



THE PROVISION OF CORPORATE SOCIAL RESPONSIBILITY IN COMPANIES BILL 2012

M. Ignatius¹, & R. Mangaleswaran²

¹Ph.D Research scholar, Department of Social work, Bharathidasan university, Tiruchirappalli-620 023

²Asst. professor, Department of Social work, Bharathidasan university, Tiruchirappalli-620 023.



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ABSTRACT

After long time of our expectation, Parliament of India has passed the Companies Bill-2012 in December 2012. The best notable clause in this Company Bill is 135 it clearly indicates the Corporate Social Responsibility and its importance of independent director. It also urges the duties of Corporate Social Responsibility committee. Corporate Social Responsibility is the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. (Archie B. Carroll, 1979) The one area where government needs to concentrate is monitoring the Corporate Social Responsibility Programme. We hope our explanation provokes deeper thinking and greater rigor and attention to detail in this important area of Company Bill 2012.

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INTRODUCTION

CORPORATE SOCIAL RESPONSIBILITY

The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. (Archie B. Carroll, 1979)

IMPORTANCE OF COMPANY BILL-2012

Both Central government and State Government is working for the betterment of the society still we not able to reach our target. In order to uplift the society we need to find out the new tool to reach it, the government of India brought out the bill in the name of Companies Bill -2012. In this bill we have the best provision to reach the social development in the name of Corporate Social Responsibility. Corporate Social Responsibility is mainly concentrated to develop our society on the whole.

CSR APPLICABILITY

1. Companies that have a turnover of over Rs 1,000 crore
2. Or have a net worth of Rs 500 crore
3. Or that have recorded a net profit of Rs 5 crore

PROVISION OF CSR

These companies are expected to spend 2 per cent of their profit in preceding three financial years towards CSR.

Salient Features of Companies Bill, 2012 on CSR:

Clause 135:

(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 Responsibility Committee.

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 and
- (c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

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.

(b) 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.

ROLE OF BOARD:

The Board of every company shall-

- ensure that the company spends, in every financial year, at least two per cent of the average net profits (to be calculated in accordance with the provisions of Sec. 198) of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:
- give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities; If the company fails to spend such amount the Board shall, in its report made under Section 134(3) (o) specify the reasons for not spending the amount.

CONTENT SCHEDULE VII

Activities which may be included by companies in their Corporate Social Responsibility

Policies Activities relating to:

- (i) Eradicating extreme hunger and poverty;
- (ii) Promotion of education;
- (iii) Promoting gender equality and empowering women;
- (iv) Reducing child mortality and improving maternal health;
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) Ensuring environmental sustainability;
- (vii) Employment enhancing vocational skills;
- (viii) Social business projects;
- (ix) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- (x) Such other matters as may be prescribed.

PUNISHMENT

1. Board of directors will be responsible for seeing that company spends money for CSR.
2. It is compulsory to send report on the CSR-spending to the Corporate Affairs Minister.
3. If company is not spending money for CSR, it will have to explain why they are not doing so.
4. Companies that do not report will face a penalty ranging from Rs 50,000 to Rs 25 lakh or even imprisonment of up to three years

The following are the benefits of CSR:

- Strengthened brand positioning;
 - Enhanced corporate image;
 - Increased ability to attract, motivate and retain employees;
 - Increased sales and market share;
 - Increased appeals to investors and financial analysts.
- The rationale for CSR activity is that corporates earn their profit by exploiting different resources of the society, and so a portion of the benefit derived by them should be channeled for the betterment of society.
- Though compulsory CSR spending may seem burdensome for some class of companies, it will create of a sense of responsibility among Corporates, especially when they see benefits in the long term.

POSITIVE ASPECTS OF CSR PRACTICE

- 1 Through spending the 2% of their net profit for the CSR, organisation can get the good name.
2. If the companies themselves spend the money on CSR, more likely to show some result.
3. Company can spend the money directly so that political and other intervention will not happen unnecessarily.
4. Job opportunities will increase based on Corporate Social Responsibility
5. In order to maintain the organisation in the same place the CSR Practices is very essential.

NEGATIVE ASPECTS OF CSR

- Government do not have the measurement tool whether the organisation is really spending the money for Corporate Social Responsibility.
- It also may be in the written format only like other provision which is available in the Company Bill
- There is no provision to monitor the project
- New Company may hesitate to start the organisation in our country due to compulsion of this provision

GOVERNMENT INTERVENTION:

Though the CSR Practice is voluntary, government need to appoint the Director to inspect the organization involvement in the CSR Practices,

Government intervention is very essential to implement this programme in the practical level.

According to Minister of Corporate affairs Sh.Sachin Pilot India is the first to rush the organisation to involve in the CSR Practices through mandatory. Number company understood.

ROLE OF NGO

- Very least number of company only have the foundation other company is expecting the NGO's to implement the CSR Programme.
- Due to work force company is not ready to execute the Corporate Social Responsibility Programme directly to society, hence it is important through Prominent NGO in the place of functioning
- NGO's having the wide experience to work in the grassroots level so they can easily work in the society

SOCIAL WORK INTERVENTION

- Social worker can give the major contribution both planning as well as implementing this CSR Programme.
- Social worker need to involve the community at the time of planning as well as implementation of the Programme.
- Social worker needs give awareness among the company employee as well as the community people.
- Need based study is essential to plan this Programme.
- Evaluation is very important after every CSR Programme.

CONCLUSION

Corporate Social Responsibility is another hope to help the deprived society, without government monitoring of the organisation CSR activity it is impossible to reach its goals. So mandatory appointment of Professional Social Worker CSR in the Bill.

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