

The present corporate social responsibility (CSR) debate must be viewed in terms of significant challenges before us as a nation. These include widespread malnutrition, school dropouts, lack of access to sanitation in rural areas and easily preventable illnesses at all ages. The government's flagship programmes are being continuously strengthened to achieve our objectives in these areas. Private sector efforts can give an extra edge to these programmes, and result in quicker achievements. A sustained focus on entrenched problems would ensure greater resource flow, as opposed to commitments that are vaguely formulated and loosely implemented.

There was a trust deficit in society that corporations are not contributing enough. This provision can act as a bridge to correct that perception. We just want a clear-cut commitment from the corporate sector towards social causes. Most large corporations have undertaken their own CSR initiatives. The only change is that they now have to mention what they are spending on, and how much. I am hopeful that these enabling provisions will allow companies to have a strategic focus on CSR. Every CSR project needs to be conceived, funded and supported over the long term, and where ownership transfer is envisaged at a later stage to other, possibly non-profit organisations, to ensure smooth transfer.

In addition, moving from pure philanthropy to projects aligned with core corporate objectives is likely to be more sustainable. This will also ensure that non-financial organisational resources are available. Companies may also like to consolidate their activities into a few visible streams.

However, there is a perception that making CSR mandatory might lead to "Inspector Raj".



SACHIN PILOT

Minister of State (Independent Charge), Ministry of Corporate Affairs

"There will be no 'Inspector Raj'. It is the companies' money and they will decide what to do with it, and how to spend it. The provision is about self-regulation"

I wish to clear the air. There will be no "Licence Raj" or "Inspector Raj". It is the companies' money and they will decide what to do with it, and how to spend it. The government will not get into deciding how they will spend it. For instance, a fast-moving consumer goods company may decide to do things differently than, say, a mining company. The provision is not prescriptive in nature, but all about self-contribution, self-regulatory and self-compliance.

There is no confusion in my mind over the issues surrounding CSR. The National Voluntary Guidelines are more macro in nature and they address other important aspects of corporate governance, such as sustainability, environmental impact of businesses and employee welfare. While they facilitate an overall climate conducive to CSR, it is within the general framework of corporate leadership.

The decision on CSR provisions of the Bill was taken after due consultation with the stakeholders. As is well known, the Bill went to the Parliamentary Standing Committee twice. All stakeholders were aware of the provisions. In fact, in my consultations with companies, they said they were happy and were looking at it as an opportunity to demonstrate their commitment towards society and the environment. India is one of the few countries in the world with CSR in the statute books. However, it is still an evolving concept.

I am confident that the provisions of the Bill would raise the visibility of CSR efforts with the company boards and shareholders. In today's fiercely competitive landscape, meaningful CSR would provide an added dimension to brands and embedding entrepreneurs more firmly in the surrounding communities. Our ground-breaking proposals are also important because of India's emerging economic leadership on the global stage.

Our push for large profit-making companies to commit to CSR has been done in the faith that most of them wish to do so. Although we have developed a list of illustrative activities that can absorb CSR commitments, it by no means exhausts the possibilities. We have visible impact and tangible outcomes in mind. We also aim to create a repository of good CSR projects and practices. Corporations may, if they wish, adopt some of these to improve their CSR profile and portfolio. We also wish to initiate CSR sensitivity in medium-sized enterprises and to provide them off-the-shelf solutions with maximum positive social impact.

I again wish to underscore that companies would be able to formulate their own CSR policies and projects. We have created an enabling provision to strengthen their intent to contribute to society.