

How should India Inc deploy its CSR funds for COVID relief?

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While some prefer a government-run umbrella fund to which CSR monies are added, others maintain the spending is best left to individual companies

With the Centre clearing the way for companies to spend their CSR (corporate social responsibility) funds on COVID-related activities, two views are emerging on how those funds should be routed to obtain optimum results.

Many in the corporate sector favour a Central fund into which individual businesses can transfer their CSR funds, and leave it to the government to deploy the money as it deems best. This can be to augment healthcare infrastructure and buy protective gear for healthcare providers and, at a later stage, to provide relief to those badly hurt by the disruption.

Those in the social sector prefer a decentralized model, as decision-making on spending would be more nimble that way. Either funds can be created and deployed for COVID-19 by the private sector, or the existing model can be continued with, where individual companies identify the projects to be supported, they observe. Some large corporate entities such as Reliance Industries have already announced various COVID-related initiatives and committed funds for them.

There is a consensus that companies' CSR funds, even if entirely dedicated to COVID-related spending, can only supplement the efforts of the government, and cannot replace public spending by the Centre and States.

The Ministry of Corporate Affairs had clarified on March 23 that support for COVID-19-related activities would qualify as CSR spending. The Companies Act, 2013, requires companies to spend 2 per cent of their profits of the previous three years on CSR activities.

Argument for centralized spending

Those supporting the transfer of CSR funds to a Central fund said it will reduce the duplication and overlap of efforts that are bound to happen when companies take up such activities individually. They add that the government has the kind of reach that no corporate entity can achieve.

Making Corporate India Comply

All CSR funds made available in the next few months can go into a COVID fund which can be deployed by a CEO or mission director reporting to the Prime Minister or Health Minister, said Ganesh Natarajan, founder and Chairman of Pune-based 5F World and chair of SVP India, a network of C-suite executives engaged in individual philanthropy.

He estimated that companies may have ₹2,000-3,000crore of unspent CSR funds for FY20, which can be transferred immediately to a COVID fund. In the new financial year, a significant portion of the CSR funds can be transferred to the COVID fund without upsetting commitments to ongoing projects, he added.

Sudhir Kapadia, National Tax Leader, EY India, who had advocated a COVID fund in a newspaper column co-authored with EY India CEO Rajiv Memani, said the government can direct companies to commit a certain portion of their CSR funds to a COVID fund. That COVID fund can be a part of the Prime Minister's National Relief Fund or a separate fund, he explained. He also felt that the government can consider spending on COVID-related activities as a new entry in Schedule VII of the Companies Act, 2013, which currently lists spending on 12 activities as eligible to be considered as CSR.

A senior consultant with another of the Big Four firms, who did not wish to be identified, also felt it is necessary for corporate sector spending to be aligned with governmental efforts, rather than making individual decisions on where the money should be spent.

Argument for decentralized spending

Parul Soni, Global Managing Partner of Think through Consulting, a multidisciplinary professional services firm that specializes in providing advisory support for sustainable development initiatives, advocated a fund in the private sector to which companies can contribute a part of their CSR funds. He felt such funds can be used to provide income support to workers who lose their jobs due to pandemic-led shutdowns and demand contraction.

Mohammed Asif, Executive Director, Plan India, a non-profit working in the area of child rights, did not agree that a centralized fund can deliver in a situation that is changing rapidly and quick decisions are needed on supporting projects. He said he is not sure if synchronized funding will be able to address the variables involved in the current situation, which is set to see a rise in the rate of infection, affect livelihoods and even reverse the gains made on various Sustainable Development Goals. Continuing with the existing partnership between companies and non-profits will work better, he added.