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## CSR: Changing Indian Scenario

Corporate Social Responsibility has gained a new heightened dimension because of the role given by the Government for CSR funding for Swachh Bharat Abhiyan, Cleaning of Ganga and contribution to disaster relief and defence funds. Whether utilization of CSR funds for these activities can be

considered as a voluntary measure remains debatable. The fact remains that by government's emphasis on utilization of CSR funds with cooperation of PSUs and private sector, a large number of toilets have been constructed over the last two years. There are arguments in favour of the impact these toilets have made and against the same. However, in a multi-faceted country like ours where 75% of the population still depends on the government's initiative for change in their mind set, this action will really initiate a positive trigger in use of toilets. In rural India going for open defecation has a social dimension. In rural India that is the only time when women move out of their houses and are able to talk to one another. This is not to say that open defecation is the right phenomenon but this only points to the fact that a social behaviour has to be overcome. Building a large number of toilets may be a step in the right direction. Even if, 15% of the toilets built in the first phase become operational that will set in motion a futuristic trend and bring about a change in mindset of persons to have toilets inside their houses.

I have been involved with biogas programme in late 70s and have seen contribution of Sulabh International under Dr. Bindeshwar Pathak over the last 35 years. Having started with a modest scale he created a need for the same on a large scale. However, it was Prime Minister's thrust on building toilets under CSR funding which made large funds available backed up with the government's directive.

### Legal Perspective

An interesting study on the legal perspectives of CSR has been undertaken by Bharatsinh Chandrasinh Parmar of Vadodra, (published in ICSI Journal, Chartered Secretary in August 2016). The brief description starts with an introduction that CSR represents an ideology whereby

companies along with shouldering economic obligation for profitability also consider the interests of the society as well as environment by taking responsibility for overcoming the negative impacts of business activities. (I personally feel that CSR is not an activity to compensate for negative impacts of business activities but to really discharge the duty by the good citizens to help and support have-nots). Companies encourage societal growth and eliminate practices that harm the community, and environment.

The objectives of the study have been defined as follows:

1. Concept of CSR
2. Relevant provisions of the Companies Act 2013 and Companies (CSR Policy) Rules 2014
3. Companies' CSR activities viz-a-viz Schedule-VII of the Act and CSR Spend.
4. Co-relation between CSR and financial performance of companies

The Author formulated the following hypothesis:

1. Indian companies show a positive response towards CSR.
2. CSR initiative has competence to contribute towards the solution of India's multifaceted socio-economic problems.
3. Adoption of CSR practices in letter and spirit fulfills its legislative objectives.

The following are some suggestions from the study:

- Create broader awareness about CSR in different strata of general public
  - Spread CSR activities throughout all the sectors prescribed by Schedule VII of the Act so as to achieve an inclusive and balanced growth.
- I. Ensure that the requisite statutory CSR amount for the year is being spent in that year so as to stop the accumulation of appropriated but unspent CSR-amount.
  - II. Strategic partnerships between Corporates, NGOs and Government for CSR execution may be formed.
  - III. Corporates need to engage in CSR activities with strategic approach keeping in view their core business preferences and not just as a philanthropic attitude.
  - IV. Independent evaluation of CSR projects may also be done to

measure the efficiency in Implementation.

V. Some certification mechanism (like ISO) may be initiated to tag the companies as "CSR compliant", which may distinguish the company's brand value and serve as an encouragement/inspiration for effective CSR execution.

### Shift Observed in CSR Activities

**Support for Strengthening Systems and Institutions for CSR Programme Implementation:** Companies Act 2013 mandated that the companies spend 2% of their profits on CSR activities. This provision led to heated discussions and arguments and a section of industrialists and professionals vehemently opposed such a mandatory provision in the Act. They were of the opinion that this will ultimately be a tax on the public and undue burden on corporates. Schedule VII of the Act also defines areas which could be covered under CSR activities. The initial provisions were considered extremely restrictive. As the years passed by government amended the schedule and issued a number of official notifications to enlarge the ambit of CSR activities. It can be seen that whereas the initial provisions were more oriented to social development alone, the subsequent clarifications have allowed CSR funds to be used for strengthening the systems and institutions for carrying out CSR activities in a systematic manner. This has created a new dimension to CSR activities and their implementation.

**Implementing Projects through Foundations and NGOs:** Whereas in the initial phase companies were directly involved in carrying out CSR activities and their officials were compulsorily involved in such activities, the thrust has now moved on to creating separate foundation under the patronage of the parent company, or funding other NGOs who are professionally competent to conduct activities of social development and social inclusion through skills development creating, income generation opportunities and social markets. The whole expanse of CSR activities has widened and the results are now to the advantage of the common man. Also, the process for introducing sustainable development goals in the Post-2015 global development era has brought private and public sectors centre-stage. Indian companies have also accordingly gone into accelerated mode to contribute to the society.

**Projects Implemented around Plant/Unit/Office:** Most of the activities are restricted to around the corporate office or around the plant. As a first step it was necessary to serve the society in one's own environment. However, there is a need for their maturing to a stage where they can utilize the services of well established foundations and NGOs for supporting and executing CSR activities in areas other than their own. The government has clearly identified, through the human development index reports, as to where the need is the greatest of the poor and the needy. Whereas, the poor in the urban and semi-urban areas have been attracting a lot of CSR funds because of their proximity to the seat of power and the possibility of showcasing the results of CSR work there is much greater need in tribal areas all over the country and in remote North-Eastern regions. However, logical conclusions from government reports can be drawn to identify such areas.

**Companies Allocate 2% of Profits for CSR Projects:** A review of over 100 companies and their units indicates that the companies are

voluntarily spending 2% or more of their profits as required under the Companies Act. Not only this, a large number of companies are spending more than 2% and there are also instances of companies having spent over 7% of their profits for CSR activities. The response of such participants indicates that they have taken 2% as the baseline but they have budgeted depending on the needs of the people around their units.

**National Programmes Like Swachh Bharat Served on Priority:** Private as well as public sector units have wholeheartedly supported Prime Minister's programme of Swachh Bharat, especially building toilets where needed. Whereas the general impression is that the public sector organizations have been compelled to attain certain targets in their areas, the reality is that they had constructed toilets in rural areas as the major activity under CSR programme and got these executed through competent agencies like Sulabh International. Private sector has also tried to attain targets given to them by the government. A significant aspect of this programme was that the progress was monitored in all areas and also reported. In keeping with the government's advice these units have also conducted awareness programmes for the beneficiaries about the benefits of using toilets inside the houses. A large number of such programmes have been conducted which give an indication that this national programme will be successfully rooted in the rural areas.

**Skills Building and Employment Generation Supported:** The next activity strongly supported by larger manufacturing units or the financial institutions was the skills building programme followed by training for employability and subsequent provision of employment. There are units that have trained a large number of rural and semi-urban youths in different types of skills at levels starting from artisan to highly technical; and after imparting necessary skills ensured their linkage for employment and ensuring hundred percent employment.

**Training for Entrance Exams of Engineering Institutions:** Yet another programme which is a recent phenomenon is training rural, tribal and children from marginal social backgrounds for engineering entrance examinations. Around engineering manufacturing units people value engineering education a lot and providing such training for the local youth has boosted the morale of local persons. It has also created better level of confidence in the local youngsters that they can explore engineering education and thereby engineering career for their future build up.

**Projects of Social Development Covered by All:** The traditional programme of education, health rural development (that is building roads; digging wells etc) and drinking water remain as a component of all sectors of economy. The new trend towards using CSR funds for awareness programmes as well as providing higher education, skills building and training for employment is also adding to the economic development of the region. Some of the units have launched health awareness programme with a view to make people understand importance of preventive healthcare and thereby gaining support for ensuring low cost healthcare programmes in rural areas.

**Implementing CSR Projects in Gradually More Effective Manner:** There are also examples of companies being consistently involved in CSR programme and improved upon their processes and methods; and they have termed as generation one, generation two and generation three

CSR activities. An example of this is a case of a company having started computer education as the first generation CSR activity some 15 years back for young children. That was upgraded to also include their parents and teachers for improving their skills. In the second generation CSR activity, the company made systems available to the beneficiaries and promoting them in the self-learning mode. In the third generation the company has developed software programs and made them available to foundations, NGOs and other CSR implementing organizations to improve their efficiency of operation.

One can confidently say that the sample of units represent that the CSR activities have become an integral part of Indian corporate work culture; and this approach is supporting social development as well as economic development of the needy and the deprived. In true sense the corporates are effectively utilizing CSR route for creating larger employment opportunities for the poor and the deprived.

### Way Forward

A brainstorming session at IOD identified following issues to be focused:

1. Most of the companies and units are based in the industrial belts and as such the activities normally cover areas which are already well served. Though this approach provides larger opportunities but it does not serve the poorer people in other areas.

2. Companies, having national operations, should also consider providing support activities under the ambit of CSR in areas that need help as identified in national surveys. Specific thrust needs to be given to tribal areas and areas in the North-East. Government can facilitate through provisioning in rules of CSR activities so that companies can expand their areas of operation.

3. Regular monitoring and evaluation of the projects must be carried out and outcome report should be included in the CSR disclosure report published in the annual report.

### Conclusion

The Golden Peacock Award for CSR not only supports companies and their units to improve their systems for planning and implementing CSR activities but also to monitor and record the performance. IOD provides a platform at the CSR Conference for interaction and exchange of ideas by different companies and their units to attain goals in more effective manner. Analysis of data which is received by various applicants can also help in identifying the major thrust areas among the identified activities under Schedule VII of the Companies Act 2013. Such identification will help in focused approach of the government and thereby more effective results by use of CSR funds. ■



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