

Finance Minister Nirmala Sitharaman introduced the Finance (No. 2) Bill, 2024 on 23rd July, 2024. This note analyses the impact of the implications of the Bill on Corporate Social Responsibility (CSR).

- a) Under the Prime Minister's package, the government will launch a comprehensive scheme for providing **internship opportunities** to 1 crore youth over a 5 year period **in the top 500 companies**. The government has also clarified that participation under the scheme is voluntary.
- **Eligibility Criteria:** Only individuals between the ages 21-24 years are eligible to apply for internships under the scheme. The applicant must not be employed or engaged in any full time education. Further, candidates who have qualified from IIT or IIM or IISER or CA or CMA, etc., are not eligible to apply under this scheme. Lastly, no member of the applicant's family should be a government employee or be assessed for income tax.
- **Term & Internship Content:** The internship will be for a period of 12 months and is expected to provide the intern with an opportunity to experience working on and developing a skill in which the organisation is directly involved. At least half of the internship must be spent in a working / job environment, rather than a classroom setup. The organisation may even tie up with entities within its value chain such as its vendors, customers, group companies, etc., to provide additional exposure to the interns.
- **Government Subsidy & Role of CSR:** Under the scheme, a monthly internship allowance (stipend) of INR 5,000 shall be provided to the interns. For 12 months, the total cost will amount to INR 60,000 (5000\*12) plus INR 6,000 as a one-time additional payout for incidentals. Out of this, the government shall bear INR 54,000 towards the monthly allowance as well as the one-time payout of INR 6,000 towards incidentals. Companies shall bear INR 6,000 (10% of the overall internship allowance amount) from their CSR funds. Additionally, expenses incurred on training such as materials, cost of trainers, etc., shall also be borne by companies from their CSR budget with reasonable administrative expenses also permitted to be booked as part of the administrative expenses companies can incur under CSR.
- **Selection of Candidates:** Applications under the scheme shall be made through an online portal. The company will be able to select candidates from a list available on the portal with emphasis on those with lower employability.
- **Areas Requiring Further Clarity:**
  - i) What will be the basis for identification of the top 500 companies?
  - ii) Is there a limit on the number of interns a company can hire under the scheme (minimum and maximum)?

- iii) Can companies choose to pay a higher monthly allowance to interns? If yes, how will the same work?
- iv) Will this scheme be over and above the Apprenticeship program currently permitted under CSR?
- v) In case 1 crore youth are not able to be provided with internship opportunities in the top 500 companies in 5 years, will the scheme be expanded to include other companies?

**b) Other Focus Areas Overlapping with CSR:** While the internship scheme is the only direct linkage between the Bill and CSR, the government has announced its focus areas and certain projects under it which are aligned with the items mentioned in Schedule VII of the Companies Act, 2013. Companies may design and implement programs around these thematic areas to support the focus areas of the government.

**i) Innovation, Research & Development: Items (ix) (a) and (ix) (b) of Schedule VII** mentioned above permit companies to contribute to a select set of entities / institutions for innovation, research and development through their CSR funds. The government has announced a fund for basic research and prototype development to be operationalised.

**ii) Inclusive Human Resource Development & Social Justice:** Aligned with **item (iii) of Schedule VII**, the government will be working towards facilitating higher participation of women in the workforce by setting up working women hostels and creches with industrial collaboration, organising women specific skilling programs and providing market access for the promotion of women Self Help Group (SHG) enterprises. Further the government will also focus on the socio-economic development of tribal families in tribal-majority villages and aspirational districts.

**iii) Productivity & Resilience in Agriculture:** Aligned with **items (ii) and (iv) of Schedule VII**, the government aims to initiate 1 crore farmers across the country into natural farming. Further, need based bio-input resources centres shall be established for natural farming and Digital Public Infrastructure (DPI) for agriculture shall be implemented for coverage of farmers and their lands.

**iv) Employment and Skilling:** Aligned with **item (ii) of Schedule VII**, the government aims at upgrading 1,000 Industrial Training Institutes (ITIs) in a hub and spoke arrangement which is expected to benefit 20 lakh students and youth. For the infrastructure upgrade, the government (Central and State) shall invest 50,000 crore over a 5 year period with industry contributing 10,000 crore over the same period, which includes CSR contribution as well.