Abstract
In the scenario of growing business and competitive environment, the relationship between companies and society have gone into huge transformation and business organisations have started realising that “the business priorities co-exist with social commitments to drive holistic development of people and communities”. With the passage of the Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the boards of Indian companies. As per Section 135 of the Act, companies with a specified net worth or turnover or net profit are required to mandatorily spend 2 percent of its average net profit towards specified CSR activities. The present paper aims at analysing the new CSR compliances of the top profit-making central public sector enterprises (CPSEs) in tune with Companies Act, 2013 as well as the guidelines provided by DPE (Department of Public Enterprises) on CSR and Sustainability for CPSEs and published by the Ministry of Heavy Industries as revised with effect from 1st April, 2014. Also, the paper focuses to review the accounting of the surveyed companies for their investment in CSR interventions in accordance to the guidance note on accounting for CSR expenditure as issued by the Institute of Chartered Accountants of India (ICAI).

Keywords: Companies Act 2013, Corporate Social Responsibility, Central Public Sector Enterprises

1. Introduction
Corporate social responsibility (CSR) is a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems (Farache F. n et.al., 2009). If we delve into the history of CSR, we find that the concept of CSR is not new in India; however, it has been practiced over the ages in the form of philanthropy which is voluntary in nature. But strangely in some studies like a 20-country survey conducted by Envirionics International (2001) where it has been found that India is last in CSR requirement level from companies in any country. This has also been supported by another study by Krishna (1992) where it has been observed that unplanned approach taken by the top management towards CSR, lack of consensus on priorities within the firm, and problems relating to measurement and evaluation of CSR activities results in creating barrier to effective CSR implementation. However, contradictory to the above observations, it was perceived in a study by Kumar et al.(2001) that there is a rising awareness among the Indians that business organizations are required to play a wider role in the society besides providing quality products at reasonable rates, making their operations environmentally sound, adhering to labour standards, and reducing human rights abuses at the work place and consequently, Indian companies are also beginning to change their attitude towards CSR by looking beyond passive philanthropy. In view of the changing environment and to address India’s various social issues more seriously, mandate provision for CSR was introduced under Sec 135 of Companies Act 2013. Against the backdrop of India being home to four percent of the world’s billionaires and having the highest concentration of people living below the poverty line, disparities in terms of income, living standards as well as socio-economic status have been huge in India. In this scenario, with the poor remaining poorer and the corporates growing richer day by day, the importance of corporates involvement in the process of equitable and sustainable development has become more pronounced. Although there were some companies like the Tata group, Birla group, Infosys, ITC Limited, HSBC India, Max New York Life, who have been actively engaged in CSR initiatives on a voluntary basis, however, there still remains a huge gap to be filled in. With no dearth of societal issues to be addressed in India, there exists the need of collective effort by all resourceful companies and not a handful of them towards the betterment of the society. Keeping this in view and to encourage more entities to participate in the process of development of the society with their innovative ideas and managerial expertise, the Government of India in Companies Act, 2013 made a noble effort by making CSR mandatory for the “capable” companies of both public and private sector to contribute towards social development activities. However, the CPSEs are to follow DPE guidelines in addition while investing in CSR activities. In order to guide on certain accounting issues regarding CSR expenditure, the Institute of Chartered Accountants (ICAI) issued a guidance note on CSR activities’ accounting on May 15, 2015.
2. Review of Literature

<table>
<thead>
<tr>
<th>Study</th>
<th>Aim</th>
<th>Survey</th>
<th>Findings</th>
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<tbody>
<tr>
<td>Corporate Governance as Social Responsibility: A Research Agenda (Amiram Gill, 2008)</td>
<td>To analyse the intersection between corporate governance and corporate social responsibility beyond their traditional concepts and the impact of these developments on the legal scenario and organisation behaviour globally.</td>
<td>No survey conducted.</td>
<td>The author has found that the convergence between corporate governance and CSR is bringing lots of challenges to global regulations and organisation behaviour besides generating new innovative ideas and methods.</td>
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<td>Research on Corporate Social Responsibility Reporting (Lunga C. et al., 2009)</td>
<td>To study the relationship between the surveyed companies' features and the importance given to socio-environmental disclosure by the companies on the basis of statistical analysis.</td>
<td>This is a content analysis and sustainability reports of the largest 50 companies as classified by Global Fortune (2009) have been studied for the said purpose.</td>
<td>There is no correlation between the socio-environmental reporting made by the sampled companies with their features like size, revenue. However, remarkably, there is negative correlation between their corporate social responsibility reporting and profitability in terms of return on assets and return on equity.</td>
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<td>Corporate Social Responsibility in Multinational Corporations in Developing Countries – Perspectives on Anti-Corruption (Adeyeye A., 2012)</td>
<td>To study the scenario where anti-corruption can be a part of CSR initiatives practised by MNCs in developing countries.</td>
<td>No survey conducted; a descriptive study</td>
<td>After analysing the scenario globally, the author has put much importance that anti-corruption as a CSR issue can be practised by MNCs in developing countries.</td>
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<td>Study of Corporate Social Responsibility in the central public sector enterprises of India (Gupta &amp; Arora, 2013)</td>
<td>To analyse the prevailing practices of corporate social responsibility in public sector enterprises in India.</td>
<td>4 Maharatna and 3 Navratna companies have been surveyed in this aspect.</td>
<td>The authors have concluded taking a note that the result of this descriptive type of research has shown that the surveyed CPSEs are carrying out their social responsibilities duly in different areas and contributing to sustainable economic development of the nation.</td>
</tr>
<tr>
<td>Corporate Social Responsibility - A Case Study of Select PSU’s Role in Rural Development: (Loura J., 2014)</td>
<td>1. To study and understand the CSR initiatives being taken by selected public sector undertakings (PSUs) for rural development 2. To assess the impacts of CSR actions on socio-economic Development of rural population.</td>
<td>The paper surveyed three public sector undertakings (PSUs) (two Maharatna and one Miniratna) from different industrial sectors like: Aviation - Airports Authority of India (AAI), Steel - Steel Authority of India Limited (SAIL), Power – National Thermal Power Corporation (NTPC).</td>
<td>The paper concludes that all surveyed PSUs present themselves as having CSR policy and practices. A wide range of CSR initiatives ranging from income generation activities for livelihood, health check-up camps, mobile health services, education, adult literacy, agricultural development, provision of drinking water, management and development of natural resources, infrastructure facilities being carried out by these PSUs. However, no link was found between PSU’s CSR agenda and Millennium Development Goals.</td>
</tr>
</tbody>
</table>

Thus, as evident from the analysis of literature, very few studies have been made regarding the critical analysis of the mandate provision related to CSR incorporated in the new Companies Act 2013 along with the additional DPE guidelines to be complied by CPSEs and how those CSR compliances are being followed by public sector companies.

3. Objectives of the Study

1. To review the CSR practices, their disclosures by select public sector companies in compliance with the new regulations of the Companies Act.
2. To review the accounting of the surveyed companies for their investment in CSR interventions in accordance to the guidance note on accounting for CSR expenditure as issued by the Institute of Chartered Accountants of India (ICAI).

4. Methodology

- **Data Source:** This is a descriptive study based on the secondary data obtained from different websites like Ministry of Corporate Affairs, Department of Public Enterprises, respective company’s websites, journals, books, publications, and surveyed companies’ annual reports.

- **Period of Study:** The data have been collected over the periods 2011-12 to 2015-16. The periods prior to the implementation of the mandate clause i.e.2011-12 to 2013-14 have been considered to compare with the scenario after the implementation of the same. The
periods 2014-15 and 2015-16 have been considered for the aforesaid reason.

**Rationale behind public sector selection:** Public Sector Enterprises (PSEs) have been developed as an instrument for self-reliant economic growth of a nation. In addition to their prime responsibilities of serving the society, they have to comply with the CSR mandate clause of Companies Act, 2013 along with additional guidelines on CSR and Sustainability issued by the DPE (Department of Public Enterprises). Thus, CPSEs have been chosen to be studied for the purpose.

5. Analysis and Findings
Section 135 of Companies Act, 2013 relating to CSR interventions, Schedule VII & Companies (Corporate Social Responsibility Policy) Rules came into force with effect from 1st April, 2014. However, throughout the year, several clarifications and amendments were issued regarding CSR provisions in the Act as well as in the Rules. In tune with the revised provisions, there have been also amendments in the DPE guidelines.

The provisions of Section 135 of Companies Act, 2013 with some salient points as per the DPE guidelines are summarised below:

- Every Company (including its holding or subsidiaries, foreign company with branches or project offices in India) having a minimum of net worth of rupees five hundred crore, turnover of rupees one thousand crore or net profit of rupees five crore, must spend in every financial year, at least two per cent of their respective average net profits made during the three immediately preceding financial years. The “average net profit” shall be calculated in accordance with the provisions of section 198 i.e. primarily Profit before Tax and this will exclude dividends from other Indian companies and profits generated outside India. It is to be noted that as per DPE guidelines, even if the profit-making CPSEs are found to be not falling within the eligibility criteria, then too, if those CPSEs are making profit in the preceding year, those CPSEs must spend minimum 2% of the profit of the previous year on CSR interventions.

- A CSR Committee of the Board has to be constituted and needs to abide by the following regulations: a) It should consist of three or more directors, out of which at least one director shall be an independent director. However, a private company or an unlisted public company is exempted from the requirement of having independent directors for CSR committee. b) It would be responsible to formulate and recommend to the Board the CSR policy indicating the CSR initiatives in accordance with Schedule VII, the mandate amount of CSR to be spent, and develop internal operating system and a transparent monitoring mechanism for the CSR activities of the company. There should be special emphasis towards conducting CSR interventions in the local area and areas around which the company operates.

- After considering the suggestions regarding CSR from the CSR committee, the Board of every company shall approve the CSR policy. It must report or include a comprehensive Report on CSR in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014, containing particulars on overview of CSR Policy, composition of the CSR Committee, average Net Profit, CSR to be spent, details of its spending, reason in case of failure to spend the prescribed amount, the CSR activities to be taken up through different projects, details of different implementing agencies through which the CSR interventions will be conducted, etc.

- The CSR policy should also be available on the Company's Website.

- The CSR interventions may be implemented, as decided by the Board, in project/ programme mode either directly, or through the company’s own Foundation or through an implementing agency, as defined in the CSR Rules. Implementing agency refers to any Trust, Society or Section 8 company (other than company’s own Foundation) that has a proven track record of three or more years in undertaking activities as defined in Schedule VII of the Act. For CPSEs, implementation has to be made through projects.

- Though it is the discretion of the board whether the unspent amount will be carried forward to the following year or get lapsed in the current year, in case of CPSEs, mere reporting and explaining the cause of not spending the budgeted amount will not suffice, rather, that needs to be taken to the following year for spending on CSR activities.

6. Analysis of Public Sector Companies in light of the above provisions
As per the annual Public Enterprises Survey presented in Lok Sabha, the following top five profit-making CPSEs during 2014-15 have been analysed to achieve the said objectives of the study:

1. Oil & Natural Gas Corporation (ONGC)
2. Coal India Ltd.(CIL)
3. National Thermal Power Corporation(NTPC)
4. National Mineral Development Corporation (NMDC)
5. Power Finance Corporation (PFC)

It has been observed that in accordance to the stated regulations, the surveyed companies have incorporated in their 2015-16 and 2014-15 annual reports CSR details in the form of a report. The CSR details of the select companies for 2 financial years post the CSR mandate in accordance to the provisions in Companies Act, 2013 have been summarised below: (Table1)
Table 1:

<table>
<thead>
<tr>
<th>Name of the CPSE</th>
<th>Average Net Profit for last 3 Years (Rs. in Crore)</th>
<th>CSR Mandate as 2% of Average (Rs. in Crore)</th>
<th>Amount spent (Rs. in crore) [% of Average Net Profit]</th>
<th>Amount Unspent (Rs. in crore)</th>
<th>Reasons for Unspent</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONGC</td>
<td>29684.8</td>
<td>593.7</td>
<td>421 [1.42]</td>
<td>172.7</td>
<td>Major CSR projects are multi-year projects and a number of projects are in the stage of formulation and approval and pending in the execution phase.</td>
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<tr>
<td></td>
<td>33030</td>
<td>660.61</td>
<td>495.23 [1.5]</td>
<td>165.38</td>
<td>Most of the CSR interventions are in work-in-progress stage and some of the important projects spread over 3-5 years to complete the whole process.</td>
</tr>
<tr>
<td></td>
<td>2015-16</td>
<td>2015-14</td>
<td>2015-16</td>
<td>2015-14</td>
<td></td>
</tr>
<tr>
<td>CIL</td>
<td>984.59</td>
<td>1202.12</td>
<td>19.69</td>
<td>24.04</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>79.26 [8.05]</td>
<td>24.62 [2.05]</td>
<td>-</td>
<td>-</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>2015-16</td>
<td>2015-14</td>
<td>2015-16</td>
<td>2015-14</td>
<td></td>
</tr>
<tr>
<td>NTPC</td>
<td>13567.43</td>
<td>14173.78</td>
<td>271.35</td>
<td>283.48</td>
<td>The CSR projects are in the stage of formulation and approval and pending in the execution phase. Also, the projects under Swachh Bharat Swachh Vidyalaya Abhiyan are under implementation and will complete by next year.</td>
</tr>
<tr>
<td></td>
<td>413.5 [3.05]</td>
<td>205.18 [1.45]</td>
<td>-</td>
<td>78.3</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>2015-16</td>
<td>2015-14</td>
<td>2015-16</td>
<td>2015-14</td>
<td></td>
</tr>
<tr>
<td>NMDC</td>
<td>9664.05</td>
<td>9979.14</td>
<td>193.28</td>
<td>199.58</td>
<td>Political disturbances in some of the CSR implementing areas; also the fact that actual implementation of CSR projects after their effective planning while adhering to rules and regulations along with keeping transparency in effective utilisation of CSR funds consumes a lot of time.</td>
</tr>
<tr>
<td></td>
<td>210.09 [2.17]</td>
<td>188.65 [1.89]</td>
<td>-</td>
<td>10.93</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>2015-16</td>
<td>2015-14</td>
<td>2015-16</td>
<td>2015-14</td>
<td></td>
</tr>
<tr>
<td>PFC</td>
<td>7289.31</td>
<td>5874.47</td>
<td>145.79</td>
<td>117.49</td>
<td>Depending on the progress achieved towards completion of each project, the budgeted amount is being released to be spent gradually and not in lump sum.</td>
</tr>
<tr>
<td></td>
<td>195.52 [2.682]</td>
<td>51.68 [0.88]</td>
<td>-</td>
<td>65.81</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

From the above table, we observe that though NTPC, NMDC and PFC had un-utilised CSR funds in 2014-15 which has been carried forward to the next year, in 2015-16 their CSR spent exceeded the mandate CSR amount. CIL is an exception among these top profit-making CPSEs which, in both the financial years post the mandate, has spent for its CSR activities in excess of the amount of CSR to be spent. CSR investment of the surveyed companies over the periods from 2011-12 to 2015-16 have been shown in the following graphical representation: (Fig.1)

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It can be depicted that the surveyed companies’ CSR investment do show an increasing trend though ONGC and CIL are exception to this since we can see that CSR investment of ONGC have dropped in 2015-16 as compared to 2014-15 and CIL’s CSR expenditure in 2013-14 was highest compared to other years due to investment in disaster management activities.
Schedule VII of Companies Act, 2013 has enlisted different CSR thrust areas. The surveyed companies’ participation in each thrust area has been analysed and presented in the following fig. (Figs.2, 3 and 4)
A. Livelihood Enhancement, Healthcare and Sanitation

In Fig. 2, we can see there has been an increase in the CSR investment of the surveyed companies in 2015-16 as compared to 2014-15 and ONGC has topped in this thrust area in 2015-16. In Fig.3, it can be observed that except NMDC, the other companies’ investment has increased.

C. Different Issues related to Community Development

D. Environmental-related Issues and Uniformity among different sections of the society

In Fig. 4, we can see investment of NTPC in this thrust area has dropped in 2015-16 as compared to 2014-15. PFC did not contribute in this area. Fig.5 shows that ONGC have taken the top position in 2014-15 whereas in 2015-16 NTPC started investing in this area and topped among the select companies. It is to be noted that CIL has taken environment related issues separately as a part of sustainability initiatives in 2014-15.

E. Promotion of Sports, Arts, Culture and F. Rural Development protection of heritage
From Fig.6 and Fig.7, we can depict that though in 2014-15 there has been less investment in these CSR areas, in 2015-16, all the surveyed companies except PFC have invested andONGC has taken the top position among them. It is to be noted that CPSEs are not allowed to donate in Prime Minister's National Relief Fund, so that thrust area has not been analysed here. In the Schedule VII specified CSR area of beneficial relief to armed veterans, among the surveyed companies, only one company has contributed in this area of CSR intervention in 2015-16—CIL’s investment is 0.5 crore. In 2014-15, none of the companies have contributed in this.

Also, it has been observed that one select company i.e. ONGC has contributed to a foundation – ONGC Foundation which also qualifies as CSR expenditure as per General Circular No. 21/2014 of Ministry of Corporate Affairs (MCA) dated June 18,2014. Such contribution is 0.40 Cr. (2015-16) to the said foundation.

Compliances regarding providing details of implementing agencies have not been abided in case of ONGC, NTPC and NMDC. Though it has been observed that CIL in financial year 2014-15 have been non-compliant regarding the requirement of having independent director in the CSR committee, in the financial year 2015-16 all the companies have been compliant of the said requirement.

Accounting for CSR

In order to bring uniformity in CSR practices and greater transparency in the area of accounting for CSR expenditure among the companies, the Institute of Chartered Accountants of India (ICAI) has issued a guidance note on accounting for expenditure on CSR interventions by corporates.

The salient points of this guidance note are:

- According to this guidance note, CSR spent, be it contribution to a fund specified in Schedule VII or expenditure through a registered trust, society or a company established under Section 8 of the Companies Act,2013, needs to be charged to the statement of profit and loss.
- It has been recommended that CSR expenditure should be presented as a separate line item as ‘CSR expenditure’ in the statement of profit and loss.
- Also, a relevant note showing the break-up of various heads of expenses included in the specified line item may be provided by the company.
- It has been specified that keeping in view the requirement of analysing the “Framework for Preparation and Presentation of Financial Statements” as issued by ICAI, the company should analyse the nature of expenditure i.e. whether it is revenue or capital in nature. If it is revenue in nature, then as a normal practice it should be charged to the statement of profit or loss. In case of the nature being capital i.e. such expenditure may give rise to an asset, the company must assess whether it has control over such asset and also it will be able to derive future economic benefits from such. Nevertheless, since surplus from CSR interventions cannot be included in business profits, future economic benefits from a ‘CSR asset’ would not flow to the company.
- It has been also stated in the guidance note that if the company fails to spend the mandate amount, no provision is required to be made for the shortfall.
- However, in case the company has incurred a contractual liability, then it must create a provision for the amount to be spent and present such provision as per the Schedule III to the Companies Act, 2013.
- It is to note that excess CSR expenditure over and above the mandate amount cannot be adjusted against CSR “must spent” amount of subsequent years.
- In addition to recommendation of disclosing the said expenditure in the notes to cash flow statement, the guidance note also recommends CSR expenditure to be disclosed by way of notes to accounts like:
  a) Gross Amount required to be spent by the company during the year
  b) Amount spent during the year on:

<table>
<thead>
<tr>
<th>CSR activities</th>
<th>In cash</th>
<th>Yet to be paid in cash</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Construction/acquisition of any asset</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) On purposes other than (i) above</td>
<td></td>
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</table>

Since the guidance note has been issued on 15th May 2015, the accounting compliance can be observed in the annual report of 2015-16 of the surveyed companies.

The accounting compliances as observed has been summarised in the following table:
6. Conclusions and Suggestions
The mandate CSR clause has poured in lots of criticisms saying the new regulations are creating unessential burden for corporates without providing any additional benefits like additional deductions under the Income Tax Act, etc. However, it is also felt that this will work out in helping firms in increasing their profitability through building image in the eyes of stakeholders. Though in 2014-15, it has been observed NTPC have provided selective details of its thrust areas and not as per Schedule VII, in 2015-16 annual report it has abided by Schedule VII. The whole picture of CSR spent in different CSR thrust areas irrespective of the size of projects should be given; otherwise there will be lack of transparency in reporting as well as non-compliance of the new regulations too. Along with location wise CSR expenditure, segregation of CSR thrust areas also needs to be emphasized. Moreover, calculation of profits as per Section 198, segregation of spending of previous year’s carried forward amount in the total CSR spent amount—all these need to be clearly shown. There have been reports of disclosure by 460 listed companies spending Rs. 6,337.36 crore towards CSR interventions in 2014-15. Thus, it can be concluded that these new regulations have helped in more transparent CSR reporting and disclosure, formulation of more structured CSR policies thereby leading to building up good relation between the corporates and the society.

7. Limitations of the Study
Due to paucity of time, the present study is focused on a small sample of CPSEs and primary survey cannot be conducted to analyse more effectively the impact of the reform measures.

8. References
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6. Websites
17. http://dpe.nic.in/important_links/dpe_guidelines/CSRandSustainability