

ANALYSIS OF SUSTAINABILITY BETWEEN COMPANIES AND SOCIETY BY WAY OF CORPORATE SOCIAL RESPONSIBILITY REGIME IN INDIA

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ABSTRACT

This paper will tell examine the pros and cons of the Corporate Social Responsibility on the business and on the society in large, to identify the necessity of inculcating the CSR in Indian Laws, to examine the factors influencing in implementing CSR and to determine the sustainability of Organizations and the Society by way of CSR legislation in Indian Laws in comparison with the Corporate Social Responsibility laws in United Kingdom. The Corporate Social Responsibility deals with the bond between organizations and the societies in which they interact. The Indian Government's rationale for mandatory CSR is towards making corporate sector take more responsibility and inculcate spirit of CSR, but it will be beneficial only if corporates integrate the concept of CSR into its core business. But the lack of clarity on areas of contribution; confusion about location of the spend; whether contributions made to institutions affiliated to politicians are under prohibited activities; and what kind of reasons would be accepted for not meeting spend target can cause the loophole in the legislation of mandatory CSR whereas the CSR spending is voluntary in the United Kingdom. This paper will analyse the laws relating to the Corporate Social Responsibility in India and United Kingdom and the challenges faced by such CSR regimes in both the countries.

Key Words: *Corporate Social Responsibility, Customer, Society, Regulation, Satisfaction, Organization, United Kingdom*

INTRODUCTION:

Business or corporate is a need of any country in order to grow its economy which will ultimately help the country to be a developed country. When we think of a business or corporation, their main aim is to earn profit and in order to earn a profit, they often practice some practices which may or may not be ethically

correct. Hence in order to prevent the corporate from doing such activities government makes some laws as per the requirement of time and society.

While earning a profit, businesses are required to follow the law and even to make their policies customer-friendly and not exploitive for the customers or for the society. Businesses are required to do some work without expecting any benefits in order to serve society. The logic behind making businesses serve the society without any benefit is that the businesses use the social as well as natural resources in order to gain optimum utilization of their money and to get higher returns on their investments, hence the businesses should be more obliged to give something in return to the society without expecting any profit or benefit. This obligation of corporate to do something in favor of society at large without any benefit in return is known as Corporate Social Responsibility.

CSR AS A REGULATORY MANDATE IN INDIA:

Indian CSR model is quite different from the popular and dominant western model. In the western model companies has option to voluntarily engage in the CSR activities of their choice with the spend decided by the management. On the other hand, Indian companies are bound by the law to not only spend mandated amount but also engage in CSR activities listed in Schedule VII of the companies Act. The CSR policy and decision has also been mandated on the board of the companies. The companies are also required to present the details of CSR activities in their annual report.

The companies are required to disclose the amount which they spend on CSR activities. This provision is going to make CSR spend transparent and comparable at least from the input perspective. It also made CSR a regular exercise which is dependent on the profits made by companies. This will make CSR a regular phenomenon for the companies, as in majority of the cases profits are not going to fluctuate much. The third aspect of this provision is that it also fixed the responsibility of the CSR which is on the board itself. All decision and spend must be authorised by the board and none lower them. The fourth aspect is fixing the CSR budget by connecting it with profits of the company. Fifth aspect is to align CSR activities

with the Schedule VII of the Act. The activities listed in Schedule VII is supposed to be aligned with the inclusive development agenda of the nation. The schedule may be amended depending on the changing priorities of the nation. Finally, the spirit of the legal mandate is that CSR is for the poor, the marginalised, the deprived, the downtrodden, and handling of difficult situations. Thus, the law obligates companies to perform activities beyond the legal mandate. It is assumed that the corporate sector in India has many strengths which can be used to solve larger social, environmental, and economic issues with the right framework. Further CSR is not expected to be the core business of the companies. They are expected to associate with the non-profit sector which has got a strong presence in India and have long standing capabilities to implement social projects. One important aspect is the reporting of CSR activities by the company. For the said purpose, a template has been designed which the companies are expected to fill and report.

COMPARISON OF CSR IN INDIA WITH UNITED KINGDOM (MANDATORY VS VOLUTARY SPENDING OF CSR)

The initial attitude towards CSR was a voluntary one that would be adopted by the companies towards the society and the stakeholders. Increasingly, CSR has been gaining legal status. Some countries have incorporated facets of CSR in their basic corporate laws to exhort companies to fulfil their obligations towards non- shareholder constituencies. However, India is the first country in the world to mandate CSR expenditure under the Companies Act, 2015 (the 'Indian Act'). Under Section 135 of the Act, CSR is compulsory for all companies that meet the fiscal criterion of-

- The net worth of the Company should be higher than Rs 500 crore.
- The annual turnover of the Company should be Rs 1000 crore or more.
- Annual net-profits of the Company should be at least Rs 5 core or more.

The companies, crossing the prescribed threshold, are required to spend at least 2% of their average net profit for the immediately preceding three financial years on CSR activities and form a committee consisting of the board of directors who would have to overlook the CSR expenditure of the Company. The

CSR committee must ensure that the committee consists of four board of directors of the Company who meet at least twice a year to review and assess the CSR activities of the Company. A quorum of at least two members is needed to hold the meeting. The CSR committee will recommend a formal CSR Policy and will recommend CSR activities, set forth a budget, describe how the Company will implement the project, and establish a transparent means to monitor progress. The CSR activities were to align with Schedule 7 of the Indian Act, that consists of a list of Activities like promotion of education, health and women empowerment. The Concept of CSR intends to bring the Social Responsibility activities of a company, in line with the national agenda of the government. He felt that the new legislation gave the Companies a wide array of activities on which they could make their investment. This list was to be interpreted liberally rather than coextensively.

Whereas under the laws of the United Kingdom, CSR is not a mandatory activity for companies like in India. CSR is a voluntary act that has no legislation that has been made just for CSR. A company that follows the triple bottom line approach system has to meet the requirements given under the Companies Act, 2006, which has given the directors the duty of dealing with the environmental and social impacts of their Company. Other laws in the UK guide the concept of CSR as we know today, they are namely - Accounts Modernisation Directive, which requires that large Public Limited companies now must report publicly on environmentally significant matters, The Working Time Regulations, 2001, The Health and Safety at Work Act, 1974. This list of Legislations is not exhaustive and will keep growing from time to time, as these are just guiding on the CSR expenditure and do not mandate CSR spending for companies.

SUSTAINABILITY BETWEEN COMPANIES AND SOCIETY WITH THE HELP OF CORPORATE SOCIAL RESPONSIBILITY:

India has seen a substantive increase in the CSR spending made by the companies that qualify for the CSR spending as per Section 135 of the Indian Act. In 2017 the CSR spent increased by 20 per cent. The actual CSR spend was 88 per cent of the prescribed expenditure as compared to 84 per cent of the expenditure in 2016. Almost 1/3rd of the companies spent more than the prescribed amount of CSR expenditure. In the

Indian context, most of the CSR expenditure is made in the fields of education and health care, whereas eradicating malnutrition and hunger deaths is gaining popularity among the companies.

The fact that now companies know their social obligations and would work towards it more efficiently is a significant argument. Another reason how this mandatory CSR regime has helped India is that it has eliminated evils like corruption, bribery and exploitation of labour as every Company is mandated to spend a certain amount of their profits towards CSR. Another benefit that has accrued to India, owing to mandatory SR is that the government through these Corporations have intertwined the agenda of national development with the CSR activities of the Company. The legislation has also ensured that more companies follow the notions of sustainability.

There are some harmful impacts of the mandatory CSR legislation in India as well, one of the most prominent disadvantages is the increased cost of bureaucracy and the increased cost for the companies to follow the effective in aligning the activities of the Companies with the National development agenda, as a significant chunk of the CSR spending in India is done by the Public Sector Units only, almost 1/3rd of the total. The attitude of incurring CSR activities just to fulfil the mandatory legislation is a growing one amongst Indian companies.

CONCLUSION:

The primary purpose of CSR is to ensure that a company can grow sustainably without facing many troubles. Corporate Social Responsibility in the Indian context has successfully interlinked business with social integration and environmental sustainability. From responsive exercises to reasonable activities, corporates have displayed their capacity to make a critical change in the public and enhance the general personal satisfaction. In the present social circumstance in India, it is troublesome for one single body to achieve change, as the scale is enormous.

Corporate bodies have the aptitude, essential reasoning, labour and capital to encourage broad social change. Powerful associations between corporate, NGOs and the legislature will put India's social improvement on a quicker track which will, in turn, create a lot more opportunities for the businesses in the future. Therefore, it can be said that mandating such expenditure is necessary from an Indian context to bring the corporations on the same page as the Government policies. The most recognisable example is that of contributions to the PM CARES Fund which would be considered CSR, to encourage more corporations to make contributions in furtherance of the country's fight against the virus.

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