

Less than half of India Inc meets social spends norm

Cos Cite Reasons Like 'Unable To Find Suitable CSR Project'

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Mumbai:

Recent news that company officials could be jailed for not complying with mandated corporate social responsibility (CSR) spends may be causing ripples, but the first comprehensive survey since the rules came into effect in 2013 reveals that corporate India has clearly failed to give back.

Less than half of the 21,337 companies that are liable for CSR are fulfilling their obligations, citing reasons like "suitable project not found", which many who work at the ground level in the social sector are finding hard to digest.

"While some of the stated reasons may be reasonable, most others are untenable," states the August 2019 report, which has been signed off by senior stakeholders in the government, corporate and philanthropic sectors.

The committee recommends that there be no imprisonment for failure to comply, but that a penalty of 2-3 times the default amount be imposed, subject to a maximum of Rs 1 crore. It suggests that the unspent amount be transferred to a separate designated account and this, plus the interest earned, be spent within a period of three to five years.

"While the compliance levels are abysmal, what is more alarming is that the states that need the most development support are receiving the least funds," said Deval Sanghavi, co-founder of Dasra, a strategic philanthropy foundation.

"The funders prefer to work in and around their factories. But those areas are already going to have better development," said Sanghavi.

Sanghavi also pointed out that the CSR approach should change from one of handouts to one of impact. "So, when we say build 1,000 toilets, we don't ensure that they're all connected to a water treatment plant. You are pushing corporates towards quick-fix solutions. Impact should be measured differently."

One of the recommendations of the report is that central government schemes be excluded from CSR. "The government should not be able to direct where the funds go, as long as they spend 2%, because there is the danger that any government could direct the resources into schemes that are political in intent," says Ujwal Thakar, a board member on various organisations in the health, education and livelihood sectors.

Last year, a total of Rs 13,326 crore was spent on social projects under CSR, mostly in the area of education and health & sanitation, according to the report.

CSR rules require that a company with a net worth of more than Rs 500 crore or more, or a net profit of more than Rs 5 crore, is required to spend 2% of its average net profit of the preceding three years on the social sector.

HOW FUNDS WERE SPENT

➤ Poor states — such as Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh & Uttar Pradesh — received only 9% of total CSR funds

➤ Maharashtra, Karnataka, Andhra Pradesh, Gujarat, Tamil



Nadu and Delhi received about 40% of the money

➤ Northeast region was the lowest recipient of the social spends

➤ In the previous year, India Inc spent ₹13,326cr on social projects under CSR