



CORPORATE SOCIAL RESPONSIBILITY IN NEW INDIAN COMPANIES ACT

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INTRODUCTION

Corporate Social Responsibility has gained tremendous momentum in today's economic and social environment. The traditional approach of corporate that the business of business is to do businesses has changed and now environment within which business operate. Whilst short-term economic gain can be pursued through traditional approach, the failure to align the business goals with social and environmental factors will make those businesses unsustainable in the long term. Corporate social responsibility (CSR) can be understood as a management concept and a process that integrates social and environment concerns in business operations and a company's interactions with the full range of its stakeholders. Due to the world becoming a global village, companies are encouraged to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

APPROACHES FOR DEFINING CSR

- CSR is a responsibility, beyond that required by the law for a business to pursue long term goals that are good for society.
- CSR is a means by which a company manages its business to produce an overall positive impact on society.
- CSR is coming out of the purview of doing social good and is fast becoming a business necessity.

CSR ACTIVITIES CAN BE

1. *Clarity And Donations:* Companies donate funds to charitable institutions e.g. donation to UNICEF, Red Cross, Prime Minister fund etc.,
2. *Contract:* Companies hire agencies/Non-government Organisations which in turn carry out the activities/projects for the companies and the companies bear the cost.
3. *Own Initiative:* Companies create a separate administrative machinery and staff of its own to perform the CSR activities e.g. large companies like Tata, Microsoft, IBM, GMR, Polaries software etc., have separate administrative department to deal with CSR activities.

CSR UNDER THE COMPANIES ACT. 2013

The Indian companies Act. 2013 was passed by Lok Sabha and Rajya sabha on 18th December 2012 and 8th August 2013 respectively and notified in the Gazette of India on 30th August 2013. CSR has been recognised for the first time through the said Act. Section 135 (Under Chapter IX – Accounts of Companies), of the new Act deals with CSR while schedule VII of the new Acts lists out the CSR activities which may be undertaken by the companies.

TO WHOM CSR APPLICABLE

According to Section 135(1) of the new Act, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or 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. Thus every company registered under the companies Act and having

- Net worth of Rs.500 crore or more or
- Turnover of Rs.1000 crore or more or
- Net profit of Rs.5 crore or more during any financial year will have to comply with the provisions of section 135 of the new Act.

WHO WILL BE ACCOUNTABLE

The committee of the board of directors of company constituted under section 135 of the new act consisting of three or more directors shall be accountable for understanding the CSR activities.

DUTIES OF THE CSR COMMITTEE

As per section 135(3) of the new Act, the CSR committee shall have the following duties and responsibilities:

- To formulate and recommend to the Board, a corporate social responsibility policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII
- To recommend the amount of expenditure to be incurred on the CSR activities.
- To monitor the corporate social responsibility policy of the company from time to time.



ROLE OF BOARD OF DIRECTORS

Section 135(4) & (5) of the new Act, specifies the role of the board with respect to CSR as under:-

- Review the recommendations made by the CSR Committee
- Approve the CSR policy for the company
- Disclose contents of the policy in the company's report/website and
- Ensure that the company spends in every financial year at least two percent of the average net profits made during the three immediately preceding financial years of the company in CSR activities in pursuance of the CSR policy of the Company

A company qualifying for CSR activities under section 135 of the new act will have to explain if it fails to do so under section 134 of the new act which states that any company that fails to spend prescribed amount and also fails to specify the reasons for not spending the amount in its board report, shall be punishable with a fine not less than Rs.50000 but which may extend to Rs.25 lakh.

CSR POLICIES

Schedule VII of the new Act contains the activities, given below, which may be included in the CSR Policy:-

- Eradicating extreme hunger and poverty
- Promotion of education
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, acquired immune deficiency syndrome
- Ensuring environmental sustainability
- Employment enhancing vocational skills
- Social business projects
- Contribution to the Prime Minister's relief fund or any other fund set up by the central Governments for socio-economic development

With the enactment of the Companies Act 2013, companies would be required to spend at least 2% of their net profits on CSR activities, and hence it becomes imperative for corporate India to plan its spending on CSR activities and avail appropriate benefits/deductions available under the Income Tax Act, 1961.

CONCLUSION

There are many companies and large corporate houses that are spending substantial amounts on CSR activities voluntarily primarily, such spending is on development of neighbourhood, primary health care, education, safe drinking water etc., in the areas where the businesses are located. Nevertheless, CSR activities in the country suffer from a lack of understanding inadequately trained personnel, non-availability of authentic data and specific information on the kinds of CSR activities that companies should be investing in.

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