

# A STUDY ON REGULATORY PROVISIONS OF CSR FOR CENTRAL PUBLIC SECTOR ENTERPRISES (CPSEs) IN INDIA

Tanima Tarafdar  
Assistant Professor, Royal School of Commerce  
Royal Global University  
Guwahati, Assam, India

Dr. Kalyan Mukherjee  
Associate Professor, Hojai College  
Hojai, Assam, India

## Abstract:

*The compulsion in CSR practices by the companies falling under the legal framework widens the scope of economic, social and ecological upliftment in the country. Corporate Social Responsibility is no longer just a philanthropic activity for the companies but has now become a mandatory practice. This makes India the first of its kind to make CSR a compulsory activity in the corporate world.*

*GOI through its various guidelines on CSR, issued time to time has put forward the concept of CSR in India on a larger platform benefitting the society at large. Thus, providing an aid for Nation's development in which CPSEs play a detrimental role being one of the major contributors for country's advancement. Thus this paper is an attempt to highlight the various guidelines put forward by DPE, MCA and SEBI to regulate the CSR activities in India in reference to CPSEs and the Corporate world as a whole.*

*Key words: Corporate Social Responsibility, Government of India, Department of Public Enterprises, Ministry of Corporate Affairs, Central Public Sector Enterprises, Securities and Exchange Board of India, Institute of Chartered Accountants of India, Companies Act, 2013, Companies (CSR) Rules, 2014.*

## Introduction:

**Corporate Social Responsibility (CSR)** is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Commission of the European Communities, 2003). In India CSR has originally been a philanthropic activity. It was an activity that was performed but not deliberated until the Government of India enacted legal compliances on CSR activities under stipulated terms. The Companies Act, 2013 has originated the idea of CSR to the foremost and is therefore promoting greater transparency and disclosure, through its "disclose or explain" mandate. Thus, making India first of its kind to have legal provisions on CSR on a mandatory basis. However, in many of the countries of the world CSR is still a voluntary exercise left to the discretion of the Corporate Houses.

In India CPSEs play a vital role in economic infrastructure and thereby perform numerous CSR activities for its stakeholders. **Central Public Sector Enterprises (CPSEs)** are those companies in which the direct holding of the Central Government or other CPSEs is 51% or more. In India CPSEs play a crucial role in the social and economic growth. It has significant contribution to the country's economy by filling the gaps in the industrial sector, generating employment and balanced regional development. While there were only 5 CPSEs with a total investment of Rs.29 crores at the time of the First Five Year plan, there were as many as 248 CPSEs(excluding 7 Insurance Companies) with a total investment of Rs.6,66,848 crores as on 31<sup>st</sup> March,2011. As on 31.3.2016 there were 320 CPSEs wherein, out of which 76 enterprises were yet to commence commercial operation. Remaining 244 were operating enterprises (covering 181 scheduled CPSEs & 52 CPSEs has been considered provisional).As per Department of Public Enterprises at present there are 8 Maharatnas, 17 Navaratnas,59 Miniratna Category I and 15 Miniratna Category II. The list of CPSEs in India includes BHEL, GAIL, IOCL, OIL, REC, NEEPCO, SAIL, etc. CPSEs in India has a great role to play in economic and social transformation and a significantly performs several socially responsible activities.

In India, the concept of CSR is governed by Clause 135 of the Companies Act, 2013 which was passed by both Houses of the Parliament. This Legislation was signed by the President of India on 29<sup>th</sup> August, 2013 and is applicable from April, 2014. The Companies Act, 2013 of India has replaced the Companies Act, 1956.Subsequent to the passage of the Act, the MCA notified the Rules with respect to CSR on February 27, 2014. The Rules framed under section 135 of the Act, came into force from April 1, 2014. Apart from the Act, MCA issued (February 2014) Companies (CSR policy) Rules, 2014 and DPE issued (October 2014) guidelines on CSR and Sustainability. India is the first country to require that some firms spend a stipulated percentage of their profits on socially responsible activities (as designated by law), or explain why they do not.

The first attempt by the Government of India to bring out the CSR issue on the table was the issuance of CSR Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009).It is in the Voluntary Guidelines of 2009 that the core elements of a CSR policy was spelt out that included care for all stakeholders, ethical functioning, respect for workers rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development. The guidelines of 2009 were followed in 2011 by the National Voluntary Guidelines of social, environmental and economic responsibilities of business also issued by the MCA (MCA, 2011).

The transition from a voluntary CSR regime to a regulated regime came when the Securities Exchange Board of India(SEBI) required the top listed 100 companies, as part of Clause 55 of the Listing Agreement to mandatorily disclose their CSR activities in the Business Responsibility Reports (BR Reports) accompanying the Annual Reports. Section 135 made CSR spending as well as reporting mandatory for the first time in India and brought the CSR activities of Indian corporates under the purview of corporates under the purview of corporate law. With the enactment of the Section 135 of the Companies Act 2013, observed by the MCA, India became the first country to include provisions on CSR in Company Law and make CSR expenditure mandatory for corporates based on pre-scientific criteria.

**Objectives of the Study:**

1. To study the various guidelines on CSR by Department of Public Enterprises (DPE).
2. To study the other provisions on CSR prevailing in India for CPSEs.

**CSR in India – The Legal Framework:****I. Guidelines on CSR by Department of Public Enterprises**

The Legal framework of CSR in India includes the following Guidelines and Provisions:

Department of Public Enterprise (DPE) Guidelines on Corporate Social Responsibility and Sustainability (Government of India, Ministry of Heavy Industries & Public Enterprises)

The Department of Public Enterprises is the nodal department for all the Central Public Sector Enterprises (CPSEs) and formulates policy pertaining to CPSEs. It lays down, in particular, policy guidelines on performance improvement and evaluation, autonomy and financial delegation and personnel management in CPSEs. It furthermore collects and maintains information in the form of a Public Enterprises Survey on several areas in respect of CPSEs.

The Committee on Public Undertakings (COPU) in 1992 examined the issue relating to social obligation of CPSEs and observed that 'being part of the state' every Public Sector Enterprise (PSE) has a moral responsibility to play an active role in the enterprise. Based on the recommendation of the COPU, the DPE issued general guidelines on CSR in November, 1994. DPE issued a new set of guidelines on CSR in April, 2010 which required the running plan under CSR to be integrated with social and environmental concerns related to respective CPSEs. The Department of Public Enterprises (DPE) had issued guidelines on Corporate Social Responsibility (CSR) for CPSEs in April, 2010, which have been issued formally to the Ministries/Departments for compliance in the Central Public Sector Enterprises (CPSEs) under their administrative control.

The table below highlights the various guidelines formulated time to time by DPE on CSR and Sustainability:

(Table No. 1: Summary of DPE Guidelines on CSR)

SL No.	Guidelines	Guideline No.	Date & Year
1.	Social Obligations of Central Public Sector Enterprises (Superseded by new guidelines on CSR issued on 9 <sup>th</sup> April, 2010)	DPE OM.No.2(1)/94-GM	29 <sup>th</sup> November, 1994
2.	Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises	DPE OM No.15(3)/2007-DPE(GM)-GL-99	9 <sup>th</sup> April, 2010
3.	Guidelines on Corporate Social Responsibility for Central Public Sector	DPE OM No.15(3)/207-	4 <sup>th</sup> February, 2011

	Enterprises	DPE(GM)-GL-100	
4.	Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises	DPE OM No.15(3)/2007-DPE(GM) – GL - 101	21 <sup>st</sup> June,2011
5.	Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises issued by Department of Public Enterprises in April,2010	DPE OM No.15 (3)/2007-DPE(GM) – GL-101	1 <sup>st</sup> November,2011
6.	Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises	DPE OM No.15(7)/2012-DPE(GM) – GL-104	12 <sup>th</sup> April,2013
7.	Relief and Rehabilitation activities in the flood affected area of Uttarakhand under new CSR & Sustainability Guidelines	DPE OM No.15(9)/2013-DPE(GM)	24 <sup>th</sup> June,2013
8.	Relief and Rehabilitation activities in the flood affected area of Uttarakhand under new CSR & Sustainability Guidelines	DPE OM No.15(9)/2013-DPE(GM)	19 <sup>th</sup> September,2013
9.	Relief and Rehabilitation activities in the cyclone affected areas of states of Andhra Pradesh, Odisha and Bihar under the new CSR & Sustainability Guidelines	DPE OM No.15(9)/2013-DPE(GM)	28 <sup>th</sup> October,2013
10.	Status of ongoing CSR activities/Project of CPSEs which were initiated under the CSR Policy before the CSR Rules framed by MCA came into force	DPE OM No.15(13)/2013-DPE (GM)	02 <sup>nd</sup> July,2014
11.	Contribution towards Prime Minister's National Relief Fund	DPE OM No.15 (09)/2013-DPE (GM)	19 <sup>th</sup> September,2014
12.	Guidelines on Corporate Social Responsibility and Sustainability for CPSEs	DPE F No.15(13)/2013 –DPE(GM)	21 <sup>st</sup> October,2014
13.	Contribution towards Swachh Bharat Kosh, Clean Ganga Fund & Prime Minister's National Relief Fund under DPE Guidelines on Corporate Social Responsibility (CSR) and Sustainability	F No.15(13)/2013-DPE (GM)	20 <sup>th</sup> November,2014

(Source: [www.dpe.nic.in](http://www.dpe.nic.in))

It is desirable from the afore said, CSR being a statutory obligation of the corporate entities and the field of the beneficiaries have become dynamic and is being expanded time to time. So, far 13 fields have been covered with their respective guidelines. The first guideline on CSR being issued by DPE on 29<sup>th</sup> of November, 1994 and the last one being issued on 20<sup>th</sup> November, 2014.

1. Social obligations of Central Public Sector Enterprises (dated the 29<sup>th</sup> November,1994):



In this guideline the issue relating to Social obligations of CPSEs has been examined in the context of the recommendations made by the Committee on Public Undertakings (1993-94) in its 24<sup>th</sup> Report on 'Social Responsibilities and Public Accountability of Public Undertakings'.

2. Guidelines on “ Corporate Social Responsibility for Central Public Sector Enterprises ”(dated 9<sup>th</sup> April,2010):

This guideline was first proper draft on CSR in India, which superseded the guidelines issued by DPE dated 29<sup>th</sup> April, 1994. These guidelines were issued by the Department of Public Enterprises and MCA, with the approval of the Ministry of Heavy Industries and Public Enterprises.

As per the guideline the CSR budget would be mandatorily created through a Board Resolution as a percentage of Net Profit in the following manner -

(Table No. 2 : DPE Financial Slab for CPSEs April, 2010)

SL No.	Types of CPSEs Net Profit (Previous Year)	Expenditure range for CSR in a Financial year (% of Profit)
(i)	Less than Rs.100 Crore	(3%) – (5%)
(ii)	Rs.100 Crore to Rs.500 Crore	(2%) - (3%) (subject to a minimum of 3 Crore)
(iii)	500 Crore and above	(0.5)- (2%)

(Source: www.dpe.nic.in)

From the above table it can be seen that as per the Guidelines on CSR by DPE for April,2010 ,the expenditure range for CSR in a Financial year (% of Profit) ranged from (3%) – (5%) for CPSEs with Net Profit of less than Rs.100 Crore,(2%) – (3%) for CPSEs with Net Profit of Rs.100 Crore to Rs.500 Crore and (0.5%) – (2%) for CPSEs with Net Profit of Rs.500 Crore and above.

However, loss-making companies were not mandated to earmark specific funding for CSR activities. The guideline further, with some clarifications on its applicability and implementation suggested the possible 27 broad areas of activities under CSR. Some of which included –

- (i) Drinking water facility; Health and family Welfare
- (ii) Education; electricity facility
- (iii) Pollution Control; Sanitation and Public Health
- (iv) Imparting Vocational Training
- (v) Adoption of villages, etc.

3. Guidelines on “CSR for Central Public Sector Enterprises”(dated 4<sup>th</sup> February,2011):

This guideline was issued to circulate the clarifications on CSR by the CPSEs. Such that any contribution (which is not project based) towards any of the areas of activities mentioned in the annexure attached with the CSR Guidelines would also count as a CSR activity. This would be subject to the condition that the total amount for all such contributions during the full financial year should not exceed

5% of the CSR budget of the organizations. It further clarified that all contributions to the National Corporate Social Responsibility Hub (NCSR Hub) located within the TISS, Mumbai would also be considered as CSR expenditure within the ambit of the CSR Guidelines.

4. Guidelines on “ Corporate Social Responsibility for Central Public Sector Enterprises “(dated 21<sup>st</sup> June,2011):

This guideline was a further refinement of the Guideline on CSR for CPSEs, dated 4<sup>th</sup> Feb, 2011 which mentioned that the expenditures incurred by the CPSEs in the form of fee charged participation in the CSR training Programmes/Workshops for sponsorship of such Workshops/Programmes organized by TISS, etc. would also be included under the CSR budget of CPSEs.

5. Guidelines on “Corporate Social Responsibility for Central Public Sector Enterprises”, issued by Department of Public Enterprises (dated 1<sup>st</sup> Nov,2011):

This guideline highlighted the manner by which CSR activities were to be undertaken in Chhattisgarh and the rest of India by the CPSEs. It advised the CPSEs to maximize their allocations, release and utilization of funds for the CSR activities within the existing slabs and further mentioned on the initiatives of State Governments, District Administration as well as Central Government Departments/Agencies Self Help Groups, etc. to be synergized with the initiatives taken by the CPSEs. The guideline also emphasized on the “ Health Family Welfare ”activity listed in Annexure and recommended on setting up of dispensaries in remote locations to provide out-reach services ,with referral services being provided by the existing Hospitals.

6. Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (dated 12<sup>th</sup> April,2013,w.e.f.1<sup>st</sup> April,2013):

The revised guideline urged the CPSEs to act in a socially responsible manner benefitting both business and society. It also mentioned about the Financial Component which stated that the CPSEs shall with the approval of Board of Directors should make a budgetary allocation for CSR and sustainability activities/projects for the year, which would be based on the profitability of the company and would be determined by the Profit After tax (PAT) of the company in the previous year as shown below –

(Table No. 3 : DPE Financial Slab for CPSEs April, 2013)

SL No.	Profit After Tax of CPSE in the Previous Year	Budgetary Allocation for CSR and Sustainability activities(as % of PAT in Previous year)
(i)	Less than Rs.100 Crore	(3%) – (5 %)
(ii)	Rs.100 Crore to Rs.500 Crore	(2%) - (3%)
(iii)	Rs.500 Crore and above	(1%) - (2%)

(Source: [www.dpe.nic.in](http://www.dpe.nic.in))

From the above table it can be seen that as per the Guidelines on CSR by DPE for April,2013 ,the expenditure range for CSR in a Financial year (% of Profit) ranged from (3%) – (5%) for CPSEs with Net Profit of less than Rs.100 Crore,(2%) – (3%) for CPSEs with Net Profit of Rs.100 Crore to Rs.500 Crore and (1%) –(2%) for CPSEs with Net Profit of Rs.500 Crore and above

The guideline further highlighted that the budget allocated for CSR and Sustainability activities/projects planned for each financial year should be possibly spent within that year. However, if the budget of a year remains unutilized, the same would not lapse and as per the arrangements made under the revised guidelines unutilized funds would be utilized. The guideline also mentioned on selecting one Backward district identified by the Planning Commission, Government of India for its Backward Region Grant Fund(BRGF) Scheme.

7. Relief and Rehabilitation activities in the Flood affected area of Uttarakhand under new CSR and Sustainability Guidelines (dated 24<sup>th</sup> June,2013):

The guideline mentioned about the relief and rehabilitation projects undertaken in Uttarakhand during 2013-2014 by CPSEs to be treated as the projects in the backward region. It also mentioned about the contribution made by the CPSEs towards Prime Minister's/Chief Minister's Relief Fund and/or National Disaster Management Authority would count as valid CSR sustainability activities.

8. Relief and Rehabilitation activities in the Flood affected area of Uttarakhand under New CSR and Sustainability Guidelines(dated 19<sup>th</sup> Sept,2013):

This guideline was made in the context that some of the donations/contributions made by the CPSEs to Prime Minister's National Relief Fund(PMNRF)had been returned and that the 'contributions with government/budgetary support or from PSU balance Sheets' would not be accepted.

9. Relief and Rehabilitation activities in the cyclone affected areas of States of Andhra Pradesh, Odisha and Bihar under new CSR & Sustainability Guidelines(dated 28<sup>th</sup> October,2013):

This guideline stated the relief and rehabilitation projects undertaken by CPSEs in cyclone affected areas of the above mentioned states during 2013-2014 would be treated as the projects in the backward regions. It further mentioned that the contribution made by the CPSEs towards Prime Minister's/Chief Minister's Relief Fund and /or National Disaster Management Authority would count as valid CSR and Sustainability activities.

10. Status of ongoing CSR activities/projects of CPSEs which were initiated under their CSR Policy before the CSR Rules framed by Ministry of Corporate Affairs(MCA) come into force (dated 2<sup>nd</sup> july,2014):

This guideline clarified on the long term projects undertaken by CPSEs in pursuance of DPE Guidelines on CSR & Sustainability, which were effective in 2013-14,would be considered valid under the new CSR Rules framed under the Companies Act,2013 and can be covered under any of the items in Schedule VII of the Companies Act.

11. Contribution towards Prime Minister's National Relief Fund (dated 19<sup>th</sup> September,2014):

This guideline mentioned the contributions towards Prime Minister's National Relief Fund (PMNRF) by the CPSEs can be made through voluntary contributions by individuals and institutions. It also mentioned that PSUs at their discretion can collect and remit any voluntary contribution of their employees to PMNRF. However, contributions out of budgetary resources, profits or from the balance sheets of PSUs would not be accepted.

12. Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (dated 21<sup>st</sup> October,2014,w.e.f.01.04.2014) :

This guideline mentioned that the CSR provisions of the Companies Act 2013, Schedule VII of the Act and the CSR Rules are inviolable. The Department of Public Enterprises (DPE) in addition to the CSR provisions of the Act and the CSR Rules, had formulated Guidelines on CSR and Sustainability applicable to CPSEs. The guiding principles of the Guidelines were applicable to all CPSEs. It was further mentioned that CPSEs which are statutory corporations should comply with the provisions of the Act, CSR Rules and the Guidelines. These guidelines would supersede the guidelines /circulars instructions issued earlier by DPE on the subject of CSR and Sustainability.

13. Contribution towards Swachh Bharat Kosh, Clean Ganga Fund and Prime Minister's National Relief Fund under DPE Guidelines on Corporate Social Responsibility(CSR) and Sustainability (dated 20<sup>th</sup> November,2014):

This guideline mentioned that contributions to Swachh Bharat Kosh set up by the Central Government for promotion of sanitation and to Clean Ganga Fund set up by the Central Government for the rejuvenation of River Ganga shall be considered as expenditure under CSR. It was further clarified that contributions towards Prime Minister's National Relief Fund (PMNRF) out of budgetary resources, profits or from Balance Sheets of PSEs would not be accepted. However, voluntary contributions by individuals and institutions would be accepted.

## II. Other Provisions on CSR regulating CPSEs:

### 1. The National Voluntary Guidelines on Environmental and Economic Responsibilities of Business,2009 and 2011:

Voluntary CSR guidelines created a common standard for the companies to improve their CSR efforts, especially with regard to sustainability. In this regard, the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business, had been laid down by the Ministry of Corporate Affairs, in December 2009 and further revised in 2011.

National Voluntary Guidelines (NVGs) were applicable to all business irrespective of size, sector or location .These guidelines were designed with the aim of assisting enterprises to become responsible entities much before the CSR Act (Companies Act,2013) come into force. In fact various propositions from NVG have been taken into consideration for structuring the Companies Act.

The Nine Principles of National Voluntary Guidelines are –

(Table No. 4: National Voluntary Guidelines)



Principles	Content
Principle 1	Businesses should conduct and govern themselves with ethics ,transparency and accountability
Principle 2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3	Business should promote the wellbeing of all employees.
Principle 4	Business should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5	Businesses should promote and respect human rights.
Principle 6	Business should respect, protect and make efforts to restore the environment
Principle 7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8	Businesses should support inclusive growth and equitable development
Principle 9	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

(Source: www.mca.gov.in)

The above table summarises the various principles envisaged under the Ministry of Corporate Affairs to guide on the National Voluntary Guidelines in the year 2009 and 2011.

## 2. Securities and Exchange Board of India (SEBI) Guidelines on Corporate Social Responsibility 2012 and 2015:

The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. The SEBI is the regulator for the securities market in India. It was established in the year 1988 and was given statutory powers on 30 January 1992 through the SEBI Act, 1992. The basic function of SEBI is to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith.

The Securities and Exchange Board of India (SEBI) on its circular dated 13 August, 2012 has mandated the inclusion of a “Business Responsibility Report (BRR)” as part of Company’s Annual Report for top 100 listed entities based on market capitalization at the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) as on March 31, 2012.

The reporting framework is based on the 'National Voluntary Guidelines on Social, Environment and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs, Government of India, in July 2011 which contains 9 principles and core elements for each of the 9 principles.

SEBI further introduced new guidelines, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)(Amendment) Regulations,2016 which is the refinement of the SEBI (Listing Obligations and Disclosure Requirements) Regulation,2015 and had come into force from April,2016 and the reporting for the companies required to report under the revised regulation had commenced from the Financial Year 2016-2017.This regulation highlights the changes amended in the Reporting statements of Business Responsibilities performed by various listed companies.

SEBI earlier mandated BRR requirements based on market capitalization of top 100 companies listed in their annual reports as per its circular dated August 13,2012.However,in the latest SEBI (Listing Obligations and Disclosure Requirements)(Amendment) Regulations,2016,it has extended the applicability of BRR to top 500 listed entities based on market capitalization as on March 31<sup>st</sup> every year.

The guidelines further emphasized that the BRR would describe the initiatives taken by the respective companies from an environmental, social and governmental perspectives, in the format as specified by the Board from time to time. Which can be accessible on the websites of the companies providing website link for the same in their annual reports as a green initiative.

### **3. Ministry of Corporate Affairs (MCA) Guidelines on Corporate Social Responsibility:**

The Ministry is primarily concerned with administration of the Companies Act 2013, the Companies Act 1956, the Limited Liability Partnership Act, 2008 & other allied Acts and rules & regulations framed there-under mainly for regulating the functioning of the corporate sector in accordance with law.

The Ministry is also responsible for administering the Competition Act, 2002 to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers through the commission set up under the Act. Besides, it exercises supervision over the three professional bodies, namely, Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and the Institute of Cost Accountants of India (ICAI) which are constituted under three separate Acts of the Parliament for proper and orderly growth of the professions concerned. The Ministry also has the responsibility of carrying out the functions of the Central Government relating to administration of Partnership Act, 1932, the Companies (Donations to National Funds) Act, 1951 and Societies Registration Act, 1980.

#### **The Companies (Corporate Social Responsibility Policy) Rules, 2014:**

The Companies (CSR Rules), 2014 came into existence on 27<sup>th</sup> February, 2014. It complies with the draft rules presented by the Ministry of Corporate Affairs in the Companies Act, 2013 (Under Clause 135). As per the Act "Corporate Social Responsibility (CSR)" means and includes but is not limited to -

- (i) Projects or Programs relating to activities specified in Schedule VII to the Act; or

- (ii) Projects or Programs relating to activities undertaken by the Board of Directors of a Company(Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act

The “CSR Policy” relates to the activities to be undertaken by the Company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company.

According to the Act every company having

- (i) A net worth of rupees 500 crore or more; or
- (ii) A turnover of rupees 1000 crore or more; or
- (iii) A net profit of rupees 5 crore or more

during any financial year shall constitute a Corporate Social Responsibility Committee and is compelled to shed 2 per cent of its net profits on CSR activities.

Some of the important provisions of the Act are highlighted below in brief –

Constitution of the CSR Committee: The CSR Committee of every company as per the provisions shall constitute of

- (i) Three or more directors;
- (ii) Out of which one director shall be an independent director.

The Committee shall be responsible for formulating a CSR Policy indicating the broad areas specified as per Schedule VII of the Act and recommend the same to the Company Board. The Committee shall also recommend the activities and the amount of expenditure to be incurred and time to time monitoring of the same.

The Board of every company should further ensure that the company spends, in every financial year, at least **2 per cent** of its average net profits made during the three immediately preceding financial years w.e.f. from 1<sup>st</sup> April, 2014. The provision emphasizes on the respective companies to give preference to the local area and the areas around which it operates for spending the amount earmarked for CSR activities.

Further, it also makes a provision for the Boards of the companies to specify the reasons for not spending the amount and if it fails to spend such amount as specified, the companies shall be penalized if it contravenes with the provisions without any valid evidence.

**Broad Areas of CSR Activities:** The broad areas on which CSR expenses can be incurred by a company for carrying on CSR activities (project form) as per Schedule VII includes the following –

- (i) Eradicating hunger, poverty and malnutrition, promoting health care, sanitation and safe drinking water.

- (ii) Promotion of education, special education and vocational skills
- (iii) Gender equality, women empowerment, senior citizens and economically backward groups.
- (iv) Protection of National Heritage, art and culture.
- (v) Benefits to armed forces, veterans and war widows.
- (vi) Ensuring environmental sustainability, ecological balance, wildlife and natural resources conservation.
- (vii) Technology incubators within academic institutions
- (viii) Rural sports, Paralympic and Olympic sports.
- (ix) PM National Relief Fund and any other funds set up by the Central Government for socio economic development and welfare of SC/ST/OBC.
- (x) Rural Development Projects
- (xi) Slum Development

4. **Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities by Institute of Chartered Accountants of India (Set up by an Act of Parliament), New Delhi, May 15, 2015:**

In order to provide guidance on certain accounting issues relating to the expenditure on CSR activities, the Institute of Chartered Accountants of India (ICAI) on May 2015 issued a guidance note on accounting for expenditure on the CSR activities (guidance note). It provides guidance on the recognition, measurement, presentation and disclosure of expenditure on activities relating to CSR activities. It does not deal with the identification of activities that constitute CSR activities.

The ICAI had earlier issued the 'Frequently Asked Questions on the provisions of the CSR under Section 135 of the Companies Act, 2013 and Rules there on' (FAQs) as an interim measure. On issuance of this guidance note, the FAQ related to areas covered by the guidance note stand withdrawn.

The guidance notes issued by the ICAI comprises guidance on -

- (i) Accounting of the CSR expenditure in the financial statements.
- (ii) Recognition of income earned from CSR projects/ Programmes or during the course of conduct of the CSR activities.
- (iii) Accounting for shortfall/excess spend and creation of provision in case of short spent
- (iv) Presentation and disclosure in the financial statements

The guidance notes issued by ICAI is a step to bring uniformity and greater transparency in accounting for expenditures of CSR practices across the companies in India.

**Conclusion:** CSR has become an integral part of every CPSE in India. The CPSEs has significantly contributed in the social and economic development of the country. The various CSR initiatives undertaken by the CPSEs in various disciplines such as education, healthcare, rural development, livelihoods, etc. is making a notable impact in the social upliftment of the country as a whole. Further to increase the CSR expenditure of the companies especially the CPSEs (being instrumental in the development of the nation), The Government of



India is time and again reframing the regulatory provisions and the slabs therein, with more clarity and uniformity with regard to the CSR activities which is of prime importance for the nationwide growth and development.

**References:****Websites:**

1. www.bsepsu.com
2. www.cag.gov.insitedefaultfilesaudit\_report\_filesreport\_6\_of\_2017
3. www.dep.gov.in
4. www.dhi.nic.in
5. www.icai.org
6. www.icsi.edu
7. www.mca.gov.in
8. www.sebi.gov.in

**Links:**

1. Handbook\_on\_corporate\_social\_responsibility\_in\_india.pdf\_AdobeReader (Global Principles and Guidelines) (retrieved on 27.05.2016 at 3.25 p.m.)
9. <http://dpe.gov.in/about-us/management-division/maharatna-navratna-miniratna-cpse> (retrieved on 28.02.2018 at 2.20 p.m.)
1. [http://dpe.nic.in/about\\_dpe/dpe\\_guidelines/miscellaneous/glch/1214](http://dpe.nic.in/about_dpe/dpe_guidelines/miscellaneous/glch/1214) (retrieved on 15.6.16 at 12.10 p.m.)
2. [http://dpe.nic.in/important\\_links/dpe\\_guidelines/CSRandSustainability](http://dpe.nic.in/important_links/dpe_guidelines/CSRandSustainability) (retrieved on 25.05.16 at 3.36p.m.)
3. [http://dpe.nic.insitesupload\\_filesdpfilescsr011111.pdf](http://dpe.nic.insitesupload_filesdpfilescsr011111.pdf) (retrieved on 27.05.16 at 3.50 p.m.)
4. [http://dpe.nic.insitesupload\\_filesdpfilesglch1223.pdf](http://dpe.nic.insitesupload_filesdpfilesglch1223.pdf) (retrieved on 27.5.16 at 3.48 p.m.)
5. [http://dpe.nic.insitesupload\\_filesdpfilesglch1224.pdf](http://dpe.nic.insitesupload_filesdpfilesglch1224.pdf) (retrieved on 27.05.16 at 3.42 p.m.)h
6. [http://dpe.nic.insitesupload\\_filesdpfilesglch1225.pdf](http://dpe.nic.insitesupload_filesdpfilesglch1225.pdf) (retrieved on 27.05.16 at 3.44 p.m.)
7. [http://dpe.nic.insitesupload\\_filesdpfilesglch1231.pdf](http://dpe.nic.insitesupload_filesdpfilesglch1231.pdf) (retrieved on 27.05.16 at 12.50 p.m.)
10. [http://dpe.nic.insitesupload\\_filesdpfilesglch1233\\_19092013.pdf](http://dpe.nic.insitesupload_filesdpfilesglch1233_19092013.pdf) (retrieved on 27.05.16 at 3.49 p.m.)
11. [http://dpe.nic.insitesupload\\_filesdpfilesglch1234\\_301020130001.pdf](http://dpe.nic.insitesupload_filesdpfilesglch1234_301020130001.pdf) (retrieved on 27.05.16 at 4.27 p.m.)
12. [http://dpe.nic.insitesupload\\_filesdpfilesGuidelines\\_on\\_CSR\\_SUS\\_2014.pdf](http://dpe.nic.insitesupload_filesdpfilesGuidelines_on_CSR_SUS_2014.pdf) (retrieved on 27.05.16 at 3.52 p.m.)
13. [http://dpe.nic.insitesupload\\_filesdpfileson\\_going\\_csr\\_activities0001.pdf](http://dpe.nic.insitesupload_filesdpfileson_going_csr_activities0001.pdf) (retrieved on 27.05.16 at 3.39 p.m.)
14. [http://dpe.nic.insitesupload\\_filesdpfilesSwachh\\_Bharat.pdf](http://dpe.nic.insitesupload_filesdpfilesSwachh_Bharat.pdf) (retrieved on 27.05.16 at 3.52 p.m.)
15. [http://dpe.nic.insiteupload\\_filesdpfilesglch1232\\_02072013.pdf](http://dpe.nic.insiteupload_filesdpfilesglch1232_02072013.pdf) (retrieved on 27.05.16 at 3.50 p.m.)

16. [http://www.dpe.nic.insitesupload\\_filesdpefilescontribute\\_to\\_PMNRF0001.pdf](http://www.dpe.nic.insitesupload_filesdpefilescontribute_to_PMNRF0001.pdf) (retrieved on 27.05.16 at 3.45 p.m.)
17. <http://www.icsi.eduwebmodulescompaniesAct2013CSR%20Final%200202215.pdf> (retrieved on 27.05.16 at 4.30 p.m.)
18. [http://www.igidr.ac.inpdfpublicationwWP\\_2015\\_023.pdf.pdf-](http://www.igidr.ac.inpdfpublicationwWP_2015_023.pdf.pdf-) (retrieved on 27.05.2016 at 4.14 p.m.)
19. [http://www.internationalseminar.org/XIV\\_AIS/TS%205%20A/2.%20S.%20Md.%20Ghouse.pdf946](http://www.internationalseminar.org/XIV_AIS/TS%205%20A/2.%20S.%20Md.%20Ghouse.pdf946) (retrieved on 18.06.17 at 2.10p.m.)
20. [http://www.janalakshmi.commp\\_contentuploadsevolution\\_of\\_csr\\_in\\_india.pdf](http://www.janalakshmi.commp_contentuploadsevolution_of_csr_in_india.pdf) (retrieved on 20.05.2014 at 4.25 p.m.)
21. [http://www.sebi.gov.incmssebi\\_dataattachdocs1464244385630.pdf](http://www.sebi.gov.incmssebi_dataattachdocs1464244385630.pdf) (retrieved on 15.06.16 at 12.06 p.m.)
22. [http://www.sebi.gov.incmssebi\\_databoardmeeting1449642399967\\_a.pdf](http://www.sebi.gov.incmssebi_databoardmeeting1449642399967_a.pdf) (retrieved on 15.06.16 at 12.17 p.m.)
23. [https://en.wikipedia.org/wiki/Ministry\\_of\\_Corporate\\_Affairs](https://en.wikipedia.org/wiki/Ministry_of_Corporate_Affairs) (retrieved on 26.08.2017 at 4.13 p.m.)
24. [https://en.wikipedia.org/wiki/Ministry\\_of\\_Heavy\\_Industries\\_and\\_Public\\_Enterprises](https://en.wikipedia.org/wiki/Ministry_of_Heavy_Industries_and_Public_Enterprises) (retrieved on 26.08.2017 at 4.10 p.m.)
25. [https://en.wikipedia.org/wiki/securities\\_and\\_Exchange\\_Board\\_of\\_India](https://en.wikipedia.org/wiki/securities_and_Exchange_Board_of_India) (retrieved on 26.08.2017 at 4.18 p.m.)
26. <https://www.icsi.eduwebModulesCompaniesAct2013CSR%20Final%200202215.pdf.pdf-AdobeReader> (retrieved on 27.05.2016 at 3.29 p.m.)
27. [National\\_Voluntary\\_Guidelines\\_2011.pdf](#), Ministry of Corporate Affairs, Government of India (retrieved on 20.05.2014 at 4.20 p.m.)
28. [WP-2015-023.pdf](#) (retrieved on 27.05.2016 at 4.17 p.m.)

**Books:**

1. BARE ACT (2014), '*The Companies Act, 2013 (18 Of 2013) with Allied Companies Rules*', Universal Law Publishing Company, New Delhi , pp- 336,446-450.
2. Pandab S.K. (2015), '*Companies Act, 2013 with Rules, Notes and Explanation*', Law Point Publications,Kolkata,3<sup>rd</sup> edition, pp – 1.164 -1.165