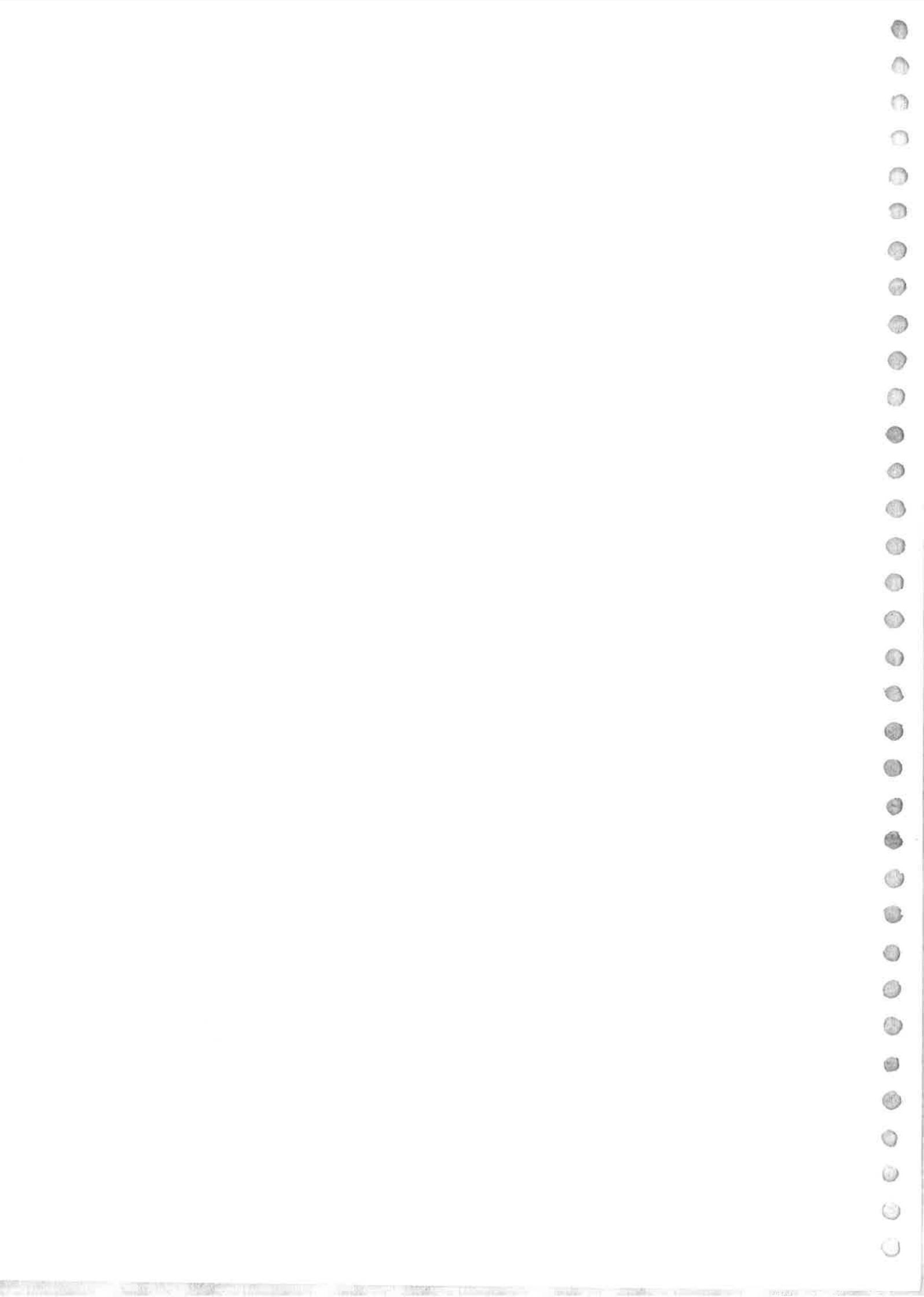
The background of the cover is a photograph of a night sky. A bright, glowing star or planet is visible in the upper left quadrant, and a thin crescent moon is in the upper right. The lower portion of the image shows a dark, silhouetted landscape, possibly a field or a forest, under the night sky.

**DR. BHASKAR CHATTERJEE**

# **THE NEW CSR PARADIGM**

**ACCELERATING INDIA'S INCLUSIVE  
DEVELOPMENT AGENDA**



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## PREFACE

The present study relates to the extremely topical subject of Corporate Social Responsibility (CSR). This subject has currently attracted the interest of a very large number of scholars and researchers primarily because of the new legislation under the Companies Act 2013 and also because it focuses on the manner in which companies can give back to the very society from which they have made their profits. At the heart of the path breaking legislation lies the attempt to link the CSR agenda of companies to the development agenda of the nation. Thus, this research initiative is an attempt to study the underlying purpose of the legislation on the one hand, and on the other, to examine whether that objective has been satisfactorily addressed by companies at the grass roots level.

India has faced many grave challenges after independence, such as, eradication of poverty and illiteracy, controlling of population growth, improvement in the status of health, social transformation, unemployment and low status of women to name only a few. During the British period, India was one of the poorest countries. It was primarily an agricultural economy. Industrialisation was minimal and society was largely feudal. Due to a very high fertility rate (45 per 1000), the growth of India's population was very high and coping up with such a huge population became an uphill task.

Illiteracy or educational backwardness was the greatest bane of the country. With barely 12% of literacy in the country in 1947 and a very poor educational infrastructure, the growth of the nation was in limbo. Citizen's status of health and the health system infrastructure was equally bad. Infant mortality rate was very high (145 per 1000), crude death rate was 31.4 per 1000 and average life expectancy was very low (31.4 per 1000). There was a tremendous deficiency of doctors, nurses, beds in hospitals, medicines and so on.

In order to take care of these challenges, India adopted a Planned Economy. A Planning Commission was established. The Commission adopted

gratitude to The Indian Council of Social Science Research, New Delhi for awarding the Senior Fellowship to me and for providing me with the opportunity to work on the subject. A special note of thanks to M.R. Murthy (Director, Institute for Studies in Industrial Development (ISID), New Delhi) and Prof. Alakh N. Sharma (Director, Institute for Human Development), for providing me with necessary facilities for conducting the research work smoothly. Without their constant support and encouragement, this study would never have been possible. I would also like to express my sincere gratitude to Dr. Lalit Kumar (Hony Senior Adviser, Sulabh International) for his overarching supervision and efforts in shaping the contours of this research.

A special word of gratitude and thanks to my Research Analyst, Ms. Niharika Pandey, for her unstinting and unflinching resolve, determination and perseverance through many trials and tribulations. Her patience and understanding have been a huge contribution to the successful completion of the study.

I shall, however, be failing in my duty if I do not specially acknowledge the work, insights and support provided by Ms. Smita Agarwal (CSR Head Education, TATA Steels) , Mr. Dayaram (Secretary , Aspire) and their CSR implementation team in Odisha for chronicling The TATA Thousand Schools Project Case study, Mr. Pratyush Kumar Panda (CSR Head, ACC limited), Mr. Daniel Sunder Raj and the respective CSR officials in Madukkarai for chronicling "The Clean and Green Madukkarai Project", Mr. Bibhuti Pradhan (General Manager CSR Indian Oil Corp Ltd), Ms. Sabeena Chowdhary( CSR manager) Mr. Bhanu Prakash Semwal (CSR manager) and their entire CSR team at Digboi in the documentation of "The Assam School of Nursing". Ms. Neelam Gupta (President & CEO, AROH Foundation), Mr. Surender Kumar (Senior Manager) and their Project Implementation team at Chhattisgarh in the documentation of the HDFC Bank & AROH curated holistic rural development program.

A special note of thanks to the grass-root workers of each of these Organizations who have remained the unsung heroes of these projects. Without

their help, a compilation of this nature would not have seen the light of day. It is hoped that the research will be deemed useful not only by policy makers, academicians, corporates, civil societies, planners, CSR enthusiasts, development professionals and NGOs but also by others who deal with Section 135 of the Companies Act 2013 in various ways.

### **Disclaimer**

This research is the product of a professional research undertaken under the Senior Research Fellowship awarded by the Indian Council of Social Science Research (ICSSR) to Dr. Bhaskar Chatterjee. Every attempt has been made to ensure the accuracy of the data relied upon for analysis. However, the author makes no claims for the completeness, correctness, suitability, or validity of any of the information provided. All such information has been depicted on an "as-is" basis. For the sake of accuracy, the case facts used from the official websites have not been tweaked and have been used in "as is" format.

The views and opinions expressed in this research are those of the author and do not necessarily reflect the official policy or position of any other agency, organization, employer or company. Assumptions made in the analysis are not reflective of the position of any entity other than the author and are subject to change, revision, and rethinking at any time.



# CHAPTER I

## THE INTELLECTUAL UNDERPINNINGS OF MODERN CSR

### EVOLUTIONARY NARRATIVE AND BROAD PATTERNS OF EMERGENCE

#### EARLY GLIMMERINGS

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##### THE 1950's

Corporate Social Responsibility as a concept has a history of about seven decades. Considering that the era of the Industrial Revolution originated in Britain and Europe, it is somewhat surprising that the idea of business fulfilling societal obligations originates in the United States. The spread of industrialization to America occurs in the mid-nineteenth century and develops rapidly till, by the early twentieth century, the U.S. becomes the world's leading industrial nation. It is here that the economic might of companies and corporations begins to assert itself and the adverse consequences of the "dedicated pursuit of profits" begins to trouble the conscience of thinkers and observers. Given that the horrors of the Industrial Revolution were evident much earlier in Britain and Europe, it remains somewhat of a conundrum as to why business organizations in whatever form, were never seen as entities that could also contribute to the social good.

Although one might trace some thought processes to earlier times, yet the first real evidence of a formulated, conscious approach comes to us in 1953, in the form of gleanings from Howard Bowen's "Social Responsibilities of the Businessman". Not only was he the first to coin the term, he also was the first to take up extensive elaboration of the subject. He applied the term to corporations and invoked their "social sense" outlining his views on how companies were obligated to reach out and assume responsibilities to society.

His seminal book created the base on which business executives and scholars alike could consider the subject as an integral part of corporate planning and managerial decision-making.

"CSR," he wrote, can help business reach the goals of social justice and economic prosperity by creating welfare for a broad range of social groups, beyond the corporations and their shareholders." He defined the social responsibilities of companies as "the obligations of businessmen to pursue those policies, make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

Even while we accord originator status of CSR to Bowen, we must also acknowledge at the same time, the extraordinary contribution made by the Father of the Indian nation – Mohandas Karamchand Gandhi. Gandhi's concept of "Trusteeship" - an evolutionary model – first found loose expression as far back as 1909 in his writings in the *Hind Swaraj*. In his book by this title (which literally means **Indian Home Rule**), Gandhi, writing in his native tongue Gujarati, expresses his views on the problems of humanity in those times, the causes, and his remedies. In a profound repudiation of western civilization, he argues that the basic premises of the Western way of life are unhealthy for India, and that the economics of the distribution of wealth need to be drastically overhauled.

Over the following years, as Gandhi developed and more robustly enunciated his social ideas, the concept of Trusteeship became closely related to the "Social Responsibility of Business". Today, as we see some of the richest men in the world, such as Bill Gates and Warren Buffet, distributing large percentages of their wealth to social causes, like public health, AIDS research, primary education, poverty alleviation and so on, their willingness to try and help in solving the community's problems both as a social and moral responsibility, harks back to the Trusteeship philosophy of Mahatma Gandhi.

The concept of trusteeship, as Gandhi defined it, is a testimony of corporate social responsibility which meant an engagement of business in development. Trusteeship which Gandhi described as 'India's gift to the world' is revolutionary because it drew on the complete negation of values integral to capitalism,

namely, private property and competition. While articulating his view of Trusteeship, Gandhi argued, "If I take anything that I do not need for my own immediate use and keep it, I thief it from somebody else. I venture to suggest that it is the fundamental law of Nature, without exception, that Nature produces enough for our wants from day-to-day, and if only everybody took enough for himself and nothing more, there would be no pauperism in this world, there would no man dying of starvation..." Because Gandhi firmly believed that the rich and the powerful should voluntarily surrender a part of their wealth for the welfare of the people, he was clearly enunciating the central philosophy of CSR, which is 'to give back to society' in some measure, that which is taken from it.

Gandhi also expressed the view that Trusteeship would permit the rich to retain the stewardship of their property. They could use their excess wealth for the benefit of the poorer sections whom Gandhi termed as 'Daridranarayan' (or the poorest of the poor). "The capitalist," said Gandhi, must change his attitude of increasing his capital at the cost of these 'Daridranarayans' – instead, he should dedicate his excess wealth to them." These views are in so many ways similar to today's concept of CSR which conceives of a proportion of profits being set aside for the development and upliftment of the poorer sections of society.

Gandhi defined a 'Trustee' as one who holds property or wealth in trust for others who are identified as beneficiaries. A Trustee should take the minimum that is required for his legitimate needs and leave the remainder for the deprived and the poor. Gandhi himself asked all capitalists, property holders and land lords to adopt the principle of trusteeship and keep their property in trust. The perspective which he imparted to them was that there was advantage in Trusteeship as it would allow the property holders to retain stewardship of their possessions and use their own talents to generate wealth, not for their own sakes, but for the sake of society and the nation. The rich, Gandhi maintained, could not accumulate wealth without the cooperation of the poor in society. Instead of exploiting them, Trusteeship gave them a chance of reforming themselves and changing their approach from being wealth-

accumulators to benefactors. The concept of Trusteeship was based on the faith that human nature is never beyond redemption.

Writing in the "Harijan" on the 1<sup>st</sup> of February, 1942, [p, 20], Gandhi constructed these thoughts in the following manner: *The rich should ponder well as to what is their duty today....For them, the best and most effective mantra is: 'Enjoy thy wealth by renouncing it'. Expanded, it means: "Earn your crores [tens of millions] by all means. But understand that your wealth is not yours; it belongs to the people. Take what you require for your legitimate needs, and use the remainder for society. This truth has hitherto not been acted upon; but, if the moneyed classes do not even act on it in these times of stress, they will remain the slaves of their riches and possessions and consequently of those who over-power them.*

The same train of thought was captured earlier, when Gandhi, writing in "Young India", [5-12-1929. p. 396] says:

*They (the zamindars and talukdars i.e. the land owning, propertied classes) must regard themselves, even as the Japanese nobles did, as trustees holding their wealth for the good of their wards the ryots (small farmers and tillers). Then they would take no more than a reasonable amount as commission for their labours. At present there is no proportion between the wholly unnecessary pomp and extravagance of the moneyed class and the squalid surroundings and the grinding pauperism of the ryots in whose midst the former are living....If only the capitalist class will read the signs of the times, revise their notions of God-given right to all they possess, in an incredibly short space of time the seven hundred thousand dung-heaps which today pass muster as villages, can be turned into abodes of peace, health and comfort. I am convinced that the capitalist, if he follows the Samurai of Japan, has nothing really to lose and everything to gain...*

Writing in the "Harijan" [25<sup>th</sup> October, 1952], Pyare Lal the personal secretary of the Mahatma, recalls that on their release from the Aga Khan Palace shortly after the Quit India Movement of 1942, he along with Professor Dantwala,

Kishorilal Mashuruwala and Narahari Parekh (all close advisers of Gandhi), took up the question of Trusteeship in detail and joined together in the preparation of a simple, practical, Trusteeship formula. They, after several rounds of discussions, asked Prof. Dantwala to put together a draft. This he did and they then placed it before Gandhi for his approval. He made a few changes and then the draft was finalized. It read as follows:

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.
2. It does not recognize any right of private ownership of property except so far as it may be permitted by society for its own welfare.
3. It does not exclude legislative regulation of the ownership and use of wealth.
4. Thus, under State-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interests of society.
5. Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time so much so that the tendency would be towards obliteration of the difference.
6. Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal whim or greed.

Even while giving it a formal construct and a providing it with a wide definition, Gandhi was aware that for many, 'trusteeship was a legal fiction'. He also acknowledged that 'absolute trusteeship' was an abstraction like Euclid's definition of a point and was equally unattainable. Yet it was worth striving for and the closer a society got to it the better it was for that nation. Hence, in

Gandhi's view, "the question how many can be real trustees according to the definition is beside the point. If the theory is true, it is immaterial whether many live up to it or only one man lives up to it. The question is of conviction. If you accept the principle of ahimsa, you have to strive to live up to it, no matter whether you succeed or fail."

Some seventy years later, with the benefit of so much hindsight and so much experience, we have to acknowledge that some of the vital elements of modern-day CSR were incipient in the Trusteeship principle of the Mahatma. That the rich and their profitable enterprises had an obligation to the poorer sections of society remains at the very root of all contemporary CSR thought. That the utilization of the excess wealth of the rich should be utilized towards the development of the nation, forms the crux of the modern-day CSR strategies of countries such as India, where the mandatory CSR model asks corporates to spend 2% of their profits on development projects for the poor.

## **SCOPE OF CSR WIDENS**

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### **THE 1960's**

This period is crucial to the development of academic thought on CSR. If the seed that Bowen had sowed had not taken root, both his seminal ideas and the development of the CSR discipline may well have remained a footnote in history. Instead, we have four robust thinkers who take the logic, the definitional aspects and the momentum to new heights. This imparts to the growth of the CSR discipline an impetus that enables it to be propelled forward and spread its roots among academia and practitioners alike.

The first of these was Keith Davis. In an article in the *California Management Review* in 1960, he attempted a definition of CSR as being "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis, 1960, p. 70).

Davis argued that social responsibility is a tenuous, somewhat amorphous, yet very workable idea that needs to be rationalised in the context of managerial

priorities. To buttress this line of argument he asserted that socially responsible business decisions are usually long-term ones that nevertheless have a very good chance of bringing economic gain to the firm. The company acquires a better public and brand image and is rewarded for its socially responsible outlook. The prescient character of this approach is evident from the fact that the following decades upheld and indeed built upon it. Another aspect that Davis underscored in his research findings was the inviolable relationship between social responsibility and business power. He expounded a famous dictum which he termed the "Iron Law of Responsibility". This laid down the principle that "social responsibilities of businessmen need to be commensurate with their social power" (p.71). Conversely, he said, that if social responsibility and power were to be relatively equal, "then the avoidance of social responsibility leads to gradual erosion of social power" (p.73) on the part of businesses.

Second on this list for the 60's would be William C. Frederick. His vision was first delineated in his 1960 article titled "The Growing Concern over Business Responsibility" in the *California Management Review*. He held that a business firm is unavoidably influenced by its host community's social institutions, social values, and cultural traditions. At the same time, the firm exerts reciprocal influence on the society's values and traditions. At the intersections where these two forces - Business and Society - meet, one discovers the major social and ethical issues associated with business practice. Corporate Social Responsibility (CSR) means that business has social and ethical, as well as economic, responsibilities to the people, communities, and environments affected by its operations. (See [www.williamcfrederick.com/business-society.html](http://www.williamcfrederick.com/business-society.html)).

Frederick continued to write and expatiate on this theme in his subsequent works which appeared over the next five decades. Most famous among them were three articles - "Auditing Social Performance: The Anatomy of a Social Research Project," (1978), "From CSR 1 to CSR 2: The Maturing of Business and Society Thought," (1994) and "Moving to CSR 4: What to Pack for the Trip," (1998). Finally in 2008, he put it all together in a landmark piece

titled "Corporate Social Responsibility: Deep Roots, Flourishing Growth, Promising Future," (2008).

The third great CSR thinker of this period was Joseph W. McGuire. In his famous work *Business and Society*, written in 1963, he proffered a more inclusive definition than his predecessors: "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations." (p.144). Although broader in scope than before, this definition still leaves the concept of responsibilities open-ended. In real terms, how executives should identify such responsibilities and execute them still remained unclear. Nevertheless, McGuire did go on to suggest that the corporation must take an interest in the political space and in political developments, in serving the larger interests of the community, in education, and in fulfilling the needs and legitimate wants of its workforce. "Therefore," he said, "business must act justly as a proper citizen should." These views of McGuire establish him as a prescient thinker who already began to foresee a larger role for companies that hitherto envisaged.

## **A PLETHORA OF DEFINITIONS and A NEGATIVE TIRADE**

### **THE 1970s**

This was a time in American economic history when the pervasive image of big corporations was emerging as mostly negative. The perception of the public at large was that business and industry, organised in the form of companies and corporations, tended to be exploitative, greedy and overly selfish. The ideas of the "New Left" were growing in popularity and Americans were feeling increasingly sceptical of large business conglomerates. The climate of opinion reflected a widespread aversion to the dedicated and mostly reckless pursuit of profit accumulation demonstrated by such entities and the idea of the "soulless, heartless corporation" began to gain ever more ground. Hence it comes as no surprise that public opinion veers towards demanding that business

discharge its moral duties and obligations towards society and demonstrate a more human face.

By the early 1970s, significant changes were taking place in the world of business practice. The social pressures that arose in the 1960s around civil rights, the natural environment, consumer protection, and employee health and safety, for instance, produced a torrent of regulatory and legislative activity in Washington DC. Economic regulation, which had expanded rapidly since the 1930s, was accompanied in the 1970s by a large number of social regulations, which cumulatively imposed a heavy financial and operational burden on many industries and business enterprises. Business leaders struggled to understand and respond to this turbulent public policy environment.

The 1970s were an era of acute economic distress as a slowly growing domestic economy was challenged by the OPEC oil shortages and consequent price increases beginning in 1973. The "oil shock" was one of the great economic and political markers of the twentieth century, and it signalled the end of Western economic hegemony that depended on and assumed inexpensive, plentiful, and reliable oil energy supplies. Within a few months, retail gasoline prices skyrocketed in the United States and Europe, plunging consumers into a panic as long lines at retail gasoline stations defined the shortages and produced images for the nightly news. America could not run without abundant oil, and the reality of the shortage was economically and psychologically stifling. The industrial impact was more severe, and the economy struggled to operate on highly uncertain supplies of oil, the price of which increased sharply. The result was significant industrial disruption, economic inflation, and political stress.

The great social movements of the era had radically transformed business decision making during this era. Managers could not manage their enterprises in the same old way – with an old-world view. Thus, writers on the subject of CSR in this period, begin to construct definitions that emphasize the concept as a moralistic rallying point. Among the first

to do so was Morrell Heald who in his *The Social Responsibilities of Business: Company and Community, 1900-1960*, published in 1970, took a close and critical look at the idea of social responsibility as businessmen themselves have defined and experienced it over the course of the twentieth century. This is a comprehensive and thought-provoking study of the attitudes, ideas and activities of the leading American business functionaries from 1900 to 1960 concerning the social responsibilities of business organisations. Heald focuses his attention specifically on the businessman's approach towards the firm's responsibilities to the society and the community in which the company functions. The author views the steadily evolving philosophy of corporate social action as one of the primary factors contributing to the businessman's concept of social responsibility.

Our attention must now focus on one of the truly great thinkers of this epoch, the Nobel Prize economist, Milton Friedman. He was the principal intellectual of the Chicago school of economics, and the winner of the Nobel Prize in Economics in 1976. He was labelled by *The Economist* as "the most influential economist of the second half of the 20th century...possibly of all of it". In 1970, he proffered a guiding principle for the manner in which businesses should be conducted. He authored an article in the New York Times, provocatively titled: "The social responsibility of business is to increase its profits" in which he set out this principle:

... there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays in the rules of the game, which is to say, engages in open and free competition, without deception or fraud.

Friedman stood for a form of capitalism that was direct and aggressive. He railed against any activity that distorted economic freedom. Socially responsible activities conducted by a corporation, Friedman believed, went against the grain of economic freedom.

Milton Friedman was the chief architect of the movement against social responsibility, writing what is considered by many the seminal piece of work disparaging CSR and the businesses who promote their CSR credentials.

Importantly, however, one must note that Friedman is *not* saying that managers ought to maximize profits at all costs – that is to say even in an unethical or immoral manner. For him, deception and fraud have no place in business. Practices that would undermine competition or evade or subvert the law would be morally wrong for Friedman.

In his famous book "Capitalism and Freedom", using the strong language that became his hallmark, he called the idea of corporate social responsibility a "fundamentally subversive doctrine" in a free society.

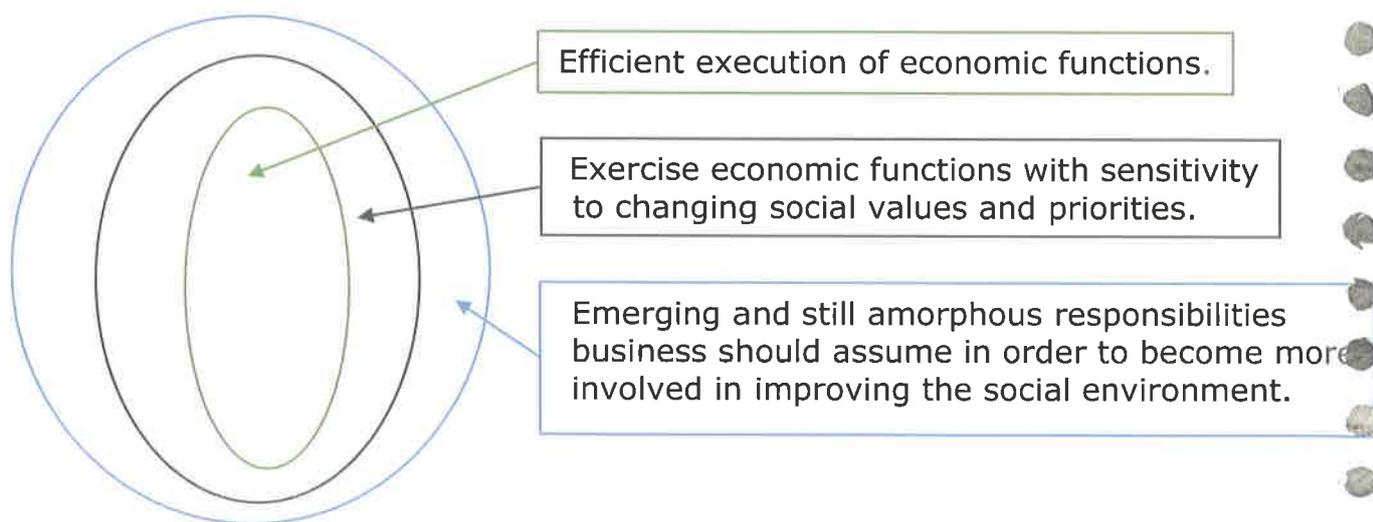
CSR, despite the onslaught from a source as worthy as Milton Friedman, garnered for itself international attention in 1971 itself, when the Committee for Economic Development of America, came out with its path breaking report, *Social Responsibilities of Business Corporations*. Writing the preface, Emilio Collado, Co-Chairman of the *Research and Policy Committee*, pointed out that there had been a shift in the focus of the CED from economic issues to social problems and the importance of the role both the public and the private sector in making greater efforts to deal with these problems. He drew attention to the growing consensus in American society towards giving higher priority than ever before to the nation's social problems. He described the positioning and the perspective of the Report very effectively, pointing to the views about CSR prevailing at the time:

This statement ... provides a perspective between two extreme views that have been argued for many years. At one extreme there has been the view ... that the main function of business is to produce maximum profits year by year. At the other extreme is the view that business ... has a major responsibility for resolving most of the social and

environmental problems afflicting the nation. This statement charts a path between these extremes.

The Committee underscored the point that the pursuit of economic gain and the amelioration of social problems by business corporations were not goals that were antithetical to each other. It held that "...business must recognize that the pursuit of profit and the pursuit of social objectives can usually be made complementary. From the standpoint of business, profit can be earned by serving public needs for social improvements as well as for goods consumed privately. From the standpoint of society, public services can be improved by enlisting the efficiencies of business organizations through the opportunity for profit.

Most importantly, in response to a public opinion survey conducted by Opinion Research Corporation in 1970, the CED offered an approach to CSR that it represented by way of three concentric circles:



Two more major contributors to the CSR definition came on board in 1972. Economics professors Henry G. Manne and Henry C. Wallich elaborated their views in their volume *The Modern Corporation and Social Responsibility* (Manne & Wallich, 1972). Manne set forth his definition of CSR by arguing that for any expenditure to qualify as an expenditure on CSR it must contain three elements:

- it must be one for which the marginal returns to the corporation are less than the returns available from some alternative expenditure,
- it must be purely voluntary, and
- it must be an actual corporate expenditure rather than a conduit for individual largesse. (pp. 4-6)

Manne qualified his definition by adding the rider that "in practice it is often extremely difficult if not impossible to distinguish a purely business expenditure only alleged to have been made for the public's good from one actually made with real charitable intent" (p. 8). It needs to be noted too, that the element of voluntarism is also difficult to judge. Very often, the thin line between that which is "purely voluntary" and that which is in response to social norms, is virtually impossible to discern.

Wallich also, defined CSR activities as having three distinguishing characteristics:

- the setting of objectives;
- the decision whether to pursue these objectives, and
- the financing of these objectives (p. 41)

He believed that for CSR activities to be carried out, there must be explicit shareholder instructions so that corporations are made properly responsible and accountable to the interests of shareholders.

S. Prakash Sethi was a scholar who authored a classic article authored in 1975, "Dimensions of Corporate Social Performance: An Analytical Framework". Sethi's overall perspective was that although corporate social responsibility is a concept that often defies exact definition, yet a construct is possible for it to be measured and compared within an organizational framework and within the particular cultural context of a business firm. Sethi broke this approach up into three. Thus, corporate behavior can be analyzed in three explicit phases:

- social obligation, or response to market or legal constraints. The criteria here are economic and legal only. This first phase is thus proscriptive and narrow in nature;
- social responsibility, or congruence with current social norms and values. Clearly, this second phase goes beyond social obligation but is still somewhat rigid and prescriptive in nature; and
- social responsiveness, or anticipation of social change and problems, with development of appropriate policies to meet these needs. This phase calls for the adaptation of corporate behaviour to social needs and is thus about receptivity, openness, reaction and sensitivity.

Another perceptive research paper that contributed significantly to the growing volume of literature on CSR was published by Sandra Holmes (1976), a faculty member in management at the University of Texas at San Antonio. Her interviews with officers of large corporations indicated a significant change in executive opinions on social responsibility and the outcomes of social involvement over the period 1970-75. Her contention was that certainly the pivotal figure in the area of social responsibility was the corporate executive and that, therefore, his opinions and views would be of great relevance in estimating and gauging the way companies felt about their involvement in the social domain.

We now turn our attention to Abbott and Monsen. In 1979, they developed a corporate social involvement disclosure (SID) scale based on a content analysis of the annual reports of Fortune 500 companies. From their analysis they tried to derive three results: (1) the change over time of the social involvement of the identified firms, (2) the content direction and scope of such involvement, and (3) the positive or negative impact of social involvement on corporate profitability.

Abbott and Monsen turned the searchlight more towards the measurement of CSR activities and their impact rather than toward a

comprehensive definition. By doing so, they took forward a very important element of the emerging CSR scenario.

Louis B. Carroll, perhaps the most prolific theorist on CSR, in 1979 offered the following definition of CSR "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."

These four basic expectations, Carroll held, reflected a view of social responsibility which was consistent with the trend of definitions provided by earlier theorists. His perception was that the four- spectrum categorization elaborated the social obligations of corporate entities in a more exhaustive manner.

He chose to represent the concept diagrammatically by the use of a standing rectangle sub-divided into four quadrants with the economic responsibilities at the bottom, legal responsibilities next, ethical responsibilities above that and finally discretionary responsibilities at the very top. The sizes of each of these quadrants grew smaller as they climbed upwards suggesting the relative magnitude of each category. The lines between the quadrants were perforated to depict that the responsibilities were not mutually exclusive. Additionally, he was careful to state that the categories were not intended to portray a continuum with economic obligations at one extremity and social concerns at the other. "That is, they are neither cumulative nor additive...The four classes are simply to remind us that motives or actions can be categorised as primarily one or another of these four kinds," is how he put it.

He described each of these responsibilities thus:

*Economic Responsibility:* The first and foremost social responsibility of business is to produce goods and services that society wants and to sell these at a profit.

*Legal Responsibility:* Society expects business to fulfil its economic responsibility, but within the framework of legal requirements.

*Ethical Responsibility:* Although the first two already embody ethical norms, society has non-codified ethical norms which expect certain behaviors and attitudes in certain situations and which change over time and debate.

*Discretionary Responsibility:* These are voluntary actions, guided only by a business' desire to engage in social roles that are not mandated, required by law, and not even generally expected.

Carroll's analysis led him, thereafter, to also provide a discussion on what could be the components of the social responsibility of businesses. He acknowledged that the range of concerns and issues evolved and varied over time; that they often related to the sector in which a particular company was; that they were often defined by the nature of the business itself; that choices were determined by factors as diverse as the interest of top executives to governmental pressure; and that certainly there could be no agreement or consensus on which issues would need to be chosen.

To complete the conceptual model, Carroll referred finally to the third dimension, which he characterised as "social responsiveness". Hence, given and accepted that companies have a social responsibility, what should be the degree and kind of managerial action? Here, Carroll drew a continuum stretching from "doing nothing" to "doing much". He brought into the ambit of his purview the earlier viewpoints of Ian Wilson, Terry McAdam and Davis and Blomstrom. These responses have been briefly summarised in a blog post on husdal.com which features Articles and Papers. This blog was posted on 15<sup>th</sup> October, 2010 and revised on 10<sup>th</sup> November, 2015.

*React:* Deny any social responsibility, do nothing, saying that this is the local authorities' responsibility, not theirs.

*Defend:* Admit that it has responsibility, but do as little as possible, just enough to maintain its reputation.

*Accommodate:* Accept responsibility, and follow the advice of pressure groups and lobbyists who want the company to take action.

*Lead:* Be responsible and take action before the media gets wind of the story, and go further than what is expected.

Although written in 1979, Carroll's three-dimensional model remains to this day, a very useful tool for academicians, managers and practitioners alike, to conceptualise the key issues, to systematize thinking about social issues and to improve planning and diagnosis of actions that are initiated in the realm of social responsibility.

## **FOCUS ON RESEARCH AND EXPLORATION OF ALTERNATIVE THEMES**

### **THE 1980s**

Over this decade, the obsession with capturing the essence of CSR in the form of definitions waned. Instead, the emphasis shifted to exploring new themes, concepts, approaches and perspectives which opened up new vistas and horizons. Researchers brought in fresh exploratory insights and concentrated their attention on viewpoints that encompassed corporate social responsiveness, corporate social performance, public policy, business ethics, stakeholder theory/management, to name but a few. CSR took on new a new garb and began to re-discover itself – looking outwards rather than inwards.

The legendary management "guru" Peter Drucker added his voice to the ongoing debate on CSR by proposing in 1984 "a new meaning". He tried to underscore the point that business profitability and responsibility

were not incompatible or mutually exclusive. "Only if business," he wrote (1984), "...learns that to do well it has to do good, can we hope to tackle the major social challenges facing ...societies today...They can be solved only if seen and treated as opportunities. And the economic realities ahead are such that 'social needs' can be financed increasingly only if their solution generates capital, i.e. generates profit." Taking the examples of two outstandingly successful American businessmen of that era – Carnegie and Rosenwald – he contrasted their differing approaches. Carnegie's philanthropy he felt was limited in scope and impact whereas Rosenwald's approach of creating value and doing good *as a means* of doing well was what CSR was all about. Drucker's view, from our standpoint over thirty years later, seems to anticipate in many ways the "shared value" approach of the redoubtable Harvard don Michael Porter. This will become more evident when Porter's seminal work is discussed more fully. Drucker's conclusion remains an evocative definition steeped in imagery and comparison: "...the proper 'social responsibility' of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs and into wealth." (Drucker, 1984, p. 62).

In 1987, Edwin M. Epstein attempted to knit the three fundamental postulates of social responsibility, social responsiveness, and business ethics into an overarching theme which he called the Corporate Social Policy Process. The three conceptual categories, in his view, had "contributed significantly to ... assessing the totality of business performance ..." These were certainly related, sometimes conflicting and often overlapping. But, the fourth notion of Corporate Social Policy Process incorporating the key elements of ethics, responsibility and responsiveness would, in his view, provide a great deal of conceptual and operational clarity in assessing the totality of business performance. This notion, he believed could assist decision makers in firms to undertake "the management of values" and allow this to guide and direct some of the important business decisions.

The subject of CSR has also been considerably enriched by advances in the area of a related theme which, over the years has come to be known as "sustainability" or "sustainable development". The beginnings of this theme can be traced to the 1960's which saw the initiation of an "environmental movement". There is general agreement that the book *Silent Spring* authored by Rachel Carson in 1962, lent real credence to the crusade that began identifying and then vocally opposing, the damage caused to the environment by the actions of profit-seeking corporations. Carson's pioneering book detailed the harmful effects and extensive damage caused by the widespread use of pesticides and insecticides which contained poisonous chemicals. Because the use of these chemicals was rampant and unchecked, contamination of the environment and the poisoning of wildlife was growing at an alarming rate. Carson pointed to the extensive use of insecticides like DDT which allowed harmful chemicals to enter the food chain and accumulate in the fatty tissues of both animals and humans. Rachel Carson's *Silent Spring*, which in 1962 exposed the hazards of the pesticide DDT, eloquently questioned humanity's faith in technological progress and helped set the stage for the environmental movement.

President John F. Kennedy ordered the President's Science Advisory Committee to examine the issues the book raised. Its report thoroughly vindicated both *Silent Spring* and its author. Consequently, DDT came under the scanner and was subjected to much closer government supervision than it otherwise might have been. Eventually, the American government intervened directly and DDT was banned. In the public domain, the use of pesticides came under close scrutiny and the call for identifying the dangerous ones grew in volume. As protests turned ever more strident, the manufacturers were driven to the back foot as the burden of proof shifted to their side of the table. The most important legacy of *Silent Spring*, was indeed this new public awareness - that human intrusion and the careless and uninformed intervention with nature and the environment was a recipe for disaster. Carson's book underscored the vital and inescapable fact that technological progress, undoubtedly important and necessary, must nevertheless be carefully assessed so as to ensure that it is not fundamentally at odds with natural processes. And

if it is, then it must be curtailed. Before her path breaking work, conservation had never raised much broad public interest. But the dangers to which Carson had drawn attention - the contamination of the food chain, cancer, genetic damage, the deaths of entire species - were terrifying and fearsome. For the public at large, the imagery was too stark and the prospects too grim. The movement to regulate industry in order to protect the environment became ever stronger and environmentalism was born.

In the early part of the next decade, influential pressure groups like 'Friends of the Earth' and 'Greenpeace' were born and soon became powerful voices. The first of the ten-yearly Earth Summits was held in Stockholm in 1972 and focused on the effects of rapid industrialization and the unchecked consumption of natural resources on the environment. Then in 1983, the U.N. General Assembly, responding to the worldwide clamour for initiating action against the destruction and devastation of the world's most precious assets, set up the World Commission on Environment and Development and appointed Dr. Gro Harlem Brundtland, former Prime Minister of Norway, as Chairperson. Four years later, she published the Brundtland Report, which she called "Our Common Future" and in which was coined and defined the meaning of the term 'sustainable development'.

The Brundtland Commission drew upon several notions in its definition of sustainable development and argued that "...the 'environment' is where we live; and 'development' is what we do in attempting to improve our lot within that abode. The two are inseparable." It insisted that development was not just about how poor countries could improve their situation, but about what the entire world, including developed countries, could do to ameliorate our common situation. The Report maintained that sustainable development was "the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The definition gave light to new perspectives on the sustainability of an ever-changing planet with an ever-changing population.

The three main pillars of sustainable development included economic growth, environmental protection, and social equality. Sustainable

development brought environmentalism into poverty reduction and poverty reduction into environmentalism in a single and simple formula. The Brundtland Commission called for an international meeting to take place where more concrete initiatives and goals could be mapped out. This meeting was held in Rio de Janeiro, Brazil. A comprehensive plan of action, known as Agenda 21, came out of the meeting. Agenda 21 entailed actions to be taken globally, nationally, and locally in order to make life on Earth more sustainable going into the future.

What is important though from the perspective of Corporate Social Responsibility is that the concept of sustainable development linked up and connected to the idea of CSR in a very fundamental and seamless manner. This it did because 'Our Common Future' identified new actors in the areas of environment and economic development. It did not simply call out to governments, but also to citizens groups, to non-governmental organizations, to educational institutions, and to the scientific community. Its emphasis on accountability and concerted action led to companies and corporations being called upon to focus increasingly on undertaking initiatives and actions for the good of the community and society, and to acknowledging their responsibilities towards the rest of the world. Ten years after the Brundtland Report, in 1994, John Elkington, co-founder of the British think tank SustainAbility, forged the definition of the Triple Bottom Line (3BL).

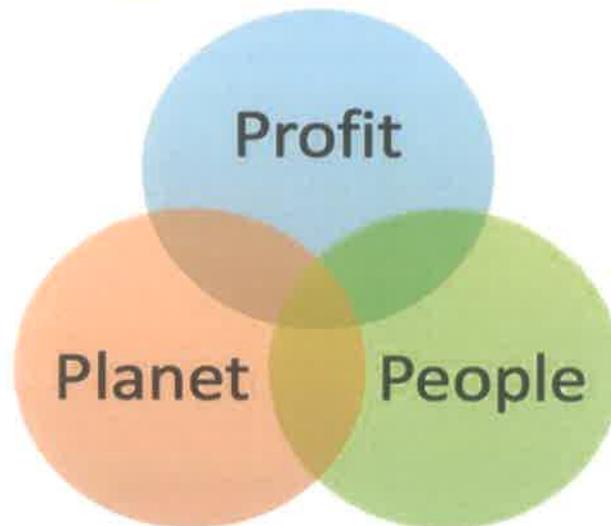
## MODULATIONS AND A NOVEL CONCEPT OF THE BOTTOM LINE

### THE 1990s

Events took a path breaking turn towards the middle of the decade when the phrase "the triple bottom line" was coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility. Elkington's Triple Bottom Line model was an influential model that helped shape the Corporate Social Responsibility agenda. It was a concept that encouraged the assessment of overall business performance based on three important areas: **Profit, People and Planet.**

## Triple Bottom Line - Overview

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Elkington's view was that whereas there really was no debate over the issue that capitalism was the only way forward for mankind to progress, yet capitalism in the 21<sup>st</sup> century would have to restructure itself in a sustainable way. The Triple Bottom Line approach (Profit, People and Planet) arose out of his frustration with traditional, financially-focused measures of business performance, which tended to emphasise profit as the primary indicator of success. In his model, John Elkington argues for a more **balanced approach** to measuring performance over time. His formula of **Profit, People and Planet** (the 3Ps) aimed to measure the financial, social and environmental performance of a business over a period of time. By 'Planet' he meant those indicators which measured the impact of business activity on the environment such as emissions, use of sustainable inputs etc. By 'People' he meant metrics that measured the extent to which business is socially responsible. He postulated that the potential benefits of measuring a broader scope of business performance based on Profit, Planet & People would include encouraging businesses to think beyond narrow measure of performance (profit), stimulate CSR reporting and support the measurement of environmental impact and the extent of sustainability. He thus proposed the benchmarks of "economic prosperity, environmental quality, and social justice". At its core, triple bottom

line thinking tied the social and environmental impact of an organization's activities to its economic performance. Many researchers have characterised TBL as a "combination of corporate social responsibility, environmental impact assessment and the traditional bottom line" (Roden, 2008.)

The term found public currency with the 1997 publication of the British edition of Elkington's "Cannibals With Forks: The Triple Bottom Line of 21st Century Business". The apparent novelty of TBL (Triple Bottom Line) lay in its contention that the overall fulfilment of obligations to all stakeholders should be *measured, calculated, audited and reported* – just as the financial performance of public companies had been for more than a century. This was both an exciting promise and a novel concept conforming to one of the more enduring axioms of modern management, "if you can't measure it, you can't manage it". Over the next few years, the term TBL caught the imagination of the entire world – corporates, non-profits and governments. Organisations such as the Global Reporting Initiative and AccountAbility embraced and promoted the 3BL concept assiduously. Big ticket companies such as AT&T, Dow Chemicals, Shell, and British Telecom used 3BL terminology in their press releases, annual reports and other documents along with scores of smaller firms. Big accounting firms gave their blessings to the new concept and began offering their services to firms that wanted to measure, report or audit their two additional "bottom lines". The investment industry also kicked in, screening companies on the basis of their social and environmental performance.

The title of this book comes from a question posed by the Polish poet Stanislaw Lec, "Is it progress...if a cannibal uses a fork?" Elkington applies the question to contemporary capitalism. At its narrowest, the term 'triple bottom line' was used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to minimise any harm resulting from their activities and to create economic, social and environmental value. This involves being clear about the company's purpose and taking into consideration the needs of all the company's stakeholders. TBL is meant to be

a way of thinking about corporate social responsibility, not a method of accounting. On this point, Elkington (1997) is unambiguous, likening TBL to a Trojan Horse which is wheeled in by corporations. In the beginning they succumb to an accounting procedure, but ultimately they are meant to embrace a wider vision of sustainability.

In the garb of the visionary, Elkington's forecast was that sustainable capitalism would be dependent "on seven closely linked revolutions" which would see transformations in the new millennium. These are captured in the following table:

S.N	AREA/SECTOR	OLD PARADIGM	NEW PARADIGM
1.	Markets	Compliance	Competition
2.	Values	Hard	Soft
3.	Transparency	Closed	Open
4.	Life Cycle Technology	Product	Function
5.	Partnerships	Subversion	Symbiosis
6.	Time	Wider	Longer
7.	Corporate Governance	Exclusive	Inclusive

The major reason why the popularity of TBL has declined in recent years, and other concepts have come more to the fore, is that TBL, is a difficult concept for many organizations because it implies that firm's responsibilities are much wider than simply those related to the economic aspects of producing products and providing services that customers want. TBL adds social and environmental measures of performance to the economic measures typically used in most organizations. Environmental performance usually refers to the

amount of resources a firm uses in its operations (e.g. energy, land, water) and the by-products its activities create (e.g. waste, air emissions, chemical residues, etc.). Social performance generally refers to the impact which a firm (and its suppliers) has on the communities in which it works. Measuring performance against these measures is a complicated task. Developing universal indicators, indexes or matrices has been more than challenging and often self-defeating. "Shareholder value", "market share" and "customer satisfaction" are well-known, well defined, well-established terms that lend themselves to easy to quantification and measurement. They are also cross-cutting in their applicability and conceptual clarity. Social and environment performance, on the other hand, are almost certainly unique to each organization, to each industry, and they are often very difficult if not impossible to quantify in the same manner across the whole range of organizations and companies.

It can be said, in conclusion nevertheless, that looking at the way Elkington posited his thesis, TBL was meant to be a philosophy, not a set of accounts. The underlying concept had many connections to earlier ideas, and was totally consistent and in tune with, the concept of "sustainable development" outlined and fleshed out in the Brundtland Report (referred to earlier) and in the 1992 Rio Declaration and "Agenda 21". The essence of Elkington's overarching approach can be conceptualised as a "three-legged stool" or a three-pronged fork. This powerful metaphor captivated the imagination of a whole generation of CSR enthusiasts and made a powerful contribution to the evolution of the CSR concept.

## **TURN OF THE MILLENIUM AND THE START OF THE MODERN ERA**

### **2000 to 2010**

Two giants bestride the CSR world of the twenty-first century. True to the general tradition of the progress of CSR thought, they both hail from the Universities of the United States. One was a Professor of Indian origin who left his country, did his Doctorate in Business Administration from the Harvard

Business School and thereafter did his research and writing from the University of Michigan. The other is a Professor of Management Strategy who essayed his foray into the CSR stream from the hallowed precincts of Harvard. The seminal thinking that emanated from this duo, dominates almost the entire discourse on CSR for the whole decade and leads to a whole slew of CSR experimentation by corporate entities that virtually change the way the world looks at, and feels about, CSR. They gave to the field two novel concepts – “Bottom of the Pyramid” and “Shared Value”. C.K. Prahalad and Michael Porter welcomed the new century with two powerful and game-changing ideas.

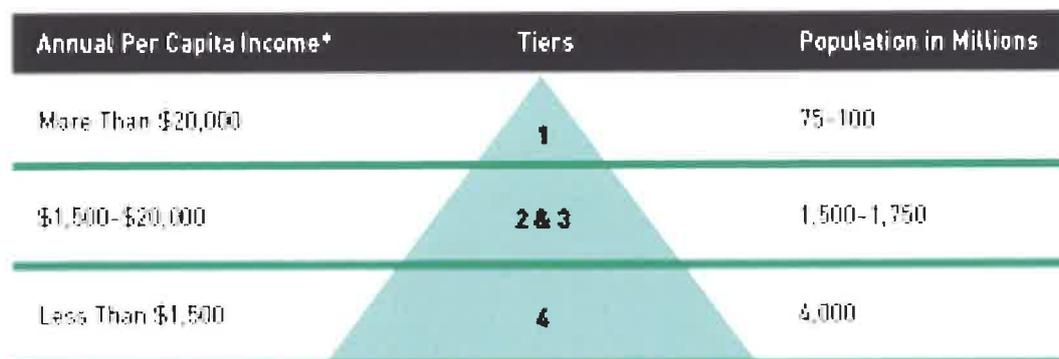
When CK Prahalad's book, “The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits”, was published in 2004, it immediately attracted an incredible number of eyeballs. Its central thesis was both simple irresistible: the world's poorest people are a vast, fast-growing market with untapped buying power. Companies that learn to serve them can make money and help people escape from the poverty trap, too. This was about as close as one could get to the very core of CSR – large businesses doing good for society, serving the poor, studying their needs, treating them as partners in the business and making profits at the same time. The societal responsibilities of business were quite clearly at the heart of Prahalad’s thinking and this led many influential business leaders and entrepreneurs to hail Prahalad as the Messiah of the Poor. None other than Bill Gates called the book “an intriguing blueprint for how to fight poverty with profitability”. BusinessWeek's Pete Engardio described Prahalad, as a “business prophet”.

“The real source of market promise,” he wrote in the 2002 article, (which he co-authored with Hart) “is not the wealthy few in the developed world, or even the emerging middle-income consumers. It is the billions of aspiring poor who are joining the market economy for the first time.”

He further added, “The distribution of wealth and the capacity to generate incomes in the world can be captured in the form of an economic pyramid. At the top of the pyramid are the wealthy, with numerous opportunities for generating higher levels of income. More than 4 billion people live at the BOP on less than \$2 a day.”

The famous illustration whose message resonated throughout the world is reproduced below:

### Exhibit 1: The World Economic Pyramid



\* Based on purchasing power parity in U.S.\$

Source: U.N. World Development Reports

He sincerely believed that with the advancement of technology, managerial know-how and investment capacity, the bigger national and international business conglomerates could make more than a minor contribution to the persisting and pervasive phenomenon of global poverty and disenfranchisement.

The kernel of what Prahalad was propagating hinged on some very insightful premises:

- The poor must become a strong consumer base;
- They need to be informed and involved;
- The poor are an under-served yet very large base which requires a significant connect to the world's capital markets;
- Once the poorer sections are recognized as viable, long-term customers, a whole new world of opportunity will open up on the one hand, for resilient and creative entrepreneurs, and on the other, for the poor themselves;
- The poor represent a section of humankind that has immense latent potential for goods and services. In the wake of globalization, they no longer have to depend on what is locally available. Their choices

have expanded manifold and when these are brought to their doorstep, they do not hesitate to reach out to them;

- Their combined purchasing power is both substantial and long term;
- With the media and information revolution happening across the universe, they are not only *brand* conscious but *value* conscious (by necessity). Rural areas have become increasingly net-worked and accessible;
- This has helped the poor to become, with successive generations, open-minded and adaptable to new technologies and innovations;
- Low-income markets present a prodigious opportunity for the world's truly entrepreneurial companies. If they strategize correctly, they can reap sustained profits and simultaneously, bring prosperity to the aspiring poor;
- Expectations in the BOP markets are quite high. So, whereas on the one side, prices must be kept low and affordable, on the other, the product or service must have both good quality and good value.
- Product development is key. Products must be easy to transport, must care to specific needs, must work in hostile conditions and with this, low levels of skills of the consumers must be factored in;
- Smaller unit packaging with a low price, allows the poor consumers with limited disposable income to purchase a product, thereby, unleashing their purchasing power;
- In this business model, effective use of capital and careful revenue management, are essential to real economic profit;
- In essence, the proposition may be characterized as a "low price, low margin, high volume" model;
- Large business entities will have to show both audacity and creativity to have a low enough cost to be profitable. Innovation,

new business methods and a great understanding of BOP customers are the key to success.

With these seminal ideas, and precepts, Prahalad revolutionized the way that firms and international development professionals thought about the world's poor. Here was a whole new perspective to the universe of business strategy as well as to the central concept of CSR – that businesses must reach out to society and in particular to the poor and the needy. What could be more germane to the underlying theme of CSR than that the marginalised and the disempowered must be seen not as charity cases, but as valuable consumers and an engine for economic growth? Unlocking the potential of this latent market would not only reward companies with sustainable profits, but would also help millions escape from the entangling shackles of poverty.

Prahalad's point that the poor present a vast untapped business opportunity, and that if companies serve the poor, they can help eradicate poverty and also make a profit, revolutionized business thinking. It is an interesting footnote in history though, that before 2002, this mode of thinking had no takers. Many prestigious management journals, including Harvard Business Review, refused to publish Prahalad and Hart's article for nearly four years, because they could not find worthwhile empirical evidence of any national or multinational companies who had successfully experimented with the idea. After 2002 though, this novel approach caught on. Companies like Unilever, Cemex and S.C. Johnson came up with innovative business models to tap the so-called BOP markets in places like India, Brazil and Kenya. By 2004, when Prahalad finished the manuscript of his famous book, he was able to make in-depth studies of cases such as E-Choupal and Hindustan Lever Ltd. in India, Casas Bahia in Brazil and Elektra in Mexico.

Prahalad's voice was heard loud and clear from virtually every known platform on business strategy throughout the first decade of the current century. His was a fresh new vision and a powerful, mesmerizing perspective that captivated and enamoured theoreticians and practitioners alike, bringing the

poor to the centre of the business discourse and imparting to the CSR narrative a whole new approach. It was his belief that the totality of what the BOP approach could do, would be to bring about a wholesome and holistic collaboration between the poor, civil society organizations, governments, and large firms leading to a win-win situation for all.

When we look back and view this argument with the benefit of hindsight, we see how closely this conforms to the approach that modernist thinkers on CSR. If corporations can, without causing the poor to divert income from pressing needs, sell products to them that make them more productive, make these products in a way that create local jobs and increase human capital and re-invest instead of profiteering, then they can contribute significantly to society in the mode of "giving back" – which essentially lies at the very heart of CSR.

The other thinker who virtually revolutionised the way in which the world of CSR revolved, was Prof. Michael E. Porter who, at the Harvard Business School, began to think about ways in which companies could build their social connects through the very course of their businesses. His perception of doing social good through doing good business, was to evolve into the concept of "shared value" - a concept that galvanised and stirred the pot of CSR thinking which was settling into the traditional charity mode in most companies. In so doing, Porter evoked in 2011, the threat of "companies being under siege" (in the context of the economic meltdown of 2008-10), and therefore, the imminent requirement of their changing strategic gears to perceive their social obligations in a totally new light.

The shared value framework, was a business concept first introduced in 2006, in a Harvard Business Review article - *Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility*. This piece, co-authored by Michael E. Porter and Mark R. Kramer, attracted a fair amount of attention among business strategists. Yet, when the novel approach was further expanded in the same journal in January 2011, in a follow-up piece entitled "Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society", the world economic situation had drastically changed

to one facing severe crises. It was a time which the noted economist Paul Krugman described as the “beginning of the third depression”. In particular, large corporations were seen as the perpetrators of the collapse of the ecosystem and were accused of making huge profits at the expense of environmental and social well-being. Hence, the response to the Porter-Kramer ‘way forward’ was both immediate and effusive.

This new corporate strategy was devised for creating economic value while concomitantly providing solutions to societal needs and challenges. The framework insisted that businesses have the capacity to retain their unique identity as business units whilst being engaged in the production of goods and services and generating profits. Simultaneously, they could improve social and environmental conditions.

Thus, the concept of shared value was shaped as a framework for creating economic value, while simultaneously addressing societal needs and challenges. When businesses act as businesses, and not as charitable donors, explained Porter, they can improve profitability while also improving environmental performance, public health and nutrition, affordable housing and financial security, and other key measures of societal wellbeing. Sticking to the capitalist dictum, however, he continued to hold that only business can create economic prosperity by meeting needs and making a profit, creating infinitely scalable and self-sustaining solutions.

Porter’s view was that corporates needed to move away from the fixated notion of social responsibility which kept societal issues towards the periphery and not at the centre of business philosophy. Shared value had to be at the heart of what companies did. “It is not on the margin of what companies do but at the centre.” [2011]. The concept of shared value was devised to attain economic progress simultaneously with social and environmental progress and was positioned as distinct from CSR, Philanthropy and Sustainability. The idea was to see the new approach as the next “jump of the curve” – an evolutionary step beyond traditional business thinking and traditional CSR. The purpose was to develop a fertile ground for innovation which in turn would have the power

to “re-shape” the economy and legitimize business, at the same time contributing to over-all positive social change.

Broadly speaking, shared value encompassed three underlying ideas. First, it was not CSR. The objective was to move beyond philanthropy or corporate social responsibility. Second, shared value would be an aggregate of both economic value and social value. Finally, shared value, ingrained into the company strategy would drive the next wave of innovation and productivity in the global economy.

In Porter’s view, companies could create economic value by creating societal value. This could be done in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain, and improving the local and regional business environment. Each of these is part of the *virtuous* circle of shared value. Improving value in one area gives rise to opportunities in the others. By reconceiving, Porter meant reconceiving needs, products, & customers - meeting societal needs by offering new and more meaningful products and serving unserved or underserved customers. By drawing attention to the ‘value chain’, Porter emphasized that this had to be done from the perspective of societal as well as economic value. What had to be looked at would be how the activities in the value chain are configured and linked together – mobilizing and utilizing resources, energy, suppliers, logistics, and employees differently, so as to deliver maximum value to customers as well society that is, transforming value-chain activities to benefit society while reinforcing strategy in a competitive context. For improving the local and regional business environment, Porter held that this would mean improving skills, the supplier base, the regulatory environment, and the supporting institutions that affect the business. It would also mean strengthening the “clusters” that is the geographic concentration of related companies, organizations, and institutions that are present in a region, state, or nation and on which companies frequently depend.

Overall, therefore, the shared value concept was saying that when espoused, it would open up a plethora of new needs, new markets, new value chain configurations, and new ways of thinking about the business. This would

give rise to new opportunities for strategic positioning and new competitive advantages. Companies that incorporate a social dimension into their value proposition have a distinct and sustainable advantage over those that try and leverage only conventional cost and quality advantages.

In the 2011 article, Porter and Kramer state that, "A clear social purpose opens up new opportunities for growth and profitability, while motivating and attracting employees, consumers, business partners, shareholders, and the public... The purpose of the corporation, therefore, must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy. It will also reshape capitalism and its relationship to society, and legitimize business again as a powerful force for positive change." They look at several examples across the world and present their cases in the light of the shared value approach. These include GE, Wal-Mart, Yara, Marks and Spencer, Johnson and Johnson, Hindustan Unilever, Nestle, Vodafone, Technoserve, and lesser known companies such as Root Capital, Revolution Foods and Waste Concern.

It is important to note, in the context of all that is being said above, that Porter's vision is not limited to just companies. In a kind of prescient mode, he stresses on the role that governments and civil society organizations must play in order to achieve the outcomes and deliverables that he deems are necessary. From the standpoint of CSR, there are many valuable insights that are derived from the Porter-Kramer model. A careful reading of the 2006 article, clearly establishes that there was a genuine attempt to take the base concept of CSR to another level. Hence, the article says,

Advancing CSR, we must root it in a broad understanding of the interrelationship between a corporation and society while at the same time anchoring it in the strategies and activities of specific companies. To say broadly that business and society need each other might seem like a cliché, but it is also the basic truth that will pull companies out of the muddle that their current corporate-responsibility thinking has created.

Intrinsically, Porter's attempt was to ensure that the concept of Shared Value (Corporate Shared Value) should supersede Corporate Social Responsibility (CSR). In his view, CSR programs focused mostly on reputation and had only a limited connection to the business, making them hard to justify and maintain over the long run. By contrast, CSV was integral to a company's profitability and competitive position. It leveraged the unique resources and expertise of the company to create economic value by creating social value. In a 2013 video for the Huffington Post World Economic Forum, Porter said, "Shared value is a logical progression from CSR because incomes are raised for everyone, not through charity and by a being a good corporate citizen, but by being a better capitalist – it's a win-win."

For Porter, the CSV concept superseded CSR for the basic reason that it was a way for corporations to sustain themselves in the competitive capitalistic market. Whereas CSR focuses on reputation and doing good under societal pressure, CSV generates both economic and societal benefits by bringing the concept of doing good into the business model of the company. Instead of being pushed by external factors, such as pressure from governments and civil society, CSV is internally generated, and not confined to a financial budget as CSR is.

Critics, however, argue that Porter & Kramer seem to have "a very particular and limited understanding of CSR - one that neither reflects the academic debates of the past few decades nor captures most of today's CSR practices adequately. Instead of dealing with a contemporary understanding of CSR, they seem to have used the conventional concept of CSR as a convenient "sitting duck" to show themselves as having taken the idea a whole leap forward. Using just the standard perspective as the comparison, unmasks the authors' empty critique of CSR.

Be that as it may, no discourse on CSR can ever take place without clear and categorical references to Porter, Kramer and their concept of *shared value*. The insights and perspectives that they brought to the subject, enlivened the entire CSR scenario and gave to it a renewed and heightened level of interest both among academics and practitioners. Much research has come after, and

many variations have been conceptualised and worked upon, but not till as late as 2013 did another whole revolutionary approach come upon the scene. It was fitting in some ways, that the emergence of a whole new perspective should emanate from one of the emerging economies of the world – India. Here, far away from the heart of CSR thinking, America, a different kind of seed was sown – a seed that was to allow a completely new crop of CSR practices to grow and flower and engender innovative ideations linking CSR with the development agenda of a nation.

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## CHAPTER 2

### EVOLUTION OF THE UNIQUE CSR LAW

The decision to bring Corporate Social Responsibility in India under the ambit of legislation, was not a spur of the moment decision. Nor was it made lightly without depth of insight. Beginning with the gargantuan Public Sector, the mandating process took the path of consultative deployment, informed implementation and enabled evaluation. The debate was loud and long and a host of divergent and diverse opinions swept the corridors of government, administration, corporations and non-governmental organizations. Should not CSR be voluntary as it was across the world? Do the corporate entities not know their responsibility towards society that they must be governed by a law? What should be the amount that would be set aside for such mandatory obligation? The questions, queries and scepticism were a natural and well anticipated reaction. Government's answers and responses had thus to be finely calibrated and deeply thought through. The journey from simple philanthropy or charity to mindful discharge of responsibility and a transition to strategic CSR had to be smoothly crafted with the involvement of all stakeholders.

#### PRECURSOR TO THE LEGISLATION

In a very real sense, the history of modern, strategic CSR in India began with the issuance of the first ever "Guidelines" which were applicable for Central Public Sector Enterprises. Made effective from April 1, 2010, these were a set of comprehensive instructions to Public Sector Companies, on the modalities they needed to adopt for executing their CSR activities. These historic "Guidelines" [No. 15(3)/2007 -OPE (GM) of March 2010] were the precursor to the ensuing legislation of 2013 and they already incorporated many of the salient features that were to be imbedded in Section 135 of the Companies Act of 2013.

In hindsight, it is interesting to see how prescient these guidelines were. In sum and substance, they enunciated many of the concepts that were later incorporated into the legislation. Some key examples:

### **Concept**

*Public Corporations have legal responsibilities to maximize shareholder profits; but a shift in corporate mindset led by social expectations and pressure is causing business leaders to rethink their responsibilities with respect to corporate performance measured in terms of economic impact, social impact and environmental impact – commonly called the Triple Bottom Line.*

*Corporate Social Responsibility extends beyond philanthropic activities and reaches out to the integration of social and business goals. These activities need to be seen as those which would, in the long term, help secure a sustainable competitive advantage.*

### **Planning**

*The planning for Corporate Social Responsibility should start with the identification of the activities/projects to be undertaken. CSR projects/activities may be undertaken in the periphery where a company carries out its commercial activities as far as possible. Where this is not possible or applicable, a Company may choose to locate CSR projects anywhere in the country. Company specific Corporate Social Responsibility strategies should be developed that mandate the design of Corporate Social Responsibility Action Plan (Long-term, medium-term and short-term), with a shift from the casual approach to the project-based accountability approach. Selection of activities under CSR may be made to ensure that the benefits reach the smallest unit i.e. village, panchayat, block or district depending upon the operations and resource capability of the company.*

*The approach to CSR planning needs to be shifted from an ad-hoc charity perspective to a long-term sustainable approach.*

### **Implementation**

*CSR initiatives of Central Public Sector Enterprises (CPSEs) should consider the following parameters for identification/selection of schemes/projects:*

*(i) Thrust should be given wherever possible to areas related to the business of the CPSEs as a natural corollary to the business.*

*(ii) Investment in CSR should be project-based. Mere donations to philanthropic/ charity or other organizations would not come under the category of CSR.*

*(iii) CSR activities should generate community goodwill, create social impact and visibility.*

*(iv) For every project, the time-frame and periodic milestones should be finalized at the outset.*

*(v) CSR activities should also involve the suppliers in order to ensure that the supply-chain also follows the CSR principles.*

*(vi) CSR activities should help in building a positive image of the company in the public perception.*

*(vii) CSR activities may be related to United Nations Global Compact Program on Environment.*

*(viii) CSR projects may be closely linked with the principles of Sustainable Development, based on the immediate and long term social and environmental consequences of their activities.*

*(ix) Care may be taken to ensure that CPSEs work towards fulfilment of the National Plan goals and objectives.*

*(x) Project activities Identified under CSR are to be implemented by Specialized Agencies and generally NOT by staff of the CPSE concerned.*

*(xi) Specialized Agencies could be made to work singly or in tandem with other agencies. Such specialized agencies would include:*

*i) Community based organizations whether formal or informal;*

*ii) Elected local bodies such as Panchayats;*

*iii) Voluntary Agencies (NGOs);*

*iv) Institutes/Academic Organizations;*

*v) Trusts, Missions, etc.;*

*vi) Self-help Groups;*

*vii) Government, Semi-Government and autonomous Organizations;*

*viii) Standing Conference of Public Enterprises (SCOPE);*

*ix) Mahila Mandals, Samitis and the like;*

x) Contracted agencies for civil works;

xi) Professional Consultancy Organizations, etc.

Those involved with the undertaking of CSR activities should be provided with adequate training and re-orientation. Initiatives of State Governments, District Administration, Local Administration as well as Central Government Departments! Agencies, Self-Help Groups, etc., would be dovetailed/ synergized with the initiatives taken by the CPSEs. While assigning CSR projects to specialized agencies, every possible effort must be made to verify the reliability and clean track record of such agencies.

## Funding

The CSR budget will be mandatorily created through a Board

Resolution as a percentage of net profit in the following manner:

<b>TYPE OF CPSES</b> Net Profit (Previous Year)	<b>EXPENDITURE RANGE FOR CSR IN A FINANCIAL YEAR</b> (% of profit)
(i) Less than Rs. 100 crore	3%-5%
(ii) 100 crore to Rs. 500 crore	2%-3% (Subject to a Minimum of 3 crores)
(iii) 500 crore and above	0.5%-2%

*In the final version of Section 135 of the Companies Act, only one percentage of profit was specified i.e. 2 percent. This was pretty much the average of the percentages specified in the table above.*

## Baseline Surveys, Documentation, Monitoring and Evaluation

The manner and mode of addressing these issues were also elaborated.

Even as this process was going on in the **Department of Public Enterprises**, the **Ministry of Corporate Affairs** had taken the initiative to bring out a set of guidelines for Companies as early as December 2009. In the Foreword, it stated:

"Indian businesses have traditionally been socially responsible. From inactive philanthropy to the incorporation of the stakeholders' interest in the business model, the Indian business sector practices various methods of discharging its social responsibility. While a lot of human and economic energy is available for utilization in this area, a suitable mechanism is required to channelize this energy for which the Government, corporate sector and the communities need to partner together. Against this background, the Ministry of Corporate Affairs has decided to bring out a set of voluntary guidelines for responsible business which will add value to the operations and contribute towards the long term sustainability of the business. These guidelines will also enable business to focus as well as contribute towards the interests of the stakeholders and the society. At a time when the Government is engaged with delivery of a gigantic national development initiative and is taking a leadership position on various global issues, I am sure that India Inc. will be ready to walk step in step with the Government to discharge their responsibilities towards national development. I look forward to more and more businesses in India adopting these voluntary guidelines and partnering in the endeavor of national development."

Drafting of the Companies Act in the Ministry of Corporate Affairs, Government of India, began late in the year 2011. By this time, this Ministry had also brought out the National Voluntary Guidelines (NVGs) in July 2011 and was keen to bring about a regime of responsible corporate governance throughout the country.

The aim and overall perspective of the NVGs was broadly enunciated as follows:

Businesses now have to take responsibility for the ways their operations impact society and the natural environment. The Corporate Sector must focus its attention on achieving the 'triple bottom line'- people, planet and profit. The National Voluntary Guidelines on Socio-Economic and Environmental Responsibilities of Business now brought out by the Ministry of Corporate Affairs will help the Corporate sector in their efforts towards inclusive development.

When businesses are supported by appropriate Government policy regime that encourages systematic movement towards responsible thinking, decision-making, and a progressive movement towards sustainability, the trajectory of overall growth and development takes a positive turn. Such a responsible approach on part of the business duly supported by the Government alone would secure our future and ensure that wholesome benefits accrue to people, and our planet.

The Guidelines are a refinement over the Corporate Social Responsibility Voluntary Guidelines, released by the Ministry of Corporate Affairs in December 2009. Significant inputs received from diverse stakeholder groups across the country have been duly considered. This document, therefore, represents the consolidated perspective of vital stakeholders in India, and accordingly lays down the basic requirements for businesses to function responsibly, thereby ensuring a wholesome and inclusive process of economic growth.

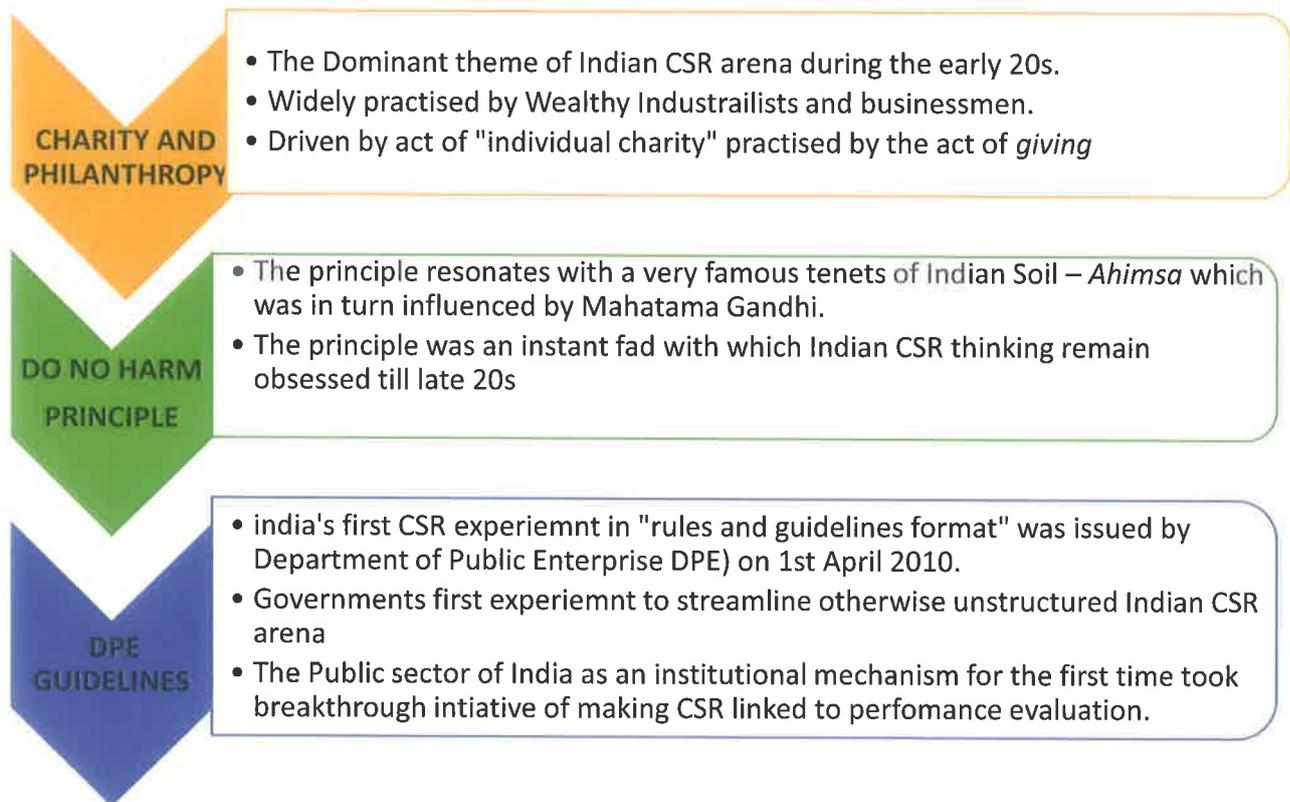
For business leaders and managers entrusted with the task of deploying the principles of Responsible Business, it is worthwhile to understand that business boundaries today extend well beyond the traditional walls of a factory or an operating plant and all the way across the value chain. Businesses are therefore encouraged to ensure that not only do they follow the Guidelines for areas directly within their immediate control or within their sphere of influence, but that they encourage and support their vendors, distributors, partners and other collaborators across their value chains to follow the Guidelines as well.

Pursuant to the issuance of the NVGs, the Ministry had also persuaded SEBI (Securities and Exchange Board of India) to get the top one hundred companies by market capitalization, to bring out, annually, their Business Responsibility Reports (BRRs).

The decision in 2011 to revise and revamp the old and outdated Companies Act of 1946 and get a totally new Act passed by Parliament, afforded a huge opportunity for the **Ministry of Corporate Affairs** to take the process of CSR implementation in the country to another level altogether – a level where companies above a certain threshold of profits, net worth and turnover

would be mandated to undertake CSR activities in a structured and strategic manner **and spend a percentage of profits on such activities.**

A diagrammatic representation of what CSR was pre-legislation and what it was proposed to be post-legislation is provided below:



Quite clearly, it had become evident that mere guidelines would not do if the ambit of CSR were to be extended to the private sector. Guidelines may well have sufficed for public enterprises where government control was exercised through a minimum holding of 51% of shares. For the private sector, it would have to be a completely different ball game altogether. If the landscape of CSR were to be transformed across the country, and an era of strategic CSR were to be ushered in, then nothing short of legislation would be necessary.

The complete overhaul of the moribund Companies Act of 1956, provided the right window of opportunity and the Ministry of Corporate Affairs took it with both hands. It could now draw upon not only what it had already done in the shape of the Guidelines for CSR and the NVGs, but more importantly, on

the Guidelines issued by the Department of Public Enterprises (DPE) in 2010 for organizations in the Public Sector.

The challenge was to compress into a single section of the Act, the vital essence of the CSR Guidelines drawn up by the DPE. For this to be done effectively, the two arms of the Government coordinated with each other to seamlessly draft a piece of legislation that came to be incorporated into Section 135 of the final Companies Act of 2013.

When, after some aborted attempts, the Act was finally passed by Parliament, it proved to be a complete game-changer for the CSR scenario in India. Bringing within its ambit all companies above a certain level of profits, net worth and turnover, the new law, in a brief and succinct manner, laid down several provisions that raised the bar for CSR activities to a whole new high. The new Companies Act, made CSR spending a statutory obligation for companies incorporated under the Act thus ensuring that companies deriving commercial benefit from business operations participate in the growth and development of that very society within which they function. The simple truth - that corporates cannot succeed in a society that has failed - was being brought tellingly home!

### **CSR PROVISIONS of the INDIAN COMPANIES ACT 2013**

#### **SECTION 135 entails:**

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall:

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall:

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy: Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities

Explanation— for the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198 provided that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

The CSR Committee and the Board of Directors must, according to the legislation, ensure that:

- expenditure by the company *complies with the minimum 2 per cent requirement;*
- the implementation is conducted by:
  - a registered trust or a registered society or a non-profit Company established under Section 8 of the Act (*with an established track record of 3 years in undertaking similar programs or projects if not established by the company*);

- a company established by the company or its holding or subsidiary or associate company;
- itself, using its own staff and other resources;
- collaborating/partnering with another company;

### **Schedule VII – CSR Thematic Areas**

(i) Eradicating hunger, poverty and malnutrition, promoting health care, sanitation, including contribution to Swatch Bharat Kosh & safe drinking water;

(ii) Promotion of education, special education and vocational skills;

(iii) Gender Equality, Women empowerment, senior citizens and economically backward groups;

(iv) Environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and contribution to Clean Ganga Fund;

(v) Protection of National Heritage, art and culture;

(vi) Benefits to armed forces veterans, war widows;

(vii) Rural sports, nationally recognized sports;

(viii) Contribution to Prime Minister's Relief Fund or other Fund set up by Central Government;

(ix) Technology incubators within academic institutions;

(x) Rural development projects;

(xi) Rural development.

## Reporting Template

1	2.	3	4.	5.	6.	7.	8.
S.NO	CSR PROJECT/ACTIVITY IDENTIFIED	SECTOR WHICH THE PROJECT COVERS	PROJECTS/PROGRAMS 1.LOCAL AREA OR OTHER 2. SPECIFY THE STATE/DISTRICT	BUDGET - PROJECT/PROGRAM-WISE	AMOUNT SPENT ON THE PROJECTS/PROGRAMS	CUMULATIVE SPEND UPTO THE REPORTING PERIOD	AMOUNT SPENT DIRECT OR THROUGH IMPLEMENTING AGENCY*

*\*Give details of Implementing Agency*

❖ Signed by

CSR Head

.....

(CEO/Managing Director/Director)

.....

(Chairman CSR Committee)

.....

In order to clear doubts and clarify issues arising from the formulation of Section 135 and the Rules framed thereafter, the Ministry of Corporate Affairs issued a Clarifications Circular in June 2014 and a set of FAQs in January 2016.

## **Activities not falling within the ambit of CSR**

- ❖ CSR projects that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act;
- ❖ One-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programs etc. would not qualify as part of CSR expenditure;
- ❖ Activities which are not taken up in project mode;
- ❖ Expenses incurred by companies for the fulfilment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act;
- ❖ Contribution of any amount directly or indirectly to any political party shall not be considered as a CSR activity;
- ❖ Activities undertaken by the company in pursuance of its normal course of business.

## **THE WHY OF THE ACT**

It must be remembered that the unique Indian legislation also had a unique reason for being passed. The *raison d'être* of the new law, first of its kind anywhere in the world, was simple and direct – provide to India Inc. the chance to participate in the inclusive development agenda of the nation. Whereas development would continue to remain the primary responsibility of the Government, corporate entities would be given the opportunity and scope of complementing and supplementing Government's efforts.

There was also, another very strong reason. It is a truism – across our entire world and particularly in South Asia – that the implementation processes of governments are notoriously slow, tardy and often riddled with leakages. By contrast, the implementation now conceived by companies would harness their well-known strengths – flexibility, agility, innovation, close monitoring and supervision, outcome-orientation and value for money.

Thirdly, the idea – completely novel in the CSR domain – was to harness the ground-level, grassroots capacities of India's non-governmental and civil

society sector. With an estimated 3.3 million registered NGOs, India is the best endowed country in the world for non-profits. They can bring into the implementation process their community-level competencies and knowledge thereby imparting to all CSR efforts a mass-level orientation never before heard or seen.

### **THE HOW OF THE ACT**

The main thrust and spirit of the law was two-fold:

- focus on the poor, the marginalized and the down-trodden;
- *generate a "conducive environment for enabling the corporates to conduct themselves in a socially responsible manner, while contributing towards human development goals of the country."*<sup>1</sup>

Several new facets were also brought into play creating not just a paradigm, but a tectonic shift, from the traditional manner in which CSR objectives were generally being pursued not just by Indian companies but mostly by countries across the world. **It is these new facets that made the Indian legislation so distinctive, so different and so new – and, marked such a departure even from the well-known theoretical frameworks such as the “shared value concept” of the Harvard duo of Porter and Kramer.** <sup>2</sup>

The novel Indian approach enjoined upon corporates to:

- ✓ Unhitch CSR from the traditional horse cart of philanthropy, charity and a mere cheque writing exercise;
- ✓ Do away with the approach of donor and receiver. Treat recipients as partners;

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<sup>1</sup>*Recommendation of the High Level Committee on CSR, Ministry of Corporate Affairs, Sept, 2015.*

<sup>2</sup>(Porter, Michael E., and Mark R. Kramer. "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review* 84, no. 12 (December 2006): 78–92 and Porter, Michael E., and Mark R. Kramer. "Creating Shared Value." *Harvard Business Review* 89, nos. 1-2 (January–February 2011): 62–77.)

- ✓ Begin the whole thought process with the beneficiary directly in mind;
- ✓ Remember the adage – what is not measured is usually not done – at least with real seriousness. Hence make each CSR activity rupee-measurable;
- ✓ Move away from the story-telling, narrative mindset and focus on creating hard, objective data;
- ✓ Realize that the do-no-harm principle is no longer an acceptable philosophy. CSR efforts need to go far beyond in a positive and concrete direction in doing tangible good for the community;
- ✓ Look upon every single CSR activity as a stand-alone project. Give it a start date and an end-date; provide both monetary and human resources;
- ✓ Assign a credible implementing agency in the shape of an NGO/Voluntary Organization or Non-profit and ensure meticulous documentation and monitoring.
- ✓ Create a clear and cogent CSR Policy for the company delineating the activities/projects to be pursued in the following financial year;
- ✓ Constitute a Board level CSR Committee and disclose its composition on the web site;
- ✓ Ensure that all CSR decisions are taken only at the Board level so that there is full accountability;
- ✓ Insert in the Annual Report of the Company a special section on CSR;
- ✓ Report to Government each year in a specific format, details of all CSR projects undertaken indicating money allocated, geographical location and details of implementing agencies – thus ushering in an era of complete and objective transparency<sup>3</sup>.

A whole new regimen was sought to be created that suited Indian conditions best, asking Indian companies to join in the national development effort and focusing on the basic social and human needs of our country. Companies above the specified threshold were required now to undertake sustainable activities

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<sup>3</sup> For a detailed elaboration, see "The Genesis of the CSR Mandate in India: Demystifying the Chatterjee Model", Nayan Mitra in *Corporate Social Responsibility in India – Cases and Developments After the Legal Mandate*, (Switzerland: Springer International Publishing, 2017), pp. 11-19.

under CSR in a **program mode** with **measurable outcomes**. The new approach also envisioned that companies could design CSR activities to dovetail with the ongoing development programs of the government in order to derive maximum benefit on all fronts. Clearly, the idea was to ensure that companies moved away from doing CSR in a haphazard, intermittent or on-and-off manner and shifted instead to a systematic, planned and consistent approach that looked to leave sustained, measurable and tangible impacts at the ground level. The message was clear – HANG THE GREENWASH OUT TO DRY!!

### **THE SIZE OF THE CSR SPACE**

It was envisaged that approximately 10,500 – 11,000 of India's richest and most successful companies would fall under the purview of the Act. Collectively, they were forecasted to bring in approximately Rs. 15,000 crores (US \$ 3 billion) into India's development kitty and to address directly the needs of our poor, deprived and under privileged.

### **PERCEIVED CHALLENGES**

Undoubtedly, a handful of the better known and bigger companies were already fairly entrenched in the CSR mode, with social responsibility being an integral part of their corporate identity. These companies required both a realignment and an enlargement of their ongoing initiatives and a careful planning of their new ones, so as to conform with the newly envisioned regime. They needed to take several corrective steps and make policy amendments so that *resources could be made available, key products identified and produced, services rendered, human resources assigned and communications designed for the programs*. The **challenge lay in the companies that were either not pursuing any CSR activities at all or at best practicing mere lip-service**. They needed to begin virtually ab initio, align their vision, mission and company image perceptions totally anew, put in place fresh CSR teams, earmark separate budgets and build capacities both within and without the company.

## **ADMINISTRATIVE CHALLENGES**

It was anticipated that companies would require time to understand the many facets of the new legislation and to realign both mindsets and internal capacities. They would need to create their own CSR policies, make a 2% provision in their budgets, set up the CSR Committee, bring the entire Board up to speed on CSR, look for dependable and reliable implementation agencies, quickly scale up the CSR competencies of their concerned staff, and prepare for an era of total transparency and accountability. All this would require a fairly long gestation and preparation period.

## **IDEOLOGICAL CHALLENGES**

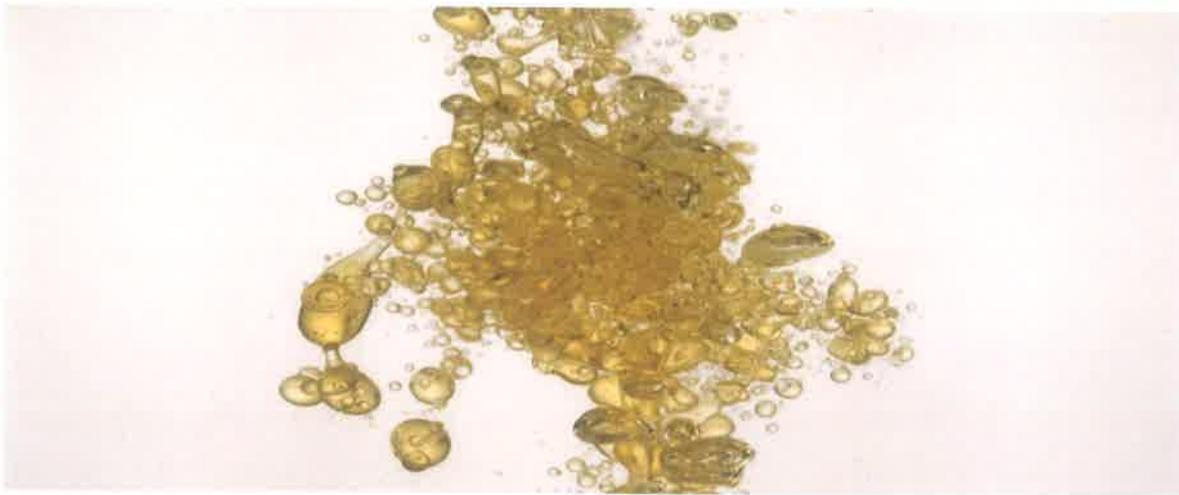
Government also anticipated that among the many stumbling blocks in the smooth transition towards adherence with the law would be several that were embedded in the culture and ideology of organizations. Primary among them would be the *difficulty in making a business case for CSR*. Organizations would be unlikely to perceive value in the practice of CSR and therefore chafe at the so-called stick of the law being wielded upon them.

The next major challenge would be that of *integrating CSR with organizational values and practices*. Most companies believe their expertise lies in creating value through their products and/or services and fail to align CSR philosophy with their own value standards and vision. In addition, several organizations lack buy-in and commitment to CSR and would need to re-think their entire corporate culture.

## **OPERATIONAL CHALLENGES**

It takes a whole new level of organizational, financial and leadership support to meet the challenge of strategic CSR. Companies, used to the check box approach, would now find that this is a whole new ball game where "commitment" is the key word. The requisite financial commitment would be slow to come by in most middle to lower range companies among those who still are India's most profitable companies. Lack of trained Human Resources would be an allied problem that would need to be addressed.

But perhaps the single biggest challenge would be the bridging of the trust-deficit between the corporates on the one hand and the implementing agencies viz. the Voluntary Agencies on the other. Given the contrasting cultures and outlook of these disparate sectors, it would be quite a while before they would come together on the same page. But government was confident that given a unified mission and a clear CSR agenda, Corporates and NGOs would soon find common ground and begin to implement projects and programs with dedication and zeal.



*[Strange Bedfellows- Corporate and NGO exhibit Oil and Water Syndrome]*

## **PRINCIPLE OF COMPLY OR EXPLAIN**

It is vitally important to remember, in the context of the Indian CSR legislation, that the 2% CSR spend ***has been mandated but has not been made compulsory***. It remains still an exhortation. However, if a qualifying company fails to spend the prescribed 2% of net profits, it must put up ***the reasons for not doing so on its web site – i.e. in the public domain***. The penalties for not offering an explanation in the public domain are, however, severe (as explained in the succeeding para). Hence, what has been adopted is more a “name and shame” approach rather than a direct penal approach. In the international sphere it is usually referred to as the principle of “comply or explain”.

## **PENAL PROVISIONS**

The company and its Board of Directors are solely liable for any default by the company in the execution and implementation of the CSR law and its provisions. If the company fails to comply with the provisions ***and also does not provide reasons for failing to do so on its web site***, then:

- every officer of the company who is in default shall be punishable with
  - imprisonment for a term which may extend to 3 years or
  - with a fine which shall not be less than Rs. 50,000 (US \$ 700) but which may extend to Rs. 500,000(US \$ 7000);
  - or with both.

## **GESTATION PERIOD**

Government also anticipated that there would be an initial gestation period for the companies to begin implementation of the law. The first year, at least, would be a time that companies would need to understand the nuances of the law and come to grips with the new modalities. As the High Level Committee (referred to in footnote 1) put it so succinctly, *"It would be premature to comment on the qualitative and quantitative aspects of CSR without giving it sufficient time to brew and have reports coming in. There is no need for penalty at this point – let us allow companies to graduate in 2-3 years' time to usher in a culture of compliance."*

## DIAGRAMMATIC REPRESENTATION

Viewed holistically, the essential elements of the mandated CSR or the “Indian Model” can be visualised diagrammatically, as set out below:



## OTHER COUNTRY EXAMPLES

In hindsight, it would be interesting to look at the international CSR landscape and see whether there are other countries which have tried to go down the mandatory route. Here we may draw upon the perspective provided by Dr. Lalit Kumar:

“... mandatory CSR...had been initiated earlier in Indonesia in the year 2007. Mauritius mandated 2% CSR spend, similar to India, in 2009. One of the major reasons for mandated CSR in both Indonesia and Mauritius was continuous exploitation of their resources by different MNCs/TNCs (whom David

Korten calls as direct descendants of the great merchant companies of 15th & 16th century England and Holland).

In Indonesia, Article 15 of Law 25 2007, prescribes every company to implement corporate social & environmental responsibility. The obligation is inherent without exception for all companies and in all business sectors. Article 74 of Law 40 2007, obligates CSR for companies operating in certain sectors related to natural resources, and neglecting this obligation carries with it sanctions. When the proposal was being considered in the Indonesian parliament, business representatives reportedly tried their best to withdraw mandatory requirements for CSR contained in the draft law. As per some of the Indonesia's leading CSR experts, the legal CSR mandate is under active consideration for a review. As per some of the Indonesia's leading CSR experts, the legal CSR mandate is under active consideration for a review by the present government (personal communication on 4/5 December 2017).

In Mauritius, the mandated CSR was introduced through the Income Tax Act in 2009. As per guidelines of the Ministry of Finance & Economic Development, profitable companies are required to devote 2% of their profits for CSR activities. The mandated CSR guidelines were amended in 2012 and from 2015, all CSR guidelines were revoked. Companies were allowed to use funds as per their own CSR frameworks. Recently, a new CSR policy has been announced in 2016/17, with a proposal to setup a National CSR Foundation, under the Ministry of Social Integration & Economic Empowerment. Companies will be required to contribute at least 50% of their CSR Funds to the new Foundation in 2017 and thereafter 75% of the CSR Fund to the Director-General of the Mauritius Revenue Authority."<sup>4</sup>

With the landmark legislation of 2013, the Indian government provided a power-start to India's new initiative on CSR by getting India Inc to provide the seed capital needed for growth. It was envisaged that as the players in the

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<sup>4</sup> 'Mandated CSR – the Moving Conundrum' Dr. Lalit Kumar, in *CSR Vision* (New Delhi: Vision Group, May, 2018), pp. 45-46.

game acquire experience, gain better understanding and see the new law no more as a challenge, but as a unique opportunity, what will emerge as positive trends will be higher degrees of engagement between companies and their NGO partners, more participation in the CSR activities through skilling of personnel and enhanced focus on outcomes rather than outputs.

Additionally, hard data will, more and more, become available in the public domain. This will ensure transparency on the one hand, and on the other, provide a gold mine for researchers. The latter will be able to slice and dice easily available data to reach or substantiate research observations and conclusions.

The new dispensation will become a platform for injecting new and innovative ideas into development and creating transformative social initiatives, not merely as a regulatory measure to be complied with. Company resources will be more and more gainfully deployed, and we will see far more emphasis on third-party, objective evaluations of CSR projects.

## CHAPTER 3

### EXPLORING THE LANDSCAPE OF MANDATORY CSR IN INDIA

The iconic section 135 of the Companies Act 2013 which came into effect on 1<sup>st</sup> April 2014, rightfully proclaimed as the most audacious experiment carried out by India on the CSR front, has earned for the country a very special place on the global social welfare radar. The aforementioned law was not the result of a mere whimsical fantasy or wishful thinking, but was the systematic, cumulative outcome of various steps taken by the government on the theme of social responsibility from time to time. A concatenation of circumstances and a conglomeration of single-mindedly determined people, transformed the staid landscape of CSR into the dynamic CSR law as we know it today.

When one carefully analyses the contemporary history of CSR in India, one can clearly identify the major milestones that had a direct bearing on shaping the CSR law into its current form. These land marks, which have already been touched upon in the previous chapter, were as follows-

- ✓ DPE Guidelines for the domain of Public Enterprises [1<sup>st</sup> April, 2010].
- ✓ National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business [8<sup>th</sup> July, 2011].

The legislation that mandated CSR, was an amalgamation of several direct and indirect systemic forces which were at play in the huge cauldron of stakeholders comprising of corporate entities, civil society organizations, the auditing fraternity, community demands etc.

#### **Corporate Social Responsibility Voluntary Guidelines**

In December 2009, as already pointed out, the Ministry of Corporate Affairs had issued the Corporate Social Responsibility Voluntary Guidelines. The guidelines served as a statement of intent at Government's behest to foster a conducive environment for businesses to adopt responsible business practices. The guidelines were aimed at imparting a strategic approach to CSR calling upon the formulation of a CSR Policy attuned to the overall business objectives of the Corporation. The policy was to serve as the compass for implementing CSR initiatives. These guidelines were revisited and reviewed by the Ministry of Corporate Affairs with the aid of the Guidelines Drafting Committee (DGC) constituted by the Ministry in 2009. The revised version was known as National Voluntary Guidelines on Social Environmental and Economic Responsibilities of Business and was released on 8<sup>th</sup> July 2011 by Corporate Affairs Ministry.

These guidelines constituted a set of nine principles which served as framework for Business Responsibility to help the business understand and devise responsible business conduct.

The principles were as follows –

*Principle 1:* Businesses should conduct and govern themselves with ethics, transparency and accountability

*Principle 2:* Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

*Principle 3:* Businesses should promote the wellbeing of all employees

*Principle 4:* Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

*Principle 5:* Businesses should respect and promote human rights

*Principle 6:* Businesses should respect, protect, and make efforts to restore the environment

*Principle 7:* Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

*Principle 8:* Businesses should support inclusive growth and equitable development

*Principle 9:* Businesses should engage with and provide value to their customers and consumers in a responsible manner

Clearly these principles in totality were created to serve as a “refer-to” document for businesses of all sizes in varied sectors to finely tune their business strategy in a way which is socially and environmentally more robust.

One of the unique features of the NVGs was that it was not prescriptive or remedial in nature. On the contrary, they were aimed at infusing a sense of responsibility towards Indian societal and environmental concerns, being cognizant of best global practices in these areas and following them by innovation.

Taking the National Voluntary Guidelines into consideration, we shall find that the Principle 8 of the NVGs had a direct bearing on the current form of CSR envisaged in Section 135. This principle was centered on the theme of inclusive growth and equitable development. The principle enjoined upon businesses to take national development priorities into consideration and tailor their CSR policies and strategies keeping the national development agenda and goals in mind. In this way, if we connect the dots, we will see Principle 8 of the National Voluntary Guidelines as one of the building blocks in the DNA of Section 135 of the companies Act 2013.

**The 21<sup>st</sup> Report of the Parliamentary Standing Committee on Finance (2009-10), Fifteenth Lok Sabha, (Ministry of Corporate Affairs), The Companies Bill, 2009, August 2010**

The Report of this Committee headed by the former Finance Minister of India Mr. Yashwant Sinha, paved the way for CSR to be formally included in

the Companies Bill which was being formulated at the time. At Para 49, 50 and 51, the Report set out the concept as follows:

### *Corporate Social Responsibility*

49. In response to the Committee's overwhelming concerns on the extent of Corporate Social Responsibility (CSR) being undertaken by corporates and the need for a comprehensive CSR policy, the Ministry of Corporate Affairs have agreed that the Bill may now include provisions to mandate that every company having [(net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more)] or [a net profit of Rs. 5 crore or more during a year] shall be required to formulate a CSR Policy to ensure that every year at least 2% of its average net profits during the three immediately preceding financial years shall be spent on CSR activities as may be approved and specified by the company. The directors shall be required to make suitable disclosures in this regard in their report to members.

50. In case any such company does not have adequate profits or is not in a position to spend the prescribed amount on CSR activities, the directors would be required to give suitable disclosure/ reasons in their report to the members.

51. While welcoming the Ministry's acceptance of the Committee's suggestion to bring Corporate Social Responsibility (CSR) in the statute itself, the Committee feel that separate disclosures required to be made by Companies in their Annual Report by way of CSR statement indicating the company policy as well as the specific steps taken thereunder will be a sufficient check on non-compliance.

In view of the raging debate that ensued, and the obvious reluctance of Corporates to accept Government regulation in the realm of CSR, the legally backed mandatorily imposed disclosure was thought to come across as stringent action thereby eroding the voluntary and naturally benevolent aspect of CSR, which forms the very essence of the concept. Hence, Government took special care to ensure that the disclosure part should not be overly regulated. Instead, what was emphasized was the principle of "Comply or Explain" i.e. a self-induced regulatory mode.

## **Principle of Comply or Explain**

At the time of formulation of the CSR law, there was much acrimonious debate as to whether corporate entities should be "forced" to undertake CSR activities. Should the law be coercive in nature? Should the 2% expenditure provision be so mandated that it is forced down the throats of companies? Should what had been merely a social obligation, now be made legally binding on corporates? Many quoted the oft-cited principle that "what is pushed down gullets is often thrown up by the same route".

Given the obvious perception at that time, by many leaders of the corporate world that what was being contemplated was an obnoxious law, government felt that it would be more prudent to soften that perception by adopting the "comply or explain" approach rather than espousing a punitive line.

Comply or explain is a regulatory approach used in the United Kingdom, Germany, the Netherlands, the EU and the OECD in the field of corporate governance and financial supervision. Rather than setting out binding laws, government regulators set out a code, which listed companies may either comply with, or if they do not comply, explain publicly why they do not. The purpose of "comply or explain" is to let the market, the shareholders, the stakeholders, the investors and indeed the public at large decide whether the explanation provided by an individual company is adequate, appropriate, relevant, acceptable or not. Since a company may avoid compliance by furnishing an explanation of its choice, this approach rejects the view that "one size fits all". Yet, it places the onus of providing a credible explanation for not complying, squarely on the company and its Board. The concept was first introduced after the recommendations of the Cadbury Report of 1992.

In the context of the proposed Indian law on CSR, the purpose of the lawmakers was to use the "comply or explain" principle as a tool in the broader frame of reference of "name and shame". Thus, the feeling was that those who avoided spending the 2% of profits on CSR projects would need to explain in the public domain why they were avoiding their social obligation and their

commitment to the national development effort. Thus, their avoidance of social responsibility would be under scrutiny and their explanations evaluated by the public at large in terms of credibility. Clearly, those who were seen as avoiders or shirkers would be shamed publicly and their companies' reputations would be at stake.

Thus it was that the Companies Act 2013 made **reporting** of CSR activities mandatory, thereby incorporating the principle of '**comply or explain**' with the avowed purpose of instilling self-discipline and taking cognizance of conditions prevailing in the system.

### **Measures taken by the Ministry of Corporate Affairs (MCA) to facilitate CSR Compliance**

Section 135 of the Companies Act 2013, was brought into effect in India from 1<sup>st</sup> April 2014. The Government viewed itself not as some kind of regulator, but more as a facilitator with the intention of providing an enabling and constructive environment. The objective was to let corporate entities devise their own strategies and plans and in collaboration and coordination with the civil society sector, conduct CSR activities in ways that would boost the development efforts of the nation.

In line with this approach, the MCA sought to provide clarity and to clear any doubts or apprehensions that corporates or implementing agencies might have. It did this by issuing the following:

- Clarifications Circular of 18<sup>th</sup> June 2014;
- FAQs on CSR Under Section 135 of the Companies Act, 2013

dated 12<sup>th</sup> January 2016

### **Clarifications Circular**

Some of the salient points highlighted were:

(i) while activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act 2013, the entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects enumerated in the said Schedule;

(ii) CSR activities should be undertaken by the companies in project/ programme mode;

(iii) One-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.

(iii) Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act.

(iv) Salaries paid by the companies to regular CSR staff as well as to volunteers of the companies (in proportion to company's time/hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure.

(v) Contribution to Corpus of a Trust/ society/ section 8 companies etc. will qualify as CSR expenditure as long as (a) the Trust/ society/ section 8 companies etc. is created exclusively for undertaking CSR activities or (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.

### **Frequently Asked Questions**

The ministry issued a comprehensive list of FAQs addressing various real time issues faced in implementation via general circular dated 12<sup>th</sup> January 2016. The FAQs provided guidance on various aspects of the implementation life cycle and processes. These crystallized and collated a whole set of learnings and insights that had emerged over the two years of CSR performance by companies in line with Section 135. The primary aim was to facilitate effective implementation of CSR projects and programs by companies within the purview of the law and simultaneously ensure thorough and rigorous compliance.

The FAQs were also distilled from the recommendations given by HLC which had garnered many and diverse insights from various stakeholders including corporate entities, NGOs, Trusts and even the general public. This 360-degree perspective is reflected in the way the FAQs addressed various aspects of implementation.

The MCA thus clearly embraced the learning curve and was ready to gear up for the next level of challenges. The aim was to help stakeholders with clarifications on various aspect of the CSR implementation and to instill seriousness with respect to compliance. There was also a subliminal message to corporates - be aware of the repercussions in the wake of noncompliance.

The FAQs themselves were a very comprehensive set of answered questions that covered a whole range of issues. These included clarifications relating to:

- (i) What tax benefits can be availed under CSR provisions?
- (ii) Can CSR expenditure be spent on activities beyond Schedule VII?
- (iii) Can the CSR expenditure be claimed as a business expenditure?
- (iv) Which activities do not qualify as CSR activities?
- (v) Whether reporting of CSR is mandatory in the Board's report?
- (vi) Is it mandatory for a foreign company to give report on CSR activity?
- (vii) If a company spends in excess of 2% of its average net profits on CSR, can the excess amount spent be carried forward to the next year and be offset against the required 2% CSR expenditure of the next year?
- (viii) Can the amount unspent from the minimum required CSR expenditure, be carried forward to the next year?
- (ix) What is the role of Government in monitoring implementation of CSR by companies?
- (x) Can CSR funds be utilized to fund Government Schemes?
- (xi) How can companies with small CSR funds take up CSR activities in a project/ program mode?

## **First High Level Committee**

Just barely a year after the CSR law began to be implemented across the country, the MCA set up the first High Level Committee on February 3, 2015. This High Level Committee, under the Chairmanship of Mr. Anil Baijal, former Secretary, Government of India, was constituted to suggest measures for monitoring the progress of implementation of Corporate Social Responsibility policies by companies at their level and by the Government under the provisions of Section 135 of the Companies Act. The key observations and recommendations of Committee submitted in their Report of 22<sup>nd</sup> September 2015 are briefly summarised below:

- The rationale behind CSR legislation is not to generate financial resources for social and human development since the resource gap, if any, for such development or social infrastructure, could as well have been met by levying additional taxes/cess on these corporates. Therefore, CSR should not be interpreted as a source of financing the gaps in inclusive growth.
- The existing provisions of the Act and Rules based on general principles of "comply or explain" are for the time being sufficient for ensuring compliance of the law.
- Schedule VII of the Companies Act 2013, has been amended many times with a view to expand the list of eligible CSR activities. There should, therefore, be an omnibus clause simply because certain development concerns, needs and priorities cannot be anticipated.
- CSR activities must be for the larger public good and for any activity that serves public purpose and / or promotes the wellbeing of the people, with special attention to the needs of underprivileged.
- The mandatory provision of CSR is likely to generate substantial funds for the benefit of the deserving poor and under-privileged sections of

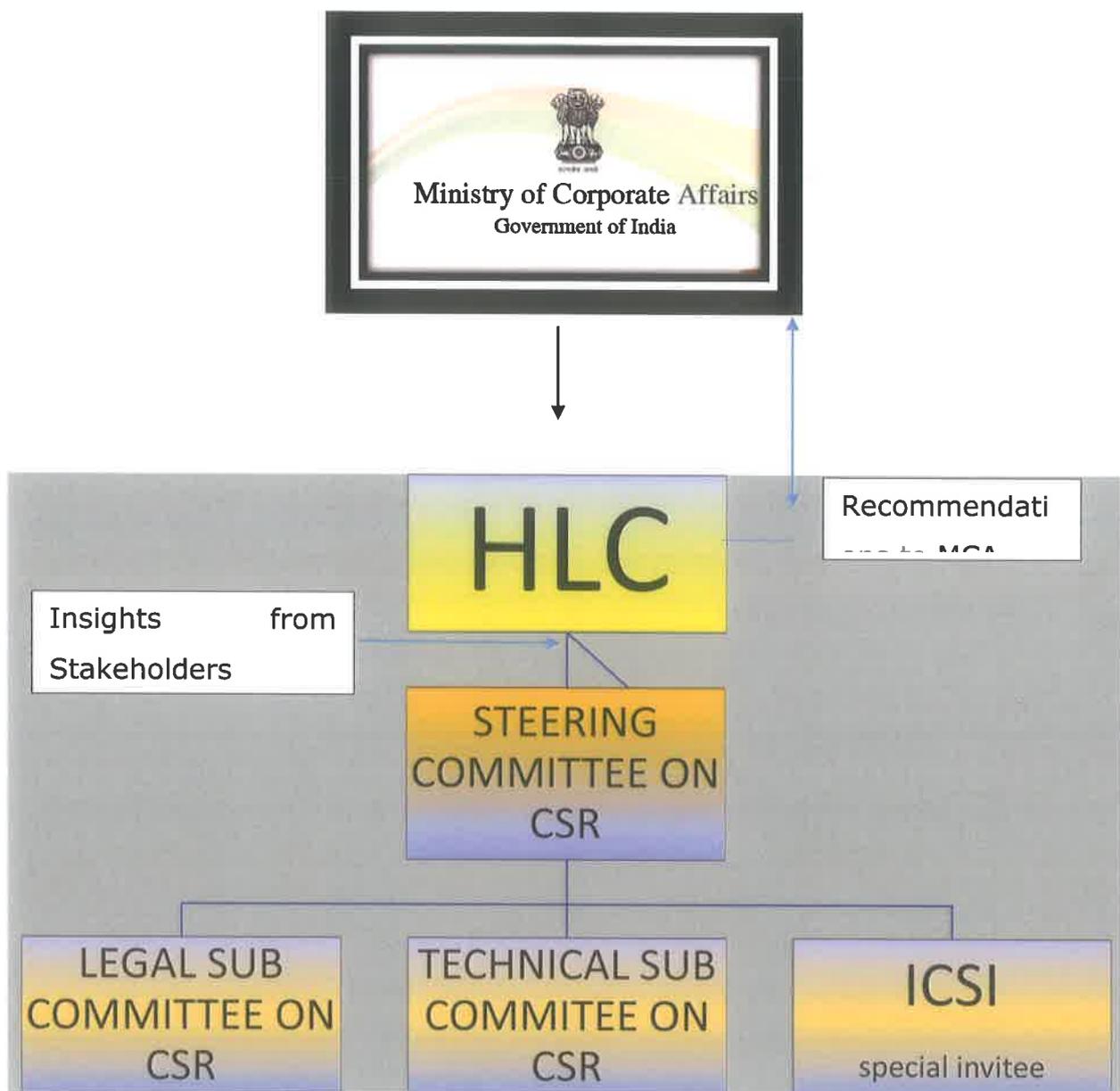
society. To ensure that this opportunity is not frittered away, resources so generated must not be frittered away by spreading them too thinly.

- Only sustainable programmes / projects must be taken up for optimal benefits of the poor and under-privileged sections of the society.
- All CSR programmes / projects should be approved by the Boards on the recommendations of their CSR Committees. Changes, if any, in the programme / project should also be undertaken only with the approval of the Committee / Board. The provisions of the law / rules should be strengthened, wherever necessary, to ensure this.
- As regards penalty for non-compliance with CSR provisions of the Companies Act, the present provisions in the law appear to be sufficient. However, leniency may be shown against the companies for non-compliance in initial two / three years to enable them to graduate to a culture of compliance. The initial three years will be a "period of learning" for all the stakeholders. This liberal view can at least be taken for smaller companies, which become eligible at the margin to take up CSR programme under Section 135(1) of the Act.
- Differential tax treatment for expenditure on various activities covered under Schedule VII may create unforeseen distortions in the allocation of CSR funds across development sectors. Board's decision could be guided more by tax savings implications rather than compelling community social needs. Therefore, there should be uniformity in tax treatment for CSR expenditures across all eligible activities.
- There should be two models of implementation strategies for CSR:
  - (i) for companies that have CSR expenditure of more than Rs. 5 crore;
  - and (ii) for smaller companies with CSR spend of less than Rs. 5 crore.

Companies in the first category should undertake programme based sustainable CSR activities, with some measurable outcomes.

- Smaller companies could take up project-based activities, depending upon their CSR spend from year to year. Such companies should be encouraged to combine their CSR programmes with other similar companies.
- The suggested threshold of Rs. 5 crore (in CSR expenditure) should be adjusted for inflation, using the GDP deflator or Wholesale Price Index (WPI) once every three years, and this figure should be rounded off to the nearest crore.
- In many cases, the time taken in the implementation of CSR activities could be long, leaving unspent amounts at the end of a financial year. This may be allowed to be carried forward and clarification to this effect be issued. CPSUs are already required to carry forward their unspent CSR funds, under DPE guidelines. On the same analogy, private companies must also be permitted to carry forward unspent balance of CSR funds. However, there should be a sunset clause of five years, after which the unspent balance should be transferred to one of the funds listed in Schedule VII.
- The ceiling on administrative overhead costs should be increased from the present 5% to not more than 10% of the CSR expenditure of the Company, for which amendment to the Companies Act and / or CSR Policy Rules, 2014 should be made.
- All information relating to implementation of CSR by companies including amount spent, activities undertaken, geographical areas covered etc., as reported by the Companies in their annual disclosure should be compiled and collated by the Ministry of Corporate Affairs and placed in the public domain.

- With a view to incentivizing the corporates to undertake their CSR mandate in right earnest, annual awards should be set-up - one each for the two categories of companies, large and small.



*Framework devised by MCA to monitor compliance of CSR Provisions*

## **Outcome of the Review Exercise Undertaken by Government**

The rigorous review exercise carried out by MCA through the intensive efforts of the High Level Committee led the Government to expedite some long overdue changes and to bridge some of the gaps and lacunae existing in the system.

### *1) Revisiting the Penal Provisions stipulated in the existing CSR Framework*

The 2013 ACT has stringent penalty provisions for non-compliance with Section 135. Whereas the failure to spend the mandated CSR amount (2% prescribed CSR Expenditure as per CSR Rules) for the year does not attract a penalty yet, as per sub section (8) section 134, failure to *report* the same attracts a monetary fine by the defaulter company ranging from Rs. 50,000 to Rs. 25 lakhs and imprisonment of the responsible officer/s for a term that may extend up to 3 years, or with fine ranging from Rs. 50,000 to Rs. 5 lakhs, or with both.

The penal provisions clearly target the executives at the helm of affairs particularly the Managing Director / Chief Executive Officer of the Company, Chairman of the CSR Committee of the Board etc. Wherever applicable, the person specified under clause (d) of sub section (I) of Section 380 of the Act, being a signatory to the mandatory CSR Report, would be liable to be directly held accountable under this provision. Also, the responsibility could also devolve on the entire Board as per Section 135(4) (b).

The HLC reviewed the penalty provisions for non-compliance and as indicated above, deemed them to be sufficient. The MCA tended to also endorse the opinion of the HLC that given the inherent nature of the very discipline that CSR entails, strict imposition of penalties have the potential to erode the essence of CSR which is based on doing good. Being cognizant of the fact that initial years will be deemed as a learning period dotted with change management, re-engineering of the processes and subsequent rejig the Government decide to opt for the *soft approach*.

MCA donning the true role of a facilitator and enabler, provided a lot of leeway and elbow room to the stakeholders to think through and adapt to the

changes. Clearly, the approach of the MCA was to take a long-term view and cultivate a culture of compliance in a gradual fashion to instill accountability and transparency.

## *2) Big CSR data to be place in Public Domain*

The systematic reporting structure provided by the Government vide the Reporting Template in the Annexure to the CSR Rules (MCA Notification dated 27<sup>th</sup> February 2014 – See Chapter 2) was designed in a manner that would generate a very large amount of data comprehensively covering the full range of CSR activities across the nation.

The MCA was of the view that this information pertaining to various aspects of the CSR implementation scenario should be available for public consumption anywhere, anytime and anyplace without any constraints. This move was also set to induce transparency and accountability in the system.

In accordance with this objective, and as recommended by the HLC, the MCA launched the National Foundation for CSR (NFCSR) Data Portal on 19<sup>th</sup> June 2018. This was a website solely dedicated to the public dissemination of data related to CSR activities taking place across the length and breadth of the nation.

The reasons behind creating this portal were:

- to achieve a higher level of compliance by corporate entities whose CSR activities could now be accessible to all stakeholders as well as to the public at large;
- to set up a robust system of CSR Governance;
- to provide a common platform to all the CSR enthusiasts, practitioners, thinkers and innovators to exchange knowledge experience and insights;
- to enable researchers, scholars and academics to find real time data for study and analysis;

- to provide material for commentators and the media for them to analyze, criticize or commend the efforts of corporates and the civil sector;
- to enable the MCA to monitor the progress achieved by the companies covered by the Act and identify good performers as well as laggards;
- to enable the Ministry to initiate action against those who were non-compliant with the provisions of Section 135; and
- to provide a robust data base for initiating the process of recognizing outstanding performances and rewarding them at the national level.

### *3) Reinforcing Good Practice and Compliance by setting up a System to*

#### *Acknowledge CSR performance*

In order to reinforce compliance with the CSR provisions and to reward and recognize outstanding CSR efforts, the MCA has taken up seriously the recommendation of the HLC to institute a system of National Awards. The process of devising a foolproof, credible and objective process for assessing performance on the basis of duly weighted parameters has taken a long time. Yet, when it comes to National Awards, there has to be complete transparency as well as authenticity and every care has to be taken to avoid ambiguity, favoritism, irrationality and lack of objectivity. So, the process of authentication and verification is still on; but when complete, the National Awards will prove to be a true motivator for all participants and aspirants to showcase outstanding achievements in the realm of CSR.

#### **Recommendations of the Legal Sub-committee**

The Legal Sub-committee (shown in chart above) had taken into consideration various resources like recommendations from HLC, the annual disclosures made by companies and real time insights from the CSR Ecosystem.

There was a felt need for preparations by the Ministry to take penal action after the passage of more than three years since the law had come into force. The study of available data revealed to the Legal Sub-committee that there existed a large number of willful defaulters who had not only refrained from doing any CSR activity but had also not reported the reasons for not doing so. Again, some of the reasons provided by companies for evading their CSR responsibilities were either repetitive or totally unsatisfactory or downright evasive/irresponsible. In this scenario it could only be construed that many companies were clearly taking advantage of the “comply or explain” provision to bypass the law and willfully violate the provisions of the Act.

However, till date there is a dearth of legal opinion in the form of legitimate judicial orders from High court(s) or Honorable Supreme Court which would enable the Ministry to move forward on penalizing corporates for not meeting the mandatory 2% spend. Currently, the Act and the rules do not classify the explanations offered by companies as acceptable or not acceptable. In the absence of clear directions in this regard, companies are able to get away by providing reasons that are very often flimsy or evasive or insubstantial.

The HLC espoused the view that the deliberate usage of the phrase “shall ensure that the company spends” under Section 135 of the Act, made it mandatory for the CSR eligible companies to spend the prescribed amount. Not spending the stipulated 2% of net profits should and must invite penal action in accordance with the law unless the regulatory authority accepts the stated reason for consideration in the report made to them.

Considering the above, it is perhaps high time that changes were brought about in the Rules that would begin to tighten the legal screws on a clutch of companies who have demonstrated irresponsible and non-compliant behavior over several years. This would send out a strong signal that evasion of legal responsibilities under Section 135 would attract swift action from the authorities and that whereas a soft approach has hitherto been the norm, after almost five years of operation of the law, times have changed, and a harsher regime is beginning to be ushered in.

## **Penal Measures Adopted**

Very much in line with this approach, and indicating a firm about positive shift in gears to a more compliance-seeking regime, the Ministry of Corporate Affairs established Centralised Scrutiny and Prosecution Mechanism (CSPM) in April 2018 for the financial year 2015-16 onwards for enforcement of CSR provisions. The MCA began to issue notices to errant under section 206 of the Indian Companies Act 2013 regarding compliance of provisions of Corporate Social Responsibility (CSR) under section 135 read with Section 134(3)(o) of the Act and the Rules made there-under. These notices began to be served in August 2018 when a clutch of 275 notices were issued to non-compliant companies. Out of these, the Ministry sanctioned prosecution against 254 companies and out of them, 33 firms filed applications for compounding.

The Ministry of Corporate Affairs (MCA) has so far sent notices to over 5,000 companies that have failed to spend 2% of their profits on social welfare activities under the mandatory corporate social responsibility (CSR) policy. The erring companies have been asked to furnish information or give an explanation for non-compliance. Under Section 206 of the Companies Act, 2013, the government has powers to call for information and inspect the books of companies. The next step will be show cause notices followed by the filing of cases in the court.

Four years after the CSR law was brought into operation in April 2014, the government clearly feels that the law requires a strict approach for better compliance.

Historically, the information sought by MCA in these Notices has included:

- Date when the CSR Committee was constituted;
- CSR Policy of the company along with extracts of resolutions passed by the Board for adopting the same;
- Details of the meetings held by the CSR committee during the relevant financial year and extracts of the minutes of such meetings;

- If prescribed amount of two per cent as per section 135(5) of the Act is not spent, "furnish legally demonstrable specific reasons";
- Proportion of "administrative overheads" while implementing the total CSR expenditure during each financial year;
- Details of the implementing agencies (trust, society or section 8 company with track record of at least three years of undertaking such activities) engaged by the company with the names and addresses of such implementing agencies;
- Calculation of net profits computed u/s 198 of the Act;
- Average net profits of the company for the three immediately preceding financial years as computed u/s 198 of the Indian Companies Act 2013;
- Details of members of the CSR Committee;
- Name and contact details (current address, email and Director Identification Number) of the Board of the company;
- Details of the projects undertaken by the company as CSR activity as per disclosure under annual return of CSR as provided under Companies (CSR) Rules 2014.

### **Unspent Amount of CSR at the End of the Financial Year**

In recent times there has been much discussion and debate around the issue of carry forward of unspent amounts of CSR. There is a strong felt need for clarification as to whether carry forward of unspent CSR amounts from one financial year to another would be tantamount to deferment of expenses. It is observed that deferment, as prescribed under Accounting Standard(s), is possible only in respect of Revenue Expenditure or Tax. Since CSR does not fall either under revenue expenditure or under tax expenditure, therefore, carry forward of CSR would be deemed improper under accounting procedures and standards. Besides, such carry forward of CSR would cause roadblocks in

compliance and will create a grey area for the corporates to indulge in malpractices.

It must be noted that no such carry forward has been provided for under Section 135 of the Act. Thus, a separate circular needs to be issued to the effect that the carry forward of CSR is not deemed proper in the light of the aforementioned reasons. Wherever it is mentioned in the books of accounts of the companies, the stipulated amount should be either spent within a financial year or alternatively, deposited in the Central Government funds as prescribed under Schedule VII of the Companies Act such as the Prime minister's National Relief Fund, the Clean Ganga Fund or the Swacch Bharat Kosh.

Section 135 in its current form, does not allow any arrangement for the treatment of unspent amount of CSR. There are two schools of thought which espouse different approaches. One school subscribes to the view that it should ideally be carried forward after being clubbed with a sunset clause. The other holds that unspent amounts must be diverted to any one of the Central Government Schemes which find special mention in Schedule VII such as the Prime Minister's National Relief Fund, Clean Ganga Fund or the Swacch Bharat Kosh. These views have gained ground over time and now need to be given serious consideration. So far, the MCA was of the view that the provision should be given some time to settle down which counts as a learning phase for all. In the FAQs of 12<sup>th</sup> January 2016 at point 17, the Ministry stated that the decision of carrying forward the unspent amount of CSR fund to the next year would devolve entirely on the Board of a company. It further clarified that in case the amount is carried forward, it should be over and above the next year's CSR allocated budget.

### **Oversight and Supervision by Government**

At present, the oversight of the entire CSR ecosystem is carried out in the same fashion as for other provisions of the Companies Act 2013. An adequate mix of people and processes has been set up in order to carry out the

oversight and supervision smoothly. The personnel directly responsible for carrying out these responsibilities are designated officials of the Ministry of Corporate affairs, namely- the Regional Directors and the Registrar of Companies (ROCs). Section 135 of the Companies Act 2013, entailing the Rules and Schedule VII read in conjunction with General Circulars issued on 18th of June 2014 and 12th of January 2016 respectively, provide the broad framework within which the Boards of the qualifying companies have been delegated the responsibility in formulation of their CSR policies including the projects/activities to be carried out. The subsequent reporting, monitoring and evaluation has, therefore, to be institutionalized within companies with the overarching responsibilities remaining squarely within the province of the Board.

The Ministry via a network of regional directors and Registrar of Companies, keeps a check on the compliance of CSR provisions of the companies. It also does it through mandatory disclosures by companies in their Board's Reports under provisions of section 135 read with section 134 (3) (o) of the Companies Act 2013. In reference to the modalities for initiating action in case of non-compliance of the CSR provisions of the Section 135 read with section 134 (3) (o) of the Act, the Registrar of Companies has been vested with powers to initiate action against non-compliant CSR eligible companies under the provisions of the Section 206.

The actions which ROCs have been empowered to take are briefly outlined below:

- The ROCs can issue Show Cause Notices (SCN) against the non-compliant qualifying company and the designated signing authorities either suo-moto or in response to complaints raised by stakeholders;
- The ROCs through their directorates, can seek approvals from the Ministry to initiate punitive action against the defaulters (companies and the signing officers in default) by sending their findings to them;

- On the basis of the findings and respective reports submitted by ROCs/RDs, it is at the Ministry's discretion to issue permission to proceed for penal action under section 134(8) of the Act;
- The cases stemming out of these actions are to be tried in a Special Court established under section 435 of the Companies Act 2013.

The next page has a Diagrammatic Outline of Proposed Penal Action under CSR

SECTION 135 COMPANIES ACT 2013



**Ministry of Corporate Affairs**

Approval for Penal Action >>

**DIRECTOR**

<<Vets the information feed



Appoints

**Regional Directors**



Review and monitor

**Mandatory Disclosures**  
**Board Reports CSR reports**

Findings by ROCs/ RDs 134(8) of

**Suo- Moto**

**Compliant**

**Non**



**ROC**

Findings to be relayed to MCA

\*206 of the Act

Cases from above

Penal actions

**Special court**  
**Under 435 Of Act**

## **Challenges Faced in Enforcement of Compliance of Provisions of CSR Implementation**

Problems related to identification of eligible companies can be categorized broadly as follows:

- a) Non-filing of the returns by the companies;
- b) Delayed filing of returns by the companies;
- c) Consolidation of the data divulged by the companies in their prescribed returns;
- d) Reasons provided for non-compliance are to be examined and vetted by the ROCs to determine their credibility, authenticity and reliability.

## **Enforcing the Provisions Section 135 – Effective Modalities that can be Considered**

What is in-focus right now, is the penal provisions of the Indian Companies Act of 2013 to review offences related to Section 135. The Ministry of Corporate Affairs has constituted an eminent panel of Advisors who have been asked to scrutinize this law and suggest which violations will vouch for lighter punishment and which for harsher ones. Small offences could perhaps be treated as civil misdeeds, best let off with a rap by way of imposing fine or by compounding them. Some of the bigger violations that attract incarceration or heavy fines, might be dealt with by means of a better methodology for example by being sent to the National Company Law Tribunal instead of being dragged to courts. The setting up of a Special Court under Section 435 to deal with the irregularities in CSR compliances, resonates this approach. The idea, according to the Government, would be to free up the Judiciary to focus on trials of a "serious nature". If this goes through, it would also instill in corporate honchos the fear of being slapped with legal stigma that will prevent them from being appointed directors of any company in India, thwarting their professional growth prospects.

## **Making a Business case for Central Government Schemes to be Dovetailed with CSR**

The recently articulated view that companies should be mandated to deposit their unspent CSR funds in specific funds set up by the central government marks the beginning of a transition from the "soft approach" to a "harder approach" with respect to CSR provisions. Apart from anything else, a move like this is instrumental in imparting a national-centric agenda to the CSR obligations of corporates. The hybrid of corporate resources (manpower, competencies) in conjunction with Government Central Schemes is seen to yield a multiplier effect with far reaching outcomes.

There are those who genuinely feel that there is now an opportunity to present a well thought out, skillfully mediated business case to the corporates wherein the synergistic association of companies with government can be a win-win situation for both providing value to all the stakeholders involved. The intersection of Government and Private Companies in partnership, can be the threshold of the cusp of unleashing a new era of creative and innovative business solutions for social problems. It would make sense to remind ourselves that back in the days when the foundation stone of Section 135 was being laid, the Government had emphasized the fact that it was least interested in the CSR funds of companies as it was miniscule when compared to the scale at which Government works. However, with corporates bringing in innovation, speed, agility and efficiency into their develop-related CSR programmes, an opportunity has presented itself to create a fertile ground to work in collaboration for the national interest.

The following is an excerpt taken from *Bloomberg* on making a strong business case for Swacch Bharat Abhiyan. The article dissects the 360-degree view encompassing insights from multiple stakeholders.

*India is on the greatest toilet buildings spree and it is a windfall for many companies. The US \$ 20 billion Swacch Bharat Abhiyan aims to construct more than 10 crore latrines in 5 years. Besides promising to improve health, safety and dignity of hundreds of millions of Indian, the national hygiene drive led to 81% jump in sales of concrete building materials and 48% increase in bathroom and sanitary-ware sales. According to Euro-monitor International, this massive program is benefitting firms right from the Tata Group (one of India's largest conglomerates), to cleaning products maker Reckitt Benckiser group. Almost 8 crore household toilets are estimated to have been built since the 2014 pledge to ensure Universal sanitation coverage by October 2019, which will mark One Hundred and Fifty years of the birth of Mahatma Gandhi – the Father of the Indian nation.*

*The scale up of latrines and a nationwide campaign to encourage their use is driving a market for toilet related products and services that is predicted to double to \$62 billion by 2021.*

*"It is the biggest, most successful behavioral change campaign in the world" said Val Kurtis, Director of the London School of hygiene and tropical medicine (environmental health group), who has worked on the program in India." Every time I go there, I feel like I can't sit down for week after because I am excited about what they are doing - it's incredible."*

## SNIPPETS

\*In the case of Swacch Bharat for eg. the hygiene drive has catalyzed a whopping 81 per cent jump in sales of concrete building materials and 48 percent increase in bathroom and sanitary ware sales. The sale of sanitary ware and tiles are pegged to expand about 11 per cent annually through to 2022.

\*"It is the biggest, most successful behavioral change campaign in the world," said Val Kurtis, Director of the London School of Hygiene and Tropical Medicine

~Adapted from "Bloomberg" published on August 1, 2018

## **Second High Level Committee**

In light of the many thoughts, perspectives, approaches, viewpoints and perceptions that have emerged over the last four and more years of the implementation of the CSR law, the Ministry has recently set up a Second High Level Committee in November 2018, to:

- review the existing CSR framework,
- to recommend guidelines for enforcement of CSR provisions,
- to suggest measures for improved monitoring and evaluation of CSR projects and programs,
- to recommend an audit framework that would include financial, performance as well as social audit,
- to analyze outcomes of CSR activities, programs and projects, and
- to look at other matters that are connected with the subject.

The Committee is headed by the Secretary to the Ministry of Corporate Affairs and includes:

- (i) Chairman SEBI
- (ii) CMD, NBCC
- (iii) Chairman Tata Sons
- (iv) MD, Bain Capital Private Equity
- (v) Addl. Solicitor General
- (vi) MD, Luthra and Luthra Law Offices
- (vii) Executive Vice Chairperson, Apollo Hospitals
- (viii) Prof. Gupta, IIM (Ahmedabad)
- (ix) President Indian Olympic Association
- (x) Mr. Santhanakrishnan, CA and Consultant
- (xi) CEO, Helpage India

With this very balanced composition and equipped with a broad-spectrum remit, this Committee is expected to come out with a set of considered recommendations that will iron out a lot of the issues that have emerged and set the course for very effective and result-oriented implementation framework for CSR over the coming years.

## CHAPTER 4

### CSR DATA FINDINGS – DECODING HIND-SIGHTS, INSIGHTS AND FORESIGHTS

The year 2018-19 was the fifth year of implementation of the mandatory CSR provisions of the Companies Act 2013. Looking at the statistics, facts and data published by various reports available, we can see that CSR spending has shown a steady upward trend. This is a most welcome development, signifying that a major section of Indian society is getting access to better infrastructure, community services and utilities because of the new mandate. A parallel and equally important development is that recent years have witnessed a sharp rise in the reports being churned out from the fast evolving and dynamic CSR landscape which is brimming with copious amounts of information pertaining to the current state of CSR implementation. There is a significant amount of analysis and commentary on the overall performance of this sector ever since it was rolled out on 1<sup>st</sup> April 2014. According to an estimate, CSR spends by NSE listed companies saw marked increases of at least 7-8% in each of the preceding four years. To document, analyze, forecast and predict the developments and trends, there has been an exponential increase in the number of reports. Needless to say, the research also points to the recent exponential rise in the number of conferences, seminars and conclaves in the CSR domain that only underscores the need for dissemination of statistics and insights.

On scrutinizing the contents, one can notice a perceptible shift in the content which was available before the Companies Act 2013 came into existence and **after** the enactment of the Law. There is a clear dividing line between the data, pre and post the enactment of the legislation. The way the data is now prepared, sliced and diced, reflects the transition in terms of far more organized and systematically consolidated information.

This is indeed a validation of one of the foremost objectives of Section 135, which was that compliance to it would generate a very substantial amount of reports and returns. These would be a rich and fecund source of data which would translate into a treasure trove for researchers and analysts. It is a well known fact that any new field of knowledge – such as the one that the new CSR law has parented- requires robust and objective research to grow and thrive. Without that vital input it would be deprived of essential nutrients and would soon become moribund.

In as much as CSR and the projects undertaken as part of its agenda are linked to the inclusive development of the nation, the data that researchers will now have access to, will be strongly aligned to vital aspects such as poverty reduction, accelerated infrastructure creation, thereby fostering the vision to build a strong, confident and a New India. Time and again inclusive development has emerged as the most dominant theme in CSR discussions across the country. The policy paralysis, red-tape-ism, corruption, nepotism, redundant and obsolete working mechanism have continued to serve as inhibitors in achieving this goal. Among the various mechanisms at national and local levels which are being re-engineered so that they all contribute to the national goal of inclusive development, promulgation of the section 135 of the Companies Act 2013 is a significant contribution. It is one of the vital spokes connected to a common hub; and the hub is the inclusive development agenda and government's seriousness in addressing this issue with renewed vigour. India has achieved an average GDP growth of around 7.5% over the past several years. The Indian economy is now 2.5 trillion dollar economy – seventh largest in the world. India is poised to become the fifth largest economy very soon. There is a need for innovative systems and mechanisms and the new CSR apparatus has emerged as an important contributor.

When one approaches the now revitalized and totally revamped field of CSR data, the reports are enormous in number and variety. The data is subjected to interpretation in myriad ways and the outcomes are invariably

different. This provides an enormous room to experiment and innovate for researchers - depending upon whether the quantitative or qualitative approach is being applied to the primary data set. There are no fixed rules and one can be innovative and creative in this space. One will observe that owing to the standard format prescribed by the Government for the companies to divulge their CSR details, there are now threads of commonality with respect to CSR implementation aspects. Hence, comparisons can now be made across sectors, across geographies and across subjects.

The markets have bountiful reports representing a fair mix of both NSE (National Stock Exchange) Listed Companies and BSE (Bombay Stock Exchange) Listed companies. The choice of the representation is driven by if one wants to evaluate companies based on market capitalization or otherwise. Private analysts like KPMG etc. show preference for NSE Listed Companies and most Governmental agencies show preference towards BSE Listed companies. Still, each one has its own rationale to choose as to which set of data must be looked at and how it has to be treated.

### **Churning the Big CSR Data**

A single hit on the keyboard with the key-search word "CSR India data", leads to close to 5,02,00,000 results. With further narrowing down of the search by specific keywords such as "CSR Reports 2018 India", leads to close to 2,47,00,000 results. The data available in the public domain related to CSR is humongous and post the CSR mandate, it has grown manifold because of the novelty of the subject and also because it is easy to generate reports using guidelines as a compass. With the sheer enormity of the scale of the data, it becomes important for the researchers and data presenters to develop their unique methodologies as to what questions are to be addressed. There is always the lurking fear of getting lost or at the worst ending up choosing wrong sets of data for decision making, strategy formulation and policy making.

This also calls for special mention that under such circumstances, the quality of data, which actually has the potential to link CSR strategy and implementation to its respective stakeholders, must be authentic and robust. Driven by this urgency, Government came up with the unique initiative of launching a National CSR Data Portal on 19<sup>th</sup> January 2018 (Already referred to in the previous Chapter). This serves today as a one-stop platform for access to information regarding the CSR expenditures of the companies who have been brought onto the MCA21 registry.

Whereas the CSR Data portal will serve as the role of a custodian for the public on information related to company filings, including annual financial statements, annual report and various event-based filings, it would also cater to customized data services for research and analysis. This is vitally important since there is no one size fits all and different organizations or individuals may have different needs. These aforementioned efforts only point to the importance of streamlining the CSR Data for efficacious evidence based and fact based results thereby driving the national development agenda.

## KEY TAKEAWAYS

The Section 135 Companies Act 2013 has prescribed 11 different activities under Schedule VII which can be undertaken in the project or program mode under which the CSR spends can be channelized.

### SECTOR WISE ANALYSIS

Careful research of the industry and data furnished helps us to see as to how various activities are faring on corporate radar.



### EDUCATION AND HEALTHCARE

During current year, education and healthcare account for over 56 per cent (INR4045 cr.) of the total spends towards CSR (INR7215.9 cr.), which shows increase by 92 % in last 3 years.

### BREAKING THE GLASS CEILING

The women representation has increased substantially in CSR from board to field. The projects / institutions represented by female garnered more positive response.



### ERA OF CEO ACTIVISM

Due to the backroom to boardroom transition of CSR . The top level management seems to have embraced CSR more holistically.

### DISPARITY IN PREFERENCE

There seems to be a disparity in the preference for a Schedule VII Activities and state wise allocation of the CSR Funds . The education and health had many takers whereas some had no takers at all. Likewise most of the spending was concentrated in certain states whereas Lakshwadeep had zero investment



### Sample Selection –

Analysts and researchers have used data from a variety of sources depending on the related outcomes, hypothesis related to a particular scenario, theories to be tested etc. Incidentally, there is an inclined preference for National Stock Exchange companies (NSE) and Bombay Stock Exchange companies (BSE).

According to the report published by KPMG in 2018, of the 1716 companies listed on the NSE, 1571 companies were listed during FY 2016-17; the balance 145 were listed subsequent to April 2017.

Of these 1571 companies, Annual Reports for 2016-2017 have been released by 1551 companies. 1462 of these, have furnished details related to CSR in their Annual Reports whereas the remaining 89 have been found wanting.

*PRIME Database*, another prominent analyst and a keen watcher of the CSR space, asserts that the average net profit of these 1019 companies over the last 3 years was pegged at Rs. 4.80 lakh crores (2015-16: Rs. 4.53 lakh crore). As per CSR requirements, the amount required to be spent by such companies was Rs. 9,669 crores (2015-16: Rs. 9,120 crores). The companies, however, went one step further and decided to spend Rs. 9,936 crores instead (2015-16: 9,298 crore), i.e. Rs. 267 crores more than the requirement. However, Rs. 1,574 crores eventually remained unspent (2015-16: Rs. 1,898 crores). The final actual CSR expenditure by these companies was Rs. 9,034 crores (2015-16: Rs. 8,430 crore), which amounts to an overall increase of 7 per cent.

For the purposes of this study, the CSR policies and Annual Reports of N100 companies for particular financial years, were collated from the public domain.

The CSR policies of these N100 companies were analyzed from a compliance perspective.

- The various CSR disclosures in the Director's Report by N100 companies were analyzed for compliance with the Act;
- The annual CSR disclosures and CSR spends and various metrics related to it were analyzed;
- The outcomes act as a compass to tracking emerging trends in India's CSR spending and reporting journey.

### **How Companies are faring across various metrics**

There is today, an enormous amount of data in the market related to subsequent rankings related to who fared well in conducting Responsible Business in India. Of late, comprehensive reports have been published annually by *Futurescape* in collaboration with IIM Udaipur which need special mention

since they came up with their own unique framework of a *Responsibility Matrix*. Nevertheless, developing such frameworks is adding intellectual rigor to overall analysis particularly when most of the reports are meticulously culled from the CSR content available in the Annual Reports and Directors' Reports of eligible companies. The need of the hour is more comprehensive reports that can generate frameworks and parameters to make more conclusive sense of the CSR data. This becomes so crucial especially because the market is overwhelmed by the sheer quantity of data and it becomes the responsibility of researchers and analysts to actually focus on quality for better decision making. A sample of the analysis that is today possible, relates to the top ten spenders of CSR in 2015 and 2016 respectively, as shown in the Chart below:

<b>RANK 2016</b>	<b>COMPANY</b>	<b>RANK 2015</b>	<b>COMPANY</b>
1	Tata Chemicals Ltd	1	Tata Steel Ltd.
2	Tata Steel	2	Tata Power Company Ltd.
3	Tata Power Company Ltd.	3	Ultra-Tech Cement Ltd.
4	Shree Cements Ltd.	4	Mahindra & Mahindra Ltd.
5	Tata Motors Ltd.	5	Tata Motors Ltd.
6	Ultra Tech Cement Ltd.	6	Tata Chemicals Ltd.
7	Mahindra & Mahindra Ltd.	7	ITC Ltd
8	ACC Ltd	8	Shree Cement Ltd
9	Ambuja Cements Ltd.	9	Bharat Petroleum Corporation Ltd
10	ITC Ltd.	10	Larsen and Toubro Ltd

**Top ten CSR spenders 2015-2016**

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

The Tata group continued to rule the roost as it not only appeared at the top but had four of its companies listed in the top ten thereby dominating the

list. Ambuja cement was a fresh entry and Larsen Toubro exited the list. Shree Cement climbed up a few ranks whereas ITC Ltd and Mahindra were pushed down the pecking order. The Public sector's sole representative which was Bharat Petroleum Corporation Ltd. also exited.

According to a report published by Prime Database in 2017, the following list of companies was prepared with respect to absolute CSR spends:

<b>RANK</b>	<b>COMPANY</b>	<b>CSR EXPENDITURE (RS.CR)</b>
<b>1</b>	<b>RELIANCE INDUSTRIES LTD.</b>	<b>659.20</b>
<b>2</b>	<b>OIL &amp; NATURAL GAS CORP.LTD.</b>	<b>525.90</b>
<b>3</b>	<b>TATA CONSULTANCY SERVICES LTD.</b>	<b>379.71</b>
<b>4</b>	<b>HDFC BANK LTD.</b>	<b>305.42</b>
<b>5</b>	<b>INFOSYS LTD.</b>	<b>289.44</b>
<b>6</b>	<b>NTPC LTD.</b>	<b>277.81</b>
<b>7</b>	<b>ITC LTD.</b>	<b>275.96</b>
<b>8</b>	<b>INDIAN OIL CORP.LTD.</b>	<b>213.99</b>
<b>9</b>	<b>TATA STEEL LTD.</b>	<b>193.61</b>
<b>10</b>	<b>WIPRO LTD.</b>	<b>186.30</b>

#### Companies CSR and Absolute spend

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

## DECONSTRUCTING THE INDIAN CSR FRAMEWORK

### SECTION I: Decoding CSR Implementation and Governance

The entire gamut of the CSR implementation frame-work can be understood at policy and governance levelsthrough a systematic study of the available data. An examination of the data available for the top NSE 100 companies for the years 2015, 2016 and 2017 allows us to look at the levels of compliance and commitment. In line with this objective, a step by step scrutiny of its individual components has been attempted below.

#### **(i) CSR Policy**

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1000 crore or more, or a net profit of INR5 crore or more in a given fiscal year shall have a CSR policy.

#### ❖ *Availability of the CSR policy on the company's website*

#### Status: Mandatory

Disclosing a brief about CSR policy and mentioning the web-link of CSR policy is a mandatory requirement as per the Act.

#### Inference:

The data for 2017 reveals that 98 companies out of the N100 Companies were found to be compliant with this rule whereas 2 companies defaulted.

#### ❖ *Availability of vision/mission/ philosophy in CSR policy*

Status: Non - Mandatory

[Disclosure of CSR Vision and Mission statement is not mandatory to be disclosed by the companies. However, with the current emphasis on Strategic CSR the Vision and Mission statements can be an indicator of seriousness of corporations towards integrating CSR and society there by being more futuristic.]

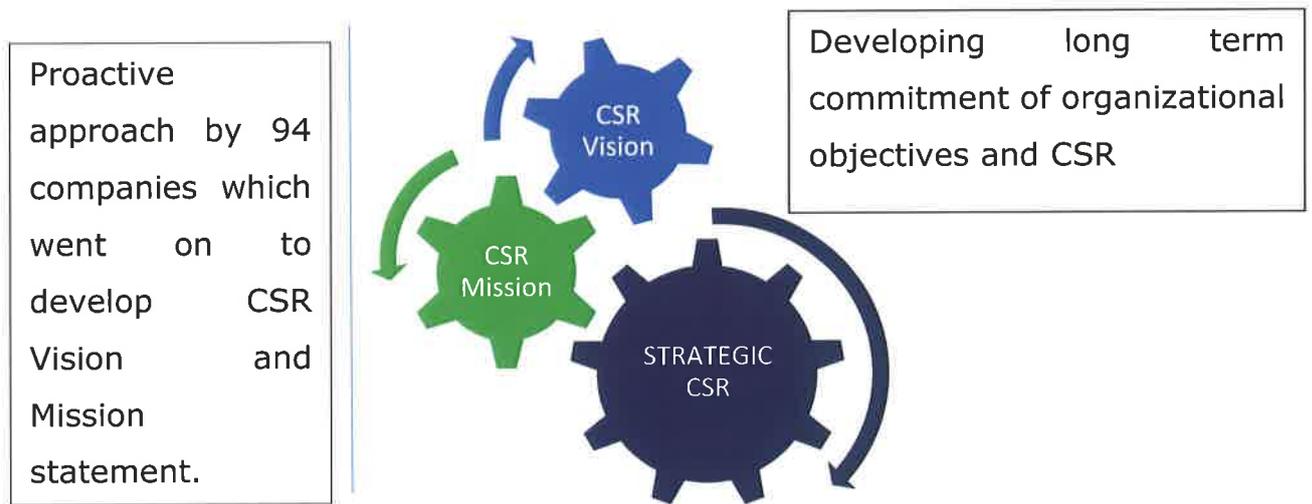


Diagram- Interplay of Strategic CSR elements (CSR Vision and Mission) which propels the organizational objectives.

- ❖ *Disclosure of the chosen CSR activities in accordance with Schedule VII in the CSR policy*
  
- ❖ *Disclosure of the chosen CSR activities in accordance with Schedule VII in the CSR policy*

Status: Mandatory

Inference:

Among the N 100 companies, 97 companies have divulged information related to CSR intervention areas in accordance with Schedule VII of the companies Act 2013 in their CSR policy.

For the year 2017, there is a rise of 5 percentage points from 2015 and of 1 percentage point from 2016.

- ❖ *Disclosure of the mode of CSR implementation in the CSR policy i.e. whether through Society, Trust, Section 8 company or by the company itself*

Status: Mandatory

Inference:

92 companies have disclosed the information regarding the mode of the implementation in the CSR policy.

- ❖ *Availability of governance structure pertaining to the CSR architecture of a company in the CSR policy*

Status: Mandatory

Companies are required to include the governance details and responsibilities of CSR committee members in their CSR policy.

Inference:

In the year 2015, around 87 companies had disclosed the details regarding the CSR Governance structure in their CSR Policy. The year 2017 saw an increase in this number to 92 which is a welcome sign indicating progress towards increased transparency, accountability and a proactive approach to CSR.

- ❖ *Disclosure of treatment of surplus arising from CSR projects in the CSR*

*policy*

Status: Mandatory

The Act mandatorily requires that surplus arising out of the CSR projects or programmes or activities shall not form part of the business profit of a company nor can be carried forward to the next year's CSR expenditure.

Inference:

There is a decline in the number of companies reporting with reference to their treatment of surplus arising from CSR Projects in the CSR Policy from 71 companies which disclosed it in 2016 to 69 in 2017.

Over 30 per cent of companies still do not disclose details regarding the treatment of surplus arising from CSR projects, which is a concern.

❖ *Disclosure on the monitoring framework in the CSR policy*

Status: Mandatory

It is a statutory obligation for the companies to divulge details related to CSR Monitoring framework formulated by them.

Inference:

There is an increase in the number of companies sharing information related to CSR monitoring framework from 89 companies in the year 2016 to 92 companies in the year 2017.

## **(ii) CSR Committee**

*The CSR committee of the company plays a critical role in driving the CSR agenda at the organizational level. It is the CSR committee which formulates CSR policy and monitors it periodically. The committee ensures that proposed projects are aligned to*

*Schedule VII of the Act.*

*In order to achieve these goals, the Committee needs to set up a monitoring mechanism for CSR projects. It needs to propose a CSR budget for the projects chosen for the current financial year. It is based on the CSR committee's recommendations that the board makes the critical decisions.*

- *As per the Act, eligible companies are mandated to form a CSR committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.*

- *An unlisted public company or a private company covered under sub-section (I) of section 135 which is not required to appoint an independent director pursuant to subsection (4) of section 149 of the Act, shall have its CSR committee without such an independent director.*

*A private company having only two directors on its Board shall constitute its CSR committee with two such directors.*

- *With respect to a foreign company covered under the CSR rules, the CSR committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.*

*\*For N100 companies, the committees should have three or more directors, out of which one director shall be an independent director.*

❖ **Board Level CSR Committee**

**Status: Mandatory**

Section 135 of the Companies Act 2013 has made it mandatory for the companies to have a Board level CSR committee.

Inference:

Out of the total companies disclosing their details, 98 companies have a CSR committee. Of the companies that have disclosed details regarding CSR committee, 90 companies have a standalone CSR committee during current year as compared to 80 companies during 2014-15 which is a positive sign.

❖ *Composition of the CSR Committee*

Status: Mandatory

Section 135 of the Companies Act 2013 requires the companies to disclose the information regarding the composition of their CSR Committees.

Inference:

98 out of the 100 companies disclosed the composition of their CSR committees in 2017. 38 companies had 3 members, and 60 companies had 4 or more members in their CSR committee. 52 companies had women directors heading their CSR Committee. Of these 52 companies, 7 had two women directors in the CSR committee and 51 had their Chief Executive/ Managing Director as a member of CSR committee.

❖ *Number of Independent Directors in the CSR committee*

Status: Mandatory

Inference:

Out of the 98 companies disclosing the composition of their CSR committees, all have mentioned that they have one or more independent directors in their CSR committee. Around 8 % of companies reported having more than one independent director.

❖ *Chairman of the CSR Committee*

Observation:

24 companies have the Chairman of the company working in the capacity of the CSR committee chairman as well. 19 companies have women as the chairperson of the CSR committee. 6 companies have their Chief Executive / Managing Director as the Chairman of CSR committee. It is interesting to note that 45 companies have independent director as chairman of CSR committee.

❖ *Frequency of the CSR committee meetings*

Status: Mandatory

As part of corporate governance section, companies have to mandatorily disclose details regarding board level committees, including the CSR committee.

Inference:

90 companies have disclosed details regarding the CSR committee meeting taking place annually in their corporate governance section. There is an increase in the number as compared to 77 companies during the first year of reporting (2014-15). This clearly points to an upward trend. All 90 companies have had one or more CSR committee meetings, and the average attendance was clocked at 91 per cent. Also, 12 companies have had four CSR committee meetings during 2016-17, as compared to six companies during the previous year.

❖ *Disclosure on CSR in the Directors' Report*

Status: Mandatory

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more, in a given fiscal year must disclose CSR related details in their Directors' Reports.

This shall include details such as composition of the CSR Committee, CSR policy, implementation of projects, reason for failure to spend, etc.

Inference:

During theyear 2017, as many as 99 companies provided information about CSR in their Directors'Report. There is thus a positive increase of 1 percentage point when compared to 2016 which stood at 98%.

**(iii) Reference to the CSR Policy and its Web Link in the Annual Report**

Status: Mandatory

Inference:

During the current year 2017, 96 companies have given references to their CSR policy and its web-link in their Annual Reports, a mandatory requirement as per the Act. There is a positive increase of 11 percentage points from last year i.e. from 81 % in 2016 to 97% in 2017.

**(iv) Disclosure of the Focus Areas of CSR**

Status: Non –Mandatory

Inference:

During the year2017, 72 companies have disclosed their focus areas- up by over 22 per cent as compared to the previous year.

**(v) Employee Volunteering**

Status: Non- Mandatory

Inference:

Over 55 per cent companies have disclosed involvement of employees as 'volunteers' for implementation of CSR projects during 2017. With amendments in the Act, the provision that "salary paid by the company to volunteers of the company (in proportion to company's time/hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR Expenditure" was omitted. More than half of the companies have disclosed the involvement of employee as volunteers. The current disclosure is aimed to gauge if the time spent by them is accounted for as CSR Expenditure which is not permissible and which is, therefore, a concern.

**(vi) Disclosure of the Amount Spent on CSR in the Directors' Report**

Status: Non-Mandatory

Inference:

Almost half of the companies (47) disclosed details regarding CSR expenditure in the Directors' Report. There was a 52 per cent increase in the number of companies disclosing CSR amount spent in the Directors' Reports compared to the year 2014-15.

**(vii) Disclosure on CSR in the Prescribed Format as Prescribed by the Act (referred as Annexure A)**

Status: Mandatory

Inference:

During the year 2017, 97 companies have disclosed data on CSR in the prescribed format. However, it is important to note that 2 companies have not disclosed details regarding CSR in the prescribed format for three years in a row.

In the spirit of the Act (the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR

activities), there is clear disclosure to suggest that, 71 per cent companies have implemented projects in the localities where they are present.

### **(viii) Disclosure of the Reason/s for the Unspent Amount**

Status: Mandatory

Inference:

In the year 2017, 37 companies have spent less than the prescribed amount towards CSR, and thus, were required to provide explanations/ reasons for not being able to spend the amount. One company did not provide the reason/ explanation statement. The year 2017 also witnessed a decline in this number to 36 from 44 in 2016. This is a decline of 8 percentage points.

### **(ix) Responsibility Statement in the Annual CSR Disclosure**

Status: Mandatory

Companies need to give a responsibility statement of the CSR committee confirming that the implementation and monitoring of CSR projects is in compliance with CSR objectives and policy of the company.

Inference:

During the year 2017, 97 companies provided their responsibility statements.

### **(x) CSR Spends**

Status: Mandatory

As per the Act, companies with a net worth of INR500 cr. or more, or a turnover of INR1,000 cr. or more, or a net profit of INR5 cr. or more in a given fiscal year are required to spend 2 per cent of its average net profit of preceding

three years towards CSR.

Inference:

In 2017, 95 companies were required to spend the prescribed 2 per cent CSR amount. It is noteworthy to mention that the five companies that were not required to spend, have indeed spent towards CSR. Of these, 4 are doing so for the last 3 successive years.

## **SECTION II: Evaluation Parameters for CSR Spending**

### **(i) Analysis of Spends**

Amount to be spent (CSR budget outlay) against the prescribed 2 per cent CSR amount.

Status: Mandatory

As per the Act, N100 companies are required to spend a total INR7410 cr. (calculated as per Section 198 of Act) in 2017, which is higher by 14 per cent as compared to 2014-15. The prescribed amount of 2% of Net Profits, ranges from a minimum of INR1.7 crores to a maximum of INR620.4 crores

Inference:

Against the prescribed CSR amount, companies had committed INR 7,715 crores to be spent during 2016-17 - up by 17 per cent as compared to 2014-15. The average amount committed to be spent during 2016-17 per company was INR79.5 crores, up by over 7 per cent as compared to 2015-16.

During the year 2017, it is interesting to note that 22 companies had committed a higher CSR budget outlay as compared to 10 companies during 2014-15. The total CSR budget outlay of these 22 companies was INR 2424.95 crores.

Incidentally, the report named "*India Top companies for Sustainability 2017*" by *Futurescape* also concludes that the aggregate CSR Spend has increased.

The commitment of some corporates was commendable as they walked the extra mile by spending more than 2% of net profits – demonstrating a more proactive stance. Around 48 % companies spent more than 2% which is a hike of 4 percentage points over the previous year, which was pegged at 32 %.

### **(ii) CSR - Permeating the Value Chain**

Status: Non-Mandatory

Inference:

When responsibility, particularly with respect to society at large, has to be ingrained into the business operations of a company, then the starting point is how well it permeates the value chain. A greener supply chain, attracting talent and retaining them, ability to innovate and be creative in the area of responsible business practices, identifying sustainable business opportunities and devising ways to cater to niche markets etc. is frequenting the business doings of companies at a whole new level. With increased emphasis on devolving sustainable targets to suppliers and regular CSR audits, corporates are striving genuinely to attain greener supply chain initiatives.

With respect to renewable and non-renewable energy resources, solar energy has got a new push. With artificial intelligence permeating this arena, solar energy has received a huge boost. Whereas wind energy and hydro energy has shown a declining trend, bio fuel has shown significant increase.

(iii) Actual Spend Vis-a-Vis Spending Requirement (In Percentage Terms)

**Chart of the top 10 companies showing actual versus required expenditure in percentage terms:**

<b>Company</b>	<b>Average Net Profit of last 3 FYs (Rs.cr)</b>	<b>Actual CSR expenditure (Rs.cr)</b>	<b>%</b>
Indian Metals & Ferro Alloys Ltd.	0.19	5.45	2868.42
Cigniti Technologies Ltd.	0.42	0.31	73.88
Asahi Songwon Colors Ltd.	2.73	1.19	43.57
Beardsell Ltd.	2.37	0.85	35.88
IDFCLtd.	47.00	13.99	29.77
Sundaram-Clayton Ltd.	39.37	11.52	29.27
Mold-tek Packaging Ltd.	2.57	0.66	25.71
VIPClothing Ltd.	0.63	0.16	24.89
Coal India ltd.	681.75	129.36	18.98
Jayaswal Neco Industries Ltd.	7.67	1.04	13.62

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

(iv) **Increase in CSR Spends**

The top 10 companies which saw maximum increase in CSR spends in absolute terms from the previous year were as follows:

<b>Company</b>	<b>CSR expenditure 2015-16 (Rs.cr)</b>	<b>CSR expenditure 2016-17 (Rs.cr)</b>	<b>Increase (Rs.cr)</b>
Oil & Natural Gas Corp. Ltd.	409.01	525.90	116.89
HDFC Bank Ltd.	194.81	305.42	110.61
Infosys Ltd.	202.30	289.44	87.14
Tata Consultancy Services Ltd.	294.23	379.71	85.48
Housing Development Finance Corp. Ltd.	85.70	146.55	60.85
Indian Oil Corp. Ltd.	156.68	213.99	57.31
Coal India Ltd.	73.26	129.36	56.10
Bharti Airtel Ltd.	43.94	97.56	53.62
Hindustan Petroleum Corp. Ltd.	71.76	108.11	36.35
Powergrid Corpn. of India Ltd.	115.94	147.29	31.35

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

**(v) Companies Exceeding the Prescribed Spending**

There were 447 companies which exceeded their prescribed spending. The top 10 were follows:

<b>Company</b>	<b>Prescribed CSR expenditure (Rs.cr)</b>	<b>Actual CSR expenditure (Rs.cr)</b>	<b>Excess spend (Rs.cr)</b>
Coal India Ltd.	13.65	129.36	115.71
Tata steel ltd.	115.80	193.61	77.81
NTPCLtd.	227.85	277.81	49.96
Reliance Industries Ltd.	620.41	659.20	38.79
Oil India Ltd.	75.81	108.27	32.46
NHPCLtd.	44.23	75.82	31.59
Hindustan Petroleum Corp. Ltd.	82.90	108.11	25.21
Piramal Enterprises Ltd.	9.17	32.82	23.65
Ambuja Cements Ltd.	22.34	44.53	22.19
UPLLtd.	4.89	23.79	18.90

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

**(vi) Companies which Missed the Spending Target**

In 2016-17, there were 387 companies which missed the mandatory spending of 2% of profit (compared to 385 in 2015-16).

The top 10 companies in terms of highest unspent amount in 2016- 17 were:

<b>Company</b>	<b>Prescribed CSR expenditure (Rs. cr)</b>	<b>Actual CSR expenditure (Rs. cr)</b>	<b>Unspent Amount (Rs. cr)</b>
Hindustan Zinc Ltd.	175.35	49.40	125.95
Bharti Airtel Ltd.	207.90	97.56	110.34
HCL Technologies Ltd.	129.16	40.96	88.20
Rural Electrification Corp. Ltd.	146.57	69.79	76.78
Bharat Petroleum Corp. Ltd.	159.14	91.80	67.34
Tata Consultancy Services Ltd.	446.00	379.71	66.29
Axis Bank Ltd.	196.44	135.40	61.04
Lupin Ltd.	66.25	19.68	46.57
Kotak Mahindra Bank Ltd.	54.92	12.77	42.15
Idea Cellular Ltd.	73.19	36.97	36.23

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

- There were also 43 companies, which despite reporting a loss, spent on CSR.

- Amount spent against the prescribed 2 per cent CSR amount. During the year 2016-17, companies have spent INR 7,215.9 crores which is 41 per cent higher as compared to 2014-15. This is a significant rise, clearly demonstrating higher expenditure towards CSR activities from the mandated year.
- The amount spent during the year 2016-17, ranges from a minimum of INR1.67 crore to a maximum of INR659 crores (Only profit-making companies considered).
- It is noteworthy to mention that the average spending per company has also gone up to INR73.6 crore compared to INR58.8 crores during 2014-15 - up by 25 per cent.
- It is also remarkable to note that the total amount unspent has reduced by INR666 crores. (i.e. from INR1,738 cr. in 2014-15 to INR1,072 crores during 2016-17).

**(vii) Companies Spending Less than 2%**

- The number of companies that spent less than 2 per cent came down substantially from 52 companies in 2014-15 to 37 companies during 2016-17.
- Against 25 companies that had spent less than 1 per cent of the prescribed CSR amount during 2014-15, only 12 spent less than 1 per cent during 2016-17, a substantial improvement by 52 per cent.
- 58 companies spent 2 per cent or more during the year 2016-17, as compared to only 32 companies during the first year of requirement (2014-15), which is again a striking improvement of 81 per cent over last three years.
- This is a clear indication of the N100 companies getting familiar with the requirements of Act and also getting their internal controls in place. These were the major reasons why companies were often not able to spend the required amount during the first two years.

**(viii) Reason for not spending the 2 per cent CSR amount**

During the year 2016-17, 37 companies spent less than the prescribed CSR amount towards CSR, and thus, were required to provide an explanation/reason for not being able to spend the amount. 36 companies provided a reason/ explanation statement. More than 50 per cent companies have ascribed their shortfall to 'scaling up the projects or exploring opportunities', followed by 16 per cent companies stating 'long term projects' as the reason for not being able to spend the prescribed 2 per cent CSR amount. Almost 10 per cent companies blamed their inability on approval processes.

**Project Implementation Modalities:**

- 92 companies out of the N100, have clearly disclosed details regarding their mode of implementation.
- During the year 2016-17, implementation with the support of external implementing agencies was reported by 34 companies against 19 during previous year, an upward trend of 79 per cent.
- Against 18 companies that implemented CSR projects directly or exclusively through their own foundations in 2014-15, only one company chose this mode of implementation during 2016-17, an increased dependability on implementing agencies.
- There is clearly an upward trend of working with not-for-profit entities by the companies compared to the last two years.
- 57 companies implemented their CSR projects through a combination of direct implementation, own foundation or implementing partners.

**Schedule VII-wise Focus of Companies**

The activity wise breakdown of CSR spends by the N100 companies during 2016-17 is provided below:

<b>ITEM</b>	<b>Total (Rs. cr)</b>	<b>% of Total</b>
VII (i)- Hunger, poverty and healthcare	2394.40	27%
VII (ii)- Education and vocation skills	3384.67	37%
VII (iii)- Reducing Inequalities	246.04	3%
VII (iv) - Environmental Sustainability	947.28	10%
VII (v) – National Heritage	245.99	3%
VII (vi) – Armed Force Veterans	73.13	1%
VII (vii)- Sports	202.73	2%
VII (viii) – PM’s Relief Fund	71.40	1%
VII (ix)- Technology Incubators	43.54	0%
VII (x) - Rural Development	1109.82	12%
VII (xi) - Slum Development	44.50	0%
Sub-Total	8763.49	97%
Community development/ infrastructure/ social welfare/ child welfare	90.55	1%
Others	39.62	0%
Admin expenses	140.88	2%
<b>Total</b>	<b>9034</b>	<b>100%</b>

Areas such as reducing inequalities, national heritage, armed forces, sports, PM relief fund, technology incubators and slum development saw negligible spends. In comparison to previous year though, these areas did see the highest percentage increase in spends.

Spends on Prime Minister’s Relief Fund saw the maximum decrease (56 per cent).

Percentage-wise changes in spending patterns are indicated in the table below:

<b>Schedule VII</b>	<b>Total Spend s 2015- 16 (Rs.cr)</b>	<b>% of Tota l</b>	<b>Total Spend s 2016- 17 (Rs.cr)</b>	<b>% of Tota l</b>	<b>Increas e (Rs.cr)</b>	<b>Increas e</b>
<b>Armed Forces Veterans</b>	24.58	0	73.13	1	48.55	<b>197.5</b>
<b>Sports</b>	106.44	1	202.73	2	96.29	<b>90.46</b>
<b>Slum Development</b>	147.58	2	245.99	3	98.41	<b>66.68</b>
<b>National Heritage</b>	26.99	0	44.5	0	17.5	<b>64.85</b>
<b>Environmental sustainability</b>	668.02	8	947.28	10	279.26	<b>41.8</b>
<b>Technology</b>	31.4	0		0	12.14	<b>38.67</b>
<b>Incubators</b>			43.54			
<b>Education and vocation skills</b>	2793.3 3	33	3384.6 7	37	591.33	<b>21.17</b>
<b>Reducing Inequalities</b>	220.34	3	246.04	3	25.7	<b>11.66</b>
<b>Rural development</b>	1081.5 5	13	1109.8 2	12	28.27	<b>2.61</b>
<b>Hunger, poverty and healthcare</b>	2944.1 7	35	2394.4	27	-549.77	<b>-18.7</b>
<b>PM's relief fund</b>	162.01	2	71.4	1	-90.62	<b>-55.9</b>
<b>Community Dev/Infrastructur e/ social welfare/ child welfare</b>	39.28	0	90.55	1	51.27	<b>130.5</b>
<b>Admin expenses</b>	131.08	2	140.88	2	9.81	<b>7.48</b>
<b>Others</b>	53.89	1	39.62	0	-14.27	<b>-26.5</b>

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

- ✓ During the year 2016-17, education and healthcare accounted for over 56 per cent (INR4045 crores) of the total spends towards CSR (INR7215.9 crores), which was less by 2 per cent as compared to 2015-16.
- ✓ Expenditure towards education increased by over 92 per cent over the last 2 years i.e. from INR1249 crores (2014-15) to INR2404 crores (2016-17).
- ✓ It is noticed that after having received highest traction for the last two years, in 2016-17 healthcare moved to second position in the order of CSR expenditure, less by 24 per cent as compared to the previous year.
- ✓ N100 companies increased their CSR expenditure over three-fold in arts and culture from INR49 crores in 2014-15 to INR168 crores in 2016-17 and for sports from INR48 crores in 2014-15 to INR133 crores in 2016-17.
- ✓ Most surprisingly, after receiving less than 1 crore over the last two years, the CSR Schedule VII activity linked to 'war veterans' has picked up momentum and has seen a CSR expenditure of INR31 crores which is the highest in the past three years.
- ✓ N100 companies have reduced their contribution to PM relief fund to only INR2 cr. during 2016-17 compared to INR56 cr. in 2014-15 (the first year of the mandate). CSR projects for slum development, technology incubators and PM relief fund are at the bottom of the list with less than 10 projects to the tune of INR5 crores.

### **State-wise Focus of Companies**

- ✓ During the year 2016-17, Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka and Odisha had the highest number of CSR projects to the tune of 32 per cent (629). Maharashtra continued to top the list for three years in a row.
- ✓ Andaman and Nicobar Islands, Lakshadweep, Manipur, Tripura, Chandigarh, Daman and Diu, Dadra and Nagar Haveli continued to receive least attention with less than 10 projects combined.

- ✓ North-eastern states have received some traction during 2016-17 with over 70 projects which is 51 percent higher as compared to 2014-15.
- ✓ Maharashtra had the highest number of projects followed by Uttar Pradesh and Tamil Nadu.
- ✓ Maharashtra, Haryana and Gujarat received the highest funding from CSR.
- ✓ It is interesting to note that the average project cost is highest in Haryana (INR 8.4crores) followed by Andhra Pradesh (INR 6crores) and Gujarat (INR 3.6crores).

The top 10 states which received maximum CSR spends were as follows:

<b>State</b>	<b>Amount Received (Rs.cr)</b>	<b>%age of Total</b>
<b>Maharashtra</b>	678.55	7.42
<b>Gujarat</b>	500.58	5.47
<b>Karnataka</b>	441.96	4.83
<b>Tamil nadu</b>	414.27	4.53
<b>Rajasthan</b>	408.66	4.47
<b>Odisha</b>	391.47	4.28
<b>Telangana</b>	336.03	3.67
<b>Uttar Pradesh</b>	333.89	3.65
<b>Madhya Pradesh</b>	327.17	3.58
<b>Andhra Pradesh</b>	323.51	3.54

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

The top 10 states in terms of increase in spends from the previous year were as follows:

<b>State</b>	<b>Amount Received 2015-16 (Rs.cr)</b>	<b>Amount Received 2016-17 (Rs.cr)</b>	<b>Increase (Rs.cr)</b>
Maharashtra	537.72	678.55	140.83
Daman	149.00	250.27	101.27
Odisha	299.24	391.47	92.23
Kerala	175.46	259.26	83.80
Telangana	260.01	336.03	76.02
Goa	105.26	176.15	70.89
Karnataka	381.10	441.96	60.87
Diu	74.62	133.39	58.76
Jharkhand	191.29	249.17	57.89
Delhi	256.27	309.86	53.60

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

The 5 states which saw decrease in spends in comparison to the previous year were as follows:

State	Amount Received 2015-16 (Rs.cr)	Amount Received 2016-17 (Rs.cr)	Decrease (Rs.cr)
West Bengal	351.93	298.52	-53.42
Chhattisgarh	280.21	246.28	-33.93
Tamil Nadu	447.28	414.27	-33.01
Andhra Pradesh	330.45	323.51	-6.94

(\* Source: <http://www.primedatabasegroup.com/newsroom/PR-338.pdf>)

The point to note is that Maharashtra, Haryana, Gujarat, Karnataka and Andhra Pradesh Account for more than 70 percent of the CSR expenditure during 2016-17. However, collectively they have only 15 percent of the backward districts in the country.

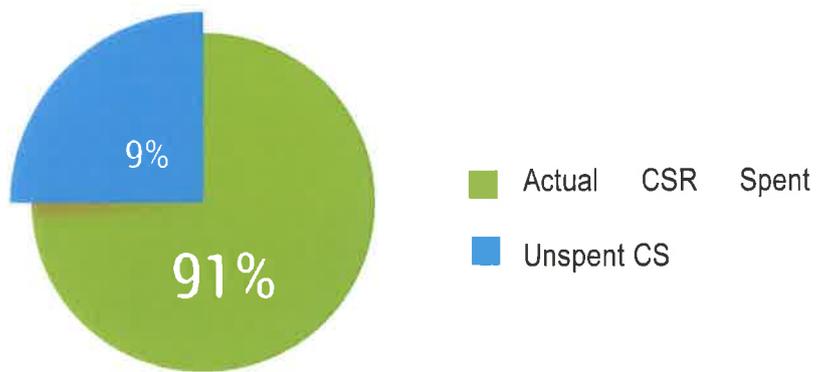
## **ILLUSTRATIONS**

As per the survey report released by KPMG in India's CSR reporting 2017, the following facts and findings were established on various parameters. They are as follows:

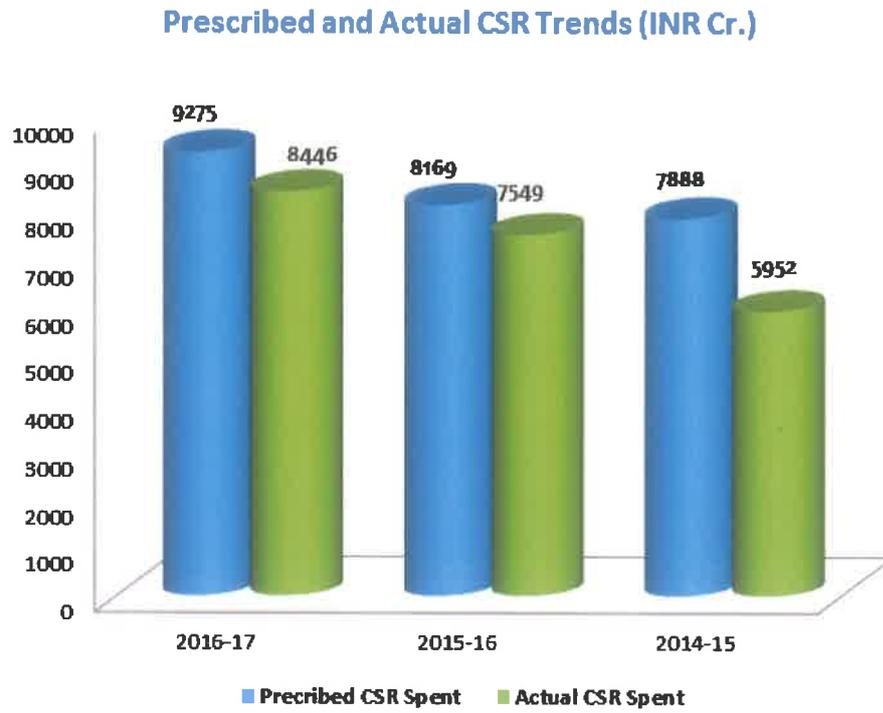
## Prescribed and Actual CSR Spend

(All units in Crores)

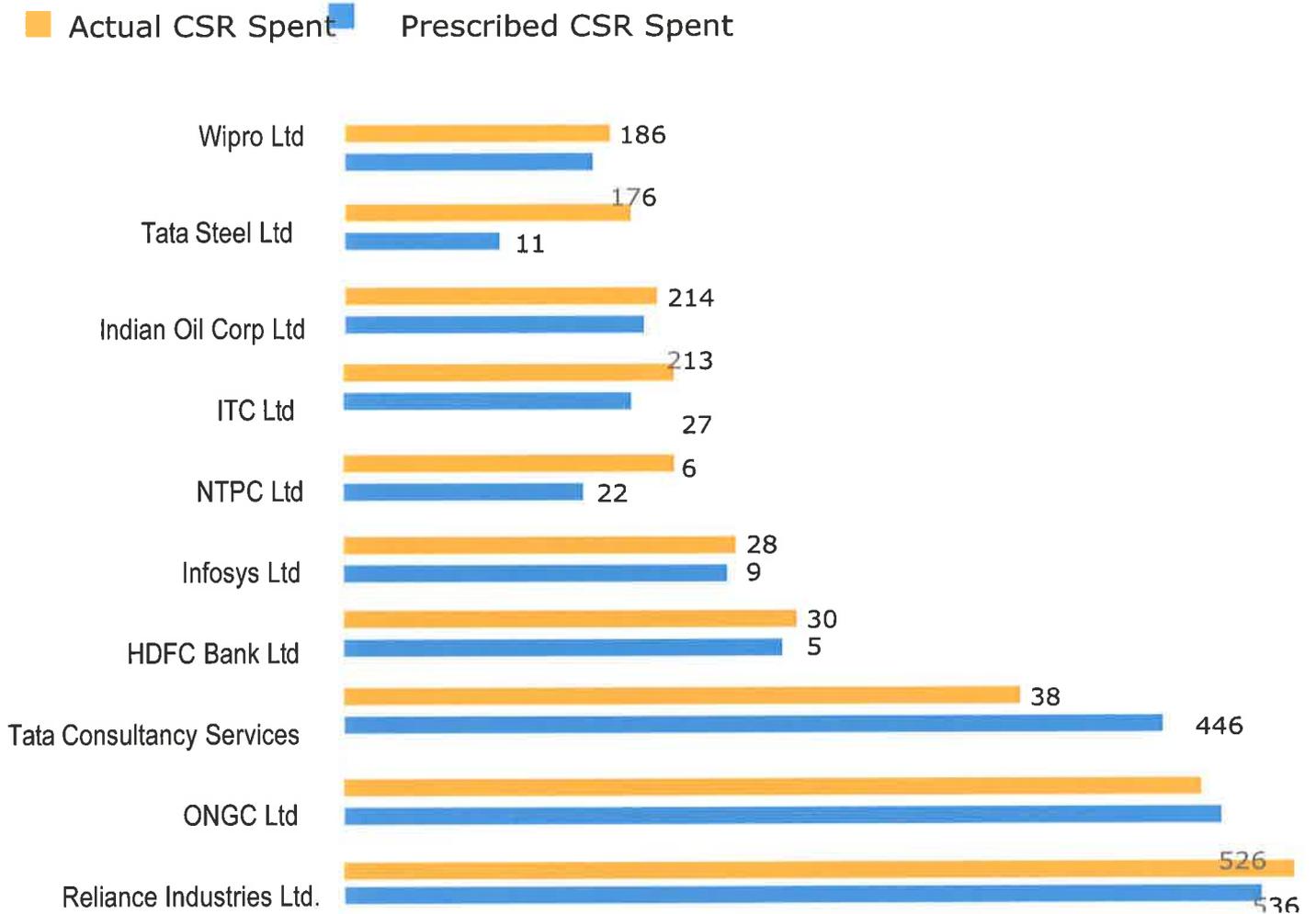
Prescribed CSR	9275 Cr.
Actual CSR	8446 Cr.
Actual CSR allocated to prescribed CSR	91%
Cumulative Change in CSR compliance FY 2015- 16 (in%)	-1% (Deficit)



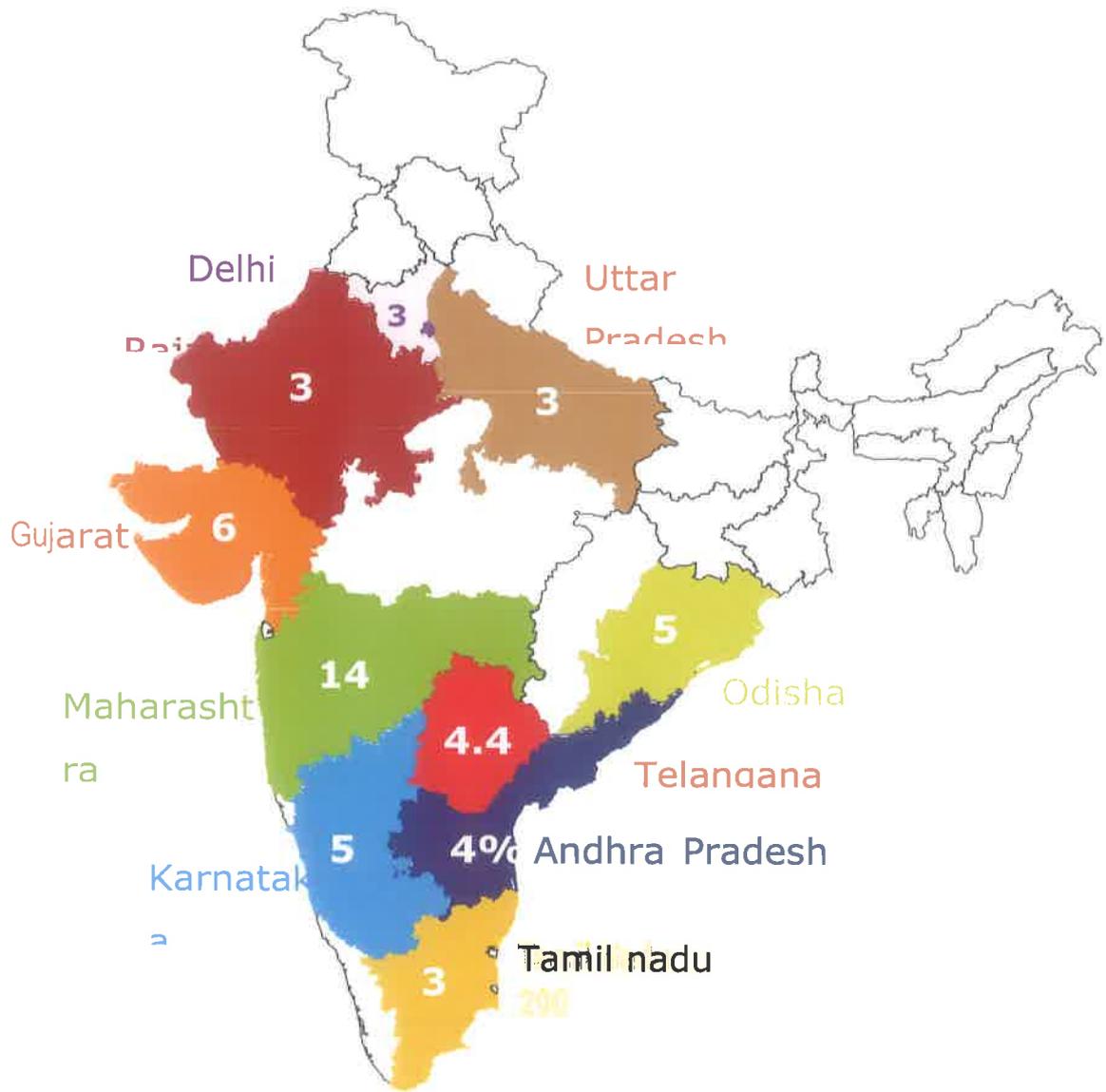
## Prescribed and Actual CSR Expenditure Trends (All units are in INR Crore)



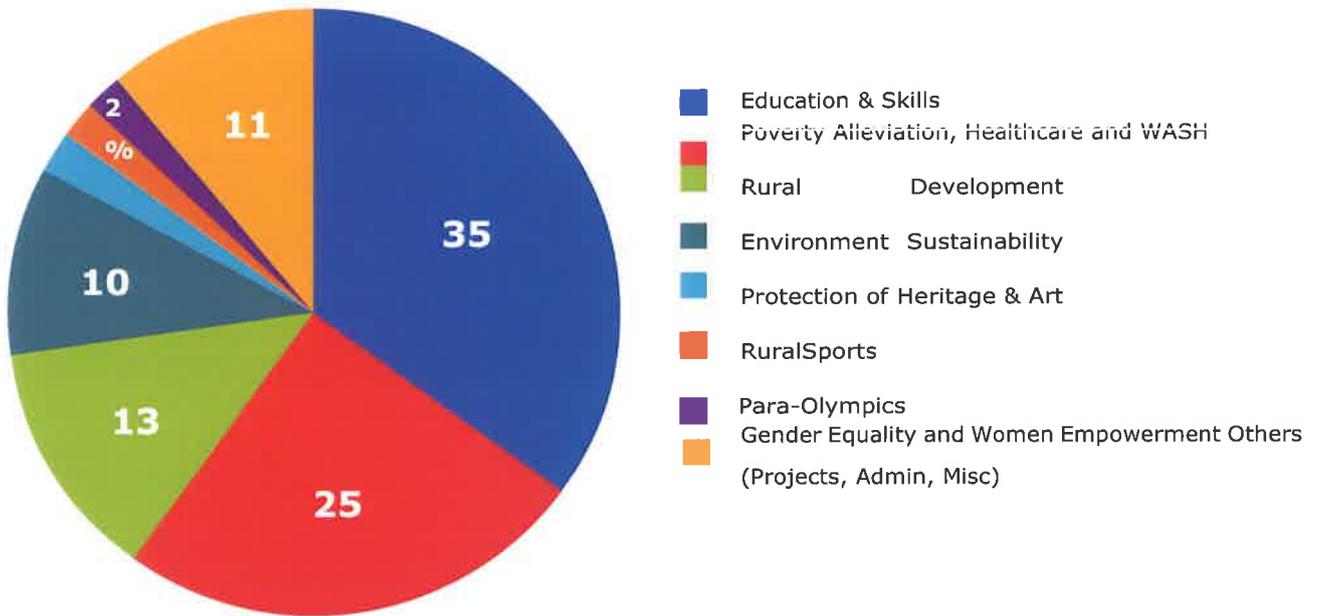
## Actual Vs Prescribed Spend by Companies



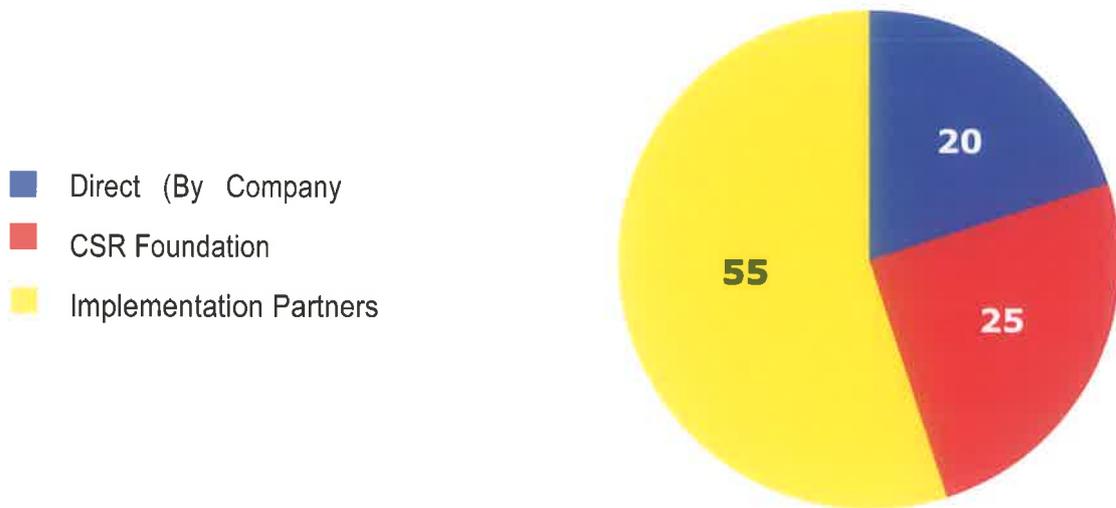
## Mapping of States with Respect to CSR Fund Flows



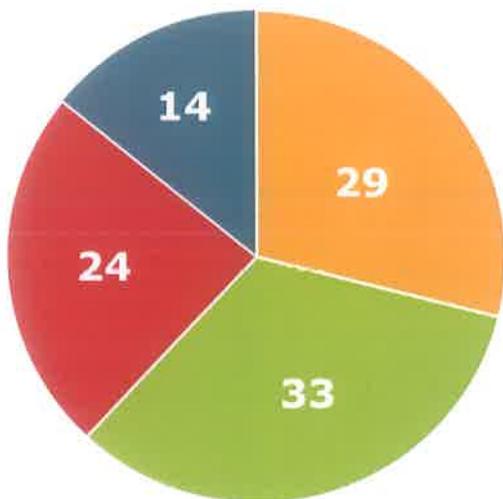
## Theme-wise CSR Spends



### Project implementation mode (% of CSR fund)



### CSR Compliance Level - in Companies



#### CSR FUND

#### PERCENTAGE OF COMPANIES

More than the Prescribed	29
Almost the Prescribed	33
50-99% of the Prescribed	24
Less than 50% of the Prescribed	14

(\*Source - <https://assets.kpmg/content/dam/kpmg/in/pdf/2018/02/CSR-Survey-Report.pdf>)

## Key Takeaways

### ➤ *Strategic CSR is the Norm of the Day*

With CSR having moved from the backroom to the Boardroom, the highest echelons of management are now involved with the way CSR is strategized and then implemented. The finest and most fertile minds in the company are now overseeing CSR expenditure – which today, thanks to the law, is more than a substantial sum. Hence, CSR is no longer an intermittent, off and on, feel good activity that is conducted in ad hoc or cavalier manner. Company Boards are more and more seeking to incorporate CSR into their overall business and marketing strategy so that it is embedded into the very DNA and culture of the organization. New and innovative ways are being evolved by which CSR spends can be channelized into productive, development-oriented expenditure that delivers measurable, demonstrable outcomes which are impact creating.

### ➤ *Need for a More Equitable Distribution of CSR Spending*

The data analysis undertaken in this chapter, opens up several perceptions. These could be deliberated upon as possible action points:

- There is an urgent need for doing something to ensure that the CSR funds available are spent in an equitable manner;
- Companies could do more by joining hands with other companies - adopting a Consortium model to undertake bigger projects;
- If tax benefits are offered, companies might be incentivized to invest more in their CSR efforts - resulting in social and economic development and empowerment of economically weaker sections of society, thereby contributing more to the development efforts of the nation.

- There must be a mapping of the CSR needs of different states.

➤ *Evaluation Parameters and Performance Measuring Methods*

The data analysis also points to the possible formulation of new tools for assessment of the manner and mode in which companies are undertaking CSR:

- ❖ evaluation of CSR architecture could be done by going through the details of the CSR policies, the composition of CSR committees, the quality and frequency of meetings of CSR committees and the processes involved in CSR budget allocation;
- ❖ evaluation of reporting and disclosure in the Board's Annual Report;
- ❖ evaluation of CSR spends for the standpoint of recompensing the societal or environmental injury arising out of the business operations and products of the company or its exploitation of natural resources;
- ❖ evaluation of the extent to which the thrust of the actual implementation is towards community development, upliftment of economically weaker sections of society and efforts to improve the standard of life of the marginalized sections;
- ❖ evaluation of the efficacy and adequacy of the in-house team and the external agencies that are monitoring and implementing CSR projects and programs;
- ❖ evaluation of the systems and procedures in place to check if the benefits have reached the targeted segments of society;
- ❖ evaluation of the ethical quotient and the responsible manner in which the business is being conducted.

## Way Forward

What the above slicing and dicing of the available data reveals is one incontrovertible fact: CSR policy must have such parameters and systems that provide valuable guidance to the management of companies that are expected to spend huge amounts on CSR activities. There are a lot of lessons for everyone including, policy framers, regulators, the leadership of companies and NGOs, auditors, evaluators, academics and analyzers, to be learnt from the brief trends analysis attempted in this chapter. Each of the charts needs to be read in conjunction with the assumptions as well as conclusions that are made and arrived at.

The Companies Act 2013 has introduced the concept of CSR as a strategic, dynamic and development-oriented thought process – distinct and different from the traditional giving away, charitable, gifting, format. A special feature has been the comply or explain approach that does not make undertaking CSR mandatory - but reporting about it compulsory. What has evolved over the last three years is that most companies are today, direct and clear about their areas of CSR interventions which contrasts with the sitting-on-the-fence approach which was initially the case. This is an indication of a clear strategic direction for CSR fueled by board level commitment.

The companies are going beyond statutory regulations and taking pro – active measures to assign accountability and bring in more transparency in the CSR implementation mechanism for creating a conducive ecosystem. Broadly, what we see as the new emerging trends are:

- ✓ There is an upward swing of around 13 per cent in the number of members actually present in CSR committees;
- ✓ CSR is breaking the glass ceiling at the workplace. More and more women are being placed in the CSR Committees of boards which

- augments diversity and gender parity as well;
- ✓ 51 companies have their Chief Executive/ Managing Director as a member of CSR committee. CEO Activism is catching up!
  - ✓ Sustained high levels of disclosure on CSR in the Director's Report reflects the seriousness of CSR at the board level;
  - ✓ Disclosures on CSR expenditures in the Director's Reports indicates the board level ownership and accountability for CSR.

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# **CHAPTER 5**

## **CASE STUDIES FROM THE FIELD**

### **TATA STEEL – THE THOUSAND SCHOOLS PROJECT,** **ODISHA**

#### **ABOUT THE TATA GROUP**

The foundation of TATA Group was laid by Jamsetji Nusserwanji Tata in 1868 with headquarters in India. The Tata Group known to be a global business conglomerate operates in over 100 countries across 5 continents. By gaining an early entry into steel and automobiles it has a competitive advantage and rules the roost by adopting latest technologies by innovation and creativity. The Tata Group today has set itself as a market leader by commanding a strong presence across diverse portfolios such as steel, agrochemicals, automotive, chemicals, construction, finance, consumer products, and hospitality. The leadership carved by its rich legacy and cutting-edge business intelligence sets it apart in the Indian corporatescenario as one of the most trusted and respected business houses.

The TATA group has strength of about 74,000 employees spread across 5 continents with operations in 26 nations and a commercial presence in over 50 countries.

## **TATA STEEL COMPANY PROFILE**

With roots established in Jamshedpur, India in the year 1907, Tata Steel is a part of the 150-year-old illustrious Tata group. The vision of its founder, J. N. Tata, who inspired the steel and power industry in India, was transformed into reality by establishing the Tata Steel Group. Today, it is the 10th largest steel manufacturer in the world and is known to be the benchmark for corporate citizenship and business ethics. It is the world's second-most geographically diversified steel producer. The group boasts one of the few steel operations that are fully integrated – from mining to the manufacturing and marketing of finished products. It is through continuous improvement in its product and service portfolio clubbed with value creating initiatives for customers that helps it to serve global growth markets.

The annual crude steel capacity across the Indian operations of TATA Steel is nearly 13 Million tonnes per annum (13 MnTPA). It registered a turnover of US \$7889 Mn in FY 2017. It set up its second greenfield steel plant in the eastern state of Odisha, commissioning the first phase (3 MnTPA) and the second phase of 6 MnTPA capacity in 2016. It possesses and operates captive mines that help them to maintain cost-competitiveness and production efficiencies through an uninterrupted supply of raw material.

## **TATA STEEL CSR PROFILE**

TATA steel has a rich CSR legacy which draws parallels from the Founder's philosophy of inclusive growth and social good. This basic tenet resonates across all aspects of Tata Steel operations and they have embedded mechanisms that embody social responsibility in their vision. At Tata Steel, the belief that the health and welfare of the people, the community and society, as a whole, is considered to be a vital component

in the approach to attain organizational goals. Attaining an equilibrium between economic prosperity, environmental responsibility and social benefits for the community is the ideology by which Tata Steel operates and sets systems.

The objective of the Company's Corporate Social Responsibility ('CSR') initiatives is to improve the quality of life of communities through long-term value creation for all stakeholders. This objective is in alignment with the Tata Group's core purpose. In India, Tata Steel has a long value chain from mining to steel manufacturing and these have significant impact on the communities neighboring the operating sites. It aspires to set benchmarks in CSR practices across the world.

Tata Steels CSR initiatives are primarily community-centric initiatives which tirelessly work to spread quality education, healthcare and sustainable livelihood opportunities in locations adjacent to the sites and elsewhere where the need arises immaterial of the geographical bounds. The ideology behind such initiatives is to empower communities through agriculture development and market linkages, skill development of youth, promoting entrepreneurship and preservation of ethnicity and culture of indigenous communities.

In India, TATA Steel has positioned itself as a partner in progress with the States that it operates in. The elaborate set of mechanisms and processes is used to keep various stakeholders interconnected there by ensuring that the goal is attained.

The following extract from its Annual Report for the year 2018 provides the basic information regarding the CSR set up of the company:

*Annual Report on CSR activities [Pursuant to Section 135 of the Companies Act, 2013]*

## **I. OVERVIEW OF THE CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY**

*Our CSR initiatives are guided by our CSR Policy ('Policy') adopted on September 17, 2014. The Policy is available on the Company's website at [www.tatasteel.com](http://www.tatasteel.com). Our CSR activities are aligned to the Tata Group focus initiatives namely Education, Health, Livelihood, Rural and Urban infrastructure. We also undertake community-centric interventions in the areas of sports, disaster relief, environment and ethnicity.*

## **II. COMPOSITION OF CSR AND SUSTAINABILITY COMMITTEE OF THE BOARD**

*At the helm of our CSR governance structure is the Corporate Social Responsibility and Sustainability Committee of the Board that comprises of Mr. Deepak Kapoor (Chairperson), Mr. O. P. Bhatt, Mr. D. K. Mehrotra, Mr. Koushik Chatterjee and Mr. T. V. Narendran.*

## **III. CSR ADVISORY COUNCIL**

*We have a 12-member CSR Advisory Council comprising of eminent personalities from academia and the development sector. The members of the Advisory Council provide macro policy-level inputs to the apex CSR and Sustainability Committee and guide the Company's approach towards CSR.*

## **IV. CSR DELIVERY ARMS**

*In terms of the Companies Act, 2013, companies are allowed to carry out their CSR activities through registered trusts and/or societies. We carry out our community centric interventions through a number of CSR delivery arms including the following:*

*Tata Steel Rural Development Society ('TSRDS'), a registered society under Societies Registration Act, 1860. The principal aim and objective of the society is to undertake, promote, sponsor, assist or aid directly any activity/project/programme for the promotion and growth of the rural economy, rural welfare, socio-economic development and upliftment of the people in rural areas.*

*Tribal Cultural Society ('TCS'), a registered society under Societies Registration Act, 1860. The principal objective of the society is to promote and undertake cultural activities, cultural education and training of various tribes.*

*Tata Steel Skill Development Society ('TSSDS'), a registered society under Societies Registration Act, 1860. The principal aim and object of*

the society is to provide facilities for technical and other skill enhancement trainings within the nation.

Tata Steel Family Initiatives Foundation ('TSFIF'), a registered trust under Indian Trusts Act, 1882. The principal objective of the trust is to undertake projects/programmes on reproductive health, prevention of drug or alcohol addiction and empowerment of women through literacy and income generation.

Tata Steel Zoological Society ('TSZS'), a registered society under Societies Registration Act, 1860. The principal objective of the society is to provide natural habitats to various animals suitable for their conservation and propagation. It also acts as a facilitator to spread the message of nature conservation by building awareness and conducting educational programmes.

#### V. TATA STEEL FOUNDATION

In order to strengthen our CSR deployment and governance system, the Board of Directors, on December 16, 2015, approved the formation of a Section 8 Company. On August 16, 2016, Tata Steel Foundation ('TSF'), a Section 8 Company, was incorporated under the Companies Act, 2013. The Board of Directors of TSF comprises of Mr. Ishaat Hussain, Mr. T.V. Narendran and Mr. Koushik Chatterjee.

The broad objectives of TSF are as follows:

1. To undertake various developmental and CSR programmes, including those provided in Schedule VII of Section 135 of the Companies Act, 2013, either on its own or on behalf of any other person or organization
2. To undertake CSR projects jointly with other companies including foreign companies
3. To borrow or raise money and garner support from national and international agencies
4. To make contributions to any non-profit organization with objectives similar to those of the Company
5. To apply the profits solely towards the promotion of its objectives

#### VI. CSR FINANCIAL DETAILS

<b>CSR RELATED FINANCIAL DETAILS OF TATA STEEL</b>			
<i>(Value in Rs Crores)</i>			
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018 (Till 3rd Quarter)</b>
Net Profit of the Company (Profit after Tax)	3,444.55	4,169.55	8,042.10

Total amount to be spent for the Financial Year as per the Prescribed CSR Expenditure (2% of the Net Profit)	68.89	83.39	160.84
Actual CSR Spending/Commitments by the Company (as per the Company Annual Report)	204	194	232
Source: Annual Accounts Report & Financials, TATA Steel			

## VII. RESPONSIBILITY STATEMENT

*We hereby affirm that the CSR Policy, as approved by the Board, has been implemented and the Corporate Social Responsibility and Sustainability Committee monitors the implementation of CSR Projects and activities in compliance with our CSR objectives.*

### **DEEPAK KAPOORT. V. NARENDRAN**

Chairman of CSR and Sustainability Committee DIN: 00162957sd/-Managing Director (DIN: 03083605)

*Mumbai  
May 16, 2018*

## **BROAD FINANCIALS OF TATA STEEL**

During the year 2017-18, the Company recorded a profit after tax of 4,169.55 crore (previous year: 3,444.55 crore) on the back of supportive realizations strong growth in deliveries, ramp-up of Kalinganagar plant and lower exceptional charges over previous year. The basic earnings per share were at ` 38.57 (previous year: ` 31.74).

The Company's vision is to set a global benchmark in 'value creation' and 'corporate citizenship'. For decades, the Company has pioneered various CSR initiatives. The Company continues to remain focused on improving the quality of life and engaging communities through health,

education, sports and infrastructure development. During the year, it spent around 232crores on CSR activities.

## **THOUSAND SCHOOLS PROJECT ODISHA**

The project is being implemented in Odisha as a collaborative effort between the TATA Steel Rural Development Society (TSRDS) and ASPIRE – a leading and well-established Voluntary organization dedicated to the cause of inclusive and relevant education. These two work in close tandem with the Odisha State government which acts as a facilitator and enabler.

### **DETAILED OUTLINE OF THE PROJECT**

The overall purpose of the Project is to make the thousand selected schools in the identified Tribal Districts of Odisha, RTE (Right to Education) compliant. The geographic location of the Project is restricted to six designated Blocks in the three districts of Keonjhar, Sundergarh and Jajpur where TATA Steel has its CSR operations.

#### **a) Context**

The Right to Education Act, 2009, if taken in the right spirit, can be a harbinger for the desired change in school education and also for ensuring social inclusion. The Act is imbued with huge opportunities and has great potential for altering the face of elementary education. It has made important provisions towards improving the quality of schools but its implementation is proving to be a very challenging task.

#### **b) Rationale**

During the last few decades, school education facilities in India have increased manifold. Almost all children have access to primary schools within a kilometre, near universal enrolment has been achieved, and a

substantial number of school buildings and teachers have been added. Parental awareness towards education has also witnessed a tremendous boost.

But in spite of these significant developments, for majority of children, the average years spent in school remains less than five. In other words, a sizeable number of still remains a distant dream for a very large number of Indian children, especially girls, and children from disadvantaged groups (Schedule Tribes, Schedule Caste, minorities).

Similarly, on certain parameters Odisha has also witnessed remarkable progress in education. Despite this progress, Odisha faces social, regional and gender disparities in education and this gap becomes wider in tribal and other backward regions of the state. Of 315 blocks in the state, 173 have been identified as the Educationally Backward Blocks i.e approximately 55% of total blocks in the state of Odisha face challenges regarding retention and quality.

Though, the Government of Odisha has taken steps towards implementation of RTE provisions including constitution and training of the School Management Committees (SMCs) towards enhancing accountability and ensuring active involvement of the local community, strengthening of SMCs and improvement in quality of learning are areas where Government, Corporate and Civil Society partnership can make significant contributions.

### **c) Goals**

To develop a replicable and scalable model of improving public schools which includes universalizing access, addressing learning deficits of children in primary grades, improving school governance by strengthening School Management Committees (SMCs), improving government teachers' skills to deal with early literacy and numeracy of first generation learners, and

these together eventually leading to completion of schooling cycle by all children and improved functioning of schools.

#### **d) Expected Outcomes**

- Creation of a common platform for all stakeholders to dialogue, partner and sustain the momentum created.
- Creation of a cadre of community volunteers, and generation of demand for education in local communities.
- Stronger school-community linkages.
- Resource Centers catering to the needs of all key stakeholders.
- Close linkages with the government for replication across three districts within the project period.
- Improved learning achievements of children of grades 3-5 having major learning deficits, especially in language and mathematics.
- With the bridging of the learning gap, increased self-confidence in children, leading to their improved participation in classroom activities as well as retention in schools.

#### **e) Project Coverage and Time frame**

The project which began in the FY 2014-15, is now in its fifth year of operation. It will cover 1000 schools spread across six blocks in three districts in Odisha, over this period of five years. The project was initiated in 2014-15 (July-March) in 100 schools in three blocks - Danagadi (Jajpur) and Harichandanpur and Joda (Keonjhar) of which, the two in Keonjhar district are Educationally Backward Blocks.

## **f) Project Strategy**

The strategy was to cover a complete administrative unit, in this case the development block, which has been identified as Educationally Backward Block. In other words, the project was to reach out to all the key stakeholders in the school education, in the block. This would provide the opportunity to interact with all actors/institutions engaged with the school system; and the model thus evolved, has factored in the entire gamut of issues and dynamics of engaging with multiple stakeholders like schools, community, PRI (Panchayati Raj Institutions) structures, CRC (Cluster Resource Coordinators), BRC (Block Resource Coordinators), Block and District level administrative structures and teachers' unions.

The strategy has included key focus areas - Access, Learning, Participation (of government teachers), Governance and Systemic integration - a continuum that provides a cohesive framework for intervention.

## **g) Implementation Structure**

Leading the State Program Team, the State Program Head is responsible for the overall management of the program. He has led the team in planning, monitoring and liaison with the Government and TATA Steel and has worked closely with the Head office on all aspects of the program. The overall field team had 6 supervisors, 10 community facilitators and 30 Community teachers in the first year and has been augmented in each successive year.

Supervisors, in collaboration with the Academic Coordinator and Resource team, have trained Community Teachers and SMC members and also monitored the implementation and quality of Learning Enrichment program (LEP). From the second year onwards, the government school

teachers have been trained and supported in strengthening of the learning program in schools and community engagements.

### **h) Monitoring and Evaluation**

- A robust monitoring system is in place for the project. Critical information is gathered, analyzed and shared with all the stakeholders at frequent intervals. At the beginning, school profiles with critical indicators were created which worked as a baseline for overall improvement in schools. Similarly, baseline surveys to assess competencies of children were undertaken. The subsequent assessments (midline and end line) provided measurement of progress by the targeted children.
- **Joint Monitoring Committee:** A Program Steering Committee headed by the Principal Secretary, Education, Government of Orissa; representatives of TATA Steel and ASPIRE, SCERT, 2 School principals, one faculty from District Institutes for Education and Training (DIETs) , 2 teachers, 2 representatives from SMC and 1 Cluster Resource Coordinator was set up. This committee regularly undertakes joint review and monitoring of the project and meets on a bi-annual basis.

### **i) Sustainability, Scalability and Future Action**

Both sustainability and scalability aspects of the programme have been kept in mind during conceptualizing and designing of the intervention. The overall framework is based on the norms and provisions prescribed in the Right to Education Act (2009), to ensure sustainability of the human resource needs and financial investments, as well as structures and processes. Cost of the interventions has consciously been kept largely within the RTE/SSA (Sarva Shiksha Abhiyan) norms.

Similarly, while selecting community teachers, care has been taken to ensure that their qualifications and background are very much like the average teachers in the government schools. Persons of exceptional caliber have been engaged in innovations so that scalability and sustainability are ensured.

- j) Dissemination:** Through systematic documentation and research, the project has created a formidable knowledge base for improving the public system of education and in time, this will be shared with likeminded organizations and individuals as well as researchers. There is a proposal to publish the research findings in reputed academic journals.

### **OBSERVATIONS AT FIELD LEVEL**

**Areas of Intervention Visited** - The following development blocks were visited: Sukinda, Danagadi, Harichandanpur, Koira and Joda. Various components of the Project were studied during the visit. The salient features are captured below:

#### **1) Capacity Building initiative by TATA Steels of the ASPIRE Workers**

##### **▪ Informal Design**

The two-day training sessions imparted at regular intervals, related to child care, child bonding and child development. They also entailed discussions related to different stages of development of a child with the likes of physical, emotional, psychological aspects and how these stages can be further improvised and developed to optimum levels. The trainees were seated **in a semicircular fashion**

in a spacious training room which aided optimum interaction. The group of trainees, being grass root workers, was found to be very diverse with respect to demographics, qualification and experience. There was a healthy representation of female population in the group which was a very positive sign.



**Exhibit** The informal training climate helps free exchange of ideas mitigating differences like authority, ethnic background etc.

- **Personal involvement of CSR leadership in training the grass-root level workers**

Oftentimes, even the highest levels, such as the CSR head, were involved in conducting training sessions. At the time of the visit of the researcher, the CSR head was taking the session related to understanding the newly inducted children who attend school for the first time.

## **2. Perception of government employees about the NGO Fraternity**

The researcher met with groups of Government teachers where Aspire was playing an active role. The feedback was that the initial phase of introduction of ASPIRE-led interventions in the Government schools, evoked a mixed reaction among the teaching fraternity. Some welcomed the proposed intervention while some had apprehensions related to the NGO's identity, intention and function. After few months of operation,

however, the Government teachers began to acknowledge that Aspire was providing valuable support to the Government teachers to improve the quality education.

### **3) Festival-like conclaves used as conduits to further CSR interventions**

Big conclaves given the nomenclature of "Samwaad" were organized by TATA Steel for tribal communities. These conclaves with a festival-like atmosphere helped to break the ice between the NGO staff and the tribal communities. TATA Steels proactive approach to organize diverse ethnic groups at various levels – regional and national has served as a conduit to extend interventions to the needy areas.



**Exhibit** Samwad fest – Dr. Shanta Sinha addressing a "confluence" comprising diverse ethnic groups

### **4) Training content of Aspire**

The strength of the TATA Thousand School Project lies in its content which is specially designed in the form of Teaching Learning Materials.



**Exhibit** TLM display by Aspire official (Top Right and Left), *Money paisa, Matchbox Tilli, straws, ganitmala, rongometry* warehouse. Bottom Rt. And Left- Instilling community connect and awareness by including local tribal leaders.

**5) Aspire augmenting the Government mechanism**

The majority of stakeholders whom this researcher interacted with, did not find a major difference between Aspire and Government’s pedagogy except the fact that the Aspire one is more strategic probably owing to the influence of the corporate culture of TSRDS of TATA Steels. The dynamics involved between the two, automatically induces professional deliverables. Aspire in this way definitely has an advantage to be working with TATA

Steels since it like learning the ropes from the best. Aspire has proper process, planning and implementation strategy in place by optimum utilization of resources.

#### **6) Dawn of the era of more pragmatic CSR**

There are various societies of TATA Steels and TSRDS is one among them. In the wake of the new CSR mandate provided by the Companies Act of 2013, TATA Steels is spending huge amounts towards CSR and the company now seeks a great deal of accountability. The overall framework which governs the CSR of TATA is undergoing a massive transformation. Partially triggered by archaic and historically laden mechanisms which were demanding rejig and partially due to tectonic shifts in CSR implementation. Tata Steel has identified this as an opportune time to embrace the new changes and undergo subsequent overhauling by coming up with a completely new compliance structure.

TATA Steels have founded a society called the Tata Steel Foundation. With the advent of the law and changing times, the company wanted something more structured. Hence, they came up with the concept of setting up of THE TATA Steel Foundation. The prime idea is that all CSR units should come under one umbrella for better control and monitoring. It is speculated that TSRDS will merge into Tata Steel Foundation. For Tata Steel, there is a legal compliance structure where in every individual has to ensure that legal obligations have been fulfilled for good governance. The objective is to ensure that the legal and compliance framework safeguards the CSR front also from the legal perspective. **This could be the future trend in CSR where in CSR is more compliance conscious.**

#### **7) CSR Team - Executive Perspectives on CSR**

- **CSR – The TATA legacy brings special strengths**

In the context of CSR, the other companies operating in Orissa as opposed to TATA Steel, have none or at best just a few CSR professionals. TATA Steel has many professionals engaged in its CSR Projects. They all have primarily good understanding of the social sector as development professionals (*Developmentalists* as referred in TATA). In TATA Steels, there are certain CSR units which hire specialized professionals in particular domains, for example, TATA can boast of recruiting subject matter experts in *niche* fields like disability studies, women studies, empowerment studies etc. The amount of knowledge base or the amount of professional expertise available to TATA Steel is the real source of their success.

- **How CSR actually works in the organization**

Steps are taken to ensure that everything is linked to the mission, vision and subsequent strategizing by a strong leadership team so that everything down to the bottom-line actually works and is aligned. The leadership has always been very aspirational and positive. A prime example is Mr. Buta who has been an icon for not only this project but also the entire CSR effort itself. All the iconic projects that are running under CSR in TSRDS like Mansi, Rishta and Thousand School were initiated by him.

- **CSR and the community**

The goal of CSR interventions is about developing and strengthening the community. The end objective is to have sustainable models. Most of the earlier myopic projects came with a written epitaph. A start date and an end date with no thought for sustainability. The moment an organization wraps up a project the entire effort comes to naught. The intention of the new CSR mandate is to put a check on such situations. Having cordial relations with the community is important. One must know how to balance its perceptions and requirements. In earlier times, TATA Steels has

primarily donned a role of magnanimous giver - the earlier forms of charity were also more skewed towards just giving. But with the promulgation of Section 135 the conceptual overhauling of CSR has begun to take place - as exemplified by TATA's new attitude and a move towards strategic CSR.

### **8) *On partnership Model with Aspire***

In line with the new CSR mandate, the Thousand Schools Project is primarily a grant-based partnership. All the implementation work is done by Aspire; the funding is done by TATA Steel and there are executives at block level as a support system for Aspire. In Joda block, for example, two big RBC campuses have been set up within the company premises. There are many instances like this where there is support at local level extended to the NGO for carrying out their activities.

### **9) *The seismic shift in attitude induced by Thousand Schools Project***

In TATA Steel, the critical turning point in the attitude towards CSR can be traced to the point when the legislation came. Till 2014, that is from when the legislation was made effective, the CSR intervention of the company was largely limited to providing sweets (boondi), benches, tables, kits of football and cricket to the village youth and donation for festivals on 15<sup>th</sup> August, 26<sup>th</sup> January etc. at the community's behest. By the end of 2014, the transformation in perspective was actualized. A completely new strategic approach, inspired by the new CSR law, was ushered in. Over a one-year period, wide ranging discussions with the PRIs, school headmasters and head teachers took place with the

objective that instead of providing the community with boondi and sports kits, a long-term approach could be adopted for substantially improving the basic education system.

It was communicated clearly at the community level that it would be far more valuable and pertinent to do some real work by directly getting involved with children at the school level. Improvement of the levels of learning, pedagogy, SMC Capacity and teacher capacity building should be at the core of the project. Today, TSRDS does not get requests for giving 5 kg boondi or kits, tents etc. This shows that the people have been motivated to make an educated choice.

By thought leadership and asking the tough questions, the community has been sensitized and made to see the larger picture.

**10) *Meticulous documentation process***

The tracking process related to every child is taught to the villagers. The planning register and the village education register is maintained in all the villages. The end goal is to ensure that all the children of a village should go to school. The tracking is crucial and has to be done with a stringent follow up as there are communities which are always on the move (like Ho). The tracking register is kept under the vigilance of the Community mobilizer. A mass register with the details of all the children of a panchayat is also maintained. A door to door survey is also conducted regularly. The survey documents the classes in which the children were enrolled at the time of the survey. At the panchayat level with support of

PRIs and *the Sarpanch*, the Village Education Register is compiled and maintained.

The primary is to ensure that no child drops out of school. If, during the course of the project, any information relating to a drop out child is relayed, immediate action is taken to reinstate the child in school again. Likewise, SMC has a very crucial role of maintain the Village Education Register. The project workers have a massive role to play in streamlining all this.

**11)** *Government collaboration*

It is clear that the Odisha Government via its Ujjwal and Utthan programmes and the TATA projectare working towards the same goal of high-qualityprimary education of children. In that spirit, it is really heartening to note that the Government has kept extending various opportunities to collaborate with the project and the latter has made optimum use of them. The TLM prepared by the project was provided to the Government teachers which they have used to the optimum. In the endeavor to ensure mainstreaming of children, those who are dropping out from a particular area, are immediately spotted by the teachers and immediate efforts are made to ensure that they are back in school rapidly. In many cases, project personnel also accompanied the Government teachers for home visits.

**12)** *The Project and the RTE Mandate – changing the government’s attitude*

To fulfill the RTE mandate comprising of access, quality and governance, it becomes imperative to discuss it with the stakeholders. Hence, the project workers conducted meetings regularly. In the December of 2015, the project kicked off its survey and in a short while, they had reached 25 panchayats. The respective Sarpanch, CERC members and teachers of all the panchayats were called to join hands. The survey, done at that point in time, revealed that around 69 students were found to be out of school. The results of the survey generated an extremely volatile dialogue with the Government. The Government officials rejected the entire exercise as some gimmick. The BEO officials and CERC were agitated with this. The project survey made the government reports questionable. Government, by generating such fake reports had tried to show that all children were in school, thereby fulfilling the access component of RTE. A meeting was held in the BEO (Block Education Officer) office where the project workers were finally able to convince the government officials that it would be better to acknowledge the field realities and take corrective measures.

**13)** *Compensating administrative and Governance lacunae with the help of RBC*

**RBC** is a component that provides residential facilities to school children. It came into existence in the wake of observed rampant learning deficits at the primary school level. The purpose was to help the transition from bridging to academic courses. The majority of children housed in these RBCs are from the tribal population, SC, ST and OBC categories. In the RBC in Koira Block, for example, the children used to talk only in the Ho language in the beginning.

Initially, the children were very disinterested. The project teachers had to ensure that they became parents, sisters, brothers and friends to the newly arrived children. In hindsight one can see how successfully they rose to the challenge and brought all the children under their watch into the societal and educational mainstream.

#### **14)** *Learning Enhancement Program*

One of the primary aims of the project is to fill up the learning deficit at various levels. For example, the subcomponents of language learning are letters, alphabets, phonetics, words, sentences and paragraph formation etc. Based on these components, the children were evaluated and it was found that despite being in a certain grade, most children could not display the required competence level to read and write from the prescribed text book. This implied that there is a clear lag in the quality of education being imparted to these children. To combat the quality issue, a Learning Enhancement Program was started in 38 schools in the form of a demo. The intent was to also create an awareness among Government officials that merely constructing schools, or enrolling children, giving them bags and uniforms or mid-day meals is not the fulfillment of Child Rights in the true sense. These basic amenities are being provided to the children to an extent at home by parents too. The baseline survey proved that around 80% students in the class scored below the required level of competence in their respective class. The project academic team workers while chalking out the weekly plan, cited each day's tasks and activities and rolled out Level 1 program and Level 2 program for 20 days respectively. The L1 program that fulfills the required competency

in Mathematics and Oriya for Class 1 & 2, and the L2 for Class 3, 4 and 5 were completed successfully.

**15)** *Local sourcing of manpower*

The project's strategy of **locally sourcing** workers rather than importing them from distant areas, worked well and helped in stabilizing the system. It is the people from these communities who took on the responsibility of providing food and shelter to the appointed teachers. The next challenge was to find teachers from the same community who would be willing and capable of staying back and teaching the children. It began with one teacher but soon others followed suit. Initially, around two months were spent in inculcating the basics like understanding the concept of class and school, cleanliness and hygiene, ability to sit for 6 hours in the class to study. A lot of activity work was done which included - songs, rhymes, story-telling etc. as a warm up exercise to make the children sit for 2 hours. The fruition of such activities in current times is that the children have started to sit for 6 hours and the class is running from 10 to 4 in the evening. This indicates the seismic attitudinal shift particularly from tribal hunter-gatherer-wanderer mindset to sitting in class and respecting the school hours.

**RECOMMENDATIONS**

1. The staff of the implementing agency, ASPIRE, desired more efficient MIS system for better data storage and processing. This would create a very good opportunity for TATA Steels to share its technical competence to help the implementing agency scale up their expertise in this domain.

2. The visitation to RBCs, which house the displaced children from the tribal communities, revealed a high level of anxiety and emotional distress among them. This is owing to the identity crisis that underlines the trauma of being transplanted from tribal communities which have very cohesive social structures. It is advisable that a counsellor should be appointed in these RBCs which can help the children to cope with separation anxiety and stress.



**Exhibit** RBC with tribal children –these were found to be used beyond capacity. Girl children from various communities (Munda and Ho) showed separation anxiety and distress.

3. TATA Steels should be more stringent with documentation and must hold the implementing agency accountable for lapses. On visitation, for one of the students, certain details related to date of birth were found to be missing. On asking for the reasons for

incomplete documentation the lack of adhaar card on Government's behalf was cited as a reason which was inadvertently found in the preceding papers.

4. Need for institutional confidence building process for conjoined NGO – Corporate- Government efforts. The lack of trust and apprehension stated by the Government teachers can be linked to the difference in the organizational culture of the two interacting systems which is NGO (ASPIRE) and Government (School) respectively which have their own communication channel and salient features. As already stated earlier in this study, the system is akin to oil-water analogy between two immiscible liquids. This distrust on NGOs owing to skepticism that has always surround them and the inherent tendency of Government mechanism to work in silos(*which incidentally is one of the salient features*) leads to an exhaustion of a substantial amount of useful resources like time, money etc. (for trustworthy collaboration).
5. Need of a day care facility- A collaborative or partnership mode involving all the stakeholders can be used to create a day-care facility that will help parents to disengage from their school-going children for certain specified periods. They will thus have far more peace of mind.
6. The general perspective of Government teachers was that Aspire has helped them make great changes. In some schools owing to the completion of phase L1 and L2, the LEP was stopped which led to dissatisfaction among the teachers and an anxiety was sensed in the teaching fraternity. ASPIRE should work on inculcating a proper mentoring culture and handhold the units so that the trust in the teacher community is safeguarded.

7. ASPIRE has set a target for self for more efficient tracking of children. A more efficient and technology enabled tracking system should be used.
8. ASPIRE, with the help of youth groups and SAS committees, updates the data of 6-14-yearold in respective panchayats at regular time interval of four months. It would be better to have a panchayat member involved and the process should be made permanent.
9. The Government system has communication methodologies embedded which are not to be very efficient. Be it asking the right questions or traditional probing techniques, the Government teacher still has to rely on what he or she personally feels - derived from personal experience. Ideally every child is unique and so is the method adopted to deal with them. Government systems works on the principle of "one size fits all" which has limitations.
10. Since top leadership is bestowed with authority, it should ensure that all levels of the project hierarchy are fully committed and engaged with the project. At times, this was not fully reflected among the project staff.
11. It was evident that lack of residential hostels is a constant challenge for the project to realize its full potential. Since TATA Steel has a time frame to work upon, it could take greater initiative in ensuring that such facilities are made available more expeditiously.

12. More LEP center should be opened in as many schools as possible for the betterment of smaller children.
13. A new evaluation initiative is being started which will include a social audit. With such a process coming into play, the SMC member and education standing committee can take a spot test of the number of children in their own school and of their own children to evaluate if they can read or write. Hence social audit becomes a potent tool.
14. Doubling up of teachers as nurses is stressful and unhealthy practice. Nursing is a special course having its own technical specifications. In a bid to be a caregiver the line must not be crossed as it leads to exhausting the resources of teachers by over use.
15. Building secondary support systems like crèches which complements the lifestyle of community would go a long way in improving the quality of the project. The major population is dependent on agriculture and forest related activities. The parents of the children have to go to work to sustain their families. Opening Crèche /Child day care facilities in the community in partnership mode will not only provide employment and productive engagement to few but will also help segregate the school going children from distractions like babysitting.

## **ACC CEMENTS – THE CLEAN AND GREEN MADUKKARAI**

### **PROJECT, TAMIL NADU**

#### **Profile of the company**

Synonymous with its identity etched as a cement producer and with high equity in the Indian market, ACC has consistently set benchmarks in cement and concrete technology since its inception in 1936. Having supplied its products from the Bhakra Nangal Dam in 1960 to the Mumbai-Pune Expressway, ACC is indeed an iconic name in the Indian cement industry.

Today it has established itself as one of India's leading manufacturers of cement and ready-mix concrete with 17 cement factories, 75 ready mix concrete plants, over 7,400 employees, a vast distribution network of over 10,000 dealers and a countrywide spread of sales offices.

ACC established itself as among the first Indian INC to induce commitment to environmental protection as one of its corporate objectives. Since its inception, the company has continuously explored ways to make its business more planet-friendly and this concern is integrated into all aspects of the value chain, from mining to sales to promoting the use of alternative fuels and resources, resulting it to have one of the lowest carbon footprints in its class.

ACC vouches sustainability as an integral part of ACC's business strategy with its Sustainable Development 2030 plan focusing on four broad themes: Climate, Circular Economy, Water & Nature and People & Communities.

#### **CSR Profile of the company**

ACC was the very first recipient of India's first ever CSR award instituted by ASSOCHAM in 1976 which was the ASSOCHAM National Award for outstanding performance in promoting rural and agricultural development activities. ACC's earliest initiatives in community development date back to the 1940's - long before the term corporate social responsibility was even coined. In 1952, the company launched its Village Welfare Scheme, as a full-fledged function at the corporate office and all its cement plants with a large team comprising social scientists, teachers, medical personnel, civil engineers and experts in agriculture, sanitation and crafts.

In keeping with this tradition, the company has a team of young CSR specialists based at its corporate office and factories who serve the neighboring community that comprises the weaker sections of rural and tribal India to provide them some access to basic amenities, health, education and livelihoods.

Corporate social responsibility at ACC involves efforts benefitting local communities across the country by ensuring economic and social progress. The organization has various CSR interventions chalked out under a whole range of themes such as:

- Education- ACC has established schools at most of its locations that provide high quality education to children of employees and those from the host communities. In addition, the company also supports schools in the vicinity. Technology aided education initiatives such as Smart Classes and interactive kiosks have been implemented at several ACC locations for enhancing the quality of learning. ACC continues to support Government run ITIs under the Public Private Partnership scheme to upgrade the quality of education which in turn improves the skills and employability of students.
- Women empowerment-ACC acknowledges Women's empowerment as a priority. The company encourages women to form Self Help Groups (SHGs) in the communities around its plant locations.

Members of the SHGs are trained in capacity-building, various individual crafts (tailoring etc.), marketing skills, accounts, teamwork, BPO skills and other relevant aspects. ACC AHEAD (Association of Health, Education and Development), a voluntary group formed of ACC employees' spouses, takes active part in this vocational training.

- Health and sanitation-ACC organizes health camps and mobile van health services for the community around its plants. ACC hospitals complement the local government's Primary Health Care centers and Community Health Care centers. Anganwadi Centres have been set up at most plant locations. In this way, ACC reaches out to mothers and children with immunization, Ante & Post Natal care and growth monitoring programmes.
- To promote health and dignity among the communities around our plants, community toilets and toilets for individual households were constructed in a participatory manner.
- Livelihoods-ACC promotes skill development among the rural youth. Industry needs skilled persons while a large part of the rural youth is unskilled and unemployed. The CSR programmes connect the youth to high standard skills training institutions, providing partial financial support, wherever necessary as well as extending help in enrolment and in obtaining placement.

The livelihood and income generation initiatives helped in training and placing youth with various employers. Some of these young men have been provided technical skill training on construction and subsequently placed in suitable jobs.

- HIV /AIDS-ACC plays a meaningful role in the nationwide effort to eradicate HIV/AIDS. In conjunction with the Confederation of Indian Industry (CII), the company stepped forward to support the government in battling this important public health issue by adopting a Workplace policy for HIV/AIDS that protects the fundamental

human rights of employees who may unfortunately become affected by HIV/AIDS, while also ensuring that these affected persons get proper care and treatment.

The company has also set up two Anti- Retroviral Treatment Centres for HIV/AIDS treatment – one outside ACC's Wadi plant in Karnataka and the second at Vellore, Tamil Nadu in partnership with the reputed Christian Medical College. Both ART Centres are run as state-of- the-art treatment centres with all the basic physical infrastructure, medical equipment, laboratory facilities and trained medical and support personnel as prescribed by NACO ART guidelines. They include Voluntary Counseling and Testing centres and are sought to be operated as world-class facilities.

ACC is working steadfastly to improve the lives of people living in marginalized or economically backward communities, with programmes that encompass livelihoods, education, health& sanitation and women empowerment. In 2017, the company's community development programmes touched the lives of over 4,82,000 people in 202 villages across India. A recent report released by IIM-Udaipur on 'India's Top Companies for Sustainability and CSR 2017' ranked ACC among the top 10 in India.

The following is the snapshot of various programs running under CSR heading-

- Disha - A skilling initiative. Disha, supports rural youth in learning new employable skills and gaining opportunities for sustainable livelihoods. Disha conducts programmes for a range of vocations. The CSR team identifies candidates for the training, who are then either placed in a job or to embrace entrepreneurship.
- Vidya Utkarsh - ACC provides needy students with a healthy and safe learning environment. Vidya Utkarsh has improved and positively impacted the lives of more than 23,968 students. Besides running

ACC's 15 own schools and enhancing the quality of education in 178 government- run schools, in 2017 we awarded scholarships to 1,009 meritorious students and helped 1,415 girls to get back to school through 50 'ACC Ki Laadli' centres.

### **CSR Financials of the Company –**

Average net profit of the company for the last three financial years- The Average net profit of the Company for last three financial years was `936.71 crore. Prescribed CSR Expenditure (two percent of the amount as in item 3 above) was `18.73 crore; the total amount to be spent for the financial Year was pegged at 18.73 crore.

### **The CSR Committee of the Board**

The CSR Committee comprises of four members of which three are Independent Directors. The Chairman of the Committee is an Independent Director. The Committee meets twice during the reporting period. The details of the role and functioning of the Committee are given in the Corporate Governance Report. Currently, the CSR committee has three independent directors on board as well as the MD & CEO.

### **CSR Profile of the Company**

#### **ANNEXURE 'B' TO BOARD'S REPORT**

#### **CSR POLICY STATEMENT**

Our vision is to be one of the most respected companies in India, delivering superior and sustainable value to all our customers, business partners, shareholders, employees, and host communities. Our CSR initiatives focus on the holistic development of our host communities while creating social, environmental and economic value to the society.

To pursue these objectives we will continue to:

- Uphold and promote the principles of inclusive growth and equitable development.
- Devise and implement Community Development Plans based on the needs and priorities of our host communities and measure the effectiveness of such development programmes.
- Work actively in the areas of Livelihood advancement, Enhancing employability and Income Generation, Improving Quality and reach of Education, Promoting Health and Sanitation, conserving the Environment and supporting local Sports, Arts and Culture.
- Collaborate with like-minded bodies such as Governments, Civil Society and Academic Institutions in pursuit of our Goals.
- Interact regularly with stakeholders, review and publicly report our CSR initiatives.

#### **ANNEXURE 'B' TO BOARD'S REPORT**

#### **ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

1. A brief outline of the Company's CSR policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

Weblink: <http://www.acclimited.com/sh/ACPN.pdf>

2. The Composition of the CSR Committee:

- Chairman (Independent Director)
- Member (Independent Director)
- Member (Independent Director)
- Member (Managing Director & Chief Executive Officer)

3. Average net profit of the company for last three financial years. Average net profit of the Company for last three financial years is 936.71 crore.

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above) 18.73 crore

5. Details of CSR spend for the financial years.

a) Total amount to be spent for the financial year:18.73 crore

b) Amount unspent, if any: Not Applicable

### **NGO Partner details**

Imayam Social Welfare Association is a committed voluntary service organization established in 1992. Over a period of decades it has rendered yeomen service in the field of Women Empowerment, Women and Child Welfare, HIV/AIDS Prevention, Community Development and TB Awareness. It continuously works hard to achieve the goals, fulfillment of its mission and vision. All the IMAYAM activities are guided and monitored by its nine board members (male 4, female 5).

Webpage- <http://www.imayamcovai.in/#>

### **Project Background:**

ACC Madukkarai Cement Works in association with Madukkarai special grade Panchayat, and NGO launched the "Clean & Green Madukkarai Project". This unique project is a Public- Private

Partnership model, where ACC, through its CSR initiatives, has come together with Madukkarai special grade panchayat, an NGO and the local community to strengthen the effective implementation of Solid Waste Management. The Clean and Green Madukkarai Project was started in March 2012 and has continued till date.

### **Rationale**

One of the biggest challenges for the community had been the disposal of garbage. The years of weak mind set and ineffective disposable had led to heaps of waste piling up around the area – giving off foul odors and opening up the probability of innumerable diseases. The waste material was being thrown into open drains, which were getting choked and overflowing causing unhealthy living conditions. To implement a successful solid waste management program required the committed participation of the entire community, the panchayat, government officials and a healthy and effective synergy between the corporate and the implementation agency i.e. the NGO.

### **Clean & Green Madukkarai Project**

The Clean & Green Madukkarai may aptly called as a people's movement who have come together to seek solution for the effective garbage waste disposable. This project is being spearheaded by the Madukkarai Panchayat in association with the NGO Imayam Social Welfare Association in effective disposable of the garbage. ACC will be the facilitator for implementing this project. The Solid Waste Management initiative is named as "Clean & Green Madukkarai" which has a vision to make the Panchayat a plastic free Panchayat by 2019. It also plans to develop a green belt within the panchayat by

planting 1000 trees every year which will be nurtured and grown by the community itself.

The primary objective of the project was to create awareness among the community and implement an effective garbage disposable mechanism. The program included aware generation among each and every house hold in segregation of waste, i.e. classification as organic or inorganic waste. Organic waste is being collected every day by the "Green friends" (Garbage collectors) at the door step of every household in the community. From here they transport the organic waste to a bio-composting yard where the waste is processed in vermin compost pits and converted into organic manure. The inorganic waste is being collected separately. This is further segregated based on the materials contained therein. The segregated materials are reused and recycled.

### **Project Coverage:**

Madukkarai Special Grade Panchayat, Coimbatore District, Tamilnadu.

- 1- No. of Wards - 18
- 2- No. of Streets -126
- 3- No. of Households -8500
- 4- Population – 45,000

### **Core objectives of the project:**

- To create awareness and to sensitize the individuals, families, communities and Institutions on solid waste management (SWM);
- To establish green friends initiative and to create a system of collection; segregation and recovery of domestic waste;
- To produce organic manure from degradable waste;

- To safely dispose plastic waste.

**Activities:**

The following activities have been designed to achieve the aforementioned objectives of the Project:

- To create awareness on solid waste management (SWM) through door-to- door campaigning;
- To conduct street plays on solid waste management in prominent places;
- To organize events promoting solid waste management such as "silver for tidy", junk art, painting competitions in schools etc.;
- To organize community level mass rallies on popularising solid waste management;
- To conduct awareness sessions on solid waste management with stakeholders such as students in schools, colleges, Panchayat members etc.
- Facilitating the collection of waste through "green friends";
- Facilitating the segregation of waste at source into degradable waste and non- degradable waste;
- To process deposited landfill waste;
- To convert kitchen waste into bio-compost using the windrow method;
- To convert bio-compost into vermicompost;
- To transport plastic waste to ACC and use plastic waste as alternative fuel;
- To sell the other recyclable materials to vendors through the Panchayat.

**Engaging Women Self-Help Groups:**

The "Clean & Green Madukkarai" is being implemented by the NGO through Self-Help Groups. Under this, 50 SHG women are

actively involved in door to door garbage collection, mass cleaning, segregation of dry and wet garbage, maintaining the garbage yard, creation of the vermin compost pits and organic manure. The SHG women who all are involved in this activity are named as "Green Friends". Apart from the day to day activities they are also involved in creating awareness among the community about effective solid waste disposal, educating the households on segregation of waste, community campaign programs and tree plantation. All the 50 Green Friends are recruited from the local community as they are fully aware of the geography of the community. They are put on to rigorous training sessions on solid waste management. They are provided on-the-job training for one week to know and understand their work profiles.

### **Use of Plastic Waste in Cement Kiln:**

ACC Madukkarai Cement Works is one of the cement plants which is a pioneer in implementing alternative fuel resource initiatives. The plant, in order to reduce the usage of fossil fuels, has been keen in search of alternative energy resources. One of the most effective methods of recovery of energy is the use of plastic waste as an alternative to fossil fuel in Cement Kilns. Plastics waste can replace approximately 15% of normal fossil fuel in Cement Kilns. As Cement Kilns are operated at a very high temperature in the range of 1500°C or more, there is no risk of generation of any toxic emission due to the burning of plastics waste. In fact, Cement Kilns can be utilized for burning of some hazardous waste also. A 1 million tonne capacity cement plant can consume about 10,000 MTs to 30,000 MTs of plastics waste annually, creating an enormous opportunity for the proper management of plastic waste, while recovering precious energy for production of cement.

## **Major Impacts:**

- Before the implementation of the Clean and Green Madukkarai Project, households would throw the waste outside their houses, or into open and overflowing drains that affected hygiene and environmental sanitation, causing health problems to the community. Now because of the Clean and Green Madukkarai Project, the area is very clean and is maintained at a high level of hygiene. Every day, an average of 7 tonnes of waste is generated. Out of this, 3 Tonnes is organic waste which is converted into compost. The remaining part is plastic waste which is used as an alternative fuel and raw material in the cement kiln. This reduces the landfill area considerably.
- The attitude of the people towards solid waste management has changed completely. Now they are actively participating in and supporting source-segregation and delivering to the "green friends".

## **Aspects covered during field visit:**

The visitation broadly covered activities configured around the management of Municipal Solid Waste (MSW) and its further bifurcation into bio-degradable and non-biodegradable categories.

Solid waste refers to the range of waste which comes from animal and human activities that are discarded as unwanted and useless. Solid waste is generated from industrial, residential, and commercial activities in a given area. Solid waste can be segregated based on its contents including such materials as plastic, paper, glass, metal and organic waste. It can also be divided based on hazardous potential, including radioactive, flammable, infectious

toxic or non-toxic. However, solid waste must be managed systematically to ensure environmental protection as solid waste management is a critical aspect of environmental hygiene. The characteristics and quantity of the solid waste generated in a region is not only a function of the living standard and lifestyle of the region's inhabitants, but also of the abundance and type of the region's natural resources.

Solid waste management works on the principle of **reduce, reuse and recycle**.

- **Reduce** – Deals with wastes like plastics etc. which are difficult to recycle. The idea is to emphasize on non-usage of plastics, reducing disposable goods, workplace sustainable behavioral practices, and day today behavior that is linked to sustainability.
- **Reuse** - this aspect is directed to keeping waste to the minimum and inculcating sustainable behavioral changes in day-to-day life.
- **Recycling** - is a series of steps that takes used materials and processes or re-manufacturers them and sells them as new products.

### **Observations and Findings:**

#### **1. On choosing Imayam as the implementing agency**

There were many reasons as to why Imayam was chosen as an NGO partner for this project. They can be summed up as follows:

- Imayam has a very strong expertise on solid waste management, proven credentials in implementing projects in villages and municipalities;

- The NGO also has an exceptionally good track record in terms of accountability and integrity. On being asked as to how the management at ACC gauges the integrity of a particular NGO, it was stated that factors like word of mouth, perception about the NGO and its leadership in general, meticulous accounts management and documentation processes strengthen the credibility factor of an NGO;
- Iyamam has taken the learnings from the clean and Green Project of ACC to the other Corporates. Currently, it has designed the same project for ITC, Coimbatore by customizing it as per the need of the urban households in contrast to the rural background of ACC. They have slightly changed the model design and formulated a different strategy with respect to household composting instead of vermicompost and kitchen garden.
- The local community was also involved in choosing the right NGO partner keeping the fact that the long term compatibility between the NGO and the community is essential for the project to be successful. The general opinion about the leadership of the NGO, fact finding through references, back ground check of the team, suitability, and media as a due diligence exercise played a very vital role in serious consideration of this NGO as a partner.

## **2. Section 135 empowers the CSR department by litmus test on various aspects**

With the advent of section 135, CSR activity selection, has become more scientific, rational and accountable in contrast to the random approach of earlier times. Today, any random school or village panchayat cannot approach any random official in ACC to do some one-off activity like constructing a wall, a toilet or any other such other work. Section 135 has empowered CSR professionals to demand justification, to put a proposal through the litmus test of need assessment and brainstorming by the CSR

committee. CSR, in its current mandated form, has plugged the loophole of randomization and favoritism to a very large extent. This was a very encouraging and positive revelation.

### **3. Breaking the stereotyping – “Green Friends” have broken the taboo and the stigma related to waste collection and the people who do it**

ACC, with this path-breaking project, managed to break that stereotyping by setting professional standards for an activity like waste collection. Be it by way of providing proper uniforms, imparting scientific training, or inculcating knowledge about waste components - the cadre of “green friends” have been positioned as the change agents in the villages. The professionalism instilled in the way they ask for garbage, or explain the need and essence of segregation of various waste components, has made them earn the respect and goodwill of the community. “Green friends” have been groomed as catalysts for change, custodians of a clean community and activists who educate community members across all groups about waste management.

### **4. Out-of-the-box thinking by ACC helps it to Set Benchmarks**

ACC was very innovative in terms of positioning the personnel as “green friends” instead of waste collectors or garbage collectors. Benefits such as health checkups, regular meetings and insurance facilities have been extended to them to bring them on par with any respected individual in society.

### **5. Visiting the Project Site**

- During the course of the visit, it became evident that paper, plastics and other waste products are segregated very systematically and then disposed of. The main road was very neat and clean. Members of the community who were spoken to randomly, acknowledged that

the Project had ushered in a heightened sense of segregation of the waste.

- They also reported heightened awareness about disposing garbage in a responsible way.
- At the same time, they expressed the need for conducting more awareness programs with regard to the collection and disposal of garbage to generate awareness.

## **ABOUT THE PROJECT**

### **Green friends at work, Compost formation and Geocycle**

The day for “green friends” begins at the municipal office premises at 6:00 am.



**Exhibit** The supervisors, the manager and green-friend team start the day with an oath.

Segregation of the garbage and waste is done in the initial stages. It takes 45 days to become a compost. The pile is rotated every 15 days. Each pile has the dimensions ranging from depth of 2 feet and length of 4 feet. Cow dung solution is added at regular intervals and an occasional sprinkle of EM solution (of strength 10%) is added occasionally. After these ingredients are added, the pile is left for 45 days. Every 15 days, the water formed due to microbial activity is drained in a cemented Drainage Pit. The solution comprises of water, drainage water and EM solution. The water which is

rich in nutrients is poured back into the pile. This accelerates the decomposition process. The organic nature of the EM solution catalyzes the process.



**Exhibit** Left & Upper Right: Supervisor maintaining track-record of attendance and collection per day. The card for monitoring is filled up daily. Bottom Right: The panchayat office premises where the day starts.

The final filtered product is taken for the weighing and packing section. This is usually fine in consistency and rich in nutrients which can

help to increase the filed yield. The final product is weighed and is packed in plastic bags to be provided directly to the farmers and consumer groups



**Exhibit** Clockwise: The final product, the packing machine and the packed material ready to be sourced to the end users.

### **Self-Help Groups**

Small self-help groups have been a radical concept initiated by ACC. The government official in the municipality stated that every month close to 3 lacs is paid by ACC to the workers deployed in the sanitation department. ACC also provides machines, constructs shades, carries out civil construction work such as building marriage halls, community halls, addressing water needs of the community, coordinating in garbage collection etc. ACC not only supports the primary activities related to the project but also substantially supports the secondary activities related to

the general well-being of the community. The local Government official was asked if there is any other corporate who has approached them to carry out such activity. It became evident only ACC has reached out them and has been substantially helping the Government since 5- 6 years.



**Exhibit** Municipal official hailed ACC's domain expertise in waste management

### **Government Support**

The support of the government is crucial in such community-centric efforts. The government land for composting, the process of collecting the garbage and directing the collected material to compost conversion center has been done in conjunction with the government.

### **Geo-cycle Facility**

The geo-cycle facility is a vital and integral part of the Project. It is closely guarded and has modern machines processing waste in large

volumes. Geo-cycle addresses the problems faced due to environmental, social and health challenges in a sustainable way. It is a specialist facility in handling industrial, agricultural and municipal waste. It manages the waste in a safe and environmentally responsible manner and points to a zero-waste future. ACC has established this state-of-art facility for processing garbage collected from the Municipality as well as industrial waste from near-by corporates, factories, production units etc., to be used in its kiln as a fuel for synthesizing cement.



**Exhibit** The Geo-Cycle Project Premises

## **8. Challenges faced by the Solid Waste Management CSR Project of ACC**

- In the initial stages, the government was not interested. The government staff was overburdened with responsibilities. Hence it took time to divert the attention to the Clean and Green Project. In a way it can be said that there was a waiting period to get the government on board.
- There was no resource center and the ACC was not being able to produce vermicompost. Vermicompost processing and selling to consumers like farmers etc. is a major component of the Project by which ACC generates revenue for 'green friends' and therefore it is directly linked to the sustainability aspect of this project.
- In the initial days, people did not understand the concept as well as the importance of segregation of the waste. Since this did not figure as a priority in their daily routine, the community members did not give much importance to waste disposal. They used to throw it out of their doors and windows on the roads with zero accountability. It must be stated that there has been a 360 degree change in the attitude of the residents now.
- People did not understand the processes involved in the "Clean and Green Project" such as segregation, understanding the nature of waste, the impact of dumping onto the landfills etc.
- Vermicompost manufacturing was also an alien process which was never tried before thereby inducing cynicism in accepting a new concept like this.
- Training the "green friends" was a difficult and onerous task requiring great patience and perseverance.
- Madukkarai is a Panchayat and does not come under the municipality. Thereby, the practice of segregation is not disrupted by municipal workers. This acted as a success factor for the project but showcases the reason as to why urban areas score less on waste management practices. Had Madukkarai been with the Corporation, the whole initiative would not have translated into such outstanding results.

- The whole idea does not rest on segregation alone, but proper collection and disposal also make a huge difference. Thus the project had to emphasize and actively undertake both factors.

### **Monitoring and Supervision**

- Frequency of meeting of leadership is once a month with respect to CSR issues. The Board level meeting is held once in 3 months. The CSR managers and CSR Head join the board level meeting. The CSR Committee of the Board meets once in 4 months. The plant level meeting with the leadership occurs once in a year.
- There is a very elaborate system of communication that connects the grass root level workers and the plant level team, to the strategic board level. There is a two-way flow of information via dashboards, intranet communication channels and reports.
- The progress reports, impact reports, evaluation reports, field visit reports, feed-back reports are all sent more or less at regular intervals to the higher-level management. The strategic team in turn does the data crunching, analyses the information and sends directives back to the grass root level.
- The CSR leadership visits the proposed project site twice in a year. The degree of involvement of the ACC team in this project is obviously very strong. The ACC CSR team often themselves collect garbage signifying their commitment and hands-on involvement. Everyone from the team right from the manager, General Manager (mines), to the Managing Director get involved from time to time. This serves as a tremendous morale booster for everyone.
- The insights from the reports get regularly communicated to the employees in the ACC working in the other department through portal in-charge of corporate communication team.
- ACC holds dialogues with Imayam top management as well as government officials to finalize the framework for execution.

## Recommendations

- It is the ultimate responsibility of the government to collect garbage. The municipality on government's behalf is entrusted with this responsibility. The government is also collecting fees. It would be a great support from the government side to offer financial help or take 10-15 "green friends" under their ambit to provide encouragement and support.
- The government should help ACC in setting up a more sophisticated and refined segregation system.
- The government should provide more battery-operated carts so that more areas can be covered.
- The segregated waste helps "green friends" by reducing the time in converting it to the compost form. People also engage in direct dumping which is aggravated during festivals. At these times, it becomes very difficult for "green friends" to collect the waste. ACC should assist and encourage the "green friends" to collect the decomposed garbage in difficult times such as these.
- More awareness programs need to be undertaken for various stakeholders to increase their sensitivity to the vital issues and familiarize them with various aspects of waste management.
- There is an inherent need to train the municipal workers in tandem with the "green friends". The municipal workers are less efficient in handling waste whereas green-friends are more adept.
- The three steps which are a must for efficient waste management – segregation, collection and disposal should be seen as a concept in entirety in contrast to focusing on just one component. It is only when all the components are given equal weightage that dramatic results will ensue.
- It was found that the green friends involved in Clean and Green Madukkarai Project had less protective measures in conjunction with their job. The gloves were found to be simple woolen gloves which

are grossly inadequate to protect workers from infection. Again, no sanitation kit usage was witnessed before and after the collection and disposal process, thereby increasing exposure to ever lurking health hazards.

## **INDIAN OIL - THE ASSAM OIL SCHOOL OF NURSING,** **DIGBOI**

### **Profile of the Company**

Indian Oil Corporation (IndianOil) is India's largest commercial enterprise, with a sales turnover of US\$ 78.56 billion and profit of US\$ 3.31 billion for FY 2017-18. IndianOil retained its position as the top ranked Indian Company in the prestigious 'Fortune Global 500' ranking, 2018.

With over 33,000 strong work-force, IndianOil has been meeting India's energy needs for over half a century. IndianOil's business interests span the entire hydrocarbon value-chain: refining, pipeline transportation and marketing of petroleum products; exploration & production of crude oil & natural gas; marketing of natural gas & petrochemicals & renewable energy. IndianOil has subsidiaries in Sri Lanka, Mauritius, UAE, Sweden, USA, Singapore and the Netherlands.

IndianOil accounts for nearly half of India's petroleum product consumption through sales network of over 48,000 customer touch points; operating 11 of India's 23 Refineries with 80.7 MMTPA refining capacity, liquid fuel pipeline capacity of 94.20 MMTPA of and gas pipeline capacity of 9.5 MMSCMD with 13,400 km cross country pipelines. IndianOil has one of Asia's finest downstream petroleum R&D Centre at Faridabad, near Delhi, providing competitive advantage to the Corporation through world-class technology and process solutions and

innovative products. The Centre has 611 patents to its credit, out of which 388 are international patents.

### **CSR Profile of the Company**

IndianOil's Corporate Social Responsibility (CSR) is guided by its corporate vision of caring for the community and the environment. IndianOil believes that CSR is the continuing commitment to conduct its business activities ethically and contribute to the economic development while improving the quality of lives of the local community, especially in the vicinity of its establishments and the society at large. Long before CSR became an Act, IndianOil has been integrally involved in undertaking developmental activities for the communities, especially belonging to the weaker and under-privileged section of society in the vicinity of its units/ installations/ establishments. In the last 24 years, IndianOil has invested Rs.1,554 crore towards various projects under CSR. Many IndianOil's flagship projects are more than 30 years old.

### **HIGHLIGHTS OF CSR STRATEGY**

- IndianOil is integrally involved with all its stakeholders for all its CSR interventions.
- Priority is given to the continuing flagship projects, for their sustenance, after which funds are allocated towards new projects.
- Every year, more than 600 projects are undertaken for the benefit of the poor populace residing primarily in the vicinity of our establishments under various thrust areas viz. healthcare, education, environment sustainability, sanitation, skilling, sports, etc.
- Projects are shortlisted based on requirements/priorities set by the stakeholders.

- For almost all projects, Need Assessment is carried out before implementing the project.
- All efforts are made to involve the stakeholders before, during and after implementation of the project.
- For long-term sustainability of the projects, stakeholders' acquiescence regarding carrying out regular O&M is obtained before kick starting the project.
- Feedback from stakeholders including Govt. authorities are obtained for midterm course correction and scaling up of the ongoing projects.
- In line with the larger developmental goal of the Govt., many projects of national importance are also taken up.
- Well laid out policies and guidelines drive the CSR implementation process of IndianOil.
- As a part of structural intervention, CSR Committees have been set up across the organization, right from the Board level to the Unit level to conceptualize, monitor and evaluate the projects. Dedicated CSR officials have also been positioned across all major units.
- For timely and better execution of the projects, monthly reviews are conducted at Unit level followed by quarterly reviews at Divisional HQ & Corporate HQ.
- IndianOil's Sustainability & CSR activities are in line with the Sustainable development Goals (SDG) of UN & Nation's developmental goals and action plans.

- S&CSR activities are undertaken only within India and are funded from CSR budget
- For socially inclusive activities, preference is given to the 'local areas' near the establishments/ operating installations / assets of IndianOil. Such 'local areas' are those, which directly or indirectly gets impacted by activities of Indian Oil.
- Socially inclusive activities are targeted at the weaker/ poor/ underprivileged sections of the society, SC/ ST/ OBC/ minority/ women/ children/ aged/ differently abled, etc.
- Before the beginning of the financial year (Apr-Mar), typically in February approval is taken from the board, CSR budget is planned and allocated to Divisions/States/units.
- Projects are identified at Unit/Regional/Divisional level based on requirement of local communities and various stakeholders.
- Need assessment is carried out mostly only after undertaking site visits for the identified projects and thereafter the Multi- Disciplinary Committee of the State/Unit/Region/Division vets the proposal and recommends it for approval of competent authority.
- Projects are generally implemented through in-house resources or deposit work basis or through reputed Societies/Trusts depending on the nature of work.
- Monitoring of the projects is done regularly by dedicated IOCL officials, multi-level CSR Committees generally with involvement of stakeholders if necessary.

- After one year of completion of the project or stabilization of the project, impact assessment is carried out by IOCL employees or external agencies for large size projects.
- Uniqueness of IOCL CSR lies in the fact that they have 21 continuing/flagship projects, many of which are running over decades. In fact their AOD hospital is more than 100 years old. In the last 3 years, they have invested about Rs.146 crore towards 21 continuing/flagship projects, which include 3 Hospitals, 5 schools, Educational scholarship scheme at 28 ITIs/Polytechnics, Skill Development Centres at various Refinery Units, Assam Oil School of Nursing-Digboi, etc.

### CSR BUDGET ALLOCATION

<b>Year</b>		<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Profits as per Section 198 for CSR</b>		<b>16418.36</b>	<b>25463.16</b>	<b>31707.90</b>
<b>Average of FY 2014-15 to FY 2016-17</b>		<b>24529.81</b>		
<b>CSR Exp. Required- 2% of Average Net Profit for 2018-19</b>		<b>490.60</b>		

<b>SI. No.</b>	<b>Year</b>	<b>Annual CSR budget allocation</b>	<b>Carry forward from previous year</b>	<b>CSR Budget including carry forward</b>	<b>Expenditure</b>	<b>Achievement Vs</b>	
						<b>Annual budget</b>	<b>Annual budget c/f</b>
		(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	%	%
1	2015-16	141.50	19.61	161.11	156.68	111%	97%
2	2016-17	212.67	4.43	217.10	213.99	101%	99%
3	2017-18	327.94	3.11	331.05	331.05	101%	100%

### Composition of CSR Committee

Sr. No.	Name	Designation	Affiliation
1	Sh. Parindu Bhagat	Chairman	Independent Director
2	Sh. Sankar Chakraborti	Member	Independent Director
3	Sh. Ranjan Kumar Mohapatra	Director (HR)	Functional Director
4	Sh. A K Sharma	Director (Finance)	Functional Director
5	Sh. Gurmeet Singh	Director (Marketing)	Functional Director
6	Sh. G K Satish	Director (P&BD)	Functional Director

### PROJECT SPECIFIC INFORMATION

- Name of the CSR Programme/Project:** Assam Oil School of Nursing (AOSN), Digboi
- Start date of the Programme/Project:** 4<sup>th</sup> June, 1986; Budget approval for the project taken from Board every year
- Completion / Expected date of completion of the Programme/Project:** Ongoing

#### 4. **Project/Program Brief:**

Assam Oil School of Nursing (AOSN), Digboi has been functioning since 1986 near IndianOil's Assam Oil Division Hospital (IOCL, AOD) in the small oil town of Digboi.

AOSN offers Diploma in General Nursing and Midwifery (GNM) and B.Sc. (Nursing) courses with the objective of providing professional training to unemployed girls in nursing and midwifery courses to improve their employability and empower them and make available quality health care professionals in the region and thereby support economically disadvantaged families in the region.

The institute is recognized by the Indian Nursing Council (INC), a statutory body under Government of India, Ministry of Health and Family Welfare.

For the General Nursing and Midwifery (GNM) course, the certificates are issued by Assam Nursing Council (ANC) for Regd. Nurse & Regd. Midwife (RNRM) and for B.Sc. (Nursing) course, the certificates are issued by Assam Nursing Council (ANC) for Regd. Nurse & Regd. Midwife (RNRM) and Degree from Srimanta Sankaradeva University of Health Sciences, Assam. The selection of students is done on Merit cum Mean Basis, through written test/ interview.

60 seats (30 in each of the above courses) are filled as per applicable reservation rules. 1seat in each course is reserved for the Physically Handicapped (OH) disability.

AOSN is solely run by IndianOil and is well equipped with advanced training infrastructure and modern medical equipment. Proper care is taken to maintain the best standard of teaching through

expert faculty, latest curriculum and advanced facilities. Students are also attached to IndianOil's AOD Hospital for 12 months for their internship after completion of the course. In order to engage the girls, Extra-curricular activities are conducted round the year at the institute; Institution week is conducted annually. Events like Dance programs, play-acts, sports activities are also conducted. Students attend Students-Nurses-Association conference; health program in schools are organized regularly. Visits to outside locations are also conducted.

The students are provided monthly stipend of Rs. 2500/-, 2700/-, and 2900/ for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> years respectively for GNM course. For B.Sc course, the monthly stipend provided is Rs. 2800/-, 3000/-, 3200/- and 3400/- for the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> years respectively. During internship, GNM students are paid stipend of Rs. 15,250/- per month (for the 4<sup>th</sup> year) and B.Sc. (Nursing) students are paid stipend of Rs.16,250/- per month (for the 5<sup>th</sup> year).

Under the umbrella of student welfare, IndianOil also provides facility of free annual medical examination, tuition, hostel, uniforms, medical treatment, routine and special care, immunization, health record maintenance, separate sick room and sick leave.

AOSN, situated in the backward North Eastern corner of the country, has benefitted many poor girls and their families since inception. Starting with 14 seats in 1986, the number of seats has increased to 60 at present. At the beginning of the course, it had received 150 applications for the course, which grew 8 times to more than 1280 applications by 2015. Till date, 410 students have successfully completed their courses with 100% placement record. AOSN students, after successful completion of courses, find jobs in reputed hospitals in various Government and private establishments

not only within the state of Assam but also in other metro cities of India and some have even found placements in foreign countries viz. Nepal and Australia. Some of the reputed organizations engaging them are IndianOil, NRL, Govt. of Assam, Peerless General Hospital, Apollo Hospitals etc.

The project is aligned to clause-III (promoting gender equality, women empowerment) and Clause-II (promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects) of Schedule-VII of Companies Act, 2013.

#### **KEY BASE-LINE INDICATORS FOR ESTABLISHING AOSN:**

1. Lack of quality nurses in North east India
2. Very poor sex ratio in Assam
3. Social and financial backwardness of community as compared to rest of India
4. Lack of infrastructure facilities in nearby Govt. Nursing Colleges

## **THE KEY LEARNINGS FROM THE PROGRAM:**

- Establishing a nursing Institute supported by an operational hospital in the vicinity is an added advantage. It provides two-way support; to the students with practical learning opportunity all through the course and to the hospital by making available additional resource/ support staff in case of exigencies.
- Up-gradation of an Institution from diploma level course to a degree course and running both the programs concurrently minimizes the establishment, infrastructure and running cost due to synergistic sharing of most of the resources. With comparatively less cost, a new course is added which is of much higher value. Also, the experience gained in running diploma level course is very useful in operating degree level course.

## **KEY OUTPUTS OF THE PROJECT:**

AOSN has a multi-pronged positive impact on under-privileged girls, their families, healthcare sector & the region in general. Underprivileged Girls from the region have found an opportunity to study in the institute, gain skills and build stable careers, free of cost. It has transformed the lives of girls and their dependents by providing them financial stability and recognition in the society. Women Empowerment, improved availability of healthcare professionals, better economic prospects. The initiative has made available qualified nurses in the region and beyond, which otherwise suffers from lack of adequate healthcare workforce. The community also benefits from the services of such highly qualified nurses. Also, various other PSUs/

private companies/ Govt. projects have recruited girls trained/ skilled at AOSN/ AOCN.

The programme empowers women by providing them professional skill and financial independence. It has also helped in the overall growth through development of management skills, interpersonal skills, etc. The structure of the course includes practical and on-field exposure, field engagements, home visits etc., which develops their all round skills and confidence.

### **KEY INDICATORS OF EVALUATION:**

Placement % w.r.t. the no. of students who successfully complete the courses (100% placement); Avg. package after placement etc. (average monthly salary of Rs.15,000-20,000).

### **SOCIAL INNOVATION AND OUTCOMES**

In addition to academic sessions, students are taught various aspects of community development and given orientation of rural areas/issues so as to integrate the social elements while studying the course. In addition to above, girls also participate in many co-curricular activities like Yoga classes, dance competitions, safety mock drills, personal safety training, classes on values and ethics etc. which provide them key life skills to be a professional as well as good human beings.

## **METHODOLOGICAL INNOVATION AND OUTCOMES**

The unique methodology of the project has not only helped all-round growth of the girls, it has also made them financially independent while studying.

- The scholarship provided to girls during study not only support them financially but also to their families.
- Attachment with IndianOil's AOD hospital for internship provides immense benefit to the students.

## **OBSERVATIONS AND FINDINGS**

- The CSR manager pointed out a salient feature of the CSR function of IOCL is that it completely executes the project on its own i.e. through its own staff rather than through an implementing agency. This is the company's effort to weed out the intermediaries and layers in order to directly reach out to the beneficiaries. However, this model although valid, has major drawbacks as well. First of all, it is seriously expensive. Companies, under the CSR mandate, are not expected to maintain large CSR establishments. Secondly, CSR projects are best implemented by grass roots level workers belonging to civil society organizations – not public sector employees who have a different kind of mind set altogether. Hence, this project too struggles with creating impact through a project run by government type employees enmeshed in bureaucratic structures.

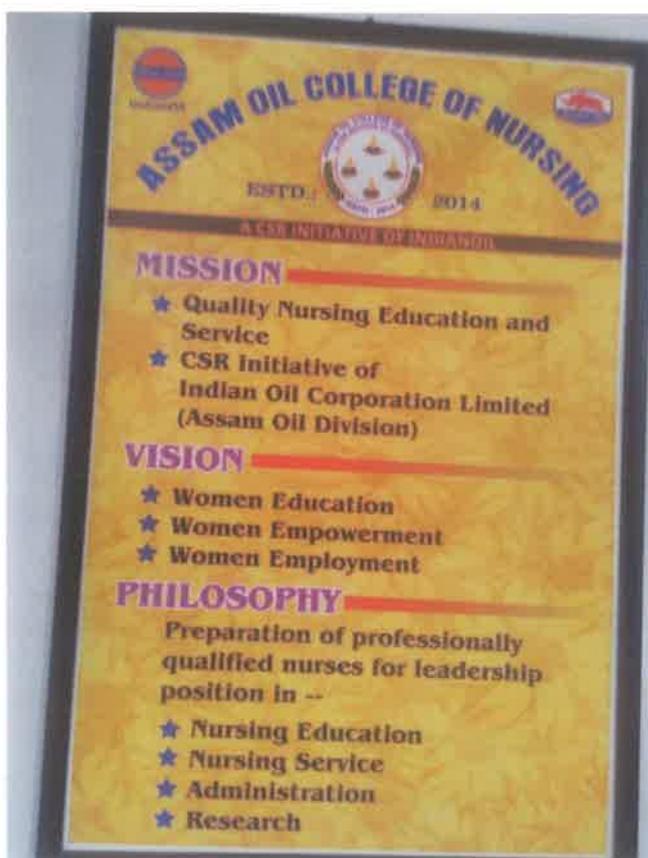
- IOCL is very aggressive with the Aspirational districts earmarked by the NITI Aayog. IOCL has developed targets for their CSR authorities that they compulsively undertake projects in such districts.
- There is a huge dearth of good nurses in India. The nurses that should be available as per the population density are not there. The good nurses go abroad for better job opportunities. In India there is a glaring shortage of trained nurses.
- In Digboi, the refinery unit head in the capacity of being an executive director (ED), has been vested with considerable authority and power of decision making. So in a way the Delhi corporate office has devolved decision making to Digboi thereby limiting its interference in day to day decision making. It is good from the point of view of avoiding micro management as well. The importance of Individual motivation and the organizational culture plays an important role in shaping the CSR landscape of an organization.
- Bringing all the girls from the nook and corners of the northeast and making them into quality nurses is a herculean task in itself.
- The building in which the AOSN is located is almost hundred years old – an antiquated English bungalow. It is a project which started in the year 1986. The course was started at a time when it was the need of the hour and the viability of this course to attract the applicants from the economically backward regions. Initially, there were only 8 students. It is because of such institutes which are training professionals in the field of nursing and are setting benchmarks, that the value of such institutions in the current scenario is huge.
- The college has created a unique identity by positioning itself as a one-stop solution for getting quality trained nurses. The profession has evolved to an extent where the transition is from general to specific and today the nurses are specifically being trained in highly specialized areas as diabetic diet educator, heart transplant nurse, robotic nurses etc. this gives an ample scope of the specialization and customization of

this profession. Till date around 410 students have already completed their GNM course and have been successfully placed in different states. The nurses not only cater to the hospitals located in Assam but other states and foreign locations as well. Some nurses have been placed in Pennsylvania, Canada any state Hospital Goa, IOCL Assam Medical College, in other regions of Meghalaya and Shillong etc.

- There is a high level of awareness in the local population about this Nursing School. This year AOSN School of nursing received more than 2000 application. Every year the students of The Assam School of Nursing secure high ranks the University merit list.
- The teaching methodology used in AOSN is the traditional lecture method. The teachers use PowerPoint, demonstration method; they also have the models for exhibiting various systems to the students. The students are encouraged to be creative and innovative by various DIY projects which include preparing the model of various systems like respiratory system, digestive system reproductive system, circulatory system etc.
- This activity is primarily focused in the first year to strengthen the basic fundamentals of physiology and anatomy. They also get classes from the doctors of AOD hospital and the teachers. The students are encouraged to present the model in groups which helps in group study and boosts team spirit.
- The drop out ratio is relatively small. On asking questions related to screening of potential candidates on behavioral grounds, it was revealed that currently AOSN does not have any criteria related to personality and characteristic attributes for admission. The orientation and induction process involves the lamp lighting and the Oath taking ceremony with regards to Florence Nightingale. The students are taught about selfless service the Florence Nightingale, life history and other learnings from the very basic they start. The admission is purely based on the academic performance.

- The CSR staff complained of work overload owing to less staff. Currently, one of the senior staff is undertaking the academic responsibilities as well as the tasks related to the co-curricular activities. Another staff member is doubling up as librarian cum office assistant.

## **EXHIBITS**



**Exhibit** Display board at AOSN



Florence Nightingale as an anchor



CSR Team meet at Digboi



Training Workshop Center



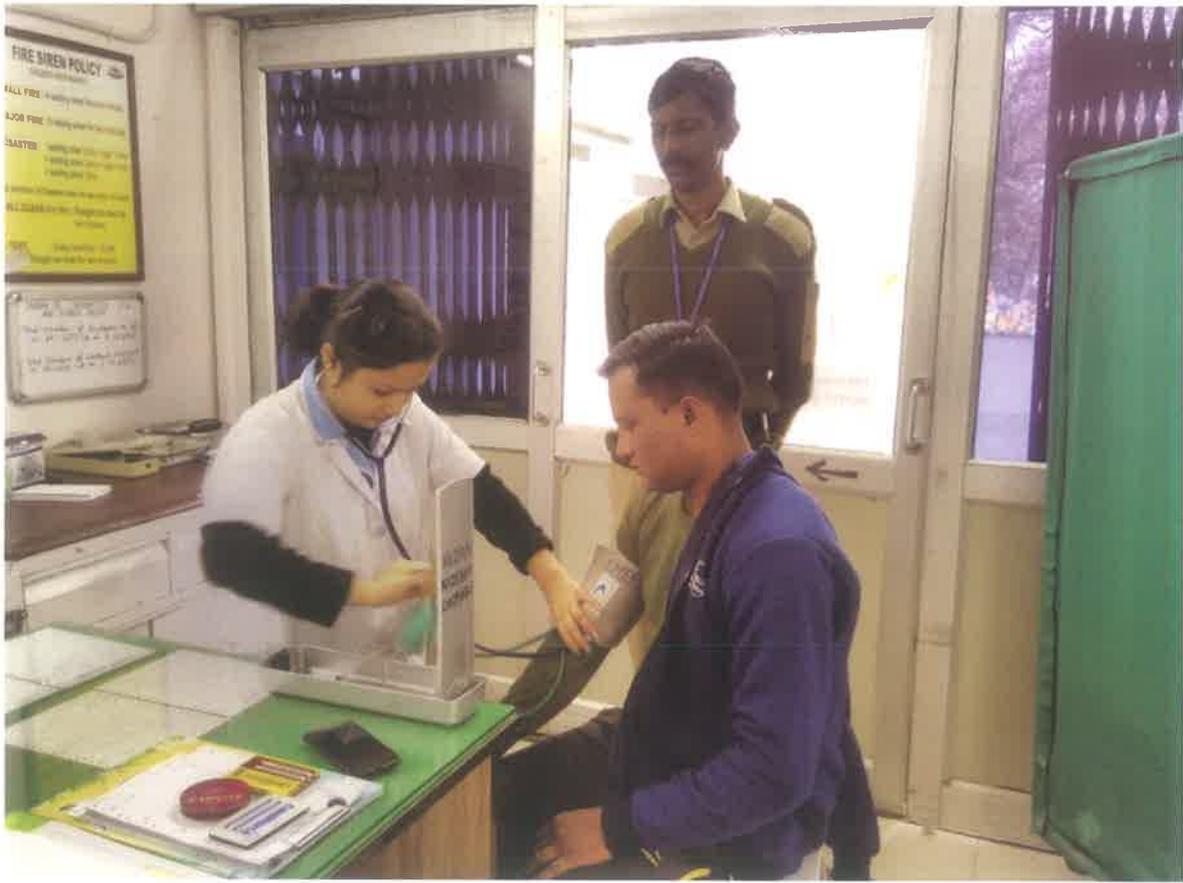
Training Institute







**Exhibit** The AOD Hospital



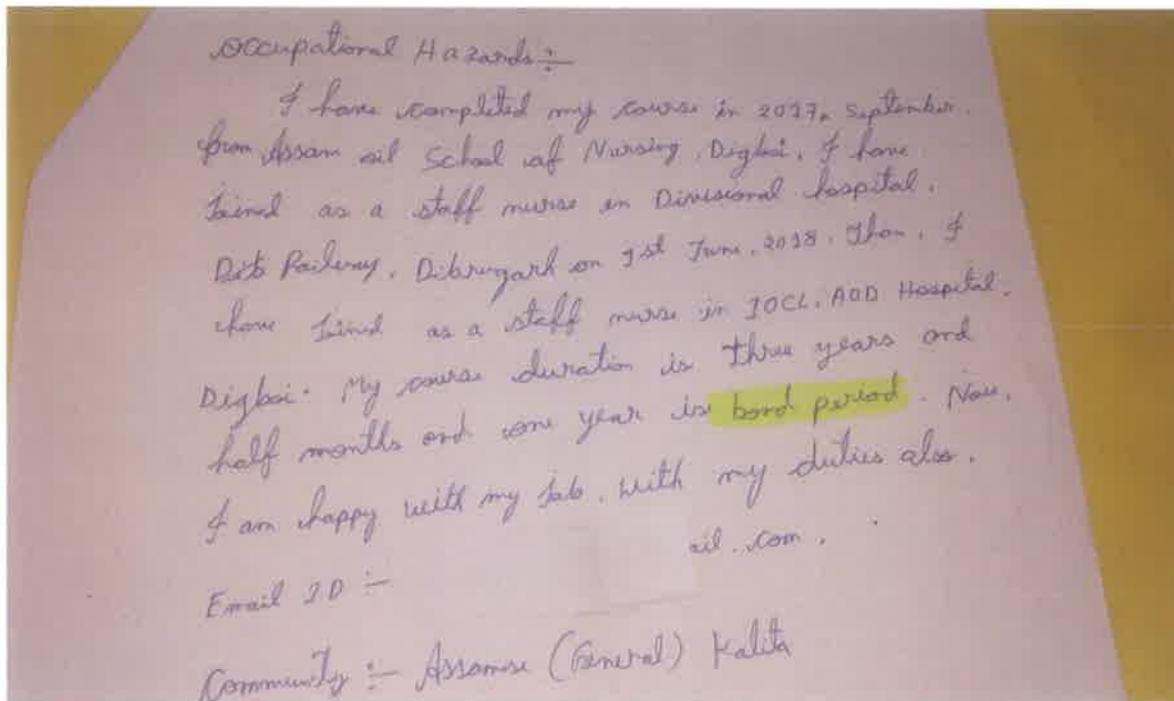
**Exhibit** Nursing student at AOD



**Exhibit** Nursing students at AOD

### **Recommendations**

- 1) A group of students was interviewed. They students were asked if there was any practice related to them signing a bond for compulsory service with the AOD Hospital. They confirmed that students are made to sign an agreement which makes it mandatory for them to render service of one year to AOD after they pass out. They are given a contract on the first day itself which states that they have to mandatorily serve IOCL for a year.



**Exhibit** The students mentioned about the bond period which is a restrictive practice

This practice needs to stop. It was a general sentiment strongly articulated by students as well as parents. There was an inherent dissatisfaction among students and parents that taking services of trained nurses under CSR intervention of IOCL as a part of free training and then binding them to AOD in lieu of Rs. 16,000 negates the very spirit of CSR.

- 2) The new hostel building construction should be resumed and the project must be finished on time. The building construction has come to a halt since a long time owing to the contractor absconding.
- 3) The practice of inclusion of various divisions of IOCL in planning stage is beneficial for the success of the projects. The secret recipe to IOCLs most iconic CSR projects also lies in leveraging cross functional teams across its operations. This aspect can be further enhanced and amplified.

- 4) The manpower shortage in the Nursing School has increased the job responsibilities of various employees which has a direct implication on the quality of training being provided to the students and on the work life balance of the employees and the students. This issue needs to be addressed expeditiously.
  
- 5) The monitoring of the Digboi team is through reports. There are various kinds of reports - progress reports, budget reports etc. Officials keep on visiting on rotational basis. However, the frequency is not very regular. The team performs at the optimum level but remains out of the radar of the corporate office. The team garners only the occasional limelight on corporate communication channels. The periodicity of visits of senior officials needs to be drastically improved.

## **HDFC BANK –THE INTEGRATED HOLISTIC RURAL DEVELOPMENT PROGRAM**

### **Profile of the company**

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

### **CSR Profile of the company**

At HDFC Bank, Corporate Social Responsibility is all about developing a business model that not only creates economic value but also contributes to a healthy ecosystem and strong communities. Their endeavor is to evolve and develop appropriate business processes and strategies to achieve a common goal which contributes to the greater good. The Areas of initiatives are broadly:

- Sustainability
- Livelihood
- Sanitation
- Education
- Skilling Community
- Environmental Sustainability
- Go Green

Their Civil Society partners are:

- Action for Food Production
- Aga Khan Rural Support Programme (India)
- AROH Foundation
- BAIF Development Research Foundation
- Community Advancement & Rural Development Society (CARDS)
- Friends Union For Energizing Lives
- FXB India *Suraksha*
- Magic Bus India Foundation
- *Krushvi Vikas Va Gramin Prashikshan Sanstha*

### **Broad Financials of the Company**

Total income of the Corporation for the year ended March 31, 2018 was INR 35,230 crore compared to INR 33,160 crore in the previous year, representing a growth of 6%. For the year ended March 31, 2018, the Corporation made a profit before tax of INR 15,264 crore as against INR 10,727 crore in the previous year which is an increase of 42%. After providing INR 3,100 crore for tax, the reported profit after tax for the year ended March 31, 2018 stood at INR 12,164 crore as compared to INR 7,443 crore in the previous year, representing a growth of 63%.

### **CSR Financials of the Company**

During the year, the CSR Committee of the Corporation made a conscious decision to utilize the unspent CSR expenditure of INR 14.59 crore from the financial year 2016-17. Thus, against a prescribed 2% requirement of INR 159.69 crore for the financial year 2017-18, HDFC spent INR 175.97 crore, which includes INR 14.59 crore carried forward from the financial year 2016-17.

### **CSR Committee of the board**

The Composition of the CSR Committee comprises of Mr. Deepak S. Parekh (Chairman), Mr. D. N. Ghosh (Independent Director), Mr. Keki M. Mistry (Director), Ms. Renu Sud Karnad (Director), Mr. V. Srinivasa Rangan (Director). The committee meets four times annually to discuss various strategic issues etc.

### **Details of the NGO Partner chosen by HDFC for Project "SWADHAR"**

#### **AROH Foundation**

AROH Foundation is a leading national-level NGO strengthening Government welfare programmes and CSR initiatives of several PSEs and corporates by providing total integrated solutions - consulting, planning and implementing - for sustainable, inclusive development and growth for the needy and marginalized communities in 16 states of India. The uniqueness of AROH Foundation lies in its understanding and approach towards social development, for creating successful models which seek sustainability, availability, accountability, transparency, credibility and effective leadership - enriched by an experience spanning over two decades. AROH is an ISO 9001:2008 Certified organisation with its management governance structure having an inbuilt audit and evaluation mechanism to ensure optimization of resources for the highest social return on investment.

While working in sectors of Education, Livelihoods, Health and Sanitation and Renewable Energy, AROH has also been successfully implementing integrated village development programmes in various states of India. The organization has so far directly benefitted more than a lakh of beneficiaries through its various programmes in the past two decades.

**AROH's Footprints:**  
 States-**16** Districts-**90**  
 Blocks-**250** Villages-**1200**

### **SWADHAAR PROJECT DETAILS**

<b>Title of the project</b>	<b>SWADHAAR</b>
<b>Goal of the Project</b>	Holistic and Integrated Development of Cluster of 8 villages in Takhatpur, Bilaspur District of Chhattisgarh.
<b>Key objective of the project</b>	To Develop human capital, natural resources and infrastructure in poor and backward villages in Takhatpur Block of Bilaspur District in order to bring about their socio-economic upliftment.
<b>Beneficiary group</b>	Target groups comprise of farmers, poor, underprivileged women and unemployed or under-employed young boys and girls living in 8 villages of the chosen cluster in Takhatpur, Chhattisgarh. The total estimated households in 8 villages are 5000 (Apr.) (an average of 600 per village) Integrated and holistic development activities would cover all households and benefit more than 20000 people in three years of project.
<b>Details of the component for which support is being requested</b>	Support is needed for complete execution of the project and setting up and running of project activities related to NRM, Agriculture interventions, Group assets & Skill development centre accessible to selected villages.

<p><b>Geographical area of execution of project and reason for selecting the area</b></p>	<p>8 Villages in Takhatpur Block, District Bilaspur, Chhattisgarh</p> <p>Bilaspur is one of the districts in Chhattisgarh where school sanitation programme has been taken up by HDFC in partnership with AROH Foundation. Takhatpur Block of Bilaspur is one of the backward block of Chhattisgarh having great potential &amp; scope of work for the village population, need for reviving of natural resources, skill training for promotion of rural entrepreneurs etc. to lead overall integrated &amp; holistic development of targeted villages.</p>
<p><b>Project Rationale/need</b></p>	<p>Sustainable growth of the nation can only be through economic empowerment in the rural regions. The crux of the issue in Indian agriculture lies in farming being a non-remunerative activity for the majority of farmers who are small landholders or marginalized. What worsen their circumstances are inefficient resource-utilization and land degradation as well as over dependence on rain-fed agriculture. Small farmers face additional challenges of poor access to affordable and good quality inputs; lack of technical knowhow to improve productivity; weak institutional linkages; lack of affordable credit; and lack of transportation and storage facilities leading to post-harvest losses and distress sales. There are limited opportunities for non-farm livelihoods as well.</p> <p>In Chhattisgarh, livelihoods vary both from block to block and within the same block depending on such factors as forest cover, roads and distance to markets, landholdings and general agronomic conditions. For those areas that are rather more forest dependent, people still have a mixed source livelihood. That is, part of their income comes from minor forest produce, a part from cropping and livestock and a part from daily wage labor whether from better off farmers, the Forest Department, via MGNREGA, or from seasonal outmigration. Skilled employment is still not a viable livelihood option in most areas and poverty remains wide spread In the state. Overall, the situation is such that sustainable livelihoods remain still a dream in rural areas.</p>

The vast majority of the tribal population have no employment opportunities outside their areas of residence unless in menial and unskilled sectors; this is leading to youth un- and underemployment, as the absorptive capacity of the agricultural sector is diminishing.

The long deprivation of the tribal community, traditional practices and illiteracy further deter the progress of the poor in these areas. Moreover, high poverty areas exhibit a high degree of physical and social infrastructure sparseness. This is demonstrated by poor infrastructure in terms of inadequate road connectivity and fewer infrastructural facilities, such as educational institutions, hospitals, etc. Basic facilities such as safe drinking water and improved sanitation practices are almost absent in the high poverty zones. While only 40% of the population in the state of Chhattisgarh uses improved sanitation facilities, in the high poverty zone, it reduces to 12%.

There has been a systematic failure in giving the people of Chhattisgarh, especially tribal, a stake in the modern economic processes that inexorably intrude into their living spaces. The alienation built over decades is now taking a dangerous turn in some parts of our country. The systematic exploitation and social and economic abuse of our tribal communities can no longer be tolerated.

Poverty reduction and income generation programmes need to be carefully strategized - One size fits all approaches need to be minimized through real decentralization and devolution. Village needs to be seen as the operative planning unit rather than the Block or the District because of the need to reach –hidden and vulnerable populations. All groups of people need to be empowered with skills which would give them better income.

The proposed project offers holistic and integrated development interventions in 8 poor tribal villages of Bilaspur through a participatory and enabling approach by building human capital and natural resource management so that villagers can realize their full potential leading to their socio-economic

	transformation, enhanced income levels and reduction in poverty.
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## Detailed Outline of the Project

Project SWADHAAR taken up as a partnership between HDFC and the NGO partner AROH Foundation focuses primarily on integrated holistic rural development (IHRD). It is being implemented in Takhatpur block of Bilaspur District, Chhattisgarh, with strong emphasis on infrastructure development which includes:

- Solar Street Lights
- Solar water pumps
- Sanitation Structures for schools and individuals
- National Resource Management (NRM)
- Skill Training
- Livelihood betterment through Organic Farming

Under the HRD program, a community-driven approach is used to cover the right beneficiaries. Different types of processes are being followed for effective implementation of the project:

- Community level meetings explaining the core elements of the intervention in the presence of village development committee members;
- Concept note preparation and approval from Head office;
- Identifying the right beneficiaries;
- Field verification and finalizing of the list;
- Intervention wise training;
- Determination of activities;
- Monitoring visits and hand-holding support;
- Regular monitoring and mapping of beneficiaries with the help of ERP tools;

- Process Documentation.

Also, a conference call between head office employee and field workers takes place every fortnight so that fluency of communication is maintained.

The implementing team generally comprises of local social workers and engineers who are well aware of the physical and cultural problems that may be faced during the duration of the project.

## **Observations and Findings**

### **1) Rejuvenating old concepts in a New Context-**

HRDP/IRDP is an old concept that has existed since ages yet it has gained renewed momentum in the wake of the new CSR regime. When AROH entered the community earlier, it resorted to SHG-based models. The approach in the present time, is more specialized and cumulative of not only having self- help groups but planning, integrating and delegating exercises. There is a shift from individualism to the collective approach keeping sustainability in mind. Earlier, any intervention that was selected carried a weightage in terms of effectiveness and success rate. Now the impact and outcome is translated into tangible and verifiable numbers. Now the AROH Team also gives ample room for constraints and limitations such as government gaps and linkages. Efforts are made to look for points where the project converges with the Government schemes for creating synergies that can amplify the competency, fill the gaps and fulfill the objectives.



**Exhibit** AROH helping villagers via self-help groups, Village Development Committee (VDC) and enterprise development.

### **2) Evolution from the Reductionist Approach to the Holistic Approach**

Earlier, CSR was reductionist in approach which meant undertaking activities in small units often dissociated with the over-all objective. Hence, individual acts of constructing schools, hospitals, temples etc. in these areas was rampant. However, Section 135 has induced a 360 degree change in approach. It is more holistic now. In line with the objectives of the legislation, AROH is far more planning-oriented towards Integrated development looking at a composite mix of livelihood, education, health, hygiene and infrastructure.

### **3) Priority to collective consultation over individual consultation**

AROH has set its own terms and conditions according to which it does not indulge in individual consultations with beneficiaries. Meetings are convened through the *Sarpanch* where prospective beneficiaries are targeted. The project design done initially had taken a target of 3 years to benefit 3000 families through IHRD. Seeing the ambitious scalability targeted in the project design itself, it was decided that a collective approach would be more suitable. Besides the collective approach also



involved all the stakeholders like SHGs, Village Resource Persons and all relevant *Panchayati Raj* institutions.

#### **4) Pond Restoration and Beautification**

The community members were still relying on the age old traditional method of water storage. Since it was a rain-fed area, the life cycle of the pond was dependent on the seasonal cycle. Owing to availability of water at certain times of the year, the farmers had no other option but to grow only one crop. Opting for a second crop had to be only for a low maintenance crop. The majority of farmers, in order to improve their living standard, needed to have access to support and regular, regenerative natural resources. AROH carried out a detailed mapping exercise from which it emerged that ponds in about 7-8 villages met the basic criteria for rejuvenation.



**Exhibit** AROH roping in local manpower





**Exhibit** – Kitchen garden and WADI intervention

### **5) Monitoring**

Regular monthly meetings are held in the Center at Bilaspur. The monthly plan is discussed. The VRP (Village Resource Person) communicates the overall plan of activities and enunciates concepts and strategies. These are then discussed in considerable detail. The VRPis also tasked with the

responsibility of monitoring the daily tasks of the internal groups. Weekly progress is tracked and is evaluated against the monthly objectives.



**Exhibit** - AROH Staff in conversation with community members

## 6) Barren Land Utilization

Earlier, due to the deficiency in conditions, available water could not be stored. This, together with uneven and arid soil conditions, led to lesser productivity. Conversion of barren land to fertile land would mean that farmers would benefit from additional production and increased income. Thus farm bunding (*medbandi*) was taken up on an unprecedented scale. Earlier, because of deficient irrigation facilities, only half of the land was being used for production, consumption and marketing. With this initiative, the farmer was enabled to take a *rabi* crop in February along with the *kharif* crop in July. Utilizing the entire field leads to an increase of 18 to 20 quintals of extra production. The minimum support price (MSP)

is of 2,000 rupees. The initiative has given the farmers a benefit of around 40,000 rupees which creates a substantial impact on livelihoods.



**Exhibit** – Barren land used for growing cattle fodder and vegetables

## **7) Failure of the Agriculture Resource Centre**

A "*Krishi Yantra Samooh*" was formed with the idea of generating income from the implements given on rent and interest charged. The Agricultural Resource Centre started with the formation of a 20-women (*Durga Samiti* SHG) facilitated by AROH. The idea was that the SHG would operate on a business model offering machines like threshers, paddy grinders, rotors, air pumps, medicine sprinklers, *hawai pankhas*, *udani pankha* etc. on rent. However, none of the SHG members had clarity about the clearance of dues or accountability. They did not attend meetings regularly and utterly lacked the spirit

of teamwork. There were also conflicts about who would be entitled to use the tools available at the agriculture resource center. Finally, the harsh decision had to be taken to return the agricultural tools and shut down the Centre. Thus a very fine initiative met a sorry end.

## **8) Positive Interventions for Toilet Usage and Goat Breeding**

The villagers highlighted certain other positive aspects of the activities carried out by AROH like laying tiles in the bathrooms, constructing wash basins, providing solar lights, utilizing cattle grazing lands, providing seed and fishes for village development etc. A lot of positive and negative changes were garnered after these interventions and the villagers vouched for the fact that now there are tangible proofs of development which instill a sense of hope. Some challenges were unique like despite having toilets, the community members used to go out into the fields to defecate. The intervention of AROH led to a change of mind set of the villagers and the utilization of the toilets increased exponentially.

Through AROH, goats have been made readily available to the villagers at a nominal rate of 10,500 INR in contrast to the market cost for one male goat at 8,000 and female goat at INR 5000 -10,000. The villagers were educated about the importance of vaccination and usage of veterinary facilities.

## **9) About street lights**

The spots chosen to fix lights were not identified in consultation with the villagers. The mapping was not effective. The management and maintenance of lights was, however, done well. For maintenance, it was decided that collection of one rupee - five rupees from each household of the village would be done so as to create a pool towards

the maintenance of the solar lights installed in the village. This system has worked effectively.



**Exhibit-** Solar Street light

## **10) Toilets**

The ones constructed by the Government have been erected with no planning. Government constructed toilets where they were not needed. They are, therefore, very badly maintained and are now a prime example of misutilization of scarce resources. AROH, on the other hand, has undertaken toilet construction after prior

consultation with the community and their efforts, therefore, have borne rich fruits.

### **11) Mini Solar Home Light**

This particular component was taken up out of the savings effected from other components of the programme. In any situation of project execution, the residual amount of the budget is a very strong indicator of the effectiveness of implementation. Whereas the complete exhaustion of funds denotes that the execution has been meeting expectations, the accruing of residual amounts shows that the project has been executed in a cost effective way. AROH used the savings for the welfare of the community so that they start accepting the AROH-HDFC coalition. Mini solar home lights were introduced in response to a persistent problem that was plaguing the community which was frequent power outages. Through this initiative, as many as 460 Mini solar home lights directly benefited 460 households. It was a breakthrough initiative in the transition from the street to the home.

### **12) Skill Development**

AROH has held workshops related to computer training, mobile repairing, soft toys, mushroom cultivation, house and toilet beautification- the latter adding value to the *Swachh Bharat* mission. AROH has trained around 300 youth as competitive mason workers. This skill is a very potent skill that has immense potential to generate good income and entrepreneurial talent.

### **13) Government school scheme**



the villagers can eat with their fingers. Since these are very popular and are also used only once each time, the owner of a *dona* making machine has steady orders which he or she can keep servicing. The procurement and installation of these machines has helped the villagers to generate income and meet the local demand in a sustainable and environment-friendly manner.

### **15-Empowering the *Anganwadis***

Earlier, Government *Anganwadis* or pre-school Centers only focused on providing meals and this was the only interest of the villagers to send their children to these pre-schools. Focus on education was virtually absent. Women also took *Anganwadi* activities for granted as a way of whiling away time. Actually, *Anganwadis* are supposed to carry out activities like vaccination, joyful learning, cognitive understanding, health tracking and so on. The AROH-HDFC intervention brought out the true potential of *Anganwadis* by providing creatively designed teaching-learning materials, toys, kits, and also equipping government teachers with modern skills in imparting education. Thus, the villagers today have a heightened sense of the objective behind setting up the centres.



**Exhibit-** Empowering *Anganwadis* to promote health and value of good habits in very young children

## 15) Women centric initiatives

Women in these villages had always used forest and fire wood for their cooking using the traditional *chulha*. AROH's intervention brought in the availability as well as the usage of biogas in a very big way giving rise to a staggering 60% cost-saving in fuel consumption. Apart from the fact that this was a huge step forward from the angle of sustainability, it also had an enormous repercussion on the health of women who were now freed up from the serious health hazard of imbibing smoke into their lungs almost on a daily basis.

## Recommendations

1. It was fairly evident that other corporate entities such as Reliance and TATA who are working in nearby areas, have better branding and goodwill amongst the masses in comparison to the AROH-HDFC combine. In today's modern version of CSR, branding is crucial, as it helps preserve and propagate the work done by the organization and also enhances brand image and brand value. It would thus be important for AROH-HDFC, now that they have established themselves with good and substantial work on the ground, to turn their attention to this aspect as well.
2. The frequency of top leadership visits to the ground level needs to improve substantially. The detached involvement of the leadership leads to lower morale and lesser sense of belongingness for the field level workers. The employees also ranked AROH low on job satisfaction and job security. When asked to divulge the opinion about the working culture in AROH it was said to be authoritarian dubbed as "dictatorial". The decisions only gravitate towards the lower hierarchy with least involvement of all in the decision making. The consequence is that the decisions lack the insights and challenges from ground level. AROH must value feedback and insights from all levels so that everyone feels a part of the team. The transmission of local knowledge is an important factor in the overall success of the project and for creating impacts.
3. The Job security aspect was a recurrent theme. NGOs like AROH which use association with bigger corporates as a mark of success should also borrow best practices from these partners. The deviation in employee well-being of AROH and the partnering organization HDFC from compensation, capacity building initiative, career growth plan, performance appraisal, employee growth and development is indicative

of a chasm. The NGOs must make the optimum use of such association for not only realizing a project sponsored by the corporate but also in accentuating their appetite for honing their own professionalism.

4. The flexibility in the project design was also vouched for. The project designed in Delhi office is primarily done in silo with no connect from remote place where the project is being actually carried out. This leads to at times coming up with projects which have to be withdrawn on account of low acceptance in community. In past there were accounts where in a mobile training had to be withdrawn as it turned out not to be need based, in other accounts the intervention supposedly designed for marginal farmers at ground level was not indeed a need. Thereby faulty baseline leads to irrelevant projects. These projects are dressed with the best catch phrases and lofty concepts to project a certain image at national level. The truth is they are mere showstoppers. After 5 years, nothing exist after closure on the ground. Such cherry-picking should be curbed.
5. For Agriculture Resource Center a day must be finalized for collection of the money. The villagers should be educated about their power as an individual to impact the group working in positive or negative way. It must be ensured that the *anshdan* amount should not be used for personal transactions. It was evident that volatile situations reflect upon the bad conflict resolution skills of AROH. There was no documented process for grievance redressal.
6. The intra and inter group conflicts in women SHG groups particularly related to money matters is tedious and fractious. These conflicts seriously hamper morale and dangerously compromise the participatory spirit. The information channel that connects the group members is not

efficient; the attendance in group meetings was a major issue showing a lamentable lack of seriousness. Dysfunctional team conflicts can be defused ultimately by referring the entire matter to the Panchayat or *Sarpanch* of the Gram Sabha and allow that entity to be the final judge in the resolution of the conflict.

7. The synergy between the AROH staff and the local government functionaries was conflict ridden. The probable reasons were miscommunication, disinterestedness in collaboration, no proactive efforts and lack of desire or motivation to converge and collaborate on the efforts being made. The high level of trust enjoyed by Government among communities can be used by AROH for better implementation of the projects. The inability of AROH for buy-ins and tradeoffs to make the officials agree to collaborate can be attributed to a lackadaisical approach.
  
8. The AROH employees at the ground level expressed the opinion that there was inadequate capacity building particularly at the time of induction. The lack of training led at times to sub-standard documentation, disparity in competency of personnel (some end up doing a lot and others remain aloof) and less awareness about AROH among the community. As already stated the other corporates (Reliance and TATA) fare better in creating the brand recall in comparison to the AROH-HDFC combination.
  
9. The vocational skill development efforts like mobile repairing, imparted to the villagers was hailed as an excellent effort. Many beneficiaries who were trained, shared their experiences and deemed the initiative to be a really positive factor in setting up their own businesses. However, they shared the information that the equipment provided by AROH were of sub-standard quality (*Made in China*) with low durability. Henceforth, it

would be better if AROH could provide good quality products which do not impact the effectiveness of such efforts.

10. Based on the feedback, it is imperative for AROH to include the community more and encourage and motivate them to express their needs thereby enabling better planning and implementation.

## CONCLUSION

Inspired by the great Indian-born, international management guru of social entrepreneurship, C.K. Prahalad, *Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Wharton School Publishing, University of Pennsylvania, 2004) our home-grown model of CSR, focuses on creating energy at the bottom of the pyramid - reaching deep within communities to ensure that their needs are met. This whole new vision and methodology initiates a movement to a higher plane. In the '*do business with the poor because in the poor also lies business opportunities*' of the Prahalad model, the focus was on the fact that doing business with the poor would help companies accumulate wealth from the large untapped 'poor market' and make decent profits. The Indian CSR mandate elevates the thinking to a different trajectory: it suggests doing *good for the poor is an integral part of business strategy itself and need not involve thinking or perceiving of the poor as markets*. For the first time, there is a categorical assertion that companies must place society first - do good for society at large, and make it intrinsic to the business strategy of the company.

It is for this reason, that the past four years have witnessed a seismic shift in the approach to CSR - from the side of both corporate India and non-profit India. Companies have started to embrace the new regulation with zest. Many organizations have joined the league along with the earlier front-runners who already had an enviable track record. With the rules of the game written clearly, CSR expenditure has seen a positive growth of around 7.38% that too amidst turbulent economic conditions worldwide. A recent report which closely analyzed the CSR Expenditure of 2000 companies revealed a double-digit growth in CSR expenditure which is a positive sign.

It has been observed, that since the onset of the law, corporate entities, instead of just engaging in cheque-book philanthropy, are actually spending time and effort on aligning their social interventions with business expertise and social needs. Reports have found that compliance to the requirements of the Act has improved. An added spur has been that the compliant companies are laying great emphasis on reporting, with detailed program outlines and clearly elucidated evaluation criteria for impact measurement. The number of companies who now place their CSR report on display has risen considerably, and this is a trend that seems to be catching up.<sup>5</sup> A positive trend is visible in the availability of information as compared to the previous reporting years while governance systems – an integral part of reporting mechanisms, also seem visibly strengthened.

Organizations are treating NGOs as business partners and entering into two-way contracts with them for their CSR programs. Strategic partnerships are being built between the two hitherto un-amicable partners and companies are moving beyond fund allocation for the project alone, entering into the capacity building scenario with intensive capacity audits of partners. While the lack of trust is still a major stumbling block in partnerships, openness and mutual dependence is certainly on the rise - one of the results that had been envisaged at the time of laying the parameters of the law.

This bonding of the formal corporate sector and the informal non-profit sector may indeed be termed as the "NGO-ization of Corporates and Corporatization of NGOs". What we see is the uptight corporate culture imbibing some of the values of informality, grass roots level connects, community sensitization and ground level dynamics. Simultaneously, civil society organizations have begun to understand the financial discipline, close monitoring, results orientation and time frame adherence approach of the corporate world. This cross-culturalization has allowed team work

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<sup>5</sup> NextGen analysis of top 100 company's CSR spend for FY 2015-2016

between them and a better appreciation of each other's strengths and weaknesses.

With the landmark legislation of 2013, the Indian government has provided a power-start to India's new initiative on CSR by getting India Inc to provide the seed capital needed for growth. As the players in the game acquire experience, gain better understanding and see the new law no more as a challenge, but as a unique opportunity, what will emerge as positive trends will be higher degrees of engagement between companies and their NGO partners, more participation in the CSR activities through skilling of personnel and enhanced focus on outcomes rather than outputs.

The new dispensation will become a platform for injecting new and innovative ideas into development and creating transformative social initiatives, not merely as a regulatory measure to be complied with. Company resources will be more and more gainfully deployed and we will see far more emphasis on third-party, objective evaluations of CSR projects. Most recently, the Department of Public Enterprises has already taken a major step in this direction by calling for proposals that will evaluate the CSR activities of Public Sector companies externally and objectively.

The CSR legislation provides an opportunity for a seamless integration of corporate strengths in strategy, project management and technology with the government mandate of nation building, in partnership with Implementation Agencies (IA) that represent the grassroots' voice of the beneficiaries. Often government programmes have not delivered due to a gap in assessing the felt needs of the community, and the inefficiency of the delivery mechanism of the government. The new Act has the potential for both of these to be plugged-in with active participation of corporate India.

The Indian CSR approach with its inbuilt commitment to the poor, the deprived, the disadvantaged and the marginalized, envisions a clear linkage between corporate spending and grassroots development work. The 2

percent law has drawn worldwide interest and is of great relevance, thereby projecting India to a commanding thought-leadership position among developing countries across the globe. Section 135 has presented us with a historical opportunity to accelerate our inclusive development agenda by triggering a process of national regeneration and rejuvenation, wherein corporate India can work concomitantly, hand-in-hand with government and civil society to bring about sustainable, visible and balanced all-round growth.

We need now to return to the four pivotal questions with which the research began:

- Have corporates, NGOs and Government utilized the new CSR dispensation to address India's development concerns;
- Have corporate entities utilized this opportunity of legally mandated CSR to give back to society;
- Whether corporates are implementing CSR as per CSR guidelines / provisions of Section 135 of the Companies Act, 2013; and
- The role of civil society and NGOs in the implementation of CSR activities, projects and programs.

We shall address each of these research questions in the light of our findings and the subsequent discoveries and insights garnered during the course of the study. Since the two-fold intent behind the legislation was, on the one hand, to push the corporate sector to undertake CSR activities so that they could contribute to the development agenda of the nation, and on the other, to be able to harness their special energies, their special skills, their ability to get real bang for the buck, their innovation, their efficiency - those are the areas that this study set out to investigate. The government's approach was to create an enabling atmosphere. India being far down on the development scale, the avowed purpose was to accelerate

the pace of that development if the private sector chipped in. It must also be said that the number of companies actually doing CSR over many years in a structured, formative approach was very small (less than ten percent, even by an optimistic estimate). The others have gradually been brought into the ambit as well as the spirit of the legislation through a process of changing mind sets, attitudes and deeply entrenched behavioral patterns.

**How the corporates, NGOs and Government have utilized the CSR agenda to address India's development concerns;**

With the promulgation of the Section 135, each of the organizations chosen as a subject for the study were found to have chosen specific areas of intervention from amongst those listed in Schedule VII. Be it TATA Steels and ASPIRE combating educational challenges that deprive a substantial number of children of primary education, be it ACC & IMAYAM trying to address the threat of solid waste paralyzing the lives of communities, be it Indian Oil's solo crusade in the hinterlands of the North East, or be it the HDFC- AROH coalition to revive the vintage concept of IHRD with a new twist and address agrarian issues of the country - each individual entity (corporate OR the partnering NGO) and the subsequent coupling (corporate AND the partnering NGO) has showcased many events which breed success factors for achieving set objectives. The liaison between the corporate and the implementing agency also presented the convergence points with on-going government schemes. One of the salient features of the study is that it brings out the ripple effect in action. *A ripple effect is a situation in which, like ripples expanding across the water when an object is dropped into it, a particular initiative, from an initial state can be followed outwards incrementally.* The study produces evidence that the projects executed with a potent mix of efficient team work, well defined systems and processes and competent field workers create outputs in the form of micro spin-offs emanating from the main project. These off shoots were realized as hidden / latent benefits strictly in the context of the targeted communities. They can be seen in the continuum of tangible and intangible

benefits. Some can be stated as critical incidents, identifiable milestones, translated into facts and statistics, whereas others can be more intrinsic and abstract. They serve as aspirational or motivational factors and remain hidden to the naked eye - yet can be very crucial for triggering behavior re-modelling and willingness to change.

For example, tribal communities interacting with educated professionals found role models for their children. This specially holds true for the girl child. In the deep interiors of Odisha many among the youth found interest in educating the girl child to become someone like the community mobilizing staff of TATA Steels - ASPIRE. Likewise, rural women in Chattisgarh who never ventured out of their homes, proactively asked for a sanitary pad making unit in their villages. Non-availability of schools for girls in their villages was a grave issue for communities and thereby they were vociferous in asking for schools. Rural women from Madukkarai started enterprise development by forming self-help Groups triggered by ACC through IMAYAM.

It is also evident that a lot is changing for Government functionaries as well. Through Section 135, government staff, particularly at the cutting edge of the development process, find themselves at the cusp of change with the unique opportunity of having corporate-NGO combinations available to work with, and help embellish and enhance their efforts. The study revealed that some governmental set ups were still in state of non-acceptance, some were resistant and others joined the crusade of change triggered by Section 135. Initially, each of the agencies (corporate, government and NGOs), were found to be self-absorbed in their own obsessions. When one spoke to corporate honchos they were often found to be looking at their own balance sheets and brand value, and concerned more with reaching spending targets than with creating lasting, sustainable impacts. Similarly, civil society organizations were at times more keen on attracting corporate funding than in real value-driven implementation. Government, which needed to play the facilitating, enabling role was

initially found wanting. What this study brings out is that gradually, but surely, government functionaries are becoming aware of the huge potential of the CSR legislation and are now beginning to harness that potential in a way that was unimaginable even a few years ago.

The following table brings out, project-wise, how corporates and civil society organizations have sought to leverage CSR in a meaningful, coordinated fashion to accomplish demonstrable results on the ground.

ORGANIZATION	ISSUE ADDRESSED	END GOALS
<b>TATA STEEL</b>	<p style="text-align: center;"><b>EDUCATION</b></p> <ul style="list-style-type: none"> <li>• Social, regional and gender disparities in education.</li> <li>• Gaps in tribal and other backward regions of the state of Odisha regarding retention and quality.</li> <li>• Learning deficits of primary grade.</li> <li>• 100% enrolment and 90% regularity of children in school in the age bracket of 6-14 years age group and particularly those from the Schedule Tribes</li> <li>• Spread community awareness and ownership towards the school, leading to better transparency, accountability and management of schools by using institutional sub-components existing in the system (SMC, Anganwadi, PRI etc.)</li> <li>• Empowering governmental efforts running parallel in the similar domain</li> </ul>	<ul style="list-style-type: none"> <li>• Enabling access to education for disadvantaged section of the society.</li> <li>• Facilitating the implementation of RTE provisions including constitution and training of the SMCs towards enhancing accountability and ensuring active involvement of the local community, strengthening of SMCs and improvement in quality of learning are areas where Government, Corporate and Civil Society partnership can make significant contribution.</li> <li>• To harness fresh opportunities and space created by enactment of RTE. To enable responsible civil society organizations to strengthen community institutions like SMC and Panchayat, and restore community's role in planning and management of schools. This opportunity so far has largely remained untapped and there is a need for creating mechanisms and a facilitative environment for strengthening SMCs and community institutions.</li> </ul>
<b>ACC</b>	<p style="text-align: center;"><b>SOLID WASTE MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Create awareness in the community</li> <li>• Implement effective garbage disposable mechanism</li> <li>• Educate masses on various aspects like segregation etc.</li> <li>• Breaking social taboo and stigma attached to traditional role and job of waste collector.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation from the community.</li> <li>• Sensitization and sensibility amongst masses about the waste management.</li> <li>• Sustaining livelihood by income generation with related components</li> <li>• Community mobilization</li> <li>• Focus on sensitized younger generation about solid waste management</li> </ul>
<b>INDIAN OIL</b>	<p style="text-align: center;"><b>EMPOWERING FINANCIALLY BACKWARD SECTIONS FROM THE NORTH EAST</b></p>	<ul style="list-style-type: none"> <li>• Empowerment</li> <li>• Deficit of quality nurses in India and abroad</li> <li>• Employment</li> <li>• Education</li> <li>• Skill development</li> <li>• Address poor sex ratio</li> </ul>
<b>HDFC</b>	<p style="text-align: center;"><b>EMPOWERING RURAL AGRARIAN COMMUNITIES</b></p>	<ul style="list-style-type: none"> <li>• Reviving old concepts in the field of agriculture aimed at marginal farmers.</li> <li>• Stopping rural migration by enterprise development.</li> <li>• Sustainable livelihood income generation</li> <li>• Fostering rural entrepreneurship</li> </ul>

## **How corporate entities have utilized the opportunity of legally mandated CSR to give back to society**

India has emerged as the leading nation to make Corporate Social Responsibility (CSR) mandatory with the passage of the Companies Act, 2013. Since its inception, there are interesting trends emerging in India's CSR discourse with special focus on the backward regions of the country. There is growing interest among governments to use CSR as a medium for forming partnerships with corporates, leveraging CSR resources to accelerate development, and reducing disparity in backward regions. State governments have started establishing mechanisms which can act as enablers to bring different stakeholders together to create sizeable impact on the communities. Establishment of such mechanisms has the potential to expedite execution of projects with augmented acceptance amongst different stakeholders. Only with the passage of time, it can be determined if this approach has led to projects which are scalable and/or replicable. Companies are not only conscious of their social obligations but also are taking steps to fulfil them and the government is beginning to leverage this trend to bridge many financial and implementational gaps faced by programs at the grassroots level.

The CSR legislation was meant to nudge India INC to start spending on social causes. In the initial stages, many in the corporate space likened it an additional tax (more significant than 2 percent as it was PAT), the others painted it as another case of compliance, another reporting norm that the top management would have to sign off. Soon, however, the realization dawned that the CSR law was meant to bring precision and business-like focus to the execution of projects in the social sector. With the corporates driving initiatives in project-mode, there would be an exponential jump in transparency, efficiency, and accountability. By bringing in the corporates, the objective was to make CSR empirical,

rather than just a fluffy, inexact, well-intentioned set of occasional activities. The finance ministry was at pains to state that the idea of CSR was not to burden the corporate sector with social responsibility, but to make them partners. As a reassurance, Sub-section (5) of Section 135 was introduced so as not to put undue pressure on companies. Every year, since then, the number of companies spending money on CSR has been increasing. According to CRISIL's CSR Yearbook, 2017, of the 4,939 companies listed on BSE and NSE, 1,688 or about one-third met the criteria for mandatory spending. In the fiscal year 2016-17, the number stood at 1186 and for the year before (2015-16) it was 950.

According to the data furnished by the India CSR Outlook Report, published by NGOBOX, Reliance Industries, HDFC Bank, Wipro, Tata Steel, NTPC, Indian Oil Corporation and ONGC spent more than their prescribed CSR budgets in FY 2017-18. The report analyzed CSR spends of 359 companies, which was supposed to be pegged at Rs 9,543.51 crore whereas the actual CSR spend was Rs 8,875.93 crore. This accounted for 3/4th of the total CSR spend in India. The top ten companies together contributed Rs 3,306 crore as part of their CSR fund, while their prescribed CSR spend was Rs 3,160 crore. There is an increase in the prescribed CSR from 6-8 percent in the actual CSR spend from FY 16-17, and the number of projects has also increased by 25 percent from the previous year. The report dubs this trend as an indicator of seriousness among "companies as they strive to match the prescribed CSR requirements with the actual CSR spends". The total CSR spend by the top 500 companies in the country since the applicability of mandatory CSR in 2014 is likely to touch an incredible Rs 50,000 crore by March 2019, said a report.

This shows that companies are not only conscious of their social obligations but also are taking steps to discharge them. The government on its part, wants to accelerate this positive trend and after the initial

laissez faire stance, there have been some discreet yet deliberate attempts to harden the regulatory framework. In January this year, the Ministry of Corporate Affairs (MCA) informed the Rajya Sabha that penal action would be initiated against 196 companies for violating CSR norms in the financial year 2014-15. Then in April, the MCA constituted a Steering Committee to review the functioning of CSR enforcement and to recommend a uniform approach for its enforcement. Based on the recommendations, another high-level committee was formed to study the CSR framework and suggest a roadmap for better implementation of its provisions. The 11-member committee will review Schedule 7 of the Act that defines the activities on which companies have to spend their CSR funds. And recently, the law was further tweaked so that companies will now have to consider only their previous year's net profit for spending on social causes as compared with two per cent of a 'three-year average annual net profit' mandated previously. There was also talk about the government changing its monitoring of the CSR projects from regional to the central level. Until now, all the 20 Registrar of Companies (RoCs) monitoring CSR projects had the discretion to decide on cases of non-compliance. Now the scrutiny and prosecutions will be handled by the Corporate Affairs Ministry directly at the central level. All these changes indicate a hardening of government's stance on CSR. In a nutshell, the carrot is slowly transforming into a stick where errant companies have refused to come forward on their own. The good thing about the CSR Act is that it has provided a robust structure for social spending and made even small and medium companies think about their social obligations - something they would have otherwise put off for another day. Once, the shift happens to a more regulatory and compliant mode, companies will bite the bullet and adhere to the norms. They will go past just the lowest hanging fruit, and themselves raise the bar for their own CSR performance.

## **The role of civil society and NGOs in the implementation of CSR activities, projects and programs**

NGOs bring in rich social capital and a level of sophistication and learning in designing, monitoring, executing and evaluating comprehensive sustainable solutions to poverty through CSR projects. The CSR principle is not about charity, philanthropy or distributing goodies to the poor. Corporates are supposed to foster sustainable, long-term projects with clearly measurable outcomes by collaborating with NGOs. The provision is designed to foster a tripartite relationship between the government, corporate India and the non-governmental organizations (NGOs) who espouse social causes and programmes. The law was designed to remove the "trust deficit" between corporate India and NGOs since it permits funding of NGO projects to be counted as CSR spending. Section 135 has evolved over a period of time through much debate, discussion and consultation between all stakeholders – Corporates, Government, Parliamentarians, Civil Society, NGOs etc. It embodies the essence of what the development sector in this country really needs today – active involvement of corporate India in nation building. Corporates have excelled in the last two decades in generating much wealth and prosperity. Ironically, much of this growth has been skewed in favour of a few, while the vast majority has been left behind. Section 135 provides us all a historical opportunity to set this right by catalyzing a process of national regeneration wherein corporate India can work hand in hand with the government and civil society to bring about sustainable development. If implemented in true letter and spirit, the Act has the potential to be a game changer for our country.

The intention of the CSR law is not that government will audit CSR projects. That would be micro-management and counter-productive. Corporates are required to assess and audit their own projects. More and more companies are slowly beginning to have their projects evaluated for both outputs and outcomes by external third parties. This is leading to a situation where

implementing agencies are increasingly having to take full responsibility for ensuring that timelines are met, milestones are achieved, beneficiaries are properly identified, funds are spent and anticipated impacts actually created.

Three of the four case studies bring out clearly how symbiotic is the relationship between the corporate and the NGO partner. So much of the TATA Odisha project is dependent on how ASPIRE has performed at the grassroots in the deep interiors of tribal pockets. ACC has likewise worked closely and in tandem with the Imayam Social Welfare Association to harness self-help groups and implement a truly difficult Solid Waste Management Program in a locality where sustainable waste disposal and treatment were virtually unheard of. And, of course, the HDFC-AROH combination has worked wonders in the very heart of one of our most backward States – Chhattisgarh.

**Whether corporates are implementing CSR as per CSR guidelines / provisions of Section 135 of the Companies Act, 2013.**

The government and the Ministry of Corporate Affairs are today, really serious about creating an enabling environment. This is facilitated by inoculating the ecosystem with success factors and making provisions that remove hurdles and pitfalls. So far, the government's track record as a facilitator has remained unblemished. The idea was to give corporates and NGOs both time and space to come to grips with the new dispensation so that they could evolve their own strategies and develop robust programs that left behind lasting footprints along with indelible impacts.

The world over, the concept of CSR has undergone many interpretations. In India, the idea oscillated between "*daan*" i.e. charity, to "do no harm". But now with this new law, India is looking forward to the strategic form of

CSR, where corporate entities are spending a part of their profits doing projects for marginalized and under-privileged. So, it is really the approach that corporates now have towards their social responsibility that is a game-changer. The transformation that has been witnessed over the last three years, is that the corporate world now not only perceives the new reality but welcomes it as a genuine opportunity to participate in nation-building. In many ways, of course, it still relates to what corporates had been doing in the past, but now the focus is more on showcasing these initiatives - working out ways in which they can put it across better.

Today, virtually all corporate CSR activity stems from a carefully crafted policy. Such policies include programmes and projects that the company proposes to undertake and these are the projects that are monitored and evaluated. There are 11 lakh (1.1 million) registered companies in India. Out of this only 1.3 or 1.4 percent have been asked to do CSR. They are the *crème de la crème* – the fat cats. The earlier way in which they were doing CSR was more akin to tokenism. Companies were doing CSR in an arbitrary fashion. Now the corporates have been asked to approach every CSR activity in a structured manner with a specified program or project concomitant with Schedule VII. So there have to be milestones for monitoring a project, a robust monitoring mechanism must be in place, baseline surveys must be conducted to understand what the community needs validated by scientific enquiry, and finally, impact evaluations must be done, i.e. encouraging companies to see what kind of impact their project leaves behind on the community or space where they are operating. There is a paradigm shift in the new CSR regime - moving far and away from the earlier check box exercise to a more meaningful, impactful and strategized approach.

### **Way Forward**

India is the first country in the world to introduce legislation that mandates CSR. With this comes the humongous responsibility as well as the

consciousness that the world is looking to us with both a skeptical and an expectant eye. If India succeeds, it will set the benchmark for nations – particularly, developing nations – across the planet. The strength of the legislation is that it allows corporates to set their own agendas and choose their own projects, programs and sectors. As funders, their CSR Board Committees have complete freedom to choose geographies, domains, budgets and activities. Within the four corners of Schedule VII, they have wide and absolute discretion. If a company wants to set up a hospital, and provide better infrastructure, they can and they should. If they want to train nurses, that too is their choice. In a country like ours, where our social indicators are so challenged, the legislation provides us with fertile backdrop of opportunities, ideas and experiments to play with. Companies are free to supplement or complement what government is already doing. They can also pool their resources and take up joint projects. This is the level of freedom that has been extended to companies across the board.

The purpose of the Section 135 was not to put money into government coffers but instead complement and supplement government efforts. The CSR initiatives of firms can be dove-tailed with government efforts because government priorities are also national priorities and need to be addressed to improve the overall socio-economic conditions. For example, "Aspiration" districts (as classified by NITI AYOOG) being given priority for CSR, is a strong case that proves that priorities are changing. The not-for-profit sector has, by and large, been fulfilling its role as implementing agencies because of their proximity to the grassroots as well as their connections and strong footholds within communities.

In the immediate future, and in the scenario that this research has both outlined and highlighted, we may foresee three emerging trends:

## **1) CSR Standards**

With the legislation now working quite well, the major players as well as the principal stakeholders are beginning to feel a strong need to have a set of standards with regard to the manner and mode of CSR implementation. This would help to harmonize and formalize the essential processes involved in the several stages of:

- (i) Identifying Projects;
- (ii) Identifying Civil Society Partners;
- (iii) Creating CSR Policies;
- (iv) Conducting Baseline Surveys;
- (v) Maintaining meticulous Documentation;
- (vi) Providing for regular Monitoring through MIS
- (vii) Reporting transparently and honestly;
- (viii) Undertaking Evaluation Studies;
- (ix) Measuring the Impacts of Projects as scientifically as possible through the use of modern techniques and tools such as SROI.

The Bureau of Indian Standards (BIS) under the Ministry of Consumer Affairs, has already begun this exercise and a set of well-considered and well-formulated CSR standards are expected shortly.

### **(ii) CSR Certification**

When the standards are in the public domain, there will be greater rigour and adherence to them in terms of the processes that will be put in place. This will, on the one hand, be of immense value to the monitoring system and to the ground level implementation; and on the other, it will enable auditors to conduct their operations at a much higher level of compliance and satisfaction.

The certification process that will follow hard on the heels of the issuance of standards will enable corporate entities to apply for star-ratings depending where they are in terms of adherence, compliance, spending, strictness and quality of monitoring, and of course evaluation and level of impact creation.

Because these ratings will be issued by an independent and objective government body such as the BIS, they will be much sought after and will allow companies to showcase their CSR achievements and also add to their brand value.

These ratings will also enable inter-company, inter-sectoral and inter-regional comparisons which will be of immense value to policy makers, researchers, academics, practitioners, and other stakeholders.

### **(iii) CSR Legislation**

The third foreseeable development is the arena of CSR legislation. Section 135 and its non-compliance has not yet undergone the acid test of court scrutiny. Being entirely a part of social legislation, its contents have not so far been contested before any judicial forum. But, as outlined in Chapter 3, the attitude of the Government shows a gradually hardening and this is amply demonstrated by the ever-growing number of notices now being served upon errant corporate entities. More and more instances will emerge of Government cracking the whip, where, despite four years of operation of the law, many laggards are still refusing to step up. And this, of course will be fully justified since otherwise, the large majority which are implementing CSR projects within the framework of the law, will be upset to find that many are getting away with shirking their social responsibility.

As government scrutiny intensifies and legal action is amplified, corporates will need to seek legal assistance in defending their positions. This is how

they will be pushed into needing legal counsel and initiating court action. Thus, from now on, a body of jurisprudence will grow in the realm of CSR law. Many of its facets will be upheld. Others, will be interpreted by different courts in different geographies and at different times. This slew of court cases will develop into a steady stream where the opposite parties from having only government as one of them, may indeed end up as corporate vs corporate, or corporate vs NGO or even NGO vs Foundation etc.

### **Challenges, Success factors and Impediments for CSR Implementation as per the Case Studies**

#### **CHALLENGES**

<b>S.N</b>	<b>CORPORATES</b>	<b>NGOs</b>	<b>GOVERNMENT</b>
1	Policy level challenges	Dwindling Trust Barometer	Working methodology not found compatible for collaboration
2	Leadership involvement	Capacity building related to process and people development	Systemic challenges
3	Lack of tapping knowledge from grass-root in organizational process	Leadership Involvement and style	Capacity Building
4	Employee engagement in CSR activity	Grievance redressal	Silo working method
5	Performance evaluation of NGOs w.r.t documentation	Awareness in communities	Prefers quantity over quality
6	More handholding to be devolved to NGOs for functional competence	Challenges at the cusp of corporate and Government intersection	Policy level challenges

**Exhibit** – Grid representing challenges faced by Corporates, NGOs and Government in the CSR ecosystem as per the case studies

## SUCCESS FACTORS

S.N.	CORPORATES	NGOs	GOVERNMENT
1	Enabling partnering NGOs	Establishing trust with all stakeholders (Gov. in particular)	High acceptance and credibility by community
2	Increased Job satisfaction, Job security, Employee development program, job design	Cyclical use of resources, optimum use of resources	Enhance scalability multifold
3	Top leadership connect	Emphasis on cultural and lifestyle fit	Filling resource gaps
4	Job fitment and more relatedness with the cause	Community mobilization	Willingness to collaborate
5	Efficiently harness the intersection of NGO and Government	Fostering Job satisfaction, job security, Employee development program	Demonstrated competence in certain experiments
6	360 degree approach to CSR	Leadership Involvement	Community centric approach

**Exhibit** – Grid representing success factors which helped Corporates, NGOs and Government for efficient CSR implementation in the CSR ecosystem as per the case studies

**DE-RAILERS (IMPEDIMENTS)**

S.N.	CORPORATES	NGOs	GOVERNMENT
1	Linking grass-root level knowledge to organizational processes	Inability to rejig own processes in corporate fashion	Detached
2	Asking tough questions	Poor process knowledge. Documentation was a soft spot for all the NGOs	Resistance to collaborate
3	Employee Engagement	Less investment in capacity building of staff	Fragmented efforts
4	Low familiarization with NGO and government functioning	Less involvement of the leadership	Less motivated staff and complacent employees
5	Audit centric attitude aimed at what can go wrong instead of what will work. Fault based approach	Governing style	Quantity over quality
6	Avoidant style of working	Less awareness of the NGOs in community	Less appreciative of efforts

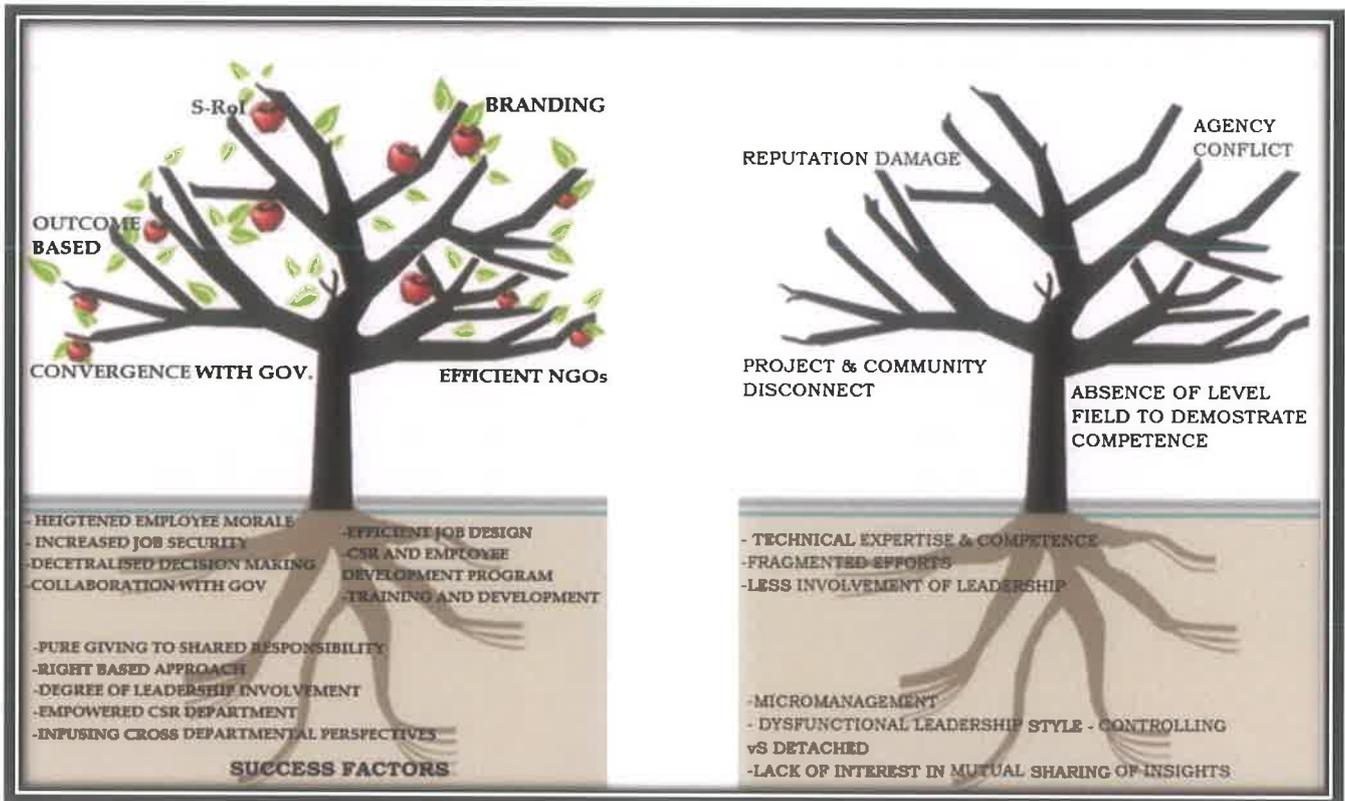
**Exhibit** – Grid representing de-railers (impediments) which hampered corporates, NGOs and Government for efficient CSR implementation in the CSR ecosystem as per the case studies

## CSR ECOSYSTEM CHALLENGES



**Exhibit** - Challenges identified in CSR arena

## DEPICTION OF CSR AT FULL POTENTIAL AND STUNTED CSR



**Exhibit** – Interplay of various factors for CSR to realize full potential (Left) and factors that lead to stunted CSR project.

In our collective dream of a sustainable future, the government, corporates and civil society will have to play roles that are inter-connected and inter-dependent. Corporates must be motivated to adopt socially responsible practices that enrich, empower and enlighten the communities with which they engage. By exhibiting socially, environmentally and ethically responsible behavior, businesses can generate value and long-term sustainability for themselves while, at the same time, making positive contributions to the betterment of society as time progresses and innovative ideas take centre-stage. Civil society will have to step up to the plate and demonstrate that their proximity to the ground-level realities, empowers them to execute CSR projects effectively thereby creating

measurable, demonstrable outcomes that are sustainable as well as replicable. Finally, government, must remain the enabler, the facilitator and sometimes the regulator so as to ensure that the CSR framework crafted so uniquely "in India, for India", delivers the results that will accelerate the pace of India's inclusive growth and development.

