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Short on System Backup, Cos Can't Play CSR Long Game

Regulatory hurdles, compliance-centric mindset preventing 'long-term approach,' say experts in response to MCA newsletter

Indulekha Aravind & Lijee Philip

Bengaluru | Mumbai: The road to corporate social responsibility (CSR) spending might be paved with good intentions. But a combination of regulatory restrictions around budgets, timelines and reporting, and a compliance mindset is holding companies back from taking a long-term approach to CSR, according to India Inc CSR heads and multiple social sector experts. A recent newsletter by the ministry of corporate affairs (MCA) stated that while CSR spends had nearly doubled from 2016 to 2021, it was "imperative that the companies take a long-term comprehensive approach to yield productive results," as reported by ET earlier.

With the CSR budget dependent on the net profit of companies, it is difficult for companies to predict their CSR spending from a long-term perspective. The focus then is on meeting year-on-year spending targets, which usually result in companies undertaking programmes that do not have a longer-term sustainability, Vaishali Nigam Sinha, co-founder and chairperson-sustainability, ReNew, told ET.

The 2013 law states that CSR spending should be a minimum of 2% of average net profit of the three preceding years. When the budget is based on profitability, companies tend to be risk-averse, said Neera Nundy, co-founder of Dasra, a strategic philanthropy foundation. "As a result, agreements with non-profits working on the ground will be year-to-year at times. Sometimes, there are only verbal commitments."

The requirement to do a 12-monthly reporting of CSR spending is another restriction. "If you want to measure progress in a 12-month cycle, you will make the kind of investment that shows outcomes in 12 months. Thus, much of what you see reported as outcome is head-count rather than actual impact, such as x number of people getting trained," said Ingrid Srinath, former director of the Centre for Social Impact and Philanthropy at Ashoka University.

Measuring Social Capital

Spending Math

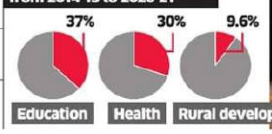
FY21 ₹26,210 cr

FY16 ₹14,542 cr

44% of CSR funds went to 10 states in 2020-21

Of this, only 0.91% received by north-eastern states

Funds allocated to sectors from 2014-15 to 2020-21



Source: MCA

Compliance Over Impact ▸▸ 7

Compliance over Impact

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The MCA newsletter said CSR spending in FY 2021 was ₹26,210 crore, a significant jump from ₹14,542 crore in FY 2016. Amendments in the CSR law recognises the need for multiple year investments by bringing in the concept of "ongoing projects", said Mabel Abraham, head-CSR at Larsen & Toubro.

"Some projects, however, may require a longer incubation period beyond the defined period and may also change in scope and strategy as implementation progresses. If this flexibility is built in, it will enable more meaningful outcomes," she said. L&T's CSR outgo is in the top quartile of India Inc spenders, with the company spending ₹136 crore in 2021-22.

The tendency to approach CSR from a point of view of compliance rather than a desire to make an actual impact also hampers investment in the sector. "Planning and spending is not multi-year because the compliance mindset is very high among corporates, as we saw in a funder survey we had undertaken," said Pritha Venkatachalam, partner and India head at The Bridgespan Group, a global non-profit which advises philanthropy, CSR and non-profits on social impact. Traditional

CSR spending also tends to be fragmented, with spending spread across multiple small programmes and geographies, which in turn dilutes impact.

ReNew's Sinha said sustainable impact also needs scale, which can only be possible if corporates come together, and partner to implement projects. "It is seen that companies prefer to run programmes in silos, which impacts long-term value creation at scale." Dasra's Nundy, too, suggests that companies could look at pooling funds, collaborating and leveraging networks, which could also offset the risk of committing to a budget while being unsure about profit. "This way, it diversifies risks, like with mutual funds."

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ONGC stands tall among Indian PSUs in Forbes' 'The Global 2000' list 2023

MPOST BUREAU

NEW DELHI: ONGC, India's Energy Maharatna, has achieved a significant milestone by securing the 226th rank in the prestigious Forbes' "The Global 2000" List for 2023. This recognition exemplifies ONGC's unwavering commitment to excellence and its remarkable growth as a major player across 58 countries.

ONGC takes immense pride in this exceptional achievement, standing as the sole Indian PSU positioned within the top 250 companies on this esteemed list. This notable accomplishment underscores company's consistent expansion, robust financial position, and unwavering dedication to excellence.

Forbes' "The Global 2000" List recognizes the world's largest companies based on key metrics such as sales, profits, assets, and market value. ONGC's inclusion in this prestigious ranking reaffirms its leading position in India's corporate sector and global recognition.

ONGC remains resolute in its pursuit of excellence, growth, and meeting India's energy needs.

CRUDE WATCH

OIL PRICES UP 3% TO 9-WEEK HIGH

Oil prices climbed about 3% to a nine-week high on Friday as supply concerns and technical buying outweighed fears that further interest rate hikes could slow economic growth and reduce demand for oil. **REUTERS**

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PFC extends financial assistance of ₹9,187 cr to HPCL Rajasthan Refinery Project in Rajasthan

HPCL Rajasthan Refinery Limited (HRRL) is setting up a green field refinery-cum-petrochemical complex in Barmer district, Rajasthan, at a Project Cost of ₹72,937 crore. On 4th July 2023, HRRL executed a loan agreement under a consortium arrangement for ₹48,625 crore, wherein the share of PFC Ltd is ₹9,187 crore. HRRL is a Joint Venture (JV) company of Hindustan Petroleum Corporation Limited (HPCL) (76%) and the Government of Rajasthan (26%). Overall, this financial assistance from PFC will support the development of the HPCL Rajasthan Refinery Project, contributing to the nation-building efforts in the Refinery and Petrochemical sector and expanding PFC's role in the infrastructure segment .

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