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Impact of Corporate Performance under the Influence of Corporate Social Responsibility (CSR): A Legal Analysis

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ABSTRACT

The concept of corporate social responsibility has acquired significance in the contemporary times. Corporate social responsibility has contributed in bringing about community development. The article includes the history and development of corporate social responsibility, key provisions related CSR and the important outline is the impact of corporate performance under corporate social responsibility and examples of companies performing CSR initiatives and its impact on corporate performance. Corporate social responsibility has its roots in concept of sustainability. Business ethics represents corporate social responsibility. Through the centuries business are the ones which create environmental and social atmosphere by the tenure of people. Corporate social responsibility is a developing concept through the centuries. The significance of the article is to showcase the importance and impact of corporate performance under CSR initiatives. The growing focus on CSR has changed the attitude of business not only in India but has changed the attitude of business all over the world. Historically speaking CSR is not new in India and is a well-established phenomenon in India. Establishing good reputation and attracting positive attention are some of the benefits to gain through CSR initiatives. In simple terms, corporate social responsibility is a way of doing business by combining sustainability with economic benefit.

Keywords: *corporate social responsibility, sustainability, profit, company, society.*

I. INTRODUCTION

Companies make an effort to operate in such manner which does not degrade the society but instead enhance the environment or society, such business model is called as corporate social responsibility². Through CSR initiatives the company promotes a positive brand image in the society. Section 135 of companies Act, 2013 lays down that every corporate whether public or private shall incorporate corporate social responsibility initiatives. Corporate social

¹ Author is a student at University Kristu Jayanti College Of Law, India.

² Howard Bowen, social responsibilities of businessman, university of Iowa press, Iowa city.

responsibility is important for community as well as the company³. Corporate social responsibility strives to have a positive impact externally that is through benefits to the society as well as internally within the business. Through corporate social responsibility there is promotion of good cause, satisfaction to employee, increase transact with companies which is making an impact positively beyond the scope⁴.

Corporate social responsibility (CSR) enables large scale businesses to bring about positive changes in the society⁵. The product or services of a socially responsible company when used makes the customers feel that they are using the products of socially responsible company. Companies by caring about issues and by raising awareness can help in gaining the customer trust. corporate responsibility programs can help raise morale in the workplace. As important CSR is for the company it is equally important for the community and environment. Apart from the positive impact the business pursues other impacts through corporate social responsibility like brand recognition, employee engagement and investor relations. Corporate social responsibility plays an important role in attracting new customers whose purchasing decisions are strongly impacted by company's reputation and environmental activism⁶.

II. HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

The concept of corporate social responsibility dwells from the time of industrial revolution. The term corporate social responsibility was first coined by American economist Howard Bowen who is also known as the father of corporate social responsibility⁷. Corporate philanthropy has their roots in the contemporary CSR programs. For several decades corporate social responsibility has been a topic for academic study. Before the incorporation of term corporate social responsibility there were many other terms by which corporate social responsibility was recognized like corporate philanthropy, corporate community affairs, corporate social investing. In late 1800's Andrew Carnegie and John D. Rockefeller started the concept of charity through organization and educational institutes for public good and to conduct research. Countries like U.S.A and Europe had been ahead in starting the concept of CSR initiative⁸. In 1893 pullman's palace car company was an example of model town. From 1920 – 1930 many business leaders started analyzing the role in the company. Good deeds by the company meant that the

³ Professor Donna J, corporate social performance revisited, university of Pittsburgh.

⁴ Carroll, pyramid of corporate social responsibility.

⁵ Lombardo c, pros and cons of corporate social responsibility, vision launch development group.

⁶ Lussier, R.N and Sherman H (2014), business society and government essentials: strategy and applied ethics Routledge. New York, NY.

⁷ Carpenter m, Bauer T, Erdogan B and short J, principles of management, flat world knowledge, Inc Irvington, NY

⁸ Blow field M and Murray A (2019), corporate social responsibility (4th edition), oxford university press.

consumers would lean towards the company's product which brought good sales to the company. Around 1940's Howard Bowen came up with his book "social responsibilities of the businessman" which contains the concept of responsibilities of the business communities towards society and ethics in business⁹. In order to run a business for a long-term period the business leaders must give back to the community. CSR is a world-wide initiative practiced in many countries like India, UK, France, Denmark, south Africa, USA. But India is the only country which mandates CSR. CSR became law in India in 2014. Before 1850, during the pre-industrialization period. The social contribution of kings revolved around works like contributing towards building temples and garden. The roots of corporate social responsibility can be traced back post 1850's¹⁰. Mahatma Gandhiji had wished to have a self – sustaining society. During 1915 it was realized that concentration of wealth within one group of higher-class people was not good for the welfare of society. Trusteeship was the concept brought up by Gandhiji which meant that wealthy industrialist must contribute towards the welfare of society. The idea was to pressurize on the richer side of the society and help the socio-economic development in the society which in turn had brought welfare to the society¹¹. The concept of trusteeship had given huge contribution towards the growth of scientific research, school and overall development. After the British rule CSR was mainly a philanthropic activity which was acquired by big industrialist families like tata, Godrej, Bajaj and Birla. After India's independence between 1960-1980 India focused mainly on the public sector¹². Following the socialist model many public sector undertakings were set up that public sector was driver of development and growth. After 1980 efforts were made for achieving globalization and companies started analyzing from different stakeholders' views. With liberalization of trade reforms in 1991 companies involved in export and import business had to comply with international standard and follow new norms at global level¹³. During this period the term "sustainability" had come into the books of corporate companies. On the contrary private sector was neglecting its responsibility. In order to curb this practice, the Indian government decided to make CSR as law in which all the organizations must spend at least 2% of their average net profit. In 1st April 2014 CSR law came into force¹⁴. The CSR law clearly defines all companies

⁹ Aunis H and G Ante 2012, what we know and don't know about corporate social responsibility: a review and research agenda, journal of management, no 4, p 933

¹⁰ Al gore and D blood, for people and planet, the wall street journal, p. A 20

¹¹ Abrams F, a management responsibility in a complex world, Harvard business review, no 3, PP 29 and 30.

¹² Adaeze O, "theorizing corporate social responsibility as essentially contested concept: is the definition necessary?", journal of business ethics, PP 613 – 627.

¹³ Albinger H and S freeman (2000), corporate social performance and attractiveness as an employer to different job seeking populations. Journal of business ethics, PP 613-627.

¹⁴ Andreoni J, privately provided public goods in a large economy: the limits of altruism, journal of public economics.

incorporated in India. The list of activities and areas under SDG are clearly defined under the CSR law. Any contravention of such provisions shall be fined or imprisoned. Under this law – “pure philanthropy or mere donations will not be considered under CSR”. India stood at 129th position as per 2019 UNDP report¹⁵. The HDI ranking is low because 22% of India’s population lives below poverty line. Many who are above the poverty line do not have access to basic education and healthcare facilities. Incorporation of CSR under the Act can play a crucial role and can lead towards achieving sustainability development growth by 2030 and transforming India into developed and enriched nation¹⁶.

III. KEY PROVISIONS OF CORPORATE SOCIAL RESPONSIBILITY

1. Constituency of CSR committee.

The CSR committee must comprise of at least three directors in which one shall be an independent director. Companies which are covered under section 135 of the companies act, 2013 makes it mandatory to constitute a CSR committee¹⁷. The fundamental role of the committee is to recommend CSR policies, ensure effective utilization of CSR funds¹⁸.

2. Need of CSR law in India.

Under section 135 of companies Act, 2013 CSR is compulsory for all companies provided meeting the following criteria –

- The net worth of company should be 500 crores or more.
- The annual turnover of the company should be rupees 1000 crores or more.
- Annual net profit of the company should be at least rupees 5 crores¹⁹.

3. Incurred expenditure on CSR.

- Every company, required to form a CSR Committee, shall incur in every financial year at least 2% of the average net profit of the three immediately preceding Financial Years on CSR Activities.
- Where a company has not completed a period of 3 years since incorporation, the

¹⁵ Arlen J and R kraakman (1997), controlling corporate misconduct: an analysis of corporate liability regimes, New York university law review PP 687-779

¹⁶ Barnea A and A Rubin (2010), corporate social responsibility as a conflict between shareholders, journal of business ethics, PP 71-86.

¹⁷ Berle A and G means (1991), the modern corporation and private property, transaction publisher, picataway

¹⁸ Campbell J, why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility, academy of management review PP 946-967

¹⁹ Carroll A. and K. Shabana (2010) ‘The business case for corporate social responsibility: a review of concepts, research and practice’, *International Journal of Management Reviews* 12.1: pp. 85–105.

average shall be computed of profit of all financial years from incorporation²⁰.

4. Eligibility of CSR activity.

Activities included in schedule VII shall ensure the activities which compile under companies CSR policy which shall be ensured by the board. The eligible criteria of work include eradicating poverty, hunger, malnutrition, contributing to health care facilities, improvement in gender equality, enhancement in gender equality²¹.

IV. IMPACT OF CORPORATE PERFORMANCE UNDER CORPORATE SOCIAL RESPONSIBILITY

Over the years due to CSR initiatives taking the social, economic and environmental effect CSR seeks to guide the enterprises ethically. A company addresses the need of the community by its long-term strategy through CSR has popularly grown. Under the United Nations Global Compact there are 82 percentage of corporations that currently participate. Companies are emphasizing on CSR for safeguarding the environment, protecting women's rights for benefitting the companies' bottom lines²².

There are various reasons for CSR laying down an impact on the corporate performance which is as follows: -

1. With the incorporation of CSR strategy, it can help in attracting and retaining staff because it lays down a firm's commitment to treating all employees with respect.
2. It encourages employees to volunteer and makes great contributions. Through CSR activities employees benefit a more productive and positive work environment²³.
3. Operational costs can be reduced in order to become more sustainable; CSR plans adopt a green accreditation system to become more sustainable. For achieving such sustainability, the majority of these processes involve saving money, either short-term or long-term.
4. CSR can contribute to help brand's image among customer's businesses who take social responsibility seriously, can attract customers by simultaneously developing a

²⁰ Carroll A. (2008) 'A history of corporate social responsibility: Concepts and practices', in A. Crane, D. Matten, A. McWilliams, J. Moon and D. Siegel (eds.), *The Oxford handbook of corporate social responsibility*, Oxford University Press, Oxford: pp. 19–46.

²¹ Chatterji A., D. Levine and M. Toffe (2009) 'How well do social ratings actually measure corporate social responsibility?', *Journal of Economics & Management Strategy* 18.1: pp. 125–169.

²² Cooter R. and T. Ulen (2011) *Law and economics*, 6th edition, Prentice Hall, New Jersey.

²³ Dahlsrud A. (2008) 'How corporate social responsibility is defined: an analysis of 37 definitions', *Corporate Social Responsibility and Environmental Management*

marketing platform and capturing their target audience's attention²⁴. Consumer's loyalty can contribute to go a long way and customers contribute to be an important part which makes the business run; without customer's the company shall cease.

5. Customers can engage more effectively with CSR initiatives. A company can engage with customers more effectively. There are various CSR's which involve businesses to interact directly with members of society who can be clients or future customers²⁵.

Corporate social responsibility has a positive impact on the profitability of the company which means that corporate social responsibility brings profit to the organisation or CSR increases profitability of the organisations²⁶. Some of the factors which affect the profitability of company are there shall be more customers which shall increase sales, reduced expenses, more production in same period of time with same number of resources which shall impact on higher employee productivity, higher productivity and high operational efficiency. CSRs shall also manage "waste" of the company which means to reduce the waste and sale-off it appropriately. CSR and profitability are related and can impact to various benefits like good brand image in society, differentiating the company from the competitor, improved employee morale, increased public trust and confidence²⁷. The major trends in CSR practise are emphasis on sustainability. In contemporary times many companies have realized the impact of environmental sustainability and are practising on initiatives to conserve natural resource and reduce carbon emissions. Corporate social responsibility has a greater impact to long term business sustainability which shall create goodwill, enhance reputation and builds trust with stakeholders²⁸. Socially responsible companies are more likely to retain customers, employees and investors. CSR initiatives can help improve a company's reputation of their brand and increase the loyalty of customer. CSR initiatives can build customer trust, which shall lead to increased customer loyalty and potential growth of business. The impact of CSR is such that it can attract and retain talent in the company²⁹. CSR initiative can improve engagement, satisfaction and improve employee morale leading to improved retention rates and more motivated workforce. CSR initiative can develop resilient and sustainable business models that can adopt to changing

²⁴ Davis K. (1960) 'Can business afford to ignore social responsibilities?', *California Management Review*

²⁵ De Hoo S. (2011) *In pursuit of corporate sustainability and responsibility: past cracking perceptions and creating codes*, Maastricht University Press, Maastricht.

²⁷ Luukoneen, J. (2010). Territorial cohesion policy in the light of peripherality. *Town Planning Review*, 81(4), 445–466.

²⁸ Lindgreen, A., & Swaen, V. (2010). Corporate social responsibility. *International Journal of Management Reviews*

²⁹ Latapí Agudelo, M. A., Jóhannsdóttir, L., & Davídsdóttir, B. (2019). A literature review of the history and evolution of corporate social responsibility. *International Journal of Corporate Social Responsibility*

environmental and social dynamics. Businesses have an ethical and moral responsibility; companies are realizing the impact of fair labour practices³⁰. It contains to ensure safe working conditions for employees. In order to promote CSR many companies engage in community development project and volunteer activities to support the community in which they operate³¹.

Examples of companies performing corporate social responsibility and its impact on corporate performance.

1. Innovation of renewable energy by Johnson and Johnson.

An excellent example of CSR is renewable innovation by Johnson and Johnson by big pharma pioneer which has contributed by using 100% of its energy needs from renewable sources estimated by 2025. The company has reduced has reduced pollution by providing a renewable economical alternative to electricity. This contribution by Johnson and Johnson is accelerating its commitment by improving the health of planet by meeting the areas of renewable electricity, value chain emissions reduction and carbon neutrality³².

2. Coca-Cola's focus on sustainability.

Coca-Cola as a well-known brand has a huge focus on sustainability. 'A world without waste' is their message. Coca-Cola is achieving its first-ever beverage bottle which is made from 100% plant-based plastic. By 2030, their main-aim is to reduce 25% of carbon footprint³³.

3. Google's initiative to contributing towards social issues.

Google's CEO Sundar Pichai stood up against social issues. Google has also committed over \$1 billion to projects which are sourced through renewable energy and enable other businesses to recover their impact through services they provide such as G-mail³⁴.

4. Pfizer providing access to healthcare.

Pfizer provided \$5 million to help improve treatment, diagnosis and management of patients during the covid-19 pandemic. In 2022, Ethisphere named Pfizer as one of the most ethical companies in the world. Pfizer has approached when there was a strike of disaster and when

³⁰ Idowu S. O. et al. (2017). Corporate Social Responsibility in Times of Crisis. Practices and Cases from Europe, Africa and the World. Springer Cham.

³¹ Jessop, B., Brenner, N., & Jones, M. (2008). Theorizing sociospatial relations. Environment and Planning D: Society and Space

³² Dillenburg S., T. Greene and O. Erekson (2003) 'Approaching socially responsible investment with a comprehensive ratings scheme: Total social impact', *Journal of Business Ethics*

³⁴ Aupperle, K. E., Carroll, A.B., and Hatfield, J.D.. 1985. "An Empirical Examination of the Relationship Between Corporate Social Responsibility and Profitability." *Academy of Management Review*

emergency assistance in healthcare is crucial³⁵.

5. Toms grassroot campaigns.

Tom's mission is to donate shoes on sale of each pair and this had resulted over 100 million pairs of shoes to the children that are in need. The company donates one – third of its profits to campaigns which are at a grassroot level, toms has re- evaluated its strategy since the company had come under the critics for creating a dependency on free shoes³⁶.

6. Commitment to social justice by Ben and Jerry's.

Ben and Jerry's invest heavily in building relationships with refugee-hiring suppliers. The company includes voter rights, climate justice and many more which has made the company advocate for more causes. The company provides environmental protection, restoration and regeneration, committed to provide human rights and contributes to social and economic justice³⁷.

In order to carry out corporate social responsibility activities there is absence of community support. There is no enthusiasm by the local community for corporate social responsibility initiatives because there are no attempts which is made to create awareness about corporate social responsibility. The primary factor is due to very little or no information about corporate social responsibility among the local people³⁸.

1. Developing local infrastructure becomes a necessity as there is a major lack of trained and competent professionals who can assist in corporate social responsibility initiatives. The non-strengthening of infrastructure severely restricts the applicability of corporate social responsibility programmes and makes it difficult to scale up³⁹.
2. One of the main problems identified is concerns with transparency. The lack of transparency has a declined effect on the process of communication between businesses and local organizations which is essential to the achievement of any corporate social responsibility programme⁴⁰.
3. Limited discussions on initiative of corporate social responsibility. Frequently

³⁵ Burton, B. K., and Hegarty, W.H.. 1999. "Some Determinants of Student Corporate Social Responsibility Orientation." *Business and Society* 38(2): 188–205.

³⁶ Davis, K. 1960. "Can Business Afford to Ignore Social Responsibilities?" *California Management Review*

³⁷ Drucker P. (1984) 'Converting social problems into business opportunities: The new meaning of corporate social responsibility', *California Management Review*

³⁸ Blowfield, M., & Murray, A. (2019). *Corporate Social Responsibility* (4th ed.). Oxford University Press.

³⁹ Ibid.

⁴⁰ Moreno, L. (2010). Welfare mix, CSR and social citizenship. *International Journal of Sociology and Social Policy*

corporate social responsibility. Frequently corporate social responsibility projects are being more donor – driven than locally focused because non-governmental organisations have limited discussions and debates on corporate social responsibility initiative of businesses⁴¹.

4. In the regions where corporate houses frequently operate shall concentrate their efforts in that region where the corporates are operating. Another challenge is lack of implementation of corporate social responsibility. This is the major issue which makes the organisational activities difficult to evaluate the impact of its activities periodically⁴².
5. Corporate social responsibility guidelines which lack clear definition and lack of clear-cut statutory requirements provides a specific pathway. Corporate social responsibility program expands and the nature of business becomes larger. In other words, the scope of a company's corporate social responsibility initiatives should be determined by the nature of industry⁴³.

V. DIFFERENCE BETWEEN CORPORATE PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY

Corporate philanthropy and CSR are concepts which are very similar which makes it difficult to denote the distinction between CSR and philanthropy when taken a closer look at the context of corporate philanthropy and corporate social responsibility there is a clear distinction between both concepts⁴⁴. Philanthropy is most often referred to in the form of financial contribution, the term 'philanthropy' refers not only to financial contribution but contributions which are made in the form of time and resources. Philanthropy includes not only to find a temporary solution but a permanent solution to the problem⁴⁵. Corporate social responsibility is the term which is referred to improve the social issues in the environment and by doing so the company improves its standard in the eyes of the consumers which also improves employee satisfaction and productivity. The actions which the businesses take to involve donating to improving causes such actions can be denoted as corporate philanthropy. The social responsibility which the

⁴¹ Tessema, M., Ready, K., & Embaye, A. (2013). The Effects of Employee Recognition, Pay and Benefits on Job Satisfaction: Cross Country Evidence. *Journal of Business and Economics*

⁴² Matten, D., & Moon, J. (2020). Reflections on the 2018-decade award: The meaning and dynamics of corporate social responsibility. *Academy of Management Review*

⁴³ McHugh, F. P. (1998). *Business ethics*. New York: Nicholson Publishing.

⁴⁴ Schein, E. H. (2010). *Organizational culture and leadership*, (4th ed.). U.S: A., John Wiley & Sons.

⁴⁵ Carroll A. (2008) 'A history of corporate social responsibility: Concepts and practices', in A. Crane, D. Matten, A. McWilliams, J. Moon and D. Siegel (eds.), *The Oxford handbook of corporate social responsibility*, Oxford University Press, Oxford

company encompass which includes philanthropic actions and internal business practices is known as corporate social responsibility (CSR)⁴⁶.

The business practice does not require to change when a philanthropic work is performed whereas, a CSR program might change certain important business practices. Another major difference between corporate philanthropy and corporate social responsibility is that in India, the companies are required as per the company act 2013 to legally allocate percentage of profits towards the initiative of CSR activities which is mandatory government legislation on the other hand, corporate philanthropy has no such mandatory conditions and it is discretionary in the company wants to engage in charitable giving⁴⁷. The main focus of corporate social responsibility is an integrated approach that is business operations shall simultaneously align with social and environmental concerns⁴⁸. Corporate philanthropy focuses on charitable giving. CSR's strategic alignment is with the company's value and strategies. Corporate philanthropy may or may not be directly aligned with the company's mission. Accountability in CSR requires transparency, accountability and reporting under corporate philanthropy accountability is demonstrated primarily through the act of an impact⁴⁹.

VI. CASE LAWS

1. Technicolor India (P.) ltd V. Registrar of companies.

According to sec 135 of the companies Act, 2013 the company had met the net profit criteria and had the corporate social responsibility committee spend the amount as per the CSR policy of company. However, it was found that directors report had incorrect capture of associated detail. Hence the company had provided an application to NCLT Bangalore. The tribunal allowed the application of the company to revise the report by giving liberty to the company to file under section 441 of the Act⁵⁰.

2. Pan Asia logistics India private ltd V. State of Maharashtra

The allegations filed under the application is that the company is a private limited company which was incorporated under the companies Act. The petitioners have filed for the reason stating that there were violations of provisions under sec 135 read with sec 450 of the companies

⁴⁶ Dyllick T. and K. Hockerts (2002) 'Beyond the business case for corporate sustainability', *Business Strategy and the Environment*

⁴⁷ Elhauge E. (2005) 'Corporate managers' operational discretion to sacrifice corporate profits in the public interest', *Environmental Protection and the Social Responsibility of Firms: Perspectives from Law, Economics, and Business*

⁴⁸ Engel D. (1979) 'An approach to corporate social responsibility', *Stanford Law Review*

⁴⁹ Falck O. and S. Hebllich (2007) 'Corporate social responsibility: Doing well by doing good', *Business Horizons*

⁵⁰ Technicolor India(P) ltd V. registrar of companies 2020 (7) TMI 423

Act 2013. The offence arose when the company and its officers failed to constitute the corporate social responsibility for the financial year 2014-2015 and 2015-2016. Policy has been formulated and the company has to comply with the disclosure related provisions accordingly to the financial year 2016-2017. “As per section 135(1) of the companies act 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a corporate social responsibility committee of the board consisting of three or more directors, out of which at least one director shall be an independent director”⁵¹.

3. Shoft Shipyard Pvt ltd V. Goa Shipyard Ltd

In this case it has been observed that in respect to violation of corporate social responsibility the compounding of offence can be done under sec 135 by forwarding an application under section 441 of the act. In a particular financial year, the books of accounts can be closed only after ascertained finalization in order to determine the quantum of corporate social responsibility. As a result, the amount to be contributed to charitable purpose as corporate social responsibility can be intimated to the concerned authorities thereafter on the finalization of accounts of a particular financial year.

4. M/s. Hira power and steels ltd V. N/A National Company Law Tribunal.

The Defaulters had violated the provisions of Sec 134(3) (0) of the Act and section 134(8) provided the punishment for the violation for the said Act. The bench has also taken into consideration that the provisions regarding corporate social responsibility is incorporated newly and hence the circular have no clear clarification regarding the provision which can be recorded by the company. Further arguments in the case were that the quantum of CSR can be determined after the finalization of accounts when the accounts are closed for a particular financial year. Therefore, the amount can be intimated to the concerned authorities only after the finalization of accounts of a particular financial year. On the above-mentioned acts and circumstances, it is noticed that the application made by the applicants herein for compounding of offence committed under sec 134(3) (0) of the companies Act, 2013, merits consideration, though belatedly the default has been made good.⁵²

5. Alok Industries ltd, Mumbai V. DCIT CENT

The case has been forwarded to the NCLT, Mumbai along with the ROC report wherein the before the compounding application was filed with the registrar of companies. The Roc had

⁵¹ Pan Asia Logistics India Private limited 2018 SCC online NCLT 11589, CA/80/ (441)/CB/2018

⁵² M/s Hira Power and steels ltd CP no 2707/441/NCLT/MB/MAH/2018

informed that the application was filed because there was violation of company under section 134 (3) (0) of the Companies Act, 2013. During the financial year 2011-12 to 2013-14 the company fails to give an explanation for the non-spending of corporate social responsibility. It has been observed that in respect of violation of section 134(3) (0) for the non-disclosure of the CSR policy laid down in the board's report can be done by forwarding the application under section 441 of the companies Act,2013⁵³.

VII. CONCLUSION

Corporations can no longer operate solely for profit by ignoring the society, economy, environment, consumers and employees. Those businesses which make decisions which are ethical are also those business which have good profitability. Corporate social responsibility, if managed well, can grow the company's reputation. As the reputation grows simultaneously the profits of the company shall also grow.⁵⁴ Businesses that want their future to be ensured must focus on the company's stakeholders. The corporations must recognise their responsibilities and must invest a portion of these rents for their welfare⁵⁵. The situation when the corporates simply look beyond profit is corporate social responsibility all about. Around the world the idea of corporate citizenship is firmly established on the business agenda⁵⁶. The demand for effective measures and promoting corporate social responsibility are the major issues that the businesses are facing and such issues can be addressed by ensuring transparency and better communication by all the stakeholders⁵⁷. The demands of consumer and business have no doubt pressurized the companies to operate in a socially acceptable way. Therefore, it is mandatory for all business to follow business ethics. There are four categories of corporate social responsibility economic, ethical, philanthropic and legal. CSR aims to make the world a better place beyond the products they sell which may result in company-specific benefits as well⁵⁸.

⁵³ Alok Industries ltd, Mumbai V. DCIT CENT

⁵⁴ Dahl Robert A., "Governing the Giant Corporation," in Nader Ralph, Green Mark J. (eds.) *Corporate Power in America*.

⁵⁵ Stone Christopher D., *Where the Law Ends* (New York: Harper & Row, 1975)

⁵⁶ Preston Lee E., Post James E., *Private Management and Public Policy* (Englewood Cliffs, New Jersey: Prentice-Hall, 1975), pp. 29–42; and Walters Kenneth D., "Corporate Social Responsibility and Political Ideology," *California Management Review*, Vol. XIX, No. 3 (Spring 1977)

⁵⁷ Mamun Al, Sohog M. K., Akhter A. (2013). A dynamic panel analysis of the financial determinants of CSR in Bangladeshi banking industry. *Asian Economic and Financial Review*

⁵⁸ Carter C. R. (2005). Purchasing social responsibility and firm performance: The key mediating roles of organizational learning and supplier performance. *International Journal of Physical Distribution and Logistics Management*, 35(3), 177–194.