

CSR IN INDIA: A COMPARATIVE STUDY OF PUBLIC AND PRIVATE COMPANIES WITH REFERENCE TO SECTION 135 OF COMPANIES ACT DURING 2014-17

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In

Department of Law

By

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May 2018

DECLARATION

I declare that the dissertation entitled “CSR in India: “A COMPARATIVE STUDY OF SELECTIVE PUBLIC AND PRIVATE COMPANIES WITH REFERENCE TO SECTION 135 OF COMPANIES ACT DURING 2014-2017” has been prepared by me under the guidance of Dr. Puneet Pathak, Assistant Professor, Department of Law, School of Legal Studies and Governance, Central University of Punjab, Bathinda. No part of this dissertation/thesis has formed the basis for the award of any degree or fellowship previously.

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CERTIFICATE

I certify that Rambha kumari has prepared her dissertation entitled “CSR in India: A COMPARATIVE STUDY OF PUBLIC AND PRIVATE COMPANIES WITH REFERENCE TO SECTION 135 OF COMPANIES ACT DURING 2014-2017” for the award of LL.M. Degree of the Central University of Punjab, under my guidance. She has carried out this work at the Centre for Law, School of Legal Studies and Governance, Central University of Punjab.

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ABSTRACT

CSR IN INDIA: A COMPARATIVE STUDY OF SELECTIVE PUBLIC AND PRIVATE COMPANIES WITH REFERENCE TO SECTION 135 OF COMPANIES ACT DURING 2014-17.

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In the era of globalization and liberalization the corporate social responsibility is become a buzz word in reference to the responsibility of corporate entity towards the society. CSR has arisen as a concept that can add to the financial performance of a company and suggests that corporate decision-makers must take care of a range of social and environmental matters in order to contribute toward the society. Globalization and liberalisation in the Indian economy has removed corporate goals from a socio-economic focus towards increasing shareholders value to the benefit of various stakeholders. India has become the first country to mandate CSR through a statutory provision. Countries like U.K, U.S.A, China, Germany and Australia have voluntary guidelines for CSR spending. Others like France, Denmark, Sweden, Indonesia and Malaysia have mandatory guidelines. The Companies Act, 1956 is substituted with the Companies Act, 2013 and 'corporate social responsibilities has been made mandatory for a specific class of companies. In the new Companies Act, 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities. The study focused on the comparative analysis of Corporate Social Responsibility spending in the public & private companies in India. The methodology adopted in this research work is doctrinal

in nature based on primary and secondary resources. In order to ensure that corporate social responsibility is progressively contributing towards the society the study also includes suggestions.

Rambha Kumari

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LIST OF ABBREVIATIONS

S. No	NAME	Abbreviations
1.	International Journal of Management Research	IJMR
2.	Social Responsibility Journal	SRJ
3.	ELK Asia Pacific Journals	ELKAPJ
4.	International Journal of Corporate Social Responsibility	IJCSR
5.	International Journal of Social Economics	IJSE
6.	Research Journal of Management Sciences	RJMS
7.	Journal of Human Values	JHV
8.	IOSR Journal of Business and Management	IOSJBM
9.	Journal of Accounting and Financing	JAF
10.	Journal of Economic Literature	JEL
11.	Global Journal of Management and Business	GJMB
12.	International Journal of Social Economics	IJSE
13.	American Bar Association	ABA
14.	Economic and Political Weekly	EPW
15.	International Journal of Research Granthaalayah	IJRG
16.	Journal of Socialomics	JS
17.	International Journal of Business Quantitative Economics and Applied Management Research	IJBQEAMR
18.	International Journal of Applied Research	IJAR
19.	International Journal of Corporate Governance	IJCG
20.	International Journal of Contemporary Medical Research	IJCMR
21.	International Journal of Research and Scientific Innovation	IJRSI
22.	Management Communication Quarterly	MCQ
23.	Adani Ports and Special Economic Zone Ltd	APSPL
24.	Asian Paints Ltd	APL
25.	Bharat Electronics Limited	BEL
26.	Bharat Heavy Electricals Limited	BHEL

27.	Bharat Petroleum Corporation Limited	BPC
28.	Board of Director	BOD
29.	Bosch Limited	BL
30.	Britannia Industries Ltd.	BIL
31.	Business Social Responsibility	BSR
32.	Central Public-Sector Enterprises	CPSEs
33.	Chief Executive Officer	CEO
34.	Coal India Ltd	CIL
35.	Company	Co.
36.	Company law board	CLB
37.	Company Secretary	CS
38.	Container Corporation of India Limited	CCIL
39.	Corporate Debtor Company	COC
40.	Corporate Social Responsibility	CSR
41.	Corporate Governance Disclosure Index	CGDI
42.	Dewan Housing Finance Corp Ltd	DHFCL
43.	Directive Principle of State Policy	DPSP
44.	Eco-Management and Audit Scheme	EMAS
45.	Engineers India Limited	EIL
46.	Environmental, Social and Governance	ESG
47.	Financial Year	F. Y
48.	Gas Authority of India Ltd India	GAIL
49.	Environmental, Social and Governance	ESG
50.	Gujarat Stale Petroleum Corporation	GSPC
51.	Hero MotoCorp Ltd	HML
52.	Indian Private Multinational Companies	IPMC
53.	Hindustan Petroleum Corporation Limited	HPCL
54.	Indian Oil Corporation Ltd	IOCL
55.	Information Technology	IT
56.	Indian Railways	IR

57.	Interim Resolution Professional	IRP
58.	World Business Council for Sustainable Development	WBCSD
59.	Interim Resolution Professional	IRP
60.	Kotak Mahindra Bank	KMB
61.	Maruti Suzuki India Ltd	MSIL
62.	Ministry of Corporate Affairs	MCA
63.	National Aluminium Company Limited	NACL
64.	National Company law Appellate Tribunal	NCLAT
65.	National Company Law Tribunal	NCLT
66.	National Government Organisation	NGO
67.	National Thermal Power Corporation Ltd	NTPC
68.	Oil and Natural Gas Corporation Ltd	ONGC
69.	Oil India Limited	OIL
70.	Organization for Economic Co-operation Development	OECD
71.	Power Finance Corporation Limited	PFCL
72.	Prime Minister's National Relief Fund	PMNRF
73.	Private Limited	Pvt. Ltd
74.	Registrar of Company	ROC
75.	Rural Electrification Corporation Limited	RECL
76.	Security exchange board of India	SEBI
77.	Small and Medium Enterprises	SMEs
78.	Steel Authority of India Ltd	SAIL
79.	Titan Company Ltd	TCL
80.	United Kingdom	UK
81.	United States of America	USA
82.	Vardhman Textiles Ltd.	VTL
83.	World Business Council for Sustainable Development	WBCSD
84.	Zee Entertainment Ltd	ZEL

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CHAPTER I

INTRODUCTION

1. Framework of the Study:

Background of the Study

The concept of corporate social responsibility (CSR)¹ is a recent phenomenon. In the first half of 20th century some fundamental ideas behind the concept of CSR can be found in connecting with some executives performing rationally when doing business.² The book of Howard Bowen “Social Responsibilities of the Businessman” was published in 1953 which for the first time explained the concept of social responsibility. The actual development of concept of CSR took place only during the last decade of the 20th century, when it was found place in some international document. The first code of conduct for trading company³ was created along with business standards.⁴ It was the first initiative which dealt with the subject of CSR and spread awareness about CSR among the business and non-business sectors.⁵ While there is no comprehensive description of CSR, so it usually denotes to crystal clear business exercises which has been based on ethical values, compliance with lawful requirements, and respect for people, environment and the communities. So, apart from making profits, companies are responsible for their impact on people and the surrounding. People constituting company’s stakeholders like customers, employees, partners, business, suppliers, depositors, and vendors, the community and the government, CSR is otherwise referred to as “corporate citizenship,” which normally means that a company should be a “good neighbour” within its crowd community in the business cooperation, that was the business trick that make a contribution to sustainable development by carrying economic, social and environmental advantage to shareholders. CSR is considered

¹ Section 135 of the Companies Act 2013.

² Archie B. Carroll and Kareem M. Shabana, “The Business Case for CSR: A Review of Concepts” *IJMR* (2010), *available at*: <https://pdfs.semanticscholar.org/6a36/e0e342ceb0bf65b0ef073870c59e18a36db3.pdf>. (Visited on December 9, 2018).

³ Section 2(20) “Company” Means a company incorporated under this Act or under any previous company law.

⁴ Robert C. Padgett, "Historical Background of CSR" *7SRJ* 4 528-539(2011).

⁵ History of the Concept of CSR, *available at*: http://frankbold.org/sites/default/files/public_ace/taking_csr_seriously.pdf (Visited on 10 December 2018).

as self-regulatory tool where a business give assurance about its active participation with the spirit of the law, ethical standards and national or global norms. Objective of CSR is to make business an integral part of society and to enlarge positive benefits that business endeavour can bring to human and environmental security and to restrain the harmful things of negligent business⁶. In an ultimate situation if a company invests in societal activities, it would satisfy its stakeholders in many ways. The sustainability matters thus become deeply fixed in the organization's basic business operations and integral to its business strategy. CSR however, is concerned with reducing the negative impacts of corporate dealings in search of a business strategy and is thus considered essentially voluntary and is often practiced at a tactical level without affecting core business practices. According to Carroll's Pyramid of Corporate Social Responsibility, it includes the following:

- Economic responsibilities: The very first responsibility of any organization is to bring an acceptable return for shareholders (while through their core business contributing to local and global economies).
- Legal responsibilities: The second responsibility requires that organizations generate within the ambit of law at all locations in which they do business undertaking.
- Ethical responsibilities: The third layer of the pyramid requires organizations to consider social and environmental impacts of their operations and, as far as possible, to do no harm while pursuing business interests.
- Discretionary responsibilities: The fourth layer of responsibility is to proactively seek opportunities to make a positive contribution to society beyond profitability, compliance and business ethics. At the discretionary, or voluntary, level, organizations have a responsibility to understand broad stakeholder needs and to address societal concerns through their business practices.

More organizations now realize the value sustainability has on their competitiveness, reputation, and ability to attract and retain strong talent. Mindful of their economic, societal, and environmental impacts, sustainable organizations now seek input from a

⁶ Introduction-to-CSR *available at*: <https://www.slideshare.net/viren3616/introduction-to-CSR> (Visited on December 25, 2017).

broad, diverse set of stakeholders both internal and external in shaping their business strategies and operations.

CSR has been practiced in India from long time. It has been the practice of many corporate houses in India to contribute to the society by structure the educational institutions, hospitals etc. Top reputed companies of India like the Tata Group, Reliance Industries Ltd, BHEL, ONGC and Indian Oil Corporation, GAIL, NTPC are few companies whom have been involved in contributing towards CSR since their beginning. There are also few companies who have been doing their part for the society through donations and charity activities. But today, CSR in India has beyond merely charity and donations and has approached in a more organized manner. It became an inseparable part of the corporate strategy.

The Companies Act, 2013 considered to be one of the significant legal reforms in India has replaced the 60-year-old Companies Act, 1956. The legislature has introduced several new provisions, amongst which those with regard to the CSR have gained utmost significance as the prescribed classes of companies have been asked to make CSR contribution⁷. The law is perhaps the first of its kind in Indian history recognizing the scope of applying corporate strengths towards satisfying country's social objectives. Going by the new norms, the two per cent spending on CSR is not mandatory but broadcasting about it is mandatory. Proper disclosure of the CSR policy by the corporates, reasons for not meeting the required expenditure and various projects that may be included in the CSR agenda of the companies are on the board in the CSR provisions. Provision of CSR may be observed as an authentic attempt to incorporate objectives of the enterprises with the prearranged socio-economic objectives of the country. As per Section 135 of the Companies Act⁸ 2013, it provides the threshold limit for enforcement of the CSR to a company⁹.

⁷ CSR Non-Compliance, *available at*: <https://www.financialexpress.com/opinion/column-the-companies-act-2013-road-to-csr-non-compliance>, (Visited on February 2, 2018).

⁸ Companies (Corporate Social Responsibility Policy) Rules, 2014 Section 3(a) "Act" means the Companies Act, 2013.

⁹ Section 135 of Companies Act 2013, Corporate Social Responsibility. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. (2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social

Further, the mandatory provisions of CSR are not only applicable to Indian companies, but also applicable to branch office¹⁰ and project offices of a foreign company¹¹ in India as per the CSR Rules¹². Each and every qualifying company for the immediately preceding requires spending of at least 2% of its average net profit of the immediately three preceding financial years¹³ on CSR activities. Further, the qualifying companies will be compulsorily required to constitute a committee¹⁴ of the BOD which must be consist of 3 or more directors. The CSR committee shall formulate and recommend to

Responsibility Committee. (3) The Corporate Social Responsibility Committee shall, (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time. (4) 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. (5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities: Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

¹⁰ Section 2 (14) "Branch Office" in relation to a company, means any establishment described as such by the company;

¹¹ Companies Act, 2013, Section 2(42) "Foreign Company" means any company or body corporate incorporated outside India which (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner.

¹² Section 3(f) "Rules" means the Companies (Corporate Social Responsibility Policy) Rules, 2014 or any amendment or modifications thereof from time to time by the Ministry of Corporate Affairs(MCA).

¹³ Companies Act 2013, section 2 (41) "Financial Year" in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up: Provided that on an application made by a company or body corporate, which is a holding company or a subsidiary of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Tribunal may, if it is satisfied, allow any period as its financial year, whether or not that period is a year: Provided further that a company or body corporate, existing on the commencement of this Act, shall, within a period of two years from such commencement, align its financial year as per the provisions of this clause;

¹⁴ Companies (Corporate Social Responsibility Policy) Rules, 2014 policy under section 3(c) "Committee" means Corporate Social Responsibility Committee.

the Board, a policy which shall indicate the activities to be undertaken recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The recommendations prepared by the CSR Committee and approve the CSR Policy¹⁵ of the company shall be taken into account by the BOD under the Act. Preference shall be given to local areas and the areas where the co. is undertaking their business. Company may also choose to be in association with two or more co. towards the contribution of CSR activities provided that they are individually able to report. The committee of CSR shall also prepare the Policies of CSR in which it involves activities, the projects or programmes which is to be undertaken. Further, during the implementation year the committee shall prepare a list of activities or projects or programmes which a company plans to undertake and also focus on enhancing models of business and process in order to create share value with social and environmental priorities. The company can also make the annual report about the activities of CSR in which they mention the average net profit for the three immediately preceding financial year and also, prescribe CSR expenditure but if the company is unable to spend the minimum required CSR expenditure for non-compliance the company has to give the reasons in the Board Report.

Research Problem:

All the interests of investors, shareholders, or stake holders of the any company and the actions of managers of any business undertaking have to be ruled by the laws of economics, expecting a sufficient financial return on savings created, but in reality, the functions of such an enterprise need to be driven by a much larger sets of aims and objectives that are under the term CSR being described. The justification of broad which constructs and upholds an organization's social responsibility, arises from this fact that a business enterprise derives some benefits from society for a new frame of ethics for corporate decision making must be therefore requires the enterprise to provide returns to society as well. All the above points which have been stated earlier has establishes the stake of a business undertaking in the wellbeing of a society and

¹⁵ Companies (Corporate Social Responsibility Policy) Rules, 2014 policy under section 3 (d) "CSR Policy or Policy" means Corporate Social Responsibility Policy.

in good health. In this modern age of information technology and emphasis on transparency, more importantly the consumer of any product or service are not likely to feel satisfied in buying from any type of organization which is seen to violate the expectations of what is deemed to be morally and socially desirable¹⁶.

As the new provision of Companies Act 2013 came into force, many new statutory provisions appeared in picture. One of the new provision was describing activities CSR. This provision was much argued. Most of the companies said that, this new provision of activities or initiatives or projects of CSR will create financial burden on them as they need to spend specified percentage of their profits to fulfill the requirement. As per Companies Act, 2013, those companies are required to spend the net profit 2% of last three immediately preceding financial year of the company on CSR activities. On the basis of review of literature and data available on the ministry of corporate affairs and other online resources, generally it is perceiving that companies are not complying with the statutory requirement. The concept of CSR rests on the ideology of give and take. Companies are utilizing the resources in the form of raw materials, human resources etc. from the society. The companies are giving something back to the society by performing the task of CSR activities. Considering the intent of law that companies take so many resources from society they should give back something to it, so the provision of CSR is justified, also the expenditure of CSR will help in benefitting the underprivileged section of the society who are deprived of basic necessities.

Objective of the Study:

The objectives of the present study are as follows:

- To analyse the concept of CSR under Companies Act 2013.
- To have comparative analysis of CSR expenditure of selective public and private companies during 2014-17
- To have sector wise analyse of CSR projects of public companies and private companies.

¹⁶ Sazzad Parwez, "Corporate Social Responsibility: A Tool for Marketing and Development of Rural India, 5 *ELKAPJ* 1 (2014).

- To make suitable suggestions for the better implementation of csr policy.

Research Question:

- What is the difference between actual CSR expenditure and prescribed CSR expenditure of selected public and private companies?
- Whether the public and private companies are complying with the statutory requirement of CSR expenditure?
- What is the sector wise CSR expenditure of selective companies as per scheduled VII of the Companies Act?
- In which projects companies are contributing more expenditure as per schedule VII.
- Which types of company (public and private) have both track record in regard to complying provision of CSR?

Significance of the Study:

The purpose of study is very significant because CSR policy in India is a new concept having special recognition under Companies Act 2013. India is talking about the concept of inclusive growth which is possible only when who are earning large amount of income should participate in development of poor class of society by sharing the profit. Corporate sector is a major sector in India to play an important role in inclusive growth by implementing the CSR policy.

Limitation of the Study:

The researcher has requested to send the CSR data of the companies through email but no communication has received in that regard. The study has certain limitations as the findings and conclusions arrived at are mostly based on review of existing literature and analyses of views and opinions of experts on the subject. The present study is limited to the selected companies which are performing best and having high turnover of the year. There are the companies who are having low turnover may have different CSR expenditure.

2. Project of Study:

Chapter- I – Introduction

In this chapter, the researcher attempts to make brief study about the fundamental ideas of this concept of CSR and the real development of concept of CSR. Further, the chapter also contains the research problems, objectives of the study, research questions and limitations of the study. The chapter also include the project of the study having brief description of chapters of the present work.

Chapter- II - Review of Literature

In this chapter, the researcher analyses the literature already available in the field of concept, history and mandatory provision of CSR under Companies Act 2013. For this purpose, the researcher analyses the various text books, cases, articles, reports of the various committees and commissions, journals, opinion of experts, annual reports etc. During the chaspter, the researcher reviewed literature on issues relating to real development of CSR; Companies Act 2013. Functioning of and CLB, NCLAT; Mandatory provision.

Chapter- III - Research Methodology

This chapter provides the methodology used by the researcher in conducting this research work. The researcher adopted the doctrinal method of research. Further, for the purpose of the research, the researcher has used both primary as well as secondary sources of data.

Chapter- IV – Detailed Discussion

In this Chapter, the researcher discusses the evolution and concept of CSR. It further discusses about the features and scope of activities under CSR Rules, CSR in India and in other countries; Mandatory CSR Provisions Introduced by the Act, international perspective of CSR, judicial response on CSR policy, CSR Under Companies Act, 2013, CSR and constitutional mandates. The researcher makes a brief study about the objectives and features of section 135 of the Companies Act 2013. The researcher analyse for the non-compliance of the CSR expenditure towards the projects. The

researcher attempted to make in brief about the background of the Act and the concept of CSR under the Act. The study also focused on the mandatory provision related to CSR in other developed countries. Further, the chapter attempts to critically analyze the CSR expenditure the public and private companies based on its decisions and orders. It also analyzed the cases decided by CLB and NCLT under the Act.

Chapter- V - Conclusion and Suggestions

This chapter being the final one provides conclusive remarks on the entire work. It provides finding and suggestions drawn by the researcher during the course of the researcher work.

CHAPTER II

REVIEW OF LITERATURE

The concept of CSR has become an important concept in the study of researchers, scholars. Various studies showed covering different aspects of CSR including social responsibility, social accounting, social reporting or any other area related to corporate social responsibility. In regard to CSR Spending in public and private companies'. Numerous studies have been shown on the basis of primary data and secondary data.

Windsor (2001)¹ examined the future of corporate social responsibility or the relationship between business and society and the CSR. The scholar tried to find out that whether the association and society will come closer to each other in future or not and what will be the moving stage of CSR. With the help of history or past trend of CSR, Carroll's model exploration and in global context, the scholar found three evolving alternatives of CSR i.e. Theory of responsibility, global corporate citizenship, stakeholder management practices. Moon (2004)², studied the role of government in motivating corporate social responsibility among the corporate. The study explained that the drivers of CSR are related with business and society. Business includes its reputation, corporation itself, employee's relation knowledge, goals etc. further, the study cleared that government is driver of CSR by making this relationship true and fair through making through making policies and regulations. The study also boarded other country's situation that how their government arrived into businesses for driving CSR.

Najeb Masoud (2017)³ enlightened about that what elements might be involved if it were written, and to recognize at least some of the useful factors that might provide to such an undertaking. He centers on the theoretic framework sustaining CSR. It has

¹ Duane Windsor, "The Future of Corporate Social Responsibility" 9 *IJOA* 3 225-256(2001).

² Jeremy Moon, "Government as a Driver of Corporate Social Responsibility" *available at*: http://www.ecrc.org.eg/Uploads/documents/Articles_Government%20as%20a%20driver%20for%20CSR%286-3%29.pdf (Visited on February 10, 2018)

³ Najeb Masoud, "How to Win the battle of ideas in Corporate Social Responsibility": The International Pyramid Model of CSR" *IJCSR* (2017). *available at*: <https://jcsr.springeropen.com/about/editorial-board>, (Visited on February 10, 2018).

been vigorous over the past 50 years or so, and has sustained to expand in support, adaptation and applications by businesses and academics that have also shown increased interest in the topic.

Carol A. Tilt (2016)⁴ specified that it is essential to ensure the suitable consideration is given to the context in which the research takes place. Examination of CSR and CSR reporting practices without contextualization could maintain defective understandings which are based on evidence from research in the advanced world. Different political, social, cultural and economic environments effect on the both the development of, and reporting of, CSR activities and consequently effect on the value of these activities to benefit society and the natural environment. Chaitra Rangappa (2012)⁵ considered that the present status of marketing companies in India on their compliance to social responsibility and ethical practices. Paper suggests to use empirical support to build the argument that gainful corporate need to become corporate citizens. The research would be mainly focused on ethical standards observed by highly successful Companies in India like Infosys, Wipro, TATA and will be studying in detail the case of Coco-Cola company and its collapse to comply with the CSR.

Arju (2017)⁶ explained that CSR is a concept whereby economic institution reflect the interests of society and the environment by taking responsibility for the effect of their activities on stakeholders, employees, shareholders, customers, suppliers instead of their profitability and growth. CSR bring many advantages for the banking sector it increases banks reputation and financial performance. The work is based on the analyses of the different authors, in banking sector of India and other countries. A work has been made to analyse the existing CSR practices of banks in India.

Neelmani Jaysawal and Sudeshna Saha (2015)⁷ described about that CSR is a concept, which states that private corporation or public organization has a responsibility

⁴ Carol A. Tilt, "Corporate Social Responsibility Research: The Importance of Context", 3 *IJCSR* 52-9 (2016).

⁵ Chaitra Rangappa Beeranvar, "Marketing Companies in India on Their Compliance to Social Responsibility and Ethical Practices" 2012 (Ph.D. thesis, Symbiosis International University).

⁶ Arju, "Literature Review on Corporate Social Responsibility in Banking Sector", *IJRMCA* (2017).

⁷ Neelmani Jaysawal and Sudeshna Saha, "Corporate Social Responsibility in India: A Review" *IJSE* 34(2015).

to society. It reduces the cost as well as hazards thereby, increasing the brand value and status of the company.

Bhupender & Vikas Kumar Joshiya (2017)⁸ stated that CSR expanded to include both economic and social interests. Companies have become clearer in accounting and show public reporting due to pressures from several stakeholders. In this research paper CSR status, challenges of CSR, policies for CSR in India are described. The concept of CSR is now definitely rooted on the global business program. But in order to move from theory to concrete action, many obstacles need to be overcome. Many constructive outcomes can arise when businesses adopt a policy of social responsibility.

Shah, Shashank & Sudhir Bhaskar (2010)⁹ explained about the society and local community is the resource pool from which any organization gets its manpower and also so to say 'the license to operate'. The society is the object to which an organization owes its existence. The organization exists in the society because of the inputs received from it material and human and finally sells its products and services to it. Any organization must pay its due in various ways to this important community. In this article, the authors have used the case study of an Indian PSU like BPCL to define its Society and Local Community-related schemes. Being a PSU and true to its order, BPCL has undertaken lot of advanced CSR schemes in and around the areas of its functioning.

Soheli gose ((2012)¹⁰ explained that CSR has an extensive result across the globe specially in developing markets. CSR activities have been postulated to include incorporating social characteristics or features into products and manufacturing processes accepting progressive human resource management practices, attaining higher levels of environmental performance through reprocessing and pollution

⁸ Bhupender & Vikas Kumar Joshiya, "Issues and Challenges of Corporate Social Responsibility in India" 6 *RJMS* 7 1-4 (2017).

⁹ Shah, Shashank & Sudhir Bhaskar, "CSR: In an Indian Public-Sector Organization: A Case Study of Bharat Petroleum Corporation Ltd" 16 *JHV* 2 143-156(2010).

¹⁰ Ghose, "Globalization of Corporate Social Responsibility Focussing on Indian Markets" 2 *IOSRJBM* 4 8(2012).

abatement and advancing the goals of community organisations. This paper has studied the theoretical feature of CSR including the global broadcasting initiative and CSR legislation norms and globalization of CSR in India. In this paper few precise cases of CSR activity and CSR violation in India have studied.

Arvin Jain (2012)¹¹ specified that many companies have recognized a corporate identity using CSR as a core activity of their business, which has become a main point of their success and reasonable advantage.

Markus Kitzmueller and Jay Shimshack (2012)¹² stretched out CSR from an economic perspective and develop a CSR taxonomy that connects dissimilar approaches to the subject. They discover whether CSR should exist and investigate conditions when CSR may produce higher welfare than other public good provision channels. They also study why CSR does exist, here incorporate theoretical predictions with practical findings from economic and noneconomic sources. They find limited efficient empirical evidence in favour of CSR mechanisms related to convinced innovation, moral hazard, shareholder preferences, or labour markets. In contrast, they uncover consistent empirical evidence in favour of CSR mechanisms related to consumer markets, private politics, and public politics.

Ravi Kiran&Anupam sharma (2011)¹³ enlightened that the paper objectives to help understand how students of management education remark the introduction of CSR in their curricula. He said there is a need to introduce CSR as a course-work. The changes in the industrial scenario due to globalization, it becomes authoritative for institutions to introduce CSR as a course-work to keep the management education in India. In the changing market scenario, it is equally important for the management school to change their curricula according to the market demands. So, the need of the hour is to familiarize the concept of corporate social responsibility in management education. So

¹¹ Arvind Jain, "Corporate Social Responsibility: An Explorative Review" 26 *JAF* 1 13-1 9(2012).

¹² Markus Kitzmueller and Jay Shimshack, "Economic Perspectives on Corporate Social Responsibility" 7 *JEL* 1 2-4(2012).

¹³ Ravi Kiran & Anupam Sharma, "Corporate Social Responsibility and Management Education: Changing Perception and Perspectives" 11 *GJMBR* 6 2-3(2011).

that future managers are more alert about the concept of CSR. As the implementation of CSR is becoming very necessary for existence in the changing business world.

Parveen maan (2014)¹⁴ detected society expectations are growing towards the social development by the companies. It has become compulsory for the companies to practice social responsibilities to improve their image in the society. He said companies are taking serious struggles for the sustained development, some critics still are questioning the concept of CSR. There are people who claim that CSR inspires some ulterior motives while others consider it as a myth. The reality is that CSR is not an approach for brand building; however, it generates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the kindness of a company. CSR is the duty of everyone i.e. Business corporations, governments, individuals because of the reasons: the income is received only from the society and therefore it should be given back; thus, wealth is meant for use by self and the public; the simple motive behind all types of business is to satisfy the hunger of the mankind as a whole; the fundamental objective of all business is only to help people. Thus, CSR is becoming a fast-developing and increasingly competitive field.

Seema G. Sharma (2009)¹⁵ explicated about the concept of CSR has gained increased importance in recent years. The growing focus on CSR has changed the attitude of businesses all over the world, and India is not an exception. Indians have enormous expectations for companies, both global and domestic, and would like them to step forward and take responsibility in the societies or communities in which they are functioning by adopting responsible. Adoption of these practices is dangerous to the businesses because business cannot survive, let alone succeed, in a society that fails. Moreover, public acceptance of the operations of any business, particularly in an alien society, often regulates the success of the corporation. Investors now often consider the social performance of the company when making investment decisions. They do not want to put their money into the operations of a corporation that is neglecting its social responsibility.

¹⁴ Parveen Maan, "CSR- key issues and challenges in India" 3 *IJSE* 6 (2014).

¹⁵ Seema G. Sharma, "Corporate Social Responsibility in India: An Overview" 43 *ABA* 4 (2009).

Yarlagadda Venkata Ramana (2013)¹⁶ analyzed about the impact of corporate governance exposes on corporate performance in selected sectors as per the sampling procedure for five years from 2001-02 to 2005-06 in the Indian context. It utilizes the corporate governance disclosure index (CGDI) constructed for the purpose of this study. The major outcomes of this study are argued with reference to the independent variable, dependent variable and the sectorial analysis. The concept and the dimensions of the corporate governance is changing on par with changing time. Initially when the topic came to lime light, it was absorbed on business ethics, values and morals. This phase was in the transformation stage. Corporate sector was yet to fully quip and gear up to the new system.

Monika Kansal (2011)¹⁷ magnified the companies in the public sector and polluting industries are making knowingly higher disclosures relative to private sector and non-polluting companies. Community development efforts are most revealed followed by initiatives. The revealed of carbon emissions are increasing. Overall disclosures have increased over the years. This trend is found to be encouraging. The CSR disclosures are positively and significantly associated with size, profitability, age and number of certifications taken by the companies. The investors and brokers have strongly preached that all large, MNC need to take more burden of social responsibility irrespective of the level of profits earned. Investors and brokers feel that the claims of the companies are overstated. In spite of all confusions with regard to content, location, mechanism surrounding this crucial concept; CSR is being embraced with wide recognition all across the globe, especially in developing and underdeveloped countries. Over the decades it has been able to retain the attention academicians, researchers, policy makers and practitioners. An effort has been made to trace the link between complex quantitative aspects of CSR into qualifying and measuring CSR performance and constructing a benchmark for measuring CSR performance in developing and immature countries.

¹⁶ Yarlagadda Venkata Ramana, "A Study on Corporate Governance in Selected Indian Industries" 378-441(2013).

¹⁷ Monika Kansal, "Corporate Social Disclosure Practices of Indian Companies" 332-333 (2010).

Kamini Shah (2008)¹⁸ specified in his study that majority of large scale companies in India are alert of the need for a well framed capital budgeting pronouncement. It is projected to review the important findings of this study and venture to outline some suggestions and recommendations for the benefit of academicians, industry as well as for post-doctoral research. An in-depth study has been carried out to observe the trend and insight into factors that influence capital budgeting decisions. The companies in India do have specific amount of average size of annual capital budget and all project size requires formal quantitative analysis. However, such analysis and use of capital budgeting method differ on the basis of nature and size of a particular project under consideration. This may be due to volatile business environment. The authority to take final capital budgeting decision rests with the chief finance officer and top management officials of all the organizations under study.

Sangeeta Bansal & Shachi Rai (2014)¹⁹ examined the CSR expenditure by firms in India, specifically in the wake of the new Companies Act, 2013. It highlights the relationship between CSR expenditure and profits of the firm and highlights how the firm size positively affects this relationship. CSR has been experienced by companies in the developed world in a big way. Most of the large private universities in the united states (us) were setup as a part of CSR activities undertaken by large corporates. The concept of CSR has the potential to bring a revolution in the development of the economy. With rising economic deficit and leaks in the welfare schemes, CSR pursues to address the problems of society in a cost-effective manner. Contrary to some negative voices in the society, CSR expenditure may not affect profits adversely and could help in building the brand name of the firm. The CSR expenditure by firms is affected by the industry to which they belong. Firms in polluting industries spend more on activities related to the environment, while firms in the iron and steel and power sector spend more on local community development, as their projects cause large-

¹⁸ Kamini Shah, "Study of Corporate Capital Budgeting Practices of Selected Companies in India" 222-228 (2008).

¹⁹ Sangeeta Bansal & Shachi Rai, "An Analysis of Corporate Social Responsibility Expenditure in India" 49 *EPW* 50, 30(2014).

scale displacement. They also do it in the hope that it might prevent future boycott and protest movements.

Reena Shyam (2016)²⁰ explore CSR has become a fundamental business practice and has gained much attention from the management of large international companies. It facilitates the alignment of business operations with social values. CSR is deemed as a point of convergence of various initiatives aimed at ensuring socio-economic development of the community. CSR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders, CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

Jose G Vargas Hernandez and Carlos Gustavo Montano Cruz (2016)²¹ evaluated the concept of corporate social responsibility, discuss how corporate social responsibility reduces the social responsibility of consumers. Corporate Social Responsibility (CSR), also called business social responsibility (BSR) is achieved when the company began a voluntary and active contribution to the social, environmental and economic improvement. This is in order to improve their competitive, value situation and value of the corporations. Corporate Social Responsibility affects the social responsibility of the consumer to the extent that circumstances permit, positively or negatively. While human consumers currently live a stage to preserve the environment and help others, hardly they will do themselves. There are many excuses such as lack of time, lack of resources, and lack of information on the institutions that can help. That's why when companies and corporation's campaigns are promoting social and environmental well-

²⁰ Reena Shyam, "An analysis of corporate social responsibility in India" 4 *IJR* 5 56-64 (2016).

²¹ Jose G Vargas-Hernandez and Carlos Gustavo Montano Cruz, "Critical Analysis of Corporate Social Responsibility Concept" 5 *JS* 4 3(2016).

being, consumers are delegated responsibility in exchange for buying their products and donate pennies left over them. Help is help, whether long or short. This type of mass deception makes people want to know nothing of this kind of light help or ecological or social aid campaigns, with a negative impact on the consumer.

Sanjay Kumar Sharma (2013)²² explained that if a company invests in society activities, it would be rewarded by its stakeholders in many ways. It has been the practice of many corporate houses in India to contribute to the society by building educational institutions, hospitals etc. Recognizing the need for inclusion of socially unprivileged sections of the society in India's growth story, the new company law of 2013 has come up with a mandate for giant corporates to shell out at least two per cent of their three years annual average profits towards CSR activities. The law is perhaps the first of its kind in Indian history recognizing the scope of utilizing corporate strengths towards fulfilling country's social objectives. The new provisions may be viewed as the result of the changing corporate philosophy in India and worldwide which entrusts the responsibilities on giant corporates towards social welfare of the population which comprise of their present or prospective employees, customers or other stakeholders in varied roles. In order to ensure meeting the true spirits of the new CSR law, a well-organized, professionally capable and independent team needs to be formed. The institute is planning to initiate a certificate programme on CSR activities for working executives.

Shilpa Kulkarni & Prakash Rao (2014)²³ explained about automotive sector is key driver and indicator of economic growth. The automotive sector is truly global in context of the operations across globe and local in case of products delivered. The multinational brands who has place all over the world operate in the local framework of law, community and offerings. The pyramid appears to have similar practices. The upper sides of Carroll's pyramid i.e. Ethical & legal levels see some differential practices. One of the justifications of such results can be the economic condition of both the parties.

²² Sanjay Kumar Sharma, "A 360-Degree Analysis of Corporate Social Responsibility (CSR) Mandate of the New Companies Act, 2013 3 *GJMBS* 7 757-762 (2013)

²³ Shilpa Kulkarni & Prakash Rao, "Across Africa and India An Automobile Industry Perspective" 15 *PSBS* 11 244-253 (2014).

Africa and India are in developing stage hence the need of economic sustainability is much higher compared to holistic sustainability. The research indicated the favorable areas of CSR activities in both the cases. Indian auto sector which has established earlier than African auto sector is more pragmatic and hence practices ethical level sustainability i.e. involves in product responsibility and life cycle approach. The African and Indian auto sector has philanthropic centred CSR, however this does restrict the players to innovate into newer ways of reaching holistic corporate sustainability.

Satinder Singh & Aishwarya Sharma (2015)²⁴ highlighted that the term CSR has gained unprecedented importance and become imperative to any Companies' strategic decision making. Government alone will not be able to get success in its endeavor to uplift society. Due to globalization liberalization and privatization corporate environment is changing, then corporates have set up separate CSR wing for sustainable growth. The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need based CSR strategies so that the investments can yield intended results. We recognize that Companies have, in their own ways, been contributing to the foundation of CSR in India. They have, with their desired methods of intervention, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on. New Companies act 2013 has increase the investment as well strategic efforts for CSR in India.

Devanshi Dixit (2017)²⁵ explained the actual and disclosure CSR practices of Indian railways towards their employees and passengers with some suggestions and recommendations are covered in this study. The purpose of this study is well achieved. His analysis reveals the lacking phases of the Indian railways, a super 'Navaratna' under corporate social responsibility. Their disclosure practices are much more than their actual practices that are followed towards the employees and passengers. The Indian railways (IR) is a truly great institution called a "life line of the nation". It is a

²⁴ Satinder Singh&Ashwarya sharma, "Corporate Social Responsibility Practices in India: Analysis of Public Companies" 1 *IJBQEAMR* 11 33-43 (2015).

²⁵ Devanshi Dixit, "Analysis of Corporate Social Responsibility Practise of Indian Railways- A Case Study" 3 *IJAR* 1 797-810 (2017).

global giant that operates profitably, effectively and with relatively little government support. But it needs more efficiency in their work with much more initiatives for the employees as well as for the passenger's welfare. So that it can contribute more and more in the favor of the citizens of India.

Abhishek Mukherjee (2016)²⁶ detailed about recent developments in Corporate Social Responsibility in the Indian corporate environment. His focus was on the recently amended Indian Companies act 2013, which now requires large Indian Companies to spend annually 2% of net profit on CSR activities and to disclose such expenditures in their financial statements and in a separate CSR report. The CSR provision follows a 'comply or explain' approach, which requires each company to formulate a CSR policy and furnish details of CSR spending to ensure that it has complied with minimum spending requirements. Article provides insights into the drivers that cause companies to undertake CSR expenditure. Based on survey of 223 companies, the three most important drivers are a concern for the company's social responsibility, a desire to improve the company's image and a desire to improve the company's relationship with government. On balance, corporate leaders seem to be more driven by the need to differentiate the company for strategic reasons rather than by ethical and moral motivations. Most important findings are that the motivating factors for Indian companies spending on CSR vary widely in accordance with company characteristics.

Ganga S Dhanesh (2015)²⁷ analyzed that most of the respondent companies were engaged in CSR activities, such as running schools and orphanages, tackling child-labour issues, engaging in last-mile connectivity issues in water and electricity, and creating livelihood programs. They asserted that India has had a long record of socially responsible businesses, although the terms used may have been different. A majority of interviewees (75-89%) cited the example of tatas, one of the oldest business groups in India, to illustrate India's long history and heritage of CSR. A CSR manager at a private-sector bank summarized. The way the economy has grown in the last 10 years,

²⁶ Abhishek Mukherjee, "Analysis of Mandatory CSR Expenditure in India: A Survey" 7 *IJCG* 1 (2016)

²⁷ Ganga S Dhanesh, "Why Corporate Social Responsibility? An Analysis of Drivers of CSR in India" 29 *MCQ* 1 114-129 (2015).

it has never grown like that, and then suddenly you have this section of society, which just weren't touched by all the gains that India made. The findings of his study yielded two key insights into organizational actors' norms and beliefs that drive their engagement with CSR. First, the findings support the notion that both the moral and strategic imperatives coexist as drivers of CSR.

Srirupa Ray (2017)²⁸ explained that the scenario of growing business and competitive environment, the relationship between companies and society have gone into huge transformation and business organisations have started realizing that “the business priorities co-exist with social commitments to drive holistic development of people and communities”. The mandate CSR clause has poured in lots of criticisms saying the new regulations are creating unessential burden for corporates without providing any additional benefits like additional deductions under the income tax act, etc. However, it is also felt that this will work out in helping firms in increasing their profitability through building image in the eyes of stakeholders. Calculation of profits as per section 198 of the companies Act, segregation of spending of previous years carried forward amount in the total CSR spent amount all these need to be clearly shown.

Bandana Nayak & Biswa Prakash Jena (2015)²⁹ stated that India basically requires this as a third world country and striving to develop its economy by inclusive growth. This study has tried to explore the implementation of CSR and requirements. Corporate Social Responsibility is directly linked with the feel-good factor and growth of the company. IREL has started taking interest of the development of the community through corporate social responsibility. Corporate Social Responsibility in Indian Rare Earth Ltd is effective one. There are different kind of welfare schemes in the field like education, water supply & sanitation, human health, environment is provided by the company to the society to maintain the CSR better one. Collaboration and cooperation is very necessary to achieve the designated objectives. Understanding of society need is also an important part which is to be taken care of by the governance of IREL.

²⁸ Srirupa Ray, “Corporate Social Responsibility: An Analysis on Central Public-Sector Undertakings in Indian Context” *IJCMR* 49-55 (2017).

²⁹ Bandana Nayak & Biswa Prakash Jena, “An Analysis of Corporate Social Responsibility: A Case Study in India” 2 *IJRSI* 6 66-74(2015).

Sinha, Shiv Nath (2017)³⁰ studied that the meaning of the word CSR is itself not clear and different scholars and practitioners have defined the word in different ways. The meaning of the word CSR differs from time to time and place to place. Hence, it also becomes difficult to implement such a law as different stakeholder like Companies, implementing agencies, beneficiaries, academicians and regulators interpret it in their own way. The present paper provides a critical analysis of the Companies Act, 2013, Companies (CSR) Rules, 2014, Schedule VII of the Companies Act, 2013 and various other notifications issued by the Ministry of Corporate Affairs. The paper also highlights the intent of the government of India to incorporate provisions mandating CSR by companies in India.

³⁰ Sinha, Shiv Nath, "A Critical Analysis of the Provisions of Corporate Social Responsibility", 16 *IUPJCG* 3 7-25(2017).

CHAPTER III
METHODOLOGY

The methodology adopted in this research work is doctrinal in nature. Doctrinal research not only involves analysis of the case law arranging, ordering, systematizing legal propositions and study of legal institution but it does more. That is why to make the study more meaningful and authentic; the analytical research method has been opted that is the part of the doctrinal research methodology. The study is based on primary and secondary resources. The primary data collected online from website of the respective companies and other online resources and information available on the website of Ministry of Corporate Affairs. For the study total thirty-six companies (18 public +18 private companies) randomly selected. The companies have been selected on the basis of their turnover. Further Books, Articles, Journals, Research works used as secondary resources. Secondary data have been collected through books, journals, periodicals, daily newspaper, websites and other available literature.

Basis of selection of the companies:

Companies which have been selected for the study are from different sector. Selected companies are on the basis of their turnover of one year.

Sl. No	Public company	Turnover (2016-17)	Sector
1	Bharat Electronics Limited (BEL)	8,800	Electronics
2	Bharat Petroleum Corporation Limited (BPCL)	1,034	Refineries
3	Container Corporation of India Limited (CCIL)	289.08	Logistics
4	Engineers India Limited (EIL)	473.42	Infrastructure Developers Operators
5	Hindustan Petroleum Corporation Limited(HPCL)	58,668	Petrochemicals
6	National Aluminum Company Limited(NACL)	18,171	Mining Mineral products

7	NBCC (India) Limited	1493.6	Infrastructure Developers Operators
8	NLC India Limited	2342.9	Power Generation Distribution
9	Oil India Limited(OIL)	1335.4	Oil Drill Allied
10	Power Finance Corporation Limited(PFCL)	32,046	Finance
11	Rural Electrification Corporation Limited(RECL)	104.29	Finance
12	Bharat Heavy Electricals Limited (BHEL)	28,840	Power Generation Distribution
13	Coal India Ltd(CIL)	8,480	Mining Mineral products
14	Gas Authority of India Ltd (GAIL India)	18,160	Oil Drill Allied
15	Indian Oil Corporation Ltd (IOCL)	19,106	Refineries
16	National Thermal Power Corporation Ltd (NTPC)	280.63	Power Generation Distribution
17	Oil and Natural Gas Corporation Ltd (ONGC)	16,424	Oil Drill Allied
18	Steel Authority of India Ltd (SAIL)	49,180	Steel

Turnover: economictimes.indiatimes.com.

Source: www.moneycontrol.com

Table :02 List of Private Companies

S. No.	Private Company	Turnover (2016-17)	Sector
1.	Adani Ports and Special Economic Zone Ltd	4878.86	Infrastructure Developers Operators
2.	Asian Paints Ltd	12647.11	Paints Varnish
3.	Bosch Limited	11242.6	Auto Ancillaries
4.	Britannia Industries Ltd.	8684.39	Edible oil
5.	Dewan Housing Finance Corp Ltd	47905.13	Finance
6.	HDFC	69305.96	Finance
7.	Hero MotoCorp Ltd	30846.12	Auto Mobile
8.	ICICI Bank Ltd	54156.28	Banks
9.	Infosys Ltd	59,289.00	IT Software
10.	Kotak Mahindra Bank	17698.93	Banks
11.	Maruti Suzuki India Ltd	68034.8	Auto Mobile
12.	Reliance Industries Ltd	329076	Refineries
13.	SJVN Limited	3261.03	Power Generation Distribution
14.	Titan Company Ltd	12716.89	Miscellaneous
15.	Vardhman Textiles Ltd.	1328.25	Textiles
16.	Vedanta Limited	71,721	Mining Mineral Products
17.	Wipro Ltd	46047.8	IT Software
18.	Zee Entertainment Ltd	4928.4	Entertainment

Turnover: economictimes.indiatimes.com.

Source: www.moneycontrol.com

CHAPTER IV

DETAILED DISCUSSION

1. Concept of CSR

As per United Nations Industrial Development Organization (UNIDO) CSR is a running concept whereby Companies fit in social and environmental concerns in their business procedures and connections with their stakeholders. It is expected generally that a company achieves a balance of economic, environmental and social requirements “Triple-Bottom-Line- Approach”, while talking the potentials of shareholders and stakeholders both at the same time. In its progressive self-interest CSR is a responsibility which was expected by a company in many ways. That was not something which was compulsory by law, but it is something which a corporation does beyond what is required by law.¹ If the term “Corporate Social Responsibility” is interpreted separately, it demonstrates that the term ‘Corporate’ means systematized business; ‘Social’ means the whole thing dealing with the people and ‘Responsibility’ means accountability between the above two. CSR is indicated by the contributions commenced by the companies to society through its corporate initiatives and its social contribution in this initiative. The definition given by World Business Council for Sustainable Development (WBCSD)² is that “CSR is continuing commitment of business to behave in proper manner and contribute towards economic development while extracting the quality of life of the workforce of the individual and their families as well as of the local community.³ CSR is observed for practices, rules, initiatives and programs which have been merged into corporate entity, and administrative processes through the various organization, wherever the companies do business and that must constitute of present, past and future aspect. Corporate social responsible now been include statutory provision which has been a voluntary

¹ Concept of Corporate Social Responsibility, *available at*: <http://www.taxmann.comcommentarie/ssamplesVolume3SampleChapters.pdf> (Visited on March 15, 2018).

² Corporate Social Responsibility: making good business sense, *available at*: <http://www.ceads.org.ar/downloads/Making%20good%20business%20sense.pdf> (Visited on March 15, 2018).

³ Dr. Swapan Kumar Roy, “Corporate Social Responsibility: The Indian Context”, 1 *PIJR* 9 (2012).

contribution by corporate entity of the country. The CSR rules in the country gives an idea to widen the scope for compliance responsibilities to include the holding and subsidiary companies⁴ as well as foreign business entity whose branches or project offices or program offices situated in India and satisfying the detailed criteria. CSR means and includes but is not restricted to⁵ :—

1. Projects or initiatives or programs which is generally relating to projects specified in Schedule VII to the Act; or
2. Projects or initiatives or programs relating to projects undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will cover subjects numbered in Schedule VII of the Act. CSR defined as it allows companies or corporations to engage in the projects or programs or initiatives relating to project registered under the VII Schedule of the Act. Flexibility is also allowed to the companies or corporations by permitting them to choose their ideal CSR engagements that are in traditional values with the CSR policy. The idea of CSR In India, is ruled by section 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. This section applies to three types of companies those who are having an annual turnover of rupees 1000 crore and more, or those net worth of rupees 500 crore and more, or a net profit of rupees

⁴ Section 2(46) “Holding Company” in relation to one or more other companies, means a company of which such companies are subsidiary companies; Companies Act 2013. Section 2(87) “Subsidiary Company” or subsidiary in relation to any other company means a company in which the holding company(i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies: Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed. Explanation. For the purposes of this clause, (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company; (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors.

⁵ Rule 2(c) Section 135 of Companies Act 2013.

5 crore and more. This rule will be applicable from the financial year 2014-15 onwards.

2. International Perspective of CSR.

The various number of companies revealing information on their Environmental, Social and Governance (ESG) performance has grown radically in recent years. On a worldwide level, the annual global reporting output increased from almost zero in 1992 to a total of 4,000 reports in 2010; and despite the monetary crisis, the growth rate of ESG reporting reduced only marginally during 2009. Although these numbers 18 document a significant increase, it has to be kept in mind that reporting companies still constitute only a small share of global business, with its roughly 82,000 multinational enterprises and over 23 million SMEs. According to the Modernization Directive, companies are required to analyse non-financial key performance indicators relevant for the particular business, including information relating to environmental and employee matters. For reporting on non-financial information, the EU has several mandatory instruments with implications for all MS, such as the Modernization Directive, the European Pollutant Release and Transfer Register, the EU Emission Trading Scheme and the Integrated Pollution Prevention and Control Directive. Besides these mandatory instruments, the EU Eco-Management and Audit Scheme (EMAS) has mandatory implications for reporting on environmental issues for those Companies that register with EMAS. The EU Accounts Modernization Directive 2003/51 amended the Accounting Directives and specifies that from 2005 onwards European Companies “shall to the extent necessary for an understanding of the development, performance or position, include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters”. Another modification of the Accounting Directives introduced an obligation for listed Companies to include a corporate governance statement in their annual reports. By 2009 all MS had transposed the Modernization Directive and most of them Directive 2006/46 in their national laws. Some countries are using financial or economic tools to foster CSR

reporting. One example is Spain, which under the Sustainable Economy Act created inducements for Companies to include or develop CSR policies, including reporting. The Act specifies that the government shall provide Companies, especially with guidance and indicators that provide support for self-assessment in relation to their social responsibility cooperation with the State Council on corporate social responsibility.⁶

3. CSR in Other Countries

India is the first country to direct the concept CSR through a statutory provision⁷. Additional countries like U.K, U.S.A, China, Spain Germany and Australia have voluntary guidelines for CSR expenditure.⁸ Others like France, Denmark, Sweden, Indonesia and Malaysia have mandatory guidelines, but they follow a particular code and all companies do not come under the purview of mandatory guidelines. The concept of spending CSR is not new in India. In the early 1970s CSR itself came into enforce. There are growing in India is realization that business cannot succeed in isolation, and social improvement is also necessary. Over the past few years the movement of liberalisation, privatisation and globalization together led successfully in the country's financial growth, businesses and academic researchers alike have displayed enlarged levels of enthusiasm for corporate social responsibility.⁹ The Organization for Economic Co-operation and Development(OECD) set up guidelines for Multinational Corporate Enterprises(MNCE) in 1976 and was thus, a pioneer in developing the concept of CSR. Although some CSR standards are mandatory, there are others, which comprise of both, mandatory and voluntary standards.¹⁰ In 2006 the British Companies Act mandated all companies listed in the UK to include information about their CSR activities in their annual reports; however, a full-length

⁶ Robert Schuman, "Corporate Social Responsibility: A European Perspective", 13 *FEUCE* 6 5 (2013).

⁷ *Ibid.*

⁸ Pimentel LV & Branca AS, "International Comparisons of Corporate Social Responsibility", 5 *IJEMS* 2 2-5 (2016).

⁹ Globalization: An Indian Perspective, *available at*: <http://shodhganga.inflibnet.ac.in/bitstream/10603/4852/chapter%204.pdf>, (Visited on April 25, 2018).

¹⁰ OECD Guidelines for Multinational Enterprises and for Corporate Responsibility, *available at*: <http://www.oecd.org/corporate/mne/1898155.pdf>, (Visited on April 25, 2018).

CSR reporting was made voluntary. In India particularly, an ideal CSR practice has both ethical and philosophical dimensions, where there exists an extensive gap between segments of people in terms. CSR has quickly evolved in India with some companies focusing on strategic CSR initiatives to contribute toward nation building. India has the world's richest custom of corporate social responsibility. CSR in India has developed through different phases, like community engagement, socially responsible production and socially responsible employee relations.¹¹ Corporate social responsibility grows at different measures, which differs from continent to continent, country from country, sector from sector and corporation from corporation. Company operating in the USA have to meet a wide range of lawful requirements. These requirements state the responsibilities of the corporation towards shareholders and other stakeholder in the company. For instance, US have imposed statutes that allow corporations to consider the interest of all the shareholders as well as the stakeholders. This contribution estimates the United States government's policies on CSR and environmentally-sustainable behaviors. It looks at the formation of particular corporate citizenship practices and expectations. US entities, including bureaus, agencies and non-governmental organizations (NGOs) have often interpreted their own view on business ethics and stakeholder engagement, within their own monitoring context. To make sure the directors do not act casually or misuse corporation incomes for personal practice, the legal agenda imposes fiduciary duties of devotion. This duty of devotion needs the directors to act in the best interest of the corporation and restrain those purposes, motives and goals that negatively influence the director's behavior. However, fiduciary duties typically refer to 'the best interest of the corporation'. Whether it includes the interests of shareholders and a broader set of constituents is not very clear from the reform. Every United State acknowledges the right to make charitable contributions. Seven states encourage corporations to make donations irrespective of the corporate benefit. Corporate statutes, established by states, execute legal power on corporations and allow enterprises to participate in legal activities. Hence, the corporations apparently have

¹¹ Evolution of CSR in India *available at:* <http://www.janalakshmi.com/wp-content/uploads/evolutionofsrinindia.pdf> (Visited on April 25, 2018).

the power to undertake CSR activities. Under this law, corporation can formulate their own charters to authorize themselves explicitly to take part in CSR activities.¹²

Europe been the continent that first became a transform to the CSR movement. Several reasons fare for this. Although countless abuses took place along its history, in Europe there have been customarily more CSR consistent values, norms and perceptions than in other areas of the world; European corporations have inclined to hold stronger and wider tactics to stakeholder relations; and that network is being recognized to help many companies share and diffuse relevant information about CSR. Through CSR, corporations prominently contribute to the EU's treaty objectives of sustainable development and highly competitive social market economy. In spite of the interest in CSR in the EU among businesses and governments, a clear divide of opposite positions has existed. Essentially, the EC took a position of refusing regulation and putting the emphasis on voluntary measures for business, while the European Parliament, together with NGOs and trade unions, has been challenging mandatory regulation and reporting of corporations' social and environmental impacts and transparency. However, CSR, as viewed by the European Corporation, remained a voluntary initiative for European business to practice that goes beyond what is required by law. Since 2001, there have been a number of projects around CSR led by various EC Directorates Generals in order to raise awareness and understanding among stakeholders and the general Public.¹³

UK was rightly considered to be a leader in CSR; home to some of the world's prominent thinkers, practitioners and activists in this field. A study made in 2006-13 concludes that there are numerous reasons for this: the UK is home and headquarters of a number of the big accountancy firms; An environmental NGO community original engagement with business; a cultured journalistic class; the UK's involvements of some of the privatization processes and of the industrial revolution. A key indicator of CSR in the UK is the amount of monetary resources given by Companies to society. The government has put pressure on Companies in terms of improving disclosure,

¹² Camilleri M.A. Corporate Social Responsibility Policy in the United States of America, 5 *IJGR* 3 5-6 (2017).

¹³ *Supra* note 9.

for example, Tony Blair challenging the top 350 Companies to produce social and environmental reports. In 1999, the Combined Code was issued according to which all listed Companies¹⁴ must comply and the Pension Review 2000 called for institutional investors to consider their position on SRI. The government also appointed a minister for CSR. The government also published a sustainable development strategy in 2005 and a sustainable procurement action plan in 2007-16. The UK's Climate Change Act of 2008 has created a new method to managing and reacting to climate change. The UK has passed a number of guidelines designed to complement voluntary initiatives to encourage CSR, such as the 2000 Amendment to the Pensions Act, requiring occupational pension funds to reveal the level to which they take account of CSR matters in their investment decisions; the law that makes it illegal to bribe someone external, pursuant to the OECD convention on bribery of foreign public officials. The Companies Act 2006 required directors to act in the interests of the company's shareholders but taking into account the wider interests of requisite stakeholders. It also required companies to provide information in their annual report on their strategies, performance and risks. Quoted companies additionally should reveal, to the level necessary for an understanding of the business, information on environmental, workplace, social and community matters in their annual reviews, as well as information about any policies in relation to these matters and about the effectiveness of those policies.¹⁵

Corporations of French are progressively becoming active on CSR practices. Numerous case studies reveal that the overall picture in France is one of moderate development of CSR due to the existence of a system of state regulations and agreements governing labour relations. There is, however, evidence of significant initiatives going beyond lawful requirements in many areas. Some laws and regulations affecting CSR were passed in France at the beginning of the 21st century:

¹⁴ Section 2 (52) of companies act 2013 "Listed Company" means a company which has any of its securities listed on any recognized stock exchange.

¹⁵ *Supra* note 10.

- The Law on Employment and Saving Plan of 19 February 2001, which asks fund managers to take into account social, environmental and ethical considerations in the choice of investments.
- The Law on New Economic Regulations of 15 May 2001, which requires listed companies to introduce environmental and social information within their yearly reports to shareholders.
- The Law on Retirement Reserve Funds of 17 July 2001, which requires environmental and social information to be introduced in the yearly reports of retirement funds.

It provided a basis for CSR Public policy, and took place in six working groups representing the government, local authorities, non-governmental organisations, management and labour, to address the following:

1. Fight against climate change and control energy demand;
2. Preserve Biodiversity and natural resources;
3. Establish a Health-Friendly Environment;
4. Adopt Sustainable Production and Consumption Methods;
5. Develop an Ecological Democracy;
6. Promote ecological development methods benefiting employment and competitiveness”.¹⁶

ICSR is still in its early stages in Germany when it comes to the adoption of CSR principles in businesses, individualization of CSR movements and pressure to encourage more CSR work in German corporations. Here are some developments worth mentioning:

- The German government plans to make the country’s first trademark for good business behaviour, as a complement to “Made in Germany” as a global brand.

¹⁶ *Supra* note 9.

- The Humboldt University held the 3rd International CSR Conference in Berlin. The focus was on CSR and global governance.
- The German government has also shown an interest in CSR by starting a complete website called “CSR in Germany”. As it happened in other countries, in Germany the debate on CSR was originally focused first on environmental protection. The concept of CSR reached Germany only in the 1990s and has only recently become a widely discussed issue at a governmental and society level. The Federal Government developed a transparent CSR concept to implement a multi-stakeholder forum. A Federal Ministry for Employment and Social Affairs was created as the center for all CSR issues, which has launched initiatives, such as:
 - CSR – an orientation from an environmental perspective (2006), Sustainable Development in Enterprises, Management Tools for the Implementation of CSR and Corporate Sustainability (2007);
 - Round-Table for a Code of Conduct for German enterprises doing business in developing countries, in particular, regarding standards for local suppliers;

The Federal Government took pronouncements with regard to: sign of the regions of foundation of consumer products; introduction of additional Publication obligations for initiatives with respect to their compliance with environmental and social standards; and introduction of the requirement that suppliers of German enterprises comply with environmental and social standards. Large corporations have also to report in their annual report on non-financial indicators as far as they have an influence on the success of the enterprise. The Council for Sustainable Development, an advisor to the government with regard to CSR, presented in 2006 the report “Corporate Responsibility in a Globalized World – a German Profile of CSR”, followed by a multi-stakeholder conference in 2007. German industry created also a joint platform in order to enhance the exchange of information between corporations and stakeholders. The German Industry Association participated in the European Alliance for CSR and in ‘open

coalitions of cooperation' and 'laboratory meetings' formed under the umbrella of this Alliance.¹⁷

The financial and banking sectors are a particularly important driver of CSR movement in Italy. SMEs play also an important role in local communities and the Italian economy as a whole. The general framework for CSR behaviour and strategies consists of the EC Green Paper 2001. Within this framework, three main issues can be highlighted: spontaneous experiences from companies and other players; the innovative project called CSR - social commitment, developed by the Ministry of Labour and Social Affairs; and a survey that is the starting point of an ongoing process of investigation regarding CSR attitudes in Italy. CSR topics are high in the agenda and include corporate governance and measuring CSR progress and diversity. *Impronta Etica*, an Italian business network for CSR, and the employment agency *Obiettivo Lavoro*, are leading a CSR Laboratory on recruitment and ethical management of foreign workers. The Italian Centre for Social Responsibility, an independent think tank established by the Italian government, published in 2008 a collection of good practices on "Health and Safety in Italian SMEs a socially responsible approach".

Companies of Spain consider corporate reputation, competitive advantage and industry trends to be the major driving forces of CSR. Initiatives undertaken by the EU have influenced companies' decision to implement CSR. Associations and forums that bring together the heads of leading corporations, business schools and other academic institutions, NGOs and the media are actively practicing and promoting CSR. Although the degree of implementation of CSR in Spain is still moderate, initiatives in this field from some of the country's most respected companies augur promising developments in CSR in the near future. In Spain the work of saving banks now transformed into banks, has been remarkable, since these organizations, active and powerful in the financial industry, devote a great portion of their incomes to social causes. There are several centers devoted to the dissemination of CSR. In February 2010 the Ministry of Labour and Immigration issued an order on the promotion of CSR with particular reference to SMEs, based on the order, awards are granted for activities to promote

¹⁷ *Ibid.*

CSR issues. The focus of the order is on the development of studies, seminars, conferences and reports to disseminate CSR issues among SMEs. In March 2011, Spain approved the Sustainable Economy Act. It contains various measures related to CSR linked to transparency (like the disclosure of the remuneration of company directors), and others linked to sustainability in the management of state-owned companies. It also includes a provision on the promotion of CSR. Chapter VI creates incentives for companies, in particular SMEs, to incorporate or develop CSR policies. Even non-Public and non-economic entities are leading CSR initiatives to become references in the country. This is the case, for instance, of the Monastery of Poblet, a Cistercian monastery of 32 monks in Catalonia –one of the elements of the World Cultural Inheritance- that has engaged in a process of ecological conversion with an ecological management of water, energy, food, waste and improved landscape.¹⁸

The Scandinavian countries are 'welfare states' where the state intervenes in all aspects of life including issues of economy. The view that government must act as arbiter of business responsibilities to society is well expanded. Scandinavians accept that in the past, government successfully controlled externalities regarding the environment, safety at work and competition provisions. This explains why Scandinavian management adheres more to the regulation and control model rather than to the deregulation model suggested by Milton Friedman. The model of non-shareholder interest representatives is also expansively used in Scandinavia with particular emphasis on employee representation. This model is also imposed by state regulation and necessitates the representation of employees, the local community, consumers and the environment, in the company's meetings. The Nordic Council, integrated by Denmark, Finland, Iceland, Norway and Sweden, launched the "Nordic CSR Compass tool" in 2010. The informational instrument is intended to foster responsible supply chain management and also by giving SMEs guidance on creating codes of conduct. Sweden has a long experience on the CSR movement. Since 1979, it has carried on a continuous dialogue with the social partners concerning CSR. The government distributed a handbook on the guidelines to the business community based

¹⁸ *Ibid.*

on internationally agreed conventions in human rights, core labour standards, sustainable development and corruption. One of the main financial supporters of CSR in Sweden is the Swedish International Development Cooperation Agency, the Swedish Business Development Agency and the Swedish Consumer Agency. There are also three major corporate partnerships working towards CSR: Swedish Partnership for Global Responsibility, CSR Sweden, and UN's Global Compact. In 2008 Sweden had 20 reporters towards the GRI guidelines. A recent decision has made mandatory for all 55 state companies to report to the GRI standards. Since January 2008, Swedish state-owned companies have been required to publish a sustainability report in accordance with the GRI guidelines. The sustainability reports need to be quality assured by independent checks. Reporting for state-owned companies is independent of size or industry and is based on the "comply or explain" principle. The financial report is required to explain how the GRI guidelines have been applied and to comment on any deviations. The key to the success of CSR in Sweden is that businesses are prepared to invest financial resources in socially CSR initiatives. Even in an economic environment of increasing competition and tough conditions, Swedish companies are finding that they can directly link CSR to long-term profitability.¹⁹

CSR in Denmark evolved from emphasizing the promotion of 'the inclusive labour market' to the emphasis on an 'international approach to CSR' and 'strategic CSR', which is a key concept in the Government Strategy to Promote CSR as launched in May 2008. The government stressed that CSR shall be approached using the framework provided by the UN Global Compact, appreciating also the global compact proposed 'principle-based approach'. The Copenhagen Centre is an autonomous institution established by the Danish government in 1998 to encourage voluntary partnerships between government and business so as to promote social cohesion and opportunities for the less privileged to be self-supporting, active and productive citizens. In May 2008 the government published its "Action Plan for CSR". The aim is twofold: to promote CSR among businesses, and to promote sustainable growth both domestically and internationally. The action plan comprises 30 initiatives in four areas:

¹⁹ *Ibid.*

propagating business-driven social responsibility; promoting businesses' social responsibility through government activities; the corporate sector's climate responsibility; and marketing Denmark for responsible growth. The action plan is characterized by three strengths. First, it presents a smart mix of CSR instruments, ranging from informational web tools like the CSR compass or partnering instruments like the Council on CSR to legal instruments such as the much-debated legislation on reporting. Second, it sees CSR as a means for improving competitiveness and thus stresses the business case for CSR. Third, Denmark is a strong supporter of international CSR initiatives, as is evident from its support for the UN Global Compact and the UN Principles for Responsible Investment. In 2008, the parliament passed a law requiring all large Companies to Publicly report on their CSR. While the law does not require the 1,100 Companies it impacts to actually be socially responsible, the hope is that by requiring Companies to be more transparent about their CSR efforts, Public pressure and desire for competitive advantage will motivate Companies to enhance their "triple bottom line" of people, planet and profit. The Climate Compass also presents case studies disseminating information on how Companies have reduced their climate impact and used it to strengthen their competitiveness.

4.CSR under companies Act 2013.

Government has given prior official notifications²⁰ released in the form of 'guidelines' This notification titled 'CSR Voluntary Guidelines²¹', which was issued in December 2009 by the Ministry of Corporate Affairs (MCA). The Ministry of Petroleum and Natural

²⁰ Inserted in section 2(58) of the Companies Act 2013. "Notification" means a notification published in the Official Gazette and the expression —notifyll shall be construed accordingly;

²¹ The Guidelines presented herein are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009 1. Businesses should conduct and govern themselves with Ethics, Transparency and Accountability,2. Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle, 3. Businesses should promote the wellbeing of all employees,4. Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized,5. Businesses should respect and promote human rights,6. Business should respect, protect, and make efforts to restore the environment,7.Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner,8. Businesses should support inclusive growth and equitable development,9. Businesses should engage with and provide value to their customers and consumers in a responsible manner. *available at:* <http://www.mca.gov.in> (Visited on April 15, 2018).

Gas first issued an official notification on CSR, whereby Public-sector oil companies had agreed to spend at least 2% of their net profits on CSR initiatives. Further guidelines were issued for Central Public-Sector Enterprises (CPSEs) in April 2010, whereby the creation of a 'CSR Budget' was made mandatory. The Clause 135 of the Companies Act, 2013, is the first of its kind in India, and the second in the world after Indonesia, wherein a statutory obligation will be imposed on companies to compulsorily spend 2% of their average profits on CSR initiatives. Net profit²² considered for CSR spending but does not include the following, namely: -²³

1. Any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise.
2. Any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act.
3. Profit from premium of shares.
4. Profit from sales of Forfeited share.
5. Profit in terms of capital natures.
6. Profit from the sale of immovable property or fixed assets or any capital nature.
7. Any surplus change in carrying amount of an assets or liability recognized in equity reserves.

Following shall not be considered as expenditure:

- Income tax and any other tax on income
- Compensation, damages or other payments made voluntarily
- Loss of capital natures including loss on sale of undertaking of company or any part of thereof

Activities which may be included by companies in their CSR Policies Activities relating to²⁴:

1. Eradication hunger, poverty, malnutrition
2. Preventive healthcare, water and sanitation

²² "Net Profit" means the net profit of a company as per its financial statement prepared in accordance with Section 198 of the Companies Act 2013.

²³ Section 198 of Companies Act 2013.

²⁴ Section 135 of the Companies Act 2013 schedule VII.

3. Education, employability and livelihood enhancement
4. Gender equality and women empowerment
5. Environmental sustainability
6. Heritage conservation, promoting art and culture
7. Armed force welfare
8. Promoting national and rural sports
9. Rural development
10. Contribution to central government fund
11. Others.

Features and Scope of Activities Under CSR Rules.

- CSR activities do not include activities undertaken in pursuance of normal course of business of a company.²⁵
- CSR activities will have to be undertaken with preference to the local area and areas from where the company operates.
- Projects or programmes of CSR as undertaken by a company should include activities and/or subjects as mentioned in Schedule VII to the 2013 Act.
- Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity.
- The CSR activities can be undertaken by the company either through itself and/or through a registered trust or a registered society or a company established under S. 8 of 2013 Act by itself, its holding or subsidiary company, or otherwise subject to compliance of conditions mentioned therein and a cap of maximum 5 % of total CSR expenditure of the company in a financial year.
- CSR activities can also be undertaken in collaboration with other companies with compliance of conditions mentioned therein.
- Any surplus arising out of the CSR activity will not be part of the business profits of the company.

²⁵ Features and Scope of activities under CSR Rules, *available at*: <https://www.lawctopus.com/academik/impactoffinanceact2014csr/> (Visited on April 2, 2018).

Prior to the introduction of S. 135 and the CSR Rules, there had been a catena of judicial pronouncements to the conclusion that CSR Expenditure would be measured as part of business expenditure under section. 37 (1). Before examining this position of the law, it would be relevant to have a brief conceptual understanding of Section. 37(1) of the Income Tax Act. 37 (1) states that any expenditure which does not qualify under revenue expenditure within S.30-36 or is a capital expenditure or personal expenses of the assessee shall be considered to be business expenditure if it is wholly and exclusively for the purposes of business or profession shall be allowed as business expenditure while computing income from profits and gains from business or profession.²⁶ Herein the phrase “solely and exclusively for the purposes of business” is significant. Some wide-ranging legal views concerning to when expenditure would be classified as wholly and completely for the purpose of business over the years. However, the root of these decisions can be concise in two points – firstly, the point that a specific transaction was wise or crucial or essential for the assesses to enter into are immaterial factors in determination of this question. The Companies Act, 1956 comprised no mandatory provisions regarding CSR. The Companies Act, 2013 acquaint with mandatory CSR provisions for the first time. These mandatory CSR provisions may be classified as

- (I) CSR provisions which are Universally applicable to all companies and
- (ii) CSR provisions which are applicable to specified companies.

Section 166(2) of the 2013 Act compels a director of a company to act in good faith to encourage the objects of the company for the advantage of its members as a whole, and in the best interests of the company, its employees, its shareholders, the community and for the safety of environment. The words “its employees, its shareholders, the community and for the protection of environment” were bring together based on the following suggestion of ICSI before the Parliamentary Standing

²⁶ Section 37 (1) Income Tax Act 1961 vis-a-vis CSR Expenditure, *available at*: <https://www.lawctopus.com/academikeimpact-of-finance-act-2014-csr/>, (Visited on April 3, 2018).

Committee:²⁷ “Specific reference for duty of directors towards shareholders, employees, environment and community should be given.”The Committee welcome the recommended changes with respect to the duties of a director to promote the stuffs of the company in the best interests of its employees, the community and the environment as well, mostly in the backdrop of Corporate Social Responsibility, which is planned to be included in this statute.” Section 135 of the 2013 Act provides that every company having required net worth or turnover or net profit during any financial year shall constitute the CSR Committee of the Board.²⁸ The composition of the Committee shall be included in the Board’s Report. The Committee shall formulate policy including the activities specified in Schedule VII of the 2013 Act. The Board shall reveal the content of policy. The Hon’ble Minister for Corporate Affairs while answering to the debate on the Bill in Lok Sabha on 18-12-2012 clarified the CSR provisions as under:

- 1.Schedule VII of the 2013 Act lists out a few things that could be taken as a guiding force.
2. Certain companies have had this terror that once the government comes into the picture and the money has to come to the government first and then to CSR projects, then monitoring becomes difficult, then accountability and responsibility to fix

²⁷ The Institute of Company Secretaries of India(ICSI) is constituted under an Act of Parliament i.e. the Company Secretaries Act, 1980 (Act No. 56 of 1980). ICSI is the only recognized professional body in India to develop and regulate the profession of Company Secretaries in India.

²⁸ Section 2(57) “Net Worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation; section 2(91) “Turnover” means the aggregate value of the realization of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year; Section 2(41) “Financial Year” in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up: Provided that on an application made by a company or body corporate, which is a holding company or a subsidiary of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Tribunal may, if it is satisfied, allow any period as its financial year, whether or not that period is a year: Provided further that a company or body corporate, existing on the commencement of this Act, shall, within a period of two years from such commencement, align its financial year as per the provisions of this clause;

particularly will become a little difficult. Therefore, companies should be allowed to do the work that they want to do.

3. Somebody wants to do environment-friendly work; somebody wants to do vocational schools and colleges; somebody wants to build hospitals.

4. Incidentally, if you have a CSR activity in which you open a school and if you make a profit on that, that certainly will not be a CSR. The idea is not to make profit from a CSR budget. The idea is to give a better quality of life to the people that you are working along with.

5. They are: promotion of education; promoting gender equality; reducing child mortality; ensuring environment's sustainability; enhancing vocational skills; and any other matters that the companies feel that they can contribute.

6. The Bill says that the companies have to devote this money; report it - self reporting and self-declaration but it will be noticeable to all, seen to all. If the companies are not able to spend that money for whatever reason, then they are gratified to state in their books of records and accounts why they have not spent it. If they do not spend and if they do not report, then section 134 will be invoked, and they will be fined and penalized.

7. If some company wants to work through an NGO or a Trust or a Foundation of its own, we must allow them that freedom because if a company has a speciality in education or in certain area, then they have expertise in that.

Ministry of Corporate Affairs clarified the CSR provisions before the Parliamentary Standing Committee on finance as under: "There was not any explanation about CSR in the earlier companies Act. We are just mentioning that there will be a CSR Policy in each and every company beyond a certain limit, which are profitable companies and which are of certain size".²⁹

CSR and Constitutional Mandates

²⁹ Mandatory CSR provisions introduced by the 2013 act, *available at*: <http://www.taxmann.com/commentariessamplesVolume3SampleChapters.pdf> (Visited on April 5, 2018)

Constitutional argument on Mandatory CSR and Voluntary CSR the major Indian companies' CEO have stated that the procedure should be more 'democratic' the CSR is basically a 'voluntary' exercise it is not within the scope of law to statutorily mandate progressive action; it can only impose minimum standards.³⁰ The conclusion regarding distribution of a public company's profits towards CSR should be subject to the shareholders' vote, not the government's legislative powers.³¹ The Directive Principles of State Policy(DPSP) are non-justiciable, as per Article 37. of the constitution³² i.e., they cannot be enforced in a court of Law, because these Principles enforce positive obligations on the State. Mostly, the government imposes tax and Money given as 'tax' goes to the State, and not directly to the community. For what purpose that money is used is left to the will of the government. In a country like India, where often the money does not use to the grass root level due to numerous reasons such as corruption, administration, population etc., mere payment of taxes cannot be a means of safeguarding that social good is being done. On the other hand, the amount under clause 135 is much more effective than a tax companies have full freedom to give importance to social causes they want to support, and because the money is directly pushed into CSR initiatives, the impact is much higher. Clause 134 provides for mandatory disclosure of the implementation of the CSR Policy, and provides for penalty in case of failure to do the same. Hence, not only does the measure under clause 135 not amount to a 'tax', it is also more effective than a taxation system. Thus, it is submitted that 'voluntary CSR' is no longer adequate to ensure that companies realize their commitments towards various stakeholders– it is only through 'mandatory CSR' that companies would take up CSR initiatives in a more effective manner. Clause 135 Violates fundamental rights of Indian constitution the clause 135 of the Companies act

³⁰ Mandatory_CSR_in_india available at: https://ssir.org/articles/entry/mandatory_csr_in_India_a_bad_proposal (Visited on May 1, 2018).

³¹ Azim Premji, "Against law on mandatory CSR spending by corporate The Economic Times", Mar, 24, 2011, available at: <http://articles.economicstimes.indiatimes.com/2011-03-24/news/291814511csrspending-corporate-affairsmurli-deora-azim-premji> (Visited on May 2 2018).

³² Section 37 of the constitution of India state that provisions contained in this Part shall not be enforceable by any court, but the principles therein laid down are nevertheless fundamental in the governance of the country and it shall be the duty of the State to apply these principles in making laws. M.P. Jain, *Indian Constitutional Law* 98 (Kamal Law House, Calcutta, 5th edn., 1998).

2013 is having various difficulties with the way in which clause 135 has drafted. The clause 135 creates a classification among the companies in India. Clause 135 is applicable only to three types of companies those with an annual turnover of rupees one thousand crore and more, or those net worth of rupees five hundred crore and more, or a net profit of rupees five crore and more.³³ The provisions of Section 135 sketch a substantial step in trying to change the way business and society involve with each other. The section is applicable to every company which has a net worth of Rs 500 crore or more, or turnover of Rs 1000 crore or more, or net profit of Rs 5 crore or more during any financial year³⁴. Every such company to which Section 135 applies shall constitute a CSR Committee of the Board. The 2014 rules mandate that the CSR requirements are applicable to every qualifying company including its holding or subsidiary company³⁵. More significantly, the final rules enlarge the analysis CSR requirements to foreign companies³⁶ with branches or project offices in India, so that foreign companies³⁷ with Indian businesses will be subject to the Act's mandatory CSR provisions. This gives an expansionist scope under the CSR Rules to regulate such companies which prima facie are not included under Section 135. Thus, the CSR Rules which were assumed to be supplementary to the main provision, seem to have overreaching effect well beyond the scope of Section 135 as originally anticipated. Further, it seems to be an overarching provision and applicability of the same may be perceived by the foreign companies as an additional tax, over and above their corporate taxes, for doing business in India.³⁸

Composition of the Committee:

³³ Gyanendra Kumar Sahu, Corporate social responsibility in perspective of Indian constitution, *IJAR* 2015.

³⁴ Section 135(1) of the Companies Act 2013.

³⁵ "Ministry of Corporate Affairs Notification," Government of India, February 27, 2014, available at http://mca.gov.in/Ministry/pdf/CompaniesActNotification1_2014.pdf.

³⁶ Section 2(42) of the companies act 2013 "Foreign Company" means any company or body corporate incorporated outside India which— (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner.

³⁸ B. Ramesh, Savia Mendes, CSR perspectives in Indian Context, 29 *AJBES* 3 2 3-4(2015).

The committee would consist of three or more directors, out of which at least one director shall be an independent director.³⁹ Upon the chapter of the companies Act, there was major confusion about composition of the CSR committees for companies which otherwise do not need to assign independent directors. The CSR Rules have allotted with the requirement of appointing an independent director on the CSR committee of the board of an unlisted company or a private company which does not otherwise need to have independent directors on its board.⁴⁰ Further, the CSR Rules have relaxed the requirement regarding the presence of three or more directors on the CSR committee. For a private company with only two directors on the Board, the CSR committee can be constituted with these two directors. For a foreign company⁴¹ to which the CSR rules apply, the CSR committee must comprise of at least two persons, with one person a resident of India and the other person nominated by the foreign company.⁴²

The mandate of the said CSR committee shall be: -

(i) To formulate and recommend to the Board, a CSR Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII. –

(ii) To Recommend the amount of expenditure to be incurred on the activities referred to above

(iii) To Monitor the CSR Policy of the company from time to time.⁴³

³⁹ Section 2 (47) of the Companies Act 2013 “Independent Director” means an independent director referred to in sub-section (6) of section 149.

⁴⁰ Section 2 (68) of the Companies Act 2013 “Private Company” means a company having a minimum paid-up share capital 1*** as may be prescribed, and which by its articles, (i) restricts the right to transfer its shares; (ii) except in case of One Person Company, limits the number of its members to two hundred: Provided that where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member: Provided further that (A) persons who are in the employment of the company; and (B) persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased, shall not be included in the number of members; and (iii) prohibits any invitation to the public to subscribe for any securities of the company;

⁴¹ Section 2 (42) Act “Foreign Company” means any company or body corporate incorporated outside India which (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner.

⁴² MCA Rules Section 5

⁴³ Section 135(3) Companies Act 2013.

(iv) CSR Policy: The CSR Policy of the company shall, inter-alia, include the following, namely –

(a) A List of CSR projects or programs which a company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of implementation of such project or programs and implementation schedules for the same; and

(b) Monitoring process of such projects or programs: Provided that the CSR activities does not include the activities undertaken in pursuance of normal course of business of a company. Provided further that the Board of Directors shall ensure that activities included by a company in its CSR Policy are related to the activities included in Schedule VII of the Act. (2) The CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.⁴⁴

Responsibility of the Board

The Board of every company referred to above shall, after taking into account the recommendations made by CSR committee, approve the CSR Policy for the company and disclose substances of such Policy in its report and also place it on the company's website,⁴⁵ and - ensure that the activities as are included in CSR Policy of the company are undertaken by the company,⁴⁶ and - make sure that the company spends, in every F.Y at least two per cent of the average net profits.⁴⁷

- If the company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.⁴⁸

- "Average net profit" shall be calculated in accordance with the provisions of section 198 of the 2013 Act.⁴⁹

⁴⁴ Section 6 MCA rules.

⁴⁵ Section 135 (4) (a) Companies Act 2013.

⁴⁶ Section 135(1) (b) Companies Act.

⁴⁷ Section 135(5) Companies Act.

⁴⁸ Section 135(5) proviso ii Companies Act 2013.

⁴⁹ Explanation to Section 198 of the Companies Act 2013.

4. Role of NCLT.

The CSR committee is influenced that CSR will not merely be the subject of a transitory stage between soft and hard law but will produce new forms of soft and hybrid rule forming part of an emerging global governance. The practice of lawyers will have to be adapted accordingly, providing new opportunities for lawyers on the one hand, raising questions, e.g. of insurance treatment and the scope of engagement, on the other. As CSR is a fast developing and changing area in instability, the CSR Committee will have to amend, modify and specify its thoughts in the future to keep pace with the ongoing developments.⁵⁰ Some of these judgments along with a brief set of facts are discussed below:

As per the *In Re: Radhe Instrumentation Private Limited*, Application was filed before the ROC, the company has infringed the provision of S. 134 (3) (o) of the Companies Act, 2013 Rule 8 of Companies CSR Policy Rules, 2014 for the F.Y 2014-2015. Further, it is notified that the company had to spend? 8,26,672/- in the direction of the CSR contribution in the financial year 2014-15 but the Company⁵¹ failed to do so. According to the provision of S.134(3)(o) provides that, if company fails to comply with the provision of S.135(5), then the Board in its report shall specify the reasons for not spending the amount. Further, according to the provision of S. 135 (5) of the Act, the Board of company was required to spend, in every financial year, at least 2% of the average net profit of the company during the three immediately preceding financial years, in fulfilment of its CSR policy, But the defaulters herein, neither spend the CSR amount as per S. 135 (5) of the Act nor they have obeyed with the provision of S. 134 (3) (o) of the Act. Hence, this compounding application has been filed by the applicants so as to put the matter at rest. The learned representative for the applicants submitted that, the company has established CSR committee obliged U/s. 135 of the Act and also spent required amount towards CSR activities in F. Y. 2016-17. It is further submitted that in the F. Y. 2016-17 the company has spent amount of? 2.50.000/-towards CSR

⁵⁰ CSR Committee response, *available at*: <https://www.advokatforeningen.no/PageFiles/6214/CorporateSocialResponsibilityrevisedguidelines.pdf>, (Visited on May 3, 2018)

⁵¹ Section 2(20) of the Act "company" means a company incorporated under this Act or under any previous company law;

activity It is further submitted that, in the F. Y. 2014-15 due to planned growth and huge planned capital expenditure the company couldn't sponsor to the CSR activity. Accordingly, the conclusion can be drawn that, the applicants had infringed the provision of S. 134 (3) (o) of the Act, and for the said violation the punishment is provided u/Section 134 (8) of Companies Act, 2013, which is relevant in this case, is as follows: "If company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."⁵²

In Re: Holtec Consulting Limited, application filed u/s 441 of the companies Act, 1956 requesting for compounding of the offence u/s 134(3) (o) of the Companies Act. As per Statutory obligations, the company was mandatory to reveal in its Director's Report, the details of the CSR Policy settled and executed during the year. The obligation of Section 134(3) (o) of the Companies Act, 2013 is that there shall be involved to statements laid before a company in general meeting, a report by its Board of Directors, which shall include the details about the policy developed and implemented by the company on CSR initiatives taken during the year". The petitioner's case is that as the aforesaid provisions became applicable for the first time in the F.Y 2014-2015 itself. There was lack of transparency, more so on account of the several notifications issued from time to time. The default has since been made good as the CSR committee has been duly established and CSR Policy has been enclosed and its disclosure made in the Director's Report for the year 2015-2016. They have also made contribution towards CSR for the year 2014-2015. The applicants have submitted that as the company is a small size engineering consultancy organization, which had neither employed any professionals nor fell within the ambit of mandatory appointment of a Whole time Company Secretary, necessary disclosure of the policy details about the

⁵² MANU/NC/3191/2017, IN THE NATIONAL COMPANY LAW TRIBUNAL MUMBAI BENCH CP No.: 74/441/NCLT/MB/MAH/2017 Decided On: 18.12.2017

policy could not be made in the Board Report of the Company for the significant period 2014-2015. Since the offence u/s 134(3) (o) is apparent on record, they have filed that the application for compounding. Accordingly, Registrar of Companies has recommended the obligation of a compounding fee of Rs. 25,00,000 /-on the company and Rs. 5,00,000/- on the four other applicants.⁵³

In Re: Pennwalt Limited, application was filed before the ROC, as, the learned RoC has updated that, this application was filed because the company has violated the provision of S.134 (3)(o) of the Companies Act, 2013 Rule 8 of Companies CSR Rules 2014 for the F.Y 2014-2015. Further it is informed that the company had to few amounts towards the CSR contribution in the F.Y 2014-15 but the company failed to do so. According to the provision of S.134(3)(o) provides that, if company fails to comply with the provision of S.135(5) then the Board in its report shall specify the reasons for not spending the amount. Further, according to the provision of S.135(5) of the Act, the board of company was required to spend, in every financial year, at least 2% of the average net profit of the company during the three immediately preceding financial years, in pursuance of its CSR policy, applicable to every company having net worth of? But the defaulters neither spend the CSR amount as per S.135(5) of the Act nor they have complied with the provision of S.134(3). The RoC also reported that, the company has made the said default good and successively filed with the ROC along with the director's report for the Year 2015-16. The learned representative for the applicants submitted that, the company has constituted CSR committee required under section135 of the Act and also spent required amount towards CSR activities in financial year 2016-17. It is further submitted that in the F. Y2016-17 the company has spent some amount towards CSR activity in the nature of contribution to the Prime Minister's National Relief Fund (PMNRF)and hence, bonfide of the company can be accumulated. It is further submitted that, in the F. Y. 2014-15 due to planned expansion and huge planed capital expenditure the company couldn't contribute to the CSR

⁵³ MANU/NC/0241/2018, IN THE NATIONAL COMPANY LAW TRIBUNAL
NEW DELHI BENCH, C.P No- 16/217/ND/2017, Decided On: 10.01.2018

activity. The applicants could not fulfil the conditions laid down under said section of the Companies Act, 2013 although the applicants were eager to comply with the provisions of the Companies Act, 2013 bonfide. The learned representative also stated that the aforesaid violation was accidental and without any willful or mala fide intention as S. 135 of the Act was notified in the year 2014 and as the company was not having full time company secretary there is uncertainty regarding applicability of the section to the company. The conclusion drawn that, applicants had dishonored the provision of S. 134 (3) (o) of the Act. And for the said violation the punishment is provided u/Section 134 (8) of Companies Act, 2013.⁵⁴

In Re: Rubberking Tyres India Private Limited and Ors, application was filed before the ROC, confessing contravention of Section 134(3)(o) of Companies Act, 2013, i.e. non-disclosure of the reasons for not spending the required amount of CSR activities for the years 2014-15, punishable under Section 134(8) of Companies Act, 2013. The ROC accelerated the said application to this Tribunal⁵⁵ on 13th February, 2017 along with his report. The report of the ROC discloses that no similar offence under Section 149(4) of the Companies Act has been compounded during the last three years by the petitioners and that the company is not included in the list of disappearing Companies. From the records of the company and the balance sheet, the company is liable for CSR activities. The company has neither spent the prescribed CSR expenditure nor disclosed the reasons in the report of the Director required to be filed under Section 135 of the Companies Act read with Companies CSR Rules, 2014. Thereupon, the Registrar of Companies, under the instructions of the Ministry of Corporate Affairs,⁵⁶ New Delhi, issued show cause notice to the company and its directors alleging violation of Section 134(3)(o) read with Section 135 of the Act on 30th September, 2016. It is stated in the application as well as affidavit that the company has no knowledge of the

⁵⁴ MANU/NC/3192/2017, IN THE NATIONAL COMPANY LAW TRIBUNAL, MUMBAI BENCH, CP No.: 324/441/NCLT/MB/MAH/2017, Decided On: 18.12.2017

⁵⁵ Section 2(90) — “Tribunal” means the National Company Law Tribunal constituted under section 408;

⁵⁶ MCA regulates corporate affairs in India through the Companies Act, 1956, 2013 and other allied Acts, Bills and Rules. MCA also protects investors and offers many important services to stakeholders. This site is your gateway to all services, guidance, and other corporate affairs related information. <http://www.mca.gov.in>

provision of CSR activities and, by mistake, the company and its officers failed to make a mention of it in the report of the Board of Directors for the year 2016. In view of the said proviso, it is necessary to examine what is the punishment provided for violation of Section 134(3)(o), which is provided under Section 134(8) of Companies Act, 2013. Section 134(8) provides two different kinds of punishment, one for the company and the other for its officers. The punishment provided for the company is fine which shall not be less than fifty thousand rupees but which may extend to 25 lakh rupees. The punishment provided for the officer of the company, who is in default, is imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees or with both. In view of the said proviso, this Tribunal has no power to compound the offence in relation to the directors of the company. In case the 1st petitioner-company fails to pay the amount as ordered above, the Registrar of Companies, Gujarat, Ahmedabad shall take appropriate action, including prosecution, as per applicable law under intimation to this Tribunal forthwith. The petition is disposed of accordingly. Send a copy of this order to the petitioners for compliance and the Registrar of Companies.⁵⁷

In Re: Gujarat State Petroleum Corporation Ltd., The present applicant GSPLC (Gujarat State Petroleum Corporation Limited) is an oil and gas exploration company, which is incorporated under the laws of India and is an undertaking of the government of Gujarat. The entire shareholdings of the applicant are held by the state government of Gujarat and state sector entities. The main grievance of the applicant as agitated in the present application is that, its debts has not been classified as financial debt by the Interim Resolution Professional (IRP). Therefore, the present applicant has sought for a direction from this Court as being adjudicating authority to be issued to the IRP (now RP) to treat the applicant as a financial creditor of the JODPL and to include it as a member of COC of the Corporate Debtor Company(CDC). It is also resisted that in case the applicant is not allowed, then it would have to suffer a grave and permanent loss and injury. Pending hearing and disposal of this application, adjourn all other

⁵⁷ MANU/NC/0609/2017, IN THE NATIONAL COMPANY LAW TRIBUNAL AHMEDABAD BENCH C.P. No. 27/441/NCLT/AHM/2017, Decided On: 30.05.2017

proceedings in the present matter pending before this Tribunal including but not limited to the replacement of the resolution professional pursuant to the resolution passed by the committee creditors, The IRP should be directed to invoke sponsor support undertakings, as specified above, to ensure the continuance of JODPL as a going concern. The applicant is a government of Gujarat undertaking and a government company within the meaning of Companies Act, 1956 and the Companies Act, 2013. The entire shareholding of the applicant is held by government of Gujarat and state sector entities. JODPL Private Limited had filed the application under Section 10 of the Insolvency & Bankruptcy Code, 2016 and the regulations made there under the read with Rule 7 of the Insolvency & Bankruptcy Rules, 2016 before the Hon'ble National Company Law Tribunal(NCLT), Allahabad Bench for opening of corporate insolvency resolution process for itself which was admitted by the Hon'ble Tribunal vide order dated March 17,2017.⁵⁸

In Re: Prabhudas Lilladher Financial Services Pvt. Ltd, application was filed before the Registrar of Companies Maharashtra, and the company has submitted the same application with NCLT. The Ld. Registrar of companies intimated that the applicant company has filed the aforementioned compounding application Suo moto for not making the required expenditure for CSR and the reason for not spending the CSR amount have not been disclosed in Board Report of F.Y 2014-15. The learned RoC has informed that, this application was filed because the company has violated the provisions of S. 134 of the Companies Act, 1956 whereas per section 135(5) the board of every company liable for CSR u/s 135(1) shall ensure that the company spends, in every financial year, at least two percent (2%) of the average net profit of the company during the three immediately preceding financial years, in pursuance of its CSR policy, Provided that if company fails to spend such amount, the board shall, in its report made under clause (O) of subsection (3) of section 134 of the Act, specify the reasons for not spending the amount. The company has not made the required expenditure for CSR within the time prescribed and the reasons for not spending the CSR amount have also not been disclosed in Board Report of Financial Year 2014-15. RoC reported that, the

⁵⁸ MANU/NC/2224/2017, IN THE NATIONAL COMPANY LAW TRIBUNAL ALLAHABAD BENCH, IA NO. 60/2017 and CP NO. 25/ALD/2017, Decided On: 27.11.2017

Board of Directors of company adopted the CSR Policy for the company and uploaded the same on the website of the company. The company is under process of granting necessary CSR donations to charitable trusts. The company will also disclose the requirement of CSR for the financial year 2014-15 in the Director's report for the Financial Year 2016-17. The representative for the applicants submitted that the contravention of the said provisions of the Act was bona fide and without any mala fide intention because of several notifications were issued thus caused confusion. The company and its Officers unintentionally have not complied with the said provisions of the Act. Further it is submitted that, the applicants made the default good by granting necessary CSR donations to charitable trusts. the facts of the case and the submissions made by the representative for the applicants the conclusion can be drawn that, the applicants had violated die Provision of S. 134 (3) of the Act, and for the said violation the punishment is provided u/Section 134 (8) of the Act, which is relevant in this case. If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less that fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both. " Bench has taken into consideration that, this provision regarding CSR is newly incorporated in the Statute and thereafter number of circulars were issued and as a result of those circulars no clear clarification regarding the provision can be recorded by the company or its directors. Compounding application is, therefore, disposed of on the terms directed above. Needless to mention, the offence shall stand compounded subject to the remittance of the compounding fee imposed. A compliance report, therefore, shall be placed on record. Only thereafter the Learned RoC shall give effect of this order.⁵⁹

In Re: Kunkel Wagner (India) Pvt. Ltd, application was filed before the registrar of Companies Maharashtra, Mumbai., the company has submitted the same application

⁵⁹ MANU/NC/2153/2017, IN THE NATIONAL COMPANY LAW TRIBUNAL MUMBAI BENCH, CP No.: 48/441/NCLT/MB/MAH/2017, Decided on: 16.10.2017.

with NCLT, Registrar of Companies intimated that the applicant company has filed the aforementioned application Suo moto for not making the required expenditure for CSR and the reason for not spending the CSR amount have not been disclosed in Board Report of F.Y 2014-15 and 2015-16. The RoC has informed that, this application was filed because the company has violated the provisions of S. 134 of the Companies Act, 1956 where the as per the section 135(5) the board of every company liable for CSR u/s 135(1) shall ensure that the company spends, in every financial year, at least two percent (2%) of the average net profit of the company during the three immediately preceding financial years, in pursuance of its CSR policy. Provided that if company fails to spend such amount, the board shall, in its report made under clause (O) of sub-section (3) of section 134 of the Act. specify the reasons for not spending the amount. The RoC also reported that, the company had given its reply to the RoC. in the reply for Financial Year 2014-15 the company had unintentionally believed that the provisions of Section 134(3) (o) read with Section 135(5) were not applicable. the company had realized of the accidental error and as this was a first offence for the company, the company had made a submission to the RoC for compounding of offence u/s 441(1) and 441(3) (a) of the Companies Act, 2013 as honestly the company had believed that it was not enclosed under the provisions of section 134(3) (o) read with section 135(5) and it wanted to admit to the offence and face the penalty u/s 134(8). In the reply company had requested for extension in time for filling of application for compounding of offence till 31 January, 2017. the company realized the non-compliance of section 134(3) (o) read with section 135(5) for F. Y 2015-2016 and Suo-moto makes an application for compounding of offence u/s 441(1) and 441(3) of the Companies Act, 2013. The Board of Directors of company at their meeting gives authority to Mr. Aniruddh Kamdar. Managing Director of the company for filling an application for compounding of offence under section 441 for F. Y2014-15 and 2015-16. The company informed vide their letter that necessary disclosure under section 134(3) read with section 135(5) of the Companies Act, 2013 will be done in the Board Report for F. Y2016-17 and will made the default good. The representative for the applicants submitted that, the infringement of the said provisions of the Act was bona fide and without any mala fide intention. The company and its officers accidentally have

not complied with the said provisions of the Act. Accordingly, by going through the facts of the case and the submissions made by the learned representative for the applicants the conclusion can be drawn that, the applicants, had violated the provision S 134 (3) of the Act, and for the said violation the punishment is provided u section 134 (8) of the Act. This application is therefore disposed of on the terms directed above. The offence shall stand compounded subject to the remittance of the compounding fee imposed. A compliance report, therefore, shall be placed on record.⁶⁰

Eligibility Criteria for Grant of Maharatna, Navratna and Status to CPSEs.

Criteria for grant of Maharatna status: -

The CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status.⁶¹

- Having navratna status.
- Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations.
- Average annual turnover of more than Rs. 25,000 crores, during the last 3 years.
- Average annual net worth of more than Rs. 15,000 crores, during the last 3 years.
- Average annual net profit after tax of more than Rs. 5,000 crores, during the last 3 years.
- Should have significant global presence/international operations.

Criteria for grant of Navratna status: -

The Miniratna Category – I and Schedule ‘A’ CPSEs, which have obtained excellent or very good rating under the Memorandum of Understanding system in three of the last five years, and have composite score of 60 or above in the six selected performance parameters, namely,

- Net profit to net worth,
- Manpower cost to total cost of production/services,

⁶⁰ MANU/NC/2957/2017, IN THE NATIONAL COMPANY LAW TRIBUNAL MUMBAI BENCH, CP No.: 54/441/NCLT/MB/MAH/2017, Decided On: 09.11.2017

⁶¹ Eligibility Criteria of maharatna and navratna, *available at*: dpe.gov.in/dpe-guidelines/maharatna-navratna-miniratna-status, (Visited on February 10, 2018)

- Profit before depreciation, interest and taxes to capital employed,
- profit before interest and taxes to turnover,
- Earnings per share and
- Inter-sectoral performance.

Here, there are data of CSR Expenditure of selective public companies and private companies on the basis of their turnover of one year. Those companies which has been selected, amongst them few companies are having maharatna status and few are have navratna status and private companies have been selected of top private companies of India. Every companies have been selected on the basis of their annual turnover. As the eligibility criteria has given above to full fill the eligibility criteria for grant of maharatna, navratna status. These types of undertaking are called the central Public-sector enterprise (CPSEs). Data of public companies are given below;

Table 01: CSR Expenditure of Selective Public Companies. In(cr)

		A	P	A	P	A	P
SI. NO	Company	2014-15		2015-16		2016-17	
1	BEL	4.57	22.37	7.89	25.23	11.64	34.85
2	BPCL	33.94	76.01	95.58	112.60	90.98	159.14
3	CCIL	20.56	24.9	30.96	25.27	24.45	24.27
4	EIL	17.07	16.6	14.1	13.63	11	10.3
5	HPCL	34.07	34.03	71.76	53.92	108.11	82.9
6	NACL	19.1	20.14	27.16	26.24	30.01	27.56
7	NBCC India Ltd	4.35	4.29	8.7	4.87	8.74	7.74
8	NLC India Ltd	47.49	41.6	81.93	44.27	37.18	43.46
9	OIL	133.31	98.19	92.21	88.31	108.37	75.81
10	PFCL	51.68	117.4 9	196.2	145.09	168.11	166.15
11	RECL	46.04	103.2 5	124.72	128	69.8	146.57
12	BHEL	102.06	164.4 5	66.2	110.1	26.78	37.5
13	CIL	24.62	24.04	73.3	19.7	128.05	127.34
14	GAIL	17.15	118.6 7	104.82	102.34	75.75	81.47

15	IOCL	113.79	133.4 0	156.68	141.50	213.99	212.67
16	NTPC	205.18	283.4 8	491.8	271.35	277.81	227.85
17	ONGC	495.23	660.6 1	419.06	593.7	525.9	535.66
18	SAIL	35.04	78	76.16	57.2	29.05	0
		1496.6 4	2171. 6	2474.3 5	2093.1 7	2009.5 4	2016.0 0

A= Actual= Prescribe

Turnover: economictimes.indiatimes.com.

Source: <https://CSRbox.org/list-Companies-india>

Table :02 Total Annual Expenditure of private companies. In(cr)

Year	Actual	Prescribed
2014-15	1405.25	2021.52
2015-16	2139.23	1963.32
2016-17	1945.72	2001.24

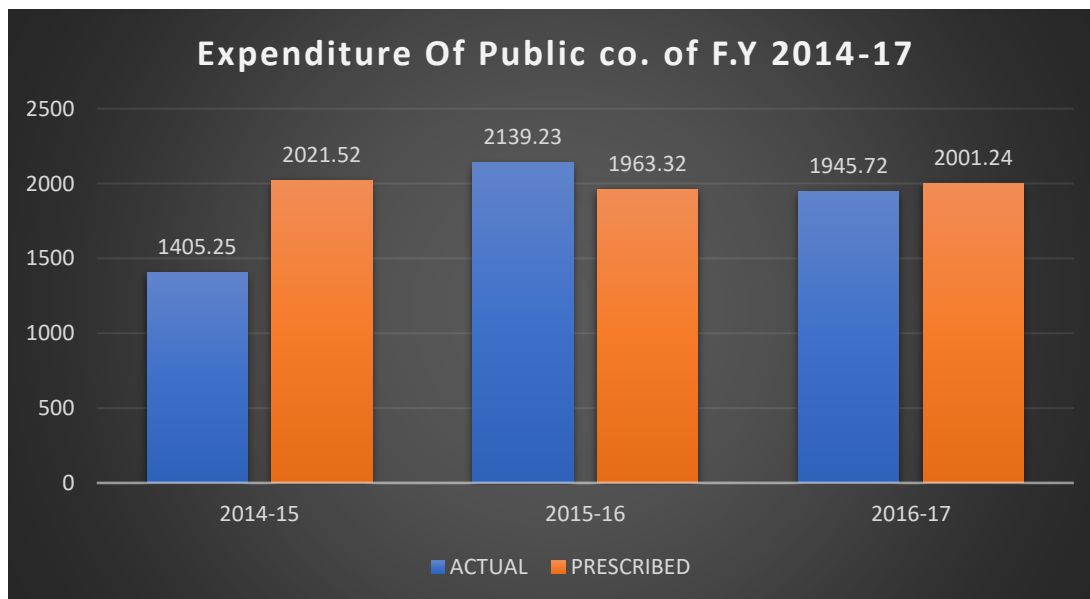


Figure:01

As per table 01 and 02 with figure 01 there are selection of eighteen public companies for the analysis of CSR expenditure of last three proceeding F.Y 2014-17. The selected public companies are from different sector of India like. Here it is analyzed that in F.Y 2014-15, the actual CSR expenditure is less than the prescribed. This is to pointed out that in this one year most of the reputed public companies have spent less than their prescribed CSR expenditure. Where as in year F.Y 2015-16 it can be clearly seen that the actual expenditure is more than prescribed which shows that in this year those reputed companies have more contribution towards CSR. In year F.Y 2016-17 again the reputed public contribution is less than prescribed. When it comes to conclusion it has been found that more of the reputed public companies have failed to meet their target in two financial year. As the Companies Act 2013, makes it mandatory for listed and unlisted organisations of a certain size and average net profit to spend at least 2%. As per the pilot study most of the reputed public companies filed their annual reports on CSR as on January 31 2017, who failed to contribute toward CSR and spent less for F.Y 2014-15 and F.Y 2016-17. But no action was taken for the contravention of the non-compliance of the mandatory provision of the Companies Act, and there is not any specific penal provision for that.

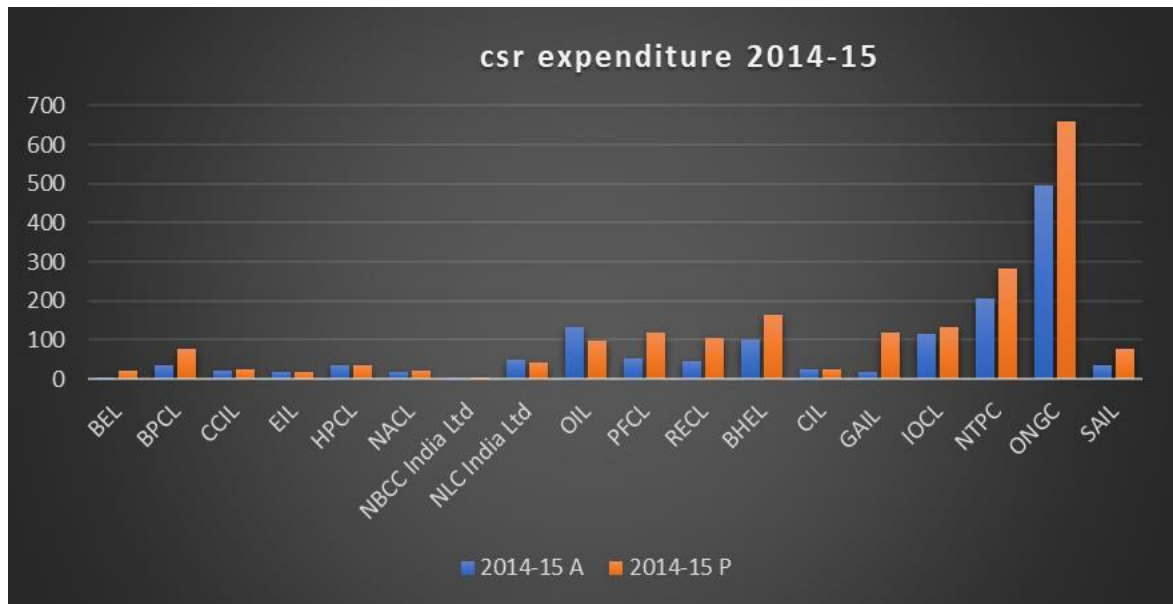


Figure:02

As per figure 02 it is the chart of that reputed public companies of F.Y 2014-15 in which its clearly seen the contribution of the public companies towards the corporate social responsibility. Here mostly eight companies like CCIL, EIL, HPCL, NACL, NBCC, NLC India Ltd, OIL, CIL they have contributed more towards CSR. As there actual CSR expenditure is almost near to prescribed CSR expenditure. On the other hand, more ten public companies have less contribution towards CSR limit, because their prescribed more than actual expenditure in the year 2014-15. Like BEL, BPCL, PFCL, RECL, BHEL, GAIL, IOCL, NTPC, ONGC and SAIL they have contribute less.

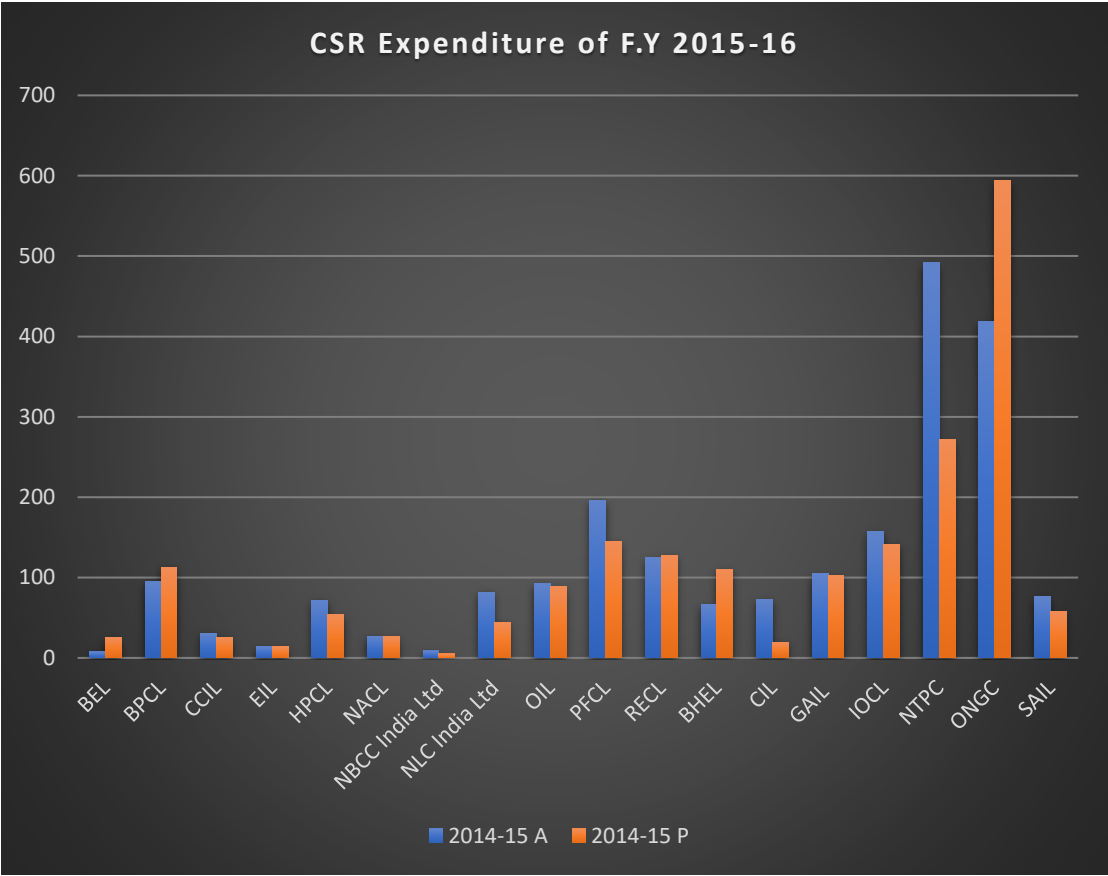


Figure:03

As per figure 03 it is the chart of that reputed public companies of F.Y 2014-15 in which its clearly seen the contribution of the public companies towards the corporate social responsibility. Here it has been observed that mostly thirteen companies like CCIL, EIL, HPCL, NBCC, NLC, OIL, PFCL, RECL, CIL, GAIL, IOCL, NTPC, SAIL have more contribution toward in this financial year. Rest of the 5 companies like BEL, BPCL,

BHEL, and ONGC have less actual CSR expenditure then prescribed in this year. These companies have less contribution toward CSR.

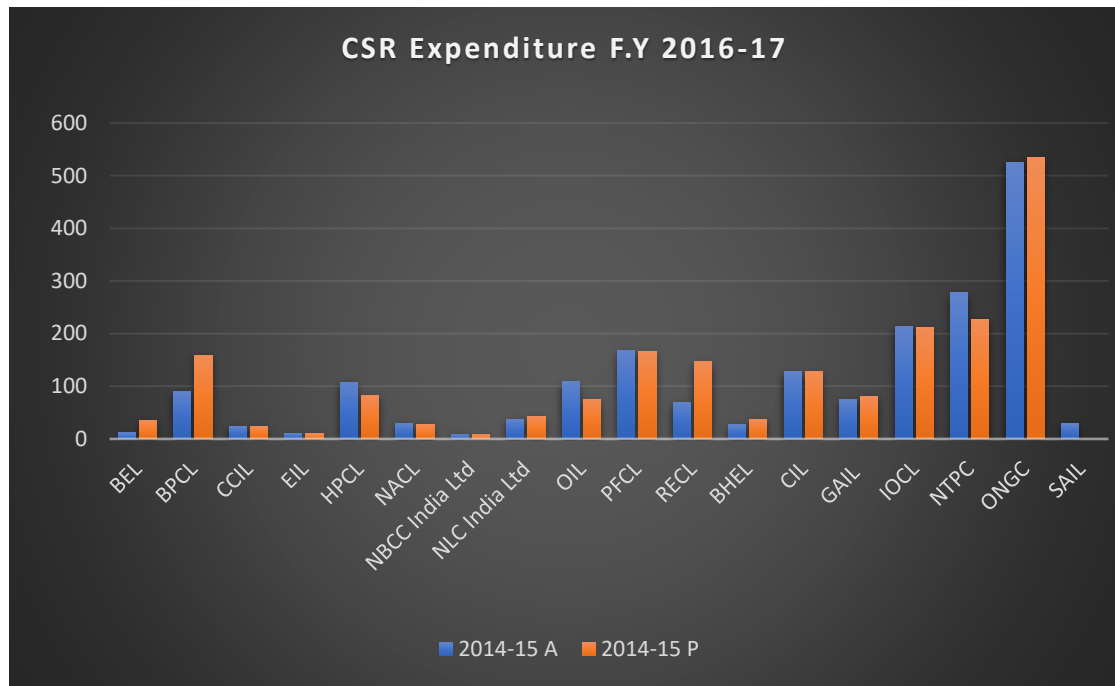


Figure:04

Again, as per figure 04 this can be observed that in financial year F.Y 2016-17 most of the reputed companies have less contribution toward CSR projects. Companies like BEL, BPCL, RECL, BHEL, GAIL, these companies have less contribution toward in the CSR project of schedule VII. Their actual expenditure is very less in comparison to prescribed expenditure. remaining of the companies like CCIL, EIL, HPCL, OIL, NTPC, they have spent more towards CSR. All these few company have more actual expenditure than prescribed expenditure. According to this three-proceeding financial year all the public companies are contributing from long time. All these public companies are very reputed since long. Above all the companies which have been selected they are having Navaratna status and maharatna status. Every selected companies are having some eligibility criteria to be the grant of maharatna and Navaratna.

Table 03: Project Wise Analysis of Public Companies.

S. No	Company	Sector	PROJECTS IN SCHEDULE VII											
			1	2	3	4	5	6	7	8	9	10	11	
1.	BEL	Electronics		√	√		√	√			√	√		
2.	BPCL	Refineries	√	√	√	√	√					√		
3.	CCIL	Logistics		√	√		√				√	√		
4.	EIL	IDO		√	√		√					√		
5.	HPCL	Petrochemicals	√	√	√	√	√					√		
6.	NACL	MMP		√	√	√	√	√				√		
7.	NBCC India Ltd	IDO		√	√		√	√		√		√		√
8.	NLC India Ltd	PGD		√	√		√	√		√		√		
9.	OIL	ODA	√	√			√					√		
10.	PFCL	Finance			√		√							√
11.	RECL	Finance	√		√	√		√				√		
12.	BHEL	PGD	√	√	√		√				√			
13.	CIL	MMP	√	√	√	√				√	√	√		
14.	GAIL	ODA		√	√				√	√	√			
15.	IOCL	Refineries		√	√				√	√	√			
16.	NTPC	PGD		√	√		√							
17.	ONGC	Oil Drill Allied	√	√	√	√	√	√	√	√	√	√	√	√
18.	SAIL	Steel		√	√	√				√	√			
		TOTAL:	7	16	17	07	13	08	07	08	08	12	11	03

A= Actual

P= Prescribe

Source: CSRbox.org

TABLE :04 Total No of Co. On Project Analysis.

S. No.	Areas of CSR Expenditure	Number of Companies
1.	Eradication Hunger, Poverty, Malnutrition	7
2.	Preventive Healthcare, Water and Sanitation	16
3.	Education, Employability and Livelihood Enhancement	17
4.	Gender Equality and Women Empowerment	7
5.	Environmental Sustainability	13
6.	Heritage Conservation, Prompting Art and Culture	8
7.	Armed Force Welfare	7
8.	Promoting National and Rural Sports	8
9.	Rural Development	12
10.	Contribution to Central Government Fund	1
11.	Others.	3

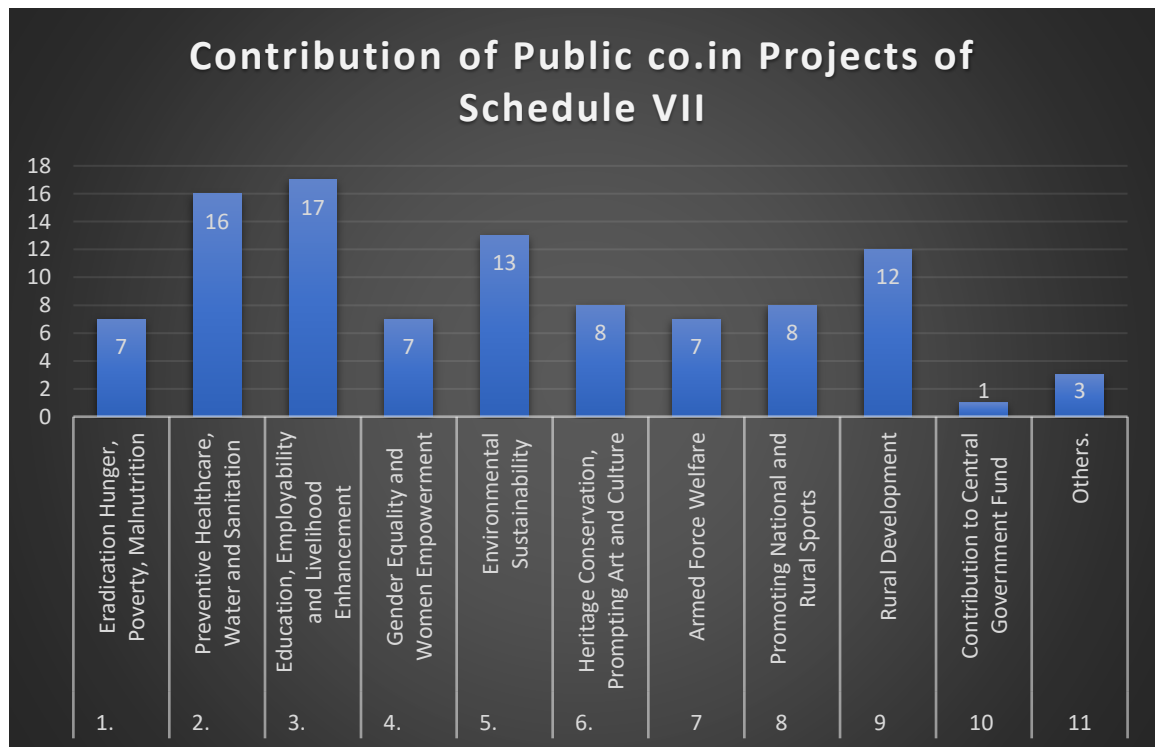


Figure:05

As per table 03 and 04 or on the basis of figure 05 and 06 of the chart there are the project wise analysis of the companies in year last three immediately preceding financial year of 2014-17. Here it is pointed-out projects and areas of schedule VII of the companies Act 2013. As the CSR projects and programs that benefits only to the employee of the companies. These are activities which may be included by companies in their CSR policies. All the activities under CSR projects should be environmental friendly and socially acceptable to local people and society. Out of eighteen public companies most of the companies have contributed in the project of preventive health care and water sanitation, education and employability, environmental sustainability, and rural development. Rest of the companies have less contribution in the last three proceeding financial year. Less contribution is observed in the projects of eradication and poverty, gender equality, heritage conservation, armed force welfare, promoting national and rural sports. there is very less contribution in the project of contribution to central government funds, other areas. Total sixteen no of companies have contributed more towards preventive healthcare and water sanitation, seventeen no of companies have contributed towards education and employability or livelihood, thirteen no of companies have contributed towards environmental sustainability and, twelve no of companies have contributed in the project of rural development. Most of the companies have contributed more towards above three- four projects. In other projects like eradication and hunger, gender equality, armed force total seven no of companies have contributed which is very less in compared to other projects.

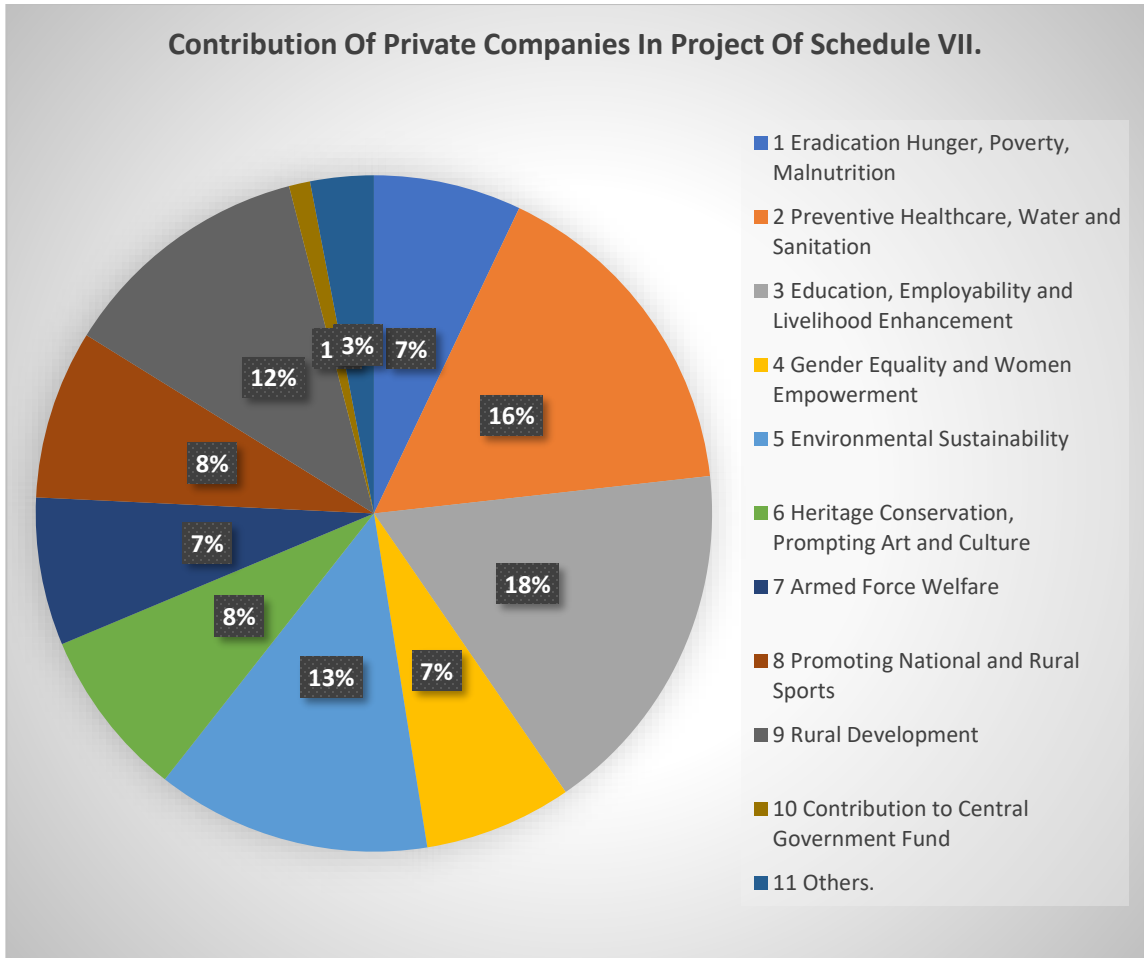


Figure: 06

Here is the above pie diagram of projects of VII schedule under the companies Act 2013. In this diagram it can be clearly seen that percentage wise contribution by total no of the companies in the projects of VII schedule.

Table No:05 Annual Expenditure of Private Companies F.Y 2014-17 In(cr)

Sl no.	Co.	Turnover	Sector	2014-15		2015-16		2016-17	
				A	P	A	P	A	P
1	Reliance	329076	Refineries	760.58	532.96	651.6	557.8	659.2	620.41
2	HDFC	69305.96	Finance	49.18	122.61	85.7	139.26	146.6	161.14
5	ICICI Bank	54156.28	Banks	156	172	172	212	182	200
6	Wipro Ltd	46047.8	IT	132.7	128.3	159.8	156	186.3	176.4
7	MSI Ltd	68034.8	Auto Mob	37.25	50.11	75.86	65.4	89.45	89.24
8	KM Bank	17698.93	Banks	11.97	39.2	11.97	47.33	17.33	54.92
9	HMC Ltd	30846.12	Auto Mob	2.37	44.04	65	58.18	85.14	70.62
10	APSE Z Ltd	4878.86	IDO	35.9	35.79	40.81	40.4	47.78	47.78
11	DHF C Ltd	47905.13	Finance	0.45	11.58	7.03	15.19	8.83	18.54
12	AP Ltd	12647.11	PV	19.01	29.87	34.44	33.75	47.84	39.88
13	Bosch Limited	11242.6	Auto Ancillaries	10.35	27.19	1.97	29.24	33.2	33.2
14	SJVN Limited	3261.03	PGD	24.83	25.79	28.87	30.46	37.16	33.93
15	Zee E Ltd	4928.4	Entertainment	16.80	19.30	22.8	22.1	26.31	24.6
16	VT Ltd.	1328.25	Textiles	6.00	9.88	5.01	11.76	5.41	14.46
17	BI Ltd.	8684.39	Edible oil	7.35	7.35	10.46	10.46	15.8	15.8
18	TC Ltd	12716.89	Miscellaneous	12.32	19.36	17.42	20.88	20.04	19.98
			Total:	1420.54	1531.96	1570.85	1706.22	1939	2037.48

Source: CSRbox.org

Turnover: economictimes.indiatimes.com

A: Actual, P: Prescribed

Table :06 Annual Expenditure of Private Companies in(cr)

Year	Actual	Prescribed
2014-15	1420.54	1531.96
2015-16	1570.85	1706.22
2016-17	1939.00	2037.48

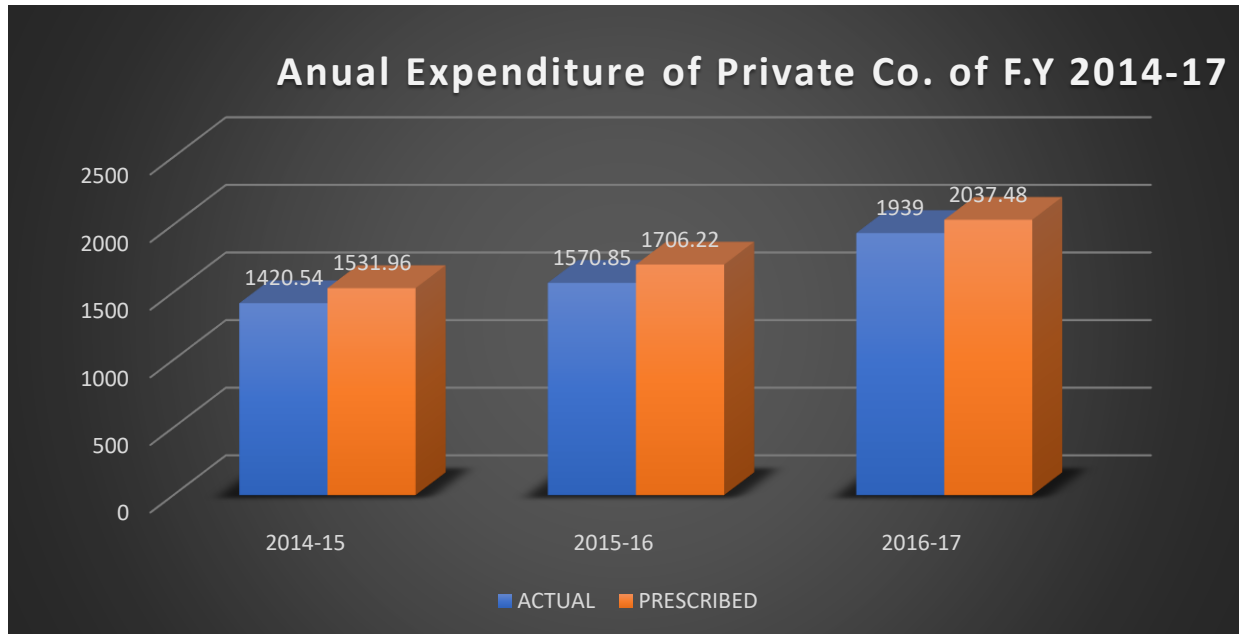


Figure:07

As per table 05 and 06 with figure 07 there are selection of eighteen private companies for the analysis of corporate social responsibility expenditure of last three proceeding F.Y 2014-17. The private companies are from different sector of India. Here it is analyzed that in F.Y 14-15, the actual CSR expenditure is less than the prescribed. This is to pointed out that in this one-year top most of the private companies have spent CSR expenditure. Where as in year F.Y 2015-16 it can be clearly seen that the actual expenditure is less than prescribed csr expenditure which shows that in this year those private companies less contribution. In year F.Y 2016-17 again the private companies' contribution is less than prescribed. When it comes to conclusion it has been found that most of the private companies have failed to meet their target in three financial year. As the companies Act 2013, makes it mandatory for listed and unlisted Organisation of a certain size and average net profit to spend at least 2%. As Per the pilot study most

of the private companies filed their annual reports on CSR as on January 31 2017, who failed to contribute toward CSR and spent less of three financial year. But no action was taken for the contravention of the non-compliance of the mandatory provision of the companies act.

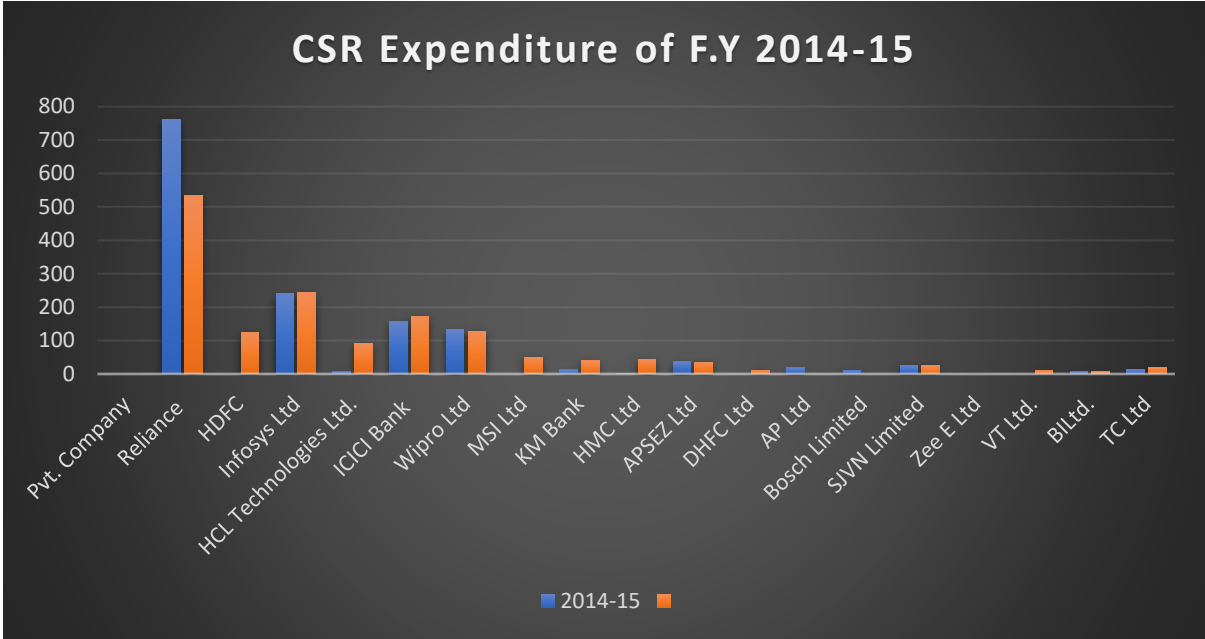


Figure:08

As per figure 08 it is the chart of that private companies of F.Y 2014-15 in which its clearly seen the contribution of the private companies towards the corporate social responsibility. Here mostly eight companies like Reliance have contributed more towards CSR amongst all. As there actual CSR expenditure is almost near to prescribed CSR expenditure like Infosys, ICICI, WIPRO, APSEZ, DFHC, SJVN, TC, BIL. On the other hand, more ten public companies have less contribution towards CSR limit, because their prescribed more than actual expenditure in F.Y 2014-15. HCL, MSI, KM, HMC, have contributed very less in this financial year.

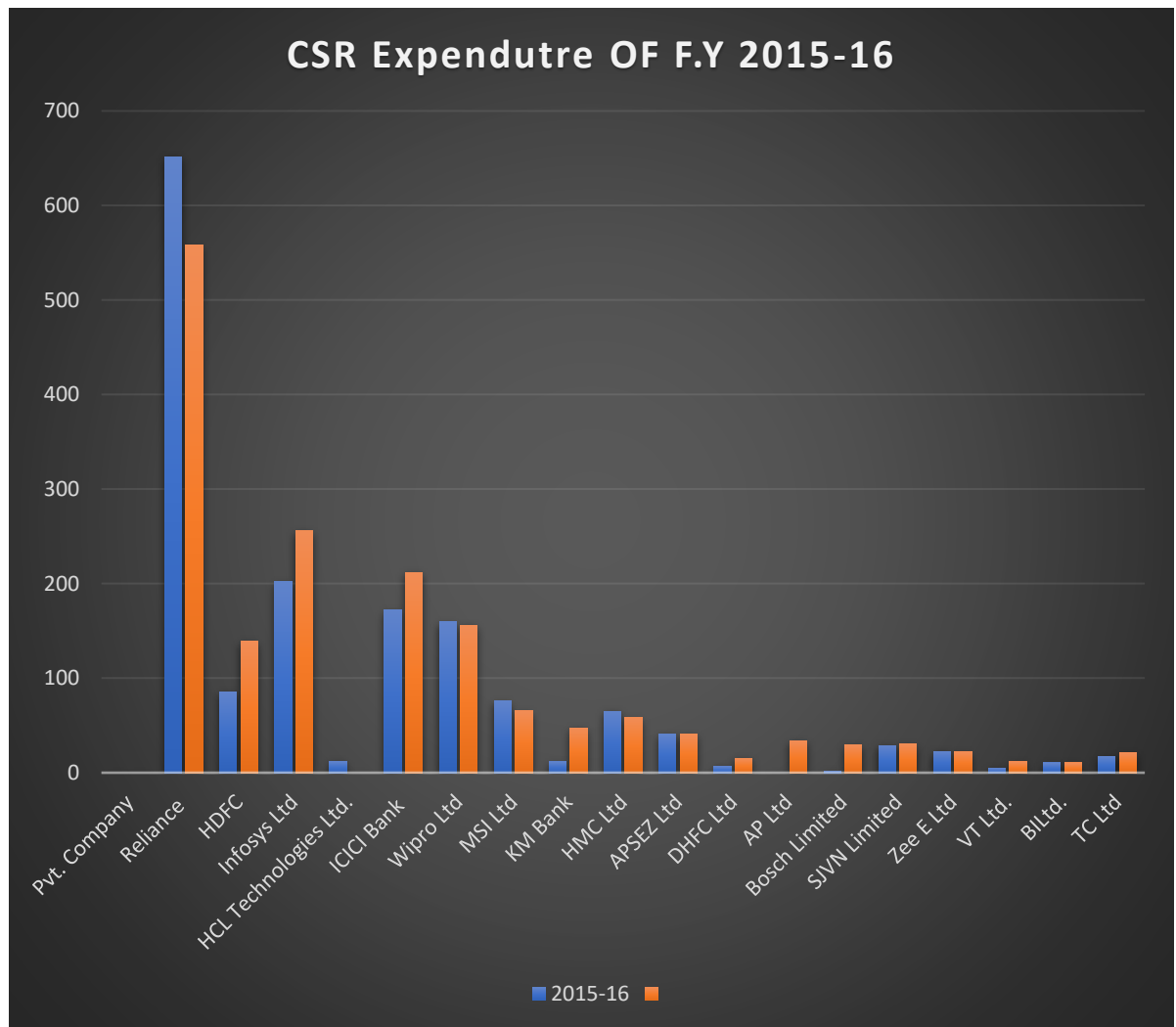


Figure:09

As per figure 09 it is the chart of that private companies F.Y 2015-16 in which it is clearly seen the contribution of the private companies towards the corporate social responsibility. In this F.Y 2015-16 mostly like Reliance, MSI, have contributed more towards CSR amongst all. Rest all the companies have contributed less as there actual CSR expenditure is almost near to prescribed CSR expenditure like Infosys, ICICI, WIPRO, APSEZ, DFHC, SJVN, TC, BIL. On the other hand, more ten public companies have less contribution towards CSR limit, because their prescribed more than actual expenditure in the F.Y 2014-15. HCL, MSI, KM, HMC, have contributed very less in this financial year.

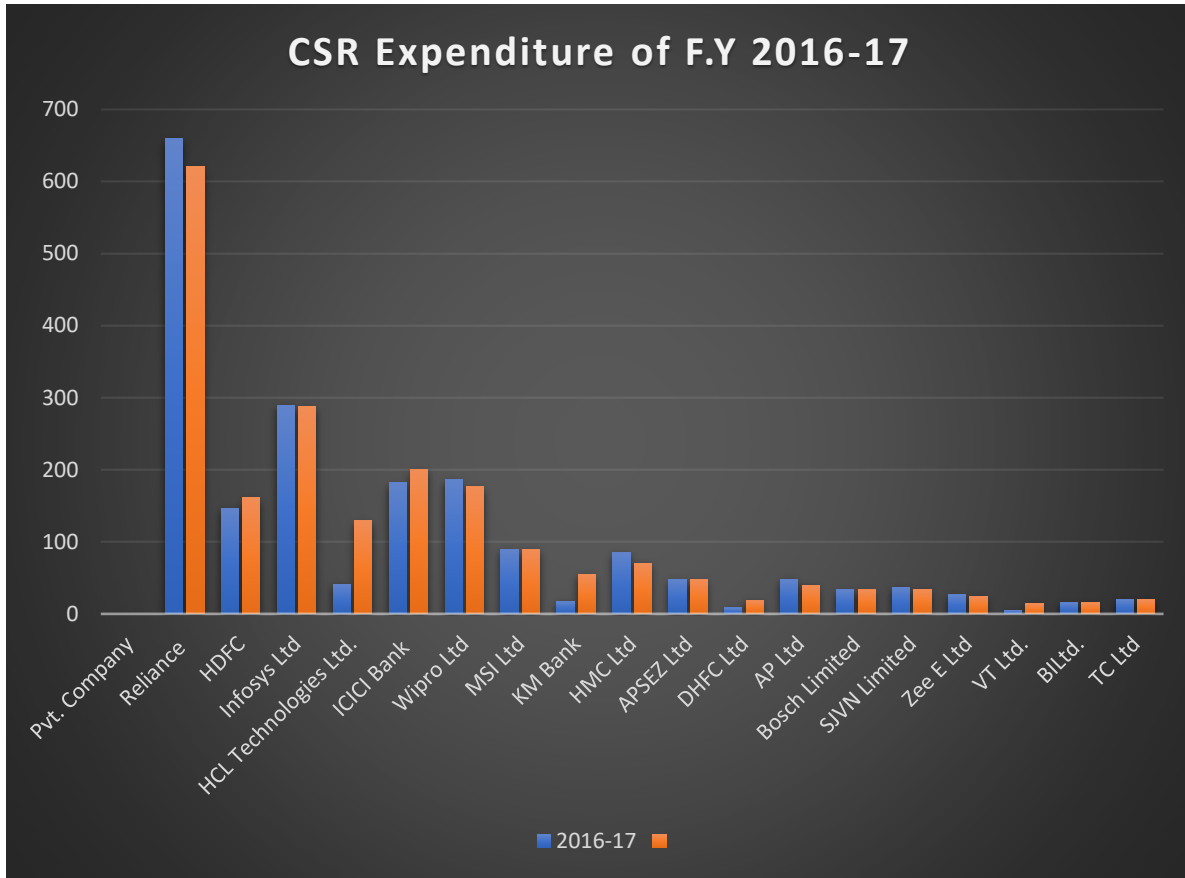


Figure:10

As per figure 10 it is the chart of that private companies F.Y 2015-16 in which it is clearly seen the contribution of the private companies towards the corporate social responsibility. In this financial year mostly like Reliance, WIPRO, HMC, AP HP, AJVN, have contributed more towards CSR amongst all and other companies have more CSR expenditure. Rest of the companies have contributed very less as there actual CSR expenditure is almost near to prescribed CSR expenditure like Infosys, ICICI, WIPRO, APSEZ, DFHC, SJVN, TC, BIL. On the other hand, more ten public companies have less contribution towards CSR limit, because their prescribed more than actual expenditure in the F.Y 2014-15. HCL, MSI, KM, HMC, have contributed very less in this financial year.

Table 07: Analysis of Projects of Private Companies.

		PROJECTS IN SCHEDULE VII											
	Name of The Company	Sector	1	2	3	4	5	6	7	8	9	10	11
1	Reliance	Refineries	√	√	√		√	√		√		√	√
2	HDFC	Finance		√	√		√			√			
3	ICICI Bank	Banks	√	√	√	√	√	√	√	√	√		
4	Wipro Ltd	IT		√	√		√	√			√	√	
5	MSI Ltd	Auto Mob	√		√						√	√	
6	KM Bank	Banks			√	√	√					√	
7	HMC Ltd	Auto Mob	√		√						√	√	
8	APSEZ Ltd	IDO		√	√		√				√		
9	DHFC Ltd	Finance		√	√		√					√	
10	AP Ltd	PV	√	√	√		√	√			√		
11	Bosch Limited	Auto Ancillaries	√	√	√		√	√	√		√		√
12	SJVN Limited	PGD	√	√	√		√						
13	Zee E Ltd	Entertainment	√	√	√		√				√		√
14	VT Ltd.	Textiles		√	√		√	√			√	√	
15	BILtd.	Edible oil	√	√	√						√		
16	TC Ltd	Textiles		√	√	√	√	√		√	√		
17	Reliance	Edible Oil		√									
18	HDFC	Miscellaneous		√	√			√					
		TOTAL:	9	15	18	03	13	08	02	04	11	07	03

Table No. 08 Total No of Co. in Project of Schedule VII.

S. No.	Areas of CSR Expenditure	Number of Companies
1.	Eradication Hunger, Poverty, Malnutrition	09
2.	Preventive Healthcare, Water and Sanitations	15
3.	Education, Employability and Livelihood Enhancement	18
4.	Gender Equality and Women Empowerment	03
5.	Environmental Sustainability	13
6.	Heritage Conservations, Prompting Art and Culture	08
7	Armed Force Welfare	02
8	Promoting National and Rural Sports	04
9	Rural Development	11
10	Contribution to Central Government Fund	07
11	Others.	03

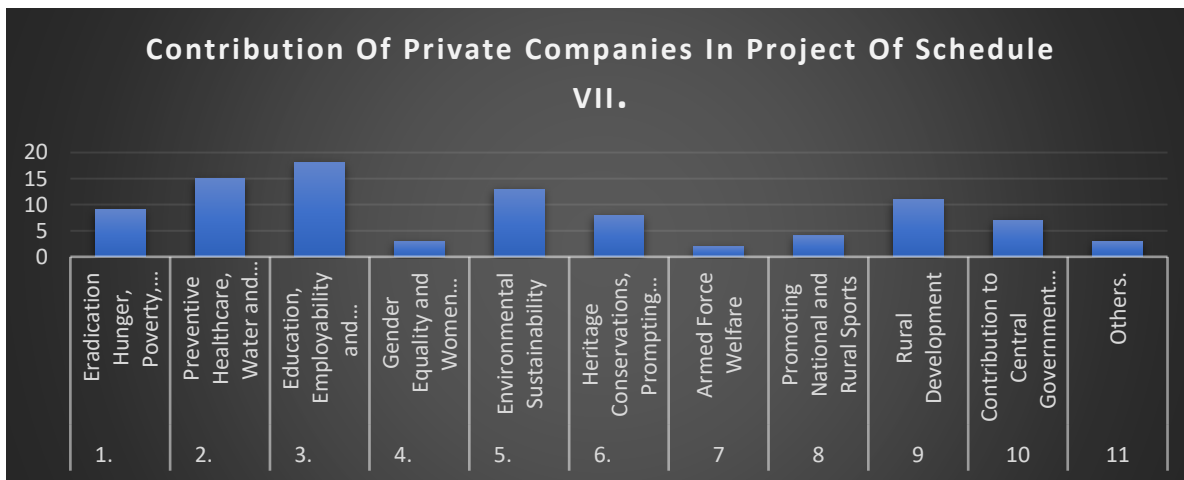


Figure:11

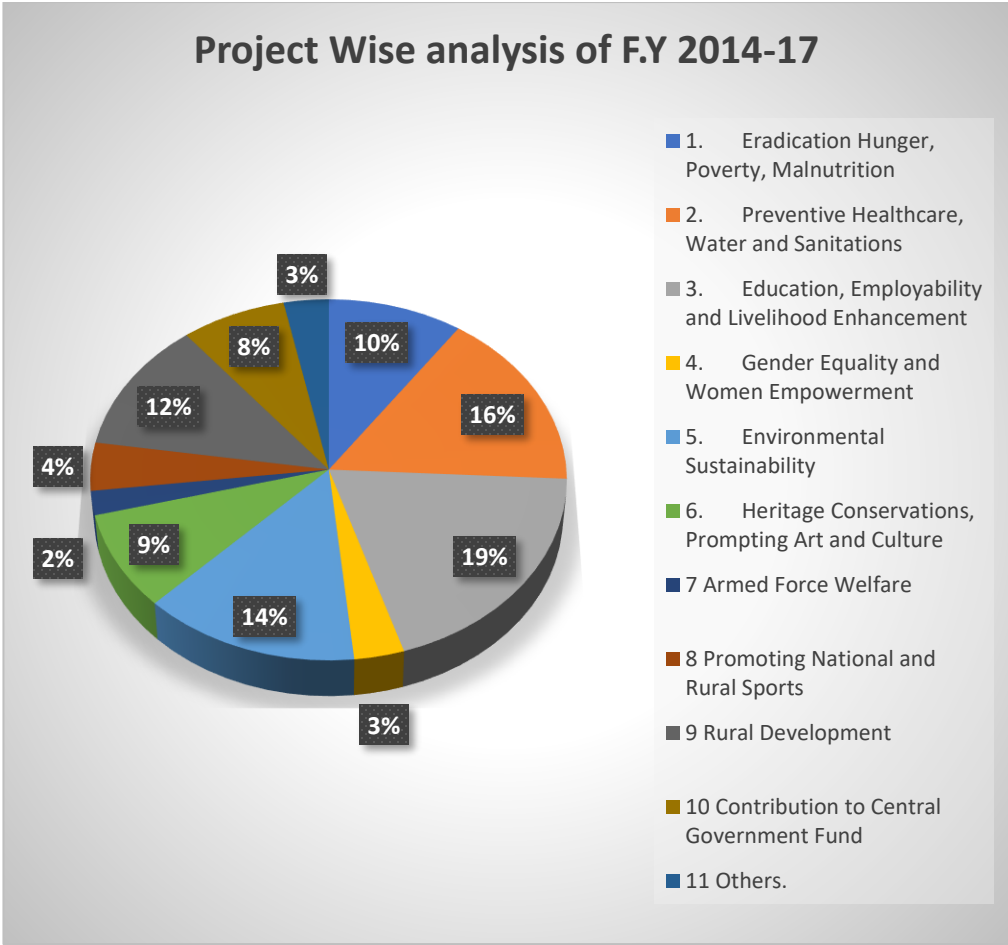


Figure:12

As per table 07 and 08 or figure 11 and 12 the chart there are the project wise analysis of the companies in year last three immediately preceding financial year of 2014-17. Here it is the pointed-out projects and areas of schedule VII of the companies Act 2013. As the CSR projects and programs that benefit only to the employee of the companies. These are activities which may be included by companies in their CSR policies. All the activities under CSR projects should be environmental friendly and socially acceptable to local people and society. Out of eighteen private companies most of the companies have contributed in the project of preventive health care and water sanitation, education and employability, environmental sustainability, rural development, central govt funds, eradication hunger and poverty. Rest of the companies have very less contribution in the last three proceeding financial year. Less contribution is observed in the projects of gender equality, heritage conservation, armed force welfare, promoting national and

rural sports and other areas. There is very less contribution in the project of contribution to CGF, other areas.

**Table no:09 Comparison Expenditure of Public and Private Companies in F.Y
2014-17**

Year	Public Companies		Private Companies	
	A	P	A	P
2014-15	1405.25	2021.52	1420.54	1531.96
2015-16	2139.23	1963.32	1570.85	1706.22
2016-17	1945.72	2001.24	1939.00	2037.48

A: Actual

in(cr)

P: Prescribed

According to the table no. 09 there is the comparison of public and private companies' annual expenditure in proceeding three financial year of 2014-17. As it can be clearly seen that in financial year 2014-15 public companies have annual expenditure of RS. 1405.25 cr and the prescribed expenditure is RS. 2021.52 cr it means that actual is less than prescribed in this financial year. where in this same financial year actual of private companies is Rs. 1420.54 cr and their prescribed is 1531.96 cr its shows that actual is less than prescribed. Again, in F.Y Rs 2139. 23 cr is actual expenditure, and Rs. 1963.32 is prescribed expenditure which is more than actual. It shows that public companies have spending more in this year. Where as private companies had spent less as their actual is again less than prescribed in this financial year. In F.Y 2016-17 public companies have spent less as their actual is less than prescribed. And the private companies are spending less as their actual is less than prescribed.

Comparison of Expenditure of Public and Private Companies F.Y 2014-17.

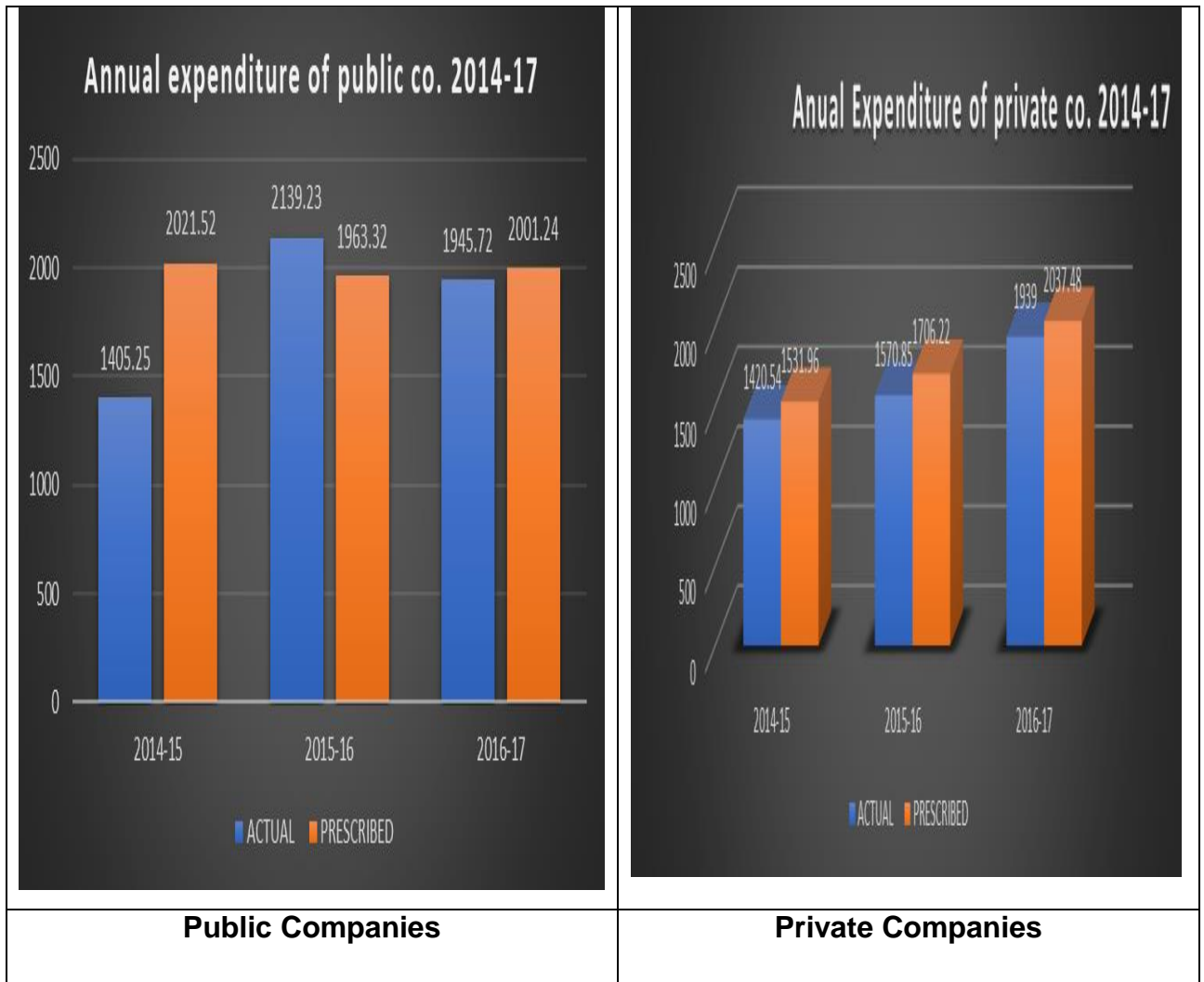


Figure: 13

As per figure 13 it shows that public companies are spending less than prescribed in year 2014-15, lit is spending more in financial year 2015-16, and again spending almost similar to prescribed. Now in as private companies are spending less than their prescribed in continue three proceeding financial year, which shows that after the comparison result came out is that public companies are contributing more and more as compared to private companies in last three preceding financial year. 14-17. It results that public companies have better track record of contributing more than private companies in these three years.

Comparison of Total No of Co. in Projects of Schedule VII F.Y 2014-15.

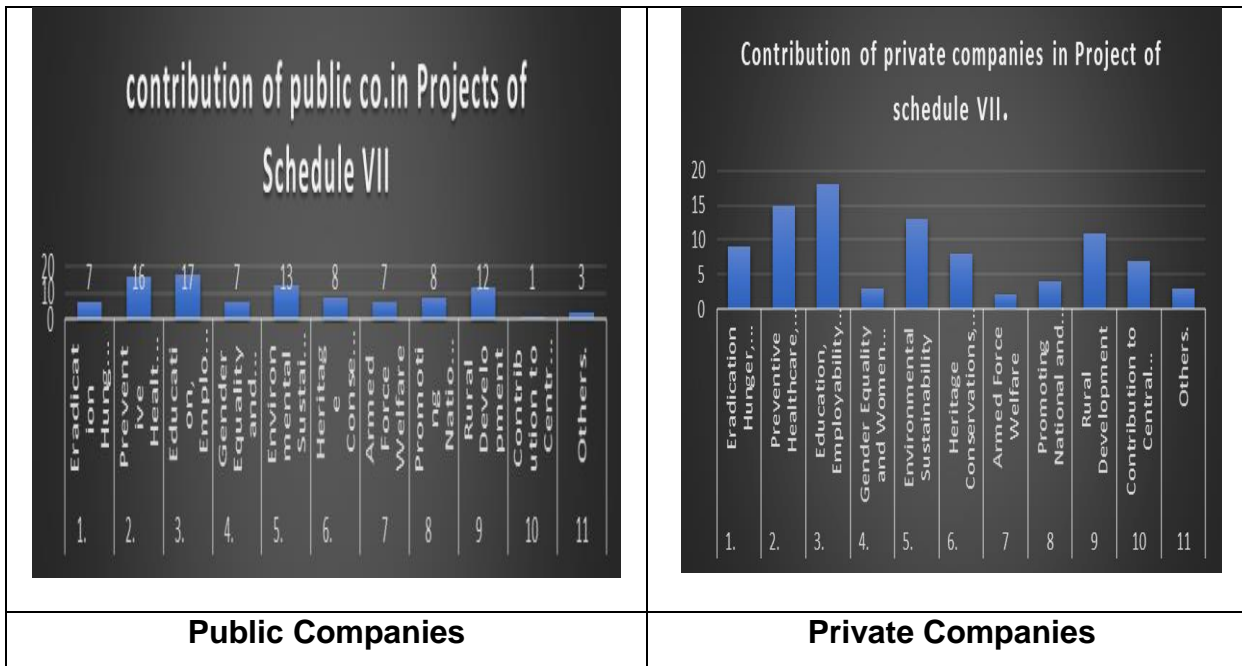


Figure:14

As per figure 14. it is clearly shows that there are two figures of areas of project of schedule VII of public and private companies. In above figure it is founded that there are four areas where 4- 5 projects are contribution continuously in three financial year. Those areas are education, hunger and poverty, rural development, environmental sustainability. Private companies are also contributing towards these areas. Rest of the areas like, sports promotion, central govt funds, preventive health care and armed force there is very less contribution. But contribution in the above-mentioned areas by private companies.

6.Data Analysis.

All the data collected for the analysis of the expenditure of public and private companies in the three-proceeding financial year of 2014-17. And projects have also taken into consideration for the data analysis.in every year. After all the analysis of the annual expenditure and the analysis of the contribution towards the projects of the schedule VII of the companies act 2013. It shows that after so many interpretation results came out as per the analysis of the data and projects that., most of the public companies have good track records as compared to private companies as they have spent very less in last three proceeding financial year.

CHAPTER V

CONCLUSION AND SUGGESTIONS

The purpose of the analysis was to find out the CSR spending, practice, strategy, benefits to recommend suitable measures for actual implementation of CSR exercises by the selected enterprises of public and private companies in India. The study has been conducted which is doctrinal in nature, was centered on analytical method and data collected personally through an online data available at the ministry of corporate affairs, CSR NGO box, annual report of every company of year 2014-17 individually. CSR has achieved new extent in the current years. As per the online available data and from the annual report of the companies it has been found that maximum numbers of companies contributed towards CSR for the tax benefits. The Annual Reports F.Y 2014-17 describes the authenticity with which an organization followed the mandate given by Companies Act, 2013. Chapter I explains about framework or background of the study about concept of CSR in India that how businesses are the integral part of the society and their role under business system. Several organizations an actively running businesses to generate awareness among corporate, civic bodies, and government bodies about the significance of CSR. After the several new provisions the utmost important CSR in companies act 2013. CSR projects were not new to these selected thirty- six (18 public and 18 private companies) of India. All the companies were undertaking CSR projects either through its own foundation or through NGOs or any other organizations. But the amount spent on such activities or projects is very lower and higher of the proceeding of F.Y 2014-17. Secondary Data acquired from annual reports and sustainability reports of every year of the selected companies from 2014 to 2017 gives the details of the areas of CSR expenditure. Some of the table give the attention to areas of CSR applied by Indian Private Multinational Companies (IPMC) and central public-sector enterprises (CPSUs). It was observed that the CSR spending & reporting of all the selected companies strictly followed the mandate of the provision of corporate social responsibility under section 135 of Companies Act, 2013 inspite of not mention of any specific penalties for not adhering to the mandate. This study finds that the corporate social responsibility builds reputation of the selected public and

private companies. Corporate Social Responsibility is a self-regulation model. With the developing civil society consensus. It is very important for the organizations to look into the benefits of CSR. Thus, in totality corporate social responsibility has a substantial link with financial presentation of the companies. This study develops the understanding of connection between CSR & organizational identification process and shows the way to further research. Whether instead of having separate CSR section, every employee working in the organization must be concerned in volunteering implementing CSR programs. Mandatory volunteering and participation of each and every employee in CSR activities will boost already existing CSR benefits. While identifying secondary data it was clear that there was less contribution of the private companies. The impact of Companies Act, 2013 is totally evident, but, how can the CSR be stretched to foreign companies is not clearly anticipated in act. In the globalized world, foreign companies do play a major role in any host countries' economy. Policy makers must look into this factor. Rule 2 (e), 4 (1) provision to 6 (1) of Companies Act, 2013 mentions that activities in the normal course of business is not allowed as CSR initiatives. Most of the companies said that this new provision will create financial burden on them as they need to spend specified percentage of their profits. Now, since the new Act is in force, every company is following the new regulation. Considering the intent of law that companies take so many resources from society they should give back something to it, the provision of CSR is justified.

CSR is all about engaging proper business practices and the pronouncement of social good into corporate scheme, culture and day to day decision making to match with the stakeholders' needs. One can like it or hate it, but no one can ignore it. CSR is inevitable business practice to be followed by Indian public and private companies irrespective of size & sector. There are number of challenges to the implementation of CSR. They are itemized below: Lack of Awareness of CSR Activities, there is very less interest among general public in contributing to CSR activities. This is because of the fact that there exists little or no information about CSR of companies. The situation is further serious by a lack of communication between the organisations involved in CSR practice and the people at the grassroots.

The CSR initiatives of companies mainly depend upon their business size and profile. It means that bigger the company, the larger its CSR activities, Lack of Consensus: and it results in duplication of activities by corporate houses in areas of their activities and creates situation of ineptitude. This results in a competitive situation among implementing activities rather than building collective approaches. It limits company's aptitudes to undertake valuation of their activities in regular interval. Any types of companies have effective and efficient CSR teams that devise particular policies, strategies and goals for their CSR works and set aside finance to support them. CSR projects could range from overall development of a community to supporting particular causes like healthcare, education, environment etc. Best practices followed by Indian companies related to CSR are as follows: Public sector companies such as such as ONGC, IOC and SAIL has been spending their net profits on CSR activities. SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water. Private companies such as Reliance Industries and Mahindra & Mahindra has been involved in CSR activities from long time. There is a need for clarity with respect to the compliance obligations of a company as well as its holding and subsidiary companies. Once covered under CSR provisions, companies will need to have 3 consecutive years where the provisions do not apply to them before they can stop complying with the requirements relating to CSR. Surplus result from CSR activities are not to be considered as business profits of the company and may therefore need to be invested back into CSR activities. Net profit for the section 135 of the companies Act 2013 and CSR policy rules shall mean net profit before tax as per books of accounts and shall not include profits arising from branches outside India.

companies present themselves socially responsible companies, having CSR policies and conducting practices. A large number of the companies talks about CSR philosophy, ecological and ethical objectives in their mission statements, organizational policy and plans. Even though all the selected public and private companies have CSR policies and objectives. There are so many companies which are not taking CSR activities for development of rural India. Most of them working on education environment sustainability preventing hunger and it take the top priority list of the

companies, followed by health and livelihood. It has been found that there are few companies take CSR initiatives in the area of infrastructure and in environment which includes plantation, awareness generation on environmental issues etc. Even though corporates are making serious efforts for the rural development, but some critics still are questioning the concept of CSR and motive behind the companies' initiative. There are people who claim that CSR underlies some hidden motives such as profit making instead of welfare in the project of armed forced, contribution to central govt funds, slum areas or other areas.

The fact is that CSR is not a strategy for brand building, it creates friendliness and brand among its employees and rural consumer. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. CSR is an obligation of everyone i.e. business corporations, governments, individuals because of the reasons: money is gained only from the society and therefore it should be given back; thus, wealth is meant for use by self and the public; the basic motive behind all kind of trade is to quench the hunger of the mankind; the objective of all business is and must be to help people particularly whom are living in rural areas. CSR initiatives should not be taken as burden, it must be there as core of every business ethics, and its management of employees and customers. Thus, it has becoming a fast developing and increasingly competitive field to tap rural India as market and treating CSR as business strategy. The case for representing corporate responsibility is getting tougher as expectations among stakeholders such as formers, customers and the public are increasing. Being a good corporate citizen is progressively dangerous for profitable success and the key lies in matching public expectations and priorities, participation, attainments widely, successfully in areas of rural development which is need of hour. In order to ensure that CSR donating and profiting, the following ideas are given to make CSR initiatives more effective:

Suggestion:

- Provision under section Companies Act in regard to CSR expenditure should be more stringent or tough. Because there is no penal provision for those who are failure to CSR provision.
- Three or more areas like central govt funds, promotion of nation or rural sports, armed force and in other areas policy makers should revisited to ensure expenditure in these areas.
- It has been found mostly in the field of education, environmental sustainability, health and rural development in which government also spend huge fund.
- Sports and games should be included in main stream of corporate social responsibility by the government considering the international awards for India.
- It should be highlighted in annual budget by the government that how much fund has been saved by the government due to CSR activities.
- There is shrinking role of government regarding CSR activities. It may be suggested that the role of government regarding CSR activities should be effective.
- Special measures should be made to improve consciousness on implementing CSR activities in the country. So that the public sector as well as private sector Organisation could be conscious in implementing CSR activities.
- Proper inspection should be done by the appropriate government regarding monitoring of CSR activities of the industrial Organisation.

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