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Social Responsibilities of Corporate Societies in India

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Abstract

CSR, as a system of rules and responsibilities has gained global currency and bolstered corporate ethos, and its uptake into the Indian business landscape has been deep and long-term. Over time, both corporate and governmental actors in India have tried, often ad hoc, to integrate responsible business practices in the business activities. However, these initiatives lacked a systemic approach and clear goals. More recently there's been a shift in this terrain as a result of a number of interrelated factors, including globalised commerce, the rising salience of environmental issues and the Millennium Development Goals (MDGs): all of these are driving greater attention to and commitment of CSR by business. This push towards formal CSR was inaugurated by the legislation on joint stock companies passed in 2013, which requires certain classes of companies to set aside funds for social responsibility goals. This has had a strong effect both in terms of encouraging compliance as well as a number of companies stepping over the threshold to indicate their intent to go beyond the relatively minimal requirements by providing more than the minimum amount. This has happened at the same time that, in the image of international trends, there has been a thoughtful attempt by companies to integrate the purview of CSR into their core business models in order to enhance and maintain a sustainable competitive advantage. This article explores into the evolution of CSR within India, examines key governmental policies driving the incorporation of CSR in the corporate domain, and traces the changing trend in different sectors in this country.

***Keywords**: CSR, Corporation, Societies, Company, Social.*

I. Introduction

CSR had, and still has, a long history of institutionalized engagement in India, both traditionally and currently, with active engagement from the corporate and governmental sectors.

Unfortunately, these have mostly been in-coherent, disarticulate and often projects with individual or institutional concerns, loosely tied together under the umbrella of CSR. It shares an important partnership positioning with the broader issues of development. There is now

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growing recognition of the importance of CSR within the framework of global entrepreneurial expansion, environmental decay and the embrace of the Millennium Development Goals.

In this regard, formal changes in CSR began in India with the 2013 legislation on limited liability companies. Under this law, some types of businesses are required to spend a certain amount of money on CSR programmes each year. Many of these companies end up exceeding these requirements. This fits the trend in the rest of the world, where CSR is embedded in corporate strategies to gain competitive edge in the marketplace.

Finally, the 2013 Limited Companies Act has opened the doors to a great leap forward with respect to disclosure practices, by listing communities as important beneficiaries of the CSR agenda currently set out in Schedule VII of the new Act. Going forward, the regulation promises the emergence not so much of a community charity model as a model where social responsibility is engendered in the very ethos of organisations as stakeholder relations and made central to the notion of corporate subjectivity. CSR in India is taking on an interesting concrete shape before our eyes.

II. The Company Act, 2013

The Limited Companies Act 2013 and the Social Responsibility Rules have been put into force by the Ministry of Enterprise. 1st April 2014. For a given financial year, companies with a minimum net worth of INR 500, or turnover of INR 1000 billion or more, or a net profit of INR 5 billion or more.

They also directed that the CSR regulations have effect from the financial year 2013-2014 in respect of the specified companies under section 135 of the Companies Act, 2013.

1. Any Company which has 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 is required to spend a minimum amount of at least two per cent of its average net profit for the three immediately preceding financial years in pursuance of CSR activities listed in Schedule VIb and as per targets recommended by CSR Committee hereinafter prescribed. Every Company falling under the above clause is required to constitute a Corporate Social Responsibility Committee (CSR Committee) for pursuing Corporate Social Responsibility activities.
2. It shall be the responsibility of the Board of Directors to make sure that the company deals with the mandatory costs for certain CSR activities prescribed by the EU CSR Policy of the Company, and discloses the Company's social responsibility policy and

activities as prescribed by the Agreement Regulations.

3. Schedule VII to the 2013 New Agreement on Enterprise Law contains a list of activities that are regarded as CSR; the project on the regulation of company responsibility lists a number of additional forms of exercising responsibility.

(A) **Overview**

a) In accordance with Section 135 of the Act, undertakings having certain net assets or turnover or net profits are required to compulsorily spend 2 % of their average net profit on specific CSR activity.

b) Recently MCA Rulemaking Committee published and uploaded draft CSR Rules the same on the MCA website for public consultation and discussion.

c) In line with the draft regulations on corporate social responsibility, the comments presented in this newsletter are based on the law and the social responsibility regulations. The Board, after a review of the hearing and debate, shall take its comments into account. Final CSR rules may be announced.

d) Although the government is expected to announce soon that CSR will be implemented, it shall refer to the commencement of commercial social responsibility regulations for the fiscal year 2014-15.

(B) **Applicability Criteria**

1. Any company with a net worth of INR 5,000 a turnover of INR 10,000 or more million or a net profit of INR 50 million or more in any financial year complies with the regulations on social responsibility defined in the law.

2. A qualifying company is mandatory if any of the above financial strength criteria are met and required to spend at least 2 percent of the average net profit of the last three financial years on certain corporate social responsibility activities.

3. Although the limit of the net asset criterion and the turnover criterion are kept higher, only the net profit threshold limits INR. Most companies' CSR networks will be wiped out by 50 million.

4. The accounting definition of "net profit before tax" does not need to be made, and includes profits from branches in other countries as well.

5. Although the reporting frameworks under the draft of CSR regulations suggest that unused amounts it does not explain defined CSR costs that are carried over to

subsequent financial periods is there any additional mandatory CSR spending beyond 2 percent of the financial year may or may not be carried over to the next accounting year.

i. Establishment of corporate social responsibilities committee

Each eligible company must form a corporate social responsibility committee consisting of three or more members of the board of directors.

Although the CSR provisions of the Act require a minimum of 3 directors for incorporation Committee on Corporate Social Responsibility, the question of whether private companies are eligible must be clarified (which only requires a minimum of two directors) one more should be appointed just from a CSR committee and follow CSR regulations.

The powers of the aforementioned Corporate Social Responsibility Committee are:

1. formulate and recommend the corporate social responsibility policy to the board
2. Recommends the amount of costs arising from the social responsibility activities of the company
3. Follow the CSR policy of the company from time to time.

In this regard, the draft CSR regulations specify that the CSR policy should include the following:

1. Details of the list of implemented projects/programs, implementation rules, selected fields/sectors, implementation plans, etc.
2. That the surplus arising from social responsibility activities is not part of the company's commercial profit company.

The enclosure contains the following information:

a) 2 percent of the average net profit

b) Received surplus

c) Surplus resulting from corporate responsibility activities

ii. Duties of the board members

The board of directors of each qualifying company must have the following duties:

1. Approve the social responsibility policy recommended by the CSR Committee and publish its content such policy in its report and publish it on the company's website
2. Ensure that the company's CSR activities are carried out

3. Ensure that the cost of corporate social responsibility activities is 2 % of the total expenditure.
4. Report on corporate social responsibility activities in the board's report and disclose non-compliance with corporate social responsibility (if any) regulations

iii. Some regulations

1. The draft Corporate Social Responsibility Rules set out the form in which all eligible companies must report information on corporate social responsibility initiatives in the director's report and on the company's website.

2. Businesses should prioritize the local area and the surrounding area where they operate to use the sums reserved for corporate social responsibility activities.
3. Furthermore, the following guidelines on how a company may carry out CSR activities and pay CSR costs are set out in the draft CSR Rules:
    a. To allow for the implementation of social responsibility, a company may set up an in-profit organization by way of a foundation, association, or NGO. However, the participating company defines the projects/programs implemented by such company the organization and company must establish a control mechanism to ensure this Funds allocated to such an organization are used only for the intended purpose.
    b. In addition, the company may also use NGOs which it has not set up itself to carry out its social responsibility programmes.
    c. Only those costs may be added to the CSR expenses imposed by a company if any organization has at its disposal three years of experience in carrying out activities related to this area.
    d. To implement CSR activities, companies may cooperate or share resources with other firms.
    e. Eligible CSR activities will only be considered when they are carried out in India.
    f. Activities of corporate social responsibility may be carried out as projects or programs, either new or ongoing, excluding activities carried out in the course of normal business operations of the company.

III. RECOGNIZED EXPENDITURES FOR CSR ACTIVITIES

Initiatives for Health and Well-being: Providing preventive healthcare, sanitation, and access to clean drinking water to fight hunger, poverty and malnutrition.

- Educational support and skill development: This includes the improvement of educational opportunities as well as vocational training and job placement to ensure a good quality of life for our children, women, seniors and people with disabilities.
- Promoting Gender Equality and Empowerment: Programmes to assist women's shelters, homes for orphans, homes for the elderly, and programmes to reduce societal and economic marginalisation of (often impoverished) women and other discriminated-against groups.
- Ecological/environmental sustainability: actions intended to maintain the balance of nature and to conserve the flora and fauna and promote animal welfare; achieving this by developing various farming systems such as agroforestry.
- Preservation of nature and the environment: maintaining the proper balance of nature, conserving the flora and fauna and the maintenance of ecological balance; animal welfare; agroforestry. Preserving soil, air and water as the natural resources of the biosphere.
- Cultural Preservation: 'The preservation of the national arts and the encouragement of intellect, by propagating arts and the sciences, and by establishing schools, academies or some national council or suitable institutions for these purposes, for the promotion of art and historical research, the encouragement of literature, the balance and background in history, and all, in short, that is calculated to cultivate the mind, raise the power of invention, and equip the individual with all that will interest and all that will adorn life.
- Armed Forces Veterans: Programmes that provide assistance to veterans, war widows and their families.
- Sport for All: Use all means to support grassroots sports, emerging nationally standardised sports, Paralympic sports and Olympic sports for high school students.
- Contributions to National and Prime Ministerial Funds: Donations to the Prime Minister's Fund, or to the National Relief Fund or any other fund as detailed here.
- Social and Economic Welfare Programmes: Formulation and implementation of socio-

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economic development programmes of the State relating to relief to Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities and women.

- Technology Incubation in Higher Education: 'Encourage technology incubators that are authorized by the Central Government in institutions of higher education and provide grants or funds.
- Rural Community Development: Provision of improved infrastructure and amenities in rural areas.

IV. The main data analysis for this study

We collected data on CSR expenditure and other details for 40 BSEs in Indian companies The selected companies are from six broad economic sectors such as IT, automobiles, Banking, Cement, Petroleum Exploration, F and B, and Pharmaceuticals. shows the position of companies that meet the basic requirements of this field. The formation of CSR committees, the development, and presentation of CSR policy on the company's websites through their Guidelines Committees whether chaired by a CEO or an independent board member. As can be seen from the table, all 40 million companies had created CSR committees that formulated the principles of corporate social responsibility required by the Limited Liability Companies Act. On its website, all but one of the companies have displayed their CSR policies. Regarding the head of committees on corporate social responsibility, now most of the companies (25 of them) have managing directors as heads of the corporate social responsibility committee, while 15 companies have independent directors as heads of CSR committees specified amount. However, in the period from 2015 to 2016, the real cost of Social Responsibilities increased by 35%. During the period from 2014 to 2015. The absolute amount of social responsibility expenditure in 2015-2016 was Rs.4462.38 against 3303.85 crore in 2014-15. Another important indicator of improving corporate social responsibility is that in 2014-15 the actual costs as a percentage of the regulated costs were 80 percent, in 2015-2016, it increased significantly to 93.2 percent. A number of companies report that in two years they have not spent enough on corporate social responsibilities. There was also a significant increase here in the number of companies that met or exceeded the required CSR spending The Company Law increased from 14 (40) to 21, which is a 50% improvement. to the conditions. Based on the limited information available to us, it can be concluded that things have improved significantly the Corporate Social Responsibility Performance of Indian Firms in the First Two Years of Mandated CSR activity This shows that companies take CSR activities seriously and adopt a strategic approach to their social participation.

V. Conclusion

Corporate social responsibility has now become an important part of corporate activity and strategy The CSR focus has been around for a long time, but it is gaining new momentum and behind the increased awareness of the dangers of unplanned growth focusing unanimously on the company's financial results. The need and urgency of companies' participation in social, economic, and environmental matters is now being considered by thinkers, scientists, activists, and global organizations in one voice. Although they may differ in their approach to the details of corporate social commitments. More and more Even more will be invested in the strategic orientation of corporate social responsibility activities than before the philanthropic approach. This has helped companies pay more attention to CSR activities and greater involvement and commitment of resources and staff. India is also gradually catching up with this global trend. This is off-topic Early Emerging Trends in Corporate CSR Programs in India. Participation in social inclusion and sustainable development activities on a wider scale and process will be revealed in the coming years as a result of the establishment of corporate entities in India.

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