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CORPORATE SOCIAL RESPONSIBILITY- DUTY TOWARD SOCIETY

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ABSTRACT

The term Corporate Social Responsibility identifies the responsibility of the business towards the society around which it carries its business activities. This study examines the contribution made by the corporate in India towards the society on different grounds like areas wise, state wise, company specific etc. The Corporate Social Responsibility is the manner in which the business pays to the society as compensation for the harm caused by it during business activities being carried out like air pollution, sound pollution etc.

KEYWORDS: CSR, Stakeholders, Director.

INTRODUCTION

The concept of Corporate Social Responsibility is very old beginning from Vedas to till date. It is considered as a good act towards mankind. In India we generally believes in making donations as it is a good move towards mankind and companies being an artificial person & being a important element of the society it has been linked to them under the Companies Act,2013 as a provision which they have to comply and adhere to. The artificial personality to companies is provided to them when they are registered under The Companies Act.

NEED OF CSR IN INDIA?

Corporate Social Responsibility creates a favorable image of the company in the society. The numbers of stakeholders are attached with the company like lenders on its credibility, shareholders on its earnings, suppliers on its demand of raw material, government on its tax payments, society on its working and many others whose interest is affected by the working of the company. The companies generally avoided the contribution towards the society as they do not think it as fruitful thus to avoid such instances the concept of the corporate social responsibility was introduced as a provisions in the Companies Act,2013 which is to be complied by specified companies as follows:

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TABLE-I: APLLICABILITY CRITERIA:

Section	Criteria	Limits
135 of the Companies Act, 2013.	Net Worth	Rupees five hundred crore or more
	Turnover	Rupees one thousand crore or more
	Net Profits	Rupees five crore or more
These companies shall spend two percent of their net profits in Corporate Social Responsibility activities.		

The companies covered in the above table need to spend the amount in Corporate Social Responsibility.

COMPLIANCE

The Section-135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014 deals with it. Section-135 provides that:

(1) 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 the immediately preceding 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.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4)The Board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during

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the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

On the other hand, Rules provides about the CSR Activities, Committees, Policies, Expenditure and Reporting.

CSR IN INDIA

As per CSR portal created on www.mca.gov.in the total CSR expenditure by the companies in India is Rs.13,465/- crore by 19,933 companies of 36 states & UTs through 21,171 projects. India is leader in implementing the CSR provision as compared to others country around the world.

TABLE-II: TOP COMPANIES IN CSR EXPENDITURE:

Company Name	**Amount (INR Cr.)**
Reliance Industries Limited	760.58
Oil And Natural Gas Corporation Limited	495.23
Infosys Limited	239.54
Bharat Heavy Electricals Limited	239.11
Tata Consultancy Services Limited	218.43
ITC LIMITED	215.05
NTPC LIMITED	205.17
NMDC LIMITED	188.65
Tata Steel Limited	171.46
ICICI BANK LIMITED	155.54

Source : https://csr.gov.in/CSR/companies.

The table provides that the top corporate houses made heavy CSR expenditure in the country.

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TABLE-III: SECTOR-WISE CONTRIBUTION:

Development Sector		2014-15	2015-16	2016-17
1	Clean Ganga Fund	5.47	32.65	24.23
2	Education, Differently Abled, Livelihood	3,188.09	4,881.26	5,123.83
3	Encouraging Sports	57.61	137.58	172.53
4	Environment, Animal Welfare, Conservation of Resources	853.99	963.22	1,282.34
5	Gender Equality, Women Empowerment, Old Age Homes, Reducing Inequalities	189.92	337.44	434.75
6	Health, Eradicating Hunger, Poverty and Malnutrition, Safe Drinking Water, Sanitation	2,525.92	4,545.00	3,397.00
7	Heritage Art And Culture	117.37	117.58	296.85
8	Other Sectors (Technology Incubator and Benefits to Armed Forces and Admin Overheads)	9.50	37.15	58.71
9	Prime Ministers National Relief Fund	228.18	213.70	150.70
10	Rural Development	1,059.34	1,369.52	1,507.45
11	Slum Area Development	101.14	14.30	49.81
12	Swachh Bharat Kosh	113.86	324.72	165.09
13	Any Other Fund	277.09	326.88	412.38
14	NEC/ Not Mentioned	1,338.39	1,065.22	388.86
Grand Total (in Cr.)		**10,065.93**	**14,366.29**	**13,464.60**

Source: https://csr.gov.in/CSR/sectors.

Table shows the areas in which CSR expenditure was made by the companies. It shows that Education, Differently Abled, Livelihood is the sector in which highest expenditure was made.

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HISTORY OF CSR IN INDIA:

The importance of inclusive growth is widely recognized as an essential part of India's development. It was again and again repeated as commitment to include those sections of the society in the growth process, which has remained excluded from the mainstream of development. In line with this national endeavor, Corporate Social Responsibility (CSR) was conceived as an instrument for integrating social, environmental and human development concerns in the entire value chain of corporate business. Ministry of Corporate Affairs had issued 'Voluntary Guidelines on Corporate Social Responsibility, 2009' as a first step towards mainstreaming the concept of Business Responsibilities. This was further refined subsequently, as 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011'.

The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs (MCA) in July 2011, is essentially a set of nine principles that offer Indian businesses an understanding and approach to inculcate responsible business conduct. The nine principles are:

Conduct and govern themselves with ethics, transparency and accountability.

2) Provide goods and services that are safe and that contribute to sustainability throughout their life cycle.
3) Promote the well-being of all employees.
4) Respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
5) Respect and promote human rights.
6) Protect and make efforts to restore the environment.

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7) When engaged in influencing public and regulatory policy, they should do so in a responsible manner.
8) Support inclusive growth and equitable development.
9) Engage with and provide value to their customers and consumers in a responsible manner.

These Principle (viii) of the NVGs on 'inclusive growth and equitable development' focuses on encouraging business action on national development priorities, including community development initiatives and strategic CSR based on the shared value concept. This principle of NVG was subsequently translated into a mandatory provision of Corporate Social Responsibility (CSR) in Section-135 of the Companies Act, 2013.

The 21st Report of the Parliamentary Standing Committee on Finance is one of the prime movers for bringing the CSR provisions within the statute. It was observed by the Standing Committee, that annual statutory disclosures on CSR required to be made by the companies under the Act would be a sufficient check on non-compliance. Section-135(4) of the Companies Act, 2013 mandates every company qualifying under Section-135(1) to make a statutory disclosure of CSR in its Annual Report u/s 92 of the Board. Rule-9 of the Companies (Corporate Social Responsibility Policy), Rules, 2014 prescribes the format in which such disclosure is to be made.

TABLE IV: STATE WISE CONTRIBUTION OF CSR:

S.No.	States	Amount Spent FY 2014-15 (INR Cr.)	Amount Spent FY 2015-16 (INR Cr.)	Amount Spent FY 2016-17 (INR Cr.)
1	Andaman And Nicobar	0.29	0.55	0.83
2	Andhra Pradesh	414.27	1,241.97	729.97
3	Arunachal Pradesh	11.04	1.48	23.61
4	Assam	134.78	167.47	268.87
5	Bihar	36.68	108.67	94.40
6	Chandigarh	1.77	5.12	21.30
7	Chhattisgarh	161.30	237.94	80.36
8	Dadra And Nagar Haveli	4.41	12.02	5.12
9	Daman And Diu	20.05	2.13	2.63
10	Delhi	237.43	479.13	478.63

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11	Goa	27.11	30.53	34.95
12	Gujarat	313.44	559.14	779.88
13	Haryana	187.40	367.33	346.56
14	Himachal Pradesh	10.94	52.35	16.40
15	Jammu And Kashmir	43.70	103.03	41.05
16	Jharkhand	79.56	118.17	94.63
17	Karnataka	403.46	778.88	843.49
18	Kerala	68.23	143.88	117.54
19	Lakshadweep	0.00	0.30	0.00
20	Madhya Pradesh	141.88	183.26	282.03
21	Maharashtra	1,445.91	2,013.01	2,222.25
22	Manipur	2.44	6.27	11.71
23	Meghalaya	3.53	5.62	7.54
24	Mizoram	1.03	1.07	0.08
25	Nagaland	1.11	0.96	0.92
26	Odisha	252.18	618.90	311.96
27	Puducherry	2.02	6.34	7.48
28	Punjab	55.60	69.04	67.19
29	Rajasthan	299.75	493.95	318.88
30	Sikkim	1.19	1.89	4.86
31	Tamil Nadu	539.63	615.70	470.54
32	Telangana	101.96	254.01	221.26
33	Tripura	1.33	1.47	1.25
34	Uttar Pradesh	148.90	417.12	312.74
35	Uttarakhand	74.79	72.42	94.64
36	West Bengal	194.85	411.70	274.70
37	NEC/ Not mentioned	26.94	0.00	6.72
38	PAN India	4,614.89	4,783.26	4,867.42
Grand Total (in Cr.)		**10,065.93**	**14,366.29**	**13,464.60**

Table shows the contribution of states towards CSR expenditure in different financial years.

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