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## The compulsion of giving

With the Companies Act, 2013, coming into effect from April 1, 2014, CSR activities of corporates come under the scanner. **Priyanka Golikeri and Suparna Goswami Bhattacharya** try to figure out the pros and cons



deep focus

### Some current CSR initiatives

- Bharat Petroleum has a rainwater harvesting project called Boond, which selects drought stricken villages to turn them from water-scarce to water positive.
- Infosys, through its foundation, runs the Parishudh initiative that has so far helped over 11,000 rural families to build toilets in their homes.
- GE India funds the women's empowerment programme at the NGO Literacy India. According to Ramakrishna Rao from the GE India Technology Centre in Bangalore, the company funds programmes that provide vocational training and financial literacy to poor women.

**C**ome April 1, 2014, and companies in India will become circumspect at discussing their corporate social responsibility (CSR) activities. No longer will they be toon-talking about thousands of social causes they support throughout India, without really delving into the details. In some ways, the bluff has been called.

The next financial year will ensure that companies practice what they prattle at conventions and forums; and bring CSR, which till now was purely voluntary, under the ambit of the Companies Act, 2013. Companies will not just have to allocate 2 per cent of their profits for CSR, they will also have to reveal the amount spent on each of the activities, and the outcomes of those activities. And, of course, what constitutes CSR will be defined by the government (see box).

India, historically, has lacked on social giving. "We are a country where giving is mainly done for religious purposes. You ask someone to donate to any temple, church, or mosque, they will happily do so. But the same cannot be said about social giving. Many NGOs depend on corporates," points out Rajan Narayanan, spokesperson for the recently-concluded Joy of Giving Week.

Statistics show in the UK, more than 80% of households give away to charities. In India, it is a mere 1%. And social experts, hence, organisations working in the voluntary sector are left with less choice but to depend on corporates.

"We look towards corporates for funds. This Act would make more corporates open up their wallets towards causes like ours," says Anita Peters, director, Cancer Patients Aid Association (CPAA), that supports 2,000 cancer patients each month.

Experts say the Act will help ensure three things. First, it will compel corporates to actively undertake CSR for the weak and marginalised. "The activities have to benefit the marginalised. Not the middle class or rich. Moreover, companies cannot pass on what they do internally, or for their employees as CSR," asserts Bhaskar Chatterjee, director-general and CEO, Indian Institute of Corporate Affairs. Thus, firms which were hitherto passing off activities like saving paper and power in their offices, will no longer be able to boast the same under CSR.

Second, the Act is believed to increase corporate spending on social causes. Corporate affairs minister Sachin Pilot has factored in annual CSR spending of Rs15,000-20,000 crore by India Inc after the commencement of this Act from financial year 2014-15. A quick look at the table gives a fair idea of the current CSR spending by both public and private sector firms, and the subsequent spending after the commencement of the Act.

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—Anita Peters, director, Cancer Patients Aid Association

For some players like IOC, ONGC, SBI, SAIL, and private sector ones like Tata Motors, Bharti Airtel, TCS and Infosys; the gap between their current CSR spend, and what they would have to spend after April 1 is yawning. "This Act will be a boon for NGOs. This will help us support more patients," says Peters.

And third, and most importantly, the Act will bring in transparency and accountability. "For each activity, the rupee expenditure will have to be indicated. If it's not rupee-measurable, it will not be considered as CSR," says Chatterjee.

"If even one of the listed CSR activities does not happen, the company is in trouble."

Experts feel this will lead to the number of activities shrinking down, since companies will be held accountable if activities are not outcome-driven, or haven't happened. So, from parroting about doing thousands of activities from health-care to education, and from rural development to environment, companies will focus and spell out only those that they can confidently undertake.

### What they do now

So, what do firms currently claim as CSR?

These correspondents saw first hand some activities on the outskirts of Bangalore and in other parts of India, that companies keep trumpeting about.

A finance company boasted about an anganwadi initiative they had undertaken near Maddur. It neither pertained to sponsoring mid-meals

for children, or building anganwadi centres from scratch. This activity, for which they had invited the media, was merely about re-painting the anganwadi centre and introducing toys and satchels for the kids.

"There's nothing wrong with buying toys for poor kids or painting their classrooms. But it's a one-off activity and not CSR, since this can be done by any individual. Much more is expected of companies that make tonnes of profits," says a social activist in Bangalore.

A pharmaceutical company, similarly, runs a programme where rural women are trained to measure body temperature, blood pressure; and after consulting with doctors, give medicines to rural folks for minor ailments. The company provides medicines to the women (often their own products), which they are expected to sell, and the commission they earn in return translates as income. The company claims that this "CSR activity" not just provides livelihood for the women who act as quacks, but helps medicine reach remote corners. One of the writers has visited rural Rajasthan, where this initiative is running, and noticed that the people were charged for medicines, since the company believes that "anything given free is not valued."

Rural development consultant Lathamala feels it is wrong to promote products under the garb of CSR. "It is also wrong to charge the poor, however small the amount, and then say it is CSR."

Then, there is the case of this

**In the garb of CSR, many companies overpromise and underdeliver**

technology firm that blew loud horns about its effort of building houses for the poorest sections in Raichur. When correspondents of this story visited and met the poor, they realised some of them were complaining about heavy leakages in the houses during monsoons.

Social experts say this again is a case of doing an activity just to garner brownie points, without really bothering about the quality. "If a company does something, the project has to be of the highest quality. Be it sponsoring mid-day meals, or

providing free medicines or computers, or building houses. As the Act measures outcomes, poor quality initiatives will lessen in number," argues the social activist.

According to Lathamala, it is the moral responsibility of those who make huge profits to give some to the society. "Often, companies get land at cheaper rate; trees are cut down for their buildings. So they are responsible for society."

### What corporates feel

When dna approached firms in the city to know more about their CSR programmes, all were forthcoming in sharing volumes of documents. But when it came to giving their views on the Act, most, including the leading IT firms, went mum.

AM Muralidharan, convener, CSR for CII Karnataka, says the Act will prove beneficial for all stakeholders including corporates and the poor. "There is no question of debating. Since it is a law, we will abide by it. Our CSR programmes are compatible with what is expected," says Meenu Bhamhani, head of CSR, Mphasis.

Several companies are still in the process of putting together the CSR committee as the Act mandates. "We have 250 members in Karnataka, and about 50% of them have already constituted their CSR committees. The rest will do so before the end of March," promises Muralidharan.

And what all will they be doing? Chatterjee feels the Act will filter out all one-off projects from the CSR bandwidth altogether. "To qualify as CSR, the initiative has to be a long-term project. Not something done for a few days and forgotten."

Which means all tree planting drives on Environment Day, or anganwadi painting programmes will go beyond the realm of CSR.

Many are still figuring it out. Some corporates plan to proceed ahead with their social causes with a mix of funding and volunteering. "For initiatives where it is not possible for us to be physically present, we plan to fund them. While for the rest of the activities, apart from funding, our employees would also volunteer side by side," says Ramakrishna Rao, engineering manager, GE India Technology Centre, Bangalore.

But one thing is certain: paying lip service may not work any more.

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### WHAT THE ACT SAYS

The Companies Act, 2013, enacted on August 29, 2013, on account of the President's assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhance the interests of minority investors, and for the first time legislates the role of whistle-blowers. The new law will replace the nearly 60-year-old Companies Act, 1956. The 2013 Act has introduced several provisions which would change the way Indian corporates do business and one such provision is the spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been voluntary contributions by corporates, has now been included in the law.

### Advantage CSR

CSR can prove advantageous for corporates as well. Not just will their image improve within the society, but their business can also see an increase. A recent global survey on CSR by market intelligence firm Nielsen says 50% of global consumers surveyed are willing to pay more for goods and services from companies that have implemented programmes to give back to society. Nielsen surveyed over 29,000 respondents online from 56 countries including India, between February-March this year. The percentage of consumers willing to pay more increased.