

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
STARRED QUESTION NO. 2
ANSWERED ON MONDAY, JULY 18, 2022/ ASHADHA 27, 1944 (SAKA)**

**STUDY ON IMPACT OF CSR
QUESTION**

***2. DR. KRISHNA PAL SINGH YADAV:
PROF. RITA BAHUGUNA JOSHI:**

Will the Minister of CORPORATE AFFAIRS

कारपोरेट कार्य

**मंत्री
be pleased to state:**

- (a) whether there has been any structured study of the impact of the enforcement of the Act pertaining to Corporate Social Responsibility (CSR);**
- (b) if so, the details thereof including the details of its major findings;**
- (c) if not, whether the Government will consider undertaking any such study and if so, the details thereof;**
- (d) whether the Government has come across any cases of companies not abiding by the provisions of CSR Act and if so, the details thereof; and**
- (e) the kind of measures the Government has been contemplating to make companies abide by the CSR Act?**

ANSWER

**THE MINISTER OF FINANCE
AND CORPORATE AFFAIRS**

**वित्त एवं कारपोरेट कार्य मंत्री
सीतारामन)**

(SHRIMATI NIRMALA SITHARAMAN)

(श्रीमती निर्मला

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF LOK SABHA STARRED QUESTION NO. *2 FOR 18TH JULY, 2022 REGARDING 'STUDY ON IMPACT OF CSR'.

(a) to (c): There is no structured study carried out by the Ministry of Corporate Affairs (MCA) regarding impact of enforcement of Corporate Social Responsibility (CSR) provisions of the Companies Act, 2013 ('Act'). However, in the past, MCA had constituted two High Level Committees (HLC) on CSR in 2015 and 2018 to review the CSR framework and make recommendations to develop a more robust and coherent CSR regulatory and policy framework. The Report of HLC-2018 is available in public domain at www.mca.gov.in. The HLC-2018 noted that since legislation mandated CSR, companies are responding positively and have shown encouraging signs in adopting the culture of being responsible towards society. This is manifested through increase in the number of companies contributing to CSR as well as increase in their annual CSR expenditure. Even many companies are contributing more than their mandatory 2% and have become part of the national development priorities. Some of the major recommendations of HLC-2018 are as follows:

- (i) Non-compliance of CSR may be made a civil wrong.**
- (ii) Companies having CSR amount less than Rs.50 Lakhs may be exempt from constituting CSR Committee.**
- (iii) Transfer of unspent CSR funds to separate designated account created for that purpose.**
- (iv) Mandatory registration of implementing agencies.**
- (v) Impact assessment of certain categories of projects by certain class of companies.**
- (vi) Development of CSR Exchange Portal as a marketplace to facilitate matchmaking between companies and implementing agencies.**

(d): CSR is a Board driven process, and the Board of the company is empowered to plan, decide, execute, and monitor the CSR activities of the company based on the recommendation of its CSR Committee. The CSR architecture is disclosure based and CSR mandated companies are required to file details of CSR activities annually in MCA21 registry. The Government monitors the compliance of CSR provisions through the disclosures made by the companies in MCA21 Portal. Whenever any violation of CSR provisions is reported, action against such non-compliant company is initiated as per provisions of the Act after due examination of records and following due process of law. Earlier, CSR related defaults were compoundable offences. So far, sanction for prosecution has been accorded in 366 cases. Of these, 155 applications for compounding have been made and 105 cases have been compounded. Now, the non-compliance of CSR provisions has been made a civil wrong w. e. f. 22nd January, 2021.

(e): Based on the recommendations made by HLC-2018, Section 135 of the Act was amended vide Companies (Amendment) Act, 2019 and Companies (Amendment) Act, 2020. These amendments provided for the transfer of unspent CSR amount and made the non-compliance of CSR provisions a civil wrong w.e.f. 22nd January 2021. Further, Companies (CSR Policy) Rules, 2014 were also amended which have strengthened the CSR eco-system by bringing more objectivity, transparency, entrusting more responsibility on the board and enhancing the disclosures by the companies.
