

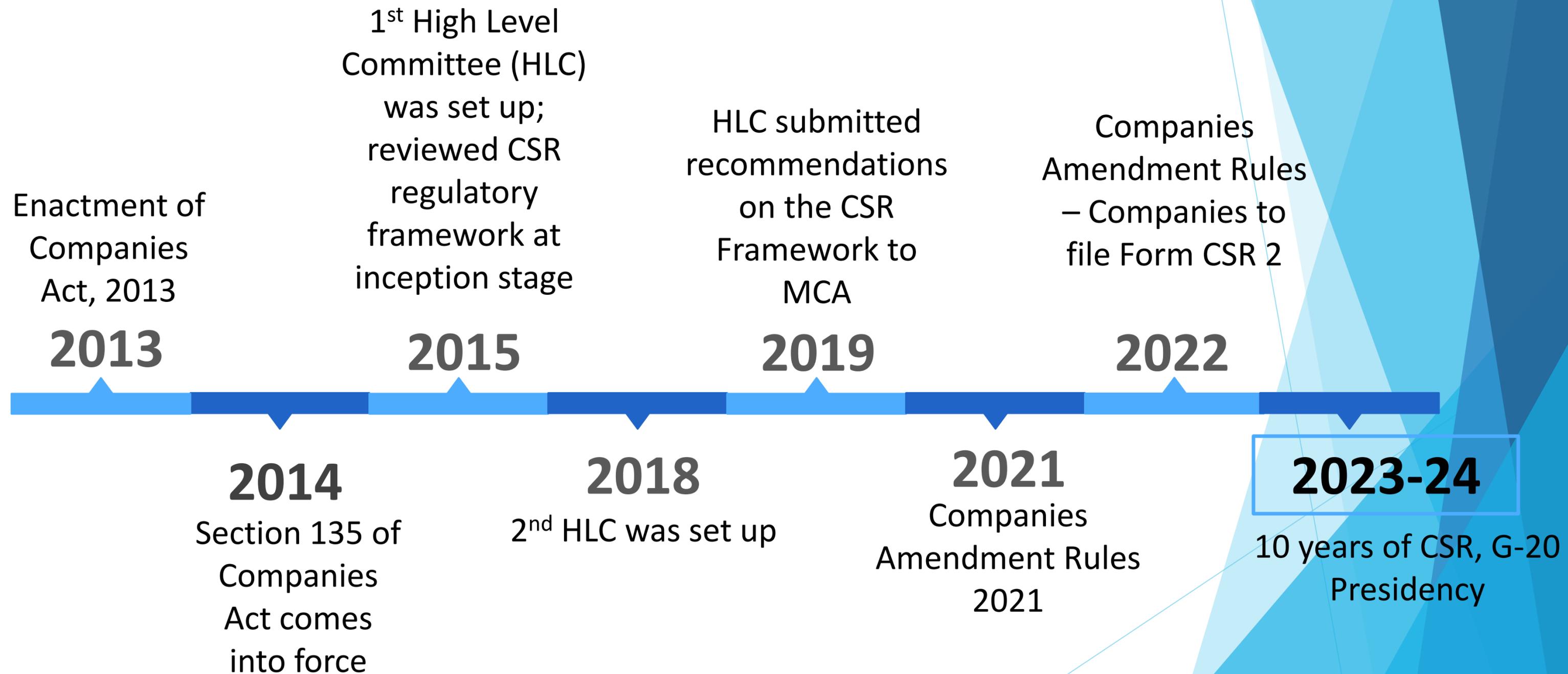
# 10 Years of CSR, and What Lies Ahead

**Nikhil Pant**

[nikhil@lakshyaa.co.in](mailto:nikhil@lakshyaa.co.in); [nikhil@reacha.org](mailto:nikhil@reacha.org)

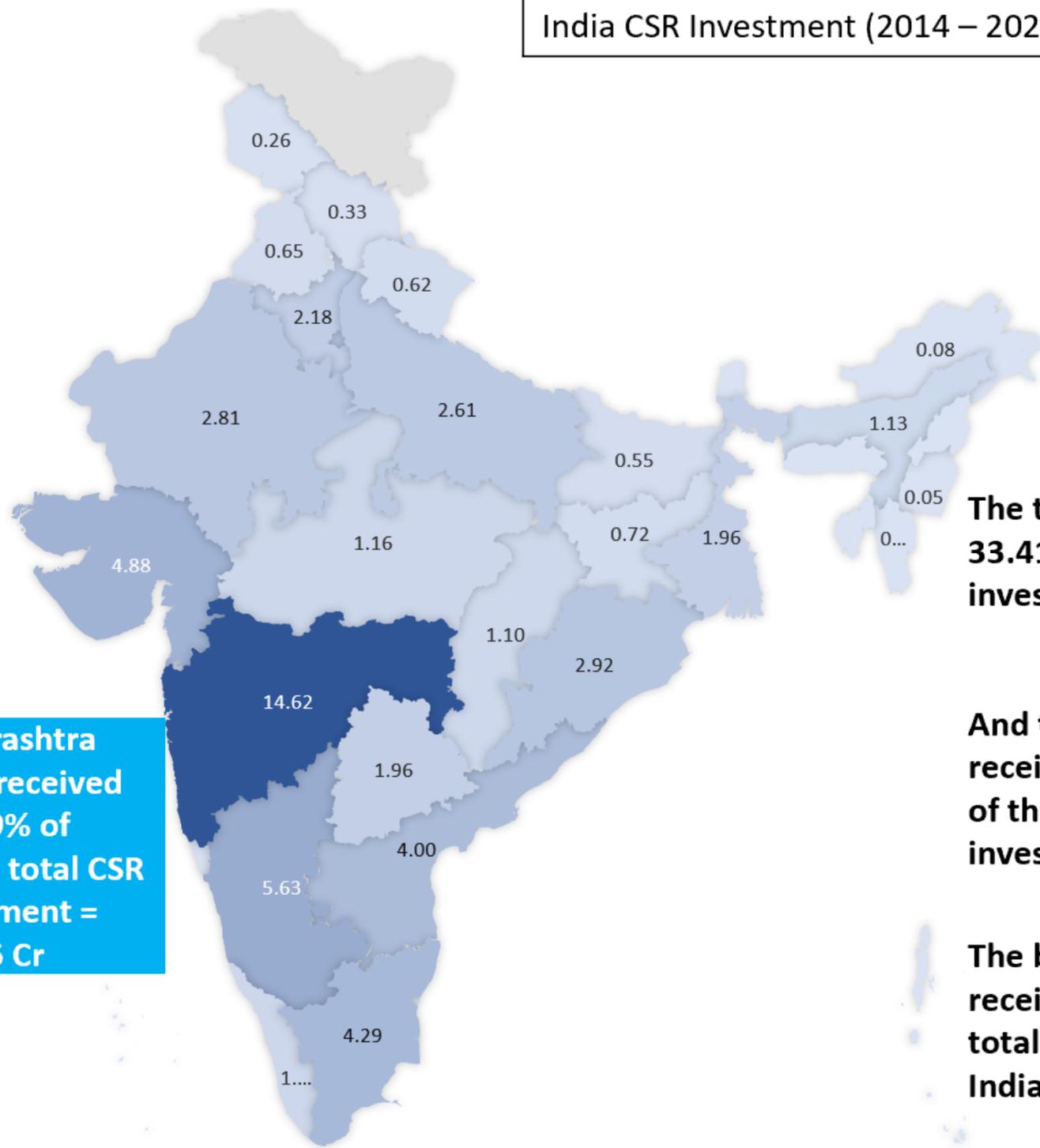
**Former Chief Programme Executive, NFCSR, IICA  
Ministry of Corporate Affairs, Government of India**

# Roadmap – Evolution of CSR Policy Framework: 2013 to 2024



# CSR Investment Distribution Across India (2014 – 2021)

India CSR Investment (2014 – 2021) | 1,27,618.6 Cr



NE Received 1.4% of total CSR = 1798 Cr

The top 5 states received a 33.41% of the total CSR investment in India.

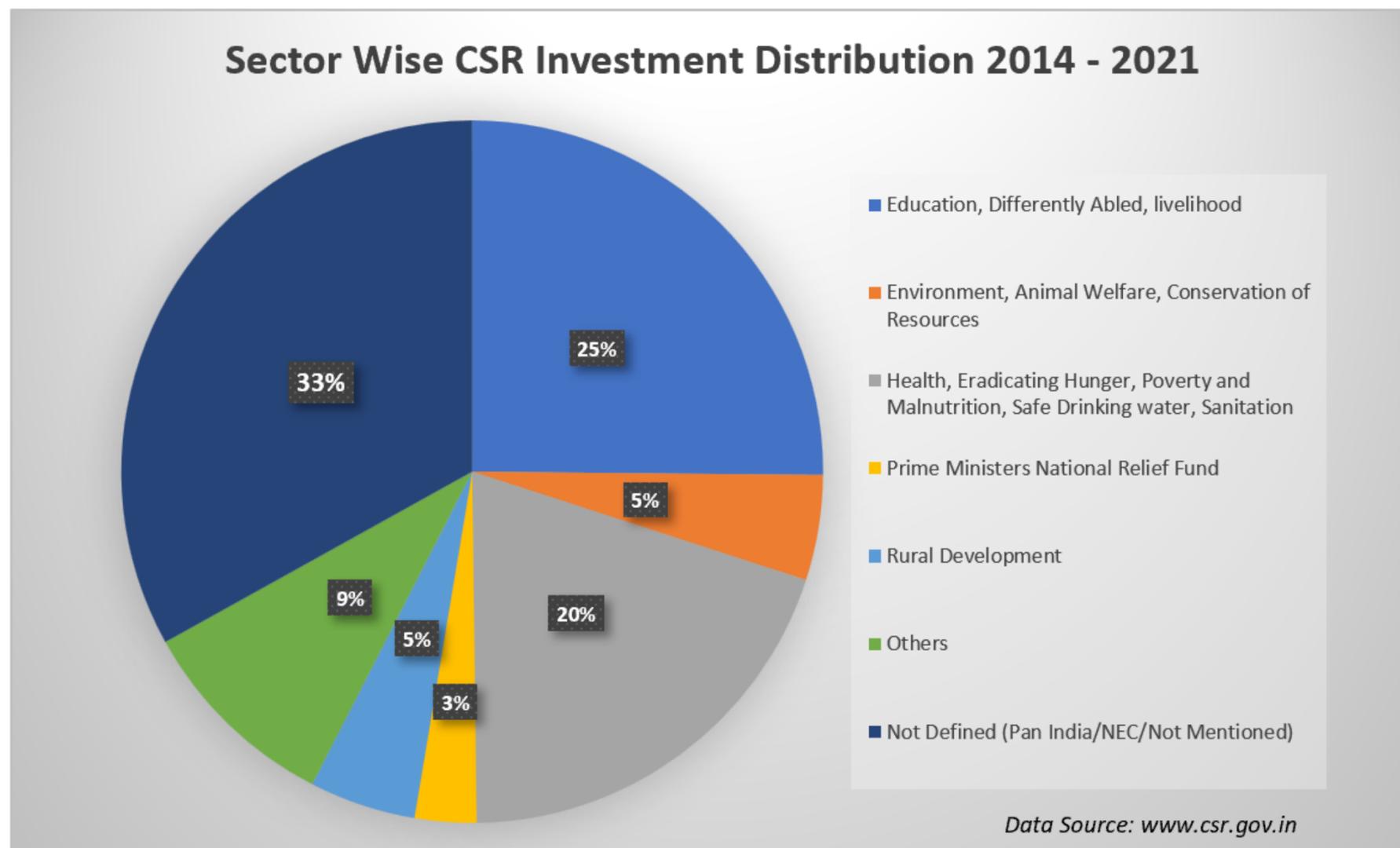
And the metro cities received a total of 29.65% of the total CSR investment.

The bottom 5 states have received a mere 0.06% of the total CSR investment in India.

Maharashtra alone received 14.619% of India's total CSR investment = 18,656 Cr

State	% of CSR Investment (2014 – 2021)
Gujarat	4.876%
Andhra Pradesh	4.002%
Tamil Nadu	4.286%
Karnataka	5.627%
Maharashtra	14.619%
Delhi	3.164%
West Bengal	1.959%
Andaman & Nicobar Islands	.006%
Lakshadweep	.002%
Mizoram	.004%
Nagaland	.012%
Tripura	.037%

# CSR Investment Distribution Across different Sectors in India (2014 – 2021)



- A total of Rs 32,094.76 Cr has gone towards Education and Livelihood sector (2014-2021)
- A total of Rs 25,274.18 Cr has gone towards Health sector (2014-2021)

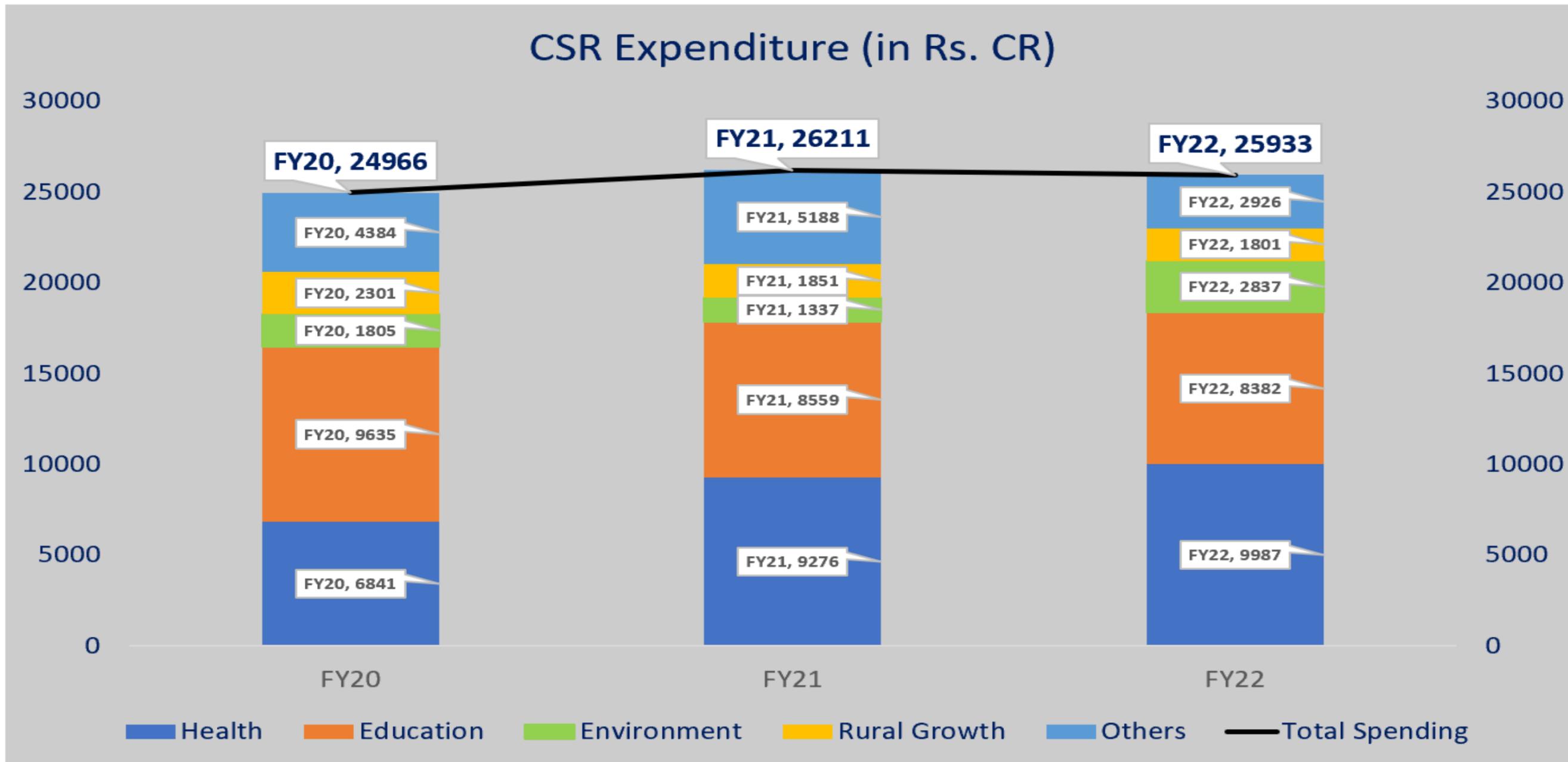
India CSR Investment (2014 – 2021)	1,27,618.6 Cr
------------------------------------	---------------

Sector	% of CSR Investment (2014 – 2021)
Education, Livelihood	25%
Health	20%
Rural Development	5%
Environment	5%
Prime Ministers National Relief Fund	3%

Sectors under Others: Clean Ganga Fund, Any Other Fund, Encouraging Sports, Gender Equality, Heritage Art and Culture, Other Sectors, Others, Slum Area Development and Swachh Bharat Kosh

\*33% of the CSR Funds (2014-21) went to Pan India/NEC/Not Mentioned where sectors were not recorded

# CSR spending goes greener, with Health leading the sector wise spend as of FY 22



- As the focus on sustainability gathered traction, CSR expenditure on the environment more than doubled in FY 22.
- Pandemic prompted companies to sharply raise spending on health.

# CSR SPEND BY NSE-LISTED COMPANIES (2022 – 23)



**CSR SPEND in 2022 – 23**

**INR 15,524 Cr**

CSR spend by companies listed on NSE main board rose by 5 per cent to INR 15,524 crore in 2022-23, in comparison to INR 14,816 crore spent in 2021-22



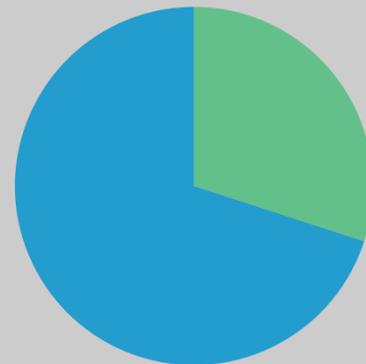
**No. of companies which spent**

**1271 out of 1296**

The number of companies which spent on CSR went up to 1271 in 2022-23 from 1191 in 2021-22.



**Top 10 Companies in terms of CSR spends ~ 33%**



■ Top 10 Companies ■ Rest



**# of companies increased spends YoY**

**721 ~ 64%**

On an overall basis, 721 companies or 64 per cent increased their spending from the previous year.



**CSR Spends**

**396**

Companies (31%) spent as much as prescribed

**630**

Companies (49%) exceeded their prescribed spending

- ✓ The average 3-year net profit of companies listed on NSE has almost doubled from INR 4.18 lakh crore in 2014-15, the first year of this regulation, to INR 8.14 lakh crore in 2022-23.
- ✓ The top 10 companies together spent 33 per cent of the total spend on CSR.
- ✓ There were also 48 companies which despite reporting a loss, spent on CSR.
- ✓ There were 248 companies which missed the mandatory spending of two per cent of net profit (281 in 2021-22)
- ✓ PSU spending saw a decrease of 17 per cent from previous year.
- ✓ 916 companies spent more than INR 50 lakh, however 932 companies had a CSR committee in place.

1,893 companies were listed on NSE as on March 31, 2023. This analysis is based on 1,296 companies that were obligated to spend CSR for which Annual Reports were available.

Source : Prime Infobase

# CSR SPEND BY NSE-LISTED COMPANIES (2022 – 23)



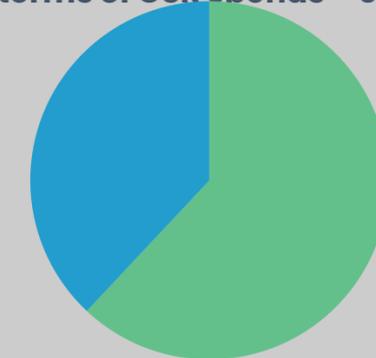
## Education Spends

**INR 1,211 Cr**

Education received the maximum spend (INR 1,211 crore) followed by Healthcare (INR 825 crore). Areas such as slum development, armed force veterans and technology incubators saw lower spends.



Top 10 States (Maharashtra, Rajasthan, Gujarat, Tamil Nadu, Chhattisgarh, UP, Haryana, Telangana, Odisha, Karnataka) in terms of CSR spends ~ 62%



■ Top 10 States ■ Rest



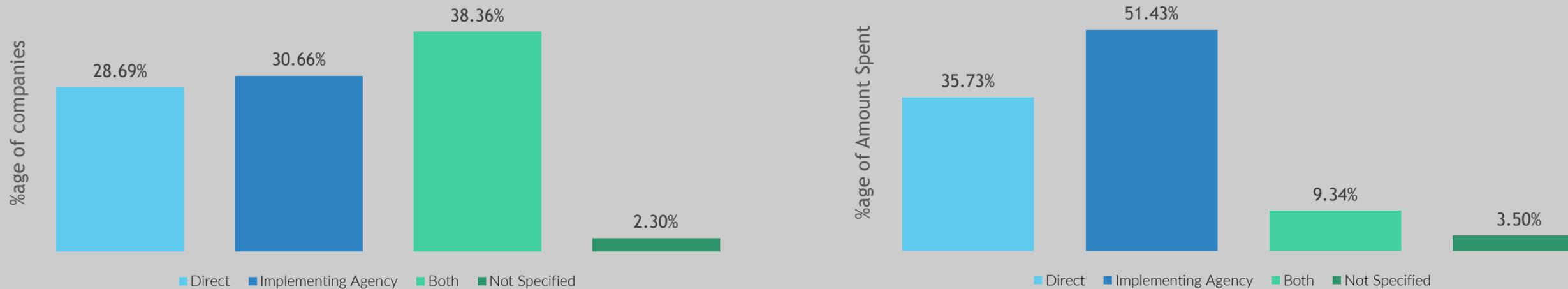
## Covid & PM CARES

**INR 96 Cr**

2022-23 was the first full Covid-free financial year. Thus, as expected, amount spent on Covid related relief activities went down sharply to just INR 96 crore. (In 2021-22 this was 3,133)



## Direct Spends vs using Implementing Agencies (for which project details are available)



# Key Points from Ministry of Corporate Affairs Newsletter dated June 2023

## Key Points:

- While **Sustainability is about** factoring the social and environmental impacts of conducting business, that is, **how sustainably profits are made**, Corporate Social Responsibility (**CSR**) **focuses on** what is done with the profits made and whether they are **utilized for the greater good of the society**
- **CSR** has evolved from a peripheral aspect of business to a **strategic imperative**.
- The **government's intention** to make **CSR** more **robust** is quite evident in the initiatives undertaken, such as the need to certify the **utilization** of CSR funds by a Chartered Accountant (**CA**)
- Education, healthcare, and rural development are the top three development sectors receiving the CSR funds



## Challenges:

- In **FY 2021** the **CSR spent** was Rs. 26,210 crore which is almost **twice** in comparison to **FY 2016** where Rs. 14,542 crores were spent
- However, **the impact** of the CSR funds is **not widely felt** and there is a need to enhance the visibility as well as impact of these invested funds.
- There has been **uneven distribution** of the CSR Funds across the states of India with 10 states receiving 44% of the CSR funds
- Northeast states received a mere 0.91% of the funds in FY 2020-21
- The emphasis should be on creating an appropriate structure for CSR, ensuring that the funds go towards the well-being of the community, hence the **intent to do good for the society becomes important**

# Evolving Trends: 10-Fold Building Blocks – CSR Policy Framework: 2024 - 2030

1. CSR Policy Stability aligned to Government Mandate

3. Penalty for delays and non-compliance

5. NGOs as Partners in Compliance

7. Government becoming a facilitator/collaborator and not merely a regulator

10. CSR becoming a decisive tool in progress towards achieving SDG

2024

2030

2. Increased focus on Timely Spends of CSR

4. Business case to CSR gaining more traction

6. MCA likely to bring in changes in CSR Rules

8. Impact Assessment gaining traction

9. Auditors getting better oriented to S.135 – facilitating rather than restricting

# Indian CSR: Focus to achieve SDGs

- The Challenge of achieving SDGs in the Decade of Action (2020 - 2030) accentuated by Covid 19 and Global Slowdown
- **Green Growth with focus on Sustainable Development** as the Way Forward  
“Vasudhaiva Kutumbakam” or **“One Earth · One Family · One Future”** during **G-20 Presidency of India**
  - The concept of **LiFE** (<https://www.mygov.in/life/>) - Lifestyle for Environment - environmentally sustainable and responsible choices, both at the level of individual lifestyles as well as national development, leading to globally transformative actions resulting in a cleaner, greener and bluer future
  - **Period from 2024-2030 will be crucial to move towards Climate Resilient Action**

# Indian CSR: Stakeholder Roles Getting Better Defined

**Indian CSR can be the Game Changer again in the Decade of Action** to facilitate achievement of SDGs: Become the **catalyzing force multiplier** like it did from 1 April 2014 till date:

- Role of Government: Rollout of **Enabling Policy Frameworks for Green Development**
- Role of Corporate India: **CSR Policy change can embed Green Growth CSR** as a key enabler to direct CSR investments in this direction, in **partnership with Government**
- Role of NGOs: Implementers as **last mile “Impactful” changemakers** to align growth and human development to climate change and conservation
- Role of Community: **Concerted community engagement & participation**
- **CSR Compliance with Measurable Impact - Fundamental shift with CSR maturity**

# So, what is CSR - Section 135, Companies Act 2013 – A quick recap

Companies incorporated in India and having either of the following in any of the **immediately preceding financial year**

Net worth of INR 500 Cr or more

Turnover of INR 1000 Cr or more

Net profit of INR 5 Cr or more

CSR Budget = Every financial year, at least 2% of the average net profits made during the **immediately 3 preceding financial years**

CSR Is a Board level function since 1<sup>st</sup> April 2014 – The Board of each Qualifying Corporate must form a CSR Committee of the Board

## Role of the Board of the Company

1. Approve and disclose CSR Policy in the Annual Directors' Report and on company website

2. Ensure implementation of CSR activities as per the Policy

3. Report on actual spending /utilization

4. Directors' Report to specify reasons incase the specified amount is not spent

## CSR Committee of the Board

1. Comprising of 3 or more directors with at least one independent director

2. Composition to be disclosed in the Annual Board of Directors' Report

3. To formulate CSR Policy for the company, clearly stating budget and activities

4. To monitor implementation of this CSR Policy

# CSR can be undertaken in several ways as per Schedule VII of the Companies Act 2013

1. Company Vehicle / NGO / Foundations  
(Can be new)

Activities Route

Form CSR1; 12A or 10(23C) & 80G

2. External Vehicle / NGO  
(Min 3 years old)

Activities Route

Form CSR1; 12A or 10(23C) & 80G

3. Central / State Govt Vehicle  
(Can be new)

Activities Route

Form CSR1

- Registered Trust
- An 1860 Society
- A Section 8 Company

4. Parliament / State Legislature  
Established Entity  
(Can be new)

Activities Route

Form CSR1

5. PM Cares

- PM National Relief Fund
- Any central govt fund for SC, ST, BCs
  - Swachh Bharat Kosh
  - Clean Ganga Fund
- Above are all contributions route

6. Qualifying Incubators & research & Development Projects in STEM

- Qualifying institutions in STEM research for achieving SDGs
  - Above are all contributions route

CSR can be undertaken in a number of ways besides directly by the qualify company as per Schedule VII of the Act

**SCHEDULE VII**  
(See [Section 135](#))

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

<sup>1</sup>[(i) Eradicating hunger, poverty and malnutrition, <sup>2</sup>["promoting health care including preventive health care"] and sanitation <sup>4</sup>[including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water <sup>4</sup>[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].

(v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, <sup>9</sup>[ Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund <sup>8</sup>[or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

<sup>10</sup>[(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]

(x) rural development projects]

<sup>3</sup>[(xi) slum area development.

# CSR POLICY TRENDS - WATERSHED MOMENT ! (2021-2022)

## 5 Mega trends in CSR Compliance that all MUST KNOW

1. CSR spending is now MANDATORY
2. Spending timeframes are now FINITE TIME PERIODS
3. NGOs are partners in implementation & COMPLIANCE
4. Government/Ministry of Corporate Affairs (MCA) is CLOSELY MONITORING CSR SPENDING & COMPLIANCE
5. Government is actively utilizing CSR for NATION-BUILDING and DISASTER MANAGEMENT; **Green Growth CSR will get impetus going forward**

# Deeper Dive into Macro trends in CSR Compliance For Corporates

1. CSR High Level Committee (HLC) Recommendations getting implemented
2. Comply or Explain is NOW Comply & Spend. Thus, CSR spending is now mandatory
3. Higher Board Level Accountability - Transparency, Monitoring, Approvals, Reporting
4. Spending = Allocation + transfer + utilization with CA Certificate
5. Ongoing Projects defined to give elbow room to spend over a 1+3 year period
6. Annual Action Plan (AAP) made mandatory - to sync Grant Cycle to FY Cycle
7. Clarity presented on some unclear areas like Admin Overheads, Surplus, Set-off etc.
8. Role of CFO now becomes particularly important. Key collaboration must now be between CFO, CSR Head, CA and CS.
9. Treatment / Reporting of Capital Assets defined
10. Impact Assessment now part of Compliance as per stated criteria
11. Business / for-profit activities must be clearly kept away from CSR activities.
12. Non-Compliance - Civil Offence with monetary penalty on all concerned

# Deeper Dive into Macro trends in CSR Compliance Implementing Agencies (NGOs)

Implementing Partners / NGOs are NOW PARTNERS IN COMPLIANCE TOO

1. Key role for NGO Leaders to be pro-active
2. Must spend/utilize in timely manner within FY/1+ 3 years for Ongoing Projects
3. Registration u/s 12A or 10 (23C), and 80G of IT Act 1961 made mandatory
4. Form 10BD is to be filed by 31<sup>st</sup> May of the next FY u/s 80G. Form 10BE must be obtained by the donor from NGO/donee to avail tax exemption.
5. Registration at Form CSR-1 helps bring donor and donee within the same umbrella of Ministry of Corporate Affairs; likely in future - NGO reporting on CSR Utilizations against allocated Form CSR-1 Registration
6. **Lack of Compliance support to Corporates = Who moved my Cheese!!**

**CSR Spending Distribution Chart - Broad activities as per Companies (Corporate Social Responsibility) Amendment Rules 2021 and September 2022**

	5% of CSR Expenditure for given FY	2% (if applicable, else part of Actual CSR Spends) of CSR Expenditure for given FY	Actual CSR Spends (expenses directly incurred) through Activities & Contribution Route (93% if Column B is applicable else 95% of CSR Expenditure)		
	A	B	C	D	E
<b>Budget Heads As per CSR Rules 2021</b>	5% admin overheads - General Management and Administration of CSR	Impact Assessment - 2% of CSR Expenditure in the FY or Rs. 50 lacs whichever is higher, for qualifying companies can be used for Impact Assessment	Designing of CSR projects and programs	Implementation of CSR projects and programs Direct by Company, an 1860 Society, Trust or Section 8 Company or as per other entities under CSR Rule 4(1) (a) to (d)	Monitoring and Evaluation (M&E) of CSR Projects
<b>Activity sub-heads that may qualify under stated Budget Heads**</b>	Board level compliances like CSR Policy, Strategy, Annual Action Plan, Management of Board Agenda and documentation of Board Minutes, Action Points & related Follow-ups etc.; CFO, CA & CS compliances, HQ employee costs, legal and audit expenses, office supplies, stationary, admin related HR, travel etc - all as part of General management and administration of CSR; Mandatory CSR Reporting etc.	As required/Applicable; to be undertaken by an independent agency(not part of implementation) commissioned by the qualifying Corporate.	May include - Need assessment, RFP (Request For Proposal), Project design, Due diligence and Selection of NGOs, MoU, Budget plan, Theory of Change, Model of Intervention, Baseline & Endline Surveys etc.	1) Activities Route: Actual implementation of CSR Projects and Programs by above entities - All of these must be registered under Form CSR-1 with effect from 1 April 2021, and non-government ones amongst these must also be Registered u/s 12A or 10 (23C) of the Income Tax Act 1961, and 80G of the Income Tax Act 1961. 2) Contribution to Funds Route: via contribution to various funds specified in Sc VII. 3) Contribution to incubators and R&D projects as per Sc VII (ix)(a) and (ix)(b). Note: for bullet 2) above, Budget Heads in Columns C, D & E will not apply and CSR funds would go direct into government funds.	M&E plugged into Project budget; can be spent via partner NGOs or taken up by Company itself/third party or both.

Note: 1) \*\* Activity sub-heads stated are suggestive based on CSR expert experience; may include other related activities also that align with concerned Budget Head/s as per applicable CSR Rules;

2) CSR Obligation = 2% CSR as per Section 135(5) + Surplus (like interest on SB A/C) - Set-off (CSR spend over and above 2% in a given FY);

3) To achieve outcomes/impact and S.135 Compliances SMEs/Consultants/Agencies with requisite know-how can be suitably deployed by the Corporate / NGO;

4) Interest calculation for CSR funds received in Savings Bank Account must be calculated precisely as far as possible, and validated by the CA of Implementing Agency as part of the Utilization Certificate;

5) Column D includes Admin expenses that may be needed for project implementation - direct by company or by an Implementing Agency. This is different from 5% Admin Overheads as stated in Column A, that can be used by the company for general management & admin of overall CSR that it is mandated to do;

Note: This chart is indicative, and must be read in conjunction with applicable CSR legislation, CSR Rules & FAQs etc. If any difference, the latter must be adhered to.

Conceptualized by: Nikhil Pant, Founder Lakshyaa ([nikhil@lakshyaa.co.in](mailto:nikhil@lakshyaa.co.in))

**Looking into the future: 2024-25 to 2030**

# Leveraging CSR to Achieve SDGs - Few key **Horizontal**s to embed in CSR initiatives

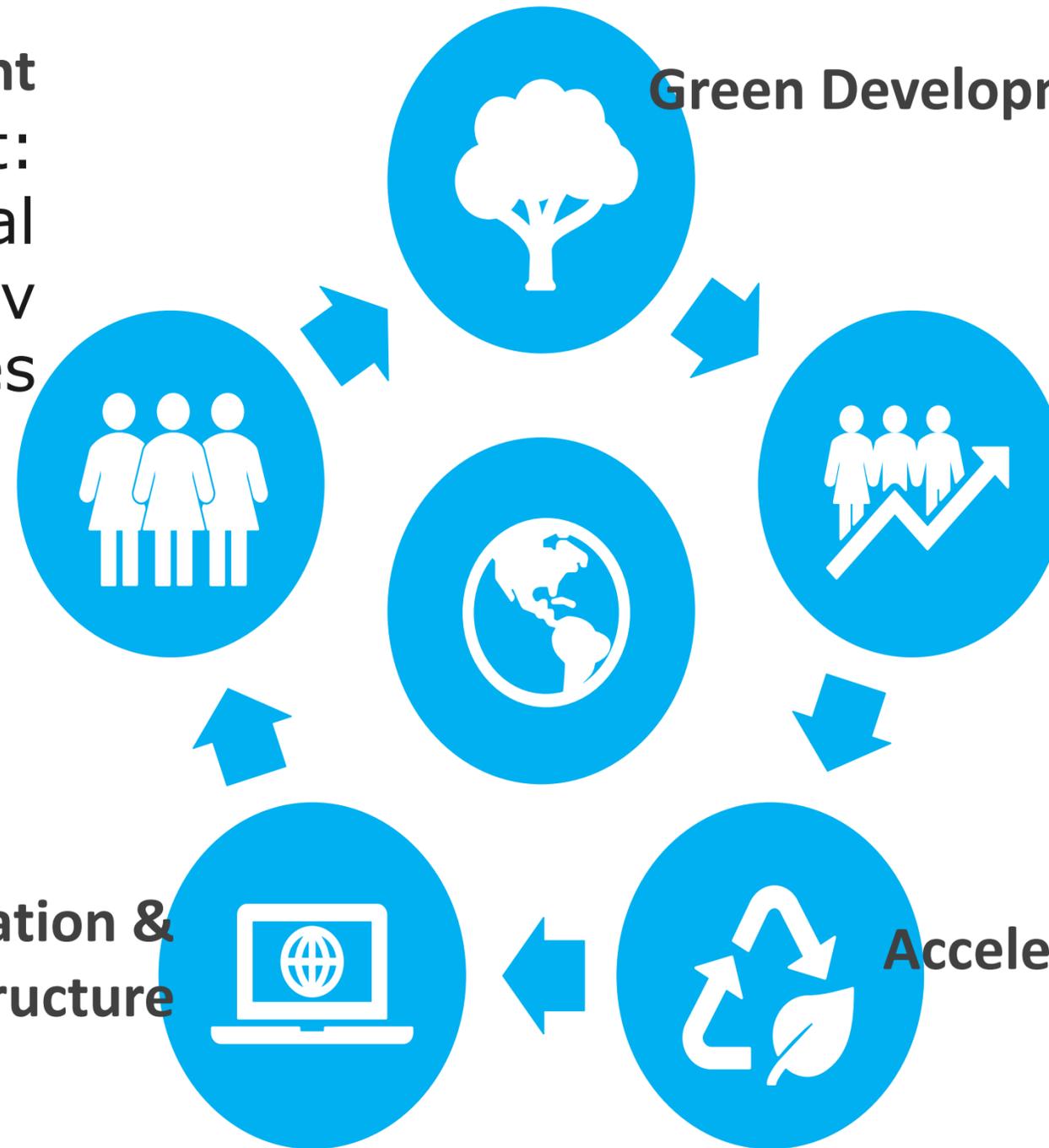
**Women-led development**  
Women-led development:  
Position India as a global  
leader in Women led dev  
elopment issues

**Green Development, Climate Finance & LiFE**

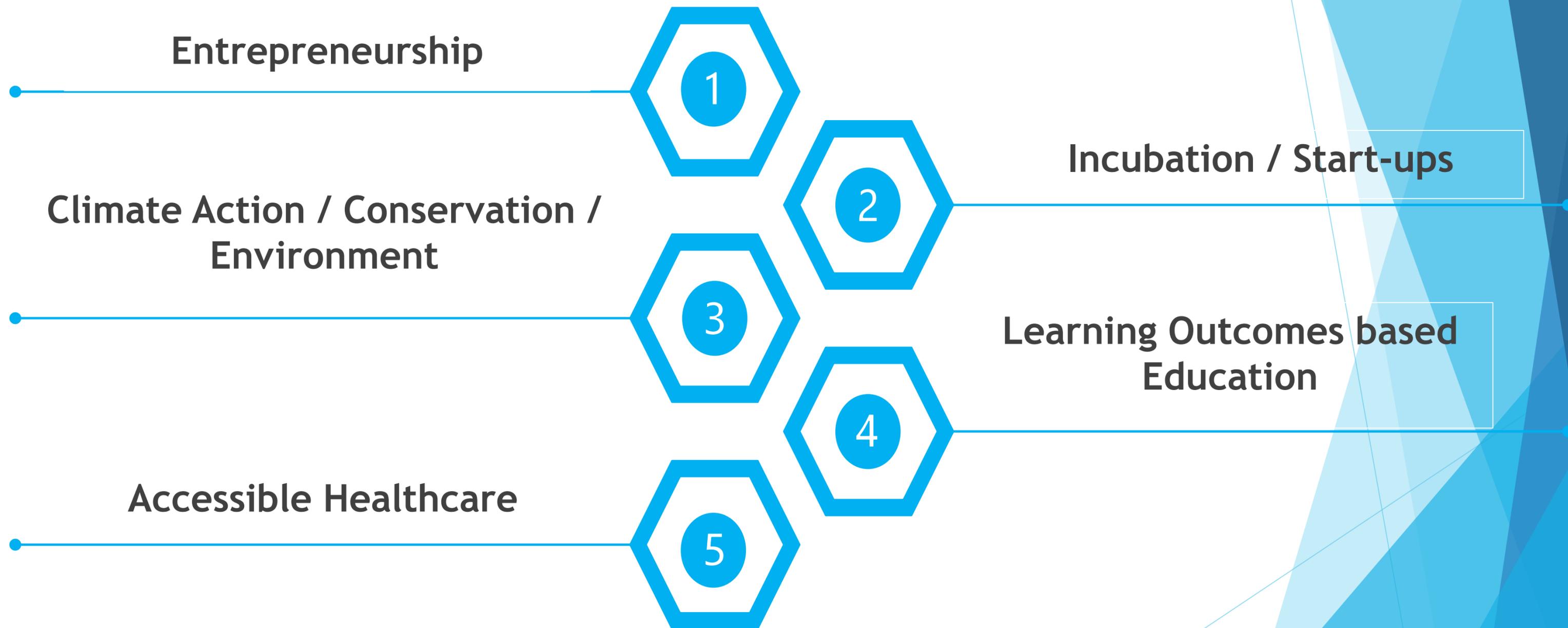
**Accelerated, Inclusive &  
Resilient Growth/  
Remote Areas included**

**Tech-based Transformation &  
Digital Public Infrastructure**

**Accelerating progress on SDGs**



# Leveraging CSR to Achieve SDGs - Few key **Verticals** to drive CSR initiatives



**Thank You**

[nikhil@lakshyaa.co.in](mailto:nikhil@lakshyaa.co.in)

[nikhil@lakshyaaimpact.org](mailto:nikhil@lakshyaaimpact.org)