



Companies Act 2013: Corporate Social Responsibility in PSUs

CONCERNS, CHALLENGES AND OPPORTUNITIES

Dr. Madhukar Gupta

Additional Secretary

Department of Public Enterprises

Ministry of Heavy Industries & PE, GOI

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OPPORTUNITIES

- I. 67 years after independence, CSR the biggest opportunity to the manpower in corporates, both public and private to contribute directly to nation building efforts
- II. Potential for not only using financial resources of corporates, but also, leveraging their qualified human resource, infrastructure, machinery, materials, networks, outreach and brand equity
- III. CSR funds could compliment flagship programs of government like *Skilling India*, *Make in India*, *Swachh Bharat Abhiyan* etc. New guidelines required for monitoring of these focused CSR programs via respective 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 to include the weaker sections into mainstream
- CSR projects can address the dual purpose of growth and sustainability
- CSR funds are revolving funds and can be utilized in project mode on a year to year basis
- Many individuals/corporates would be eligible for prestigious national awards for their CSR successes

CONCERNS

Inadequate transparency in selection of agencies by CPSU's for:

- I. Needs Assessment and Baseline Surveys
- II. Project Execution and Monitoring
- III. Project Evaluation

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
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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 CPSU's, 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
- Subsidies like Gas to house holders from the OIL CPSU's not to be accounted for in their CSR initiatives
- Possibilities of Corporates distributing their own products under CSR not allowed under Schedule VII
- New guidelines to be issued to accommodate CSR funds for use by CPSU's for Disaster Relief and Rescue as they are not being implemented in 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 of schedule VII
- Institutionalizing a system, also on line, where agencies generating and incubating innovative ideas get connected with CPSU's who chose projects for execution in a transparent and open fashion
- Increasing cross boundary interface between agencies and individuals operating in government, private, non profit and academic domains
- Establishment of systems to connect CPSU's with relevant agencies for these ideas
- Reduce spatial skewedness in CSR across the country

CHALLENGES (CONTD.)

- Ensuring a minimum critical mass in schemes to increase their Impact Factor
 - 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 have tangible measureable outputs
 - The project and programs are both financially and environmentally sustainable
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CONTEMPORARY ISSUES AND IDEAS

- PSU's to develop a '*social vision*' in addition to a vision for economic growth
- Many Public Sector Companies carrying out CSR activities even before the mandate of the Companies Act, 2013 and spending more than 2% of their net profits (PBT)
- CPSU's to ensure transparency, fair play and accountability
- Greater responsibility and reduction in arbitrariness in processing CSR plans
- Clear selection criteria and due processes; example of collaboration with TATA Cancer Hospital
- Select possibly priority sectors like *Swachh Bharat*, Clean Ganga, Sports, Education etc.
- Amount of CSR unspent in any year due to any reason can be spent in the next year.