Emerging Frontiers in CSR – Indian Scenario

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Abstract— For decades, the focus of Indian business has been shareholder value creation, while parallelly a few sections of the society are struggling with the problems of poverty, unemployment, illiteracy and malnutrition (worldpress.com, 2012). The growth pattern of the Indian economy is based on the exclusion of majority of people from the growth process, and these groups are forced to bear the cost of this growth (Aggarwal, 2012). There is a prevalent opinion that the high GDP growth rate of past decade has been confined to urban areas and has not reached the underprivileged section of the society (worldpress.com, 2012) and there is a urgent need to address this gap. While the government undertakes extensive developmental initiatives, the business sector also needs to take some responsibility of exhibiting socially responsible business.

Historically, CSR has been practiced as corporate philanthropy in India (Majumdar& Saini, 2016), and typically comprised setting up schools, hospitals, community centres, planting trees, and nurturing art and culture. Such initiatives are unsustainable (worldpress.com, 2012). There is a realization that CSR implementation should go beyond philanthropy. Social Entrepreneurship is proposed as a medium to create a balance between community interest and business interest (Majumdar& Saini, 2016).

In this paper, we submit that there is an emergence of innovative trends in re-conceptualisation of CSR in India in which social enterprises are considered to be suitable for effective implementation of CSR projects. The paper cites some examples that are the testimony of this change. We believe that the Social Entrepreneurship approach would be able to support CSR projects irrespective of size (small and large) and ownership (public or private) of companies. Such an approach works towards not only creating better corporate image but also adding social value. Social Entrepreneurship is expected to effectively bridge the gap between business and society.

Keywords— CSR, Social Entrepreneurship

I. INTRODUCTION

Over the past decade, there has been a gradual change in the expectations of the society from the corporate and government. There is a palpable tension between the corporates and the society, with society longing to be considered as an active stakeholder by the businesses. The role of the government is to mediate for the lessening of this tension. Therefore, the simple charity form of corporate social responsibility (CSR) is not adequate.

Corporate philanthropy has been a part of Indian business ethos from long time, practiced in the form of charity to the downtrodden and underprivileged. According to Sundar (as cited in Chahoud et al., 2007), the evolution of Corporate Social responsibility in India can be broadly divided into four phases:

- Phase 1 - Influenced by family values, traditions, culture and religion along with industrialization, the first phase of CSR (1850-1914) was mainly about principled actions of philanthropists and charity. This approach underwent a change during the colonial rule in 1850. During 1900s, the big industrialist families like Tatas, Birlas, Godrej and Bajaj set up charitable foundations, educational and healthcare institutions, and trusts for community development. The underlying pattern was that the businesses donated money (e.g., to schools or hospitals) without any long-term engagement (ibid.) and there has been adisconnect between the society and the business.
- Phase 2 –This phase coincides with the period of independence struggle. Mahatma Gandhi advocated the trusteeship concept, which helped in the socio-economic growth of India.
- Phase 3 –During this phase (1960-1980), the stimulus for CSR was through the emergence of Public sector undertakings, ensuring proper distribution of wealth. Due to many factors, the PSUs were not very successful. Hence, a shift of expectation from public to the private sector and their active involvement in the socio-economic growth was evident and natural. Greater stress was laid on social accountability and transparency.
- Phase 4 – From 1980 onwards, the Indian companies integrated CSR into a sustainable business strategy. With the LPG policy in 1990s, India has witnessed a boom in the economic growth of the country,

providing abetter impetus to the industrial growth. This enabled the Indian companies to increase their contribution towards social responsibility. Currently, as is stipulated in the Section 135 of the Companies Act 2013, companies having a net worth of INR 500 crore (Cr.) or more, a turnover of INR 1000 Cr. or more, or a net prot of INR 5 Cr. or more in a given financial year are required to spend 2 percent of their average net profit (of previous three years) on CSR programmes.

II. CURRENT SCENARIO OF CSR IN INDIA

As per the report by NGOBOX and CSRBOX (2018), a deep-dive into the reported CSR data reveals that by and large, the big 500 companies define the CSR landscape of India, commanding more than 90% of the total CSR pool. To be more specific, it’s only the top 20 companies that command more than 45% of India’s total prescribed CSR fund year after year. The total prescribed CSR spend for these 500 companies between FY 2014-15 and FY-2018-19 is Rs.49,537Cr. The contribution of all the companies under the CSR mandate the numbers add up to Rs.56,000 Cr. Going by the fact that the Ministry of Corporate Affairs has already begun to take stringent actions against the companies that did not comply with the CSR rules, it is believed that companies would reach the actual CSR spend mark of 97-98% with respect to the prescribed CSR and the actual CSR spend by 2018-19. Going by this, education and skills development initiatives would receive over Rs.15000 Cr. by 31st March 2019, followed by poverty alleviation, healthcare and WASH initiatives with Rs.14, 000 Cr.

However, the going is not as good. Still, ‘CSR plans and programs are yet to align with the real needs of society’ (Majumdar&Saini, 2013). The report in One World South Asia (2013) mentions that very few companies carry out a need assessment or track and monitor the progress or impact of their CSR activities. Of the 26 corporate family or High Net Worth Individual (HNI) foundations studied, only five were found to have a clearly defined strategic goal. There is also a visible disconnect between a company’s core strength and knowledge domain and its CSR activities. Another trend that was observed is that an increasing number of corporate houses prefer to set up their own operational foundations, instead of supporting existing grassroots initiatives/ NGOs working in the field. Of the 26 corporate/family foundations, only 5 were found to be supporting some existing initiative or NGO. Also, the CSR spending is lop-sided, with a disproportionate amount of resources being spent on mainly four areas i.e. Health, education, livelihood and environment, while other areas such as governance, human rights, affirmative action etc. receive very little or no investment. Such fragmented and disconnected practices do not create mutual benefits for both society and business. In such a situation, the government is expected to step in as a mediator.

Two major attempts were made by the Government of India in this direction. Apart from making CSR mandatory for all companies operating in India under Companies Act 2013, the Schedule VII of the Act also details the possible CSR activities, considering the community as a major stakeholder. Some of these activities are healthcare, water and sanitation, ecology and environment and livelihood initiatives. The provisions of the Act are designed to balance both the objectives of the corporation and its shareholders, and that of the society and its stakeholders as well (Sarkar & Sarkar, 2015). The regulations attempt to channelize corporate resources for new need-based community projects. But what is missing is the clarity as to where and how to draw the line to delineate between the interests of the community and the business interests, in order to avoid any possible exploitation.

The recent emerging interest among several companies in India is “Triple Bottom Line” on which to measure their performances. There is a realization among Indian corporates that for sustenance of their business, the financial, social and environmental goals should be addressed together.Better financial performance can be achieved by companies through efficient management. However, the attainment of other two goals would need competencies which the corporates may not possess. Majumdar, Rana and Sanam (2016) also observed a shift towards a more responsible form of growth in companies in India, taking a long-term view of sustainability and social responsibility which is creating competitive advantages and managing risks. Social enterprises, which possess these competencies, can develop a symbiotic relationship with the corporates.

III. SOCIAL ENTREPRENEURSHIP

Social Entrepreneurship (SE) has emerged as a global phenomenon as a conduit between the demand for fulfilment of social and environmental needs, and the corresponding supply of resources (Nicholls, 2006). SE is considered as a response to failure of market, state or/and both in meeting social needs (Nicholls, 2006; Yujuico,2008). Social entrepreneurs as individuals are the change agents (Dees, 1998; Dees, Emerson, &Economy, 2001; Elkington &Hartigan, 2008; Nicholls, 2006) because they aim at systematic solutions to problems in the society and create social value (Nicholls, 2006). The integral elements of SE, its strategic focus on social impact and an innovative approach to achieve its mission, reflect the combination of social mission and entrepreneurial creativity, and this combination makes SE distinct from other public, private or civil sector activity (Nicholls, 2006). 'By employing innovative business models, SEs are addressing India's vast development needs, while maintaining sustainability through viable revenue models' (Asian Development Bank, 2012).

By associating with social entrepreneurs, the companies can not only fulfil expectation of CSR but also can enhance their corporate reputation (in the communities) and build brand. This is analogous to the concept of strategic CSR wherein the companies integrate their social goals with business goals, benefiting both business and society (Porter & Kramer, 2006).Social entrepreneurs can conceptualize, innovate and implement CSR projects of the companies, and companies can support them to achieve the social mission.

IV. INNOVATIVE APPROACHES: COALESCING CSR AND SE

Integration of social and business goals can be done in different ways. There are two ways in which companies need to shift their focus: from individual to ecosystem, and from delivering services to building capacity and enabling the marketing, the companies need to become catalysts for development. A catalytic intervention has the ability to unlock more resources by augmenting the flow of mainstream capital, address market failures, lessen transaction costs and information asymmetry between various actors and introduce new stakeholders to the ecosystem and leverage their competencies[1]. Some of the ways in which companies can be catalytic is through the way they spend their CSR funds, who they work or associate with, and how efficiently they leverage their core business competence to achieve social outcomes.

V. CATALYTIC FINANCE

One way of achieving sustainable impact and better social returns for CSR is through some blended finance instruments, like loan guarantee funds (LGFs) and syndicate funds. A loan guarantee fund (LGF) is a non-bank financial instrument designed at aiding micro, small, and medium-sized enterprises get access to formal lending through providing credit guarantees that alleviate the risk of default.

One of the leading real estate companies in India, Godrej Properties Ltd. (GPL), has created an innovative model that boosts micro-entrepreneurship within the construction industry. GPL provided a one-time grant to Pratham, a large nonprofit, which enabled Pratham to use the funds as a loan guarantee through a collaboration with a financial institution. The project currently extends loans to micro and small contractors without a formal financial footprint or credit history. Pratham runs the program, and helps micro contractors connect to new clients and scale their operations sustainably.

[1] https://ssir.org/articles/entry/new_frontiers_in_indian_corporate_social_responsibility

Syndicate Funding is another example of a blended finance model which is gaining popularity in CSR. A syndicate is an investment vehicle that allows investors (backers) to co-invest with relevant and reputable lead investors.

Samhita is a social enterprise that collaborates with companies to develop impactful corporate social responsibility (CSR) initiatives. Samhita was associated with The Power of Nutrition— a standalone, UK-based charitable foundation established by the CIF Foundation, UBS Optimus Foundation, Department for International Development UNICEF and World Bank. The Power of Nutrition has an interesting model, wherein, like syndicate funding, it operates as the lead investor and invites companies to be the supporters or patrons through CSR. The syndicate multiplies each rupee of CSR investment by four times. The money goes toward providing basic nutrition supplements, services, and education through implementing partners.

This model is advantageous for CSR in India in several ways, foremost among them is its ability to scale impact through a critical mass of investment in a specific cause. The expert leaders, who understand policy and practice, guide companies in making ideal allocations, thereby ensuring holistic intercessions so as to maximize impact. This provides assurances regarding professionalism of the approach. It also leads to significant reduction in the transaction costs of multiple companies identifying intercessions, credibility of NGOs and activity monitoring. This model also ensures that companies can use CSR as a vehicle to invest in stickyissues by bringing in global best practices and spreading the risks (due to multiple investors). Most importantly, it provides support and accountability to all firms, irrespective of the size of their CSR budget, thereby providing an avenue for all parties to contribute to large scale impact.

However, all of these instruments entail careful structuring in order to comply with section 135, and to align with and generate value for local stakeholders in a variety of contexts and ecosystems.

VI. CATALYTIC PARTNERSHIPS

Another way in which companies can be catalysts is by encouraging new forms of partnerships. While nonprofits have been Indian companies' partners of choice for executing CSR programs, companies stand to benefit from organizations with other types of competencies.

India has the third-largest business-incubator ecosystem in the world[2], with abundant technology and innovations, which can aid in bringing about socio-economic development. Alongside, there have been tenacious gaps in financial and non-financial capital accessible to social enterprises. The partnerships between companies and start-up social enterprises can offer a plethora of funding opportunities. Capital First Limited (CFL), a successful Indian financial institution has partnered with Zone Startups, an incubator. Zone Startups provides hands-on strategic and tactical guidance to empower women-led start-ups. In the partnership, CFL provided financial funding, along with mentoring to the starts-ups, through the incubator, Zone Startups and also through direct engagement with the entrepreneur team. Historically, CFL had supported the same cause of livelihoods and women's empowerment through scholarships and skill training. But when it identified a suitable incubator partner that aligned with its mission and values, and had the ability to offer support to women, CFL took the leap of faith and experimented with a new CSR model.

VII. CATALYTIC COMPETENCIES

Most of the CSR programs that leverage a business's core competencies have more potential to create impact. Technology, media, and telecom companies, for example, can create widespread social change by bridging knowledge and information gaps, empowering the voiceless, and influencing behaviors and attitudes.

[2] https://www.vccircle.com/india-now-ranks-third-globally-in-number-of-incubators-accelerators-report/

RamanaBabuKilli, a social entrepreneur (founder of GreenBasics,website: greenbasics.co.in) successfully conceptualized and implemented major CSR projects in agriculture and dairy sectors, for a Central Public Sector Enterprise, Goa Shipyard Limited (GSL) in Goa(India). These projects aimed to enhance livelihood opportunities, and also increase agricultural and milk productivity. These projects benefited small and marginal farmers, women farmers, landless agricultural labors, unemployed tribal youth and micro-entrepreneurs. This is acknowledged as an innovative model of CSR implementation that adopted a model of convergence of values of multiple stakeholders—the company (GSL), social entrepreneur, civil society, the communities, and district and state administration—to catalyze social innovations and promote sustainable development.

These are few innovative models of combining CSR and SE, benefitting the societies as well as the businesses. Under these models, the companies not only enhance their corporate reputation but also simultaneously help the society to meet its own needs. Observing such innovative models of CSR, Majumdar and Saini (2016) also mentioned, 'Innovative models are being discovered and designed with pro-activeness and reasonable experimentation which provide these corporates unique competitive advantage'.

It is in the interests of both (business and society) to gear up for such collaborations while utilizing the core competences of the business organizations, and the entrepreneurial skills (of the social entrepreneurs) for larger public good.

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