

Indian Corporate social responsibility regime was established under Section 135 of Indian Companies Act 2013.

Loopholes found

CSR spending in India has raised from 10,000 crore in 2014-15 to 24,000 crore since introduction, but currently it has been on decline.

Loopholes existing in current CSR regime:

→ Geographical bias:

* Most of corporate companies are concentrated in the states Karnataka, Maharashtra, Tamil Nadu, Gujarat (receiving more funds) whereas populous states Uttar Pradesh, Madhya Pradesh get little development funds.

→ Spending limit has been set to minimum 2%.

→ Few companies set their own registered foundations or trusts & transfer funds here but it is unclear whether allowed or not in the Act.

→ Lack of data to verify corporate spending either with Indian or Foreign firms registered in India.

→ Emphasis on local area in the act is only discretionary.

→ Analysis of CSR spend (2014-18) showed environment received only 9% which requires even in the form of extractive industries which are detrimental to environment.

→ CSR spending reports are annually reports are evaluated and submitted to Ministry of corporate affairs, ~~here~~ review of reports are not known, here it focuses on output rather than quality of expenditure & its impact.

→ As per Technical guide on accounting by ICAI ~~and~~ company only required to mention its CSR spends, non-spend, under spend or overspend in the notes to accounts', here auditor cannot qualify accounts for non-compliance or inadequate C-S-R performance.

Way forward :-

- Centralised monitoring platform under MCA
- All states can list their C-S-R admissible projects
- C-S-R funds will utilised to areas where they operate.
- Invest Indias CSRPR under IIG can guide this efforts
- Prioritise environment restoration atleast 25% ~~environment~~
- Active involvement of public administration officers at regional level.
- Following the recommendations by the High-level committee 2018
- Auditor should be given to check compliance of CSR spends, under spend, overspend funds
- MCA & line department need to exercise direct monitoring.