

# **Role of Corporate Social Responsibility in Social and Economic Development in India.**

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## **Abstract**

A management concept known as "Corporate Social Responsibility"(CSR) encourages corporate sector to incorporate social and environmental considerations into their activities and relationships with stakeholders. Corporate social responsibility is typically considered as the means through which a business finds a balance between its social, environmental, and economic imperatives. Corporate social responsibility is emerged as a critical component of long-term commercial success. CSR has great impact on the development of new economy. Following an amendment to the Companies Act, 2013 in April 2014, India became the first country in the world to make corporate social responsibility as mandatory. As part of any CSR compliance, companies can spend their profits in areas such as protection of environment, development of education, eradication of poverty and gender equality.

The Ministry of Corporate Affairs has announced that company's expenditures to combat the COVID-19 (Coronavirus) outbreak will be considered valid in CSR activities. Funds may be spent on COVID-19-related activities such as healthcare promotion, including preventive healthcare, sanitation, and disaster management. Amendments to the Companies (Amendment) Act, 2019 concerning CSR Previously, if a company was unable to spend its CSR funds fully each year, it could carry the amount forward and spend it in the following fiscal year, on top of the money allotted for that year. The CSR amendments to company Act, 2013 now require companies to deposit any unspent CSR funds into a fund specified in Schedule VII of the Act by the end of the fiscal year. This amount must be used within three years of the transfer date, or the fund must be deposited in one of the specified funds.

**Key Words:** Corporate Social Responsibility, Stakeholders, New Economy, Sustainable development, Environment and Eradication of Poverty.

## **Introduction**

The Indian Corporate Sector is emerging with the significant legislative developments in promoting social and economic development of the country to keep up with the global competitiveness. The Government of India is proactive in enacting laws by providing specific provisions like CSR in the business arena which reveals the intention of the Government of India to improve socio economic conditions of the society.

CSR initiatives are not only to improve economic benefits of society but also make significant contributions for protection and preservation of environment. Because of industrialization there is a significant damage to environment and wildlife. The Corporate sector has embraced the legislation to contribute for the benefits of society, preservation of the environment, natural resources like water, land, air, flora and fauna.

### **Concept of Corporate Social Responsibility**

The idea of Corporate Social Responsibility is not a new concept but of late CSR has got more attention. The Social Responsibilities of the business written by Howard R. Bowen in the mid-1950s, is the first book on CSR. The term CSR is not widely used till early 1970s. Because of Globalization all the changes like increase in cross border transaction, markets for goods, services have made it necessary to implement corporate governance processes that ensure fairness, transparency and social responsibility. As a result, CSR developed and emerged in the corporate world.

CSR is the process of assessing an organization's social impact and determining its responsibilities. It starts with an evaluation of the following aspects of each business-like Customers, Suppliers, Environment, Communities and Employees.

The Companies Act, 2013, was one of the attempts made by Government of India in adopting CSR. In India, the concept of corporate social responsibility is governed by Section 135 of the Companies Act, 2013, Schedule VII of the Act, and the Companies (CSR Policy) Rules, 2014, which outline the standards for determining a company's CSR eligibility as well as for implementing and disclosing its CSR policies. India has begun its path to establish a benchmark in achieving sustainability goals and stakeholder activism in nation building, having the most sophisticated CSR mechanism and execution approach. According to this Act of 2013, businesses with a net worth of at least INR 500 crore, an annual revenue of at least INR 1000 crore, or a net profit of at least INR 5 crore are required to contribute 2% of their average net earnings over the previous three years to CSR.

### **Growth of Corporate Social Responsibility in India**

It is commonly acknowledged that inclusive growth is crucial to India's development efforts. Corporate Social Responsibility was developed as a tool for integrating social, environmental, and human development concerns throughout the entire value chain of corporate business in accordance with this national initiative. In order to mainstream the idea of business responsibilities, the Ministry of Corporate Affairs released "Voluntary Guidelines on Corporate Social Responsibility, 2009." In the years that followed, it was further developed into the "National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011."

The Ministry of Corporate Affairs (MCA) published the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business in July 2011. These guidelines are essentially a set of nine principles that give Indian businesses an understanding and strategy for instilling ethical business practices. The NVGs, however, have

been updated and released as NGRBC<sup>1</sup> in March 2019 to highlight alignments with the Paris Agreement on Climate Change, the UN Sustainable Development Goals (SDGs), and other relevant national and international developments in the field of sustainable business since 2011. The NGRBC offers a framework for businesses to expand in a way that is both inclusive and sustainable and that also takes stakeholder concerns into account.

These recommendations exhort enterprises to put the principles into practice. These ideas include:

1. Businesses should have honorably and regulate themselves in an ethical, transparent, and accountable manner.
2. Businesses should deliver products and services in a sustainable and secure manner.
3. The well-being of all employees, including those in their value chains, should be respected and encouraged by businesses.
4. Businesses should respect and consider the interests of all of their stakeholders.
5. Businesses ought to uphold and support human rights.
6. Businesses should respect the environment and work to conserve and restore it.
7. When influencing public and regulatory policy, businesses should do it in a way that is ethical and open.
8. Businesses should support equal development and inclusive growth.
9. Businesses should interact with and benefit from their customers in an ethical way.

One of the main forces behind the inclusion of the CSR provisions in the statute is the 21st Report of the Parliamentary Standing Committee on Finance. The Standing Committee made the observation that the annual statutory disclosures on CSR that the firms are required to make under the Act would be an adequate check on non-compliance. Every firm meeting the requirements of Section 135(1)<sup>2</sup> is required by Section 135(4) of the Companies Act 2013<sup>3</sup> to include a statutory disclosure of CSR in its Annual Report of the Board. The format in which such disclosure is to be made is prescribed by Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014<sup>4</sup>.

### **National Corporate Responsibility Exchange Portal for Social Development in India.**

The National Corporate Social Responsibility Data Portal<sup>5</sup> is a project of the Ministry of Corporate Affairs, Government of India, to create a platform to disseminate data and

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<sup>1</sup> National Guidelines on Responsible Business Conduct.

<sup>2</sup> Section 135(1) of the Act states that every company having the specified net worth, turnover, or net profits must establish a CSR committee. Thus, section 8 companies must also establish a CSR committee and comply with CSR provisions when it meets the specified net worth, turnover, or net profits

<sup>3</sup> 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.

<sup>4</sup> Every company having average CSR obligation of ten crore rupees or more in pursuance of sub-section (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more and which have been completed not less than one year before undertaking the impact study.

<sup>5</sup> <https://pib.gov.in/PressRelease>

information filed by the companies registered with it about corporate social responsibility. As part of Azadi Ka Amrit Mahotsav, a government endeavour to celebrate and remember 75 years of independence, Finance and Corporate Affairs Minister Nirmala Sitharaman debuted the national corporate social responsibility webpage on June 7, 2022.<sup>6</sup> in order to enhance development of CSR activities in India.

The platform will increase openness in CSR efforts by making it simpler for businesses to monitor project implementation. Additionally, it will make it easier for non-governmental organizations (NGOs) to raise money for social development projects.

The High-Level Committee on Corporate Social Responsibility's 2018 recommendations served as the foundation for the development of the Exchange Portal. The creation of the gateway required the formation of an Advisory and Technical Committee. Different CSR Stakeholders, including CSR Practitioners, Technical Experts, and Civil Society Organizations, were represented on the Committee. The Committee was informed about BSE Samaan, a project of the MCA Think Tank, which included the Indian Institute of Corporate Affairs, the Confederation of Indian Industry, and the Bombay Stock Exchange. It included features comparable to those planned for the National CSR Exchange Portal.

The National CSR Exchange Portal also aids in addressing the issue of "inability to discover relevant projects" that Corporates frequently claim as a reason why they are unable to fulfil their CSR duties. By giving users a venue to view projects submitted by multiple implementing agencies, CSR Exchange Portal addresses this problem. They will be able to list their CSR initiatives to solicit funding from businesses. Many non-governmental organizations (NGOs) are looking for funding for their initiatives that can fall under the category of CSR. The National CSR Exchange Portal will facilitate the collaboration of Corporates and Implementing Agencies to advance national improvement.

### **Corporate Social Responsibility: Sustainable Development**

Environmental sustainability is concerned with the preservation and upkeep of environment and natural resources for future generations. Global environmental problems include declining water supplies, improper disposal of toxic and chemical wastes, and a lack of renewable energy sources. CSR has made efforts to lessen the negative effects and harm caused to the environment by pledging to preserve Mother Earth's purity. Out of all the operations, CSR undertook a few significant, crucial aspects of environmental protection. CSR initiatives are used to better ensure environmental security while maintaining the inflow of necessary agricultural products. Other Initiatives include promoting R&D development, raising awareness about and enacting reforms on the disposal of industrial waste, promoting dustbins in every neighbourhood, using eco-friendly biocultural produce.

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<sup>6</sup> <https://csrxchange.gov.in/>

## **Judicial Intervention towards CSR for Development of Socio-Economic and Environmental conditions of Indian Society**

*In M.C Mehta Vs Union of India.* the Mathura Refineries and other enterprises used to release harmful compounds into the air was a major threat to Taj, the historical monument, which is considered as one of the wonders of world. In this case Supreme Court of India made a significant decision stating to prohibit the use of coal and coke in Madhura Refinery.<sup>7</sup>

In another land mark judgement in *M. C. Mehta v. Kamal Nath* the Supreme Court of India held that the public trust doctrine applied in India.<sup>8</sup> In this case Apex Court quoted the California Supreme Court decision in Mono Lake case "The public trust is more than just a statement of the government's right to use resources for public good. It affirms the state's obligation to safeguard the public's shared legacy of streams, lakes, marshes, and tidelands, giving up that right of protection only in exceptional circumstances when doing so is in line with the trust's objectives." The public trust doctrine is a component of the jurisprudence of our legal system, which is founded on English Common Law. All natural resources, which are by their very nature intended for public use and enjoyment, are held in trust by the State. The State has a legal obligation to safeguard the natural resources because it is their trustee. These assets cannot be changed from public usage to private ownership. Unless the courts deem it necessary in good faith, for the public good, and in the public interest to encroach upon the said resources, the aesthetic use and the pristine glory of the natural resources, the environment, and the eco-systems of our nation cannot be permitted to be destroyed for private, commercial, or any other use.

### **Conclusion**

For any company to strive in this age of competition, it is necessary to maintain proper planning, rapport with the society at large. Company and society have to go hand in hand. We can build a better world with mutual understanding and co-ordination. In broader sense- a sustainable. A world can be a beautiful place, if all the sections of the people in the society get the three necessities of life – food, clothes and shelter. Even, in this 21<sup>st</sup> century, a major section of the society is socially and economically backward. A significant change can be brought by proper implementation of CSR provisions in the companies Act,2013.

The most effective CSR plans ensure that, in addition to complying with legislation, organization's investments respect the growth and development of marginalized communities and the environment. CSR should also be sustainable, involving activities that an organization can maintain without jeopardizing its business goals. Organizations in India have been very prudent in launching CSR initiatives and incorporating them into their business processes. It has been gradually projected in the Indian corporate setting because organizations have

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<sup>7</sup> Taj Trapezium case *M.C Mehta V Union of India* AIR 1997 SC 734

<sup>8</sup> *In M.C Mehta V Kamal Nath.* (1997)1 SCC 388

recognized that, in addition to growing their businesses, it is also important to form responsible and supportive relationships with the larger community.

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