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TRANSFORMING INDIA

The CSR Opportunity

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FOREWORD



India is one of the first countries in the world to take the bold move of requiring companies to spend a minimum portion of their net profits on social development. This recognises the power of business solutions and the role that the corporate sector can play in driving India's development and improving the well-being of its citizens. Indeed, the opportunity it creates to stimulate innovative, win-win partnerships, is truly exciting.

Advancing more inclusive economies is one of two global goals that the Rockefeller Foundation is committed to. In the 21st century, this will require constructing new partnerships across sectors, spurring innovation in market systems, and ultimately reshaping them to expand opportunities for millions more people. This is why we were so excited to partner with Samhita Social Ventures to undertake a study that can uncover best practices and offer recommendations to companies, non-governmental organisations, and the government on how to develop more strategic CSR partnerships, leveraging the opportunity of the CSR law to its fullest potential. I truly hope that you find new insights on building high impact CSR partnerships through this report, and that this in turn will inspire many new actions in pursuit of improving the lives of people across India.

On behalf of the Rockefeller Foundation I extend my deepest gratitude to the team at Samhita Social Ventures, and especially to the committed representatives across many companies and organisations for contributing to the development of this report, and for participating in our effort to disseminate its findings.



Ashvin Dayal,
Associate Vice President and Managing Director Asia
The Rockefeller Foundation

EXECUTIVE SUMMARY

INTRODUCTION

Section 135 of the Companies Act, 2013 has formalised companies as a critical stakeholder in the nation's development by mandating compliance on certain provisions around spending and reporting on Corporate Social Responsibility (CSR) activities.

With the potential to unlock funding of USD 2.5-3 billion (INR 167-201 billion) from around 16,000[1] eligible companies, the law has presented a historic opportunity for companies to engineer widespread change in the socio-economic landscape of India. The intent of the law goes beyond facilitating financial support for the development sector as a "Frequently Asked Questions" document issued by the Ministry of Corporate Affairs states,"The objective of this provision is indeed to involve companies in discharging their social responsibility with their innovative ideas and management skills and with greater efficiency and better outcomes."[2]

The CSR ecosystem is now at an inflection point. Two years since the Act came into effect, has the intent of Section 135 or the "CSR law" been realised?

In order to understand the influence of the law on stakeholders, and to garner insights for channelising this opportunity in the most effective way, The Rockefeller Foundation engaged Samhita Social Ventures to conduct a study of the CSR sector, capturing challenges and opportunities from the perspective of various stakeholders.

For the study, Samhita conducted in-depth interviews with 35 companies, 13 social organisations (NGOs and social enterprises), and 10 enablers (large grant-making organisations and sector intermediaries) and conducted a survey with companies and NGOs, wherein it received responses from 56 companies and 144 NGOs.



STAKEHOLDERS IN THE CSR ECOSYSTEM

PRIMARY ACTORS

Those directly responsible for executing the mandate
- Companies
- Social organisations

GOVERNMENT

Plays a multi-faceted role, encompassing legislator, regulator and facilitator
- Central
- State
- Local governments

ENABLERS

Those that help to create an empowering ecosystem for primary actors and the government to achieve the intent of the CSR law
- Intermediaries
- Philanthropists
- Aid agencies
- Foundations
- Legal firms

What has changed in the two years since the CSR rules were introduced?



Most companies have put in place mechanisms mandated by the CSR rules and expect to spend a majority of their CSR budgets

The study found that, riding over initial concerns around the mandatory nature of CSR, most companies expressed a strong intent to use the CSR opportunity to make a meaningful contribution to the development sector. Given that the law has been operational for two years, most of them reported having put in place mechanisms mandated by the CSR rules such as having a CSR policy and CSR committee. Forty-four per cent of the companies reported having dedicated CSR and/or sustainability teams that owned and managed the CSR mandate for their companies. In other cases, the mandate rested with one or more than one team such as legal, finance, corporate affairs, marketing, communications, public relations, and human resources. Having the groundwork in place made companies confident of being able to spend their CSR budgets with a significant proportion (43%) reporting that they would have spent 100% of their budgets in the financial year of April 2015 to March 2016, while another 21% would have spent between 75% and 100% of their demarcated 2% of net profit on CSR.

> We have always believed that business and community development are synergistic. Every country, society, and community will benefit immensely when inequality is mitigated. However, the challenges we face cannot be met by the private sector, civil society or governments alone. It requires a concerted action across all sections in the society in realising sustainable goals.
>
> **- Kapil Wadhawan,**
> **Chairman & Managing Director,**
> **Dewan Housing Finance Corporation Limited (DHFL)**

Education continued to be the most popular cause for CSR programmes

Most companies reported supporting multiple causes; on an average 4-5 causes. Education continued to be the most popular cause, supported by 81% of the companies. This was followed by livelihoods and skills, and healthcare, with around 60% companies supporting these sectors. Water and sanitation were also found to be common, probably because of the government's call-to-action in the Swachh Bharat Mission.

On the other hand, less than a quarter of the companies invested in sectors such as agriculture, clean energy, and human rights. The study highlighted a few reasons for this—lack of knowledge on other sectors, longer gestation times required to realise impact, difficulties in measuring and quantifying impact, and lack of information on credible implementation partners working in these sectors.

> As a global leader in consumer health and hygiene and with a history of over 150 years of innovation, we understand the importance of hygiene and sanitation in the lives of our consumers. Our powerbrands Dettol and Harpic have been working towards raising awareness in this direction in India for almost a decade. In 2014, we scaled up our efforts and launched "Dettol Banega Swachh India" — 5-year nationwide programme to unite the nation towards the Swachh Bharat movement initiated by the government and make the country cleaner and more hygienic by 2019. This programme ties in strongly to our company's purpose as well as the national purpose and we believe that through various initiatives in the last two years, we have made a considerable progress towards achieving our objectives.
>
> **– Nitish Kapoor,**
> **Regional Director, RB South Asia**

Companies aspired to be more strategic in their CSR approach

Most companies communicated that they aspired to adopt a strategic approach to CSR, which is marked by one of the following three aspects:

i) Aligning CSR with a business objective or need
ii) Aligning CSR with expertise around products/services
iii) Aligning CSR with stakeholders' needs and expectations

Companies felt that a strategic orientation was needed to secure greater buy-in for CSR internally and to bring to bear a level of sustainability, expertise, and innovation in the social sector. Even NGOs seemed to agree with this view as long as social outcomes were not compromised. However, there was a disconnect between aspiration and reality. Fifty-two per cent of the companies surveyed felt CSR should complement business objectives, yet less than 20% reported that business objectives such as access to new markets or risk mitigation influenced CSR in their companies.

The study found multiple reasons for this disconnect:

- There is some ambiguity in the law on aligning business and CSR, causing companies to adopt a cautious approach by clearly delinking the two

- Corporate participation in social development has been traditionally viewed through a charitable lens. This has prompted companies to stay away from reaping benefits for themselves from "doing good"

- For some companies, delinking CSR from business was a conscious decision taken at the board level as they perceived collateral risks in aligning CSR with their businesses. For example, a food company that manufactures a portfolio of fried snacks felt the need to stay away from nutrition as a CSR to avoid any public relations fallout.



What do stakeholders need to realise the intent and potential of Section 135?

Social organisations have been excited about the potential of the CSR law

Social organisations[3] welcomed the law that opened the doors for a more structured approach to corporate involvement in the development sector. In addition to the expectation of large inflows of funds into the social sector, social organisations were enthused about the impetus it would create for transforming their operational practices and accountability. They consistently expressed the desire for companies to be closely engaged in their programmes, right from the conceptualising and planning stage. However, there was a concern that CSR funds could flow only to large, visible and well-established organisations, ignoring smaller, local organisations that may have a strong community connect. Although some companies, especially those with factories in remote parts of the country, were willing to work with smaller and local organisations, concerns around transparency and capacity hindered partnerships.

> Funding is only one aspect, we look to corporate partners to give us feedback on our growth strategies, to bring innovative ideas, improve efficiency — all the other skills that the private sector brings which is what will add value to the whole space.
>
> **– Vanessa D'souza, Chief Executive Officer, SNEHA**



The government and companies must engage each other to clarify expectations

The CSR law states that activities undertaken by a company in pursuance of its normal course of business would not be considered as CSR. This has caused much confusion for companies that would like to engage in strategic CSR but are unsure of whether these spends and activities would be considered as CSR. One industry that does have some clarity is the pharmaceutical industry where, after a court ruling, the Ministry of Corporate Affairs (MCA) allowed them to donate drugs as part of their CSR initiative.[4]

A related issue pointed out by some companies is that despite the intent of the CSR law to enable companies to strategically invest in nation-building, funds like the Swachh Bharat Kosh and the Clean Ganga Fund allow donations to be counted as CSR with added tax benefits—sending mixed messages on the role CSR is expected to play in the development space.



Calls-to-action for the government

- Help clarify and interpret the CSR law in a way that facilitates strategic corporate involvement in the development sector.
- Create a corporate engagement framework for each national priority such that it recognises and leverages companies' competencies and non-financial resources in addition to CSR funding.



Impact! Impact! Impact!

Companies were unanimous in highlighting the importance of evaluating the impact of CSR programmes and felt that rigour in this regard was required in the sector. Assessing impact serves three purposes—accountability to stakeholders, improving one's own efficiency, and evaluating social outcomes.

> "Companies are keen to see how interventions pan out in the lives of beneficiaries of the programme. Impact assessment also gives companies a sense of which interventions were more successful than others."
>
> **- Jyotsna Bhatnagar,**
> **Former Head of CSR, Castrol India Limited**

However, both companies and social organisations felt that impact measurement was a challenging task. Thirty-six per cent of the companies in the survey reported that they relied on their internal teams for measuring impact, a similar proportion (33%) relied on external parties, and 14% relied on implementation partners. Seventeen per cent did not undertake impact measurement at all. Some of the reasons for this trend were inherent complexities in measuring social value, lack of common understanding and definition of impact—wherein counting coverage and output numbers was generally taken as a proxy for true impact—and absence of standardised measurement frameworks and tools that could guide companies and social organisations. Evaluation of programme impact was often seen as an end in itself rather than as a means to generating intelligence for improving programme efficiency and effectiveness.



Call-to-action for primary actors

- Differentiate between short-term outputs and coverage numbers and medium- to long-term outcomes and impact.
- Integrate and undertake assessment of outcomes on a continuous basis in the CSR lifecycle to generate early signal of impact in all projects and earmark adequate resources to be able to do so.
- Account for impact at all levels—on the business, the implementation partner, and end-beneficiaries.

Call-to-action for enablers

- Create a common understanding of the term "impact" across different stakeholders.
- Create a set of essential standardised outcomes and tools, and guidelines to measure these for specific domains.



There is a need to build and collate knowledge to guide decision-making

The study found systematic knowledge and information gaps at every stage of a CSR lifecycle for both companies and social organisations, increasing the transaction costs. Forty-four per cent of the social organisations reported lack of information on corporate opportunities as the number one reason preventing them from seeking corporate partners. Among companies, 26% reported lack of information on credible implementation organisations as one of the key challenges.

With relation to selecting causes and designing high-impact programmes, 25% of the companies reported that they did not have access to relevant knowledge on causes and 39% of the social organisations stated that this lack of understanding of the social sector was a key challenge when working with companies.

The gap in knowledge was compounded by the absence of common taxonomy, sometimes leading to a mismatch in expectations between parties and making it harder to standardise processes.

> With the law in force, there is a growing acknowledgement within the industry on the importance of CSR. There is a felt need for experience and knowledge-sharing platforms, not just among CSR practitioners, but also among diverse related sectors like media, NGOs, and academia. Through "Knowledge Series", we have been actively endeavouring to convene neutral discussions on the most relevant topics, besides fuelling collaboration opportunities for concerted action. This one-of-a-kind platform is ambitious, in bringing about greater appreciation of CSR among business heads, and in collectively seeking to give a direction to CSR in India.
>
> **- Deepak Arora,**
> **CEO, Essar Foundation**



Call-to-action for primary actors

- Invest in documenting and sharing the challenges, learnings, and best practices from your CSR programmes
- Report CSR activities at regular intervals and in detail, going beyond the mandatory template

Call-to-action for enablers

- Create, collate and disseminate knowledge related to following aspects:
  - Information about social sectors - gaps, opportunities and models that are either high-impact, replicable or innovative in each sector
  - Practical guidelines on each step of the CSR project lifecycle, specifically how to assess implementation partners, how to understand risks in certain CSR programs and how to formulate an exit strategy
- Create and convene forums for building and sharing knowledge
- Support the creation of platforms and marketplaces that bring together various stakeholders to address informational asymmetries

Call-to-action for Academic Institutions

- Generate and disseminate evidence-based and empirical research in key sectors that would help companies make better decisions about their investments



Capacity across stakeholders and lifecycle of CSR needs augmenting

The study found that both companies and social organisations faced capacity constraints resulting from lack of relevant knowledge, training, and experience.

Some companies felt that while their board of directors have begun taking a greater interest in CSR due to the law, bringing greater rigour and seriousness to CSR activities, they are not always exposed to ground realities and execution, which could lead to mismatched expectations from the programmes. Corporate functions such as procurement, legal functions, finance, etc. are not attuned to the needs of social organisations and projects.

> Corporations and NGOs are coming closer to make a real difference to communities around them. The nature of the relationship is evolving. It is fair to expect that as the relationship matures, it will be one where the corporation and the NGO will be partners playing distinct and important roles and not just see themselves through a "funder-fundee" lens." An evolution that has already occurred in the OEM-Supplier space.
>
> **- Anirban Ghosh,**
> **Vice President, Group Sustainability,**
> **Mahindra & Mahindra**

For social organisations, the survey data indicated that gaps existed across the lifecycle but were most prominent in fundraising, where only 29% of the social organisations reported having at least one dedicated resource. Besides resource availability, lack of information on opportunities, and the inability to understand the corporate thought-process and requirements was also a constraint.

The study found that while most companies were concerned about the capacity of social organisations to absorb large sums of money, many were reluctant to provide support to build this capacity. An indicator of this trend was the practice of capping overhead and operating costs budget at 10% to 15%. This was partly because companies felt that CSR money was supposed to be utilised for the benefit of society and partly because of the 5% cap imposed by Section 135 on CSR funds that can be used for internal and external capacity-building.

All stakeholders agreed that it was difficult to find, retain, and grow talent in the CSR space with a key gap being the unavailability of professionals who understood both corporate strategies and grassroots realities. A few philanthropists also felt that there was a need to realign pay scales in the social sectors to attract and retain talent.

Call-to-action for government

- Review the 5% cap on capacity-building expenses within CSR expenditure for companies.
- Conduct trainings especially at the district/block level to help local bureaucracy understand strategic approaches, mobilise resources, and process approvals quicker.

Call-to-action for primary actors

- Encourage company's senior management and directors to visit field projects.
- Approach NGOs with a partnership in mind rather than a funder-vendor relationship.
- Invest in the implementation partner's project and organisational capacity through employee volunteering, providing access to tools such as project management software, enterprise resource planning software, and so on.
- Allow for overhead and administrative costs for implementation partners so that they can attract talent and invest in essential infrastructure.
- Companies in the information technology and mobile sectors could leverage their core competencies to build capacity in programme implementation, monitoring, and reporting of implementation agencies.

Call-to-action for enablers

- Support the creation of accessible and affordable resources and tools for specific functions such as fundraising, needs assessment or partner assessment.
- Fund and support training workshops for social organisations.

Call-to-action for academic institutions

- Create multi-disciplinary courses targeted towards the needs of the CSR ecosystem and integrate relevant modules in existing courses.

What are the emerging trends from the study?



Stakeholders are moving towards collaborative approaches

The capabilities and resources of stakeholders vary drastically. Hence, it is very difficult for one entity to make a significant and systemic impact in the development sector. The study found that all stakeholders are increasingly calling for more collaboration and cooperation.

While examples of collaborations between a company, government agencies, and NGOs were common, collaboration between companies remained largely unexplored despite the potential gains in terms of increased scale and sustainability, reduced risks, and the impetus given to it in the CSR regulation. Similarly, collaboration between NGOs was also not very common, even though it could help address the capacity constraints. The study found some early signs of multi-stakeholder initiatives using the "collective impact" model, notably the partnership between Thermax Foundation, Forbes Marshall, 10 NGOs, and the Pune Municipal Corporation to move the needle on outcomes of public education system in the city of Pune.[5]

To enable such partnerships, many stakeholders, including NGOs, voiced the need for "backbone organisations" to put together the architecture for collaboration by carving out a common agenda, bringing together different actors (mainly non-competing entities), ensuring constant communication, and guiding the strategy and implementation of initiatives.

> The sector needs more collaboration between companies. Business understands business. And CSR is often seen as a sub-sect of sustainability in businesses. Two or more companies can leverage their competencies and strengths to work together to achieve scale and impact. The synergy will lead to maximising impact with the limited pooled resources.
>
> **- Pearl Tiwari,**
> **President,**
> **CSR & Sustainability, Ambuja Cements**



Roles of existing stakeholders in the social sector are changing and new stakeholders are emerging

Roles of traditional donors such as philanthropists, grant-making organisations, and aid agencies are gradually shifting from direct execution and aid-based models to offering technical expertise to companies and creating multi-stakeholder collaborations around certain causes. Foundations have started investing in building blocks across the CSR ecosystem, something that companies may not be able to invest in but require for their interventions to succeed. These building blocks include collaborative models of implementation, governance systems, functioning marketplaces, relevant knowledge, and capacity-building.

The CSR law has also introduced a new type of stakeholder—social sector intermediaries that help connect companies, social organisations, and other stakeholders, and act as backbone agencies that manage partnerships by balancing stakeholder priorities. Occupying the space between the two primary actors also endows them with a more holistic perspective and insight from the ground, helping to shape the building blocks in the ecosystem.

CONCLUSION

The study found strong intent to use the CSR law as a means of bringing about a transformation in the social development status of the country. Early signals are hinting at a more strategic, evolved, and integrated approach to CSR by companies. The law is also prompting traditional donors such as grant-making foundations and philanthropists to rethink and re-strategize their role in catalysing social impact by focusing on the missing links and building-blocks for the ecosystem. This report issues calls-to-action to corporate India and other stakeholders to work together in accelerating the scale and pace of India's development.

> If we are serious about making a meaningful difference to any large problem, we need to go beyond funding programmes and organisations. We must now try to create platforms that bring together all the players in the ecosystem, and allow them to pool resources and collaborate to create breakthrough outcomes. This is what Social Venture Partners is attempting to do in the arena of livelihoods.
>
> **- Ravi Venkatesan,**
> **Chairman, Social Venture Partners India**
> **Chairman, Bank of Baroda**
> **Trustee, The Rockefeller Foundation**

1. THE CHANGING FACE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIA

The landmark Companies Act, 2013 was a historic shift in the way the government viewed the role of India Inc. in contributing to the social development of the country. Section 135 of the Act or the CSR law as it is often referred to, mandates compliance on certain provisions around spending and reporting on corporate social responsibility (CSR) activities.

When the bill was being discussed in Parliament, the buzz around the implications was considerable. Companies were divided over the intentions of the law—companies with a history of social engagement felt it would not change their approaches, some saw it as a tax, and others saw this as an opportunity to increase or kick-start their role in the social development of the country.

Now two years after the Act came into effect, a few things have changed for certain.

Stakeholders such as companies, social organisations, large grant-making organisations and government agencies agree that the Act presents a massive opportunity for the development sector to evolve.

There are many estimates around the spending that the CSR law could channelize into the development sector. In the financial year 2014-15, Arun Jaitley, finance minister, Government of India, said that companies were expected to spend INR 140 billion (USD 208 million) on CSR.[6] This was a significant quantum for the more than 3 million NGOs, including educational trusts, in India vying for funding.[7] This estimated number may not have been met but it presents an initial, albeit incomplete, picture of the potential funding that the law could influence.

However, the CSR opportunity should not be seen only in terms of the amount of funding that is being channelized from corporate budgets but also the non-financial value that the corporate sector can bring to the table such as employee time, product contributions, product and service expertise in certain sectors (pharmaceutical, healthcare, sanitation, communication technology, infrastructure building etc.), rigour in operations, and so on.

In fact, the intent of the law goes beyond facilitating financial support for the development sector, as a government-issued "Frequently Asked Questions" document states,
The objective of this provision is indeed to involve companies in discharging their social responsibility with their innovative ideas and management skills and with greater efficiency and better outcomes.[8]

The Act has brought about significant changes in the way stakeholders are approaching socio-economic development in the country. The conversation around a company's role in social development and the way it engages communities and beneficiaries have become part of the boardroom agenda. Social organisations are now reworking their fundraising strategies and are monitoring and evaluating programmes in-line with company expectations. The government has issued calls-to-action around causes such as sanitation (Swachh Bharat Mission), seeking corporate involvement in pursuing a national development agenda.

However, there are certain challenges that stakeholders face in realising the opportunity presented by the law. For example, companies that are new to the social sector have begun testing the waters and increasing their budgetary allocations only in the last one year due to challenges such as lack of know-how, inadequate resources, and so on. Social organisations are facing hurdles in scaling up and responding to company requirements. These are just some of the gaps in the CSR ecosystem and, therefore, it becomes crucial for stakeholders to think about investing in the building blocks of this ecosystem and play an active role in laying the foundations of an industry.

One parallel that can be looked at is the Impact Investing ecosystem. Up till 2013, India saw nearly USD 1.6 billion invested in over 220 social enterprises.[9] And this is expected to grow in-line with the expansion in the global market. Given the size of the market and given that it is an evolving sector, the Global Impact Investing Network, a non-profit that supports the development of global impact investing and is made up of various organisations in the sector, in its attempt to increase effectiveness in impact investing and accelerate the growth of the sector, has worked with its member base to develop common metrics to measure success, establish a common taxonomy so that stakeholders speak the same language across geographies and sectors, build definitive knowledge to increase capacity of stakeholders, develop databases of investment funds and training for fund managers, and so on.[10]

In India, Section 135 has galvanised not only large companies with multi-million budgets but also a whole host of small and mid-sized companies that are new entrants to the space.

The Rockefeller Foundation engaged Samhita to map the CSR landscape and understand challenges faced by companies and other stakeholders such as NGOs, social enterprises, government, and so on, in implementing their social sector engagement strategies. The report presents a broad roadmap for stakeholders to work towards realising the intent of the CSR law, leverage its potential for the purpose of "nation building", and impact the lives of underprivileged people across the country.

This report has used mixed methods, leveraging primary and secondary sources and a combination of qualitative and quantitative data to arrive at findings. Samhita conducted in-depth interviews with 35 companies, 13 implementation organisations (NGOs and social enterprises), and 10 other entities (government and government-affiliated organisations, large grant-making organisations and sector intermediaries). The in-depth interviews provided a window to best practices, insights into key challenges and a sense of what is needed to facilitate better effectiveness and impact in the space..

Samhita also conducted surveys with companies and NGOs. It has received responses from 144 NGOs and 56 companies. The survey data provided statistical backing for key inferences from two of the most relevant groups for CSR—companies and social organisations.

This report has four main sections. The company and the NGO sections present findings of the study mapped against the lifecycle of a typical CSR project. The government section contains certain key aspects regarding government-corporate engagement and clarity of expectations regarding the role of companies from the government's perspective. The last section on calls-to-action presents six priority areas to guide stakeholders to collaboratively make the best of the CSR opportunity and increase the scale and effectiveness of strategies across the board.

2. COMPANIES AND SECTION 135

The Companies Act, 2013 is a landmark legislation for the corporate sector in India. Riding over initial concerns around mandatory nature of CSR, most companies are beginning to show a strong intent to use this opportunity to make a meaningful contribution to the country's social development. While some companies have been making good progress, others seem to be still grappling with the nuts and bolts, not having engaged in CSR before. This chapter explores the existing trends, enablers, barriers, gaps, and underlying reasons in how companies are planning and executing their CSR activities.

2.1. Continuum of CSR approaches



While companies have expressed the intent to be strategic about CSR, their approaches are still mainly philanthropic and compliance-oriented.

Though CSR itself is not a new concept either in India or globally, the narrative has evolved constantly, leading to a continuum of approaches based on what drives social sector engagement in the corporate world and the proximity of the approach to business—philanthropic, compliance-driven, strategic, shared value, and sustainability. Each approach has certain advantages and challenges and is in turn influenced by operational and tactical considerations, as shown in the infographic on the next page.

An understanding of the approaches is important to ascertain the guiding factors behind companies' practices and policies with regards to CSR.[11] The categories as illustrated in the graphic are not watertight. Companies today are adopting aspects of each approach.

Transforming India: The CSR Opportunity

	Key factors that drive decision-making	Type of stakeholder engaged	Type of resources leveraged	Alignment with business	Flexibility to respond to national priorities	Meets Section 135 criteria?	% of companies in the survey aligned to this approach
Corporate Philanthropy	Charity, doing good, moral responsibility	Communities, beneficiaries, employees	Mostly financial, may include non-financial if the approach has been practiced for long in a company		High, since companies can easily reorient CSR to match a national need, since it is not pegged to any other interest in the company	✓	78%
Compliance - driven CSR	Compliance to local laws and regulations		Mostly financial			✓	61%
Strategic CSR	Addressing social issues by leveraging one or all of the following: • Business objectives • Core competencies, services/products • Stakeholder needs	Communities and beneficiaries, employees, vendors, suppliers	Financial and non-financial (such as products, networks, employees' skills and time)		Medium to high, depending on business competencies, if the national need aligns to the business, companies can respond in a far more meaningful way	? Not clear for some aspects	Business objectives such as risk mitigation (17%), getting access to new markets (20%), generating brand visibility (31%)
Creating shared value	A management strategy focused on companies creating measurable business value by identifying and addressing social problems that intersect with their business	Communities and beneficiaries, employees, shareholders, vendors, suppliers, customers				? Not clear	Only anecdotal evidence
Sustainability	To match the use of resources to the capacity of the environment to replenish them; meeting today's needs without compromising the ability to meet tomorrow's					? Not clear	----



PHILANTHROPIC APPROACH

Philanthropy, as an approach for corporate activity in the development sector has long been driven by heads of corporate institutions. This approach makes a distinction between business activity and social programmes, and is primarily driven by a sense of moral responsibility. Forty-five per cent of companies surveyed subscribed to the view that CSR was a moral responsibility for them.[12] In most cases, it is characterised as being driven by promoters or founders of organisation and may limit stakeholder engagement to communities and end-users. A look at the factors that currently drive CSR in companies indicated that it continues to be a key driver for a majority of the companies, with 78% of the companies having reported charitable intentions or "doing good" as the underpinning reasons for CSR. For large and experienced conglomerates such as the Tata Group that have been engaging in corporate philanthropy since decades, the value of doing good has been institutionalised within the companies, its directors, and its employees, and therefore, the systems and processes required to achieve intended social impact have also been well-established. Such companies are, however, streamlining their activities to comply with the law.

COMPLIANCE-DRIVEN APPROACH

The Compliance-driven Approach is a direct consequence of the Companies Act, 2013. This type of approach is largely undertaken by companies new to CSR and is driven by a need to comply with the legislation. This approach is generally not closely connected to business as the law is ambiguous on the link between business and CSR. While a company could leverage CSR to engage multiple stakeholders such as customers, vendors, and so on, compliance-driven CSR is generally limited to stakeholders such as employees or programme beneficiaries. Compliance with Section 135, reported by 61% of the companies, was the second-most common objective behind CSR.

STRATEGIC CSR APPROACH

The third approach is categorised as "**Strategic CSR**", where business needs or objectives are viewed as complimentary with social development goals. Through this approach, programmes that are aligned to business activity receive support such that both ends are met in a mutually reinforcing manner. Broadly, CSR can be considered strategic if it meets one or more of the following criteria:

- It addresses business objectives such as mitigating risks related to industrial relations, higher visibility, and exploring newer markets (bottom of pyramid, rural)
- It leverages core competencies, services or products offered by the organisation
- It addresses needs of important stakeholders, including immediate and secondary stakeholders

Most companies that Samhita engaged in interviews conveyed the intent to align CSR to their business

products, services, stakeholder needs or expertise (see box for an example of how Viacom18 is aligning CSR with business). They felt that such strategic orientation was needed to bring to bear a level of sustainability, expertise, and innovation within the development sector. Survey findings showed similar outcomes with 52% reporting that CSR could complement their business objectives. However, when it came to practice and implementation, a relatively low proportion of companies reported that business priorities—such as brand visibility (31%), getting access to new markets (20%), or risk mitigation (17%)—drove CSR.

The study found multiple reasons for this disconnect between aspiration and practice:

- The prime factor was the ambiguity in the law on aligning business and CSR, espoused in the statement, "Activities undertaken by the company in pursuance of its normal course of business do not qualify as CSR expenditure," causing Corporate India to err on the side of caution.[13]
- India has traditionally viewed corporate participation in social development through a charitable lens, shying away from reaping any kind of benefits from doing good.
- For some companies, delinking CSR from business was a conscious decision taken at the board level as they were very sensitive and cognisant, of the risks of aligning CSR and their business competencies too closely. For example, a large food company that manufactures a portfolio of fried snacks felt the need to stay away from nutrition as a CSR to avoid any public relations fallout.

DISCONNECT BETWEEN INTENT AND PRACTICE

INTENT	PRACTICE	INTENT	PRACTICE
45%	**78%**	**52%**	**17-30%**
Companies believed that CSR is a moral responsibility	Companies reported charitable intentions or 'doing good' as a driver for CSR	Companies believed CSR compliments business objectives	Companies reported business objectives as a driver for CSR

VIACOM18'S STRATEGIC APPROACH TO CSR

Viacom18 Media Private Limited piloted "Chakachak Mumbai", its flagship CSR programme in sanitation in the K/East Ward of Mumbai. As a media entity, Viacom18 is a storyteller, whose content is customised and disseminated across diverse geographies and demographics. It is this flair for communication, their core competency, which they leveraged for their sanitation initiatives, of which behaviour change was a key component. The project also included the renovation of toilets in four slum clusters. The communication for Chakachak Mumbai was oriented towards both on-ground as well as online audiences. Throughout the entire campaign, a mix of Hindi, English, and Marathi was used, employing colloquial language and "Bambaiyya Hindi", the dialect particular to the city of Mumbai. This was manifested both in the behaviour change collaterals created and the slogans that became the catchphrases of the campaign, such as "Aao Zindagi Chamkayein" (Hindi for "Let's make our lives shine").

To cater to the online audiences, a sibling brand was created for this campaign—the #GetAngry Project, a series of three short films capturing social experiments exploring the idea of cleanliness. Once again, Viacom18 leveraged their keen insight into the pulse of the audience, providing not just the script and content for the videos but also being involved in production to execute the ideas. Capitalising on the penchant for reaction and outrage that is so common on social media, the #GetAngry Project asks "if we are getting angry for the right reasons." These videos garnered over 2 million views on Facebook, and #GetAngry was one of the trending topics on Twitter on the day of its launch.

CREATING SHARED VALUE (CSV) APPROACH

The fourth concept is about **Creating Shared Value (CSV)**. A relatively new concept, CSV is defined as "a management strategy focused on companies creating measurable business value by identifying and addressing social problems that intersect with their business."[14] Shared value is aimed at creating win-win situations for a business and its external stakeholders by combining business and societal objectives (see box for an example). There are not many well-established models in India that are well-known, and while companies may be undertaking shared value activities, these are not clearly documented. Section 135, as explained before, also limits the extent to which companies can adopt this approach.

Examples of creating shared value[15]

NESTLÉ'S SAANJHAPAN[16]

As one of the largest food and beverage companies globally, a core business requirement for Nestlé is the reliable supply of good quality raw materials, which in countries like India sometimes comes from smallholding farmers in low-income communities. Nestlé's shared value strategy has been—formulating a cluster development strategy that provides farming communities with better infrastructure, technology, and training, so that farmers would be able to supply more and better agricultural goods. Since 2008, the company has been investing in the development of a new milk district in Rajasthan to satisfy the increasing demand for milk, building on its highly acclaimed model in Moga, Punjab. Nestlé has worked directly with more than 8,000 farmers in Rajasthan, and supported their development through the establishment of collection and chilling centres, providing free agricultural advice, veterinary services, and other essential infrastructure. The company's rural officers monitor progress through regular farm visits and track specific indicators such as herd size and cattle health. Nestlé also measures the increased volume of milk it sources, which in this region has grown 13% per year since 2008.

NOVO NORDISK'S CHANGING DIABETES[17]

Novo Nordisk is a global healthcare company with extensive experience in diabetes care. The company has demonstrated shared value through its long-term growth strategy in China. In 2010, an estimated 40 million people in China had type-2 diabetes, and that number was projected to double to 80 million over the following 15 years. As a global leader in diabetes medication, the company identified the social imperative and the business opportunity present in the Chinese economy. However, the market faced significant demand-side constraints in diabetes care. It developed a shared value strategy which included investing in physician training, patient education, and localised production. The company believed that this would dramatically improve the diagnosis of diabetes, a disease that was often unrecognised, and increase the demand for its insulin products. Novo Nordisk's programmes have facilitated more than 2,20,000 physician training sessions for more than 55,000 physicians. Since 2008, Novo Nordisk's Changing Diabetes initiative has visited more than 100 cities in China and attracted over 60,000 patients for diabetes screening and free education sessions. Over the last decade, the shared value strategy has resulted in an estimated 80% improvement in total patient life years because of improved products and services, while increasing the company's market share from below 40% to 63%.

SUSTAINABILITY APPROACH

The final approach is that of **Sustainability**. Although the terms CSR and sustainability are often used interchangeably, they differ in scope and application especially with regards to CSR as described by the Companies Act, 2013. The focus of CSR is what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impact of conducting business, that is, how profits are made. Although the sustainability plan of a business can include strategies of CSR, sustainability encapsulates broader actions that go beyond CSR programmes, such as aspects surrounding labour practices, product responsibility, manufacturing processes, sourcing of raw materials, practices of vendors, and so on. Survey findings show that 66% of companies viewed CSR as being part of a larger sustainability agenda that addressed needs of external and internal stakeholders. There could be a few reasons for the seemingly high support to the idea of sustainability. Sustainability has been made popular and institutionalised by the Global Reporting Initiative (GRI) that started in the early 1990s. Many companies in India, especially multi-national corporations, have been publishing GRI reports that are seen by investors and shareholders as benchmarks of their economic, social, and governance performance. A few examples of companies viewing CSR as a subset of sustainability include HSBC and Sanofi.

2.2. Lifecycle of CSR

A company's CSR journey, right from creating a policy document to implementing programmes and reporting progress, can be mapped using a "lifecycle" framework as shown below. The following sections use this framework to discuss the findings of the study, highlight important changes after the law, and identify the challenges at each stage.



2.2.1. Formulating CSR policy and strategy



Senior management and the board are the key influencers of strategy

In line with Section 135, 54 out of 56 companies (96%) reported that they had documented CSR policies. Two companies did not respond to the question. In terms of what the policy contained, most companies (91%) have included a list of social causes/sectors they espoused, followed by the mode of operations and outline of monitoring processes. At this stage, many companies preferred to leave the policy documents broad as the document was supposed to be an intent document for the company's CSR vision and not an operational blueprint. A broader policy document also allowed companies to have a more adaptable approach by giving flexibility in choosing CSR programmes and geographies.

Ninety per cent of the companies surveyed reported that either their senior management, such as the CEO, CFO, COO or the board of directors, were the key drivers of the CSR policy.

More than 50% of the companies reported that their board of directors had been taking an active interest in CSR post the enactment of the CSR law. While the buy-in and scrutiny from the board has helped in bringing greater rigour and importance to CSR activities, it has also created some challenges. Interviews with many companies highlighted a common challenge for most personnel who headed CSR in their respective companies—building capacity of their board members. While board members understood the letter of the law, not all of them had adequate understanding of the ground realities in the social sector (see box for some standards in social responsibility). However, some companies have brought in independent directors with an understanding of the social sector to bridge this gap.

Only **a small proportion of companies consulted intermediaries (27%) or social organisations such as NGOs (16%)** when formulating their policies. The inputs from both these players could be valuable in ensuring that a CSR policy is as robust and responsive to the social sector as possible without compromising on the interests

Some tools and resources for standards in social responsibility

ISO 26000:2010 developed by the International Organisation for Standardisation is intended to encourage and assist organisations in contributing to sustainable development. It provides guidance on social responsibility to all types of entities— concepts, terms and definitions, principles and practices, and other relevant information.[18]

2.2.2. CSR budget planning and utilisation

of the companies. The low participation of such agencies in formulating the policy makes it even more important for a company to strike a balance between what is required from its perspective and what is achievable on the ground.

Companies are divided on expectations from the law while developing their strategies. While companies that are new to CSR felt that the law should be more prescriptive, larger and more experienced companies such as the Essar Group felt that the guidelines were helpful, and that flexibility to choose, plan, and implement CSR programmes was the way forward.

The report goes into detail regarding expectations from CSR guidelines in the "Government" section.



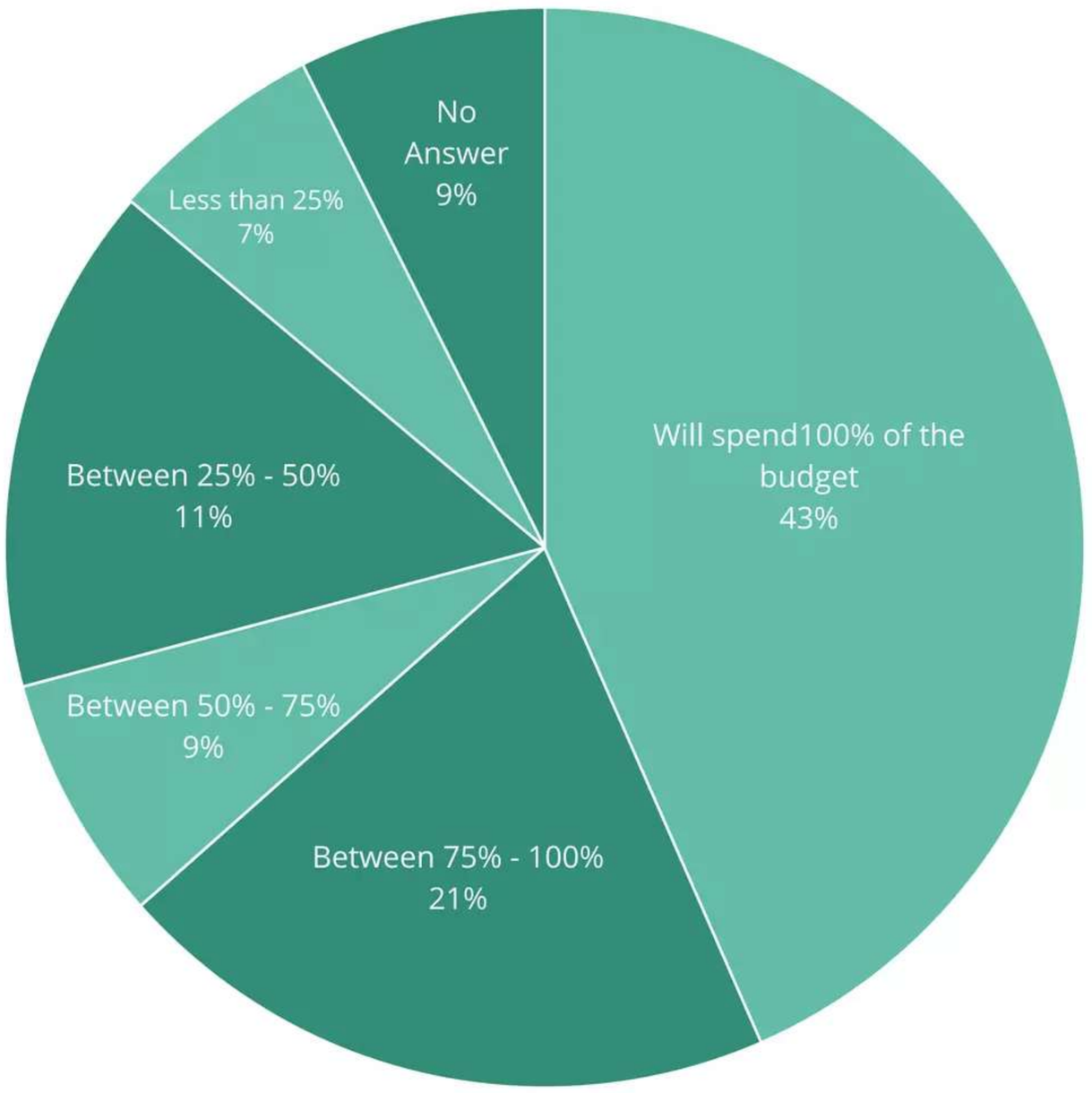
Companies were confident of spending a majority of their CSR budgets in the financial year 2015-16.

As shown in the pie chart, 43% of companies reported that they would be spending 100% of their CSR budgets in financial year 2015-16 while 21% expected to spend between 75% and 100%, indicating that a significant majority were hopeful of spending a major portion of their demarcated 2% of net profit on CSR.

Further data analysis and interviews indicated that companies with larger budgets were more likely to spend the entire budget, mainly because most of these companies have been engaged in CSR for many decades and have the teams, NGO network, and long-running programmes to ramp up their efforts quickly.

On the other hand, companies with smaller budgets required a longer lead to even start spending their monies, despite the small size of their budgets. Government data indicates that the latter make up a significant chunk of companies that qualify under Section 135, suggesting that this long tail of companies require substantial support and handholding.

WHAT PROPORTION OF YOUR CSR BUDGET IN 2015-16 WILL YOU SPEND?



Different mechanisms were leveraged to allocate CSR funding:

- **Allocating funding across different channels:**
  Most companies allocated CSR budgets across various channels—multiple entities, direct programme funding, contributing to government schemes, continuing with certain charitable donations, and so on. For group companies, a common mechanism was to establish a central foundation/team and contribute a significant amount of CSR funds to this entity. Although, the individual companies under the group did retain some CSR funds to be spent as per their priorities and discretion (see box for an example of Mahindra & Mahindra).

  For companies with a significant regional footprint (banking, oil & gas, manufacturing, infrastructure, mining, and so on), the budget was mostly divided between the head office and the regional locations, with the latter having the ability to spend with some guidance from the headquarters. In both these cases, the central CSR team was expected to shoulder the important role of laying down the larger vision for CSR and formulating guidelines and policies that could aid the decentralised execution of CSR.

- **Apportioning budget between NGOs:**
  An international financial services company revealed that they had set stringent guidelines regarding the size of funding that could be apportioned to any single NGO and what part of the NGO's budget could that contribution account for. While this was seen as a move that promoted good governance and transparency, it led to a few unanticipated operational bottlenecks especially, when dealing with multiple NGO partners, geographies and programmes, and compounded by the small size of CSR teams within the company.

- **Proactive and reactive budget planning:**
  The study found that there were two types of companies when it came to budget planning—those that planned the budgets systematically either on annual or multi-year basis at the beginning of the financial year based on their own priorities (proactive) and those that reacted to unspent monies towards the end of the year (reactive).

A significant impediment during the budget planning stage is the capacity constraint within most NGOs to absorb large quantities of funding in one year. Given the uncertain nature of social development programmes and the lack of resources within the sector to work at scale, NGOs face formidable challenges in accurately estimating expenditures and undertaking them as planned.

How does Mahindra & Mahindra allocate funding across its group companies?

Through the KC Mahindra Education Trust, founded in 1954, and the Mahindra Foundation, set up in 1969, the Mahindra & Mahindra Group has focused on delivering social impact through CSR and promoted philanthropy in the areas of education, livelihoods, and skill development. The group, in 2004, set up a CSR council and committed 1% of profit after tax for CSR initiatives. The council kept 0.5% and the remaining was given to various group companies to spend. While the cause areas and target groups are defined at the group's committee level, the companies have autonomy in deciding how to spend the monies to best address local community needs.

Post the Companies Act, 2013, the spending has increased from 1% profit after tax to 2% profit before tax, as per the law. Hence, the CSR council spends 1% and the other 1% is given to individual companies to spend on CSR. The group also expanded its CSR portfolio to include health and environment.

The third major change brought about by the CSR law has been the group's consolidation of the various CSR initiatives under 10 brands that represent all their CSR initiatives. For instance, their skill development work is branded under the name "Hunar", so any skill development initiative by an individual company will be branded under this name.

Mahindra & Mahindra also has an employee social options programme (ESOPs) that allows and encourages its employees to get involved with various CSR initiatives.

The trust and foundation also work with various external partners, mostly NGOs, to execute their CSR projects. Mahindra & Mahindra's perspective is that the NGO partner is more effective at community involvement and mobilisation, since they have a strong presence and good will in the communities they serve. The companies will provide their core competencies like strategy formulation, funding, and procedural project implementation to strengthen implementation by the NGOs. Mahindra & Mahindra prefers being closely involved with NGOs in defining its CSR projects' programmes and objectives.

Transforming India: The CSR Opportunity



2.2.3. Establishing internal execution structure

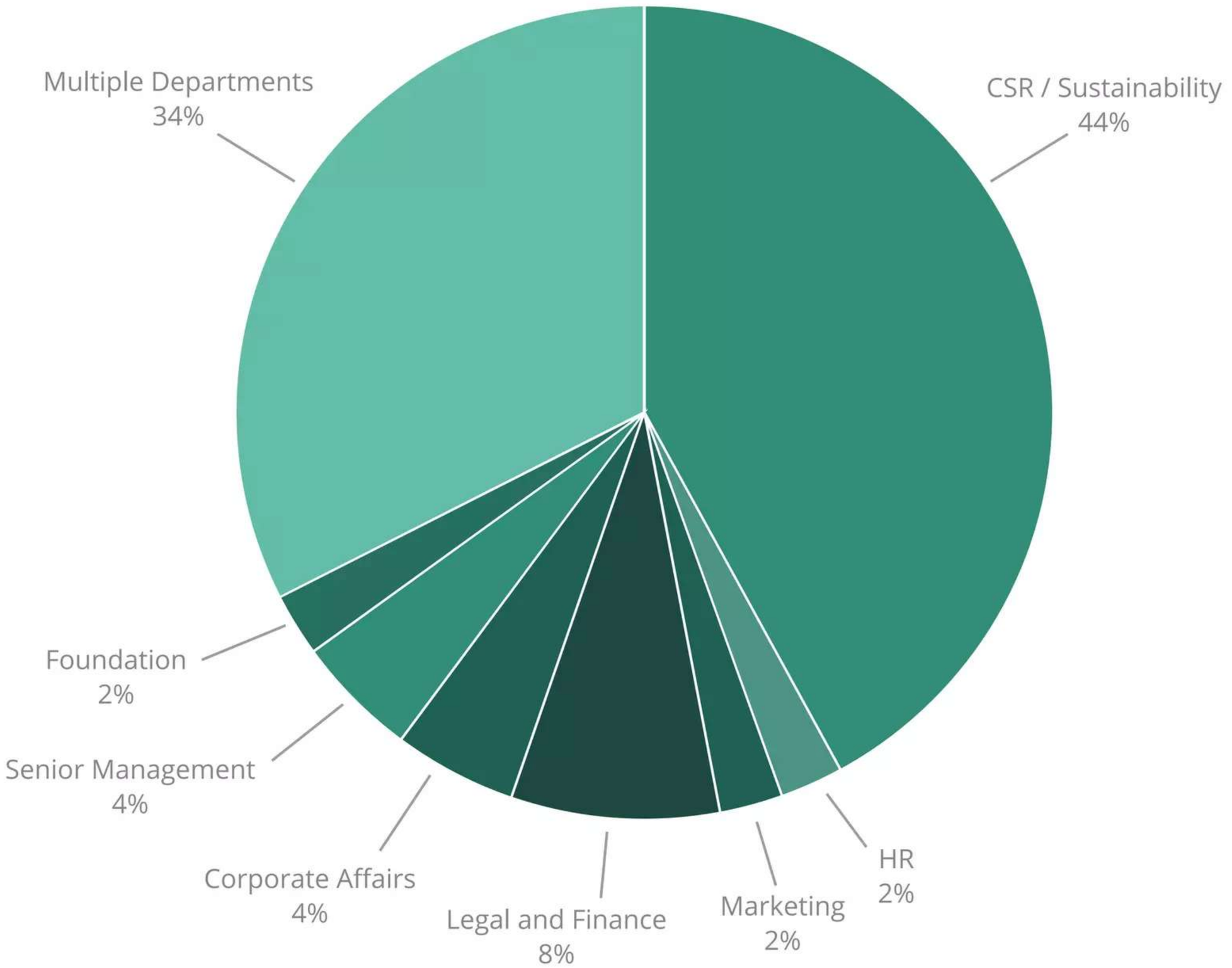
While many companies have dedicated CSR teams, a significant minority transfers the responsibility to other business functions.

Given that the law has been operational for two years, many companies seem to have established dedicated teams for CSR, though a significant minority still housed CSR under other business functions. As shown in the chart below, 44% of companies had dedicated CSR and/or sustainability teams that owned and managed CSR for their companies. In many cases, more than one team was responsible for CSR, making it a multi-disciplinary function that was influenced by multiple orientations such as legal, marketing, communications, public relations, and human resources, thus, making it important that these departments understand the intent and workings of the CSR ecosystem.

Some companies, such as Essar Group, Bharti Enterprises and Ambuja Cement have long established corporate foundations and many other companies are considering doing the same to undertake execution of CSR directly. Having an in-house foundation gives companies advantages such as greater control over activities, more flexibility in terms of operations, and ability to bring in relevant people with experience of social sectors. However, companies in the early stage of their social sector foray would require support and handholding in setting up foundations since these need strong leadership and a clear vision for the social sector.

During the interviews for this study, many companies highlighted the emergence of the CSR head and the critical role played by them as an interesting development in the corporate sector post the law. The CSR heads, who were previously operating in the shadows, have found themselves in the hot seat of a boardroom, pitching project proposals, and justifying their decision-making process. Their responsibilities include chalking out the strategy, implementing projects, and presenting a forward-looking CSR plan for the company. Their journey has been an interesting one, evolving continuously as they face a plethora of challenges (see box).

WHICH DEPARTMENT OWNS AND MANAGES CSR INTERNALLY WITHIN THE COMPANY



Evolving role of CSR heads

The CSR head is placed in the unique position of playing the role of facilitator in sensitising the management about development issues and the ground realities of implementation, and also working closely with NGO partners to realise the social development goals stated in the CSR policy.

"The best way to expose anyone to ground realities, be it CSR professionals, board members or staff, is by taking them on field visits," says Aloka Majumdar, Head of Corporate Sustainability at HSBC India. According to Aloka Majumdar and her peers, this clearly showcases the operational difficulties NGOs face in implementing projects, and senior management are very quick to pick up on these pain points and as a result, they temper their demands in the boardroom.

Another significant challenge is securing approvals for projects when processes for approvals are long-drawn and multi-layered. As the board gets involved in vetting the projects, similar to any business function, the senior management, and various committees act as gatekeepers before the proposal can be presented to them. CSR managers often have to spend time working with these gatekeepers, who are also grappling with the nuances in the social sector.



Corporate processes do not reflect the nature and spirit of partnership with NGOs.

Interactions with companies revealed that many common corporate processes such as drawing up legal contracts, procurement procedures, and granting advance payments before commencing projects are suited for the needs of commercial dealings. However, these are not attuned to the needs of social projects and NGOs.

For instance, a financial services company reported that it does not grant multi-year contracts to NGOs as a rule. Even if there is a long-term commitment, the contracts have to be renewed every year. Many NGOs felt that social projects are essentially long-term, with high possibilities of things going wrong due to factors outside an NGO's control. The uncertainty of achieving milestones and contract renewals added considerable stress and insecurity to their operations. Similarly, a common clause in most contracts talks about indemnity and liability within the social sector despite the fact that no NGO could claim to take full responsibility of the numerous exogenous factors in a community or a village, which is not a controlled environment.

The study found a few reasons for such legal practices by companies:

- While companies understand the nature of business and financial risks well enough, their understanding of risk in CSR is limited. Hence, their strategies to mitigate risks arising from CSR activities may not always be the most appropriate.

- From a company's perspective, any failings of the NGO partners to deliver the programme could entail a huge risk to the company's reputation and, hence, companies put in place practices that will safeguard their interests. Legal departments across the world are known to take the most risk-averse and conservative approach, and may need support from CSR departments to understand the limiting nature of existing processes.

- There are not many relevant templates of contracts and other documents available within the ecosystem that could guide a company's thinking.



Not enough is being invested in providing administrative support for NGOs.

The interviews with companies threw up another critical finding. Companies capped the administrative expenses that a NGO could budget to a certain amount, mostly between 10% and 15%. There was resistance to provide administrative and operational support to NGOs partly because companies preferred their funds to be used to directly impact beneficiaries and partly because of the 5% cap imposed by Section 135 on CSR funds that can be used for internal and external capacity building. Depriving NGOs of this support prevents them from investing in their capacities by bringing in relevant resources, material, training etc., which in turn hampers their ability to deliver maximum impact to beneficiaries.

2.2.4. Assessing and engaging stakeholders

Companies are currently focused on engaging communities and employees. However, there is scope to extend the social engagement approach to other stakeholders.

While the needs of the community or end-beneficiaries are central to all approaches, strategic CSR, sustainability, and shared value encourage expanding the scope to other stakeholders such as employees, vendors, suppliers, etc.

Given the predominance of philanthropic and compliance-driven approaches, most companies said that their CSR approach was influenced by communities around their areas of operation. In fact, almost 60% of them said that engaging communities was one of the main determinants of their strategies. Almost 75% said they followed a process for assessing the needs of the communities, which was mostly undertaken by internal teams or by NGO partners, though a small proportion also used external agencies.

Companies routinely consulted and/or engaged their employees in shaping CSR policy and strategy with 50% of reporting this to be a prime consideration when shaping strategies. Similarly, 29% of companies' inputs were more likely to be sought from employees in corporate offices and headquarters than from employees in branch offices. Fewer companies seemed to be involving other stakeholders with 28% taking into account the needs or priorities of vendors, suppliers, customers, and so on.

2.2.5. Selecting social causes

CSR has favoured some social causes more than others.

Most companies reported supporting multiple causes, on an average 4 to 5 sectors.

Education continued to be the most popular cause, supported by 81% of the companies. This was followed by livelihoods and skills and healthcare, with around 60% companies supporting these sectors. A little more than half of the companies reported to implementing integrated programmes facilitate community development. Water and sanitation were also found to be common, probably because of the government's call-to-action as part of the Swachh Bharat Mission.

On the other hand, less than a quarter of the companies were invested in sectors such as agriculture, clean energy, and human rights. There were multiple reasons for this trend, as highlighted below:

- Some sectors such as agriculture and clean energy require technical know-how and may also require capital investments, which many companies were wary about.

- There is a perception that credible and effective implementation partners are not available easily across some sectors. Lack of transparency, lack of easily accessible information, and methods to rank and sort NGOs and other implementation partners compound the problem.

- Long gestation times required to realise impact can sometimes act as an impediment. Twenty-five per cent of the companies reported to implementing programmes that had a duration of less than or equal to a year. Another 40% reported supporting programmes for between a year and three years. Even when implementing programmes of longer durations, many companies had restrictions on creating multi-year agreements and were compelled to renew agreements each year.

- Lack of relevant and user-friendly knowledge of social sectors was cited as a key impediment by companies.

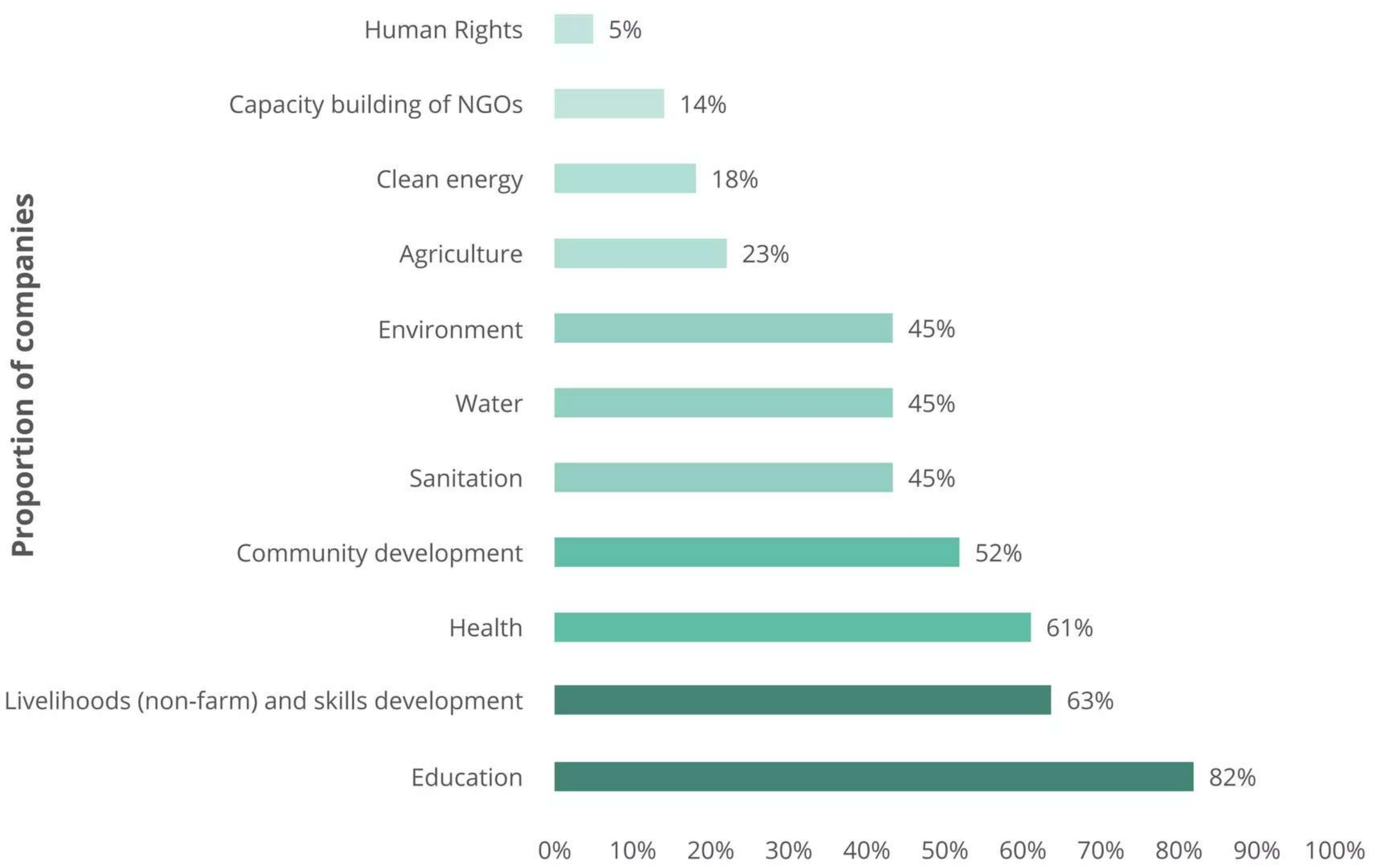
While there is no dearth of literature and information on social sectors in India, most of this is not customised to the needs of companies and CSR. Certain aspects such as capturing best practices within social sectors, evidence of what works and what does not, comparisons between different models of implementation for returns and impact, detailed guidelines of implementation etc. have often not been translated from academic studies to practical intelligence.

- Some sectors, such as human rights, are perceived as being legally and politically sensitive given the complex nature of issues plaguing these sectors.

Even within the commonly supported causes, one-time provision of infrastructure and other material give-aways were common, mainly due to tangible and visible nature of such activities, the ease in implementing these programmes, and also because these were the very things demanded by communities. Programmes that required focus on softer aspects such as changes in behaviour were fewer, due to some of the reasons highlighted above.

One of the possible ways to encourage companies to support causes such as agriculture, clean-energy etc. could be to reduce the risks of individual companies by pooling resources and entrusting an expert to handle these, see 5.4.

SECTOR FOCUS OF COMPANIES



2.2.6. Partner identification



The identification and selection of NGOs was found to be the Achilles' heel for most companies.

There was no single method that companies followed in selecting their partners. A considerable proportion of companies—38% reported selecting partners based on vetting done by external agencies, while 36% preferred selecting large, visible, well-established NGOs. Twenty-nine per cent preferred selecting partners based on recommendations by colleagues or internal stakeholders, while 25% chose partners based on recommendations made by their board. Twenty-three per cent undertook internet searches to identify their implementation partners.

Some tools and resources for assessing NGO credibility and performance

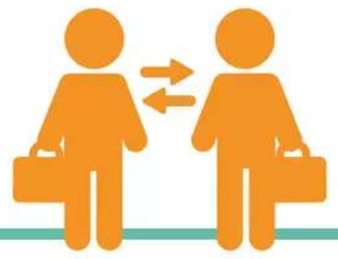
- Malcolm Baldrige Model for not-for-profit organisations[19]
- MANGO Framework for financial and accounting standards
- MCKINSEY OCAT Framework—a free online tool that helps non-profits assess their operational capacity and identify strengths and areas for improvement[20]

In-depth conversations with companies indicated that the criteria for selecting NGOs mainly revolved around assessing credibility in terms of legal compliance, responsible governance, and financial sustainability. While this is a necessary condition, it is a not a sufficient condition for identifying appropriate implementation partners. The suitability or "fit" of the NGO with a corporate's requirements is a pre-requisite for successful implementation. For instance, a well-established large NGO may rank well on governance and processes

but may not have a suitable project that lends itself to corporate engagement or may not be open to adapting its programme to suit the requirements of a company. While there are tools available to measure organisational credibility (see box), most of them do not take into account the "project-level" capabilities.

Many companies voiced the need to have some sort of a standardised ranking or rating for NGOs. The NGOs themselves did not seem averse to the idea of rating; many who participated in the study were willing to actively subscribe to such rating exercises. While this would definitely help in sifting and filtering the NGOs, the process has to be nuanced. Unlike companies and business houses, NGOs in India are not governed by strong reporting guidelines that encourage disclosures and information-sharing in a systematic and timely way. Also, given the complex and varied nature of work NGOs undertake, it is difficult to develop standard indices and benchmarks to capture NGO operations or compare them.





Companies preferred to partner with NGOs over social enterprises.

NGOs seemed to be the most preferred partners for executing CSR activities. The involvement of social enterprises was limited, because of the favourable stance adopted by Section 135 towards non-profit organisations. A few common models for engagement with social enterprises comprised of using them as vendors for services and products such as low-cost water filters, composting toilets, clean energy cooking stoves etc. A few other companies relied on them to offer complementary support such as project management and evaluation tools for CSR projects. However, many companies felt that working with organisations that had a profit/revenue model helped to make the interventions more sustainable since they were not fully dependent on a funder's support to sustain operations, brought more rigour, research and development into the sector, and also encouraged accountability from end-beneficiaries, who may have to pay a nominal charge to access products or services from social enterprises.

2.2.7. Selecting CSR programmes

Companies follow a variety of approaches to select CSR programmes, ranging from creating signature programmes or location-specific programmes to supporting and scaling pre-existing interventions.

As with other aspects of CSR, senior management and boards seemed to be driving the decision on types of CSR programmes, which were developed or sourced by the CSR head or manager. In accordance with the law, CSR support to NGOs and other implementation partners was found to be mainly in the form of specific project-funding, although one-off donations to NGOs and government funds were also prevalent albeit to a small extent.

Companies reported employing a variety of approaches and methods to designing and selecting CSR programmes. These can be categorised into two broad types:

- **Customised approach** wherein companies pro-actively worked with their implementation partners to create CSR programmes that were suited to their needs and locations. These programmes were found to be of two types:

  - **Signature programmes:** These programmes were synonymous with the company's brand and name and could be called their flagship programmes. These programmes are typically built on existing programmes or models implemented by social organisations, adding a layer of customised aspects, or they could be new (or innovative) interventions. Signature programmes were generally found to focus on one specific cause. While a significant number of companies appeared to be linking their signature programmes to their businesses in a strategic manner, many others seem to be following a cause close to their heart or a cause globally espoused by their parent companies. Please see the box for a few examples of signature programmes by companies.

  - **Location-specific programmes:** These programmes were customised to respond to the needs of the locations where companies had their factories or plants. Reflecting the multi-dimensional

Examples of "signature programmes"

EKLAVYA BY CASTROL INDIA

Eklavya is the flagship programme for Castrol India. It aims to help independent two-wheeler mechanics, who have no access to technical education, enhance their skills and technical knowledge resulting in a better opportunity for livelihood. Launched in 2009 as a pilot programme in Tamil Nadu impacting a little more than 2,000 mechanics, Eklavya has today provided training to more than 145,000 mechanics across seven states namely Maharashtra, Delhi/NCR, Gujarat, Rajasthan, Uttar Pradesh, Andhra Pradesh, and Karnataka. The programme now covers three levels of training and is conducted in four regional languages.

GODREJ'S SALON-I

One of the three pillars of Godrej Good & Green's vision for 2020 is creating a more employable Indian workforce. While women form a significant proportion of India's workforce, they are largely concentrated in the informal sector. They are also, for the most part, engaged in vocations characterised by low earning and productivity, poor working conditions, and no social protection. Salon-i, Godrej's largest employability training programme, was launched in January 2012 with a view to help address these issues. A 240-hour, 3-month beautician training programme for women in beauty, skin and hair care, Salon-i has grown significantly over the last few years to include 21 partners and 185 centres across 17 Indian states.

and inter-related nature of social development in any community, these programmes typically addressed a range of issues in health, education, sanitation, livelihood development, and so on. A few companies were looking to standardise the approach across locations, so that they could set coherent guidelines, impact metrics across different areas of implementation, and compare and report the progress.

- **Supporting scalable and impactful programmes:** The second approach consisted of supporting existing programmes run by NGOs with a view to replicate them and/or scale them up. This was mainly adopted by companies that did not have an immediate location preference or a clear beneficiary group, such as banking, financial services, insurance or IT companies, or companies that were new to the CSR sector and wanted to comply with the law.

In terms of geographical distribution of programmes, most companies worked in mixed geographies. Rural areas saw the most focus (80% companies reported this), followed by semi-urban areas (63%), and urban areas (52%). At 20%, a small proportion worked in tribal belts of the country.[21]

A key challenge reported by companies at this stage is a lack of usable and relevant knowledge on various causes—what to support, how to support, how long to support it until impact is visible, what are the expected gains, what and how to measure, what are the dos and don'ts—and other data to aid decision-making. In the absence of this, most companies follow safer and more visible options. This is further compounded by the inability of the senior management to understand the intricacies and limitations of programmes. The lack of knowledge and orientation sometimes led to a mismatch between expectations and actual results. The data from NGOs reinforces this gap, where 40% of the NGOs stated that this lack of understanding of the social sector was the key challenge when working with companies.

2.2.8. Monitoring and evaluating impact



As companies spend more on social development projects, there has been a unanimous demand for measuring their effectiveness and impact.

With rising instances of professionals and business heads leading CSR programmes, there is a shift towards identifying result-oriented programmes and measuring impact. Companies were unanimous in highlighting the importance of evaluating the impact of CSR programmes and the value created, and felt that it is the very type of rigour required in the sector.

Even though "impact assessment" may have become a buzzword, the study found that there was a lack of common understanding around the definition of impact, and a lack of standardised measurement frameworks and tools that were suitable to CSR (see box for a few examples of existing tools). While some companies and NGOs were content with counting the number of people, villages, and schools as the impact of their programmes, others were keen on measuring the changes in the quality of lives of people covered by them. For example, in elementary education, most companies were measuring the improvements in infrastructure.[22] However, very few were capturing actual learning outcomes among children; the reasons being a lack of clear articulation that this was the ultimate aim of any CSR programme in a school.

Impact measurement was also reported to be a challenging task—36% of the companies in the survey reported that they relied on their internal teams for measuring impact, a similar proportion (33%) relied on external parties, 14% relied on NGO partners, and 17% did not measure impact at all. Some of the reasons for this were inherent complexities in measuring social value, lack of common understanding and definition of impact, lack of good quality data, and absence of standardised measurement frameworks and tools that could guide companies and NGOs.

A few companies argued that given limited resources, they would rather invest money in programmes directly targeted at beneficiaries than in "overheads" such as evaluation.

Some tools and resources for impact measurement

IRIS is an initiative of the Global Impact Investing Network (GIIN), a non-profit organisation dedicated to increasing the scale and effectiveness of impact investing. While indicators are more process related and relevant to impact investment, most of them can be easily adapted to CSR.[23]

Social Return on Investment (SROI) is an analytic tool for measuring and accounting for a much broader concept of value, taking into account social, economic, and environmental factors.[24]

Interviews with both NGOs and companies revealed that the evaluation of programmes and impact was often seen as an end in itself rather than as a means to generating intelligence for improving programme efficiency and impact. As such, many companies were engaging in evaluations at the end of their CSR programmes, when it was too late for course corrections. Tracking and measuring impact needs to be a conscious and continuous process that is integrated with project management in the form of regular monitoring. At the same time, it is important that the assessments are seen as collaborative exercises between companies and NGOs to ensure that CSR programmes achieve their goals and contribute to social development, rather than as policing instruments.

How does Dewan Housing Finance Corporation Limited (DHFL) view impact?

DHFL has been delivering aspirations of home ownership to the lower and middle income (LMI) segment for more than three decades, ensuring inclusive growth and developing a business model to reflect its ethos "Changing Rules. Changing Lives."

DHFL has extended this ethos into its CSR commitments, under four broad components:

- Early childhood care and education
- Pre-service teacher training
- Skill development
- Rural development with focus on drought mitigation

"Social impact" being a core principle for DHFL's CSR initiatives, all programmes are systematically measured for efficiency, effectiveness, and social outcomes. A component of baseline and end line assessment with continuous monitoring is inbuilt in each programme. In fact, the company is also keen to impact the capacities of NGO partners it works with. To quote S Govindan, Member of the CSR Management Committee at DHFL, "Our programmes factor all aspects of social, human rights, and environmental impact, and we have introduced rigorous monitoring matrices towards the same."

2.2.9. Reporting on CSR



There is a lack of comprehensive reporting by companies on CSR.

While the law has mandated some level of reporting on CSR, it is limited to the spending and the reason for under-spending, if relevant. It does not require a lot of details on spend per sector, partners involved, nature of activities undertaken, and so on. Accordingly, not many companies reported on these. While this information may not be compulsory, it is absolutely critical that corporate India publishes detailed information on CSR regularly to ensure that this data can be used to track progress, understand trends, establish benchmarks for performance in CSR, and aid evidence-based decision-making within the CSR space.



3. SOCIAL ORGANISATIONS AND SECTION 135



Social organisations believe that Section 135 is a big positive for the sector.

Section 135 of the Companies Act, 2013 was highly anticipated by social organisations; there was an expectation that it would lead to large inflows of funds into the social development sector.

For social organisations that have been working with companies prior to the implementation of the law, their strategy and orientation have not undergone any major changes. They have, however, seen an increase in the level of corporate funding. In addition, these organisations observed a change in the intensity of the engagement with corporate funders. Social organisations found themselves working with CSR teams who were more involved. The organisations saw this as a positive step as they preferred working with funders who were interested in being involved beyond the disbursement of money.

For social organisations that began approaching companies post the implementation of the law, there was a reorientation of their fundraising strategies with their personal and professional networks proving critical to finding and securing the right funders. It pushes social organisations to put systems in place, define their policies, track their programmes more effectively and generally function with a higher level of efficiency and accountability.

> Companies are helping make social work a more serious business.
>
> **- Priti Patkar,**
> **Co-Founder and Director,**
> **Prerana**



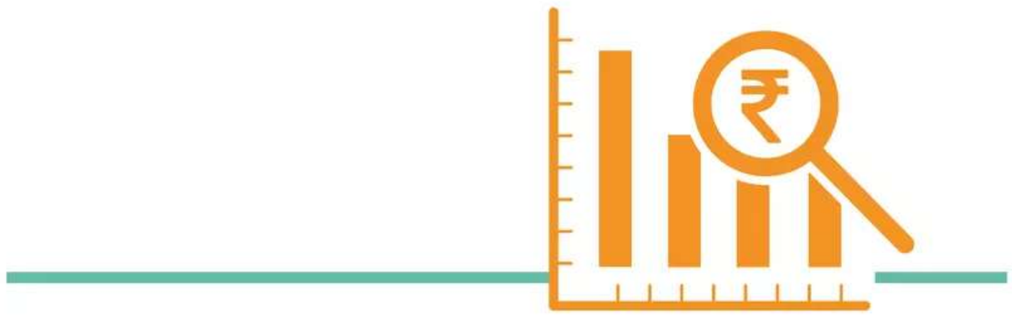
Corporate partnership lifecycle from the perspective of social organisations

The conventional partnership of a social organisation with a company can be mapped using a "lifecycle" framework at two levels—the organisation level and the programmatic level.

Corporate Partnership Lifecycle from the perspective of social organisations

	ORGANISATION LEVEL	PROGRAMME LEVEL
Identifying corporate partners/servicing company request	Designing the fundraising strategy or Understanding a company's needs	Approaching potential corporate funders or Understanding a company's needs
Strategising existing or new projects	Defining the project scope	Defining the metrics to measure project outcomes
Implementation	Allocating resources	Executing programmes
Monitoring and evaluation	Determining success	Measuring and reporting output and outcomes
Revisiting strategy	Re-orientation of strategy	Scaling projects

3.1. Fund raising: Identifying and approaching potential corporate funders



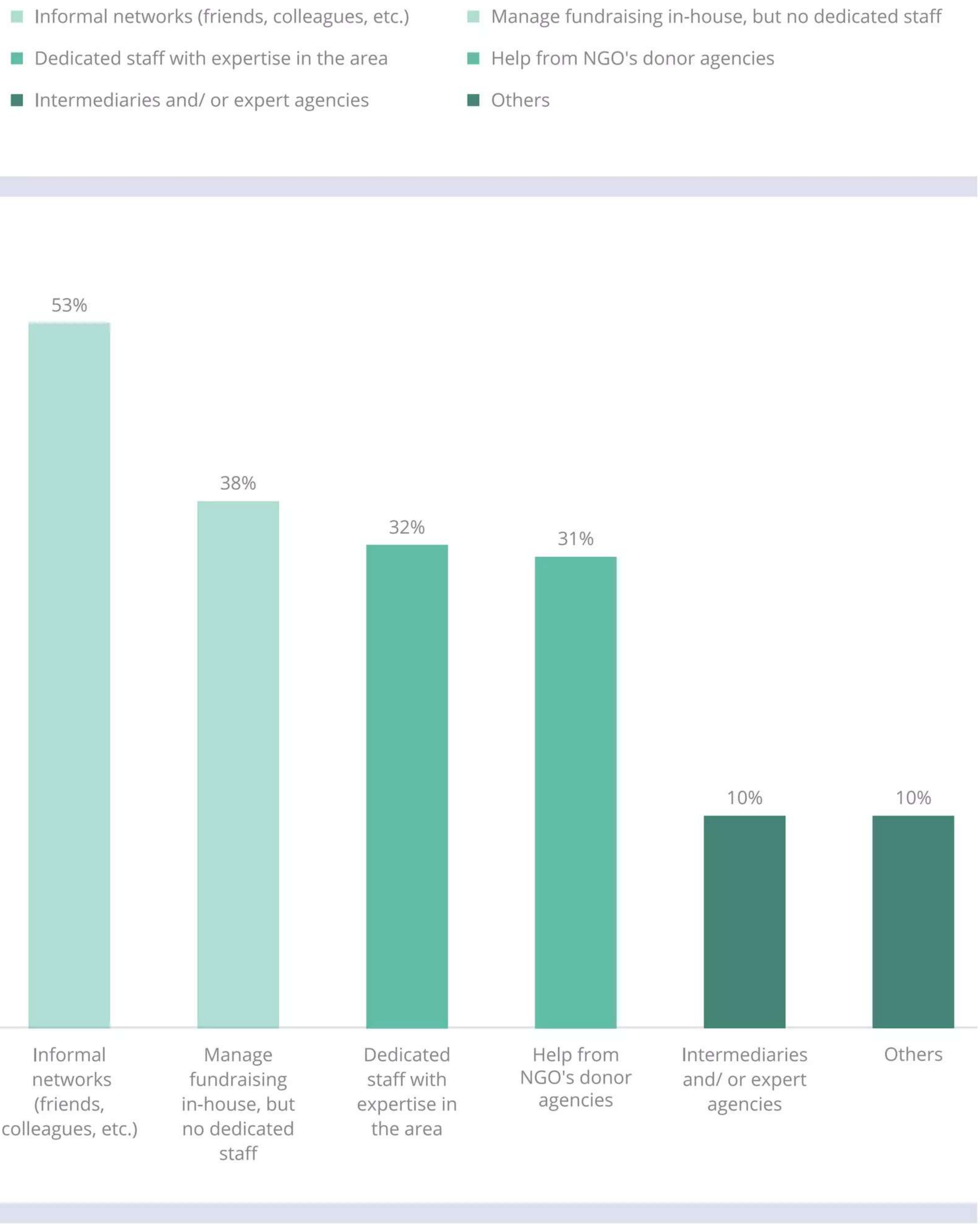
The most effective way to approach a company is through the personal or professional network of a social organisation's senior management.

According to social organisations that participated in the study, personal and professional networks were the most effective fundraising channels. Unfortunately, not all social organisations have access to strong networks and in such cases, getting their foot through a funder's door is extremely challenging.

Fifty-three per cent of the social organisations surveyed relied on informal networks (such as reaching out to their personal networks) for fundraising, followed by 38% who reported raising funds with internal but not dedicated personnel. Thirty-two per cent reported to having dedicated staff for fundraising, while 31% reported that their donors helped with fundraising.

The top two channels for fundraising—informal networks and managing fundraising in-house without a dedicated team—indicated that fundraising was carried out in a slightly ad-hoc manner, with heavy reliance on senior management or employees undertaking fundraising activities. Although the presence of senior management was found to be important for fundraising activities, in some cases, such involvement arose from the absence of a capable fundraising team/resource. This would often put a strain on the organisation and dilute the amount of time these key members could have given to the other aspects of the organisation, like programme implementation and general networking. This risk of an additional burden was found to be common among smaller organisations, whose programmes were largely driven by the founder members.

Which of the following means do you use to raise funds from institutional donors?*





Organisations with prior experience working with companies found it easier to close deals.

Organisations that Samhita spoke to, felt that the primary assessment of a social organisation's credibility by a company seemed to be whether or not the former had received corporate funding in the past. This was one of the main reasons why closing the first partnership with a corporate was a tedious task with multiple discussions and the need for ingenuity on the part of the social organisation.



CSR could create a potential imbalance within the NGO sector.

Many companies showed an inclination to support well-established and more visible social organisations as they felt that these NGOs were more credible. At the same time, larger NGOs have stronger networks through their trustees, many of whom have served as senior leaders in the corporate world. These factors created a reinforcing cycle of stronger networks, more credibility, and higher funding.

Companies had valid concerns around the capability and capacity of smaller, local NGOs. Sector players that Samhita spoke to indicated that these concerns could lead to CSR funds being allocated only to the most visible and established social organisations; ignoring the smaller organisations, who are the ones closest to the ground, serving the end-beneficiaries.



Social organisations feel that "appealing to the heart" is an effective strategy.

In order to convince a funder that the social organisation has the capacity to successfully undertake the proposed programme, organisations Samhita interviewed found it essential to tell their story effectively. The active participation of the organisation's senior management in fundraising meetings enhanced the effect of storytelling and helped instil confidence in the abilities of the potential implementation partner.

As part of their pitch, most social organisations conducted field visits for their potential funders to understand ground operations and interact with beneficiaries. This, when accompanied with a subtle appeal to the emotional side of a company official, resulted in fundraising efforts being more successful. Social organisations believed that this was an effective way of humanising the programme and that it went beyond providing a quantitative proposal.

3.2. Defining the scope and metrics to measure outcomes



Defining the metrics at the beginning of the programme is the best way to set the expectations of the funder and ensure that both parties' goals are being worked towards.

Social organisations emphasised that companies and their implementation partners should work together to define metrics to measure output and outcomes of a particular project, and set the expectations of the funder at an early stage in the project. The metrics should address the outcomes expected at a programmatic level, i.e., directly related to the beneficiaries, as well as at an organisational level, i.e., for the social organisation and the corporate funder.

Social organisations maintained that it is important to keep the scope of a project flexible and adaptable as dealing with communities or specific target groups tended to be complex. Flexibility ensured that modifications are possible if key factors influencing the project changed or if unexpected circumstances arose during implementation.



Social organisations are willing to modify programmes if needed.

While defining the scope of a project and before a company makes a formal funding commitment, there could be discussions around customisation in the existing programme design. Most social organisations that Samhita interviewed preferred working within their existing programme frameworks and focusing on their core strengths. However, well-established and well-networked organisations were willing to make certain "necessary compromises" in order to secure funds and tweak programmes to suit requirements and interests of the corporate funders.

For example, some of **Teach For India's (TFI)** corporate funders have been keen to add additional elements to the fellowship programme such as monitoring the sanitation facilities in the school. Before making such a commitment, the development team at Teach For India consults with the implementation team about the latter's capacity to take on the additional work. If the implementation team is comfortable with the additions to the programme, TFI agrees to incorporate it into their proposal.

On the other hand, organisations that were not well-networked or had not engaged companies in the past would be more open to tweaking or modifying their programme. However, operationalizing these modifications entailed a steep learning curve for the social organisation.

For instance, an NGO that worked with self-help groups focusing on enterprise development took on a healthcare project to secure corporate funding. The project involved training community volunteers to deliver home-based health services in the community, something that the NGO had no prior experience or expertise in. While the NGO was extremely successful in mobilising the volunteers, they required a considerable amount of handholding to operationalize the volunteers. The company engaged with an intermediary agency to guide the NGO and streamline the programme.



One of the biggest challenges in working with companies is the restriction of contract length of one year.

Thirty-three per cent of organisations felt that a major constraint in partnering with companies was the short-term commitments that the latter favoured, over long-term agreements that social organisations were keen on. In most cases, companies were willing to enter into annual agreements that contained a renewal clause subject to various conditions. However, programmes almost always exceeded the one-year time frame.

Social organisations felt that this risk of uncertainty over subsequent funding threatened the continuity of a programme and added to the effort of annual fundraising, thus, posing a threat to the overall financial security of an organisation.

3.3. Implementation: Allocating resources and executing programmes



Social organisations believe that the CSR rules have placed a focus on better delivery in the sector. However, there is a need for greater investment in building the capacity of organisations.

Organisations felt that the increased emphasis on delivery of products/services has definite advantages for the sector, although it throws up a couple of challenges. To overcome these challenges, they emphasised on the need for greater investment in capacity building. Unfortunately, as mentioned earlier in the report, capacity building was generally not a key priority for corporate funders since they were more focused on providing programme-specific support.



Social organisations struggle to raise funds for human resources and other expenses, especially those that are not directly attributed to programme implementation.

Companies were hesitant in providing funding for administrative expenses. Only 10% of surveyed social organisations received corporate funding for administrative functions.

Social organisations felt that companies needed to be sensitised to the fact that social organisations had the same operational requirements as any other entity. Human resource costs and administrative expenses were critical components of the budget and were needed to ensure that operations were running effectively.

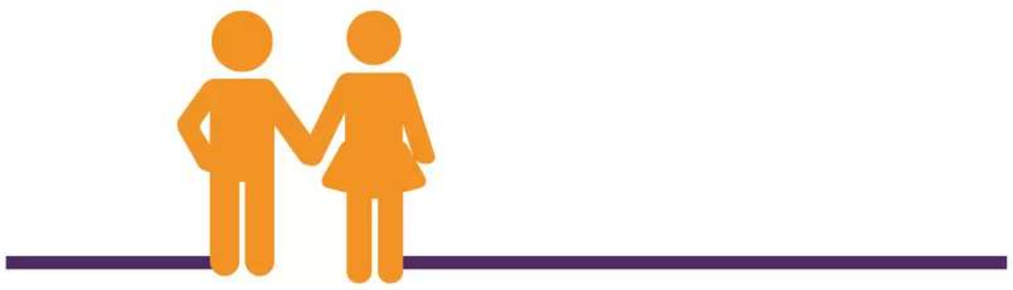
However, there was also a reluctance to fund programme personnel, i.e., salaries of employees implementing the programmes.

Certain budgets have a very high salary component, something that companies tend to avoid. For instance, **OSCAR Foundation**, a social organisation that works on leadership development through sport, is driven by its coaches and Teach for India's programme is driven by its fellows.

Funding for salaries of personnel was typically an area of contention while reviewing project proposals and social organisations had a hard time convincing companies that good personnel were essential for a well-run programme. This was a much bigger challenge for programmes that were completely dependent on the personnel employed.

Certain social organisations have managed to work around this challenge.

For example, **Teach for India's Support a Fellow programme** focuses on funding their fellows, which is primarily a human resource cost. However, corporate funders are willing to support this programme because TFI's proposal effectively highlights the importance of the fellows and the impact they have on the students.



Social organisations feel that companies should play a more constructive and engaged role in implementation and that employee volunteering can be a big positive.

Overall, it was observed that the intensity of engagement of corporate funders during implementation increased substantially since Section 135 came into effect. Social organisations communicated that the constructive engagement of the corporate funder could have a positive effect on implementation as they can provide valuable inputs for problem-solving.

Forty-six out of 129 social organisations or 36% (15 did not answer the question) felt that structured, commitment-driven volunteering from employees could truly create impact and bring about an improvement in the way an organisation operates.

The manner in which volunteers are engaged differs based on the needs of a social organisation, the nature of their programmes, and the interest of the volunteers. The most popular models for employee volunteering are listed below:

- **Event-based:** These are generally one-day commitments where employees volunteer to participate in a particular event. For example, employees organising a sports day for a social organisation that works with children.

- **Skill-based:** These are generally task-based commitments where the social organisation leverages the professional skills of the employee to strengthen their internal systems and build capacity. This is an effective way of transferring business knowledge and practices to the social sector. For example, an employee from a technology company building an MIS system for a social organisation.

- **Programme-based:** These are generally on-going commitments where employees engage with the beneficiaries of a programme on a regular basis. For example, employees providing remedial education or mentorship support to adolescents and young adults.

There is no 'right way' to structure an employee volunteering programme as different social organisations and programmes have different requirements. For certain organisations, event-based volunteering was perceived to have a positive impact.

OSCAR Foundation encouraged their corporate funders to send their employees to the field. They found that when employees were involved in organizing tournaments or events, there was a strong sense of satisfaction in 'giving back' to the community. The beneficiaries also looked forward to such events and enjoyed interacting with working professionals in a fun and informal environment. However, for an organisation that worked with victims of domestic violence, skills-based volunteering was a more desired model. This is because their programme focused on providing counselling and legal support; activities employees would be unable to get involved with without sufficient training.

From the interviews with social organisations there were two key components that made employee volunteering meaningful and successful, across volunteering models. First, the social organisation needed to have clarity on their requirements and objectives, and this should be clearly communicated to the company. Second, the employees needed to be seriously committed to the event/task/programme.

3.4. Monitoring and evaluation (M&E): Reporting output and outcomes, and measuring success



For a large number of social organisations, M&E is not just a funder mandate but a critical process to improve programmes.

Forty-nine per cent of the social organisations (70 out of 144) reported having dedicated in-house staff that managed M&E, indicating that M&E was a priority for them.

There were, however, smaller community-based organisations, who conveyed that they struggled with M&E and perceived it as an additional burden on their staff. They only undertook the activity to comply with donor requirements. In such cases, support from the corporate funder would ease the burden on the social organisation and ensure that M&E is undertaken in the correct manner.

3.5. Revisiting strategy



Social organisations that evaluate projects place a strong emphasis on revisiting project strategies.

Social organisations work in dynamic environments where a large number of factors operate outside their control. For instance, a maternal and child health programme being implemented within a slum community will have difficulty controlling the existence of “quacks” that provide and promote fraudulent or ignorant medical practices. The existence of such factors makes revisiting strategy an important step in the lifecycle. Organisations need to evaluate whether or not the planned strategy is providing the desired results.

Forty-two per cent of respondents reported using corporate funding for scaling their programmes, and most of the social organisations interviewed, worked with at least one corporate funder who provided them with the resources to expand the scope of their programme(s).

Organisations that were interviewed, expressed a desire for companies to be actively involved in this phase of the programme. They felt that a company’s strong problem-solving skills could be of use while re-looking at strategies.

3.6. Additional findings from the study



Social organisations are open to partnering with each other.

Theoretically, collaboration between different organisations would be an impactful channel to effect holistic and long-term change within communities. It would also reduce duplication of efforts by different social organisations that are working towards similar goals. Though all organisations that Samhita spoke to expressed an interest in collaboration, they were sceptical about the challenges that collaboration threw up. They felt it required a substantial amount of time and effort to ensure synergistic and mutually beneficial relationships. They also spoke about the need for an external and neutral organisation to bring them together and coordinate the various efforts involved.



Corporate foundations are a direct challenge to the survival of social organisations.

Social organisations also perceived the setting up of corporate foundations as a worrying trend. Since the law does not mandate that companies have to work with external implementation partners and with 29% of companies who responded to the survey reported having corporate foundations, there was a concern that funds would be diverted towards the foundations and away from the social organisations. However, for certain companies, the setting up of a corporate foundation did not necessarily translate into a diversion of funds away from the social organisations. In fact, many corporate foundations engaged with on-ground implementation partners. However, there were some companies that said that they would like to retain total control over the implementation of their CSR programmes.

4. THE GOVERNMENT'S ROLE IN CREATING AN ENABLING ENVIRONMENT FOR CSR IN INDIA

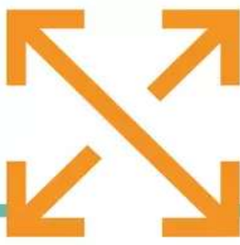


The government's intent behind the law was to involve companies in nation building.

A key government representative told Samhita that the intent behind the law was to involve the private sector in strategically investing in nation building. Through the law, the government believed that CSR should strengthen delivery and capacity of the sector rather than play only a benefactor's role. It felt that companies that are well-established in CSR should share their best practices and adapt their learning to programmes and other stakeholders in the ecosystem.

The government also believed that the law could leverage companies' strategic outlook and rigour in day-to-day business operations, and adapt this to CSR programmes to improve efficiency and increase scale of programmes.

The Indian Institute of Corporate Affairs set up the National Foundation for Corporate Social Responsibility (NFCSR) in 2012 to build an enabling environment for the corporate sector to work in partnership with the government, non-government and civil society organisations, and for effective contribution towards sustainable growth and development.[25] The Indian Institute of Corporate Affairs (IICA) is an organisation set up by the Ministry of Corporate Affairs to develop knowledge and research, provide advisory, and build capacity in matters relating to corporate regulation and governance.



Companies are divided on expectations on CSR guidelines.

Since the law does not give a formal definition of CSR, companies were divided, albeit not equally.

Companies that have been invested in the development

sector for a longer period sought more flexibility in strategizing and implementing their programmes, while many new entrants to CSR sought more directives. However, there was a consensus that the law cannot be too prescriptive or narrowly defined as this would restrict a company's ability to take ownership of a social programme and focus on impact. Seventy-five per cent of the companies felt that the existing list of programmes allowed under the law was comprehensive and covered most of the causes they would want to support.

In a way, the government has addressed questions of flexibility while selecting programmes, saying Schedule VII of the Act, which pertains to the activities allowed under the Act, must be interpreted liberally but should capture the essence of the subjects enumerated in the schedule.[26]



Companies would like more clarity on the intersection between CSR and business. They are also interested in supporting for-profit social enterprise models.

One area where companies would like more clarity is the intersection between business and CSR. The law states that activities undertaken by the company in pursuance of its normal course of business would not be construed as CSR. This caused confusion in the minds of companies who would like to engage in strategic CSR or shared value. For example, many companies seek to use their core competencies that may include business learning, products, human resources, and expertise to implement on-ground programmes directly or with the help of partners—a well-known FMCG company uses its hand wash products to implement hygiene programmes. Companies sought a distinction between programme implementation and marketing in this context, and whether it could be counted as CSR.

One industry that does have clarity is the pharmaceutical industry around product donations. After a court ruling, the MCA allowed for pharmaceutical companies to donate drugs as part of their CSR spending.[27]

Companies felt that, in addition to supporting not-for-profit models, being able to support business models where organisations generate revenue while addressing social problems, would bring a more entrepreneurial and sustainable approach to development.



Improving government-company relationships around CSR

Companies expressed a desire to engage more meaningfully with the government beyond directives. They sought to work with the government in understanding and defining expectations in priority causes.

Companies felt the need for capacity building at different levels of government machinery to better engage companies. They indicated that government officials, especially those at lower levels or those positioned in areas away from government headquarters, were not in alignment with the higher-ups. Some companies reported instances where they had supported projects and activities that were not immediately aligned to their priorities, mainly to maintain relationships with the local government.

Furthermore, companies expressed the need for consistent channels of communication with the government. These could be in the form of roundtables, dissemination of information through a centralised portal, and so on.

Engaging companies: Swachh Bharat Mission

Perhaps, the most robust example of the importance that the government places on corporate involvement in the social sector would be the Swachh Bharat Mission. On 2 October 2014, the Prime Minister of India announced a call-to-action for the nation to jointly end open defecation in India by 2019.

As part of this call-to-action, the PM called on companies to participate in this mission. The PM's address was met with enthusiasm from India Inc. Companies like Tata Consultancy Services, Mahindra, and public sector undertakings (PSUs) like Coal India and Rural Electrification Corporation (REC) diverted significant CSR funding to sanitation in rural and urban areas, especially in schools.[28]

However, according to research by Samhita, a major proportion of the sanitation programmes by companies have been focused around hardware.[29] In the report which maps the Water, Sanitation and Hygiene (WASH) interventions of 100 companies with the largest CSR budgets on the Bombay Stock Exchange (BSE) 500, it was found that 83 out of 84 companies, supported hardware programmes (infrastructure building) and only 19 of 84 incorporated software (behaviour change) into their programmes. Sixty-five companies implemented only infrastructure projects.

From the 19 companies that implemented software programmes, it was found that a large majority was focused only on spreading basic awareness. Such tokenism has failed to serve the purpose of long-term behaviour change and getting communities and individuals to use and maintain toilets and other sanitation facilities.

This trend has been attributed to two reasons. One, the government's initial pitch and directives were centred on building toilets and on cleanliness drives, resulting in PSUs focusing on these areas. As of March 2016, 142,000 school toilets were constructed by 64 PSUs.[30] Second, most companies do not have an understanding of community and long-term engagement, and often sacrifice scale for comprehensive impact. The Swachh Bharat Kosh, a central government fund, to which donations can be construed as CSR also created a sense of confusion among companies about their role in the mission.

Companies, intermediaries, and foundations have expressed a need to work with the government to identify priority areas to achieve the Swachh Bharat Mission of ending open defecation by October 2019. They emphasised that a mutual exchange of ideas to prepare a roadmap not only for sanitation but also other causes is required, if the government is to bank on companies working towards a national agenda.



The Swachh Bharat Kosh created a sense of confusion among companies with regards to the role they were expected to play in the Swachh Bharat Mission.

Despite the intent of the CSR rules and the Swachh Bharat Mission being focused on enabling companies to strategically invest in nation building, funds like the Swachh Bharat Kosh and the Clean Ganga Fund allow donations to be counted as CSR. This created some sort of confusion among companies on the role CSR is expected to play in the development sector.

According to certain companies who participated in the study, the concept of a "fund" could work for companies that are smaller in size or new entrants to the sector to collaboratively and decisively tackle certain issues. However, they also felt that these funds relied on government machinery to implement programmes and eliminated the value that a company could bring to the table, thus, circumventing the intent of Section 135. Companies felt that these funds do not differentiate CSR from charitable giving. Furthermore, companies felt that since detailed data on utilisation of the Kosh was not available, tracking impact was difficult.



5. CALLS-TO-ACTION

The report has captured how the CSR landscape has evolved over the past two years. Given that CSR involves entities with diverse objectives, processes, and operational strategies, each of them requires a set of enabling conditions to achieve individual and common objectives, right from clarity on CSR rules and identifying partners, to defining success and measuring impact. The insights obtained from interviews and surveys conducted for the purpose of this report, combined with Samhita's own experience, are distilled here to provide a broad roadmap for stakeholders to develop the building blocks of the CSR ecosystem. The recommendations are only indicative and although some activities are linked to certain stakeholders, this should not be seen as a limiting factor for other players to take the lead in addressing a particular issue.

5.1. Adopt a strategic approach to CSR



Strategic CSR is a proactive business strategy wherein CSR is aligned to business objectives, stakeholders or products. This approach creates greater buy-in for CSR within the company, brings in a level of institutionalisation, and most importantly, enables a company to leverage its competencies and managerial expertise for development sector initiatives.

Calls-to-action for companies

- Create a CSR strategy—in consultation with internal and external stakeholders—that maps key strengths and competencies, and matches them to the requirements of every step in a CSR project's lifecycle. This will lay out opportunities for cross-fertilisation and business alignment.

- Consultations between companies and NGOs should revolve around identifying which business processes, innovations, and products/ services can be adapted to a particular project.

Calls-to-action for the government

- Help clarify and interpret the law in a way that facilitates strategic corporate involvement in the development sector.
- Create a corporate-engagement framework for each national priority, such as the Swachh Bharat Mission, such that it recognises and leverages a company's competencies and non-financial resources rather than just funds. An example of such a framework, sourced from Samhita's research on CSR in WASH is provided below.

Call-to-action for enablers

- Intermediaries could assist companies in identifying which aspects of their business could be leveraged to enhance strategic CSR while staying within the ambit of Section 135.

STRATEGIC INTEREST

Two types of companies fall in this bracket:

1. Companies that have relevant products or services — FMCG, pharmaceutical, and healthcare — and have a marketing or business goal in addition to on-ground impact.
2. Companies — mining, manufacturing, and oil & gas — that invest in comprehensive programmes which benefit communities around their areas of operation.

IMPACT-FOCUSED

These include companies that may neither have a direct stakeholder interest or a strategic interest—banking, financial services and insurance (BFSI), and service industry—but are focused on impact.

CATALYTIC COMPETENCIES

These include companies that seek to leverage their core competencies to execute strategies for change—media companies with specialised programming, IT companies developing products or monitoring tools, etc.

5.2. Create, collate, and disseminate relevant knowledge for each stakeholder



One of the most critical needs for all stakeholders to successfully leverage the CSR opportunity, which came up frequently in the study findings, is relevant knowledge at four levels:

- **Knowledge and information for the ecosystem as a whole** such as information on potential opportunities for NGOs, knowledge related to the CSR regulations, "Frequently Asked Questions" released by the Ministry of Corporate Affairs (MCA), and other legal briefings.

- **Knowledge related to specific industries**, including industry trends, alignment with other regulations, and best practices and models for CSR projects.

- **Knowledge around specific social sectors**, which includes updated data, gap analysis, primers that can guide companies to a suitable cause, best practices and success stories, etc.

- **Knowledge on execution of projects** such as strategy development, programme design, assessing partners' fit and credibility, impact measurement, monitoring frameworks, and so on.

Calls-to-action for primary actors

- Invest in documenting and sharing challenges, learning, and best practices from CSR programmes.

- Report CSR activities at regular intervals and in detail, going beyond the template mandated by the law.

Calls-to-action for enablers

- Establish a common taxonomy of terms such as quality, impact, risk, scale, social returns, and so on within the CSR lexicon to create a shared understanding between various stakeholders and reduce instances of mismatch in expectations. The new taxonomy needs to be developed in consultation with all stakeholders and could also include certain standards, benchmarks and templates, if relevant and desirable. The taxonomy needs to be codified after its creation.

- Create, collate, and disseminate knowledge related to following aspects:

  - Information about social sectors—gaps, opportunities, and models that are either high-impact, replicable or innovative in each sector.

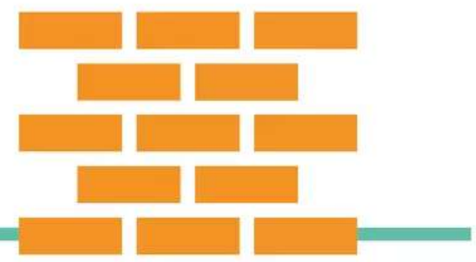
  - Practical guidelines on each step of the CSR project's lifecycle, specifically how to assess implementation partners, how to understand risks in certain CSR programmes, how to formulate an exit strategy and a set of essential standardised outcomes tools and guidelines to measure impact.

- Create and convene forums for building and sharing knowledge.

- Large grant-making organisations could support the creation of platforms and marketplaces that bring together various stakeholders and aggregate opportunities to address informational asymmetries. Such platforms could be focused on one particular social sector such as skills, education, water and sanitation, maternal and child health, and so on, aligned to the funders' domain expertise. These could either be online or offline or a combination of both. They could also feature provision of technical assistance, resources, and tools that help companies and social organisations implement the programme.

- Academic institutions could generate evidence-based empirical research in key sectors that would help companies make better decisions about their investments.

5.3. Build and augment capacity across stakeholders



Along with an emphasis on building knowledge, there needs to be an equal emphasis on building or strengthening capacity across stakeholders, as this was identified as one of the most pressing needs of the ecosystem during the study.

Calls-to-action for primary actors

- As mentioned earlier in the report, companies could conduct trainings for internal staff to facilitate capacity building with respect to knowledge regarding CSR.

- Companies could work with the implementation partner to build their organisational and operational capacity through employee volunteering, providing access to tools such as project management software, enterprise resource planning software, and so on.

- Companies such as IT and mobile firms could leverage their core competencies to build capacity of implementation agencies in programme implementation, monitoring, and reporting.

Calls-to-action for government

- Given the nascent stage of CSR, reviewing and relaxing the 5% cap on capacity-building expenses within CSR expenditure would allow companies to budget a higher proportion of funds for capacity building.

- Capacity building is required for government officials especially at the district/block level to help them understand strategic approaches, and process approvals quicker to aid companies and NGOs in implementing projects. This will go a long way in facilitating and sustaining corporate participation around national priority causes such as sanitation and livelihoods.

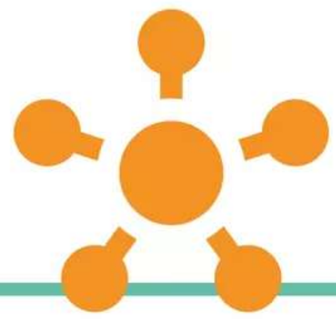
Calls-to-action for enablers

- Facilitate capacity building of company and NGO personnel through knowledge sharing roundtables and field visits.

- Capture and disseminate knowledge through toolkits, blogs, media articles, and so on.

- Academic institutes can integrate modules on CSR, sustainability, and business responsibility in existing courses as well as developing dedicated courses to institutionalise talent creation beyond sector-specific courses.

5.4. Be willing to collaborate



The budgets, capabilities and resource of stakeholders may vary drastically across the sector. Hence, it is very difficult for one entity, barring the Government, to make a significant and systemic impact in the development space. Collaboration between stakeholders could facilitate greater impact through scale, efficiency and geographical spread while enabling knowledge sharing and sustainability of programmes.

Calls-to-action for primary actors

- Focus on building partnerships rather than a funder-vendor relationship
- Both partners should co-create CSR programmes and engage with each other right from the planning stage to provide constructive inputs through the duration of a programme.
- Companies could provide key inputs for problem-solving and risk mitigation while implementing programmes. However, to maintain a successful partnership, it is important that companies' inputs are not construed as interference in implementation.

Calls-to-action for all stakeholders

- Stakeholders could leverage "collective impact", a model for social change that was articulated by Mark Kramer et al. in 2011. It is built on five principles or conditions: a common agenda, shared measurement, reinforcing activities, continuous communication, and backbone support. A collective impact model would enable multiple companies to come together to address a social issue, based on their interests, resources, stakeholder needs, and core competencies.
- A related call-to-action that needs highlighting is the need to invest in and support "backbone organisations" that are instrumental in brokering, creating, and managing such partnerships.[31]
- Intermediaries and large grant-making organisations could develop cause-based funds and platforms to facilitate knowledge sharing and partnerships between companies and other stakeholders. One of the possible ways to encourage companies to support causes such as agriculture, clean energy, etc. could be by pooling resources and entrusting an expert to handle the implementation
(See box for a hypothetical example on this).

PUNE CITY CONNECT AND PUNE MUNICIPAL CORPORATION — A MODEL OF COLLABORATION FOR SMART CITIES

Pune City Connect (PCC) is a platform for collaboration between companies, the Pune Municipal Corporation (PMC), NGOs and civil society. PCC works towards improving the socio-economic indicators of areas in and around Pune.

One of its primary projects is a partnership between companies and the Pune Municipal Corporation, to improve the quality of education in 300 odd municipal schools.

Thermax, Forbes Marshall, Yardi Software, and Motivation for Excellence Foundation partnered with around 10 NGO partners and the PMC's Education Department to work on interventions that can build the capacity of the system and be sustainable.

PCC's role was critical as the backbone organisation to rally different actors, create a common goal, and execute the collective agenda for improving public education outcomes. It was also a critical intermediary in institutionalising the programme within the PMC and municipal schools, to ensure that the capacity of the public education system builds up in the long run.

One of the first initiatives included the development of in-service support for approximately 1,800 Pune municipal school teachers to improve the teaching-learning processes in the classrooms. The project, Shikshak Sahyogi Dal, creates a support cadre of teacher trainers in the PMC schools to support, coach, and develop the instructional and pedagogical skills of teachers.

In the second year of this project, PCC's responsibilities include working closely with the entire PMC education machinery to institutionalise the programme.

CSR fund — a means to encourage companies to support less explored causes

What is it?

A CSR fund can be constituted to support less explored sectors such as clean energy, wherein companies can pool in their monies into a cause-specific fund that is dedicated to a single sector. Similar to a mutual fund that consists of a selected portfolio of equity or debt, the CSR fund could feature high-impact programmes and NGOs that have been pre-selected.

How would it work?

The CSR fund is professionally managed by a portfolio manager who is well-versed with the cause area, an independent governance committee made up of sector experts, and financial and legal teams to ensure transparency and accountability. The NGOs and programmes are selected based on criteria such as capability, ability to scale, compliance with Section 135, evidence of impact, etc. Relevant research and knowledge on the gaps and opportunities in that specific sector form the basis of the decision-making.

Companies can individually select programmes and NGOs that suit their requirements, can customise elements to link to their strategic interests, employee volunteering, and so on, or they can depend on the fund manager's discretion and expertise to utilise the CSR funds in the most impactful manner. Section 135 encourages companies to collaborate as long as they are able to individually report on their own CSR spends. To facilitate this, the portfolio manages the programme, arranges for field visits and meetings, and sends regular progress reports to individual companies.

What are the advantages?

The fund successfully marries the needs of the social sector to the needs of the companies undertaking CSR. It offers the following advantages: reduced risks, higher probability of results, continuous monitoring, and compliance with regulations.

Appendix A

Companies Interviewed

Samhita conducted in-depth interviews with 35 companies, 13 implementation organizations (NGOs and social enterprises), and 10 other entities (government and government-affiliated organisations, large grant-making organisations and sector intermediaries). Due to the sensitive nature of certain conversations the names and organisations of those interviewed have not been disclosed.

Profiles of survey sample

Table 1: Sample profile of companies

Type of industry/sector	Number	Proportion
Conglomerate	3	5%
Finance & Banking	11	20%
FMCG	3	5%
Health & Pharma	6	11%
IT & Consulting	10	18%
Manufacturing & Heavy Engineering	23	41%
Grand Total	**56**	**100%**
CSR budget in FY 15-16	**Number**	**Proportion**
Less than INR 5 crore	16	29%
INR 5 crore - 25 crore	12	21%
INR 25 - 100 crore	5	9%
More than INR 100 crore	6	11%
Did not disclose/answer	17	30%
Grand Total	**56**	**100%**

Appendix A

Profiles of survey sample

Table 2: Sample profile of social organisations

Sector focus	Number*	Proportion*
Education	111	77%
Health	97	67%
Sanitation	67	47%
Agriculture	61	42%
Livelihoods (non-farm) and skills development	97	67%
Environment	67	47%
Human rights	42	29%
Capacity building	74	51%
Others	44	31%
Grand total	**144**	
Type of geography	**Number***	**Proportion***
Rural	112	78%
Urban	90	63%
Semi-urban	77	53%
Tribal	59	41%
Others	1	1%
Grand total	**144**	
Operating capital	**Number**	**Proportion**
Less than ₹ 2.5 million	65	45%
₹ 2.5 - 5 million	28	19%
₹ 5 - 10 million	16	11%
₹ 10 - 50 million	20	14%
More than ₹ 50 million	14	10%
No response	1	1%
Grand Total	**144**	**100%**
Number of employees	**Number**	**Proportion**
Less than 30	98	68%
30 - 60	24	17%

Appendix B

Endnotes

[1] "Rs. 20000 cr could be spent by 16,000 companies towards CSR activities in 2014-2015: FICCI", NGOpost.in, Dec 22, 2014, http://www.ngopost.in/top-newsrs-20000-cr-billion-could-be-spent-by-16000-companies-towards-csr-activities-in-2014-2015-ficci/

[2] "Frequently Asked Questions with regard to Corporate Social Responsibility under section 135 of the Companies Act, 2013", General Circular No. 01/2016, Ministry of Corporate Affairs, Government of India, http://www.mca.gov.in/Ministry/pdf/FAQ_CSR.pdf.

[3] "Social organisations" refer to non-governmental organisations, community-based organisations, and social enterprises. The report findings primarily reflect responses and opinions of NGOs, since under the CSR law, social businesses or for-profit social entities are not eligible for CSR funding. However, companies and social enterprises are working around this. Social enterprises are becoming vendors for certain services or providing technical advisories through direct contracts with companies or being sub-contracted by NGOs.

[4] "Pharma firms will get CSR benefits only if they donate medicines to the poor", The Indian Express, March 26, 2014, http://indianexpress.com/article/cities/delhi/pharma-firms-will-get-csr-benefits-only-if-they-donate-medicines-to-the-poor/.

[5] A "collective impact" model is a model for multi-stakeholder collaboration built on five principles or conditions: common agenda, shared measurement, reinforcing activities, continuous communication and backbone support.

[6] Press Trust of India, "India Inc to spend Rs 14,000 crore towards CSR in 2014-15: Jaitley", The Indian Express, November 5, 2014, http://indianexpress.com/article/business/business-others/india-inc-to-spend-r14000-crore-towards-csr-in-2014-15-jaitley/.

[7] Utkarsh Anand, "India has 31 lakh NGOs, more than double the number of schools", The Indian Express, August 1, 2015, http://indianexpress.com/article/india/india-others/india-has-31-lakh-ngos-twice-the-number-of-schools-almost-twice-number-ofpolicemen/.

[8] "Frequently Asked Questions with regard to Corporate Social Responsibility under section 135 of the Companies Act, 2013", General Circular No. 01/2016, Ministry of Corporate Affairs, Government of India, http://www.mca.gov.in/Ministry/pdf/FAQ_CSR.pdf.

[9] Nisha Dutt et al, "Invest. Catalyze. Mainstream: The Indian Impact Investing Story", Intellecap, http://intellecap.com/sites/default/files/publications/IIIR_Final%20report_May6_low_res.pdf.

[10] The Global Impact Investing Network, https://thegiin.org/.

[11] While the companies did not slot themselves under these five categories, the underlying motivations that drove CSR, community, and social sector engagement most of the times, as reported by the companies, were used to map them against the suitable category.

[12] Companies gave multiple responses when asked what they thought of CSR, hence the total percentage would add up to more than 100.

[13] "FAQ on CSR Cell", Ministry of Corporate Affairs, Government of India, http://www.mca.gov.in/MinistryV2/faq_CSRcell.html.

[14] "About Shared Value", Shared Value Initiative, http://sharedvalue.org/about-shared-value.

[15] These examples have been sourced from an independent research article titled "Measuring Shared Value: How to Unlock Value by Linking Social and Business Results", by FSG, supported by Rockefeller Foundation. Samhita has not verified the data quoted in thesecase studies.

[16] "Creating Shared Value and Inspiring Happiness", Nestle, https://www.nestle.in/asset-library/documents/creating%20shared%20value/csv%20book_2013.pdf.

[17] Michael E. Porter et al, "Measuring Shared Value: How to Unlock Value by Linking Social and Business Results", by FSG, supported by Rockefeller Foundation, https://sharedvalue.org/sites/default/files/resource-files Measuring_Shared_Value.pdf.

[18] http://www.iso.org/iso/catalogue_detail?csnumber=42546

[19] http://www.nist.gov/baldrige/publications/upload/2011_2012_Business_Nonprofit_Criteria.pdf

[20] http://mckinseyonsociety.com/ocat/

[21] Since companies worked in multiple geographies, the total adds to more than 100%.

[22] Anushree Parekh and Poorvaja Prakash, "Education & CSR: Mapping Initiatives of the Top 100 Companies", Samhita Social Ventures, December 5, 2014, http://www.samhita.org/wp-content/uploads/2014/11/CSR-in-Education-Report.pdf.

[23] https://iris.thegiin.org/metrics

[24] http://socialvalueuk.org/publications/sat

Appendix B

Endnotes

[25] "National Foundation for Corporate Social Responsibility", Indian Institute of Corporate Affairs, http://iica.in/Leftcontrolpages/National_Foundation_CSR Detailed.aspx.

[26] "FAQ on CSR Cell", Ministry of Corporate Affairs, Government of India, http://www.mca.gov.in/MinistryV2/faq_CSRcell.html.

[27] "Pharma firms will get CSR benefits only if they donate medicines to the poor", The Indian Express, March 26, 2014, http://indianexpress.com/article/cities/delhi/pharma-firms-will-get-csr-benefits-only-if-they-donate-medicines-to-the-poor/.

[28] Aanchal Magazine, "Swachh Vidyalaya Abhiyan: TCS, Mahindra account for 80% of completed toilets by India Inc", The Indian Express, April 13, 2016, http://indianexpress.com/article/business/companies/swachh-vidyalaya-abhiyan-tcs-mahindra-account-for-80-of-completed-toilets-by-india-inc/.

[29] Anushree Parekh et al, "CSR in Water, Sanitation and Hygiene (WASH): What are India's top companies up to?", Samhita, http://www.samhita.org/csr-in-wash-what-are-indias-top-companies-up-to/.

[30] Aanchal Magazine, "Swachh Vidyalaya Abhiyan: TCS, Mahindra account for 80% of completed toilets by India Inc", The Indian Express, April 13, 2016, http://indianexpress.com/article/business/companies/swachh-vidyalaya-abhiyan-tcs-mahindra-account-for-80-of-completed-toilets-by-india-inc/.

[31] Shiloh Turner et al, "Understanding the Value of Backbone Organizations in Collective Impact: Part 2", July 18, 2012, Stanford Social Innovation Review, http://ssir.org/articles/entry/understanding_the_value_of_backbone_organizations_in_collective_impact_2.

About Samhita Social Ventures

Samhita is a social enterprise that collaborates with companies to develop impactful corporate social responsibility (CSR) initiatives. Our focus areas include CSR strategy, programme design and sector research.

We have worked across the spectrum of sectors and industries—including heavy manufacturing, shipping and logistics, financial services, energy and software, and pharmaceuticals and healthcare among others.

Samhita also works with international and domestic donor agencies and foundations like The Rockefeller Foundation and Tata Trusts to develop high-impact social programmes, which may involve capacity building, research, and event management. Our extensive grassroots network and strong relationships with social sector organisations across India, enable us to support the effective implementation and management of projects.

Since its establishment Samhita has been involved in a wide range of social sector initiatives in healthcare, sanitation, education, community empowerment, vocational training, rural livelihoods, and financial literacy amongst others.

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For more than 100 years, The Rockefeller Foundation's mission has been to promote the well-being of humanity throughout the world. Today, The Rockefeller Foundation pursues this mission through dual goals: advancing inclusive economies that expand opportunities for more broadly shared prosperity, and building resilience by helping people, communities and institutions prepare for, withstand, and emerge stronger from acute shocks and chronic stresses. To achieve these goals, The Rockefeller Foundation works at the intersection of four focus areas—advance health, revalue ecosystems, secure livelihoods, and transform cities—to address the root causes of emerging challenges and create systemic change. Together with partners and grantees, The Rockefeller Foundation strives to catalyse and scale transformative innovations, create unlikely partnerships that span sectors, and take risks others cannot—or will not. To learn more, please visit **www.rockefellerfoundation.org.**

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