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**CORPORATE SOCIAL RESPONSIBILITY (CSR) AND ITS COMPLIANCE
BY MAHARATNA AND NAVARATNA CPSES IN INDIA**

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ABSTRACT

The companies' Bill 2012 which was passed by Lok Sabha mandates that every company having net worth of Rs.500 crore or more, or turnover of Rs 1000 crore or more or a net profit of Rs 5 crore or more during any financial year is required to constitute a Corporate Social Responsibility Committee. The Corporate Social Responsibility Committee will formulate a Corporate Social Responsibility Policy. Such a company is required to spend at least two per cent of the average net profits of the company made during the three immediately preceding financial year. This made the CSR a buzz word in Corporate World.

Keywords: CSR: Corporate Social Responsibility, CSPE: Central Public Sector Enterprise, DPSE: Department of Public Sector Enterprises, PAT: Profit After Tax, PSU: Public Sector Undertaking, NA: No Allocation

INTRODUCTION

The companies' Bill 2012 which was passed by Lok Sabha mandates that every company having net worth of Rs.500 crore or more, or turnover of Rs 1000 crore or more or a net profit of Rs 5 crore or more during any financial year is required to constitute a Corporate Social Responsibility Committee.

The Corporate Social Responsibility Committee will formulate a Corporate Social Responsibility Policy. Such a company is required to spend at least two per cent of the average net profits of the company made during the three immediately preceding financial year. This made the CSR a buzz word in Corporate World.

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The objective of Company is to make profit and maximisation of shareholders' wealth. Many businesses realised that the profit making objective will fail in long run of the business. Then the concept of charity and donations for social welfare activities were started by some companies who felt that the social contribution is also part of their

responsibility. If we go through the annual reports of the well known companies especially listed companies in private sector as well public sector, the cover pages of some of the companies displays the images of the community welfare activities done by them. It is a simple example to indicate the need felt by the corporate for Corporate Social Responsibility.

In simple terms, Corporate's responsibility towards society is Corporate Social Responsibility (CSR). Giving a universal definition of corporate social responsibility is bit difficult as there is no common definition as such. However, there are few common threads that connect all the perspectives of CSR with each other; the dedication to serve the society being most important of them.

Most ideal definition of corporate social responsibility (CSR) has been given by world business council for Sustained Development which says, "Corporate Social Responsibility is the continuing commitment by business to behave ethically 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".

HISTORY OF CSR

"The phrase Corporate Social Responsibility (CSR) was coined in 1953 through a publication of Bowen's Social Responsibility of Businessmen" (Corporate watch report, 2006) . The evolution of CSR is as old as trade and business for any of corporation. Industrialization and impact of business on the society led to completely new vision. By 80's and 90's academic CSR was taken into discussion. The first company to implement CSR was Shell in 1998. (Corporate watch report, 2006) With

well informed and educated general people it has become threat to the corporate and CSR is the solution to it.

1990 was CSR as a standard industry with companies like Price Waterhouse Copper and KPMG. CSR evolved beyond code of conduct and reporting it started taking initiative in NGO's, multistakeholder, ethical trading. (Corporate watch report, 2006).

The footprint of Indian Public Sector Undertakings (PSUs), in the guise of global enterprises, has been expanding rapidly. In this context, their potential and power to bring about positive change in the lives of millions of people is undeniable. To manifest this full potential, it is essential that Indian PSUs develop framework for strategic intervention that substantially contributes to reducing / eliminating poverty and deprivation and enhance welfare of the poor and excluded communities across the country. These strategies have to be broad-based in their conception to enhancing people's well-being - particularly those who are poor and marginalised. They have to ensure the fulfilment of their fundamental human rights and entitlements and take responsibility for those directly affected by the companies' activities.

Among the public sector undertakings, the Ratna companies i.e Maharatnas and Navaratnas play key role in terms of contribution to exchequer and expenditure spending on CSR. This paper highlights guidelines on CSR for CPSEs issued by Department of Public Sector enterprises and compliance of those guidelines by Ratna companies in terms of formation of CSR policy, budget allocation and utilisation of Budget on CSR activities.

MAHARATNA AND NAVARATNA CPSEs

The following are the list of Maharatna and Navaratna PSEs and Profit After Tax for the Financial Years 2009-10 , 2010-11&2011-1

Company Name	Profits After Tax (Rs in Crores)		
	2009-10	2010-11	2011-12
(A) Maharatnas			
Bharat Heavy Electricals Limited	4327	6053	7087
Coal India Limited	9622	10867	14788
GAIL (India) Limited	3328	4021	4401
Indian Oil Corporation Limited	10713	7831	4226
NTPC Limited	8839	9348	9815
Oil & Natural Gas Corporation Limited	19404	22456	28144
Steel Authority of India Limited	6851	5014	3593
(B) Navaratnas			
Bharat Electronics Limited	737	878	847
Bharat Petroleum Corporation Limited	1632	1635	781
Hindustan Aeronautics Limited	1967	2114	2539
Hindustan Petroleum Corporation Limited	1477	1704	175
Mahanagar Telephone Nigam Limited	(2610)	(2797)	(4104)
National Aluminium Company Limited	814	1069	850
NMDC Limited	3447	6499	7265
Neyveli Lignite Corporation Limited	1247	1298	1411
Oil India Limited	2611	2884	3469
Power Finance Corporation Limited	2378	2647	3059
Power Grid Corporation of India Limited	2041	2672	3303
Rashtriya Ispat Nigam Limited	797	658	751
Rural Electrification Corporation Limited	2348	2585	2839
Shipping Corporation of India Limited	377	567	(428)
Source: Annual Reports of CPSEs for the Financial Years 2009-10,2010-11 & 2011-12			

Table:-1

STATUS OF CSR ACTIVITIES IN INDIA

The strategic paper on National CSR Hub published by Tata Institute of Social Sciences in August 2011, the research analysis on the current status of CSR Activities of PSEs (grouped as Large PSEs: Net Profit >Rs 500 Crore, Mid-Sized PSEs Rs 100 Crore < Net Profit <Rs 500 Crore and Small PSEs: Net Profit <Rs 100 Crore) in India observed the following:

1. Most of the large companies and some of the mid-sized companies have a planned approach towards

CSR but small companies are still in the nascent stages.

2. Reporting on CSR spending is still at its nascent stage, with even large PSEs not feeling its need so far. These PSEs also face additional challenges in tracking expenditure.
3. Generally large PSEs have well defined focus areas, whereas most of the small and mid sized PSEs still have to define their focus areas. Their operations are based on proposals received from NGOs annually.

DEPARTMENT OF PUBLIC SECTOR ENTERPRISES (DPSE) GUIDELINES ON CSR

DPSE issued the guidelines on CSR first time in Mach 2010. During November 2011, revised guidelines were issued after consideration of shortcomings in previous guidelines. There is infusion of policy content in a large measure in the revised guidelines. The expectations of the key stakeholders, including the Government, expressed in general and specific terms constitute the 'Policy statement' on CSR and Sustainability.

Under the revised guidelines, CPSEs are expected to formulate their policies with a

balanced emphasis on all aspects of CSR and Sustainability – equally with regard to their internal operations, activities and processes, as well as in their response to externalities.

- 1) As per CSR Guidelines, every year, each CPSE shall with the approval of its Board of Directors make a budgetary allocation for CSR and Sustainability activities for the year. The budgetary allocation will be based on the profitability of the company. More specifically, it will be determined by the Profit after Tax (PAT) of the company in the previous year as shown under:

PAT of CPSE in the previous year	Range of Budgetary allocation for CSR and Sustainability activities(as % of PAT in previous year)
(i) <Rs 100 Crore	3% - 5%
(ii) >Rs 100 Crore & < Rs 500 Crore	2% - 3%
(iii) > Rs 500 Crore	1% - 2%

- 2) Loss making companies are not mandated to earmark specific funds for CSR activities but may achieve this objective by integrating business processes with social processes, wherever possible.
- 3) The budget allocated for CSR and Sustainability activities for each financial year is expected to be spent within that year. If due to some reason, the budget of a year remains unutilised, the same would not lapse. Instead, it would be carried forward to the next year for expenditure on CSR and Sustainability activities as planned. However, the public sector enterprise shall have to disclose reasons for not being able to spend the entire budget on CSR and Sustainability activities as planned

for that year, and shall make every endeavour to spend the unutilised budget of any year within the next two financial years.

- 4) In case the CPSEs are unable to spend the unutilised budget within the next two financial years, the unspent amount would be transferred to a 'Sustainability Fund' to be used for CSR and Sustainability activities. This 'Sustainability Fund' would be created separately. Implementation mechanism in this context is also being formulated separately.
- 5) At least 90% of the annual budget earmarked for CSR and Sustainability activities shall have to be spent on implementation of activities in the project mode.

- 6) 2.5% of the annual budget for CSR and Sustainability activities may be spent on Emergency needs, which would include relief work undertaken during natural calamities / disasters, and contributions towards Prime Minister's / Chief Minister's Relief Funds and/or to the National Disaster Management Authority.
- 7) In case of schools, hospitals, training institutes and other such infrastructure which are created primarily for environment protection and/or for the benefit of underprivileged communities, deprived sections and the society at

large, but the facilities of which are availed by the employees of the CPSE and their families also, provided that the latter category does not constitute more than 25% of the total number of beneficiaries of such facilities.

Further, as per the CSR guidelines, the CSR projects/activities may be undertaken as far as possible in the periphery, where a company carries out its commercial activities. Where this is not possible, the CPSEs may choose to locate CSR projects anywhere in the country.

CSR BUDGET OF MAHARATNA AND NAVARATNA CPSEs

Total funds allocated by Ratna companies against CSR activities for Financial Years 2009-10, 2010-11 & 2011-12 as followed:

Name of the CPSE	Total funds allocated for CSR (Rs in Crores)		
	2009-10	2010-11	2011-12
Bharat Electronics Limited	2.59	2.74	1.84
Bharat Heavy Electrical Limited	3.14	21.55	30.05
Bharat Petroleum Corporation Limited	14.72	22.00	7.73
Coal India Limited	43.81	262.28	553.33
GAIL (India) Limited ^s	55.91	69.54	80.95
Hindustan Aeronautics Limited	No specific allocation of money for		5.00
Hindustan Petroleum Corporation Limited	15.00	15.00	30.78
Indian Oil Corporation Limited	37.69	131.11	95.60
Mahanagar Telephone Nigam Limited	Since MTNL is in losses, no specific allotment is made under		
National Aluminium Company Limited	12.72	8.14	10.69
National Thermal Power Corporation Limited	16.74	72.37	45.52
Neyveli Lignite Corporation Limited	5.90	12.47	12.98
NMDC Limited	80.00	81.56	80.13
Oil & Natural Gas Corporation Limited	322.52	335.35	378.48
Oil India Limited	20.00	25.00	51.90
Power Finance Corporation Limited	0.00	11.89	13.10
Power Grid Corporation of India Limited	12.67	20.41	26.97
Rashtriya Ispat Nigam Limited	12.75	15.40	12.00
Rural Electrification Corporation Limited	3.18	5.00	12.85
Shipping Corporation of India Limited	9.41	3.77	5.67
Steel Authority of India Limited	80.00	94.00	64.00
Grand Total	748.75	1209.58	1519.57

Table:-3 (\$ - Rs 69.54 Cr & Rs 80.95 Cr. Include the carried forward balances of previous year)

During the financial year 2009-10, Maharatnas and Navaratnas allocated Rs

748.75 Crores for CSR activities voluntarily. After issue of DPSE guidelines in March

2010, CPSEs allocated Rs 1209.58 Crores for CSR activities with an increase of 61.55% over previous year 2009-10. The allocation of budget for CSR during 2010-11 was more due to DPSE mandatory guidelines on CSR policy and 9.29% increase in Profit after Tax over previous

year (i.e Rs 7627 Crores) which is base for CSR fund allocation. Due to revised guidelines on CSR, the allocation was Rs 1519.57 Crores for the Financial Year 2011-12 which is 25.63% more than 2010-11 fund allocation.

PERCENTAGE OF PROFIT AFTER TAX (PAT) OF PREVIOUS YEAR ALLOCATED FOR CSR

Percentage of Profit After Tax (PAT) of previous year allocated for CSR by Ratna CPSEs for Financial Year 2009-10, 2010-11 & 2011-12 as followed:

Name of the CPSE	Percentage of Profit After Tax (PAT) of previous year		
	2009-10	2010-11	2011-12
Bharat Electronics Limited	0.36	0.24	0.00
Bharat Heavy Electrical Limited	0.10	0.50	0.50
Bharat Petroleum Corporation Limited	2.00	1.43	0.50
Coal India Limited	2.11	2.73	5.09
GAIL (India) Limited	2.00	2.00	2.00
Hindustan Aeronautics Limited	0.00		0.00
Hindustan Petroleum Corporation Limited	2.41	1.54	2.00
Indian Oil Corporation Limited	1.28	1.28	1.28
Mahanagar Telephone Nigam Limited	Running in losses		
National Aluminium Company Limited	1.00	1.00	1.00
National Thermal Power Corporation Limited	0.20	0.83	0.50
Neyveli Lignite Corporation Limited	0.72	1.00	1.00
NMDC Limited	1.90	1.80	0.57
Oil & Natural Gas Corporation Limited	2.00	2.00	2.00
Oil India Limited	0.95	0.95	2.00
Power Finance Corporation Limited	0.00	0.50	0.50
Power Grid Corporation of India Limited	0.75	1.00	1.00
Rashtriya Ispat Nigam Limited	0.95	2.00	1.82
Rural Electrification Corporation Limited	0.25	0.25	0.50
Shipping Corporation of India Limited	1.00	1.00	1.00
Steel Authority of India Limited	1.30	1.39	1.30

Table:-4

All the Ratna companies' Profit After Tax is more than Rs 500 Crores during the Financial Years 2009-10 to 2011-12 except MTNL. Since MTNL is loss making, CSR Fund allocation guidelines are not applicable. However MTNL may undertake non-financial social activities for CSR purpose. During financial year 2009-10, 67% of the Ratna CPSEs allocated more than

0.5% of their Profit After Tax for Financial Year 2008-09. BHEL, RECL and BEL allocated funds for CSR less than 0.5% This allocation of funds their Profit After Tax for Financial Year 2008-09.

CSR fund was allocated in view of the voluntary guidelines on CSR by Ministry of Corporate Affairs issued in 2009. During 2010-11, 43% of the Ratna companies

allocated more than 1% of PAT for the Financial Year 2009-10 which is more than the compliance level of 0.5%. HAL formulated its CSR policy during 2010-11 and started allocation of Budget from 2011-12 onwards. Even though there was no budget allocation, HAL spent Rs 3.90 Crores and Rs 1.79 Crores for the

financial years 2009-10 & 2010-11 respectively on CSR activities.

During 2011-12, all Ratna CPSEs complied the Budget Allocation for CSR activities by allocating funds more than 0.5% of PAT for previous year 2010-11.

CSR BUDGET UTILISATION BY RATNA CPSEs

The Funds utilised for CSR activities and utilisation % of Budget allocated during the Financial Years 2009-10, 2010-11 & 2011-12 as followed:

Name of the CPSE	Funds utilized for CSR (Rs in Crores)					
	2009-10	% of Alloc. 2009-10	2010-11	% of Alloc. 2010-11	2011-12	% of Alloc 2011-12
Bharat Electronics Limited	2.59	100%	2.08	76%	2.36	128%
Bharat Heavy Electrical Limited	6.01	191%	21.55	100%	36.47	121%
Bharat Petroleum Corporation Limited	14.12	96%	18.23	83%	7.76	100%
Coal India Limited	40.14	92%	152.33	58%	113.03	20%
GAIL (India) Limited	45.78	82%	48.43	70%	70.6	87%
Hindustan Aeronautics Limited	3.90	NA	1.79	NA	14.44	289%
Hindustan Petroleum Corporation Limited	13.84	92%	20.1	134%	26.54	86%
Indian Oil Corporation Limited	46.85	124%	128.41	98%	82.73	87%
Mahanagar Telephone Nigam Limited			<i>Running in Losses</i>			
National Aluminium Company Limited	12.72	100%	8.14	100%	34.22	320%
National Thermal Power Corporation Limited	20.4	122%	72.21	100%	49.44	109%
Neyveli Lignite Corporation Limited	8.19	139%	13.23	106%	14.09	109%
NMDC Limited	83.07	104%	62.23	76%	63.32	79%
Oil & Natural Gas Corporation Limited	268.87	83%	219.03	65%	121.08	32%
Oil India Limited	24.12	121%	29.4	118%	50.19	97%
Power Finance Corporation Limited	0	NA	11.85	100%	13.24	101%
Power Grid Corporation of India Limited	4.31	34%	15.58	76%	26.97	100%
Rashtriya Ispat Nigam Limited	9.37	73%	11.73	76%	1.93	16%
Rural Electrification Corporation Limited	0.31	10%	1.37	27%	13.01	101%
Shipping Corporation of India Limited	2.03	22%	4.96	132%	5.84	103%
Steel Authority of India Limited	78.79	98%	68.27	73%	35.52	56%
Grand Total	685.41	92%	910.92	75%	782.78	52%

Table:-5

ONGC and Coal India are in top position in spending the amount on CSR activities for the Financial Years 2010-11 & 2011-12. During the financial year 2009-10, Ratna CPSEs spent

92% of allocated / budgeted CSR amount on CSR activities. During the financial 2010-11, 12 Ratna CPSEs were unable to spend the allocated Budget on CSR activities. All Ratna CPSEs are together utilised 75% of the allocated Budget for FY 2010-11. The situation has become more shabby for the

financial year 2011-12 during which 52% of the CSR budget was utilised by all Ratna CPSEs together.

CONCLUSION

Even though the CSR concept has become a debatable point like whether it should be a mandatory or voluntary policy by companies, in my opinion it must be mandatory for companies which will influence the peripheral areas socially and environmentally. Contribution through CSR by companies will uplift the lives of the poor community and environmental development. The companies Bill 2012 will bring the CSR discipline through its mandate on CSR policy, activities, spending and disclosure. Since PSEs are government controlled entities, they should play ideal role by complying the DPSEs guidelines and MCA guidelines on CSR. After going through the Annual Reports of the Ratna companies, we should appreciate the Ratna companies for the CSR activities undertaken during 2009-10 voluntarily and 2010-11 & 2011-12 by complying the DPSE guidelines. CSR Budget utilisation has to be improved. Reasons for not utilising the CSR budget has to be disclosed. National CSR Hub will play a key role to enable the PSEs to facilitate the development of a holistic and relevant CSR approach, and provide common strategic directions and plans for PSEs to achieve greater impact with their CSR initiatives

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