Corporate Social Responsibility in PSUs
Companies Act 2013

Scenario, Opportunities, Concerns and Challenges

Vigyan Bhawan, New Delhi
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Additional Secretary
Department of Public Enterprises
Ministry of Heavy Industries & Public Enterprises
## The CSR Scenario

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Company Type</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of companies which have filed CSR reports</td>
<td>Actual CSR expenditure (Rs. Crore)</td>
</tr>
<tr>
<td>1.</td>
<td>Public Sector</td>
<td>315</td>
<td>2674</td>
</tr>
<tr>
<td>2.</td>
<td>Private Sector</td>
<td>14629</td>
<td>6891</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>14944</strong></td>
<td><strong>9565</strong></td>
</tr>
</tbody>
</table>

*Data Source: CSR Portal www.csr.gov.in*


**CSR: PSUs v/s Private Companies**

**2014-15**
- Private: 6891 Cr. (72%)
- PSUs: 2674 Cr. (28%)

**2015-16**
- Private: 9465 Cr. (69%)
- PSUs: 4163 Cr. (31%)

*Data Source: CSR Portal www.csr.gov.in*
## CSR Expenditure vis-a-vis Companies

<table>
<thead>
<tr>
<th>No.</th>
<th>Amount Spent (Rs. Crore) 2014-15</th>
<th>No. of Companies (3828)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>More than 500</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>100 - 500</td>
<td>16</td>
</tr>
<tr>
<td>3</td>
<td>10 – 100</td>
<td>121</td>
</tr>
<tr>
<td>4</td>
<td>1 – 10</td>
<td>649</td>
</tr>
<tr>
<td>5</td>
<td>Less than 1</td>
<td>3041</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No.</th>
<th>Amount Spent (Rs. Crore) 2015-16</th>
<th>No. of Companies (6672)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>More than 500</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>100 - 500</td>
<td>23</td>
</tr>
<tr>
<td>3</td>
<td>10 – 100</td>
<td>160</td>
</tr>
<tr>
<td>4</td>
<td>1 – 10</td>
<td>1018</td>
</tr>
<tr>
<td>5</td>
<td>Less than 1</td>
<td>5470</td>
</tr>
</tbody>
</table>

*Data Source: CSR Portal  www.csr.gov.in*
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Private Company</th>
<th>CSR Spent (Rs. Crore)</th>
<th>PSUs</th>
<th>CSR Spent (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reliance</td>
<td>639.70</td>
<td>NTPC</td>
<td>491.80</td>
</tr>
<tr>
<td>2</td>
<td>TCS</td>
<td>280.22</td>
<td>ONGC</td>
<td>409.00</td>
</tr>
<tr>
<td>3</td>
<td>ITC</td>
<td>247.50</td>
<td>Central Coalfields</td>
<td>214.60</td>
</tr>
<tr>
<td>4</td>
<td>TATA Steel</td>
<td>204.46</td>
<td>NMDC</td>
<td>210.09</td>
</tr>
<tr>
<td>5</td>
<td>Infosys</td>
<td>202.30</td>
<td>Power Finance Corporation</td>
<td>194.48</td>
</tr>
<tr>
<td>6</td>
<td>ICICI Bank</td>
<td>171.51</td>
<td>Mahanadi Coalfields</td>
<td>184.64</td>
</tr>
<tr>
<td>7</td>
<td>Wipro</td>
<td>159.83</td>
<td>Northern Coalfields</td>
<td>158.14</td>
</tr>
<tr>
<td>8</td>
<td>BSES Yamuna Power</td>
<td>157.35</td>
<td>Indian Oil Corporation</td>
<td>156.68</td>
</tr>
<tr>
<td>9</td>
<td>AXIS Bank</td>
<td>147.75</td>
<td>Rural Electrification</td>
<td>131.68</td>
</tr>
<tr>
<td>10</td>
<td>HDFC Bank</td>
<td>127.28</td>
<td>South Eastern Coalfields</td>
<td>127.68</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>2337.90</strong></td>
<td><strong>Total</strong></td>
<td><strong>2278.79</strong></td>
</tr>
</tbody>
</table>
Sector-wise Distribution of CSR Expenditure (2015-16)

- Technology Incubation and benefits to armed forces, admin overheads and others [1099 Cr. (8%)]
- Conservation of resources, Environment, Animal Welfare [902 Cr. (7%)]
- Gender equality, Women empowerment, Old age homes, Reducing inequalities [331 Cr. (2%)]
- Any other fund [323 Cr. (2%)]
- Swachh Bharat Kosh [323 Cr. (2%)]
- Prime Minister’s National Relief Fund [206 Cr. (2%)]
- Encouraging Sports [135 Cr. (1%)]
- Heritage, Art and Culture [115 Cr. (1%)]
- Clean Ganga Fund [33 Cr. (0%)]
- Slum Area Development [14 Cr. (0%)]

Education/Differently Abled/Livelihood [4690 Cr. (34%)]

Rural Development Projects [1328 Cr. (10%)]

Health/Eradicating Hunger/Poverty and malnutrition/Safe Drinking Water/Sanitation [4330 Cr. (31%)]
Opportunities

• Many Public Sector Companies have been carrying out CSR activities even before mandate of Companies Act, 2013
• 70 years after independence, now CSR is the biggest opportunity for manpower in corporates, both public and private to contribute directly to nation building
• Opportunity for Corporates for not only using financial resources, but also leverage their highly qualified human resource, infrastructure, machinery, materials, networks, outreach and also brand equity
• CSR funds could compliment flagship programs of Government like Skill India, Make in India, Swachh Bharat Abhiyan, Clean Ganga etc. Guidelines required for monitoring of these CSR programs from line ministries
Opportunities (Contd.)

• The private and public sectors would get an entirely new opportunity to contribute to national development

• New cost effective and innovative solutions from the profit and non profit sectors for ever lasting solutions

• CSR projects can strongly contribute towards upliftment of the deprived and ensure inclusive growth

• CSR projects can address the dual purpose of growth and sustainability

• Amount of CSR unspent in any year due to any reason should be spent in the next year(s)

• Many individuals/corporates would be eligible for prestigious national awards for their CSR successes
Concerns

• Inadequate transparency in selection of agencies by CPSUs for:
  i. Needs Assessment and Baseline Surveys
  ii. Project Execution and Monitoring
  iii. Project Evaluation
  iv. CPSUs and Ministries to ensure reduction in arbitrariness in processing CSR proposals and plans

• Only one time yearly disclosure about CSR by Companies; Could we think of:
  i. Concurrent reporting on CSR projects/CSR Committee and Board meetings/invitations of interest on their web sites by Companies
  ii. Is this desirable and possible; If not
  iii. Could we have quarterly reporting of CSR in Q1, Q2, Q3 & Q4 to MCA and DPE
Concerns (Contd.)

- According to Companies Act, 2013, CSR Committee and eventually, the Board of Directors are responsible for project selection, prioritization and execution.

- It needs to be discussed whether:
  i. They have the capacity, time and intent to deliver
  ii. Are additional oversight mechanisms required
  iii. Should a mandatory CSR audit be introduced

- Overcoming difficulties in spending most of the financial outgo every year

- Maximizing selection of projects especially for the poorest of the poor and the ‘aam admi’ in most backward/remote regions
Concerns (Contd.)

• Major issues of coordination between CPSUs, Private companies, State and local governments and Panchayati Raj/Municipal bodies

• Many CSR initiatives are taken in isolation and many executing agencies working as silos

• Possibilities of Corporates distributing their own products under CSR not allowed under Schedule VII

• Reduce spatial skewedness in CSR across the country

• New guidelines to be issued to accommodate use of CSR funds by CPSUs for Disaster Relief and Rescue as it is difficult to use them outside a program or project mode
Challenges

• Understanding the import, intent and purpose of the Companies Act, 2013, rules and Schedule VII
• Execution of the CSR projects within the qualifications stated in Schedule VII
• Institutionalizing a system, also on line, to connect agencies generating and incubating innovative ideas with CPSUs
• Also, this system to ensure that projects for execution by PSUs are chosen in a transparent and open fashion
• Increasing cross boundary interface between agencies and individuals operating in Government, private, non profit and academic domains
• Ensuring the minimum critical mass in schemes to increase their Impact Factor in the country
Challenges (Contd.)

- Maximization of incremental returns against incremental inputs
- Identification of innovative, sustainable and scalable projects
- Mid course corrections in CSR initiatives and experience sharing to avoid reinvention
- Ensuring that projects are executed in defined period
- The projects to have tangible measurable outputs
- The projects and programs to be both financially and environmentally sustainable
- PSUs to develop a ‘social vision’ in addition to a vision for economic growth of the country