement of the societal goals on the loose. Government arrangements are setting off the organizations to turn towards the country working through its approaches of social formative exercises for the sake of Corporate Social Responsibility (CSR). While these practices were executed, a bill got presented in the parliament for the sake of new Companies Act 2013 which recommends a required CSR of no less than 2% of its three going before year's normal benefit. The present review concentrates on the activities taken by the administration in managing the corporate social exercises attempted by the organizations for financial advancement. This paper is a spellbinding review underlines on different matters like new organizations charge, Companies demonstration of 2013 and different other administrative standards utilized by the legislature to convey back the partnerships to the standard.

**KEY WORDS:** *Corporate Social Responsibility (CSR), Companies Act, India.*

**INTRODUCTION**

The 21st century is described by extraordinary difficulties and openings, emerging from globalization, the longing for comprehensive improvement and the goals of environmental change. Indian business, which is today seen comprehensively as a capable segment of the power of India, is balanced now to go up against an influential position in the difficulties of our circumstances. It is perceived the world over that

coordinating social, natural and moral duties into the administration of organizations guarantees their long haul achievement, intensity and supportability (Araskumar, 2016).

CSR is for the most part observed as the business commitment to practical improvement which has been characterized as “advancement that addresses the issues of the present without trading off the capacity



of future eras to address their own particular issues”, and is by and large comprehended as concentrating on the most proficient method to accomplish the coordination of monetary, natural, and social objectives. CSR likewise covers and regularly is synonymous with many elements of other related ideas, for example, corporate supportability, corporate responsibility, corporate duty, corporate citizenship, corporate stewardship, and so forth. CSR duties and exercises normally address parts of a company’s conduct (counting its strategies and practices) as for such key components as; wellbeing and security, natural insurance, human rights, human asset administration rehearses, corporate administration, group improvement, and purchaser assurance, work assurance, provider relations, business morals, and partner rights.

### **CSR in India:-**

CSR in India has customarily been viewed as an altruistic action. What’s more, with regards to the Indian custom, it was a movement that was performed however not pondered. Subsequently, there is restricted documentation on particular exercises identified with this idea. As a few eyewitnesses have called attention to, the act of CSR in India still stays inside the magnanimous space, yet has moved from institutional building (instructive, research and social) to group advancement through different activities. Additionally, with worldwide impacts and with groups turning out to be more dynamic and requesting, there has all the earmarks of being a perceivable pattern, that while CSR remains generally limited to group improvement, it is getting more vital in nature (that is, getting connected with business) than humanitarian, and countless are revealing the exercises they are embraced in this space in their official sites, yearly reports, supportability reports and notwithstanding distributing CSR reports. India is a nation of bunch inconsistencies. From one perspective, it has become one of the biggest economies on the planet, and an undeniably critical player in the rising worldwide request, then again, it is still home to the biggest number of individuals living in total destitution (regardless of the possibility that the extent of needy individuals has diminished) and the biggest number of undernourished youngsters. What rises is a photo of uneven appropriation of the advantages of development which many accept, is the main driver of social agitation (Singh and Verma, 2014).

### **What is CSR?**

The possibility of CSR first came up in 1953 when it turned into a scholarly subject in HR Bowen’s

“Social Responsibilities of the Business . From that point forward, there has been nonstop civil argument on the idea and its usage. Despite the fact that the thought has been around for the greater part a century, there is still no reasonable accord over its definition.

While there might be no single all around acknowledged meaning of CSR, every definition that as of now exists supports the effect that organizations have on society everywhere and the societal desires of them. Despite the fact that the underlying foundations of CSR lie in generous exercises, (for example, gifts, philanthropy, help work, and so forth.) of partnerships, all around, the idea of CSR has advanced and now includes every single related idea, for example, triple primary concern, corporate citizenship, generosity, vital altruism, shared esteem, corporate maintainability and business obligation.

One of the most contemporary definitions is from the World Bank Group, stating, “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development.” According to the UNIDO, “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.”

### **REVIEW OF LITERATURE**

**Moir Lance (2001)** reviewed meanings of corporate social duty from both practice and the writing and takes a gander at hypotheses to clarify why such conduct happens. The writing has solid partitions between regulating or moral activities and instrumental exercises. The article finishes up by suggesting the conversation starter of when instrumental exercises get to be business exercises instead of to a great extent social responsibility.

**Lantos Geoffrey (2001)** reviewed the improvement of the corporate social responsibility (CSR) idea and its four segments: monetary, legitimate, moral and selfless obligations. Examines alternate points of view on the best possible part of business in the public arena, from benefit making to group specialist organization. Proposes that a great part of the perplexity and debate over CSR originate from an inability to recognize among moral, unselfish and key types of CSR.

**Nigel (2003)** reviewed a range of perspectives on notoriety and CSR and contends that looking for an authoritative, esteem for-cash based equation for notoriety administration and CSR is inconsistent with partner desires, and that much proof exists to recommend that really successful CSR is the outcome a greater amount of sober mindedness than hypothesis or corporate technique and in some ways SMEs are better set to exploit CSR programs.

**Christian Superti (2005)** corporate responsibility (CR) has picked up a great deal of consideration amid the most recent decade and numerous more organizations are creating non-financial related reports today than ten years prior. In spite of the fact that a far-reaching definition is not accessible CR implies that organizations are seeking after their monetary, social and natural obligations on an intentional premise and are coordinating them into all business operations, while communicating with their partners.

**Mujih Edwin (2007)** extended the civil argument over the control of corporate conduct in the territory of wellbeing and security to the subject of actualizing corporate social responsibility. While the level headed discussion depended on the security of specialists, specifically, by wellbeing and wellbeing controls, the article concentrates on another partner; i.e. the nearby group which plays host to a multinational organization in the extractive business.

### STATEMENT OF THE PROBLEM

The Corporate social responsibility has taken a profound change by making it required in new organization law. Corporate part is the one where parcel of monetary action happens. On the off chance that a nation must be monetarily and fiscally solid then it is just conceivable through the presence of organizations. In India as it is a law based type of government with the blend of blended economy sort, there is part of impact from both the finishes on the monetary improvement. Government is working to enhance to the general public however its populist plots specifically; 1 National Old

Age Pension Scheme (NOAPS), 2 National family Benefit Scheme (NFBS), 3 National Maternity Benefit Scheme, 4 Annapurna, 5 Integrated Rural Development program, 6 Rural Housing-Indira Awaas Yojana (IAY), (initiated in 1985), 7 National Rural Employment Guarantee Act (NREGA) while the corporate are striving to expand its benefit by ignoring the welfare goal of the general public. Because of this practice the legislature has taken a few activities to enhance the CSR exercises of organizations by holding them through tenets, controls and laws.

### OBJECTIVES OF THE STUDY

- ☞ To explore the various definitions and descriptions of Corporate Social Responsibility (CSR).
- ☞ To study the brief overview of CSR in India
- ☞ To highlight the key features of New Companies Act of 2013

### METHODOLOGY

This is a descriptive research work, wherein the researchers have relied upon the secondary data. It was collected from various books, articles, journals and blogs on CSR for the development of theses. Personal observations of the researchers and outcomes from the interactions with industry representatives and workers have also given useful contributions to this paper.

### LIMITATIONS

As this work is purely theoretical, the researchers do not claim that the opinions formed in this work need be universally accepted. Practical evaluation of the problem through empirical survey may disprove the theses propounded by the researchers.

### NEW COMPANIES ACT AND CORPORATE SOCIAL RESPONSIBILITY

After years of debate, the Indian Parliament passed its first update of the country's corporate law, which includes several important provisions that modernize India's corporate governance rules. The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure (Patil, 2014). Schedule VII of the Act, which drills down the CSR exercises, recommends groups to be the point of convergence. Then again, by talking about an organization's relationship to its partners and incorporating CSR into its center operations, the draft decides propose that CSR needs to go past groups and past the idea of generosity. It will enthusiasm to watch the routes in which this will convert without hesitation

at the ground level, and how the comprehension of CSR is set to experience a change.

The Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crores INR and more, or a net worth of 500 crores INR and more, or a net profit of five crores INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The ministry's draft rules, that have been put up for public comment, define net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India. The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act. (Anchula & Karamala 2015).

### **ACTIVITIES LISTED UNDER SCHEDULE VII ARE**

1. Eradicating extreme hunger and poverty;
2. Promotion of education;
3. Promoting gender equality and empowering women;
4. Reducing child mortality and improving maternal health;
5. Combating HIV, AIDS, malaria and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. Contribution to the Prime Minister's National Relief Fund, Central or State Government Fund for Socio-economic development and relief, welfare of SC/ST/OBC, minorities and women
10. Such other matters as may be prescribed

### **Questions beyond the Act**

#### **1. What is the 2 percent requirement?**

The act requires that companies set up a CSR board committee, which must consist of at least three directors, one of whom must be independent. That committee must ensure that the company spends "at least 2 per cent of the average net profits of the company

made during the three immediately preceding financial years" on "CSR" activities. If the company fails to spend this amount on CSR, the board must disclose why in its annual report.

#### **2. Who must follow this requirement?**

The requirement will apply to any company that is incorporated in India, whether it is domestic or a subsidiary of a foreign company, and which has (1) net worth of Rs. 5 billion or more (US\$83 million), (2) turnover of Rs. 10 billion or more (US\$160 million), or (3) net profit of Rs. 50 million or more (US\$830,000) during any of the previous three financial years.

#### **3. How will the requirement be enforced?**

The board committee is responsible for reviewing, approving, and validating the company's investments in CSR. Prior to each annual meeting, the board must submit a report that includes details about the CSR initiatives undertaken during the previous financial year. The board's independent director helps ensure the credibility of this process. However, the act does not provide any guidance on what constitutes acceptable reasons for which a company may avoid spending 2 per cent on CSR.

#### **4. How does the act define "CSR"?**

The act defines CSR as activities that promote poverty reduction, education, health, environmental sustainability, gender equality, and vocational skills development. Companies can choose which area to invest in, or contribute the amount to central or state government funds earmarked for socioeconomic development. While this definition of CSR is broad and open to interpretation, it clearly emphasizes corporate philanthropy rather than strategic CSR. The act does, however, specify that companies "shall give preference to the local area and areas around where it operates."

#### **5. Will this positively or negatively impact CSR in India?**

In a country such as India, where one-third of the population is illiterate, two-thirds lack access to proper sanitation, and 400 million people still live on less than US\$2 a day, the passage of the Companies Act should be hailed as a positive step forward in ensuring that business contributes to equitable and sustainable economic development.

But there are also a number of reasons to think it may not greatly improve CSR. Indian companies still equate CSR with corporate philanthropy rather than considering CSR as a holistic view of the impacts business has on society and the environment through its operations. By reinforcing this view, the bill could

distract business leaders who are ready to embrace strategic CSR.

Also, by making CSR mandatory, companies may treat it as a “check the box” exercise rather than looking at ways to innovate and generate a return from doing social and environmental well. And most companies will comply by channeling funds to community organizations that are addressing one of the priority topics mentioned. There is no shortage of organizations that will be willing to accept these funds—there are an estimated 3.3 million NGOs in India, but few organizations have the capacity and the skill to effectively manage projects that can have a large-scale impact. In an effort to meet the spending obligations, companies may not do the right due diligence to select high-impact, credible organizations.

It's too early to say what the real impact of this act will be, especially given that passing it and enforcing it are two different things. But with the controversy around the CSR provision, and the lack of specificity and detail, there is an opportunity for leading companies to influence the way the CSR mandate is interpreted. Given the immense need and tremendous business opportunity in India, this can only be a good thing.

## CONCLUSION

Corporate social responsibility and volunteerism have no limits and are not constrained by race, color, or religion. Unfortunately, concern for the community is often mistaken for socialism. On the contrary, capitalism thrives only when every citizen is an asset in economic activity and has opportunities to succeed. CSR is a culture and unwritten contract with the community. This invisible culture can shape brighter futures for nations. If employees don't see the point of CSR initiatives, or understand the message, initiatives are unlikely to be effective. The concept of corporate social responsibility has got prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society instead the corporate have to join hands in bringing Indian a developed nation.

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