

# INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

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Volume 6 | Issue 5

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2023

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# Corporate Social Responsibility: A Viewpoint from India

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## ABSTRACT

*Corporate social responsibility is now recognised as a tool for organisational sustainability. As a result, it must be acknowledged as an organisational goal. New Company Law mandated that corporations give 2% of their net income to CSR in 2012. This requirement forced Indian businesses to intentionally work towards CSR because it obliged a specific class of businesses to allocate a percentage of their revenues to CSR operations. Any effort to improve society is referred to as. Corporate entities must act as socially responsible corporate citizens and contribute to the common good. They can no longer restrict how they use societal resources. This study's major goal is to determine why CSR is important for corporations. Why should they support the economic development of the nation? What crucial actions could the government take to increase business support for CSR initiatives? As is well known, modern Indian corporations focus more on all stakeholders and move beyond the concept of philanthropy (charity). The current research study makes an effort to assess a number of these new CSR law provisions in the perspective of contemporary corporate philosophy and to call attention to the practical challenges associated with putting the new rules into practise.*

**Keywords:** *Corporate Social Responsibility, Philanthropy, Corporations, Corporate challenges.*

## I. INTRODUCTION

The evolution of CSR in India refers to changes in cultural norms of corporations involved in CSR efforts over time in India. Businesses are run to have a beneficial overall impact on the surroundings, communities, cultures, and societies in which they operate. The foundation of CSR is based on the idea that business behaviour as well as governmental policy should be responsible enough to address social challenges. Therefore, businesses should handle the difficulties and problems that, to some part, the states handle.

CSR is a concept in management that encourages businesses to include social and environmental issues into their everyday operations and relationships with stakeholders. Generally speaking,

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CSR refers to a company's efforts to reconcile its commitments to economic, environmental, and social goals while also meeting stakeholder and shareholder expectations. Anything that benefits society can be categorised as CSR, and businesses must display such activities on their websites and obtain board clearance before engaging in them.

CSR is a crucial component of development since businesses, especially those operating in rural regions, need to care for their communities. However, CSR also has an environmental component that the company may influence depending on how they operate. Many companies may have motivations for engaging in CSR, such as a sincere concern for their environment and society, which will eventually serve as a source of both the raw materials and human capital they require to survive. Additionally, some businesses will view it as a crucial component of winning public support for their business practises. It is especially true for businesses like mining and oil and gas firms that operate in far-flung locales. Many of the local indigenous people meet them frequently, and the businesses are forced to coexist with them. Companies should view CSR as a voluntary endeavour rather than something that is heavily regulated, according to a different CSR component. It is not something that the firm must do because of the law or anything else ; it is something that the corporation should do. However, as not only businesses are involved in development, firms shouldn't be obliged to perform CSR as a requirement.

### **(A) Data and methodology**

The information for this study includes secondary data that we have gathered from a variety of sources, including the department of corporate affairs minister's official websites, newspaper articles, research papers, and magazine articles. As is well known, while the conventional approach placed emphasis on corporate philanthropy—that is, charitable giving for social, cultural, and religious purposes—the modern perspective places emphasis on stakeholders' long-term interests and sustainable development. The major purpose of this study is to determine why is important for corporations. Why should they contribute to the economic growth of the nation? How can the government improve corporate participation in CSR initiatives? What are the crucial steps that need to be taken?

We have looked over and analysed the data from numerous sources. We have not used any statistical tools or techniques because we are not attempting to determine a relationship between various variables; rather, we are attempting to determine how our nation has changed its policies over time and what the outcomes of these changes have been.

## **II. POLICY IN INDIA**

According to the 2013 Companies Act, which reforms the almost six-decade-old legislation controlling how corporations operate and are governed in India, profitable businesses with sizable businesses will be required to spend at least 2% of their three-year average profit on CSR initiatives each year. This would apply to businesses having a revenue of \$1 billion or more, a net worth of \$500 billion or more, or a net profit of \$5 billion or more. According to current plans, top-earning PSUs like ONGC, BHEL, and NTPC may have to double their CSR spending starting in 2013–14 in accordance with the new draught rules being completed by the Department of Public Enterprises (DPE). PSUs with net profits of between Rs 100 and Rs 500 crore must set aside 2 to 3 percent of their earnings. They must make sure that they use the entire amount designated; otherwise, they must explain why they have not. Public sector businesses that make less than Rs 100 crore in profit are obligated to contribute 3% of their earnings to support such initiatives.

According to the proposed criteria, if Public Sector Units (PSUs) are unable to spend the money set aside for CSR in a given year, it must be spent within the next two years. The regulations continue to exempt sick and losing PSUs from budgetary allocation for carrying out CSR activities.

## **III. STIPULATION OF THE COMPANY BILL, 2012**

Every company that has a net worth of at least Rs. 500 crore, a revenue of at least Rs. 1,000 crore, or a net profit of at least Rs. 5 crore in any fiscal year is required to form a CSR Committee of the Board made up of at least three directors, one of whom must be an independent director. The Board's report detailing the CSR Committee's membership.

The main functions of the CSR Committee are:

- Formulate and recommend to the board, a CSR policy indicating the activity or activities to be undertaken by the company as specified in Schedule VII of the Act.
- Recommend the amount to be spent on these activities.
- Monitor the company's CSR policy periodically.

Following the suggestions of the CSR Committee, the company's board must approve the CSR Policy, reveal its details in its report, and post it online. Additionally, information on the company's CSR initiatives during the year will be included in the annual report to the Board.

Board to ensure that the activities listed in the CSR Policy are undertaken by the company.

Board to ensure that at least 2% of average net profits of the company in the three immediately preceding financial years are spent in every financial year on such activity. Preference to be given to the local area and areas around the company operates for CSR spending. If a corporation doesn't give or spend that amount, the board must explain why in its report. Companies that must comply with CSR requirements must add notes to the Statement of Profit and Loss detailing the total amount spent on CSR-related activities. Activities that firms may incorporate in their CSR policy are outlined in Schedule VII of the firms Bill 2012:

- Eradicating extreme hunger and poverty;
- Promotion of education;
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health;
- Combating human immunodeficiency virus, acquired immune
- deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability;
- Employment enhancing vocational skills;
- Social business projects;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and;
- Other matters as may be prescribed.

A national level CSR organisation would be in place to oversee the initiatives, according to Corporate Affairs Minister Sachin Pilot. In order to track the use of CSR funds and projects, the Central Government is seeking to create a Special Purpose Vehicle. The government wants the CSR cash to be fully utilised.

#### **IV. EFFECTS OF CSR**

- The goal of CSR is to help businesses and gradually improve society as a whole rather than just making a contribution to one area of society. Companies can participate in CSR programmes in any area they find most appealing from an organisational point of view, including education, health, the environment, and societal uplift.

- Corporations should participate effectively and efficiently in CSR initiatives because they are involved with a variety of stakeholders, including customers, employees, suppliers, the government, creditors, and financial institutions. As a result, they have a duty to protect the interests of all of these parties in order to sustain their own long-term success.
- Every organisation needs to implement CSR efforts in order to improve the quality of life on Earth. This will also help businesses increase their goodwill.
- By implementing CSR efforts, businesses can set themselves apart from their competitors.
- Businesses can use CSR as a platform for expansion and survival.
- If implemented correctly, a CSR concept can provide a number of competitive advantages, including improved access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, an efficient human resource base, improved brand image and reputation, increased customer loyalty, and improved decision-making and risk management processes.
- Neither the federal government nor any state government has the authority to direct business on how to allocate funds for societal benefit. The choice is dependent on how much money is invested in different CSR activities.

## **V. LIMITATION OF CSR POLICY**

- If a corporation pays more than 2% of net profit, there is no incentive;
- The carryover of such a contribution is not stated under the CSR provisions. It means that if any corporation is unable to spend 2% of its average profit in a given fiscal year, that spending will not be carried over to the following year.
- If the company does not have sufficient earnings or is unable to spend the appropriate amount on CSR initiatives, the directors must provide the members with proper disclosure and justification in their report.
- It's unclear if the Section 25 businesses or the nonprofits they established would count towards CSR.
- According to the proposed rules, activities relating to eradicating extreme hunger and poverty; promotion of education, gender equality and empowerment of women; reducing child mortality and improving maternal health; combating HIV-AIDS, malaria

and other diseases; ensuring environmental sustainability, employment enhancing vocational skills; and contribution to the Prime Minister's National Relief Fund or any other Central or state fund would be considered as CSR activity under the Act.

#### **(A) Review of literature**

- According to Geoffrey Heal, CSR is a crucial component of company strategy in industries where conflict might occur over fairness issues or between corporate profit and social goals. There are a variety of social sectors where corporations can contribute significantly to CSR and generate social goods for their society. According to him, a CSR programme can be a beneficial component of a company's overall strategy, lowering risk management, generating brand equity, improving relationships with regulators, lowering capital costs, improving human relations and employee productivity, and maintaining relationships that are crucial to long-term profitability.
- CSR is developing as a new area of management research, according to Anupam Sharma and Ravi Kiran. Numerous businesses in India have implemented CSR programmes to address a range of social concerns. He claims that the FMCG sector is not as likely as the IT and auto industries to engage in CSR efforts. According to authors, India has had or undergone a shift through investing itself in new CSR projects.
- According to Kishor Neelakantan, the company act of 2013 will give CSR operations a significant regulatory push and make them required for all companies doing business in India. Therefore, it is beneficial for economic growth, but how can shareholders consider this while appraising the company? Therefore, the author provides a methodology based on four essential criteria: Integrity, strategic focus, efficiency, and transparency, for investors to evaluate companies' CSR initiatives.
- Rahul Hakhu contends that organisations should establish a forward-thinking corporate policy and take the initiative to implement it in their operations in order to gain a competitive edge and generate profits in the context of a liberalised world. He emphasises that the government wants businesses to play a bigger role in the nation's economic progress, and that the expansion of CSR will help the agrarian economy transition to an industrial one. He proposed that CSR offers useful information to Indian businesses and other stakeholders regarding potential growth and reputation.

## **VI. EXISTING CSR ACTIVITIES OF SOME COMPANIES**

- ONGC CSR projects prioritise higher education, providing aid and scholarships to deserving young students from underprivileged socioeconomic groups, and providing resources for building schools, among other things.
- SAIL has successfully implemented initiatives in a variety of fields, including sports, gaming, education, health, and medical care.
- The vision statement for BHEL's CSR programme is "Be a committed Corporate Citizen, alive towards its CSR." BHEL implements community and socioeconomic development activities to advance education, better rural living conditions, and improved hygiene.
- "Project- Drishti" was started by Reliance Industries to restore the eyesight of visually impaired Indians from the economically underprivileged parts of society. Over 5000 people have already had their lives improved by our programme. Additionally, this endeavour is raising awareness of the urgent need for eye donation.
- Mahindra & Mahindra introduced an innovative ESOP called the Employee Social Option to provide Mahindra employees the freedom to participate in socially conscious endeavours of their choosing. Additionally, it makes contributions through the Mahindra Education Trust, Mahindra Pride School, and Mahindra Hariyali. More than a million trees have been planted nationwide under Mahindra Hariyali to boost the country's green cover.
- Tata Consultancy Services, the biggest software service provider in India, received the Asian CSR award for its leadership and sincerity in promoting ethical ideals throughout the implementation of numerous programmes and work on community development. The organisation places a lot of emphasis on the education sector. The company is working on a computer-based literacy model for teaching adults that it devised. This programme is known as an adult literacy programme. The company has been creating environmentally friendly products and services while also working on environmental policies.
- Infosys: A well-known software provider, Infosys also offers computer and language training. The company runs a specific programme for underprivileged kids through which it teaches them a variety of skills and modifies their mindset as well. The company also provides chess sets, carom sets, and other items to those in need. The Infosys



Foundation has been active in the areas of health care, education, environmental protection, and social rehabilitation. CSR activities include blood donation camps.

- At its numerous locations, the well-known coffee shop Cafe Coffee Day employs 50 persons with speech and hearing impairments as staff. In an effort to promote equal employment, they do this as a part of their CSR activity. The 'Silent Brew-masters' were the name given to them. To help people with disabilities, CCD collaborates with the NGO Enable India. Their largest CSR project is the Chikmagalur, Karnataka-based SVGH Vocational Training College.
- Wipro: The company has launched a number of programmes aimed at empowering women. Environment, education, and energy conservation are the three fundamental pillars of CSR.
- ITC: With a diverse portfolio of businesses, ITC Limited (ITC) is one of India's top private sector enterprises. ITC is utilising the idea of the "Triple Bottom Line," which will aid in the advancement of the economic, environment, and social development. The company's primary areas of interest are increasing agricultural production and promoting greater social inclusion in the rural economy.
- Maruti Suzuki, a company in the automotive sector, seeks to address global warming and challenges including climate change. The company has made significant investments in producing items that are good for the environment and the community. Maruti Suzuki is working to protect the environment and the natural world. The corporation has pushed the idea of "reduce, reuse, and recycle" in all of its manufacturing facilities.
- The major state-owned enterprise for the processing and distribution of natural gas is Gail Ltd. It contributes to the GAIL Charitable and Education Trust's corpus, minorities in SC/ST, and natural disasters. Its goal is to please every stakeholder. It engages in an activity that benefits communities either directly or indirectly. It improves the local population's quality of life and financial stability.
- IBM is a provider of software. The business is dedicated to putting its environmental policy into practise, as well as providing its employees with hygienic and safe working conditions.

## **VII. CONCLUSION**

Nevertheless, certain lessons can be drawn from the scant experience of recent years. Government institutes CSR because it wants business to assume greater responsibility for its stakeholders or for society as a whole. As we all know, CSR gives businesses the chance to participate in a variety of initiatives that either directly or indirectly advance social welfare. Since businesses are social entities, they have a responsibility to all parties involved. It is crucial that they handle this duty effectively to ensure that everyone involved in the business is happy. As is well known, corporations cannot function effectively on their own; they require the help of their whole society, which is crucial for their growth and reputation. Through the use of voluntary initiatives including codes of conduct, environmental certification and reporting, social audits, fair trading schemes, and social investment programmes, many multinational firms are now taking steps to enhance their environmental and social performance. Government and business must collaborate in order to make significant improvements to the social welfare programmes of the country.

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