



Philanthropy Flashcards



April 2024 | Volume 1

Part A

A decorative background pattern on the left side of the page, featuring a series of overlapping, concentric, light-colored triangles that create a sense of depth and movement.

**CORPORATE SOCIAL
RESPONSIBILITY**

In 2014, India mandated Corporate Social Responsibility (CSR) for certain companies. It is a concept through which companies balance economic goals, with social and environmental concernsⁱ. CSR spending in India has been increasing, and now accounts for 30% of the total private giving (FY23)ⁱⁱ. In this context, this note provides a brief overview on the CSR framework in India, key trends, challenges and opportunities. The note incorporates data from a desk review and viewpoints based on an expert panel discussion on CSR recently held at the Dasra Philanthropy Week (DPW) on 29th February, 2024.

CONTEXT

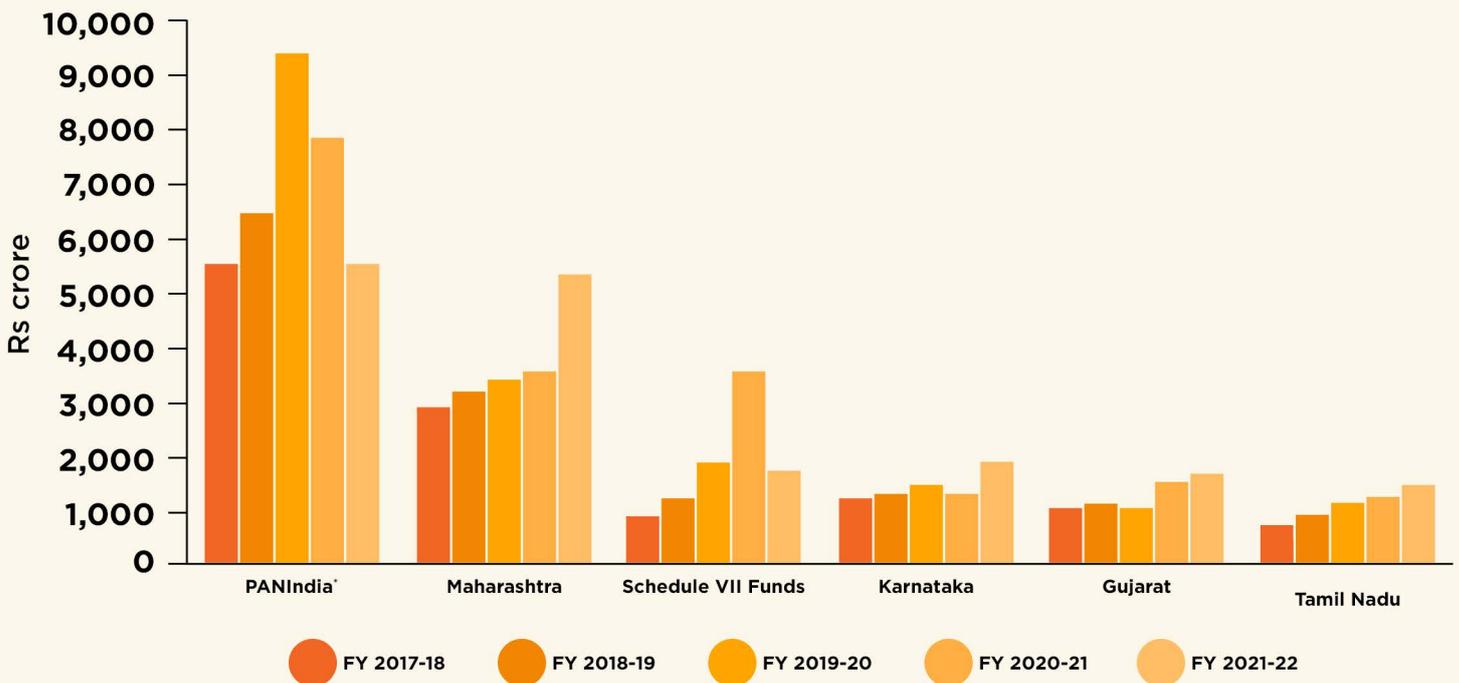
The Companies Act, 2013 mandates that every company with a net worth, turnover or net profit of Rs 500 crore, Rs,1000 crore or rupees five crore respectively must spend at least 2% of their average net profit over the last three years towards CSR activities. The Act broadly specifies sectors and funds (Schedule VII Funds) that are eligible for CSR activities.

Amendments to the Act have resulted in an increase in compliance, from ~30% in FY18 to ~60%+ in FY22.ⁱⁱⁱ Some of the amendments seek to prioritize disclosure, provide for usage of unspent funds, and increase penalties for non-compliance. This has improved transparency and increased CSR spending.

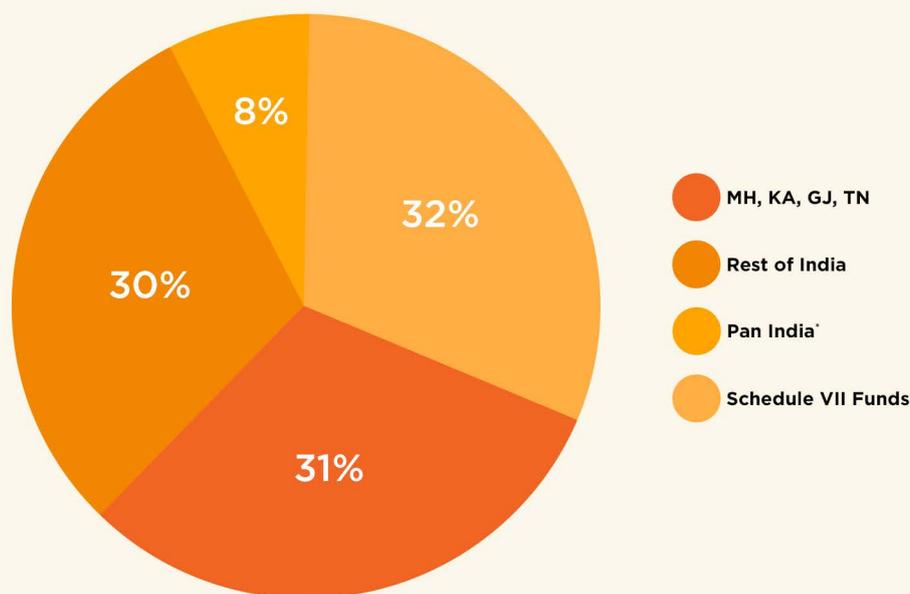
KEY TRENDS

CSR spending remains concentrated only around certain states

CSR Expenditure top 6 hotspots



Share of CSR expenditure



*Pan India refers to when companies either did not specify the names of States or indicated more than one State where projects were undertaken.

Sources: Lok Sabha Unstarred Question No. 409; Dasra Analysis.

- During the period 2017-18 and 2021-22, 32% of the total CSR expenditure by companies remained concentrated in the states of (i) Maharashtra, (ii) Karnataka, (iii) Gujarat, and (iv) Tamil Nadu. Maharashtra was the top receiver (16%) of the CSR funds during the same period.
- 30% of the CSR expenditure by companies are in PAN India projects. These are either projects across more than one state, or not specified by the company in which state.
- 8% of total CSR expenditure is towards funds set up by the central government specified in Schedule VII of the Act. Some of these include, (i) the Clean Ganga Fund, (ii) PM CARES' Fund, and (iii) Swatch Bharat Kosh. Note, as per the Act, any unspent amount for that year (unless for an ongoing project), must be transferred to a Schedule VII Fund.^{iv} For an ongoing project, any unspent funds not used within three financial years must be transferred to a Schedule VII Fund.

CSR largely revolves around certain sectors despite the possibilities under Schedule VII

Health and education continue to remain the top preferred sectors for CSR spending by companies. During the period 2014-15 and 2021-22, 66% of all CSR expenditure remained limited to the areas of education, healthcare, rural development and environmental sustainability.^v Schedule VII of the Act broadens CSR funding beyond traditional areas, allowing companies to support social initiatives in the arts, culture, heritage, rural sports, and science & technology incubators. This alludes to the Act's vision of promoting corporate philanthropy across a wider range of social issues.

1. Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund

BREAKPOINTS

“To address the evolving landscape – giving through CSR requires greater depth, and a broader lens. This needs to be shaped by the evolving social contracts between corporates, the community, and the government, as well as the emerging global trends.”

Ashwini Saxena,
JSW Foundation

The legislation has been a catalyst in driving corporate giving to the social sector. Now that a decade has passed, companies must go beyond compliance and become more intentional about CSR. This section discusses opportunities amidst the challenges in CSR giving, presented as breakpoints. Examining these breakpoints can help meet the needs of the most vulnerable geographies and communities as well as address gaps in underserved sectors.

Reaching the underserved towards connecting the last mile

“Working in underserved communities is a win-win for corporates. Market penetration to newer geographies can also benefit the well-being of communities being covered. Expanding the reach of our products and philanthropy to the last mile is important.”

Randhir Singh
Dr. Reddy's Laboratories Limited

According to the Ministry of Corporate Affairs (MCA) the reasons for the skewed geographic spread of CSR could be attributed to the fact that the Act provides that companies give preference to local areas where it operates.^{vi} In addition, companies also prefer to spend in the local areas to gain the goodwill of the local communities, as their support is important for smooth business operations. The MCA has noted that the lack of expenditure in underserved regions could also be due to lack of infrastructure and resources to implement projects.

The opportunity in addressing the challenge is for companies to expand their CSR activities into underserved regions. For example, intentional CSR targeting in Aspirational Districts (ADs) can ensure that development programs reach those who need them most.

Transforming Aspirational Districts with CSR Funding

The Aspirational Districts Programme launched in 2018, aims to uplift 112 relatively underdeveloped districts in the country.^{vii} It focuses on development in five key sectors, health and nutrition, education, financial inclusion and skill development, agriculture and water resources, and basic infrastructure. The government encourages companies to take up CSR projects in ADs and also released guidelines for Central Public Sector Enterprises advising them to spend up to 60% of their Projects funds preferably in ADs.^{viii} Despite the push from government, only 2.15% of the total CSR funds have been invested in ADs.^{ix}

To address the concentration of CSR funding in industrialized state, the government has clarified that spending in local areas is not mandatory. It also mentioned that preference for local areas should be balanced with national priorities, and that the CSR activities mentioned in Act should be interpreted liberally. In this this context, the government push provides a further window of opportunity to diversify CSR funding to underserved regions.

Leveraging the intersection of CSR and ESG to bolster good practices

Environmental, Social and Governance (ESG) principles can guide the approach to CSR. ESG refers to a framework used that measures a firm's sustainability and social responsibility. CSR not only fits into the "S" of ESG, but also has connections to the "E" and "G" aspects. There is a growing focus on ESG reporting through regulations, and investor demands. SEBI has mandated certain ESG disclosures through Business Responsibility and Sustainability Reporting (BRSR) for the top 1000 listed companies. CSR activities can be leveraged to enhance ESG positioning of companies.

Going beyond compliance for catalyzing deeper impact

"We need to think long term for building community resilience. If we are to exit tomorrow, what would we need to do? We need to be clear of the end goal first."

Sarita Bahl
Bayer Foundation

CSR activities can go beyond compliance, and take a more long-term approach, focusing on sustainability of the project. This could include taking a grassroots approach for the project right from the beginning to ensure that the community is held accountable, and the impact of the project lasts, even if the company must pull out of the program after some time. This is to ensure long lasting impact of the program.

Scaling promising non-profit initiatives with CSR funds

Often due to CSR compliances and reporting requirements, companies may opt for safer CSR projects, where the risk to fail is low. This may stifle the potential of CSR to innovate. However, CSR can come in and be used to scale pilot programs that show promise and have an established proof of concept. India has a vibrant and mature civil society with established development programs in the fields of education and health.

CONCLUSION

Fueled by India's economic surge, sectors like manufacturing, renewables, and financial services are flourishing. But with this growth comes the responsibility to conduct business ethically and sustainably. Corporates have a long history of being key players in India's development. The CSR mandate offers a powerful platform to expand this legacy, fostering a wider uptake of companies actively contributing to national progress. Corporate giving provides a big window of opportunity for corporates and civil society partners to work together for creating long-lasting impact. The CSR mandate provides a chance to bolster private giving in the social sector. It is an opportunity for India to strengthen learnings in a developing context, and export good practices to the world.

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- i <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>
 - ii *Indian Philanthropy Report, Dasra, 2024*
 - iii *India Philanthropy Report 2024, Dasra, Bain and Company, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.dasra.org/old_assets/uploads/resources/Dasra_india_philanthropy_report_2024.pdf*
 - iv *The Companies Act, 2013, https://www.indiacode.nic.in/bitstream/123456789/2114/3/a2013-18.pdf*
 - v *Unstarred Lok Sabha Question No. 402, February 5, 2024, https://sansad.in/getFile/loksabhaquestions/annex/1715/AU402.pdf?source=pqals*
 - vi *The Companies Act, 2013, https://www.indiacode.nic.in/bitstream/123456789/2114/3/a2013-18.pdf*
 - vii <https://www.niti.gov.in/aspirational-districts-programme>
 - viii <http://championsofchange.gov.in/site/coc-home/csr.html>
 - ix <https://www.sattva.co.in/news-media/aspirational-districts-receive-2-percent-of-csr-fund>

About the Philanthropy Flashcard Series

Private philanthropy, growing at 10% in FY 2023, is pegged at INR 1.2 lakh crore (\$15 billion). It is playing a critical role in addressing India's most pressing challenges and advancing its boldest ambitions. If you want to know the big picture, it helps to start with the small details. This series aims to provide a strategic vantage point into the ever-changing landscape of philanthropy in India. Presented as flashcards, we capture key insights on shifting trends, barriers, and opportunities, on philanthropy. This volume covers three key segments: family foundations, corporate social responsibility, and collaborative philanthropy. Dasra is committed to boosting philanthropy within and towards India from a global perspective. The Philanthropy Flashcard series provides succinct insights based on data and conversations with key stakeholders.

