

Status of CSR Spending in India

Why in news?

\n\n

According to official estimates bulk of CSR is being spent on developed states like Maharashtra, Gujarat and Karnataka.

\n\n

What is the CSR process in India?

\n\n

\n

- Corporate Social Responsibility (CSR) is the procedure of assessing an organization's impact on society and evaluating their responsibilities.

\n

- It begins with an assessment of the following aspects of each business:

\n

\n\n

\n

1. Customers.

\n

2. Suppliers.

\n

3. Environment.

\n

4. Communities.

\n

5. Employees.

\n

\n\n

\n

- India is the first country in the world to make CSR mandatory.

\n

- An amendment was made to the Company Act, 2013, by which Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger.

\n

- The amendment to the Companies Act advocates that those companies of a certain size are required to mandatorily spend 2 per cent of their average three-year profits on CSR.
\n
- The primary reason that mandatory CSR has come into being is in order to increase engagement with the local community it operates in.
\n
- This is also seen in the CSR regulations which require giving preference to the local area of operation.
\n

\n\n

What are recent findings on CSR in India?

\n\n


- \n
- According to official reports a fifth of CSR spends between 2014-15 and 2017-18 was spent in Maharashtra, Gujarat, and Karnataka.
\n
- An analysis looked at the sum of CSR spends since 2014-15 from corporate tracker, PRIME Database.
\n
- This was compared to government figures on gross state domestic product at factor cost (current prices) for the 32 states and Union Territories for which the CSR data is available.
\n
- The correlation between the state's economic output and the amount of CSR spends is 0.93. Zero indicates no correlation; 1 indicates perfect correlation.
\n
- By this it has been spotlighted that Companies spend most of their corporate social responsibility (CSR) budgets in states which are well-developed.
\n

\n\n

DEVELOPED STATES GET THE LION'S SHARE

Sum of CSR spends in ₹ billion
(FY15–18)

Top states

Maharashtra	25.20	
Gujarat	19.69	
Karnataka	16.38	
Tamil Nadu	16.07	
Rajasthan	15.66	

Source: Prime Database

\n\n

What are the concerns highlighted by the report findings?

\n\n

\n

- Six Indian states which house almost 60 per cent backward districts have received only 15 per cent CSR fund.

\n

- Whereas five states, with about 15 per cent concentration of backward districts, have received more than 70 per cent CSR funds.

\n

- Such concentration is in contrast to government allocation of resources, which seems to reallocate capital to poorer regions.

\n

- Uttar Pradesh (UP), Bihar, and Madhya Pradesh (MP) get the maximum share of central resources, shows the data on the devolution and transfer of resources from the Centre.

\n

- Poorer and undeveloped states such as Bihar, UP, and MP have few manufacturing units but are now top markets for many companies in industries such as two-wheelers, tractors, and other consumer goods.

\n

- But these states get a minuscule share of CSR budget from top companies in these industries.

\n

- The current CSR guidelines don't cover the companies' supply-chain such as vendors, distributors, and retailers.

\n

- The biggest impact companies can make is to improve the lives of people who are part of their supply chain, but most companies ignore this due to a lack of mandate.

\n

\n\n

What measures needs to be considered?

\n\n

\n

- Company's CSR can only be seen as a supplement to government spending in places where these firms are present.

\n

- Corporate spending in such developed states can help free up resources for backward regions.

\n

- But companies should also consider key markets when they look at areas for doing CSR.

\n

- There is a need for steps, including working with NGOs, to help scale up operations in backward regions.

\n

- It is critical to work and strengthen the capacities of not-for-profits with a footprint in these geographies, allowing pilot initiatives to scale and enhance their abilities to absorb more funding.

\n

- Higher level of collaboration between the government, industry and NGOs through a special purpose vehicle/platform can also be considered.

\n

\n\n

\n\n

Source: Business Standard

\n

