



# CSR Trends in India

## Since the introduction of The Companies Act 2013

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The fact that all individuals, organizations and groups need to contribute to social development is unquestioned. With the passage of the Companies Act 2013 (“the Act”) and the mandate of Corporate Social Responsibility (“CSR”) formally being introduced to the dashboard of the Boards of eligible Indian companies there has been unprecedented interest in the Development sector over the last 3-4 years.

While the practice of CSR is not new to companies in India, however the Act has brought more companies in the ambit and several analysis show that funds spent on CSR have increased since the advent of the Act.

The CSR law has acted like a lever to make corporates think about CSR and take various actions. It has taken CSR into a Strategic Planned Project Mode approach – away from a scattered philanthropic mode.

The planned project mode approach has resulted in changes in the way most companies operate as far as its Social Obligations go. These changes range from working on strategies, changing their implementation model, increasing investment in the CSR function and introducing stricter controls to monitor social projects. In fact the dynamics of the entire ecosystem has changed to a large extent and will continue to see change in the next few years.

While attempting to summarize all changes that have happened or categorize trends would be a futile exercise I am penning down some of the qualitative trends that have emerged and perhaps will continue to evolve over the next few years in the Indian Scenario.

### Increased spend, Aggregation, Streamlining, Scaling Up

Each corporate has embarked on its own journey vis-à-vis CSR and strategies have been revised to comply with mandates from senior management and CSR committees. Many corporates have spent time in aggregating CSR done in a scattered way by multiple people across locations or manufacturing plants. This aggregation has been done by consolidating the work done under themes (along with an indication of sub-sectors, issues, geographies and a profile of the beneficiaries). Doing so has resulted in better reporting in the CSR Annexure to the Board Report and outlining proposed projects for the future.

Another method through which this streamlining has been

achieved is through creation of a Corporate Foundation and/or of an independent CSR function.

Many corporates have scaled up their CSR funds by adding in more projects in line with the broad themes under the Schedule VII post aggregation.

In future new themes will be added to broad base the CSR work. Areas like Art and Culture and Sports with lesser CSR spend currently could get more focus.

### Focus on Structure and Controls

Corporates have embarked on strengthening their controls over fund utilization. Tighter Board reporting and ownership of CSR have resulted in focus on governance and controls.

Some key controls which have been initiated include:

- Creation of more granular budgets and periodic monitoring
- Review of utilization certificates and statements from third party partners
- Formalization of Authority Level Matrix and Standard Operating Procedures around HR, Procurement, Grants, Finance, Project Accounting etc.
- Due Diligence of partners over a particular grant size
- Evaluation of existing partners
- Financial and Social Audits of key programs
- Allocation Policy of common cost/overheads over programs and timesheet capture of CSR staff to allocate time and cost project wise
- Periodic monitoring of project Key Performance Indicators

Several of these are being outsourced to specialized third party vendors and in future fully or partially outsourced CSR functions could be the norm

### Impact Assessments

With the maturity of the program or project based model approach to CSR there is an increasing pressure on corporates to demonstrate the benefit they provide in return for the funds – being able to measure and then report on impact is a challenge that will become increasingly important for the CSR ecosystem.

Some corporates have started out with measuring 'outputs' and 'outcomes' – and will start calculating 'impact' as well especially for their key and signature CSR programs. In future, CSR Committees will not simply rely on a listing of activities or even their short-term results. They will demand third party independent impact assessments. Extracts of these third party assessments will form the basis of CSR Annual Reports

**Relationship between NGOs and Corporates**

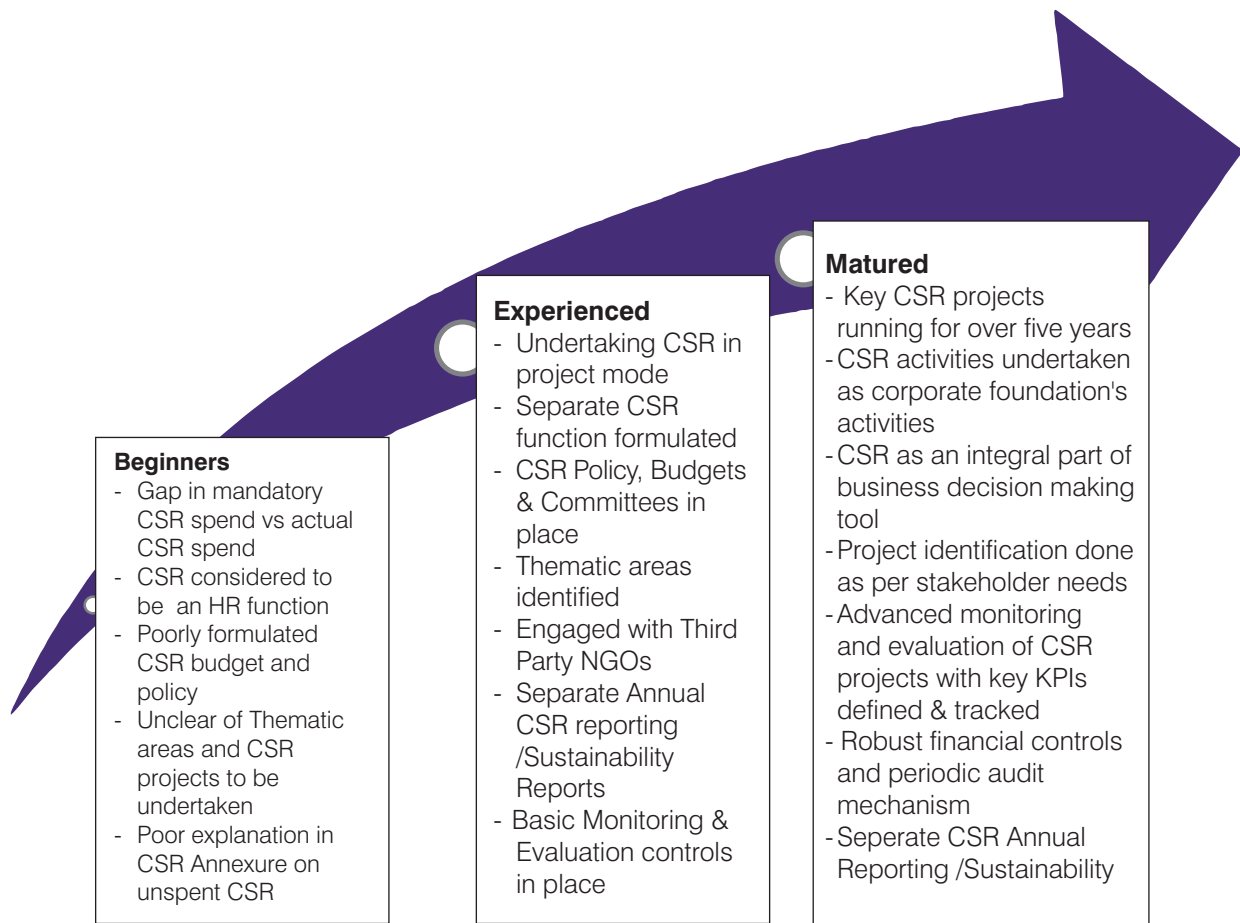
NGOs and Corporates continue to come from different mind-sets and with different strengths. There is little doubt that Corporates and NGOs need to partner with each other to implement good CSR – while one has the resources and systemic thinking the other has

implementation. Similarly, corporates only using NGOs have also started building in-house capacities.

Has the CSR law made it easier or harder for NGOs to work with Corporates? Going forward, it would be critical to further narrow the trust deficit and view the partnership in a positive way. If this relationship transitions from being just another contractual assignment by a Corporate to an NGO to a collaboration between two parties to use expertise and resources to deliver impact then it would probably be more sustainable.

**Transition on the CSR maturity curve model**

Many companies have in the last few years transitioned on the



the passion and the last mile reach. In the past few years many old Corporate-NGO partnerships have been reinforced and several new partnerships have been formulated. As in any partnership trust, flexibility, commonality of objective and spelling out of roles and responsibilities would be key to make and sustain Corporate-NGO partnerships

It is critical to examine this relationship as some leverage of the same would definitely be needed in order to deliver on the CSR commitment. The past few years have seen corporates transition from direct implementation only to also using NGOs for

maturity curve model (refer below) basis the management of the entire CSR Life Cycle – several beginners have become experienced and others have moved from being experienced to matured. Going forward a large number of companies would lie in the experienced to matured spectrum. ■

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