

# **A STUDY ON LEGAL CONSEQUENCES AND COMPLIANCES ON CORPORATE SOCIAL RESPONSIBILITY**

**Megha Motwani**

*School of Law, JagranLakecity University, Green Bowl, Chandanpura, Bhopal*

**Srishti Singh**

*School of Law, JagranLakecity University, Green Bowl, Chandanpura, Bhopal*

---

**Abstract:** “Goodness is the only investment that never fails” – *Henry David Thoreau, American Writer.*

Service given by the companies for the society, like what you take from society you give it back are classified as “CORPORATE SOCIAL RESPONSIBILITY “. Sustainability and corporate social responsibility and green business are key topics of discussion. Concern about the social and environmental impact of businesses is increasing. We are all been urged, to use less energy, to re-use, to recycle and go green. We are asked about how involved we are with our local community and what we are doing to give back to our society. Thus, corporate social responsibility is more a statutory requirement after the company’s bill 2012 passed in parliament. This paper provides an account of the effort that has been made by corporate and considers main development in CSR also this paper contributes to greater, more detailed understanding of CSR .

**Keywords:** Green Business, Statutory Requirement, Social And Environmental Impact, Re-Use, Reprocess, Go Green.

---

**Introduction:** True economic growth of a country is reflected in a state of health, education, values and the quality of life that the citizens lead. Besides government, corporate too have responsibility in fostering this group “corporates” in altruistically reach out beyond the acts of manufacturing selling and profiteering or increasing the shareholder value to enhance the quality of life that common people lead and live this is true **corporate social responsibility** . If today India reports lesser and lesser cases of malaria, if today woman doesn’t have to travel miles from her village in remote area in search of water, if today a 10th standard pass can understand the nuances of electronics and educate her children with her earnings, if today farmers can cultivate crops without bothering about the rains and the fact file go on and on and on there surely is a big hand behind each of these happenings a hand of corporate. Corporate’s that acknowledge their corporate social responsibility and work towards improving the lives of the people, enhancing their social economic status and bettering the environment they live in.

Mr. B. Santhanam President of Flat Glass-South Asia, Malaysia & Egypt and Managing Director of Flat Glass-South Asia, Malaysia & Egypt at SAINT-GOBAIN INDIA Private Limited says- the business concept has changed, in last 40 years, we have been single mindedly pursuing shareholder value today it’s all about stakeholder value and one of the most important stakeholder we have is the society at large. He wisely points out that **corporate social responsibility** is the answer to the large scale problems that the society faces on health, education skills and environment.

Thus, corporate social responsibility is a serious business in quite a few companies. It has a vision clear cut goals, transparent earmarked funds and the visionary zeal to implement and to realize soft objectives.

**Legal Consequences and Compliances:** Section 135 of the companies’ act 2013 is the main provision on corporate **social responsibility**. Section 135 put the obligation on the companies to spend on the CSR activity. Schedule 7 of the companies’ act 2013 provides the list of various CSR activities the

---

companies' act and company's (corporate **social responsibility**) rules, 2014 these rules provide further compliance for the CSR activities.

#### **Applicability:**

- Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs. 1000 crore or more; (c) net profit of the company to be Rs. 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.
- The new law on CSR laid out in the 2013 Companies Act is well aligned with national development goals and priorities, UNGC principles, and the 17 Sustainable Development Goals (SDGs) announced by the United Nations in January 2016. CSR principles continue to gain momentum and acceptance after the 193 UN member states agreed and ratified the SDGs at the General Assembly.

#### **CSR Committee and Policy:**

- Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors.

**CSR Whether Duty or A Privilege:** Today's conventional wisdom says that having corporate **social responsibility** strategy benefits business. According to new report by Working Wordrobes those benefits are several and major. First there is positive reputation and increased brand awareness that comes with supporting practices that includes social and environmental impact and community involvement. Then there is improved recruitment, retention and overall productivity of employees that companies that offers in depth CSR commitment as part of their engagement strategy. Finally there's the bottom line increased sales and enhanced revenue through marketing to consumers looking for products and services delivered by good business practices.

How best to access to these benefits? through partnership with non-profits says Daniel Mcquaid president and CEO of OneOc and organization that accelerates non-profit success through voluntary training, consulting and business services say Mcquaid joining forces with non-profit organization is a great way to give back to the community and finding a likeminded organization that alliance with company's mission, goals and the business interest enhances the CSR strategy.

**Boards Comment on Engulfing CSR Activities into Their Corporate's:** Gamesa the windmill giant set its benchmark at CSR activities by providing school classrooms with wooden benches thereby providing students with by bare basic infrastructure. Besides textbooks, notebooks and other accessories are also provided. Visiting school and teaching NSS volunteers on how to act in case of emergency calls by fire was another effort that Gamesa improvise undertook.

Mr. RmeshKamyal chairmen and managing director of Gamesa says CSR activity has now conveyed into a kind of employee movement which gives them great pleasure and great pride in working for Gamesa and I wish that other companies which do this it's a pride for any employee to work in companies like this.

#### **Few Graphical View Points:**

- In a survey by the nonprofit Net Impact, the following requirements of workers came out:  
35% wants to work for a company committed to CSR  
45% for a job that makes social or environmental impact  
58% to work with organization have values like my own
- Research conducted by Cone Millennial Cause group, found that 80% of a sample of 1,800 13-25 year olds wanted to work for a company that cares about how it impacts and contributes to society. More than half said they would refuse to work for an irresponsible corporation.

### **Boards Effort in Bridging the Corporate to Society:**

- The CSR model at the **Amara Raja group** is indeed path breaking. Group is involved in education, women empowerment, real development health and agriculture. The focus is on wholesome and holistic development of a particular rural place, assuring in the community all the benefits and the amenities that the urban life offers.
- The **GVK group** core CSR efforts besides the adoption of schools in Nellore and the opening up of tennis academy in Hyderabad has been a pioneering work. It also provides 9600 ambulances which fly across different states with trained paramedics; it offers 108 EMRI and other services free of cost.
- Corporate success has always gone hand in hand with social commitment at the **Murugappa group** it has been at the forefront of eco conservation, public health and education. In communities where it operates since 1957. It runs 4 schools, a polytechnic college and 4 hospitals. It also operated RND center for rural development.
- The Srinivasan services trust the social arm of **TVS group** is operating around selected districts of Tamil Nadu. Besides providing infrastructural facilities in schools emphasis is on improving the quality and standard education provided to children, empowering women by forming them self-help groups is another success story. Sewage treatment plants employing simple, unique, indigenous technology have been developed across many developed villages. Valuable work in tribal areas through skilling of women and empowering them with the power of entrepreneurship is a big achievement at the part of Srinivasan services trust. Significant work to improve health of women in all the villages with consistent conduct of health camps. Lot of technologies have developed with to try and change the manner in which a sanitation is done, in health care there's lot of interesting work going on, on using technology to try and bring health care at very low cost.
- **Applo hospitals** in partnership with Sachi foundation focuses its CSR efforts on pediatric cardiac care specially for underprivileged children falling under the ambit of its own expertise, is wonderful work has been done here.
- **Amway international** CSR core dictum is LIVE LEARN ACHIEVE and PLAY. Focus on children has also found its way. In India Amway one by one works on the welfare of the blind by trying to teach them a vocation with the help of brail experts and provision of 14 computer vocational centers concentration on all aspects of children growth has been an another highlight of their CSR efforts.
- **Tata group** CSR efforts lies in strengthening the lives of the communities, rebuilding of habitats destroyed by rains. Bolstering the quality of education, giving art the necessary Philip and taking love and care to the aged. Giving the green idiom a trust by conserving energy and planting trees is another area of CSR activities.

### **Conclusion:**

- **CSR Boosted Employee Engagement:** As employees want to have a good secured job and excellent wages and management wants happy workers and profits. Thus, inculcating CSR activities brings a win-win situation for both.
- **CSR Gave Corporate's Marketing Advantage:** CSR is used to alleviate reputational damage and change the business model. Beside from avoiding brand damage business now a day want to associate with new businesses to do good and that makes sense, if you are operating a socially responsible organization people are more goanna join in with you. As who are aware that P&G, classmate etc. invest their some portion of profit in various social activities are going to give more preference to their products.
- **CSR is Value Creative for Business, Society and Environment:** As customer expects good customer service and high quality products and for a community it wants organization to pay their taxes and offer the citizens good wages and help support the environment by not polluting it. CSR can help Business in achieving this. It going to help businesses to be more responsive to the expectations of today and going forward it's going to help them to be more responsive in meeting the societies need this going to help them to be more efficient in whatever they do and or produce.
- **CSR is used for Risk Management:** CSR can be used as a strategy to reduce an organizations exposure to risk. The successful implementation of CSR minimizes the financial impact of

undesirable disastrous events and in turn risk minimization by organizations can reduce the cost of capital, increasing profitability because the cost of capital influences share valuation. Thus, CSR is more a gift to corporate's than a burden on them. **It is no more an act of charity or philanthropy but a statutory commitment and a god sent opportunity on the parts of corporate to participate in the nation building effort and get back to society in good major what is due to them.** Initially corporate's deployed CSR activities as a legal duty imposed on them but ended up releasing it as an opportunity that to legally covered. Therefore, acknowledging CSR as legal trend will be pretty faultless as it is that fashion which never been so legal.

**References:**

1. CSR Benefits for Business: A Brief Summary - The Minute
2. The Future Of Work: Corporate Social Responsibility Attracts Top Talent- The Forbes
3. The Companies Act, 2013
4. Short film on CSR – by CII-SR
5. CORPORATE DISCLOSURE PRACTICES IN INDIAN COMPANIES - Business Sciences International Research Journal Volume 1 Issue 1 (June 2013)