

Donate, or else

Indian firms make the best of coerced do-goodery

Some funds are going to projects closely connected with politicians



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CHARITY begins at home—or, if you are an Indian boss, in the boardroom. Since 2014 firms there by law must spend 2% of profits on corporate social responsibility (CSR), loosely defined as doing good in the community. After some griping, businesses are trying to make the best of their obligation, while keeping politicians happy by funding their pet projects.

The idea of compulsory charity had a mixed reception. Ratan Tata, who heads the charitable trusts that own much of Tata Group, India's biggest conglomerate, was among those likening it to another tax on business. In fact, the law is more a nudge than an edict. Only large companies—those with domestic profits consistently over 50m rupees (about \$780,000), or 5bn rupees in net assets, or turnover over 10bn rupees—are affected, and they can opt to give nothing, as long as they explain why.

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In practice, most comply, at least in part. A study of listed firms by CRISIL, a credit-rating agency, found that over 1,100 firms had spent 83bn rupees on good causes in the 2015-16 financial year, up by 22% on the previous year. That is roughly the budget of a small government department, though

tiny compared with the annual \$12bn that American firms spend on CSR.

As they sought to adapt to the measure, some Indian businesses discharged their obligation simply by writing a cheque to a local school or hospital. But that misses the point of the exercise, which is partly to encourage companies to innovate in how social programmes might be delivered, says Amit Tandon of IiAS, an adviser on corporate governance. Many hoped that private-sector rigour might thereby seep into government thinking.

A popular approach has been to use philanthropy to help the business. Banks and insurance companies fund financial-literacy campaigns, for example, perhaps in the hope of shaping the habits of future customers. Ashok Leyland, a truckmaker, provides driving lessons, helping to fill a shortage of truckers. Godrej, a consumer group, offers three-month training courses for beauticians around the country.

Other companies are trying to sidle up to the authorities through CSR programmes. Half a dozen firms fund cow shelters, a cause dear to the Hindu nationalist Bharatiya Janata Party of Narendra Modi, the prime minister. Although direct contributions to politicians are banned, trusts and charities affiliated with them are grateful recipients of corporate generosity. Some government programmes can also be funded directly; firms have donated, for example, to one that cleans up the river Ganges, which meanders through the constituency of Mr Modi.

State-owned companies, which cough up roughly a third of all CSR money, appear particularly susceptible to funding projects with a political flavour. According to *Mint*, a newspaper, four publicly owned oil groups have offered 1.2bn rupees to fund the "Statue of Unity", a 182-metre-high monument to Sardar Patel, an independence hero, which will cost a whopping \$460m (and happens to be in Mr Modi's home state of Gujarat).

Fans of the law nonetheless think it will inspire companies to behave in a more enlightened way. "It has moved the conversation about CSR from the backroom to the boardroom," says Richa Bajpai of Goodera, which helps firms to devise and monitor projects. Shareholders can only hope the largesse they are ultimately paying for will bring them dividends, too.

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