

17% of CSR fund unspent among listed companies

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Listed companies spent close to ₹83 out of every ₹100 earmarked for corporate social responsibility (CSR) projects. The proportion of unspent capital has been on the decline since a few years.

The government has now introduced changes that will reportedly require companies to transfer CSR funds to a ring-fenced escrow account, and then transfer the unspent amount to a government fund, which will then be used for public welfare.

Further, the government is considering the option to punish directors of companies that do not spend the required amount in CSR activities, as mandated by law.

An analysis of data from corporate tracker nseinfobase.com, of listed companies' disclosures, shows that the required CSR funds rose to ₹10,365 crore in FY18. This pertains to firms listed on the NSE as of the end of the financial year, and is for those that are required to make such allocations and have provided data on the same.

The shortfall in spend was ₹1,741 crore. This is 16.8 per cent of the total requirement. The gap stood at 29.8 per cent in FY15.

The law mandates companies to spend



HOW THEY FARED

Figures in (₹ cr)

■ Required CSR spend
■ Actual CSR spend



Note: Based on companies listed on NSE as of each financial year's end. Considers those required to spend on CSR and for whom data was available. Some companies spent more than the required amount. Source: nseinfobase.com

at least 2 per cent of their average net profits over the previous three financial years on such projects, with a preference for the local area in which they operate.

If one factors in the excess spends too, the difference between the actual spends (including the excess) and the required spend is in low single digits.

For example, companies were required to spend ₹10,365 crore in FY18. Some spent less than their mandate. The total stood at ₹8,624 crore. However, if one includes the excess spends by other companies, the total spend by listed firms stands at ₹10,116 crore.

This is only 2.4 per cent less than the mandate. The deficit — if one considers such excess spends — has been on the decline. It was 7.5 per cent in FY16, and 6.5 per cent in FY17.

CEOs have said it is not a good idea to bring in punitive measures. "Some projects require money during specific intervals, like construction of a school. Hence, there are chances that a company may miss the targeted amount. But bringing in a law to punish directors is not a good idea," said the CEO of a mid-sized company asking not to be named.