

Corporate Social Responsibility vis-a-vis Corporate Environmental Responsibility

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Abstract

Corporate Social Responsibility (CSR) is a basic responsibility of the corporate sector and the Companies Act, 2013 has made it compulsory for the companies to spend a share of their profit for society at large. It has also been observed that the companies responsible toward the society at large have good repute among the customers and create long term value for shareholders. The Environmental Pollution and globalisation have direct relationship. So, it is required for the corporate sectors to take proper steps for prevention of degradation of the environment. It is helpful to create a balance of development and protection of natural habitat by promoting good practices among corporate through CSR.

In modern times, the corporate sector is getting more responsible towards environment protection and several initiatives are taken by them to create healthy environment by revival of lakes, cleaning of rivers, protection of wild life species, management of national and local parks etc. The main aim for a business enterprise is to perform social – cum – economic responsibility. In spite of mandate of law, many companies find reasons for not complying with CSR norms. But the general observation is that the corporate trend is changing with times and now the corporate are taking CSR as business strategy. In light of the environment protection initiatives by corporate it can be said that Corporate Social Responsibility is emerging as Corporate Environment Responsibility.

Key Words: *Corporate Social Responsibility, Corporate Environment Responsibility, Business Performance, Environment Protection.*

1. Introduction

India is the land of multi-culture and humanity where the concept of “Vasudev Kutumbkam”² is followed. The Indian scriptures also pave more importance to the General and Common interest than the personal or individual interest. The general interest is not limited to the economic tenets but extends to the social and culture of people. It includes the general life of individuals which is influenced by the surroundings, living habits and environment. The traces of environment protection are also evident in Kautilya’s Arthashastra. Indian culture respects natural resources like rivers, trees, plants, sea, air, fire etc as deities. Hindu scriptures also mention that

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² Vasudev Kutumbkam finds its origin from the combination of Sanskrit words ‘vasudha’ which means earth and ‘kutumbakam’ means family. It means the whole world is one family. The concept is enshrined in hitopadehsa.

the human body is composed of jal (water), agni (fire), vayu (air), aakash (sky) and prithvi (earth).³

From the very inception, the economic set up of the country was based on the spiritual, moral and religious practices. Likewise, the business organisations were also working in a way profitable to them and not destructive to society. With industrialisation and globalisation, people's economic aspirations increased leading to accumulation of wealth which replaced by the ethical and traditional concepts. The scenario changed globally and the new dimensions of corporatisation make the corporate more responsible to the individuals than the society. It was due to emergence on new theory of shareholders. Milton Friedman supported that the business is not accountable to the society but its main responsibility is towards the shareholders.⁴ But in present scenario, the corporate trend is towards the social responsibility. Edward Freeman came up with the Stakeholders Theory which provides that the business is not merely responsible to the shareholders but stakeholders at large.⁵

2. Corporate Social Responsibility and Business Performance

Initially, it was not compulsory for all the companies to perform social obligation. But the organisations which did something for betterment of the society have good reputation in minds of general public. These socially working organisations were adding handsome amount of profits in their wallets.⁶ The concept of CSR in India can be traced out from the olden times. Many institutions were set up by the corporate houses working for the benefits of the society. It has been proved in the study that the Indian Companies performing corporate social responsibility activities are getting reward through increase in financial performance.⁷ The concept has become

³ Gurdip Singh, *Environmental Law*, Eastern Book Company, Lucknow (2016), p.3.

⁴ Milton Friedman, *The New York Times Magazine*, September 13, 1970.

⁵ R.Edward Freeman, *The Politics of Stakeholder Theory: Some Future Directions*, *Business Ethics Quarterly*, Vol. 4, No. 4 (Oct., 1994), Cambridge University Press, pp. 409-421.

⁶ Rubén Hernández-Murillo and Christopher J. Martinek, *Corporate Social Responsibility Can Be Profitable*, *The Regional Economist*, April 2009, p.5 retrieved on November 25, 2017 from <https://www.stlouisfed.org/publications/regional-economist/april-2009/corporate-social-responsibility-can-be-profitable>.

⁷ Supriti Mishra, Suar Damodar, *Does Corporate Social Responsibility Influence Firm Performance of Indian Companies*, *Journal of Business Ethics*, Vol. 95, No. 4 (September 2010), pp. 571-601. The research was conducted on 150 Indian Companies. The researcher comes to the conclusion that corporate social responsibility is an important factor for the companies. It affect the financial performance of the companies but in regard to non-financial performance, the researcher is not conclusive. Further the listed companies spending on corporate social responsibility are getting more rewards through increase in financial performance than the non-listed companies.

more important after the Companies Act, 2013 came into force wherein the CSR was made compulsory for the companies qualifying the threshold limits. Schedule VII of the Companies Act, 2013 provides the list of activities for which expenditure shall qualify as the CSR.

In Indian Scenario, it has been observed that many of the companies which are performing the activities of social responsibility towards the society are getting good repute among the citizens. In a country like ours, where government is having paucity of funds but lot of things are required to be done for development of nation there is need of voluntary - cum - mandatory help from the corporate sector.⁸ The general opinion of an intellect person is that if the provision of Corporate Social Responsibility will get implemented in its true spirit, it will be a miracle for the development of our nation. In a study, 187 companies across the globe have shown that reduction in carbon release shall not amount to reduction in profits.⁹ It is a glaring example that the companies working for improvement in environmental field are not facing financial loss. The Companies complying with the high standards of CSR by caring for all the stakeholders create long term value for the shareholders.

3. Corporate Social Responsibility: The Indian Scenario

Social responsibility is inherent in the Indian culture. The businessmen were performing these activities as philanthropy. The corporates undertook several duties like construction of temples, schools, higher education institutions and other infrastructures for public use.¹⁰ But the efforts taken by them towards the society as well as industrial development were not only influenced by the religious inclination but also by caste group and religious motives.¹¹ During the independence struggle the

⁸ Mayank Tiwari, *An effective implementation of Corporate Social Responsibility in India: A need of hour*, International Journal of Legal Research and Governance, Vol. 1 Issue II (2014).

⁹ 5 Indian Companies in Global A list of green firms, Times of India, October, 16, 2014 retrieved on December 01, 2017 from <http://timesofindia.indiatimes.com/home/environment/globalwarming/5IndiancompaniesinglobalAlistofgreenfirms/articleshow/44831606.cms>

¹⁰ Dr. Amit Das, *Managing Business Ethics and Compliance*, Educreation Publishing, New Delhi, p.120.

¹¹ P. Sivaranjini, Rekha T, *Issues and Challenges Faced By Corporate Social Responsibility In Community Development, India Human Resource Development*, IOSR Journal of Business and Management, National Conference on Innovative Business Practices in Technological Era, Erode Sengunthar Engineering College, Thudupathi, p.59.

dimensions of corporate social responsibility converted to the political donations and social causes.¹²

After Independence, the Industrial era began under the vision of the then Prime Minister Pt. Jawaharlal Nehru.¹³ India as a socialist state has several responsibilities towards the society and its citizens. On the other side, the corporate business houses were involved in profit making which led to fall in social responsibility. In 1965, the India International Centre and Gandhian Institute of Studies organised a first seminar on Social Responsibilities of Business.¹⁴ The term 'Corporate Social Responsibility' was first brought into implementation by Corporate Social Responsibility Voluntary Guidelines, 2009. These guidelines were issued by Ministry of Corporate Affairs and were voluntary in nature. The guidelines generally provided for integration of social, ethical and environmental into governance of business. The voluntary guidelines provides for Care of stakeholders, ethical functioning, worker's rights and welfare, respect for human rights, environment, social and inclusive development activities.¹⁵ It acted as a foundation stone for laying the base of CSR activities in India.

In 2011, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business were issued by the Ministry of Corporate Affairs. These guidelines were refinement of CSR Voluntary Guidelines, 2009. It provides for the following principles¹⁶:

- (a) The businesses must conduct and govern themselves with ethics, accountability and transparency.
- (b) The business must provide safe goods and services. It must also contribute to the sustainability throughout the life of business.
- (c) The business must promote the wellbeing of all the employees by providing equal opportunities to workers, prohibition of child labour, harassment free workplace etc.

¹² Atul Sood, Arora Bimal, *The Political Economy of Corporate Responsibility in India*, United Nations Research Institute for Social Development, Technology, Business and Society Programme, Paper Number 18, November 2006, p.6.

¹³ Suranjan Das, *Nehru's Vision of a new India*, The Hindu, July 26, 2011.

¹⁴ C. Gopala Krishna, *Corporate Social Responsibility in India: A Study of Management Attitudes*, Mittal Publication, New Delhi, 1992, p. 1.

¹⁵ The Corporate Social Responsibility Voluntary Guidelines, 2009 were published by Ministry of Corporate Affairs, Government of India. The same were issued during Indian Corporate Week held from December 14-21, 2009. The guidelines were voluntary in nature and there was no compulsion for implementation of the same. General good principles were provided by the guidelines.

¹⁶ As per Chapter 2 entitled Principles and Core Elements of National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business as issued by Ministry of Corporate Affairs, Government of India, July 2011 p. 7-26.

- (d) The business must respect the interest of stakeholder. It must also take special care to the interest of stakeholders who are disadvantaged, marginalised and vulnerable.
- (e) The business must respect and promote the human rights. It provides the corporate responsibility for respecting the human rights. The constitutional provisions and other statutes providing for the dignity of human being must be ensured in true spirit.
- (f) Business must protect, respect and make its best efforts to restore environment. The environmental responsibility is essence of sustainable economic growth.
- (g) When the businesses are involved in influencing the public policy, it must act in responsible manner.
- (h) Inclusive growth and equitable development must be supported by the businesses.
- (i) Businesses must provide value to their customers in responsible manner.

Further the Securities and Exchange Board of India explained that the corporates are responsible to the society at large. The SEBI make it compulsory for top 100 listed companies based on market capitalisation at NSE and BSE to include business responsibility reports as a part of annual report.¹⁷ This was compulsory for the prescribed companies but discretionary for the other companies. The big companies provided more show of figures than actual incurred expenditure. It was done to allure the stakeholders and to build a good repute of the company. Gradually the provision was included in Companies Bill, 2009 which never matured as an enactment. Finally, the provision was included in Companies Act, 2013 which made it compulsory for the companies falling in threshold limit to form CSR committee and spend atleast 2 percent of their net profits as CSR. SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 replaced the earlier notification of SEBI.¹⁸ The new provision make it compulsory for all the companies to describe initiatives taken by them for an environmental, social and governance practice.¹⁹

4. Corporate Social Responsibility and Companies Act, 2013

The Companies Act, 2013 makes it compulsory for the certain companies to spent atleast two percent of the average net profit made during three immediate financial years towards corporate social responsibility. The provisions of corporate social responsibility includes in its ambit the holding, subsidiary and the foreign company having branch office or project

¹⁷ SEBI circular no. CIR/CFD/DIL/8/2012 dated August 13, 2012.

¹⁸ SEBI circular no. CIR/CFD/CMD/10/2015 dated November 04, 2015.

¹⁹ clause (f)of sub regulation (2) of regulation 34 of Listing Regulations.

office in India.²⁰ These companies are required to form a corporate social responsibility committee.²¹ The companies covered under this category are²²:

- (a) The companies having net worth of rupees five hundred crores or more;
- (b) The companies having a turnover of rupees one thousand crores or more;
- (c) The companies having net profit of rupees five crore or more.

There shall be corporate social responsibility committee of listed companies which shall consist of atleast one independent director. The committee is responsible for the following activities²³:

- (a) formulating and recommending to the board, corporate social responsibility policy of the company. The activities so recommended must be covered by the activities prescribed in schedule VII of the Companies Act, 2013;
- (b) recommending the amount of expenditure to be incurred by the company on corporate social responsibility activities;
- (c) monitoring the corporate social responsibility of the company from time to time.

The report on corporate social responsibility shall form a part of board report. Further the company is bound to publish the information regarding CSR on its official website. In case any company is not able to spent the money is current year, the clarification in regard to same must be provided. So, it is a concept where the company have to spend for CSR activity or to provide reason for not performing CSR activity. This provision makes CSR as soft law.

The activities covered in Schedule VII of the Companies Act, 2013 includes eradication of extreme hunger and poverty, malnutrition, promotion of preventive health care and sanitation and making availability of safe drinking water, promotion of education, providing special skills, employment enhancing vocational skills specially for the women, children, and differently abled, promotion of gender equality and gender equality, setting up of the homes and hostels for women and orphans, setting up of old age home, day care centre, reduction of child mortality and improvement of maternal health, combating the immune deficiency virus, acquired immune deficiency syndrome, malaria and other diseases, environmental

²⁰ sub-rule (1) of rule (3) of Companies (Corporate Social Responsibility Policy) Rules, 2014.

²¹ sub-section(5) of Section 135 of Companies Act, 2013.

²² sub-section (1) of Section 135 of Companies Act, 2013.

²³ sub-section (3) of section 135 of Companies Act, 2013.

sustainability, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources, maintaining the quality of air and water, measures for the benefits of veterans of armed forces, promotion of the rural sports, paralympic sports and Olympic sports, contribution to the prime minister national relief fund or any other fund set-up by the central government or the state government for socio-economic development and relief and any other funds set up for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and rural development projects.²⁴

5. Environmental Pollution and Corporatisation

In the present scenario of development, the dispute in corporate responsibility and environmental pollution is an issue of major concern. The issue of developed economies and under-developed economies is another concern. The development in the country necessitates the construction of huge infrastructure including corporate offices, industrial units, markets, malls, hotels, houses, roads and flats etc. All these constructions need land and eventually the demolition of the natural habitat including flora and fauna.²⁵ As per the proved fact destruction of forests, natural flora, mountains, covering of wells, lakes, ponds and rivers etc gives rise to increase in temperature of the earth. The environment gifted to the human being by the nature was originally degraded in the wade of globalisation, commercialisation and industrialisation. There are increasing evidences in India that for capturing the greener pastures, corporate houses have been involved in unethical dealings in collusion with the power structures of the state.²⁶

The increase in development of the economy has given rise to increase in number of man- made resources which have caused pollution. It includes various vehicles, big industrial plants where machinery runs with the help of coal, diesel or other natural resources which resultantly causes pollution. There are several other problems that emerge by industrialisation which relates to water supply, sewage and waste disposal, vehicle congestion and the pollution of water sources by uncontrolled industries which discharge noxious effluents.²⁷ The conflict in social and private differences between the societies and corporations across the globe is always

²⁴ schedule VII of The Companies Act, 2013 as updated by notification no. G.S.R. 130(E) dated February 27, 2014.

²⁵ Ramchandra Guha, *The Past and Present of Indian Environmentalism*, The Hindu, March 27, 2013.

²⁶ Seema Sharma, *Indian Journal of Industrial Relations*, Vol. 46, No. 4, Beyond GDP (April 2011) p 639.

²⁷ Jayasree De, *Development, Environment and Urban Health in India*, Geography, Vol. 92, No. 2 (Summer 2007), pp. 158-160.

present. Global warming, acid rain and pollution in the cities are the example of social cost exceeding the private.²⁸

There are several cases of industrial pollution which are decided by the Courts. Some of them includes (Delhi Stone Crushers case) M. C. Mehta v. Union of India,²⁹ (Coastal zone case) Indian Council for Enviro-Legal Action v. Union of India,³⁰ (Tamil Nadu Tanneries Case) Vellore Citizens Welfare Forum v. Union of India,³¹ (Beas River pollution case) M.C. Mehta v. Union of India,³² (Ganga River pollution case) M.C. Mehta v Union of India.³³ In addition to this, the industrialisation and corporatisation has also caused serious problems in environmental imbalance. The recent incident of Uttarakhand where the natural calamity has resulted into death of more than hundreds of people is a glaring example of effect of excessive commercialisation. The main reason was the deforestation, over construction on hills, blast use for tunnelling etc.³⁴

It has also been found that the Multinational Companies (MNCs) in India have polluted the rivers and environment of land.³⁵ In addition to the industrial pollution on land and water, toxic pollutants are also found in air due to uncontrolled emission from industry and traffic.³⁶ The Constitution of India also provides for protection of the environment. Article 21 of Constitution of India is a mandate to pollution free environment. Right to live in clean and healthy environment is a basic fundamental right. There are several laws in India for the protection of environment like Forest Act, 1927, Forest Conservation Act, 1980, Wild Life Protection Act, 1972, Water (Protection and Control of Pollution) Act, 1974, Air (Protection and Control of Pollution) Act, 1981, Environment Protection Act, 1986, etc. All these enactments are required to be followed by the industrial units at the time of establishing the plant and continuously throughout their life time.

²⁸ Saumitra N. Bhaduri & Selarka Ekta, *Corporate Governance and Corporate Social Responsibility of Indian Companies, Corporate Governance and Corporate Social Responsibility*, P.3 Springer, Singapore (2016).

²⁹ 1991 SCR (1) 866.

³⁰ (1996) 5 SCC 281.

³¹ AIR 1996 SC 2715.

³² AIR 2002 SC 1515.

³³ AIR 1988 SC 1115.

³⁴ KP Narayana Kumar, *Uttarakhand's path to devastation a natural calamity or a result of industrialisation?*, The Economic Times, June 30, 2013.

³⁵ Aditya Singh Patel, *The Environmental Management of Multinational Corporations in India*, IPCBEE vol.64 (2014), IACSIT Press, Singapore,10.7763/PCBEE 2014, V64 12.

³⁶ David J. Davidar, *India: Every river polluted, and few effective controls*, Ambio, Vol. 11, No. 1 (1982), p. 63.

6. Corporate Social Responsibility and Corporate Environmental Responsibility

As we have already discussed that the Companies Act, 2013 makes it compulsory for the companies falling within the prescribed threshold limits to make compulsory contribution towards corporate social responsibility through several mechanism. In the context of modern economy where the corporate are taking from natural resources, it becomes important for them to do something for the environment. In present context the corporate social responsibility can be termed as corporate environmental responsibility.³⁷ Schedule VII of the Companies Act, 2013 provides that amount spent for activities including environmental sustainability, ecological balance, animal welfare, agro-forestry, conservation of the natural resources, maintaining quality of air, water and soil shall be eligible to qualify as CSR expenditure. It also provides for good quality of water for drinking and healthy sanitation. The inclusion of all these items in schedule VII shows the intention of legislature to make the corporate more responsible towards the society and the environment. As per the study it has been found that in 2014-15, fourteen percent of total CSR expenditure amounting to Rs. 1213 crores were spent by companies on environment conservation.³⁸ It is positive sign of corporate for protection and conservation of the environmental resources. The government of centre and states are inviting various companies for protection of environment. The innovations by the India Inc. is by the means of making recycling, waste management along with sustainable development.³⁹

Majorly all the listed Companies in India have spent money for the conservation of the environment which is one of the activities qualifying for corporate social responsibility. Some of the glaring examples are Hero Motor cop planted 1.2 lakh trees in Delhi as a part of green drive,⁴⁰ Tata Power set up a breeding centre for endangered species as eco-restoration,⁴¹

³⁷ Shishir Tiwari & Ghosh Gitanjali, *Governance of Corporate Environmental and Social Responsibilities in India: Sketching the Contour of Legislative Evolution and Reforms*, IMJ, Volume 6 Issue 1, January-June 2014, p.36.

³⁸ Goodera, *CSR and sustainable development: Do Indian companies care about the environment?*, Forbes India, January 05, 2017 retrieved on December 02, 2017 from <http://www.forbesindia.com/blog/business-strategy/csr-and-sustainable-development-do-indian-companies-care-about-the-environment/>.

³⁹ Roles and responsibilities of India Inc. and civil society in tackling pollution, Hawa Badlo, The Economic Times, retrieved on 06, December 2017 from https://economictimes.indiatimes.com/-roles-and-responsibilities-of-india-inc-and-civil-society-in-tackling-pollution/changetheair_show/56370606.cms.

⁴⁰ N. Naina and U. Majumdar, Hero Motorcop's CSR and sustainable vision: a greener, safer and equitable world, The Economic Times, February 24, 2016.

⁴¹ The information has been retrieved on December 06, 2017 from <https://www.tatapower.com/pdf/press-release-28jul15.pdf>. It is press release issued by

Gail (India) Limited took Environment conservation initiatives which include a Gas based Crematorium at New Delhi, Bio Gas Plants and development of Environment Parks for thousands of poor labourers living in slums,⁴² Reliance Industries Limited has worked for enhanced livelihood, environmental sustainability, ecological sustainability, maintaining quality of air, soil and water, promotion of renewable energy and developing gardens and river fronts etc.⁴³ Srei Infrastructure and Finance Companies group has taken the initiative for cleaning the lakes and water bodies and also planted the trees.⁴⁴ These all activities are done as the part of corporate social responsibility initiative.

The companies are spending more and more money for the environment balance like the companies are taking several wild life sanctuaries, parks, constructing water purification plants, providing sanitary facilities by building public toilets, conserving lakes, rivers, contributing to swachh bharat mission, harvesting the rain water, maintaining the healthy quality of air, water and soil, ecologic balance, making eco-friendly products, sponsoring various environmental projects of the government. The government has established more than forty lakh toilets under swachh bharat mission which includes the help received from corporate sector.⁴⁵ Recently, the central government has written to the public sector undertaking banks and the insurance companies to built the toilets near their branches.⁴⁶

The main aim of corporate is to perform economical-cum-social responsibility. The nature must not be spoiled on cost of development. This can be done by making sustainable development with respecting the future requirements. The need of time is making corporate more responsible not towards shareholders but also towards the society, environment and humanity. The mechanism of corporate social responsibility can be used to make corporate responsible and converting it to corporate environmental

the Tata Power entitled Tata Power boosts its efforts towards saving the mighty Mahseer.

⁴² The information has been retrieved on December 06, 2017 from <http://www.gailonline.com/finalsite/pdf/CSR/GAIL-CSR-brochure.pdf>. It is the report on CSR initiative of the company from the official website of the Gail (India) Limited

⁴³ The information has been retrieved on December 06, 2017 from <http://www.ril.com/getattachment/d5fd70ef-e019-47e5-bb83-de2077874505/Corporate-Social-Responsibility-Policy.aspx>.

⁴⁴ The information has been retrieved on January 08, 2018 from <https://www.srei.com/csr/what-do-we-do/environment>. It is the report on CSR activities as published by the company on its official website.

⁴⁵ The information has been retrieved on December 06, 2017 from <http://www.swachhbharaturban.in/sbm/home/#/SBM>. The official website of Swachh Bharat Urban welcomes specially to the corporate under this mission of the Government of India.

⁴⁶ Manojit Saha, *Make a swachh investment, PSU banks told*, The Hindu, January 06, 2018.

responsibility. In India, the corporate are becoming more responsible towards the society it can be concluded from the study conducted by the NGO box. It is concluded in the research that 2017 has witnessed twenty percent hike in CSR expenditure by the companies.⁴⁷

7. Conclusion and Suggestions

The CSR is an effort to perform the welfare and social responsibility. It also acts as an instrument to protect and preserve the environmental balance. In country like India where the government is having limited funds and enormous social functions, it becomes extremely important for the companies to take up social responsibilities. An old empirical research comes to conclusion that most of the Indian companies form an opinion that the CSR is essence of sustainable business.⁴⁸ The environmental sustainability is ability to maintain the qualities that are valued in physical environment.⁴⁹ The environment and business are both essential for an economy. But there is need of balance between two. In earlier times, the corporate were socially responsible but the responsibility was inclined towards religious sentiments. In present scenario, the social responsibility of the corporate has become compulsory, without the inbounds of religion.

The multinational companies are also doing business activities beyond the borders of their own nation. This results into use of natural resources of the territory where they operate the plants and businesses. The manufacturing activities by use of machinery and industrial operations generate pollution and finally affect the environment. In light of it, these Multi- National companies are also duty bound to make some efforts for environmental preservation. The preservation of environment can be done by judicious use of the limited resources of a country.

In the existing scenario of Indian Companies Act, 2013 providing for compulsory corporate social responsibility there are several shortcomings. The provision of law provides for the development of the local area where the plant of company is established. This may cause regional development disparities.⁵⁰ As several states are economically more

⁴⁷ The research was conducted by NGO box wherein the data for financial year 2016-17 of 100 BSE listed companies was analysed. The research has made the comparison of 2015-16 and 2016-17 for the same set of companies. All of these companies have prescribed CSR of rupees one crore or more. The information have been retrieved on January 08, 2018 from <http://indiacr.in/20-increase-in-actual-csr-spend-in-fy-2017/>.

⁴⁸ Tatjana Chahoud et., *Corporate Social and Environmental Responsibility in India – Assessing the UN Global Compact's Role*, German Development Institute, February 2007, P.30.

⁴⁹ R.S. Singh, *Environmental Sustainability through Corporate Social Responsibility in India*, 2nd International Seminar and Exhibition, DTEX 2014, P.407

⁵⁰ Tulsi Jayakumar, A flaw in the CSR design, The Hindu, June 18, 2014.

developed than the others. If the companies working in those economically developed states are investing in CSR activities in those particular states, it will become more prosperous than the economically backward states. The Companies Act, 2013 provides a list of activities which qualifies for the expenditure under CSR. But the list is exhaustive and there are several other issues which are not provided in the list.

It has also been observed that several companies are misusing the public trust to show CSR spending. Many companies are transferring the amount to be spent for CSR and the same amount is refunded in cash to the promoters.⁵¹ These kinds of practices must be controlled by the means of proper check on the amount spent on CSR by the companies. There must be corporate will to do the social work for the benefit of society.

Section 135 provides the criteria for the companies which are bound to spend the amount for the corporate social responsibility. The limit has also been fixed to two percent of the average net profits of the company for last three years. It is important that in case the company is not qualifying any of the above conditions in any of the preceding three years consecutively, it is exempted from the provisions of the section. There may be misleading presentation of accounts by the companies to save themselves from the applicability of the provisions. Further, the information provided by the company is not verified by any mechanism. It is required that there shall be proper CSR audit of company.

The present Companies Act, 2013 provides that the companies are bound to spend the prescribed amount or to mention the reason for not spending the same in their annual report. But there is punishment only for not mentioning the reason for not disclosure of the information. It is also required that there shall be inclusion of proper penal provision for the companies violating the provision of Section 135 of the Companies Act, 2013.

The Environment management occupies an important place for companies having objective of environment protection in various ways like reduction in waste generation, energy consumption and efficient use of resources.⁵² The companies are an important part of economy and the sustainable economic development can be achieved by the protection of the planet. It is right that people, planet and profit are main aim of the business and one cannot sustain without the other. The law relating to the corporate social responsibility must be implemented in true spirit.

⁵¹ Dinesh Narayanan, *How Indian companies are misusing public trusts to launder their CSR spending*, The Economic Times, October 21, 2015.

⁵² C. V. Baxi & Sinha Ray Rupamanjari, *Indian Journal of Industrial Relations*, Vol. 44, No. 3, Corporate Social Responsibility (January 2009) p.356.