Qualitative research on the impact of Corporate Social Responsibility mandate in the Companies Act, 2013 (India)

Dhanya Anna Kurian, Namrata Pancholi

Abstract: Purpose: Corporate Social Responsibility (CSR) is a buzz word and so is the CSR mandate where certain companies in India have to mandatorily spend 2% of their Net Profit (average 3 years) in specified CSR activities from the year 2014. This paper examines whether the mandate has had any impact in the companies (coming under the purview of the mandate) and the areas where it has had an impact. Design/methodology/approach: The research methodology consisted of two-step process. Step 1: Two Focus Group Discussions were conducted to explore the areas that can be used to measure the impact of CSR mandate. Step 2: A semi-structured in-depth interview was conducted with 10 CSR heads/ CXOs of companies in India. Data was analysed through qualitative analysis methodology of identifying patterns. Findings: The results of the study indicated three major areas where the CSR mandate impacted the maximum. 1. The CSR budget/ expenditure 2. The choice of CSR activity 3. Partnerships for implementing CSR activities with NGO’s/ Government. Frequency of impact Assessments. The study showed that the Mandate has not had much impact in the budget for organisations which already had a CSR departments and activities in place but the importance of the department increased. CSR has now become a topic in the boardroom with clear objectives and deliverables which was not the case earlier in most of the companies. Originality/value: This study provides areas for measuring impact of the fairly new CSR mandate in India. It explains how the CSR mandate has made companies think differently on CSR grounds. The findings will help companies and CSR partners (NGO’s and government) to implement the requirements and the intent of the mandate better.

Keywords: Companies Act 2013, Corporate Social Responsibility, CSR Mandate, Indian Companies

I. INTRODUCTION

The corporate buzz word – ‘Corporate Social Responsibility’ is not new to the businesses India. (De, Historical Perspective, 2017) Many traditional family-run businesses have had philanthropic and social activities running since decades like the Tatas, Wipro etc. It was more considered as giving donations and charitable activities. The idea was etched based on the trusteeship model which Mahatma Gandhi propagated. That is, business men are trustees and not owners of the public resource.

However, overhaul of the Companies Act, 1956 in place of Companies Act, 2013 was a game-changer. It made a certain class of profit making companies to spend on specified social and welfare activities. It pressed further to the concept that sharing profit for the welfare of the society is not a favour but responsible business.

(De, Listed Company Requirements, 2017) India is the first country in the world to make CSR mandatory. Section 135 of the Companies Act, 2013 states that a company whose turnover is more than INR 1000 crores or net worth is more than INR 500 crores or Profit is more than INR 5 crores is required to spend at least 2% of its average net profits of the last 3 years. This was to be implemented by companies that fall under this category from 01 April, 2014.

This research was done to find out if there has been an impact after this mandate as intended by the government. It is 5 years after the mandate and it is a good time to do an impact assessment.

The objectives of this research paper are:

a. To ascertain the areas for measurement of impact of the CSR mandate.
b. To find out whether there has been an (positive, negative, neutral) impact on the identified areas.

II. LITERATURE REVIEW

CSR is not new to India. Starting from the Vedic Ages, businesses were not confined to buying and selling of goods/services for a profit but to create wealth for our society (De, Historical Perspective, 2017).

(Ministry of Corporate Affairs, 2019) There was always voluntary CSR. Companies which were actively involved in CSR were regarded highly. (Sage, 2013) Corporate Social Responsibility gained momentum with the CSR mandate in the Companies Act, 2013. (Rao, 2014) CSR was mandated under the Companies Act, 2013, which was followed by the Companies Act, 1956. Section 135 of the Act makes CSR spending mandatory and was notified through a notification on 02 February 2014. This was applicable to all companies private or public which fell under any of the following criteria:

- Net worth of the Company is more than 500 crores or more
- The Annual turnover of the Company is 1000 crores or more
- The Net Profit is INR 5 crores or more
India is the first country to have mandate CSR spending mandatory. The aim of the mandate is to make businesses socially responsible and accountable. From the reports of (KPMG, 2018), (CSR Box, 2018), (Anant Bhagwati, Sanghavi, & Srinivasan, 2018), (Ministry of Corporate Affairs, 2019) etc, the following are inferred:

- There is a positive trend with respect to CSR disclosures and spending from the Financial Year 2014-15 to Financial Year 2017-18.
- Out of the N100 companies surveyed by (KPMG, 2018), except for 1 company, rest all companies had displayed their CSR policy in the public domain in 2018 as opposed to 5 companies in 2014.
- There is also an increase in the reporting direct and overhead expenses of the Projects. In fact, the percentage of N100 companies reporting the expenses of CSR projects have gone up from 22% to 26%. The percentage is very low and this area has to be seriously looked into.
- However, the percentage of companies reporting Administration expenses separately have gone up from 77% to 88%.
- There is an increasing trend of using partnerships as a mode of implementation of Projects. This is a welcoming trend, as specialists may be used for better implementation and also for bring down overhead costs. It has gone up from 68% to 92% of the N100 companies.
- Below is the table showing the CSR expenditure trend-based on the data available on the (National CSR Portal, 2019):

<table>
<thead>
<tr>
<th>Year/ No. of companies</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
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<tbody>
<tr>
<td>Less than 2%</td>
<td>5073</td>
<td>6812</td>
<td>5954</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>---</td>
<td>34%</td>
<td>-13%</td>
</tr>
<tr>
<td>Exact 2%</td>
<td>688</td>
<td>396</td>
<td>574</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>-42%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>More than 2%</td>
<td>2006</td>
<td>3727</td>
<td>3937</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>86%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7767</td>
<td>10935</td>
<td>10465</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>41%</td>
<td>-4%</td>
<td></td>
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</tbody>
</table>

Table-II: (National CSR Portal, 2019) Year-wise expenditure in CSR

<table>
<thead>
<tr>
<th>Year</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure (in Rs. Crores)</td>
<td>10066</td>
<td>14366</td>
<td>13465</td>
</tr>
<tr>
<td>Percentage change</td>
<td>---</td>
<td>43%</td>
<td>-6%</td>
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</tbody>
</table>

It is disheartening to note decrease in expenditure and the number of companies that spent in CSR activities of about 6% and 4% respectively in the year 2016-17. The cumulative data for 2017-18 is not available at yet on the portal. The website of the Ministry of Commerce and Affairs needs updating which is also disappointing. The researcher emailed and telephoned the National CSR portal contact multiple times but there was no response.

(Sundar, 2018) It is five years since rolling out of the CSR mandate and it is a good time to reflect on its achievements, closing out unintended loopholes and improving areas where it has not had any impact. The number of award functions, awareness programs, workshops, CSR websites are no doubt at its peak. Prima facie, the mandate has brought in currents in the business stream. How strong the current is – is the question of the hour.

The CSR mandate is open for improvements which is very progressive. It is like work in progress or rather improve on the job. It has reviewed and revised rules to bring more room for flexibility to the companies. For example, disaster management was not included before, it has been added to the Schedule VII list. Also, assistance provided for social entrepreneurship which creates employment and other benefits are also now recognised as a CSR activity.

Previously, profit calculation was the average of the last three years. It has also been amended to the previous year’s absolute profit for calculation of CSR minimum spending.

The mandate has given more scope for social development professionals. There are plenty of training programs conducted by renowned institutes like the Indian School of Business, Birla Institute of Management and Technology etc. These trained professionals may be absorbed by corporates or by the government.

According to (CRISIL, 2019), 7% of the listed companies were unable to spend due to various delay in identifying projects, setting up the requisite inhouse expertise, etc. 45 companies failed to report CSR activity in their annual report and 118 companies did not have annual reports were not available either on their websites or on those of the stock exchanges. INR 10,000 crores were spent by listed companies which is an increase of 12% from previous year. In the budget space, CSR mandate has had an impact.

Another very valid point raised by (Dutta, 2013) is that whether markets care about a company’s CSR. Company websites may contain write-ups on stakeholders but the promoters eyes are on the stock market.

The analysts do not care about CSR. They are concerned only about profits, turnover, market share etc. They would any day consider CSR as a 2% tax. Poor or good CSR is yet to have any impact on the stock prices.

There are also instances reported of companies using CSR as guilty contributions. However, how the company makes profits are also important. Some irresponsible companies have found to have compliant with the CSR mandate.

We still have companies over using scarce community resources reports the (Times of India, 2018). Industries consume 70% of our entire usable water. Manufacturing denim, for instance, uses up 10,000 litres for making an item. In a country where millions do not have access to drinking water, companies should not guzzle water. If industry treats, recycles and replenishes water, its contributions will be several times more valuable than its...
There are many reports based on secondary data and disclosures of companies. But there are no research papers on measuring the impact of CSR on communities among business. The objective of making CSR mandate is not clear. It could be either of the two (Sundar, 2018):

- To bring better governance and structure to the CSR wing of companies
- To make businesses socially responsible

(Najul, 2018)There are many reports based on secondary data on disclosures of companies. But there are no research papers on whether the businesses have become socially responsible. In other words, has the CSR mandate really impacted businesses or is it just another paperwork and submission like filing tax returns for companies.

This research paper tries to understand the whether there has been an impact to the companies after the CSR mandate – positive, negative or neutral.

**III. RESEARCH METHODOLOGY**

Qualitative research methods were used in this research. This research was administered in two steps: 1. Focus Group Discussions: to ascertain the areas for measurement of the impact of CSR mandate. 2. In-depth interview: to find out whether there has been an (positive, negative, neutral) impact in all of the identified areas.

**A. Focus Group Discussions**

The purpose of conducting a Focus Group Discussion was to understand the areas for measurement of the impact of the mandate.

The participants were members of Round Table India. They are professionals or established business-men who engage in social activities through Round Table India platform. Hence, they are well-versed with the changes that have/ have not occurred after the CSR mandate.

The study consisted of two Focus Groups of six participants each. The profile and details of the participants are as below:

<table>
<thead>
<tr>
<th>Table-III: Focus Group Participants</th>
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<tbody>
<tr>
<td><strong>Focus Group 1</strong></td>
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<tr>
<td>1</td>
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<table>
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<tr>
<th><strong>Focus Group 2</strong></th>
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<tr>
<td>1</td>
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<td>5</td>
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<td>6</td>
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</tbody>
</table>

The duration of the Focus Group Discussions were

- a. Focus Group Discussion 1 – 58 minutes
- b. Focus Group Discussion 2 – 1 hour 5 minutes

The Focus Group Discussions were recorded through audio recording and notes (brief).

**B. In-depth Interviews**

The data for this research had to be collected from CSR heads/ CXO’s because they are well-versed with the changes in the Company’s Act and have dealt in this area pre and post the CSR Mandate. The population in this research are running companies after the CSR mandate.

In-depth interview is known to give better results as the duration...
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the researcher spends with the respondent is higher and can further probe the investigation. (Rubin & Rubin, 2004) In-depth interviews are best for not just gathering data but also for gauging understanding of the topic in question. (Greg Guest, 2013) In-depth interview helps answering all the why’s and how’s- demystifying the respondent’s views on processes, norms, decision-making, belief systems, mental models, interpretations, motivations, expectations, hopes and fears.

This research falls under the category of ‘ Action research Evaluation’ (Herbert J. Rubin, 2005) because it is focused on the event- CSR mandate and the evaluation of the processes that followed/ changed/ not changed by the companies. The in-depth interview conducted followed all the characteristics suggested by As suggested by (Greg Guest, 2013). That is, it was 1. One on one 2. Contained open-ended questions (For example: How did you welcome the CSR mandate?; Don’t you think the government is taxing further with this 2% levy?: Do you think our government is escaping from its duty of looking after the welfare of the state? 3. Conversation (To get honest answers from the respondent, the researcher took time to build a rapport and become friendly to the respondent. Before the interview commenced, the respondent was ensured that the transcript would be kept confidential and will be used only for the purpose for research. The details of the company and the profile of the respondent was well-studied before conducting the interview.

In this research, purposive sampling was used, that is, the sampling units had to fulfil the following criteria

- Should be a CXO/ CSR head of the Company
- The company should fall under the purview of the CSR mandate (5 crore profit or 1000 crore turnover or 500 crores net worth)

Only 21 emails were received for the 120 emails that was sent requesting an interview appointment. 4 interviews were set up through personal contacts and references. A total of 10 in-depth interviews were conducted. (Guest, Bunce, & Johnson, How many interviews are enough? An experiment with data saturation and variability, 2012) The size of the sample in qualitative research is smaller than quantitative due to the following reasons: a. It is used for in-depth understanding of the topic b. It is inductive in nature c. It is based on the “lived experience” of the respondents. (Nielson & Laundauer, 1993) also reveals that 6 evaluations on an average uncovered 80% of the research findings and after 12 in-depth interviews, 90% was the level. The magic number 6 is applicable to this data as the sample is homogeneous (CSR Heads/ CXOs) and semi-structured data is collected which is not complex. Qualitative data is all about saturation that is where new data does not result in new insights. The researcher felt the data started getting saturated from the 17th interview.

The interview structure was formulated by a. brainstorming with fellow-research scholars b. conducting mock interviews (to estimate time and perfect the sequencing)

The duration of the interview ranged from 36 minutes to 1 hour 05 minutes. The average being 48 minutes. The respondents wanted to keep their identity confidential. Hence, they are named as I1, I2 etc. The list of the respondents are available in Annexure 1. Annexure 2 has a brief outline of semi-structured interview questions. Keeping the outline- the questions were tweaked according to the response of the respondents and the assessment of the Annual Reports of the Company available in the public domain.

IV. ANALYSIS AND DISCUSSION
A. Focus Group Discussions
The Focus Group discussed with zeal and enthusiasm. The group consisted of a good mix of businessmen and professionals which gave inputs from many angles.

It was re-affirming to note that both the groups came up with synonymous as well as different themes for measurement of the CSR impact. The transcripts with the themes identified were shared with field experts for vetting the same.

The themes identified through the discussion aided in drafting questions for the in-depth interview. The combined impact measurement pointers (themes) after taking off the duplication from the two focus group discussions are as below:

- a. Attitude towards CSR Mandate
- b. The CSR focus areas
- c. CSR Budgets
- d. Mode of implementation of CSR projects
- e. Impact Assessments of the CSR initiatives of the company
- f. CSR reporting/ transparency

B. In-depth Interviews
I) Attitude towards CSR Mandate
The respondents were either welcoming, neutral or not happy about making CSR mandatory. The reasons or the whys for each of their views are as below:

A. Positive
Majority of the CSR heads were positive and considered making CSR mandatory a very good move by the government. The various reasons they used in justifying the reason for making CSR compulsary are as below:

- No comparison to government’s budget

Majority of the respondents felt that 2% was a fair percentage and needs to be spent only if the company is in profit. They did not think that the government is shunning from its responsibility of the welfare of the people and outsourcing it to the corporates. A few of the interesting excerpts from the interview are

“2% of profit totals up to INR 10,000 TO INR 12000 crores. The government’s budget is 1NR 2,00,000 crores. There is no comparison and cannot consider the government outsourcing anything.”

“It is a strategic move by the government after experimenting with the PSUs. Companies know best what to do with their money”.

They don’t consider it as a burden or another surcharge by the government. They think that if that was the case then the government could just collect 2%. It is for the companies to decide what they want to do with the allocated money.

As rightly pointed out by the respondents, the volume of money spent by the government clearly shows it has no intention in outsourcing welfare to the corporates. (Business Standard, 2019). The total of
the estimated CSR collectively from all corporates will come to only 1% of the government’s expenditure on welfare schemes.

This finding supports the conclusion of (Dharmapala & Khanna, 2018) that the major difference between CSR mandate and government tax is who spends the money and the disclosures that are attached with each. The corporates are also expected to do a better job with the CSR funds they have at hand as it motivates them to involve in activities which yield best results to gain goodwill. Government bureaucrats are known for misusing funds and they do not gain any goodwill like corporates.

- Synergy

There is no argument that the primary function of the government is to look after the welfare of the people. It is noteworthy that if corporates and government collaborate it is sure to bring synergy. The corporates can use its core competencies and government can scale it up. An excerpt from the interviews conducted is as below:

“We use our core competencies to choose and implement a project. It would be pilot in nature. Once, successful it is then scaled up by collaborating with the government.”

(The Business Line, 2018) Madras Chamber of Commerce also propagates that to bring in equality in wealth, all stakeholders in CSR should collaborate, that is, government for scale, NGOs for empowerment and social mobility, and businesses to create financial and project management capability and also innovation. The fourth partner is technology for scientific and evidence based interventions and propositions.

- CSR awareness

(Maurer R., 2014) According to a survey conducted by HR consulting firm Mercer, 86% of the companies required under CS purview admits that CSR mandate has impacted their operations since the inception of the mandate. This supports the research conducted that there is now more dialogue on CSR than never before. Also, there are now more case-study competitions awards by elite organisations such as FICCI, Ministry of corporate affairs, CII, India CSR etc. The National and International conferences are also increasing. ACCP: Conference on Corporate Contributions, CSRworks 2019, Boston College Centre for Corporate Citizenship, Points of Light, Charities@Work, Ceres Conference, Social Innovation Summit etc to name a few.

- Important for a country like India

India is in a developing stage and there is a lot to be achieved to bridge the inequality gap. It is essential for corporates and government to work together for the betterment of the country. Resources of the corporates such as skilled labour, technology, equipment’s, proven processes, low cost products, innovative ideas etc from the corporates so that it may be replicated by the government in a larger scale.

“It is important for a developing country like India to have corporates to help them with their competencies and funds to help government with the welfare of the people.”

- Reach beyond what the government could achieved

Corporates have some core competencies. For example, hospitals and pharmaceutical companies may engage in health related CSR activities for which they would do a better job than the government. Same goes with the manufacturing units in the villages. The organisations can develop the surrounding areas with better focus.

“Mandated CSR has helped in reaching to areas which government would have taken longer to reach. For example, Bengaluru International Airport developed the surrounding villages which were backward with their CSR funds.”

- Win-Win situation

“They had many issues with the villagers where they had their plants. There were dharnas. The villagers ensured that the plant’s water supply was disrupted. So, engaging with them, educating them and later on absorbing them will make a change. It has made a big difference to their company in 10 years. The villagers have now understood that it is mutually beneficial and their lives have become better.”

This 100% supports Porter’s Model of shared-value creation (Porter & Kramer, Creating Shared Value, 2011). Manufacturing firms cannot deny the importance of keeping the people around the manufacturing unit happy. If ignored, it will lead to the disruption of the production thereby incurring losses.

This finding also supports the Strategic CSR methodology of (Porter & Kramer, Strategy and Society: The link between competitive advantage and corporate social responsibility, 2016) This can be achieved through identifying the points of intersection of the business and society, choosing the social issues to address and prioritising them, integrating inside-out and outside-in practices and adding social dimensions to all value propositions.
problem. We can only share our competencies and show a model. It has to be scaled up by the government”.

- Burdened like demonetisation and GST

One of the respondents felt that the government is making it more difficult to do business as each day passed by. The researcher was told that the economy is trying to pick up after the big bangs of demonetisation followed by GST. Businesses are anyway beneficial to the society. It creates economic activity, employment and also pays taxes. Mandating CSR was felt to be over the top.

Another respondent blamed the government for spending INR 3000 on making a statue at the same time forcing corporates to look after the welfare of the society. The respondent was furious over the fact that PSUs were asked to donate from their CSR funds for building of the statue when a huge percentage of the country is malnourished.

- Bogus foundations and NGOs

Two of the respondents stated that it is a common practice in India for founders to have foundations in their name, transfer CSR funds to the foundation and withdraw it back. There is not many mechanisms to monitor it.

Companies say the Act is new and will take time to integrate CSR projects into their business models. However, they have found convenient ways to wriggle out of their responsibility. A large number of companies transfer CSR funds to government programmes such as Prime Minister’s Relief Fund and consider their responsibility over.

![Fig. 2. Why mandating CSR is a bad idea?](image)

3) Budget

The descriptive measurement of CSR comes with respect to budget. Ideally, if there is an increase in budget allocated then it should be considered as a positive impact. Out of the respondents interviewed, the organisations that has had strong CSR activities in place confidently mentioned that the mandate has made no difference to the budget.

However, it is interesting to find that earlier the CSR department had to go to the top management with the need assessment for budget approval. Now, government has mandated the percentage to be spent, so the budget is allocated without any pressure.

Also, organisations, that gave very little or no importance to CSR are now at least having a dialogue and thought on where to spend their allocated CSR fund. In budget area, the mandate can be said to have a positive impact.

A few of the excerpts from the interviews conducted are as below:

"We are in losses but we still have an active CSR department with yearly budget fixed with impact assessments and project partners.”

“We adhere strictly to 2%. There is a guideline now on how much to invest in CSR. So, we don’t have to fear whether our shareholders will question or oppose.”

“No money was spent before the mandate. Now, exact 2% of the budget is being spent.”

“There is no change in the budget. CSR mandate’s presence has never been the reason for our involvement in CSR activities.”

Budgets have moved from top-down to bottom-up. Hence, there is more in the hands of CSR wing to work on.”

The above finding is supported by (KPMG, 2018) in its survey where the prescribed amount for CSR expenditure from Rs 5,779.7 crore in 2014-15 to Rs 7,096.9 crore in 2017-18 from the analysis of top 100 companies. The actual expenditure was more than the prescribed. It rose from Rs 4,708 crore total expenditure on CSR in 2014-15, it increased to Rs 7,424 crore in 2017-18.

Though the increase in expenditure is a positive sign, it is interesting to note the observation of (Dharmapala & Khanna, 2018). The increase in CSR spending was concentrated among firms that spent less than 2% of their net profits on CSR prior to the mandate. While there were few firms that spent more than percentage prior to the mandate, these firms appear to have decreased their CSR spending after the mandate came into effect.

The reason is that CSR’s primary driver is goodwill. So, the firms spending on CSR was having an edge over the others. Now, with the mandate, these firms will have to spend even more to remain distinguished. This may not be worth the cost. The percentage set by the government is more or less like rule or a focal point for all firms to follow.

4) Focus Areas

With Schedule VII in place, companies CSR reports do not contain employee benefits, celebrations in the organisations etc. Prior to the mandate, CSR reports were filled with navrata and Diwali celebrations, medical insurance to employees etc. (Reliance Industries Ltd, 2011-12)
The respondents also added that from mere donations in the past, companies try to match with their CSR policies. They also verify with the Schedule VII activities. It is also applaudable that the government is willing to add to the activities like contribution to armed forces, disaster relief funds which were not previously included.

(Chaudhry, 2017) However, organisations should be guided better to follow the Sustainable Development Goals (National Institution for Transformation of India, 2016) of India. This will help in bringing about inclusive growth.

5) Impact Assessments

Majority of the respondent’s organisations conduct conduct impact assessments in some form or the other.

Impact assessments are done by organisations

a. when they are a pre-requisite for recognitions/ awards
b. for an unbiased report
c. to ensure that companies are involved in productive projects and there is optimum utilisation of resources

A few of the prominent excerpts by respondents are as below:

“Impact Assessments are a pre-requisite for applying for awards and other recognitions. So, our company gets an external agency also to rate our activities.”

“Mid-term impact assessments are done internally. However, for an unbiased assessments and to understand points for improvement, external agencies are hired for an audit. This happens once in 3 to 4 years.”

“Companies are very particular that every penny that it spends does not go waste. Hence, the culture of impact assessments are CSR scoring are booming.”

The reasons of organisations as to why they don’t do impact assessments were

a. Too early for impact assessments (long term projects).
b. No resources or time to spare

A few excerpts of respondents are as below:

“We don’t do any impact assessments. There are no resources or the time or band width for it.”

“Though we do internal assessments internally, very little importance is given to it. It is very discreet and is done for self-satisfaction and not for advertisement.”

Impact assessments are undertaken by 90% of the interviewed companies. If there was no policy, objectives etc mandated then the impact assessments wouldn’t have taken place. This can also be considered as a positive impact of the Act.

6) Implementations

Majority of the interviewed CSR heads used NGOs as partners or collaborated with the government for implementation of the projects. This supports the survey done by (KPMG, 2018) that there is a year on year hike of increase in partnering with NGOs for project implementation. It is good trend as the competencies of both the corporate and partnering organisation may be optimised.

Majority of the companies relied on ‘trust’ for choosing NGOs or other implementation partners. A very few companies had a structured due diligence in place for deciding the implementation partner.

Due diligence is rarely done for choosing the partners. Many NGOs in India are known to be bogus. The money spend by the corporates may not be used properly. Also, the NGOs may neither have the infrastructure nor the competencies for delivering the expected results. Government, since it has wider reach and resources should consider the projects undertaken by the corporates as pilot projects. If successful, these should be scaled up by them for the benefit of the society.

7) Governance

Almost all the respondents have unanimously agreed that the governance in CSR has gone up drastically after the mandate. A few of the excerpts under governance is as below:

“Reports were always made. Now, reports are made in accordance with the Law. The CSR wing has more visibility and Board meetings are also held regularly.”

“Agregements the existing CSR policy and objectives were tweaked. More reports are now made as the data is available publicly in the National CSR portal”.

“The major change is in the governance and reporting. Companies are now guided well on the CSR by the expectations set by the government.”

“Culture of the company always had CSR and employee engagement. However, now there is more structure in terms of budget, policy, implementation, meetings etc.”

“The founders of the organisations have always been transparent with CSR. New set of structured guidelines are standard across the country.”

![Fig. 5. Sub Code concurrence for better governance](image)

The following are the findings from the interviews conducted with respect to governance:

- Reporting

Majority of the respondents without a blink of an eye said that reporting in CSR has improved. The companies which use to make annual reports now
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make quarterly reports. The quality and structure of the report was also told to have improved by leaps and bounds.

This supports the survey by (KPMG, 2018) on the increasing number of reporting instruments as well as reporting by the companies.

- Board-room discussion
  Out of the interviewed respondents, who did not have CSR in place before the mandate was cheerful to admit that now they finally have a say at the Board room. They are called when meetings are held. CSR has taken a jump to take the place of top-management.

- Policy formulation
  All the companies interviewed except one has CSR policies and objectives in place. Majority also has key deliverables and expectations. This gives CSR an aim to work for like any other department.

  This also supports the survey by KPMG on the policy available on the website of the companies. Those companies which didn’t have it publicly available, is available now.

- Transparency
  Impact assessments from outside agencies makes CSR more transparent. Though not all companies engage in impact assessments from outside agencies, they are open to doing so in the future to get an unbiased view and suggestions to improve for effective CSR.

- Information available to public
  Apart from the compulsory requirement of CSR policy document to be available in the company’s website and CSR reports to be published along with the Annual Report of the company, the National CSR portal powered by MCA website gives the financial details of the CSR expenditure. It is a dashboard with YOY CSR spent and graphs.

  This brings in accountability not only to the public limited companies which were always under the scrutiny of the shareholders and media but also private limited companies registered with the Ministry of Corporate Affairs.

- Visibility
  After making CSR mandatory, CSR departments are not a choice. The employees working in the CSR department have regular reporting and meetings to be held with the top management. This has increased their importance and visibility.

  The survey by (Live Mint, 2016) also supports the finding of this research. Now more independent directors are there in the CSR committee. The number is more than the stipulated number by the Law. The reason is to bring more rigour and broader outlook in the companies CSR.

  CSR funds can also be used to build up major research or teaching institutions by skilling their staff, and helping them partner with similar organisations abroad in various fields. Conducting research in green field areas offers another opportunity. These are yet to be fully utilised.

C. Conclusion

The research has proved without any uncertainty that the CSR mandate has exerted force on companies to spend on CSR activities. The companies which did not have a CSR department but an occasional donation have been made to think on the social development angle.

Another major achievement of this mandate is that it has brought a strong structure and systematic organisation. The companies now have a base line for the budget, publicly available CSR policy document, objectives, CSR committee, meetings etc. CSR departments and personnel have visibility than never before. There is a more systematic approach to social development to look at the CSR wing of the company in a more holistic and integrated manner.

In many companies, it has taken space in the Board room discussions. The Schedule VII activities have guided the companies on how much to spend and where to spend.

The primary area where the mandate has failed is in conducting due diligence of their partner organisations. In this research, majority of the companies go with the organisations they ‘trust’ the most. Hence, large NGOs have seen an increase in companies’ contributions. Companies prefer to continue with the same well-known NGOs and they do not try to take a chance and try out other NGOs or nurture them which may be working more at a grass-root level. Smaller companies prefer short term projects as they are reluctant for engaging in long term commitments. In order to meet the targets of the current year, sustainability of the projects is not seriously looked at.

CSR heads (respondents) have themselves reported of various cases of transfer of funds to founder’s NGOs which exist only in paper. The mandate seems to sometimes look more target oriented than effective social development.

There are critics of the CSR mandate that make a valid point that there is poor creativity in the CSR spending by companies. The bulk of spending goes into routine and safe activities. Rarely does any company indulge in providing seed capital for risky and out of the box projects.

Implementation of strategic CSR, that is, linking core competencies to deliver better economic, social and environmental value by producing, for instance, cheap healthcare gadgets, energy-saving products and solutions to make drinking water accessible to the poorest is yet to become more common. Though conglomerates such as ITC and Hindustan Unilever Ltd are known to have their goals aligned with their CSR activities.

(Sundar, 2018) a critical CSR observer is also of the opinion that businesses always look for returns from their CSR expenditure. For example, if the company invests in immediate community, it reaps the benefit of having harmonious relationship and a sincere workforce. A few of the respondents of the interviews conducted also opined that if a tragedy happens in their factory, they would invest more in the surrounding area so that the people do not backfire and also to win back their trust.

Expecting return becomes a cause of concern when corporates become bias and give scholarships to children of politicians or bureaucrats. The first question every fund raiser has to answer the corporate is how it will benefit them.

A Nandan Nilekani or Ajay Piramal or Azim Premji don't need to be forced by a new law to give away part of their wealth; an Infosys Foundation was started much before CSR became a buzzword; Jamsetji Tata spoke about the good of the larger society over a hundred years back.

On the whole has CSR
mandate has had any impact? The answer is Yes. It may not have achieved all that it was intended for but there is no doubt that over the last 5 years it has shown all positive signs of work-in-progress. Plenty of literature critically analysing CSR mandate also shows the kind of dialogues CSR has in the business world.

Though there are many critical errors with the CSR implementation, India has come a long way in CSR. This research showed that there is a CSR dialogue than never before. There is a lot of CSR awareness and training programs.

Most of the companies have welcomed the mandate. The budgets are also getting stabilised. Companies are also on the learning curve as to where and how to spend their money. CSR has had the maximum impact in the governance space especially in the case of public limited companies. It may not be the case for private limited companies.

The areas for improvement are in due diligence of partner organisations and least interference of the government in achieving their political goals. This is possible with the help of making standard certifications compulsory for NGOs which may help in better utilisation of the funds and eliminate bogus NGOs.

To make businesses more socially responsible, CSR projects should include the reduction of carbon footprints, recycling of materials and resources, waste management etc.

There should be more awareness on the Chatterjee Model of CSR where a company’s CSR is linked to the achievement of the National Goals to educate companies on how they can better contribute to the Nation’s development. If reports are aligned in accordance to the contribution the corporates have made in achieving Sustainable Development Goals would bring more clarity.

CSR impact assessments are also gaining momentum but there is a long way to go. Developing a model for standard impact assessments may give better clarity for the corporates in the programs they choose.

For the CSR mandate to be highly effective, the researcher recommends the following measures.

- Corporates should identify its competencies that it could use to help the government achieve its national agendas (Sustainable Development Goals)
- Though companies may choose to implement the projects on its own, it may collaborate with specialists or the government to bring in synergy and higher results.
- Due diligence of partner organisations should be done mandatorily, so that the quality of the NGOs improves.
- Pilot projects may be run and if successful, it should be scaled up by the government.

D. Limitations

The qualitative nature of this research itself comes with its inherent limitations. As the sample size is small for in-depth interview (though the concepts of data saturation and data sufficiency were achieved), generalisations cannot be made unlike in quantitative research methodology.

The sample is homogenous which includes personnel of the same managerial level- CSR Heads/ CXOs. The points of view of the other employees is not been taken into account.

The sample includes organisations from different industries. Therefore, industry-wise, sector-wise, geographical area-wise conclusions cannot be made.

The other stakeholders of the CSR mandate such as beneficiaries, NGOs, employees etc have not been interviewed. Hence, this research may not give a complete picture.

5 years post the CSR mandate is short term. The same research, if conducted 5 years down the line may yield different result. This research is valid for a short period of time.

E. Scope for future research

CSR like any other management stream is like an ocean. This research has only seen the tip of the ice beng. It has immense scope.

There are researches on employee engagement in CSR, but research in the difference it has made/ or not made after the mandate in employee engagement is not done. Employee engagement post the CSR mandate is an area yet to be explored.

The same research may be done industry-wise, sector-wise, area wise etc for more comparative conclusion. This research may also be extended to CSR in other countries. A comparative analysis may also be done.

The perspective of CSR partners is also another area of research which is untouched. A qualitative or quantitative analysis with the NGOs or CSR partners will help in further analysis of the mandate.

The same research may be conducted in a larger scale with quantitative research methodology. The questionnaire may be framed based on the answers that were secured from this research. It will help in double checking the finding of this research and generalisation may also be made.

APPENDICES

APPENDIX I (LIST OF INTERVIEWEES)

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Name</th>
<th>Designation</th>
<th>Company</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Mr. Rajiv Williams</td>
<td>CSR Head</td>
<td>Jindal Steels Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Ms. Pearl Tiwari</td>
<td>CSR Head</td>
<td>Ambuja Cements</td>
</tr>
<tr>
<td>3</td>
<td>Dr. Joseph Sebastian</td>
<td>CSR Head</td>
<td>KEF Infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Faisal and Shabana Foundation)</td>
</tr>
<tr>
<td>4</td>
<td>Ms. Pratima Rao</td>
<td>Mission Director, CSR</td>
<td>Biocon Ltd</td>
</tr>
<tr>
<td>5</td>
<td>Dr. Anupama Shetty</td>
<td>CSR Head</td>
<td>Narayana Health</td>
</tr>
<tr>
<td>6</td>
<td>Mr. Gurunandan</td>
<td>Founder and CEO</td>
<td>Handson CSR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Former Bosch)</td>
</tr>
<tr>
<td>7</td>
<td>Ms. Zarine Commissar</td>
<td>CSR Head</td>
<td>Shapoorji</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pallonji Ltd</td>
</tr>
<tr>
<td>8</td>
<td>Mr. O P Goel</td>
<td>CSR Head</td>
<td>Bosch Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Mr. Abraham Moses</td>
<td>CSR Head</td>
<td>Mindtree Ltd</td>
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### Qualitative research on the impact of Corporate Social Responsibility mandate in the Companies Act, 2013 (India)

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<th>Name</th>
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<th>Organization</th>
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<tr>
<td>10</td>
<td>Ms. Anupama Dixit</td>
<td>CSR Head</td>
<td>Rotopumps Ltd</td>
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<tr>
<td>11</td>
<td>Ms. Simi Suri</td>
<td>CSR Head</td>
<td>HCL Ltd</td>
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<td>12</td>
<td>Mr. Midhan Jospeh</td>
<td>Managing Director</td>
<td>Paragon Polymers</td>
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<tr>
<td>13</td>
<td>Mr. S M Sharma</td>
<td>CSR Head</td>
<td>Damik Jagan</td>
</tr>
<tr>
<td>14</td>
<td>Kamal Peter</td>
<td>CSR Head</td>
<td>Oracle India Pvt Ltd</td>
</tr>
<tr>
<td>15</td>
<td>Jeremiah Peter</td>
<td>CSR driver</td>
<td>Google India Pvt Ltd</td>
</tr>
<tr>
<td>16</td>
<td>Archanz Muthappa</td>
<td>CSR head</td>
<td>Kempagowda International Airport Limited</td>
</tr>
<tr>
<td>17</td>
<td>Dr. Bibhudatta Mahapatra</td>
<td>CSR head &amp; AVP</td>
<td>Aditya Birla Group</td>
</tr>
<tr>
<td>18</td>
<td>Bipul Chatterjee</td>
<td>CSR Head</td>
<td>Hindalco Ltd</td>
</tr>
<tr>
<td>19</td>
<td>Dr. Kurian John Melamparambil (Padma Shri awardee in Social Work)</td>
<td>Founder</td>
<td>Melam Group of Melam Companies and Foundation</td>
</tr>
<tr>
<td>20</td>
<td>Dr. Rusen Kumar</td>
<td>CEO and Founder</td>
<td>India CSR</td>
</tr>
<tr>
<td>21</td>
<td>Vivek Prakash</td>
<td>CSR Head</td>
<td>Jubilant Life Sciences</td>
</tr>
<tr>
<td>22</td>
<td>Abhishek Chatturvedi</td>
<td>CEO and Founder</td>
<td>SUSCO</td>
</tr>
<tr>
<td>23</td>
<td>Pallavi Magoo</td>
<td>CSR Head</td>
<td>ITM Group of Institutions</td>
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<tr>
<td>24</td>
<td>Somyah Gupta</td>
<td>CSR Communications</td>
<td>FICCI</td>
</tr>
<tr>
<td>25</td>
<td>Dr. Himshi Jamil Hussain</td>
<td>CSR Head</td>
<td>Tata Steel</td>
</tr>
</tbody>
</table>

### ANNEXURE II (SAMPLE SEMI-STRUCTURED INTERVIEW QUESTIONS)

1. How do you welcome the 2% CSR mandate?
2. Government’s role is to look after the welfare and development of its citizens. Do you think it is like another taxation and government is escaping from its basic duty? Do you think ‘2%’ of profit is a right percentage for CSR spending?
3. Which are the major focus areas for CSR?
4. What are the reasons for choosing these areas for CSR activities?
5. How are budgets fixed? Has there been an increase/decrease in the budget after the mandate? What is method used for fixing the budget?
6. How are projects chosen for CSR?
7. Are the projects implemented directly?

### REFERENCES

Qualitative research on the impact of Corporate Social Responsibility mandate in the Companies Act, 2013 (India)


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