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# **CORPORATE SOCIAL RESPONSIBILITY IN INDIAN PHARMA: COMPLIANCE WITH THE COMPANIES ACT, 2013.**

AUTHORED BY - ANANYA SHARMA & GITARTHI CHANDRA

## **ABSTRACT**

This paper study the compliance of the Indian pharmaceutical sector with the CSR obligations under the Companies Act 2013. The section 135 of the Companies Act, 2013 gives mandate to a seen corporation to make contribution towards corporate social responsibility(CSR). Implementation troubles are amounts dedication and lack of growth or effectiveness measurement, as well as stakeholder involvement. CSR activities and efforts give enough room for a brand to a level where a positive competition would be in an inertia. It is uncertain whether it could dilute technological progress given extra safeguarding of IP rights and may also protect companies that are credible in this area from others that could be left behind. While trends are the flashy things (like anti-corruption or environmental sustainability), trends are usually rather stagnant and mostly address old corporate social responsibility issues, diversity, equity and technology use. The pharmaceutical sector, which constitute one of the main pillars of health, is required to take on a more advanced role in CSR. The research paper examines the extent to which the law regulating CSR, the extent to which its enforcement in the pharmaceutical sector works, and the influence of such endeavours on the social well-being. Although the priority and application CSR practices are getting a new thrust, the differences in the implementation of these practices are growing due to various factors such as size, governance structure and market conditions. Assuring the compliance is not merely one goal of CSR. Firstly, the tool is the vehicle of social transformation and payment of holistic issues like wage disparity, life poverty and environmental destruction. Finally, the enterprise having CSR leads to social license in the community, collaborative business models based on ethical standpoints of social responsibilities, and best of all, a respectable participation to the 17 Sustainable Development Goals on India. The discourse is rounded up by the recommendations to strengthen CSR performance and accountability in the Indian pharmaceutical industry, and the determination of new directions for research.

## KEYWORDS –

Corporate Social Responsibility, Companies Act 2013, Sustainable Development Goals and Pharmaceutical sector.

## INTRODUCTION-

Guiding the corporate governance and business strategy through the Corporate Social Responsibility (CSR) is an important aspect, especially from the Companies Act Section 135<sup>1</sup>, in India. The pharmaceutical industry, being intrinsically linked to the health and well-being of the populace, is at the forefront of this socio-economic interface. Carrying out sustainability and socio-economic inclusive development, the section<sup>2</sup> enforced these certain businesses to improve their profits into CSR activities. Accepting this rule, organizations must make up the CSR Committee, the CSR policy and support the performed activities to build a social welfare, environment sustainability and living an intact community life. Given the critical role that this industry plays in healthcare, the expectations from pharmaceutical companies regarding CSR are uniquely demanding. Challenges on CSR implementations alongside the legal obligations under Section 135<sup>3</sup> are also present in the corporate terrain of India. From the other side, enterprises face certain difficulties in determining priorities of CSR. On the flip side, however, there are many positive aspects of CSR, like the one of the strengthening of the brands reputation, the management of the relationships with the stakeholders and of the competitive advantage. The organizations can stay ahead of the competitors and allure applicants and workers by CSR's means which in turn act can to prevent the risks such as violation of regulations as well as harming the organization's image. The Act's<sup>4</sup> CSR provisions, encapsulated primarily in Section 135<sup>5</sup>, along with the Companies (Corporate Social Responsibility Policy) Rules, 2014<sup>6</sup>, are pioneering steps in integrating CSR into the corporate governance framework. this paper will analyse the extent to which Indian pharmaceutical companies adhere to these statutory CSR obligations. Furthermore, it will consider the accountability mechanisms that are in place and how these are enforced by regulatory authorities to ensure compliance.

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<sup>1</sup> *Companies Act, 2013*. (2013). India.

<sup>2</sup> *Companies Act, 2013*, § 135.

<sup>3</sup> *Companies Act, 2013*, § 135.

<sup>4</sup> *Companies Act, 2013*. (2013). India.

<sup>5</sup> *Companies Act, 2013*, § 135.

<sup>6</sup> *Companies (Corporate Social Responsibility Policy) Rules, 2014*. (2014). India.

## RESEARCH QUESTIONS –

1. How is Corporate Social Responsibility (CSR) implemented by Indian companies?
2. How different dimensions of CSR are prioritised such as environmental responsibility, ethical responsibility, philanthropic responsibility, and financial responsibility?
3. How do Pharmaceutical companies in India implement CSR?
4. How do pharmaceutical companies in India comply with the provisions of CSR provisions outlines in Companies Act, 2013<sup>7</sup>?
5. What are the difficulties faced by pharmaceutical companies faced up to this very moment in CSR?

## RESEARCH OBJECTIVES –

1. To evaluate how CSR is implemented in India.
2. To evaluate how Indian businesses view several aspects of corporate social responsibility (CSR), including as financial, ethical, charitable, and environmental responsibility, and what their top objectives are in this regard.
3. To analyse how Indian pharmaceutical sector implements CSR.
4. To assess how legal frameworks, including the Companies Act of 2013<sup>8</sup>, affect Indian pharmaceutical sector's compliance and CSR policies, and to consider the consequences for accountability and corporate governance.
5. To list and evaluate the obstacles that Indian pharmaceutical sector faces while putting CSR regulations into practice, with an emphasis on resource distribution, stakeholder involvement, effect assessment, and legal compliance.

## METHODOLOGY-

The methodology for researching CSR under the Companies Act, 2013<sup>9</sup> involves a comprehensive literature review of relevant legal provisions, scholarly articles, and case studies. This is followed by qualitative and quantitative analysis of CSR practices and compliance among Indian companies and financial data analysis. The research paper also aims to explore the impact of CSR on corporate governance, sustainability, and stakeholder relations. The findings of the research paper can be utilised by academicians, stakeholders, companies and so on.

<sup>7</sup> *Companies Act, 2013*. (2013). India.

<sup>8</sup> *Companies Act, 2013*. (2013). India.

<sup>9</sup> *Companies Act, 2013*. (2013). India.

## LITERATURE REVIEW-

1. (Dahlsrud, 2008; Carroll, 1991)<sup>10</sup> in their study defined CSR as a ‘self-policing business’. CSR activities by a company promotes social responsibility among the stakeholders, and the society. They also wrote on types of CSR activities, such as environmental protection, financial investments in sustainable development, ethical behaviour and philanthropic giving.
2. Section 135 of the corporations Act, 2013, which requires corporations beyond a specific level to spend at least 2% of their average net earnings on CSR initiatives, is the main legal framework controlling CSR in India, as highlighted in the literature (Bhandari & Abe, 2021)<sup>11</sup>. It also covers the laws and guidelines pertaining to the definition of permissible CSR activities, the computation of CSR expenses, and the necessity of reporting (Batra, 2019)<sup>12</sup>.
3. The book recognises that putting CSR mandates into practice can be difficult for businesses for a variety of reasons, including finding appropriate initiatives, gauging impact, engaging stakeholders, coordinating CSR with corporate goals, and adhering to changing legal requirements (Chopra & Marriya, 2018<sup>13</sup>; Jain & Vashisht, 2017<sup>14</sup>).
4. Before the Companies Act, 2013 was enacted, prominent Indian pharmaceutical businesses' CSR policies were investigated in a research by Sharma and Khanna<sup>15</sup>. They discovered that although some businesses were aggressively pursuing CSR projects, there was a dearth of regularity and a methodical methodology. Their study recommended that there should be a transparency with a company's CSR policy.
5. Mishra and Suar<sup>16</sup> investigated the reasons for CSR programs in the Indian pharmaceutical sector in a different research. In their study they propounded that with CSR activities businesses gain brand enhancement and it also results in staff retention. To

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<sup>10</sup>Dahlsrud, A. (2008). How corporate social responsibility is defined: An analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, 15 (1), 1-13. <https://doi.org/10.1002/csr.132>

<sup>11</sup>Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48. [https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)

<sup>12</sup>Batra, N. (2019). Corporate social responsibility under companies act, 2013: An overview. *International Journal of Legal Insights*, 4(1), 105-112.

<sup>13</sup>Chopra, A., & Marriya, A. (2018). Corporate social responsibility and its implementation in India. *SJCC Management Research Review*, 5(2), 7-15.

<sup>14</sup>Jain, A., & Vashisht, A. (2017). Corporate social responsibility in India: Evolution, challenges, and strategies for sustainability. *International Journal of Indian Culture and Business Management*, 2(3), 274-291. <https://doi.org/10.1504/IJICBM.2017.085298>

<sup>15</sup>Sharma, A., & Khanna, P. (2014). Corporate social responsibility in India: An exploration of Indian pharmaceutical companies. *Asian Journal of Business Ethics*, 3(2), 171-184. <https://doi.org/10.1007/s13520-014-0036-3>

<sup>16</sup>Mishra, S., & Suar, D. (2010). Do stakeholders' corporate social responsibility orientation matter? Evidence from India. *Global Business Review*, 11(2), 199-214. <https://doi.org/10.1177/097215091001100205>

make their business a success, the authors opined that CSR activities should be coordinated with main business functions.

6. Bhatia and Tuli<sup>17</sup> in their work researched on CSR and the success of Indian pharmaceutical companies. In their work they concluded that the businesses which were more socially conscious and were transparent about their CSR activities were more likely to gain financial success.

## ANALYSIS

### Corporate Social Responsibility-

"Corporate social responsibility" (CSR), a self-policing business idea, helps an organisation be held socially responsible by the public, its stakeholders, and itself. Businesses that practise corporate social responsibility are aware of how their actions affect society's social, economic, and environmental dimensions. When a company engages in corporate social responsibility (CSR), it benefits the environment and society rather than detracting from them. CSR initiatives are designed to address global issues.

### CSR can generally be divided into four types, namely-

1. Environmental responsibility: The foundation of corporate social responsibility is environmental protection. By reducing industrial pollutants and emissions, recycling trash, replenishing natural resources like trees, or creating CSR-compliant product lines, a corporation may demonstrate environmental stewardship.
2. Ethical accountability: Corporate social responsibility includes acting in a fair and morally upright manner. A few instances of ethical responsibility in action include treating all customers fairly, regardless of their age, ethnicity, culture, or sexual orientation; offering competitive pay and benefits to employees; using vendors across demographics; making full disclosures; and being transparent with investors.
3. Philanthropic responsibility: Businesses and companies have to return to the community as per CSR mandates. It can be done in many ways, such as donations to charities, supporting fundraisers, supporting employee-led charitable endeavours and so on.
4. Financial responsibility: An enterprise can set goals on the line of corporate social responsibility (CSR), ethical and environmental responsibility, management and product

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<sup>17</sup> Bhatia, A., & Tuli, S. (2017). Corporate social responsibility and financial performance: A study of Indian companies. *Paradigm*, 21(2), 177-190. <https://doi.org/10.1177/0971890717738160>

development, but these plans will need money, obtaining grants, running programmes or offering a new product. These inclusive activities can be seen in recruiting people from different backgrounds, creating long lasting, sustainable goods, raising social consciousness, as well as community engagement for environmental projects.

A study that was published in the *Journal of Consumer Psychology*<sup>18</sup> indicates that customers are more inclined to behave favourably toward a business that has taken steps to meet their needs. Using CSR tactics can help businesses beat the market by enhancing investors' perceptions of their worth. According to research by the Boston Consulting Group, businesses regarded as leaders in governance, social, or environmental issues were valued 11% higher than their rivals<sup>19</sup>.

### CSR in India-

Section 135 of the Companies Act of 2013<sup>20</sup> covers CSR. Companies covered by section 135(1) of the Companies Act, 2013<sup>21</sup> are required to implement a CSR program and spend 2% of their net earnings over the next three years. A corporation registered under Section 8 of the Companies Act, 2013<sup>22</sup> for philanthropic purposes is subject to the CSR requirements.

The Companies (CSR Policy) Rules, 2014, define CSR in Rule 2(1)(d)<sup>23</sup>, which also prohibits the following acts from qualifying as CSR activities:

- Activities carried out in the company's regular course of business.
- Activities carried out outside of India, with the exception of training
- Indian athletes who represent any state or union nationally or internationally
- Contribution to any political party under Section 182 of the Act, whether direct or indirect, in whatever amount.
- Activities that benefit the company's personnel marketing benefits from sponsorship initiatives for goods and services.
- Actions taken to carry out mandatory requirements under any applicable Indian legislation.

<sup>18</sup>Hildebrand, D., DeMotta, Y., Sen, S., & Valenzuela, A. (2017, April 22). Consumer Responses to Corporate Social Responsibility (CSR) Contribution Type. *Journal of Consumer Psychology*. <https://doi.org/10.1093/jcr/ucx063>

<sup>19</sup>Hutchinson, R., Novacek, G., Chin, V., & Falco, G. (2023, May 25). Socially Transformative Business Is Smart Business. BCG Global. <https://www.bcg.com/publications/2023/socially-transformative-business-is-smart-business>

<sup>20</sup>*Companies Act, 2013*, § 135.

<sup>21</sup>*Companies Act, 2013*, § 135.

<sup>22</sup>*Companies Act, 2013*, § 8.

<sup>23</sup>Companies (Corporate Social Responsibility Policy) Rules, 2014. (2014). India. Rule 2(1)(d).

In order to calculate the amount spent on CSR activities, the average net profit must be calculated in accordance with Section 198 of the Act<sup>24</sup>, except the items listed in Rule 2(1)(h) of the Companies (CSR Policy) Rules, 2014<sup>25</sup>. A company's net profit must be calculated with a few additions, deletions, or changes according to Section 198<sup>26</sup> of the Act. It mostly leaves out income tax, capital payments and receipts, and set-offs for prior losses.

If the requirements outlined in Rule 7(3) of the Companies (CSR Policy) Rules, 2014<sup>27</sup> are met, the excess CSR spending may be deducted from the necessary 2% CSR expenditure for the next three fiscal years. The term "surplus" refers to money obtained from the expenditure of funds on CSR activities. This includes revenue from CSR projects, interest gained by the implementing agency on funds supplied under CSR, disposal or sale of project-related goods, and other revenue streams of a similar kind.

The excess coming out of CSR efforts should be employed strictly for CSR objectives. Section 135(5)<sup>28</sup> of the Act specifies that the corporation shall give precedence to local regions surrounding where it works. But with the introduction of IT and the rise of modern organizations such as aggregators, e-commerce, and process-outsourcing firms, it is now challenging to identify the local region for different kinds of operations. As a result, the Act's preference for the local region is just advisory and not required, and businesses must weigh local area preference against national interests.

India's corporate social responsibility landscape has changed dramatically in the last several years as businesses have increased their CSR initiatives and the government has passed new laws to support CSR. A few recent advancements in CSR in India:

- Digitalization of Corporate Social Responsibility: For enterprises to register and report on their CSR initiatives, the government has developed an online platform. Companies may now more easily track and manage their CSR spending through the platform and present their activities to stakeholders.

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<sup>24</sup>Companies Act, 2013, § 198.

<sup>25</sup>Companies (Corporate Social Responsibility Policy) Rules, 2014. (2014). India. Rule 2.

<sup>26</sup>Companies Act, 2013, § 198.

<sup>27</sup>Companies (Corporate Social Responsibility Policy) Rules, 2014. (2014). India. Rule 7.

<sup>28</sup>Companies Act, 2013, § 135.

- The addition of COVID-19 alleviation actions to CSR: A circular from the Ministry of Corporate Affairs in 2020 said that businesses might implement COVID-19 relief efforts, such building hospitals, offering healthcare services, or making contributions to the PM's Citizen Assistance and Relief in Emergency Situations (PM Cares Fund).
- Introducing the National Voluntary Guidelines (NVGs) on Business Responsibilities in Social, Environmental, and Economic Aspects: The Ministry of Corporate Affairs unveiled the NVGs in 2011, offering businesses direction on how to incorporate CSR into their day-to-day operations.
- Emphasis on Education: In India, CSR activities have placed a strong emphasis on education. Companies have promoted activities like training of the teachers, building schools and providing scholarships.
- Partnership with Non-Profits: Companies are working more and more with charitable institutions to carry out their CSR programs. This has made it easier for companies to take advantage of NGOs' experience and knowledge in specific fields of social development.
- The promotion of social entrepreneurship: The Ministry of Corporate Affairs introduced the CSR Rules in 2013, which allow the companies to support entrepreneurship endeavours. The purpose of this provision is to encourage innovation and entrepreneurship in the social sector.
- The emphasis on impact assessment: Since the CSR Rules allowed companies to evaluate the effects of their CSR efforts, impact assessments have become more important. Previously, companies were allowed to do so up to 5% of their CSR expenditure.

The Companies (Corporate Social Responsibility Policy) Amendment Rules 2022<sup>29</sup> set a cap of Rs. 50 lakhs, or 2% of total CSR spending, on the cost of social impact evaluations, which are categorized as CSR spending.

### **Landmark Case laws-**

M.C. Mehta vs. Union of India<sup>30</sup>: This case resolved the principle of 'absolute liability' for the harm caused by industries that act in the hazardous activities. The case law made it clear that businesses cannot harm the environment and the community for their profits.

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<sup>29</sup>The Companies (Corporate Social Responsibility Policy) Amendment rules 2022

<sup>30</sup>M.C. Mehta v Union of India (1987) 1987 AR 1086

Vellore Citizens Welfare Forum vs. Union of India:<sup>31</sup> In this plea, the highest court of the country understood the concept of 'Sustainable Development' and 'Precautionary Principle' along with being accepted as part of the environmental law of the country. Such follow-up affects the CSR and cannot allow companies to ignore the harm to sustainability done through their activities.

Union Carbide Corporation vs. Union of India<sup>32</sup>: The lesson of the Bhopal Gas Tragedy case not only revealed corporate neglect but also led to a fine amount which was meant for the Bhopal Relief Gas Fund.

Tata Motors Ltd. vs. Antonio Paulo Vaz & Anr.<sup>33</sup>: Tata Nano Plant in Singur region, West Bengal, as another example, marked the need for the judiciary to strike a balance between industrialization and the claim of local communities. Trierweiler herself practically became a symbol of the Breton people of every class as well as of farmers who felt they became easy prey of big companies.

Union of India & Ors. v. Novartis AG<sup>34</sup>: This landmark case law is important in healthcare area, namely the access of patients to healthcare and also, patent law. The beta crystalline form of Imatinib Mesylate, a medication used to treat chronic myeloid leukaemia, was not granted a patent by Novartis AG, according to the Supreme Court of India. The Indian Patents Act's Section 3(d) was interpreted by the court in order to support its ruling, which attempts to guarantee that only true advances are patented and to prevent patents from being evergreened. Apart from focusing on patent law, it also states that life-saving medicines have to be made affordable and accessible for all as a part of corporate social responsibility.

Union of India v. Bayer Corporation<sup>35</sup>: The Indian Patent Controller's decision to provide Natco Pharma a compulsory license to produce a generic version of Bayer's medicine Sorafenib Tosylate, which is used to treat liver and kidney cancer, was maintained by the Bombay High Court in this case. The medicine was not properly supplied in the Indian market and was not accessible at a reasonable price, which is why the obligatory license was given. The case law said that judiciary and government play an important role in ensuring the availability of life saving medicines.

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<sup>31</sup> *Vellore Citizens Welfare Forum v Union of India* (1996) 1996 AIR 2715

<sup>32</sup> *Union Carbide Corporation v Union of India* (1991) 1991 SCC (4) 584

<sup>33</sup> *Tata Motors Ltd. v Antonio Paulo Vaz* (2010) 2010 (4) BomCR 82

<sup>34</sup> *Novartis AG v. Union of India & Ors.* (2013). 6 SCC 1

<sup>35</sup> *Bayer Corporation v. Union of India* (2014). 59 PTC 1 (Del) [DB]

Pfizer Inc. v. Union of India<sup>36</sup>: The Delhi High Court heard this matter over Pfizer's patent for its pneumonia vaccine, PCV13 (Prevenar 13), being revoked due to non-working reasons. The court ruled that the government would have to conclude the examination of the patency procedure considering the efficacy and fair price of the vaccine for the patient reverse agenda. The consequences of the court ruling cover many areas such as pharmaceutical companies duties to ensure that the patented products are serving the public and there is should be the application should be for the common prosperity and CSR purposes, and the the case was more about patent law than CSR.

### **Compliance with CSR in India-**

Fulfilling corporate social responsibility obligations presents a number of challenges. Firstly, choosing the right projects that complement an organization's core values and business goals can be difficult. Secondly, companies must measure and report the impact of their CSR initiatives, which calls for an effective monitoring and evaluation system. Lastly, companies must make sure their CSR efforts are sustainable and have a long-lasting effect on the communities they serve. The promotion of CSR compliance is aided by the government and other stakeholders. To track and keep an eye on the CSR initiatives that businesses are involved in, the Ministry of Corporate Affairs has established a CSR site. Additionally, the platform offers organizations information and advice to assist them meet the CSR standards.

Promoting CSR compliance also involves other important players, including rating agencies, industry groups, and civil society organizations. Companies can receive advice from civil society organizations on what initiatives best suit the requirements of the communities they serve. Companies are incentivized to comply with CSR regulations by rating organizations, which assess and rank businesses according to their CSR performance.

In India, certain corporations are required to comply with CSR regulations, and fulfilling these commitments might provide difficulties. Nonetheless, the government and other stakeholders are crucial in encouraging CSR compliance and offering businesses tools and advice to assist them fulfil their obligations. In India, certain corporations are required to comply with CSR regulations, and fulfilling these commitments might provide difficulties. Nonetheless, the government and other stakeholders are crucial in encouraging CSR compliance and offering

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<sup>36</sup> *Union of India v. Pfizer Limited* (2017) AIR 2018 Supreme Court 265

businesses tools and advice to assist them.

The corporation and its directors may face fines and legal action for failing to comply with CSR obligations. Stakeholders may obtain information on CSR initiatives using the platform, which also lets businesses post their CSR reports. Also, the MCA has published rules and circulars on CSR reporting to ensure all the companies follow the requirements.

Generally, there have been cases of non-compliance even though regulatory measures are in place in India to ensure CSR compliance. Enforcing CSR duties and keeping firms responsible for their CSR actions are crucial tasks performed by stakeholders including investors, rating agencies, and civil society groups.

In India, CSR is now seeing a number of developments. The growing emphasis on environmental responsibility and sustainability is one trend. Businesses are acting to promote renewable energy, preserve natural resources, and lessen their carbon impact. The focus on education and skill development is another trend. Businesses are funding training and education initiatives to help young people become more employable and to encourage skill development in rural regions.

Still, there are prospects for CSR in India in the future. The possibility of cooperation between businesses, civil society groups, and the government is one opportunity. Cooperation may improve the effect of CSR initiatives by sharing knowledge and leveraging resources. The potential for CSR to spur innovation and competitiveness presents another chance. Businesses that are dedicated with CSR, businesses may stand out from the competition and draw in clients and investors that respect environmental and social responsibility.

### **How do Pharmaceutical Companies in India implement CSR?**

In recent times, the Corporate Social Responsibility (CSR), that is, the responsibility of the private sector to take care of the people and the surrounding environment has become a very important aspect of business operations globally, such as the pharmaceutical industry of India. Shift towards clean economic management and considerations of sustainability has prompted Indian pharmaceutical companies to incorporate CSR into their company's beliefs. This integration is stricter than just avoiding taxes and avoiding regulations.

Healthcare is one of the main areas in which Indian pharmaceutical companies carry out their CSR duties through the implementation of charitable programs to increase the affordability of the healthcare services. Such as, quite a good lot of pharma companies are running various free/produce drug programs for poor people, paying especial attention to the diseases widespread in India, such as tuberculosis, malaria, and HIV/AIDs. Besides, they undoubtedly play their role in the health infrastructure development among which establish the clinics, hospitals and medical camps in the rural and remote areas of the country, where there are no healthcare facilities available.

Similarly environmental sustainability being their main CSR initiative in India pharmaceutical companies are also focusing on it as well. They understand that they must take actions to reduce their carbon footprint as well as maintain a balance between their involvements and the natural environment. Through their implementation of sustainable technologies these organizations are also an indication that they care about the environment and for the long-term targets of sustainability.

Moreover, indeed, the Indian pharmaceutical industry is not strangers to the community development projects which aims at improvement of standard of living as well as empowering the poor and the weak. Such companies not only increase economic emancipation but also ascribe social inclusion that leads to elevation of these communities thus bringing a positive change to the society in general.

Along with these, business ethics, governance, and ethics in the implementation of CSR for pharma companies in India are the crucial issues. They abide by the high level of ethics in research, manufacturing and marketing to prevent the products problems such as the absence of safety, efficacy, and quality of the products. These have transparency, honesty, and accountability as the core of their operation which therefore includes their interaction with medical staff, regulatory bodies, and to the general public.

Indian pharmaceutical companies subscribe to the CSR as one of the fundamental aspects of their philosophy and they have a greater purpose than just to earn money by making people better. Access to healthcare, education, environment sustainability, and community development are an initiative area to all stakeholders. Companies with healthy future for all stakeholders have these in mind. The CSR inclusion into their corporate strategies in India, pharmaceutical companies

aren't only responsibilities as societies, but rather at that point, trust with the stakeholders is built, repour is strengthened, and the success of the business can be driven on long term basis.

### **How do pharmaceutical companies in India comply with the provisions of CSR provisions outlines in Companies Act, 2013?**

The Companies Act, 2013<sup>37</sup>, which is applicable to India, introduced actually good regulations that CSR stands for Corporate Social Responsibility. As stated in the Act, the companies should designate a certain amount of their money for CSR activities. The pharmaceutical companies in India, having to fulfil these provisions, are now adjusting their CSR strategies to the outlined requirements in the Act while balancing this with their business objectives and the social demands the society presents.

To start with, the pharmaceutical companies in India has an obligation to ensure that the Companies Act, 2013<sup>38</sup> is followed up by setting standard CSR committees made up of board members who carry out the duties of formulating and implementing the CSR policies and initiatives. They define the CSR development, set CSR expense targets, supervise CSR project progress and impact. However, when these entities incorporate the Act's regulatory requirements on CSR in their organizational ethos, they begin to reflect their unwavering adherence to the ethic of CSR which is governed on the principle of correctness and accountability.

The Indian pharmaceutical industry also followed a holistic approach for the overall strategic planning and execution of their CSR objectives with prescription issues as one of the primary focus areas being laid down under Schedule VII of Companies Act, 2013<sup>39</sup>. In these main focus areas, healthcare is one of the focal needs that need to be promoted, and together with elimination of hunger and poverty, these two factors have been observed to be reasons for many diseases and disease-related deaths. Thus, pharmaceutical companies tackle social problems and contribute to the socio-economic development of the country, chosen wisely, according to focus areas by selecting CSR projects that satisfy specified purposes.

In the next, Indian drug manufacturers take very strict supervision and record their CSR activity and capital cost as requested in the requirement of the Companies Act, 2013<sup>40</sup>. They engage in

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<sup>37</sup> *Companies Act, 2013*. (2013). India.

<sup>38</sup> *Companies Act, 2013*. (2013). India.

<sup>39</sup> *Companies Act, 2013*, schedule VII.

<sup>40</sup> *Companies Act, 2013*. (2013). India.

precise CSR records keeping covering projects, the amounts spent and the outcomes which should be disclosed in the company annual CSR reports following the enclosures offered by the authorities.

Apart from compliance with legislative regulations, the pharmaceutical companies in India take part in stakeholders' engagement, which includes government bodies, non-profit establishments, charity groups, local residents, and business mates in co-ordination to take up CSR initiatives and allocate resources better for optimum effect. Via different strategic partnerships and collaborations, these companies are raising the extent and impact of their CSR programs and hence establishing sustainable impacts and reciprocal benefits for the beneficiaries.

Additionally, pharmaceutical firms in India incorporate CSR awareness into their strategic procedures and business operation frameworks, so CSR values are instilled in the organizational culture and core values. They put emphasis on ethical behaviours, environmental sustainability, and social responsibility that span the chain of values that starts right from the research and development to the marketing and supply and demand chain. Spurring CSR as part of the core business function, corporations clearly underpin that their aim is in the integrated development and beneficial citizenship of responsible companies. Digital platforms, data analytics, and other advanced tools are leveraged during CSR project management to which emergent data and progress can be captured in real-time and impact during and after the CSR initiatives can be measured. Through embracing CSR innovation in this aspect, these organizations will enhance also efficacy, scalability, and sustainability and, in the process, socialization will be much facilitated to a great extent.

Indian pharmaceutical companies have been in compliance with the Companies Act, 2013<sup>41</sup> by forming CSR committees, aligning the CSR activities with statutory purposes as well as focus areas, implementing efficient reporting mechanisms, engaging with stakeholders, integrating CSR activities into business functions, and capitalizing on innovation. Abiding with the regulation standards and highlighting actions on ethical practices and social responsibility allows such companies to be at the forefront of attaining sustainability advancements and achieving the sustainable development goals, therefore making the true citizens of the corporate responsibility.

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<sup>41</sup> *Companies Act, 2013*. (2013). India.

## CHALLENGES AND OPPORTUNITIES

### **Identification of challenges in implementing CSR mandates –**

The amendments of the Companies Act 2013<sup>42</sup>, resulting in the mandative provision of the CSR, act as an avenue for multiple problems and opportunities for companies who are looking to find a balance in both profit-driven and societal oriented objectives. Another area which is challenging is securing and making stakeholders like employees, local people as well as others who are relevant engaged, and if this is not so, it can frustrate the success and sustainability of CSR efforts. Alongside this, harmonizing the CSR tasks with the company's main business objectives proves to be a complex quest for multiple firms. Ensuring that the company's core business is responsible for CSR without and interference and at the same time remaining profitable requires strategic orientation which will take into account economic, social and political issues of the society. Lastly, compliance and reporting difficulties set forth by regulatory authorities constitute long-term challenges, as sometime businesses have problems to suit and adjust to evolving rules while they could potentially intimidate companies and be risky for their reputation.

### **CSR initiatives avail assimilation and expansion of scope through innovation.**

These challenges can turn into opportunities and bring new development in innovation which can help the society at large. Through CSR, companies can improve their image and reinforce consumer confidence by attracting the type of customers that is becoming more conscious and selective regarding their choice of goods and services that shown care for ethical approaches and the well-being of the society. CSR activities aside from defending brand equity, act as risk mitigation mechanisms as well. They protect business from either reputational risk or regulatory scrutiny which secures long term survival of the enterprise. The CSR also creates an avenue into markets that are emerging as well as investment opportunities especially in those regions where consumer's preference and relative focuses on issues of sustainability and ecosystem protection are key factors in the business and regulatory steers. Through CSR impetus, business entities have the potential to harness creativity and cooperation in shaping a new era where the enterprise both recognizes and attends to the paramount societal issues and at the same time benefits the necessary stakeholders.

### **Controlling and procedure inferences for enhancing CSR compliance**

CSR compliance can be ensured along with the culture of socially responsible companies by the

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<sup>42</sup>Indian Companies Act 2013

use of policies and laws which are critical to make potential playing field for corporate participation in CSR. Alongside this, tax incentives, grants or subsidies could be used to motivate enterprises toward investing in socially responsible activities which would encourage these companies to engage in allowing public benefit beyond the mere mandatory obligations. And providing services and programs which occupy management to the tip of CSR rules and strategies is vital. With allocating funds towards education and training programs for regulatory bodies, companies will be better guided to include CSR in their mainstream business activities chiming in the betterment they are doing. So, enforcement mechanisms and monitoring systems must be strengthened for compliance with CSR regulations, deterrence of non-compliance, and increases the risk of errant companies doing an egregious thing.

### **What challenges do pharmaceutical companies face in implementing CSR? –**

As pharmaceutical companies do CSR projects, the complex nature of the industry, regulatory barricades, stakeholder expectations, resource limitation, and the socioeconomic landscape environment can't be ignored.

One important challenge for the pharmaceuticals in implementing CSR is whether they will remain as small business or become large corporation which is depend on society welfare as well as commercial interests. This is the reason why those companies are operating in the healthcare sector in the first place: to make a product and sell it on the market with an aim to make a profit and the business grows. Integrating CSR into their operations definitely demand the allocation of financial, manpower and time resources to serve the social and environmental projects. In doing so the attention and the resources could be diverted from the core business activities. However, achieving simultaneous profit maximization and social & environmental impact while ensuring survival through sustainability remains the industry leader's predicament.

In addition, the governing environment in the India poses some impediment for pharmaceutical companies in the conduction of CSR. According to the Companies Act, 2013 certain companies are required to allocate a portion of the profit to the CSR expenditure however, there is no clarity on guidelines and reporting procedures, instead there is only room for interpretation of this matter. This grey area in compliance can result in confusing and inefficient CSR management being put into place, obstructing business capabilities to fit its CSR strategies properly.

Moreover, pharmaceutical industry is faced with harms of secondary nature of stakeholder

involvement and management. Presenting divergent participants comprising of local communities, government organs, non-governmental organizations, healthcare professionals, and consumers involves good communication, collaboration, and laying a good relationship for social cohesion. Ensuring the reconciliation conflicting interests of stakeholders, addressing the expectations of stakeholders, and executing transparent and inclusive decision-making procedures are a few of the complex challenges of managing companies in a fluctuation and fast economy

The resource constraints are another big challenge which pharmaceutical companies facing when they are trying to the implement their CSR initiatives. Although such established firms are usually supposed to put aside some of their profits for CSR projects, the abundance of financial flows may not be enough, especially for these companies with smaller capital or operating in harsh market environments. Also, human resources and expertise towards CSR planning, implementation, and monitoring presupposes triage and fiscal responsibility ready to be expended. It may appear as a strain to organizational capacities, especially, companies with trimmed operating structure.

However, instituting the measurement and evaluation for societal value creation by the pharmaceutical corporates is the ensuing stage. Unlike purely financial indices as those are revenue and profit, the social, the environmental and the economic impact of CSR requires complex and sophisticated monitoring and evaluation programs, advanced data collection means, and accurate and sophisticated engines of assessment. Social impact that is intangible and requires a longer time horizon to measure the outcome is tremendously complicated to be depicted as tangible results, which may not be appropriately communicated to the stakeholders and highlight the value of their CSR work.

At the same time, among the daunting tasks of managing a uniform view on CSR means and actions across pharmaceutical worldwide entities and business divisions in a multinational operating pharmaceutical company is the issue of various requirements and regulations. Adjusting CSR strategies on the local scale, being culturally sensitive, and obeying laws and regulations beside avoiding to deviate from global CSR objectives at the same time requires strategic coordination, standardized processes, and effective communication and connections.

The pharmaceutical industry is wrestled multitude of challenges in the process of realizing the CSR philosophy, ranging from the balancing of company's commercial interests with social good

on one hand to the regulatory complexities on the other; effective stakeholders' management issues; additional challenges brought by a resource constraint; the impossibility of accurate measuring impact; and, finally, the harmonization of the CSR implementation across various geographies and Solving these problems demands of proactive, strategic planning, stakeholder participation as well as innovation, and determination concerning longevity and responsible corporate citizenship concept. In spite of the difficulties, as pharmaceutical companies occur to play a central role of incorporate CSR standards and performing good social and environmental results, it brings about more equitable and sustainable development.

## CONCLUSION-

In conclusion, The Companies Act, 2013<sup>43</sup>, has proved to be a game changer for the industry in that it has sought to formalize CSR responsibilities for the eligible entities including pharmaceutical companies via obligating them to allocate resources to socially useful programs. Nevertheless, amongst the various quandaries that largely commercial enterprises have to confront on a daily basis; striking a balance between commercial interests and public interests endeavour, navigating through regulatory minefields, engaging stakeholder groups appropriately, managing resource limitations, monitoring the form and extent of impact attainment, and harmonizing the alignment between the various business units and geographies need to strictly be adhered to in compliance with CSR provisions. By creating CSR committees, producing strategic plans, reaching out to the stakeholders, and providing transparent reports, these companies have manifestly shown that they are really in favour of responsible corporate citizenship and sustainable development. Besides that, pharmaceutical companies which are operating in that country bear a lot of responsibility to the community and the greater society of that country through charitable work in liaison with the society by giving examples such as medical outreach, educational participation, environmental conservation, and people economic empowerment. Besides fulfilling their legal responsibilities, in addition, they use a perfect way of incorporating CSR within their business activities and operations. This innovation being a breakthrough in company image is very crucial as increased trust and shared value is taking place among stakeholders. What this way means, is that the overall work acceptance is surpassing with the effective regulations. Though the activities mentioned above largely cater to the social challenges and innovations in CSR, efforts will be paramount to maximize the contribution of private sector to good society. Succeeding implementation of meaningful strategies for impact

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<sup>43</sup> *Companies Act, 2013*. (2013). India.

measurement and strengthening inter organisational partnerships with the stakeholders will be key factors towards drug companies' CSR drive. By implementing proper CSR initiatives pharmaceutical companies can revolutionise the healthcare sector and promote social justice and sustainability as a whole.

## **RECOMMENDATION-**

The Indian pharmaceutical industry has its own challenges and setbacks to face in implementing Corporate Social responsibility guidelines and rules. The research paper focused on various problems faced by the sector and some recommendations which can make compliance with CSR guidelines smoother.

A sustainable system of innovation is integral in this day and world which can make the access to healthcare accessible to all. The Indian pharma can focus their CSR measures towards research and development of life saving and low cost medicines, which can in turn help the society. They can further collaborate with the government, or NGOs supporting this cause. This way they can get a value for their money and also comply with the CSR guidelines.

One major barrier in implementation of CSR policies is lack of transparency and accountability. The pharmaceutical sector can take an initiative to regularly disclosing their CSR activities and proper utilisation of funds. Adopting stakeholder engagement procedures can also help to assure conformity with society norms and expectations and improve credibility.

Indian pharmaceutical companies such as Dr. Reddy's Laboratories and Sun Pharmaceutical Industries Limited have taken great initiatives in complying with CSR guidelines and uplifting the society. For instance, in complying with the CSR guidelines, Dr. Reddy's Laboratories has focused on healthcare programs through unique initiatives like mobile health clinics and telemedicine. And Sun Pharmaceutical Industries Limited has focused on making healthcare accessible to the impoverished section of the society.

Pharmaceutical industries have the resources—money, people, experience, and strategic thinking—to support significant societal change. They have productive collaborations with non-governmental organisations, and the government intends to accelerate India's social development in a positive direction. The majority of businesses saw corporate social responsibility (CSR) as a

"expense" rather than as a means of improving the value of their company, partnering with the community, and helping the environment. Through such initiatives they can bring a change in the society.

