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Mumbai

Smaller listed firms spent more on CSR than biggies

- Average spending at 1.35% of net profit in fiscal 2015 vs the mandated 2%
- Total spending at Rs 6,800 crore in fiscal 2015 instead of Rs 12,000 crore

Corporate social responsibility, or CSR, spending has been the topic of many a public discussion after being made obligatory under Schedule VII of the new Companies' Act, 2013.

To be sure, there has been considerable scepticism about India Inc's proclivity to look beyond profit and towards altruism. And analyses of CSR spending done in the past tended to focus on the top 50 or 100 corporates, most of which already have had a culture of philanthropy and public service.

CRISIL Foundation, a non-profit, therefore decided to conduct a comprehensive analysis of the listed universe of 3,855 listed companies to find out whether India Inc has indeed embraced its CSR mandate. It was an opportune moment to do so because fiscal 2015 was the first financial year for which data on such spending could be captured. Spending by unlisted companies could not be analysed because of lack of availability of data.

About ~1,300 listed companies in India fell under the 'mandatory 2% CSR spend' ambit of which, as many as 75% have formally reported CSR activity, spending on average 1.35% of their net profit – or well below the mandatory 2%.

Says Ramraj Pai, President, CRISIL Foundation: “Compliance towards CSR in fiscal 2015 seems to be inversely proportional to size of the company – those with high turnover were short on the 2% mandatory spending. The flow of money was skewed with 4 sectors – education and skills development, healthcare and sanitation, rural development projects, and environment -- accounting for 82% of CSR spending despite a wide swathe of sectors being allowed under Schedule VII. Investments in incubation centres for technology development, and support for armed forces veterans/families were the least preferred segments.”

Interestingly, despite a 50% tax break on donations to the Prime Minister's Relief Fund, more than 90% of the companies that spent on CSR chose to do so directly, thus preferring to forego the benefit.

Private sector companies have been as socially responsive as their public sector peers, and ended up spending marginally more than the latter.

Another Rs 5,200 crore could have been spent had all companies met the 2% norm, which would have taken the cumulative expenditure to Rs 12,000 crore for fiscal 2015.

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About CRISIL Foundation

CRISIL Foundation was set up in March 2013, as a public charitable trust, to fulfill the corporate social responsibility (CSR) of CRISIL Ltd. Our goal is the empowerment of rural women by strengthening their financial capabilities. Our initiatives present a unique and non-transactional proposition to our key stakeholders including bankers, policymakers and regulators. We also meaningfully engage our young workforce through environment conservation activities. The foundation has an active outreach programme in project communities, and has aligned its strategy with CRISIL's overarching mission - Making markets function better.

Website: www.crisil.com

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