

CSR and Role of CAs

Many a time, Winston Churchill has been quoted as saying “*Responsibility is the Price of Greatness*”. On the other hand, American philosopher Henry David Thoreau too has rightly said: *Goodness is the only investment that never fails*. These sayings apply to great companies as well, including those in India.

The gigantic corporate growth has done India good. But there is even better side of this development. In the backdrop of tough competition and ‘Liberalisation – Privatisation - Globalisation’ (LPG) wave sweeping through countries and continents, the Government and more and more corporates are realising that a growth without a social face cannot be sustained for long. They are increasingly heeding concepts like ‘inclusive growth’, ‘Responsible Business Enterprise’, and to cap it all — Good Corporate Governance practices. As such, they are successfully intertwining their Corporate Social Responsibility (CSR) with their business strategies to the benefit of all.

CSR is no longer a cliché but a popular benevolent thinking in action. Thus, corporate activities today extend to almost every sphere of life, from manufacturing to services, education, hospitality, environment and even spirituality. But much more is still required to be done to make a real difference at the ground level at large, particularly in rural India. As such, in a path-breaking initiative, the Government has rightly made it mandatory for specified corporates to spend 2% of their average net profits in immediately preceding three financial years towards CSR, in the amended Companies Bill 2011 that was passed by the Lok Sabha recently. “*Private companies, while maximising their growth, also have responsibility towards the society besides equitable and sustainable growth of the country,*” the new Minister of Corporate Affairs Shri Sachin Pilot rightly said while moving the Bill in the Lok Sabha. It was indeed very assuring when while replying to the discussions on the Bill, Shri Pilot said that companies should not see the CSR spend requirement as a return of the “inspector raj”.

It is good that the CSR spend would be mandatory for companies that have a net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more or a net profit of ₹5 crore or more during a financial year. Every such

company shall now constitute a CSR Committee of the Board consisting of three or more directors. Also, companies will have to give preference to local area and areas around which they operate for spending the amount earmarked for CSR activities. It is welcoming that the provision says that where the company fails to spend such amount, the Board shall in its report specify the reasons for not spending the amount. It is also encouraging that under the new legislation, companies will be creating employees’ welfare fund.

Thus, in a major leap forward, in regards to the welfare of the society, the enactment of the Companies Bill, 2011 will make India the only country that has mandated CSR spend through statutory a route. But if we go by the sense of good economics, this spending on CSR will ultimately benefit corporates in the long run, facilitating their sustainable growth besides benefiting the society in general.

Indeed, the need of the hour is the business models where making profits and doing social environmental good go hand in hand. This background not only offers a plethora of professional opportunities for Chartered Accountants but also puts important social responsibility on them. They can play a crucial role with respect to both statutory and voluntary aspects of CSR. They are already proving to be an effective facilitator and implementer of modern approaches like transparency in corporate financial disclosure, value addition and tax compliance. Further, they can help corporate devise such strategies, policies and projects that serve both their business as well as social goals. They can ensure that corporate values and social values never come in conflict.

When associated with the corporate-aided community projects, CAs can ensure that the projects benefit the intended lot and their social objective is not lost in a corporate exercise of profit maximisation or building brand equity. CAs have the potential to be the most effective tool of good Corporate Governance involving CSR. It is high time that professionals helped create Responsible Business Enterprises.

-Editorial Board

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