

**Speech of Dr. M. Veerappa Moily**  
**Union Minister for Corporate Affairs**  
**Second National CSR Conclave**  
**1<sup>st</sup> February, 2012**  
**“Corporate Social Responsibility –Public Sector Perspective”**

**Swami Vivekananda** said:

*“even the least work done for others awakens the power within; even thinking the least good of others gradually instills into the heart the strength of a lion.”*

He thundered, *“So long as the millions live in hunger and ignorance, I hold every man a traitor who, having been educated at their expense, pays not the least heed to them!”*

We have to view this in the context that even now, 37% of our people are still below poverty line, 230 million Indians still go hungry daily, and 21% of our population even today is under nourished, nearly 44% of under 5 children underweight and 7% of them die before they reach five years. The role of our youth in taking these challenges and transforming this situation cannot be overemphasized.

He strongly advocated ‘*aparigraha*’ (renunciation).” *I call him a traitor who, having been educated, nursed in luxury by the heart’s blood of the downtrodden millions of toiling poor, never takes a thought for them.”*

Indian businesses organised the 1965 Conference on Social Responsibilities of Business which led to the subsequent Declaration of the Social Responsibility of Business.

***Corporate Social Responsibility Survey 2002 – India***

“India has a strong tradition of philanthropy...,” states the foreword to the survey, “...It is encouraging to note that many are beginning to make a shift from a tunnel vision on corporate social responsibility to an integrated model that mainstreams through business vision and processes.” In fact the most striking feature of the survey was the overriding response that ‘passive philanthropy’ alone no longer constitutes corporate social responsibility.

The importance of the public sector in the Indian economy can never be overemphasised.

- The 249 Central Public Sector Enterprises - CPSEs (as on 31 March, 2010) employed a total of nearly of 14.91 lakh people (excluding casual workers) in 2009-10.

- During this period the total number of profit making CPSEs has increased from 119 in FY03 to 158 in FY10 and the number of loss making CPSEs has reduced from 105 in FY03 to 59 in FY10.
- The CPSEs share in India's Gross Domestic Product is nearly USD 14.96 billion.
- The turnover of CPSEs has increased at a CAGR of 11.6% during the 8 year period, FY 2003-10.
- Over the years, CPSEs have contributed significantly to the Central Exchequer by way of payment of taxes (direct and indirect), duties, dividend payment and interest on Government loans and for FY10 the overall contribution is nearly USD 26.77 billion.
- CPSEs have contributed significantly to the overall foreign exchange earnings of the country through exports of goods and services
- The foreign exchange earnings as a percentage of total export earnings of the country has ranged between 9-12% during the year FY03-10
- For FY2010 it is nearly USD 237.784 billion.

Over the years, most of the CPSEs have consciously and extensively promoted corporate social activities including:

- Providing employment to the weaker and underprivileged sections of the society on a more equitable basis
- Providing all inclusive social facilities to the employees and their families, especially in the areas of education, healthcare and entertainment
- Providing assistance to social and cultural activities beneficial to employees and associated sections of the community
- Participating in or contributing to the causes and activities dealing with natural disasters

To further encourage the public sector to undertake CSR activities and to clearly lay out the CSR mandate for the CPSEs the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises released the 'Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises'. These define CSR as "a company's commitment to operate in an economically, socially and environmentally sustainable manner, while

recognising the interests of its stakeholders. This commitment is beyond statutory requirements.” The document outlines clearly the concept, planning, implementation, research, documentation, advocacy, promotion, monitoring and funding related to CSR activities in the CPSEs.

An indication of the strength of commitment to CSR initiatives by CPSEs can be assessed by the fact that

- ONGC has allocated around 2% of its net profit towards CSR initiatives during FY 2010
- NMDC has been actively participating in various CSR initiatives and has allocated around 2.4% of its net profit in FY 2010 towards CSR initiatives

The Planning Commission has mooted the idea of public sector units (PSUs) setting up higher education hubs as part of their corporate social responsibility (CSR). The move will help the government in achieving its target of increasing the gross enrolment ratio (GER) to 20% by 2017 and 25% by 2022. PSUs spend almost Rs 1,400 crore as part of their CSR. As per the commission, health and education received less than projected in the eleventh plan and hence, allocations for these sectors will have to be increased in the 12th plan. “Health, education and skill development together in the Centre’s plan will have to be raised by at least 1.2 percentage point of GDP... Use of PPP must be encouraged. In the 12th plan period, the commission is targeting an additional enrolment of 10 million in higher education, equivalent to 3 million additional seats for each age cohort entering the higher education system. This would significantly increase the GER bringing it broadly in line with the global average.

About 18% of all government education spending or about 1.12% of GDP is spent on higher education today. According to the commission, this should be raised to 25% and 1.5% respectively. An increase of 0.38% of GDP means an additional allocation of about Rs 25,000 crore to higher education for the centre and the states taken together. “It is tough to set up an education hub and modalities related to the revenue model, returns on investment and land are to be worked out,” the Planning Commission official added. “If the programme becomes a part of CSR, then it will only be a one-time aid. We want PSUs to include it in their HR policy so that they become stakeholders and are more involved.”

The move will help the government in achieving its target of increasing the gross enrollment ratio (GER) to 20% by 2017 and 25% by 2022. PSUs spend almost Rs 1,400 crore as part of their CSR.

About 18% of all government education spending or about 1.12% of GDP is spent on higher education today. According to the commission, this should be raised to 25% and 1.5% respectively. An increase of 0.38% of GDP means an additional allocation of about Rs 25,000 crores to higher education for the centre and the states taken together.

India is in the unique position of having both one of the highest economic growth rates in the world—next only to China among the major economies—and some of the greatest social needs. India also has a growing number of billionaires, besides a rapidly expanding middle class.

It's also beset by poor urban planning and deficient infrastructure. “As wealth has grown; people have become a lot more attuned to the disparities. As a part of job satisfaction, companies' own employees are starting to think about how the company they work for affects the local community.”

Our Corporate culture must be attuned to the universally accepted values of good governance – accountability, transparency, responsibility and responsiveness to stake holders. Our corporate endeavours have to be consonant with the demands of our eco system and the expectations of Indian democracy.

**Social Capital:**

Given the millions of Indians living below the poverty line- the ‘bottom of the pyramid’ – “the recent UNDP initiative focusing on companies that can provide services to the nearly 4 billion people who survive on a dollar a day, and in the process, also create new business opportunities for themselves is of great importance in India’s fight against poverty” Creating value for all” strategies for doing business with the poor also offer strategies and tools for companies to expand beyond traditional business practices and bring in the world’s poor as partners in growth and wealth creation.

The poor have a largely untapped potential for consumption, production, innovation, and entrepreneurial activity.

Five strategies that private business have successfully used to overcome obstacles while doing business with the poor. These include adapting products and services to the needs of the poor; investing in infrastructure or training to remove market constraints; leveraging the

strengths of the poor; working with similarly minded businesses and non-profit organizations and engaging in policy dialogues. These strategies acknowledge the need to tap the inherent strengths of the poor, their entrepreneurship as well as their traditional skills and social networks, to help them stand on their own feet. In a sense this strategy seeks to leverage the social capital available in Indian society, particularly among the underprivileged groups, to lift them out of poverty.

Buffet says *“We can rise to any challenge but not if people feel we’re in a plutocracy”* he further says *“We have to get serious about shared sacrifice”*.

MCA released the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business mainstreaming the concept of Business Responsibilities. The new guidelines build upon the Corporate Social Responsibility Voluntary Guidelines released in 2009, reflect a conscious shift from what is generally termed as CSR to a more encompassing concept of “Responsible Business.”

*“Government control gives rise to fraud, suppression of truth, intensification of the black money and artificial scarcity. Above all, it unmans the people and deprives them of initiative; it undoes the teaching of self-help.”*

**-Mahatma Gandhi**

The Indian economy is considered the world’s ninth largest by nominal GDP and the fourth largest by purchasing power parity. But on the other hand, despite all the efforts made by the government and businesses our country is still struggling to achieve the Millennium Development Goals.

A number of initiatives have been taken by the Ministry in the past few months in the legislative, regulatory, service delivery and capacity building areas. While undertaking these initiatives, the Ministry has also been examining the issues referred in the “Doing Business” reports of the World Bank and suitably addressing them within the scope of the Acts administered

By 2030, a mere two decades from now, the world's population will have touched 8 billion. By that time, 3 billion people are estimated to live in areas of extreme water scarcity. The world will have to produce more food in the next 20 years than it has produced in the last 3000 years to feed this large population. Energy needs will increase exponentially over this period with rising incomes and urbanisation. Clearly, a rising population of such magnitude will pose new challenges as the global demand for food, fuel, feed, and fibre increases with a consequent reduction in arable land and water availability.

**Company Bill 2011:**

13.5.

(1) Every Company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more Directors, out of which at least one Director shall be an independent director.

(2) The Board's report under Sub-section (3) of Section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall:-

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the company as specified in Schedule VII.

(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall –

(a) after taking into account the recommendations made by Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its reports and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company;

(5) The Board of every company referred to in sub-section (1), shall make every endeavour to ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy;

Provided that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount."