
ASSESSING THE IMPACT AND EFFECTIVENESS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES UNDER THE COMPANIES ACT, 2013

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ABSTRACT

In today's rapidly advancing world of technology, companies are driven strongly by their desire for profits. However, the days when companies could ignore their social, moral, and environmental duties for the sake of maximizing profits are long gone. This is all due to a concept known as corporate social responsibility. In this article, we will take a close look at how corporate social responsibility affects companies and how effective it really is.

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Companies now have the opportunity to improve relationships with communities, develop a positive image for their brand, and do things that benefit society because they are working on CSR projects. Because of the Companies Act of 2013, the way Indian corporations think about CSR has shifted. This Act has compelled companies to rethink their impact on the environment and society as a whole. Because of this Act, businesses are more inclined to emphasise environmental and societal concerns in their objectives. Companies are playing a vital role in tackling key problems and making India a fairer and more inclusive place by combining CSR programmes with environmental goals. This article focuses on the meaning, concept and legal framework governing Corporate Social Responsibility in India. The author has focused on analysing the impact of CSR initiatives on different sectors in India.

Keywords: *Corporate, Duties, Environment, Responsibility and Society.*

1. INTRODUCTION

Corporate Social Responsibility (CSR) has emerged as a significant component of business operations, reflecting a corporation's duties to society and the environment as a whole. In 2013, the Indian government implemented the Companies Act, which mandated certain corporations to pay a part of their profits to CSR activities. The concept of CSR got official recognition with the enactment of the Companies Act in 2013, kicking in a new era in the business world¹. Under this Act, companies operating in India are required to incorporate CSR programmes within their commercial activities. Corporate social responsibility in India was primarily voluntary prior to the Companies Act of 2013, with only a few firms actively involved in non-profit endeavours. Many firms regard CSR as a supplemental and irregular undertaking rather than a fundamental component of their overall business strategy. CSR, on the other hand, has evolved from a supplementary activity to a key component of corporate governance as a result of government participation.

2. CORPORATE SOCIAL RESPONSIBILITY: CONCEPT AND HISTORY

Corporate social responsibility is an approach to management in which businesses incorporate social and environmental issues into their business operations and relationships with stakeholders. Despite the fact that the phrase Corporate Social Responsibility (CSR) is relatively fresh in India, the country possesses the world's richest tradition of CSR. Sharing and caring are deeply ingrained in Indian society. This concept extends back to Mauryan history when thinkers such as Kautilya emphasised ethical practises and values when conducting business². It has since evolved and has now become a regulatory mandate for certain companies.

Corporate social responsibility is a concept in management that encourages businesses to incorporate social and environmental issues into their regular business activities and relationships with stakeholders. Generally speaking, CSR refers to a company's efforts to reconcile its commitments to social, environmental, and financial goals while also meeting stakeholder and shareholder expectations (also known as the Triple-Bottom-Line Approach)³.

¹ Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India).

² Vaishnavi Iyer, The Journey of Corporate Social Responsibility in India, 3 INT'L J. L. MGMT & HUMAN. (2020)

³ Vaishnavi Iyer, The Journey of Corporate Social Responsibility in India, 3 INT'L J. L. MGMT & HUMAN. (2020)

3. PROVISIONS FOR CSR UNDER THE COMPANIES ACT, 2013

In India, the Companies Act of 2013 made CSR an essential obligation for businesses with a large economic footprint. Every firm that meets the stipulated criteria with regard to net worth, turnover, or net profit during any fiscal year is expected to adhere to CSR provisions under Section 135 of the Companies Act 2013⁴. Companies with a net worth of Rs. 500 crores or more, a turnover of Rs. 1,000 crores or more, or a net profit of Rs. 5 crores or more are eligible.

Companies that meet the aforementioned requirements are expected to form a CSR committee with at least three directors, including at least one independent director, and allocate at least 2% of their average net profits from the three immediately preceding financial years to CSR initiatives.

Here are some activities that can be undertaken by the companies as a part of their Corporate Social responsibility:

- Gender parity and women's empowerment
- Sanitation and healthcare efforts
- Making sure the environment is sustainable
- Disaster relief and recovery
- Combating hunger, poverty, and malnutrition
- Rural development initiatives
- Sports, cultural, and heritage preservation
- Advancing education and developing workforce competencies

4. IMPORTANCE OF CSR FOR A COMPANY

Corporate Social Responsibility (CSR) brings many good things to both companies and society. Firstly, when companies do CSR activities, it makes people think better of themselves and like their brand more. This helps them get along better with customers, employees, investors, and

⁴ Companies Act, 2013, § 135, No. 18, Acts of Parliament, 2013 (India).

other important people. When companies work on problems that matter to society, like helping poor people, giving education, taking care of health, and protecting the environment, it makes the world a better place. This also helps workers feel happier and more connected to their job, knowing that they are part of a company that does good things⁵. Lastly, CSR can help companies be more successful in the long run. It makes their business safer, brings in good workers, and encourages new ideas. Doing CSR isn't just the right thing to do, it's also a smart way for companies to grow and make the world a better place.

5. EFFECTIVENESS OF CSR PROVISIONS UNDER THE COMPANIES ACT, 2013

A study looked at the commitments made by the ten biggest companies in India about contributing to society through CSR activities before they had to follow the provisions of Corporate Social Responsibility (CSR) in 2013. The CSR provisions mentioned in the Companies Act, 2013, stated that companies should spend at least 2% of their profits after paying taxes on CSR⁶. But, except for Tata Motors, most of these big companies didn't spend enough money on CSR according to this provision.

But after the Companies Act of 2013 came into effect, Indian companies started following the CSR provisions in a positive way. In the first year of following these rules, these companies spent around INR 8800 crore on CSR. As a whole, by March 2019, all companies in India had spent more than INR 50,000 crore on CSR. Most of this money went to healthcare and sanitation, which are important things for the government. Education and skill development projects were also supported. The study found that companies used their CSR money for things that were related to their main business. For example, energy and mining companies like ONGC, Bharat Petroleum, Coal India, GAIL, and Indian Oil mainly spent their CSR money on healthcare and taking care of the environment.

The study examined CSR practises across industries, revealing how companies from various sectors carried out their CSR initiatives. The results show that businesses in the information

⁵ Kalpana Koneru, The Impact of Corporate Social Responsibility on Business Performance in India, SSRN (July 23, 2023, 5:30 PM), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3109498

⁶ Companies Act, 2013, § 135(5), No. 18, Acts of Parliament, 2013 (India).

technology and pharmaceutical sectors have an increased capacity for CSR and actively participate in environmental sustainability, health care, and education. On the other side, manufacturing and infrastructure focused on improving livelihood initiatives and community development. The quantitative study clarifies the relationship between CSR investment and business performance. Surprisingly, the study found a connection between fruitful CSR initiatives and revenue expansion. Companies that successfully integrate their CSR initiatives with their core values and business goals are expected to make a profit. This demonstrates how a properly implemented CSR strategy benefits society while also enhancing a business's long-term sustainability and profitability.

6. CONCLUSION

Corporate Social Responsibility (CSR) has become a crucial part of making businesses and communities work well together. Companies have gained public support by doing things that help society grow, and the public has also supported these businesses by thinking highly of them. This has improved the companies' reputations⁷. To make this work even better, a rule was made that says all industries must do CSR, but there are limits on how much they should do. To get the best results, businesses should invest in programmes that help society. To make CSR really effective in achieving its goals of making the environment, society, and economy better, it's important to come up with good plans and use different strategies that match each industry's history, what they do, and what makes them special, considering all the different people involved.

⁷ Kalpana Koneru, The Impact of Corporate Social Responsibility on Business Performance in India, SSRN (July 23, 2023, 5:30 PM), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3109498