

# LEGALFOXES LAW TIMES

## Analysis of CSR initiatives in India- a socio legal study

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### ABSTRACT:

Profit is significant for a business to endure, however profit ought not to be the sole point of an endeavor. Corporate Social Responsibility assumes an essential part in the sustainable business system, which accentuates on the best way to augment the utility of resources with least utilization, exploring of assets without misuse and keep up surplus parity of resources for people in the future. The paper aims to provide an in depth study of various Corporate Social Responsibilities initiatives adopted by various enterprises around the nation and a comparative analysis between the private and public sector corporate houses by studying a few selected organizations.

### Introduction:

In 2014, Corporate Social Responsibility became an obligatory and compulsory duty for all the companies in India through an amendment to the Companies Act, 2013 making India the first nation to adopt such practices mandatorily for the welfare of the environment and society. Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.<sup>1</sup> In layman's terms CSR are certain policies which a company or financial institution adopts as a gesture for showing their commitment towards the society's concerns. Every business has a duty to reciprocate back to the society and to the environment in which they operate. Their responsibilities include not only economic and legal responsibility but also ethical and philanthropic responsibility towards the society. Prior to the 2013 amendment it was voluntary for the companies to contribute but not it has become a mandatory practice.

The provision in the companies act provides for companies to allocate two percent of their average net profit of the three preceding years on the CSR practices. Companies registered in India which are required to follow the CSR provision, should either have a net worth of INR 5 billion or more; or their annual turnover must be INR 10 billion or more; or their net profit must be equal to or more than INR 50 million. Apart from this, the provision also applies any foreign company whose branch is in India and they fulfill the aforementioned criteria. CSR activities include projects associated with or provided in the companies act or activities taken by the company's board which

<sup>1</sup> <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>

are specified by the CSR committee of the company. After the 2019, amendment, a company who fails to comply to the provision of the CSR under section 135 of the Companies Act, will be liable to pay a fine which will be less than INR 25 lakhs but more than INR 50,000. Additionally, the officer of such company will incur a fine of more than INR 50,000 up to INR 5 lakhs or imprisonment of up to three years.

### **Constitution of CSR committee:**

According to section 135 of the Companies Act<sup>2</sup>, the companies on which CSR provision is applicable are required to constitute a CSR committee of the Board which will decide on the CSR expenditure and the types of activities needed to be undertaken. The constitution of such committee is as follows:

- In case of public company, there shall be at least 3 directors, one of them must be an independent director. In case the company is not required to appoint any independent director, then it shall have 2 or more directors in the CSR committee,
- In case of private company, there must be at least 2 directors,
- In a foreign company, at least 2 persons out of which one shall be its authorized person resident in India and another nominated by the foreign company.

The Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and Ministry of Corporate Affairs (MCA) have issued guidelines for the organizations from time to time and the corporate are required to follow those rules. Besides that, RBI also established two committees known as Khan Committee and Nachiket Committee to include all commercial banks under financial inclusion plan in the year 2005 and 2013 respectively.

### **Triple Bottom Line:**

Triple Bottom Line is a theory based on the concept of sustainability. It was propounded by John Elkington in 1994 and affirms that all corporates should prepare three different bottom lines. The first and foremost bottom line is 'Profit' which is the traditional one. Other two bottom lines include; 'People' which includes the company's employee or the donations given to charity and 'Planet' which determine the company's responsibility towards the environment. It is based on the assumption that as company is an integral part of the moral community so they have certain social and ethical responsibilities towards the society. The concept has completely changed the method to measure sustainability by Corporates, Non-profit organizations and Government. Being a wholesome method to evaluate sustainability there is a major challenge to coin a common unit to measure it.

### **Top CSR initiatives around the Globe:**

1. Marc Jacobs:

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<sup>2</sup> 2013

The leading fashion designing brand has partnered with SATO, a project to rescue abandoned dogs and giving them to people who wants to foster them with love and care.

2. Indigo.ca:

Indigo is a major bookstore chain headquartered in Canada. They offer a percentage of their proceeds for raising funds for educational, athletic and neighborhood causes.

3. Ikea:

Ikea is a multinational group based in Sweden, which sells ready to assemble furniture and other home items. Over a period of time they have adopted some of the best CSR policies. They have contributed towards building of schools, providing clean and safe drinking water etc. They have also made a donation of \$2.3 million for electricity in India and East Africa.

4. Equinox:

Equinox is an US based luxury fitness company having there headquarter in New York. They actively conduct spin marathons to raise funds for charitable causes.

5. LinkedIn:

The leading business networking organization has partnered with government and various non- profit organizations to help the refugees around the globe to find work and live a stable life.

### **List of best CSR initiatives by Indian Companies and Financial Institutions:**

1. Tata Chemicals:

Tata Chemicals has always topped the list of Indian companies for corporate social responsibilities. They spent around 37.81 crores for betterment of the society although their prescribed limit was 21.39 crores. In 1980, they established Tata Chemicals Society for Rural Development (TCSRSD) as a trust for the development of the society.

2. Infosys Ltd.:

They established a CSR trust namely; Infosys Foundation for achieving their social development projects. They also cooperate with various non- government organizations for executing there CSR activities and have spent around 360 crore rupees towards there CSR activities in 2018-2019.

3. Bharat Petroleum Corporation Ltd.:

BPCL, a Maharatna Oil and Gas company has always contributed towards providing quality education to children by contributing towards the infrastructure facilities, easy access to education and standard education system. They have also taken an initiative for

providing better sanitation facilities by creating public toilets and taken apt measures for waste management.

4. HDFC:

One of the leading private banks in India has initiated various projects for development of the society especially the rural areas. One such project is called Holistic Rural Development Programme (HRDP) for development of rural areas. The total budget for the project is around 335.95 crore rupees and have reached across 17 states. Their aim is to provide necessary training and programs for the upliftment of the people belonging from rural parts of India. Another project undertaken by them is 'Project Parivartan' which helps in providing necessary skills to youth and women in fields such as retail, telecom, hospitality and tourism.

5. Axis Bank:

Another private sector bank who have contributed towards the development of rural areas by committing towards the skill development of rural areas. They have also worked towards the upliftment of women and physically disabled people in rural parts so that they can become an integral part of the decision making process.

6. Mahindra & Mahindra:

One of the most renowned project 'Nanhi Kali', launched by the company has won prestigious awards for providing education to so many underprivileged girls from economically backward communities. The project aims to provide education to girls till 10<sup>th</sup> standard. The project has been successful in decreasing the dropout rates from schools.

7. Toyota Kirloskar Motor India:

Toyota Kirloskar Motor India' a leading manufacturer and seller of Toyota cars in India has contributed towards the Prime Minister's 'Swachh Bharat Abhiyan' by providing sanitation facilities in around 206 government schools across India.

8. Reliance Industries Ltd.:

Reliance industries has been one of the top companies which have actively contributed towards their CSR activities by promoting rural development, health, education, disaster response, urban renewal and Sustainable Development Goals highlighted in the United Nations 2030 agenda.

### **COVID 19 and Corporate Social Responsibility:**

At present when the whole world is confronting and beating an emergency of a greatness which nobody had foreseen. The much-feared Corona virus (COVID-19), a pandemic announced by the World Health Organization, has shaken the whole world and the economy on the loose. Taking

into account the spread of COVID-19 and the choice of the Government of India to regard this as a told fiasco, the Ministry of Corporate Affairs rushed to explain that spending of CSR assets for COVID-19 will be considered as a qualified CSR movement. There have been three policy changes because of this ongoing Covid - 19 pandemic that have affected the quantum and nature of CSR expenditure of corporates. The primary arrangement change was to permit spending of CSR assets on Covid-related exercises. Aside from commitment to the PM CARES Fund and to the State Disaster Management Authority, consumption acquired on preventive medical services and disinfection, ex-gratia to impermanent or casual workers well beyond day by day compensation, giving isolate offices to those influenced, among others, could be considered as CSR expenditure. The subsequent approach change was to permit all gifts for Covid- 19 related endeavors to be qualified for 100% tax deduction. Furthermore, the third policy change will permit organizations who offer far beyond the base endorsed sum to later balance the abundance against the CSR commitment emerging in ensuing years, in the event that they so want.

Furthermore, corporate houses in India have demonstrated that it cares as much as the government. Crores and crores of Indian rupees have been given to different government reserves. As indicated by one report, India Inc. burned through ₹7,537 crore as CSR commitments in two months on Covid- 19 related concerns. This included ₹4,316 crore in gifts to the PM CARES Fund. The remaining ₹3,221 crore was spent on other help assets, food and proportion gift, covers, sanitizers and defensive apparatus units.<sup>3</sup> Organizations across India have taken care of business of aid ventures in a motivating demonstration of solidarity. For example, during lockdown some capable organizations approached to help forefront laborers and gave overhang tents to police staff at different registration who needed to remain in the searing warmth to screen development, furnished the backward sections with food, embraced taking care of for lost creatures, added to the creature government assistance store, and facilitated online occasions for old age homes to give mental assistance to the senior citizens among numerous different activities.<sup>4</sup> It has also been seen that a few organizations are performing CSR exercises by advancing social mindfulness for social distancing. The most critical commitment has been made by Mc Donald's, Volkswagen, Audi and some more. The MC Donald's organization sent the message to the general public by bifurcating the logo 'm' separated into two sections n. The two pieces of 'm' speak to the significance of social separation. Also, the logo of Audi is spoken to by four separate rings and investigating the slogan to keep separation. The new logo of Audi is sufficient for understanding the significance of social distancing. It is additionally obvious that the vehicle organization Volkswagen assumes a significant part to make mindfulness about the necessities of the social removing to forestall the development of pandemic infection in the human body. Volkswagen has introduced their new logo by making a hole among V and W. The Bengal Beverage organization has likewise changed their

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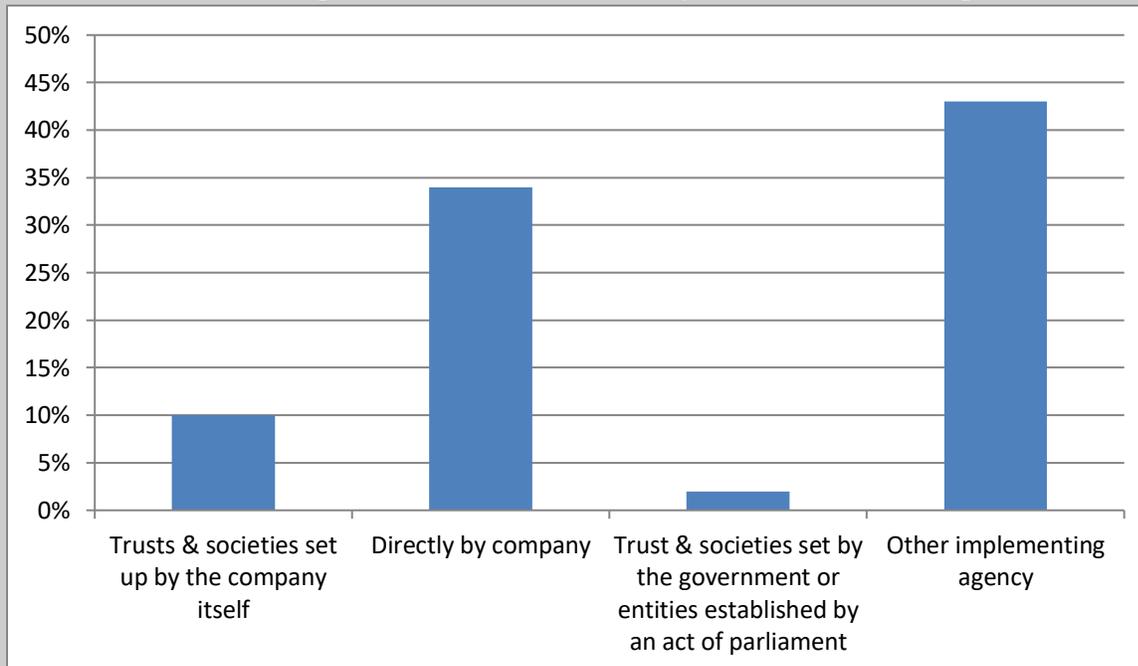
<sup>3</sup> [https://economictimes.indiatimes.com/news/company/corporate-trends/etig-analysis-with-csr-kitty-bulging-this-year-increasing-number-and-variety-of-donees-are-appealing-companies-for-funds/articleshow/74573901.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/company/corporate-trends/etig-analysis-with-csr-kitty-bulging-this-year-increasing-number-and-variety-of-donees-are-appealing-companies-for-funds/articleshow/74573901.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

<sup>4</sup> <https://yourstory.com/socialstory/2020/09/covid-19-csr-concept-significance>

logo by making a hole from each letter. The organization additionally shares their message as "Staying apart is the best way to stay united".

### Comparison of CSR initiatives in Public v/s Private Sector:

Over the years, both public and private sector have come up with various Corporate Social Responsibility projects for contributing towards the society in which they operate. The thrust areas include health and sanitation, education, infrastructure, clean and safe drinking water, training programs, upliftment of various sections of the society and so on. Below is a graph representing the modes by which companies prefer to spend on their CSR activities. The data has been taken from the report of Ministry of Corporate Affairs.<sup>5</sup>



Evidently, the amount of resources and funding available to both the sectors are different and that plays a major role in determining their contribution towards the society. The company's contribution towards the CSR has always remained fluctuating. For instance; there has been a 44 per cent rise in the CSR expenditure by Indian companies in the FY 2014-2015 and 2015-2016 but in the succeeding year a sudden dip was witnessed. The average expenditure by a public sector company towards its CSR activities is around 8- 10 crore rupees from 2014 to 2018, whereas the average expenditure of a private company has increased from 72 lakhs to 95 lakhs for the same time frame.

For a better understanding, we will study five public and private sector companies each to better understand the contribution of both the sectors towards the CSR initiatives:

<sup>5</sup> <http://www.mca.gov.in/MinistryV2/csrdatasummary.html>

**Private Sector:****1. Vodafone Idea Limited:**

Projects: Swachh Iconic Place  
Vidya Har Beti ka Adhikar Project  
Village Social Transformation Mission  
Village Social Entrepreneurs in Healthcare  
Swachh Bharat Abhiyan  
School based Educational Intervention Program  
Roshini: Digital and economic empowerment of women  
Social Urja Lamp  
Mid- day meal program

Even though the company's net profit for the past three years have been in negative, yet they never stepped back from their CSR activities and spent 1.5 crore in the FY 2018-2019. Majority of their CSR projects are for the rural population. They have also contributed towards environmental projects such as; Greening India and healthcare projects like providing sanitation and safe drinking water facilities.

**2. DLF Foundation:**

Projects: Rural Infrastructure Program  
Labour Welfare Initiative  
Rural Education Programs  
Green Business Practices  
Renewable Energy

DLF Foundation has launched many community development programs by constructing roads connecting rural areas, enhancing education systems, introducing rural mobile libraries and various scholarship programs. They have contributed around Rs 18 crore for betterment of their workers and providing them all necessary facilities. Their initiatives for promotion of eco friendly environment have been a great success.

**3. Fortis Foundation:**

Projects: Mother and Child Health Camps  
Door to Door awareness on Mother & Child Health concerns  
Free health check up camps  
Child against tobacco campaign  
Sahayak  
Saarthak  
Spandan  
Chiranjeevi  
Hamari Beti

Little hearts Program  
Project Sewa

Fortis Foundation has actively conducted many health care camps and social and health awareness programs for promoting good health in both rural and semi-urban areas. They have provided free treatment to acid attack victims, launched school health plans, promoted cancer awareness and helped a lot of underprivileged women and children.

#### **4. INOX Leisure Limited:**

Project: Promoting Healthcare Program  
Ensuring Environment Sustainability  
Promoting Paralympic Sports  
Promoting Education  
Education scholarships  
Sponsorship for Sculpture Park  
Vadodara Marathon

INOX Leisure ltd., a venture of INOX group has actively taken up many CSR projects for the development of the society. Their important project's includes promoting education and paralympic sports. They have also ontributed towards Divyang Paralympic Run at Vadodara marathon.

#### **5. India bulls Foundation:**

Projects: Angadwadi for site laborers  
Cleft Surgeries  
Jan Swasthya Kalyan Vahika  
Jan Kalyan Vahika Project  
IBF scholarships

India bulls is a finance company which has undertaken many projects for their CSR activities. They have launched anganwadi project under which they ensured clean drinking water for laborers, installation of waste management system in worker's colony, day care facilities for children of workers and necessary medical checkup camps. They also partnered with Smile Train to help children who have palate deformities by funding their surgeries. There other CSR activities include providing scholarships, providing street lights in village and so on.

### **Public Sector:**

#### **1. Gujarat Industries Power Company Limited:**

Projects: Development Project for Rural economy and People  
Rural Development Project  
Livelihood Enhancement Program  
Promoting education  
Promoting Healthcare Program

GPCL conducts its CSR activities through a trust namely, Development Efforts for Rural Economy and People (DEEP) where they contribute towards the development of rural population. In the FY 2017- 2018, they have contributed towards Resource Centre for Training. Their CSR activities include, contributing towards the skill enhancement training, self help groups, providing education and promoting healthcare programs.

## 2. Hindustan Aeronautics Ltd.:

Projects: Educational Infrastructure Development Program

Training of Community based Tourism

Sponsorship to students

Skill Development Programs

Construction of skill development centre

Assisting to differently abled

Adoption of animals and bird

The company's expenditure towards its Corporate Social Responsibility activities has always exceeded its prescribed limit showing its dedication towards welfare of the society and environment. They have launched various waste management programs, rural development projects, water conservation programs and contributed towards promoting education, sports and women empowerment.

## 3. Hindustan Insecticides Limited:

Projects: Upliftment of underprivileged sections

Environmental Sustainability activities

Relief Fund

Swachh Bharat Mission

Hunger and Malnutrition Programs

Providing and promoting better education

The company has contributed towards the Central Government Funds for the Chennai Floods in FY 2015-2016. They have also undertaken various measures to promote education and sanitation in the rural areas.

## 4. Hindustan media Ventures Limited:

Projects: Village Pond Adoption Program

Kanyadhan Yojana Scholarship

Hindustan Olympiad

Supporting education and skill development of the underprivileged

Swachh Ghat Abhiyan  
Healthy Uttarakhand campaign

The public sector company has taken various initiatives to promote education and have organized skill development classes. They have also contributed towards maintaining healthy environment by undertaking cleaning projects.

**5. Hindustan Construction Company limited:**

Projects: Cultural activities for community  
Educational support for students  
Disaster Relief Activities

The company has time and again contributed towards disaster relief and rescue operations in India. Apart from this, they have also promoted cultural activities and supported underprivileged students by providing them educational support.

Below is the table showing the expenditure of both public and private sector companies towards there CSR projects:

**Private Sector**

| Name of the Company    | 2018-2019   | 2017-2018   | 2016-2017   |
|------------------------|-------------|-------------|-------------|
| Vodafone Idea Limited  | 1.50 crore  | 19.94 crore | 36.96 crore |
| DLF Foundation         | 9.61 crore  | 12.66 crore | 6.85 crore  |
| Fortis Foundation      | 0.00 crore  | 0.19 crore  | 0.54 crore  |
| INOX Leisure Limited   | 1.87 crore  | 0.64 crore  | 1.03 crore  |
| India Bulls Foundation | 64.44 crore | 1.08 crore  | 5.87 crore  |

**Public Sector**

| Name of the Company               | 2018-2019   | 2017-2018   | 2016-2017   |
|-----------------------------------|-------------|-------------|-------------|
| Gujarat Industries Power Co. Ltd. | 5.90 crore  | 5.61 crore  | 5.17 crore  |
| Hindustan Aeronautics Ltd.        | 67.45 crore | 77.29 crore | 90.71 crore |
| Hindustan Insecticides Ltd.       | 0.20 crore  | 0.12 crore  | 0.15 crore  |
| Hindustan media Ventures Ltd.     | 4.17 crore  | 3.36 crore  | 3.97 crore  |
| Hindustan Construction Co. Ltd.   | 0.07 crore  | 0.12 crore  | 0.74 crore  |

The above two tables reveal that the contribution of private sector companies is much higher than the public sector companies. Despite the fact that state-run organizations had a five-year head start

concerning saving assets for corporate social obligation (CSR) activities, they lingered behind their private area peers as far as the proficiency of spending on such endeavors. It shows that the private companies are actually making strenuous efforts in their Corporate Social Responsibility activities. These companies are mainly headquartered in states like Maharashtra, Gujarat, Karnataka, Tamil Nadu and Rajasthan. The main focus of concern includes promoting education, development of backward districts, upliftment of various sections of the society, conducting skill development classes, providing jobs and so on. Private companies have established trusts through which they contribute towards the society whereas, the public companies prefer to contribute by supporting various government schemes. According to a report, the main focus of the corporate houses is on to support education sector and in the year 2017 around 50 per cent of the CSR funds were directed to only that sector.<sup>6</sup> Another major sector where most of the CSR funds are directed towards is healthcare. Public sector organizations, however, outspent privately owned businesses in a single territory and that is - Environment. Public organizations spent ₹ 391.3 crore on environment, which is 23% of their complete spending, while privately owned businesses spent ₹ 291.7 crore or only 8.8%.<sup>7</sup> This is on the grounds that numerous Public sector undertakings are regular asset organizations and since they directly affect climate, they have taken it up as a reason. Companies and administration establishments utilize various procedures for usage of Corporate Social Responsibility. A large portion of the Private Enterprises perform their CSR activities through NGOs, as they don't have huge assets while enormous administrations/undertakings with huge assets set up Establishment Trusts for CSR execution. It became highlighted that enormous undertakings/ administrations have set up different divisions for CSR usage.

### **Suggestions:**

According to a report, the Corporate Social Responsibility expenditure in the year 2018 was ₹10,179 crore. It had expanded by 18 percent in 2019 to ₹11,961 crore. The number of organizations spending on CSR had likewise expanded from 1,024 out of 2018 to 1,055 of every 2019, while the quantity of number that had missed the compulsory 2 percent spending diminished by 6 percent from 353 to 332.<sup>8</sup> Such an increment in the percentage of CSR expenditure by the companies shows their increasing involvement in the development of the society. Here are a few suggestions that corporates must inculcate in their Corporate Social Responsibility projects to help the public at large:

1. Corporate Social Responsibility projects must be taken seriously by the CSR board committees.

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<sup>6</sup> [http://ngobox.org/media/India%20CSR%20Outlook%20Report%202017\\_V1.pdf](http://ngobox.org/media/India%20CSR%20Outlook%20Report%202017_V1.pdf)

<sup>7</sup> <https://www.livemint.com/Specials/PiwvOfqACWArNyQX45THwJ/CSR-spend-How-public-and-private-sectors-fared.html>

<sup>8</sup> Nseinfobase.com

2. For CSR activities to be effective, it's imperative to think about a nearby core interest. Regardless of whether you're a worldwide organization with a worldwide CSR crusade, see how your exercises can have an impact in nearby networks.
3. Including stakeholders such as employees in the process assembles inspiration and a feeling of independence, and can advance development. The company's employees are likewise bound to take an interest in CSR exercises when they have had the option to direct or add to the technique and exercises.
4. Recognizing projects and approaches to upgrade Corporate Social Responsibility is very crucial.
5. Organizations and associations ought to include social entrepreneurship into their basic culture by effectively channelizing their innovative work capacities in the course of socially imaginative items and administrations.
6. Companies who have contributed towards the development of infrastructure in the education sector must also pay due attention on quality education by initiating education projects.
7. Rather than simply focusing on development and giving books in schools, dependence must be set on other essential prerequisites additionally, for example, washrooms, seats, desks, shoes and so on. Giving mid day meals to students should likewise be thought of.
8. Equal participation of women must also be encouraged in the programs conducted by the companies in rural areas.
9. Medical services are the prime issue for India. Genuine bit of CSR should be assigned towards the improvement of clinical and medical services offices in India.
10. Companies must encourage "equal pay for equal work" to increase women's employment rates.
11. Companies can also come forward for improving labor policies for the benefit of their workers.
12. Pollution of various kinds has become a significant issue in India. There is a need to put resources into the measures and advancements which can limit the contamination of the environment and help in creating a cleaner environment for the individuals. Corporate must adopt such policies which will benefit the environment such as reducing carbon footprints and can make environment friendly investments.

### **Conclusion:**

Before the introduction of the Companies Act, 2013, there was no prescribed amount for the companies to invest in their Corporate Social Responsibility activities. As a result, most of the big corporate houses spent a very negligible amount towards the development of the society. Since, the enforcement of the act big corporate houses are coming forward and making efforts to contribute to the society one way or the other. Corporate Social Responsibility has become an integral part of every company in India. Good CSR policies have helped companies in increasing their sales and goodwill. Most of the companies have undertaken projects which have been a big

success. It is essential to comprehend that CSR is no longer a set of discrete and periodic exercises embraced by an organization for keeping up great advertising but it is a far reaching set of ventures and exercises which are a basic aspect of an organization's activities.



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