

AN OVERVIEW OF CSR RULES UNDER COMPANIES ACT 2013

Dr. Beena Sharma*

ABSTRACT

Corporate Social Responsibility (CSR) should be a liability of company to save the interest regarding society. The primary object of business is to get profit, corporates should take steps for wellbeing of the society and should organize its working steps with the structure of ecological norms. In the past, it was willingly for all companies to start activities for amelioration of the community except Government policies & rules regarding save the ecosystem. Today corporate social responsibility has achieved main role in new Companies Act 2013.

In India, the concept of corporate social responsibility passed by both house of parliament with the approval of President of India on 29 August 2013. It is regulated by clause 135 of Companies Act 2013. There is one of the most important aspect of bill is the proposal of a compulsory expenditure for companies of 2% of its average profit of the three previous year on the CSR. Now it is mandatory for profit making companies to spend on activities related to corporate social responsibility. In case, a company is not doing so, it will have to explain the reason for shortfall. The provision of CSR activities under new law, which refers to way that business activities are implement to get on overall positive effect on the community, cultures and ecology and provides the scope of utilizing the corporate strengths towards fulfilling India's social objectives. Due to lake of understanding CSR, inadequately trained personnel, coverage policy etc. many companies have not get the effectiveness of CSR programme. The present paper attempts to analyze of new CSR provisions, challenges, issues & their implementation faced by corporate social responsibility activities in India.

Keywords: *Corporate Social Responsibility, Community Ecology, Corporate Strength.*

Introduction

Today, corporate social responsibility is an important part of corporate strategies, it is beyond from donation & charity. They become more transparent in their balance sheet. Nowadays companies are take initiatives for incorporating their corporate social responsibility activities in their annual reports. For implementation of CSR programme companies decided CSR teams that make, CSR strategies, policies and goals, set budget to support them. In India companies are energetic in doing CSR activities and integrating them in their business activities. Corporate social responsibility is the accountability of an organization for the effect of its decisions and activities on society and the environment, by clearness and moral conduct that shared in health, wellbeing of community, creating shared value of society & stakeholders. Corporate social accountability needs companies to acknowledge that they accountable not only for their financial performance but also for their social and environmental activities.

By corporate social accountability an institution decided its relationship with stakeholders for the common object and shows its commitment by adoption of fruitful business strategies and goals. Corporate social responsibility is a concept by which companies integrate social environmental and health concern in their business strategies and processes and in their interaction with stakeholders. Corporate social responsibility also declared as corporate citizenship which occurred short term cost of an organization by which an organization do not received immediate financial benefit but it promote positive, social and environment change.

* Assisstant Professor, Department of ABST, Government Shakambhar P.G. College, Sambhar Lake, Jaipur, Rajasthan, India.

Objectives

The study has been geared towards achieving the following objectives:

- To understand the approaches of corporate social responsibility.
- To determine the challenges in execution of CSR activities.
- To understand the provision regarding the CSR activities in the new companies act 2013.
- To analyze the corporate social accountability practices and its effect on business.

Research Methodology

The research design of the study is descriptive type. The study based on secondary statistics which has been achieved from different articles, books, websites to gather all important and relevant information required for paper analysis. Corporate social responsibility in Indian Context: CSR is not a new concept in India. Many corporates have done activities regarding betterment of society since their starting in business through charity and donation. But today's scenario is changed because many companies are trying to accept CSR activities as more than just giving away the charity to the needy and planting trees. Mostly companies in India are involved in CSR activities like education, health, livelihood, skill development and empowerment of poor people in community.

Few corporate initiatives related to the CSR

- Reliance Industries brightened up the lives of over 5000 people so far by project named as "Project – Drishti" to bring back the eyesight of visually challenged Indian from economically weaker sections of the society.
- GlaxoSmithKline's CSR programme focuses on the health aspect of the community. They establish health camps in tribal areas and provide medical check-up treatment and started health awareness programmes.
- Bharat Petroleum Corporation Ltd., Maruti Suzuki India Ltd. and Hindustan Unilever have focused on universal development in the village. They provide cleanliness & medical facilities, build schools and houses by giving them vocational training and knowledge of business skills they make villagers become self-reliant.
- Tata Steel Rural Development Society by taking aims to improve the agricultural productivity and raised the standard of living of farmers.
- SAP India in partnership with Hope Foundations have been working for short and long term rehabilitation of the Tsunami victims all over India.

Provisions of CSR under new companies act 2013 (Sec. 135)

In India the concept of corporate social responsibility passed by both house of parliament with the approval of President of India on 29 August 2013. It is regulated by clause 135 of company's act 2013. The provisions of the section 135 of new company's act 2013 are as under:

- The CSR provisions within the act is applicable to companies with an annual turnover of 1000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and or more.
- Companies should set up a CSR committee consisting their board members with minimum one independent director.
- The act motivated companies to payout at least 2% of their average profit of the previous three years on CSR activities.
- A set of tasks lists out regarding CSR in schedule seven of the Companies Act 2013.
- According to the approach "Comply or Explain", if Board fails to spend such amount regarding CSR, they should explain the reason for not spending.
- Surplus regarding CSR activities, will have to be Re-invested in CSR programmes and this will be over the 2% figure.
- The CSR committee should be liable for preparing a detailed programme on CSR initiatives.
- After Assent of Board of Company on CSR policy it should be disclosed in its Reports and official websites. The Board specify the reason in its reports if company fails to payout the prescribed amount regarding CSR activities.

Key Challenges for CSR in India

The company's act 2013 motivates to develop fruitful structure of CSR activities so that such large investment yield intended results. This also poses several challenges for the corporate as below:

- **Capacity Building**

Capacity building is the process by which organization obtain, improve retain the skills, knowledge, equipment other resources needed to do their jobs. Today companies for develop effective CSR structure required trained manpower and technical know-hour and also made effective CSR policy which directly linked with CSR expenditure.

- **CSR Assurance**

CSR promise is required to ensure reliability and clearness in reported CSR information and it help to keep the faith of stakeholders. CSR assurance also results in enhancement of internal reporting system which will strengthen future growth.

- **CSR Review**

CSR activities need to be evaluated after implementation so as to ascertain whether desired result are achieved. There is need to expand successful CSR performance indicators which can be used to evaluate CSR performance and review CSR structure for future.

- **Failure to Spend CSR Amount**

There is a provision that board of company may specify reason if amount regarding CSR activities not spent. Requirement of having a penalty if CSR amount is not spend may also be consider and also whether a company need to included past shortfall in future period may also be consider.

- **Tax Issue on CSR**

CSR expenses which are in capital nature are not deductible, CSR expenses are made as a good corporate citizen to earn goodwill and create an atmosphere where businesses can succeed. The issues of tax deductions of CSR expenditure need to be considered.

- **Lack of Community Participation in CSR Activities**

There is unconcerned of interest of public in to take part and subscribe to CSR activities of companies. No serious efforts have been made of spread awareness about CSR by the companies so there is no knowledge of about CSR within local communities. This situation made lack of communication between the company and community.

The Relevance of CSR within an Organization

It has found that those companies pay attention to the social responsible activities are favored by the public and preferred for their goods and services. When business adopts the policy of social responsibility positive outcomes begins to start.

- **Company Benefits**

After fulfill CSR programme, a company was achieved operating cost, improved financial performance enhance brand image and reputation, increases sales, greater productivity, more ability to entice and hold employees.

- **Benefits to General Public and Community**

Companies made charitable contribution, employees volunteer programme, corporate involved community education, employment and made product quality.

- **Environmental Benefits**

Corporate made significant use of renewable resources, better product durability and greater recyclability.

Conclusion

The company's act 2013 is progressive and forward looking regarding the term CSR. Today corporate willingly involved for fulfill social responsibility. Companies have started the steps towards the importance of CSR. It is realized that for effectual implementation of CSR activities there is need for the creations of awareness among the general public. These efforts will also motive other companies to join

the CSR movement. Quick social development of India is hard by one single person it can only be made through effective partnership between corporate NGOs and Govt.

References

- ✧ Gavai, AK, (2008), "Business ethics", Himalaya publishing house Pvt. Ltd., Mumbai.
- ✧ Kumar,Rajan, (2010), "business ethics and values" Geetanjali press Pvt. Ltd., Nagpur.
- ✧ Kumawat anoop, (2013) ,"corporate social responsibilities under new companies act 2013, an overview", journal of accounting studies , Vol 11, no.3, ISSN0972-1371.
- ✧ Michael blowfield and alan murray (2008). "Corporate responsibility", oxford university press, New York.
- ✧ Ministry of corporate affairs, government of india – companies act 2013.
- ✧ Mukherjee and hanif, (2009), "modern accounting", volume two, Tata mcgraw-hill publishing company Ltd., New Delhi.
- ✧ Murthy,C.S.V. , (2011). "business ethics" , Himalaya publishing house Pvt. Ltd. , Mumbai.
- ✧ shanker saha and roy (2014) , " A review on corporate sustainability reporting across The globe including india", journal of accounting and finance vol.28 , no. 2, ISSN 0970-9029.
- ✧ <http://www.cuts-international.org/pdf/draft-CSR-rules-2013> PDF.
- ✧ en. Wikipedia . org. / wiki/corporate_ social_ responsibilty
- ✧ www.icaai.org , www.icmai.in , www.icsi.edu.

