MINISTRY OF CORPORATE AFFAIRS

सत्यमेव जयते

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Unveiling CSR Trends: A step towards Sustainability

Doing business in an unpredictable world can get problematic and cumbersome as climate change, dwindling natural resources, and ever-increasing demands on energy and food supply, disrupt business operations and supply chains in unexpected ways. It has become necessary for private and public organizations to fundamentally rethink the way they function. Transforming into a successful sustainable business requires new levels of resilience and agility, rooted in responsible practices.

Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental conservation. 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. Hence, the practice of CSR is an important component of sustainability or responsible business.

In the present times, CSR has shifted from traditional philanthropic activities to community development through various projects. It has evolved from a peripheral aspect of business to a strategic imperative. By mandating CSR through statutory obligations, India became one of the first countries in the world to create a legal framework on CSR and statutorily direct companies to report on the same. Section 135 of the Companies Act, 2013 is the foundation of this regime. 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 if the implementation is done through a third party.

To measure and evaluate the effectiveness and outcomes of the CSR initiatives, the Ministry notified the Companies (CSR Policy) Amendment Rules, 2021 ('Rules') vide notification dated 22.01.21 through which the tool of Impact Assessment was introduced. It requires specified companies to undertake impact assessment through an independent agency. To maintain accountability and transparency such reports are to be placed before the Board as well as annexed to the annual report on CSR. Further it mandated that companies with unspent CSR funds to constitute a CSR committee irrespective of its obligation amount.

From the analysis of CSR data, it is seen that education, healthcare, and rural development are the top three development sectors receiving the CSR funds. Since the enactment of the CSR provisions, these three sectors have always attracted major CSR funds given their importance and potential impact on society. Looking at the numbers from the last seven years, i.e 2014-15 till 2020-21, based on the filings made by the companies in the MCA21 registry, education sector received nearly Rs. 47187.68 crores (including education, livelihood enhancement projects, special education and vocational skills), which amounts to approximately 37% of the total CSR expenditure. The health sector (including health care, poverty, eradicating hunger, malnutrition, sanitation and Swachh Bharat Kosh) comes next with 30% of the CSR expenditure amounting to Rs. 38011.49 crores. More than Rs. 12,300 crores were spent on Rural development projects which accounted for 9.6% of the total CSR expenditure. The three sectors together accounted for nearly 76.6% of the total CSR expenditure incurred in the country in seven years. One of the reasons behind the focus on these sectors could be their alignment with the country's sustainable development goals. However, for the country's overall development, it would be better if the companies incur CSR expenditure over all the development sectors.

The nature of CSR being dynamic, the expenditure can vary each year based on multiple factors. However, what is commonly understood with the data of MCA21 registry is that some states in India have received significantly more portion of CSR funds due to various factors such as the presence of major corporations, industrial development, and social development needs. This disparity however, is common in other aspects also, such as state-wise distribution of net proceeds of union taxes and duties as well.

Data shows that in FY 2020-21, over 44% of the CSR funds went to ten states. These top ten beneficiary states include eight of the largest state economies by their FY20 GDP- Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Uttar Pradesh, Tamil Nadu, Rajasthan, and Madhya Pradesh. These states are the financial and industrial bases, and are major hubs for technology companies and startups which is why they are known for their business-friendly environment. This could be one of the reasons for them attracting a significant amount of CSR funds. It is seen that the companies tend to spend the CSR funds in the areas where it operates to gain the goodwill of the local community given that the support of the local community is just as important for the running of their business smoothly. It is seen that Maharashtra, Gujarat and Karnataka, received the largest share of CSR funds, with Maharashtra alone receiving 13.21% of the total during FY 2020-21.

In contrast, the northeastern states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura received a mere 0.91% of the funds in FY 2020-21. Some other reasons could be the lack of infrastructure and resources for implementing CSR projects in the region, lack of awareness about the importance of CSR among companies operating in the regions receiving lower funds. This is concerning, as the smaller regions are the most socio-economically and culturally diverse in the country and have a high incidence of poverty and underdevelopment. It is imperative that there is a balance of local area preference with national priorities to avoid any concentration of CSR funds in specific regions. The Board of the corporations, may on their own initiative, be required to take measures needed to augment the CSR Funds for areas where development is needed.

The potential reason for such disproportion could be that, Section 135(5) of CA13 provides that the companies shall give preference to the local area and areas around it where it operates. However, it's not mandatory to do so as the world has become too intricately close with the advent of digitalization and it is difficult to define what the local areas of operations are.

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, which indicates an upward trend in the CSR expenditure. 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. To ensure that the impact of CSR is deeply felt, it is imperative that the companies take a long-term comprehensive approach to yield productive results. For increased effectiveness and efficiency, it is important to execute CSR efforts strategically with the right balance of capital investments and operational expenses. Moreover, it is also essential to ensure that the initiatives undertaken are self-sustaining, so that the programs run seamlessly and efficiently, without them being a burden on the company. The emphasis should be on creating an appropriate structure for CSR, ensuring that the funds go towards the well-being of the community. Further, highest quality of risk management framework needs to be adopted, so as to make the CSR projects sustainable.

For yielding high results of CSR initiatives, the entire chain involved in the execution should be in consensus. One of the recurring issues for companies has been the identification of suitable Implementing Agencies (IAs). The introduction of the National CSR Exchange Portal in 2022 is a step towards answering this obstacle. The National CSR Exchange Portal serves as an e-marketplace hosting PAN India social welfare projects where stakeholders such as Implementing agencies can put up their ongoing projects and companies can select projects for CSR Spending as per their preferences and vice versa.

India's philanthropic landscape has undergone major changes over the past years. Mandating CSR helped the corporate sector transition from a voluntary and unsystematic approach to a structured way of contributing to social welfare. Although the law has infused capital into the social sector, the impact and effectiveness of the programs needs to be measured to help identify gaps and solutions. Lastly, instead of a narrow perception of CSR, one needs to understand the holistic view of it. The Government of India is willing to take measures to facilitate Ease of Doing Business by making an effective and receptive CSR legal framework. This will inculcate social consciousness in a company. This way, CSR expenditure can even more meaningfully contribute towards achievement of Sustainable Development Goals.

*The Article has been contributed by JS (CSR)

REVIEW OF CORPORATE SECTOR

(i) As of January 31, 2023, the number of companies registered under the Companies Act was 24, 61,937. Of these, 9, 04,723 companies were closed, 7,110 companies were under liquidation, 30,627 companies are in the process of striking-off from the register and 2,469 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 15, 17,008 active companies, including 2, 58,850 companies, which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

(ii) A total of 12,166 companies, including 769 One Person Companies (OPCs), were registered during January 2023 with an Authorized capital of Rs. 1,651.07 Crore and Paid-Up capital of Rs. 765.69 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in January, 2023	Total Authorized Capital (Rs. in Crore)
Company limited by shares	**12,091**	**1,650.95**
Of which,		
(a) Private	11,879	1,568.34
Of which,		
One Person Companies	769	30.64
(b) Public	212	82.61
Company limited by Guarantee	**75**	**0.12**
Of which,		
(a) Private	73	0.12
(b) Public	2	-
Unlimited Company	-	-
Grand Total	**12,166**	**1,651.07**

(iii) During the Month of January 2023, Maharashtra had a maximum number of company registrations (2,290) followed by Uttar Pradesh (1,378) and Delhi (1,099).

(iv) "Business Services" (2,957) had a pre-dominant share in the economic activity-wise classification of registered companies followed by Manufacturing (2,459) and Community, personal and social services (1,753) during January 2023. For more statistical details about the growth of the corporate sector, the reader is invited to the 'Monthly Information Bulletin on Corporate Sector', at URL *mca.gov.in/MinistryV2/Information Bulletin.html.*

MONTHLY MIS REPORT FROM COMPETITION COMMISSION OF INDIA

(as of May, 2023)

S. No.	Sections		Cases pending as on last day of previous month (A)	Cases received during the month (B)	Total Cases (A+B)	Net Cases pending with CCI for final disposal
1.	19	19(1)	15	-	15	15
2.		19(1)(a)	96	06	102	102
3.		19(1)(b)	08	-	08	08
	Sub Total (X)		**119**	**06**	**125**	**125**
4.	6(2)& 6(5)		07	09	16	10
5.	20(1)		-	-	-	-
	Sub Total (Y)		**07**	**09**	**16**	**10**
Grand Total (X)+(Y)			**126**	**15**	**141**	**135**

*Out of **125** pending anti-trust cases, **47** cases are pending with DG and **78** cases (**30** cases are at prima facie stage and **48** cases for hearing) are pending with CCI.

Cases remanded by Appellate Authority

6.	Remanded	11	-	11	11

Cases regarding contravention of orders of Commission

7.	Fresh inquiry	01	-	01	01

MAJOR EVENTS

(i) CCI celebrated its 14th Annual Day on May 20, 2023. The event marked honour to Azadi ka Amrit Mahotsav and G20 Presidency of India.

(ii) Memorandum of Understanding (MoU) between The Institute of Chartered Accountants of India (ICAI) and The Institute of Chartered Accountants of the Maldives (CA Maldives) and Memorandum of Understanding (MoU) between Competition Commission of India (CCI) and Egyptian Competition Authority (ECA) were signed dated May 17, 2023.

(iii) The Institute of Cost Accountants of India (ICMAI) has signed a MoU with ASSOCHAM on May 24, 2023 to promote advocacy with focus on Prevention of Money Laundering alongside various subjects for building capacity of stakeholders. The strategic alliance between the two organisations aims to promote professional and organisational development in the field of Prevention of Money laundering and allied cross border financial crimes.

(iv) The Forum of Indian Regulators (FOIR) and Indian Institute of Corporate Affairs (IICA) successfully conducted the 10th episode of Know Your Regulator talk with Chairperson, National Financial Reporting Authority. The KYR talk series revolves around people entrusted with the task of regulating Indian markets and various sectors of the economy. The event was attended by officials of different regulators and the public.

(v) Chairperson, NFRA delivered a special address on the Inaugural Session of CFO Summit organized by Federation of Indian Chambers of Commerce and Industry (FICCI) at Mumbai. The event was attended by policymakers, board members, CFOs, investors and other stakeholders of India Inc. The theme of the programme was "Navigating the New Normal: How CFOs Can Build Resilience & Advantage in Uncertain Times".

(vi) Secretary (I/C) and Advisor delivered a special address at 2nd International Conference of ICSI Overseas Centre at London on "Intersection of Competition Law, Corporate Governance, Sustainability, and Inclusiveness on May 11, 2023. The Journal of ICSI themed on "Incentivizing Excellence Through Competition" was released by the Hon'ble Chief Guest, Member of the House of Lords, UK, during the 2nd International Conference of ICSI Overseas Centre at London.

(vii) School of Business Environment, Indian Institute of Corporate Officers (IICA), organized a three-days training programme on 'Leadership Skills' for senior officers of Directorate General of Civil Aviation (DGCA) - Government of India. The training programme targeted upon driving excellence and developing leadership through professional skill developing covering vital aspects of human behavioural cognition.

(viii) School of Business Environment, Indian Institute of Corporate Affairs conducted a day long module on the Corporate Affairs for the in-service senior IAS Officers as part of the Mid-Career Training Programme for IAS Officers Phase IV at Lal Bahadur Shastri National Academy of Administration, Mussoorie. The day long module facilitated by the IICA, had specialized sessions on Competition Law and Policy: Role in Governance and Market Economy; Responsible Governance under Companies Act, 2013; Insolvency and Bankruptcy Code - Past, Present and Future; and Compliance Related Filings for Companies incorporated under Companies Act, 2013.

(ix) The 53rd Governing Body Meeting (GBM) of Forum of Indian Regulatory (FOIR) was held on May 26, 2023, at Central Electricity Regulatory Commission (CERC), New Delhi. The performance by IICA during last financial year and the proposed action plan for the financial year 2023-24 was also discussed and approved in the meeting. The members acknowledge the significance of the FOIR Centre's initiatives and recognize the potential impact that it has on the regulatory ecosystem in the country. All present members from different regulatory bodies agreed to the need for fostering collaboration and cooperation to address common challenges, sharing best practices, and enhancing the effectiveness of regulatory frameworks in India.

(x) Indian Corporate Law Service Academy (ICLS Academy) is in tie up with National Institute of Securities Market (NISM), Mumbai, a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India, organized 10 teaching day(s) programme on 'Understanding Securities Laws' for the ICLS Officer Trainee(s).

(xi) Training Program on "Forensic Accounting and Fraud Detection" organised by Digital Accounting & Assurance Board, Institute of Chartered Accountants of India (ICAI), for Officer Trainees of 13 th Professional Course Programme as part of their 21 months duration course programme was started from May 08, 2023 and ended on May 16, 2023.

NOTIFICATIONS

(i) The Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 have been amended on 10.05.2023. In Rule 4 sub rule (1) the following proviso has been inserted that in case of filing for the application for strike off the company shall file the overdue financial statements and annual returns up to the end of the financial year in which the company ceased to carry its business operations. In case action under section 248(1) has been initiated by the Registrar, Company shall file the overdue financial statements and annual returns up to the end of the financial year and then file for strike off. Also, in case action under section 248(5) has been initiated by the Registrar, a company shall not be allowed to file the application under this sub-rule. (Notification number G.S.R. 354 (E) dated 10.05.2023).

(ii) The Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 have been amended on 15.05.2023 pursuant to which "deemed approval" requirements provided under section 233 are proposed to be implemented more effectively. The amendment, inter alia, provides that, in case a Regional Director (RD) does not file an application before NCLT for considering the scheme of merger under section 232 or does not issue confirmation order for approval of merger u/s 233 within the time limit provided, it shall be deemed that RD has no objection and the confirmation order shall be issued accordingly. This notification shall be effective from 15.06.2023. (Notification No. 367 (E) dated 15.05.2023).

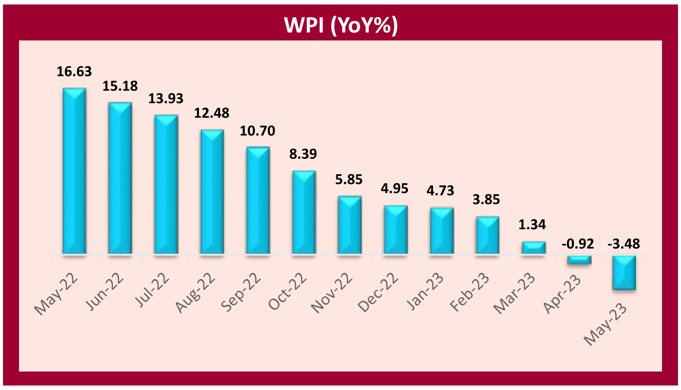
(iii) The Companies (Accounts) Rules, 2014 have been amended on 31.05.2023. In sub-rule (1B), after the second proviso, the following proviso has been inserted, as under:-

"Provided also that for the financial year 2022-2023, Form CSR-2 shall be filed separately on or before 31st March, 2024 after filing Form No. AOC-4 or Form No. AOC-4-NBFC (Ind AS), as specified in these rules or Form No. AOC-4 XBRL as specified in the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015 as the case may be." (Notification No G.S.R.no. 408(E) dated 31.05.2023).

SOME MACRO INDICATORS

Wholesale Price Index (WPI)

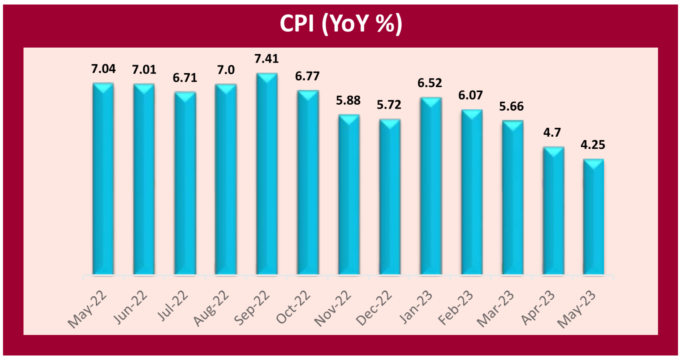
The annual rate of inflation, based on the monthly WPI, stood at -3.48% (Provisional) for the month of May, 2023 (over May, 2022).



Source: DPIIT

Consumer Price Index (CPI)

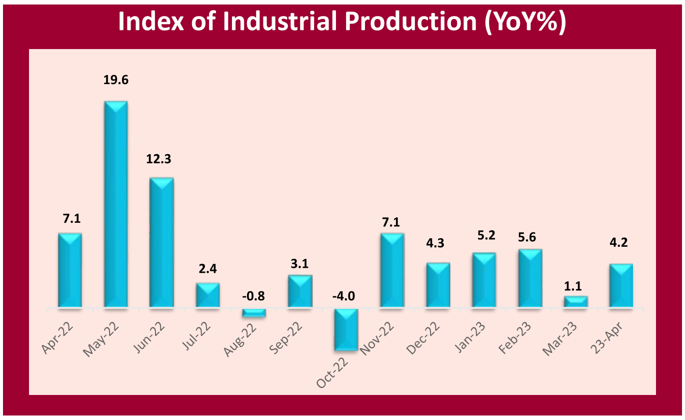
The CPI (Combined) on Base 2012, all India Inflation rates (on point-to-point basis i.e., May, 2023 over May, 2022) stood at 4.25%.



Source: MOSPI

Index of Industrial Production (IIP)

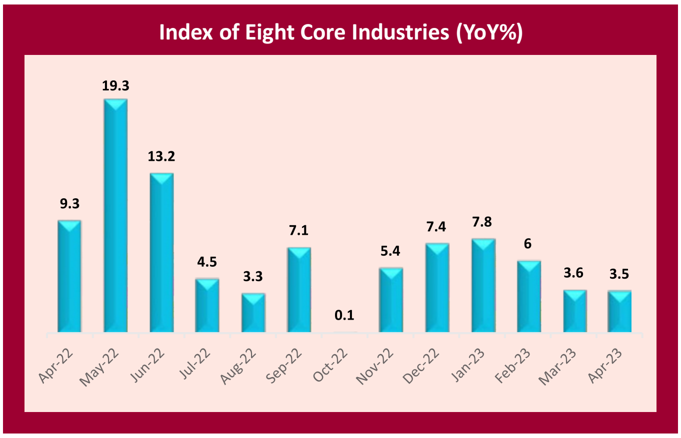
The quick estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of April, 2023 stands at 140.2 which is 4.2% higher compared to April, 2022.



Source: MOSPI

Index of Eight Core Industries

The combined Index of Eight Core Industries stood at 149.7 in April 2023, which increased by 3.5% (provisional) as compared to the Index of April 2022.



Source: DPIIT

Performance of Listed Non-Government Non-Financial Companies - Sector – wise

Trends in the selected corporate performance indicators published by RBI of a sample of Listed Non-Government Non-Financial Companies - Sector – wise for the third quarter of FY 2022-23 is as below:

Select Ratios of Listed Non-Government Non-Financial Companies-Sector - wise

Indicator	Manufacturing	Services (Non-IT)	IT
No. of companies	**1,718**	**557**	**183**
Sales	10.6	19.9	19.4
Expenditure, of whichs	12	20.3	21.9
a) Raw Material	10.8	-6	26.5
b) Staff Cost	8.8	18.2	21.8
Operating Profit	-7.1	5.6	11.5
Other Income	14.1	28.1	2.4
EBITA	-4.5	8	10.2
Depreciation	7.3	4.8	9
Interest	29.9	12.7	21.8

Source: RBI