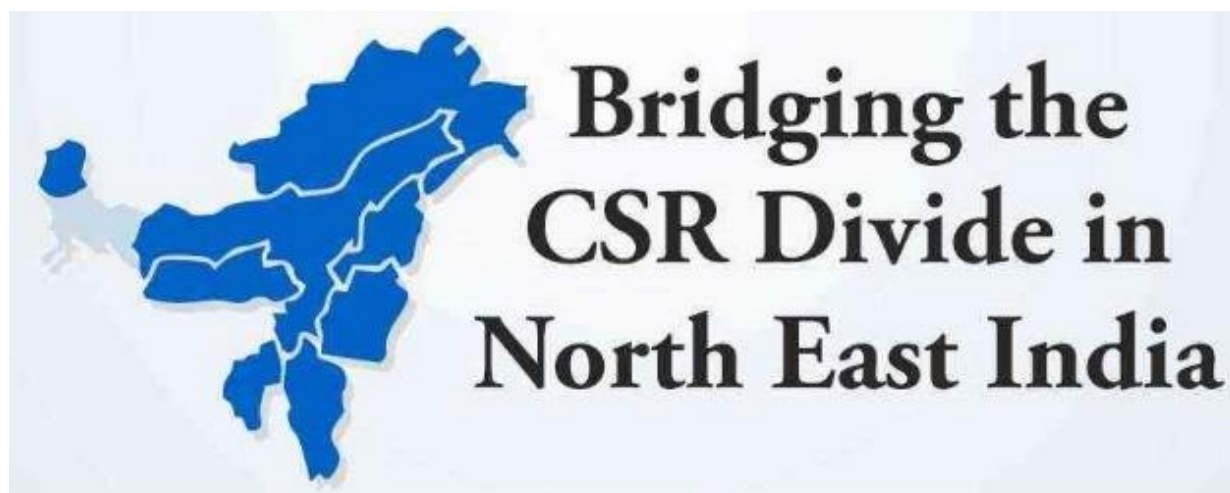


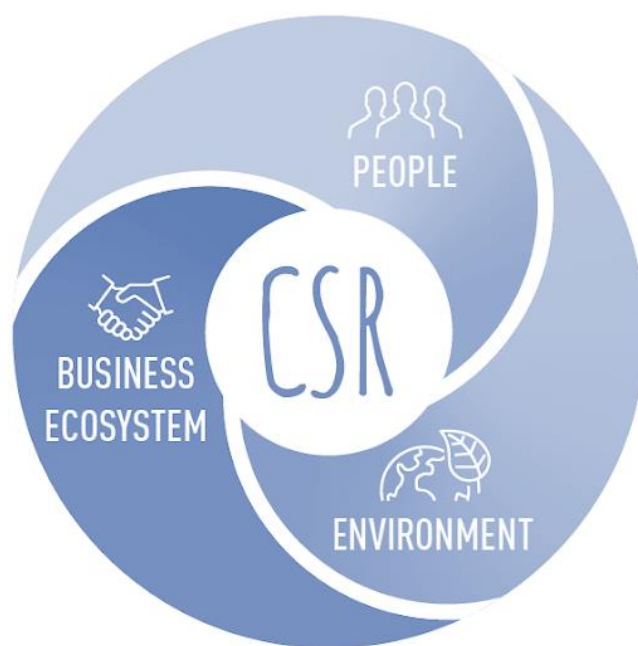
## Policy Brief



### **A Decade of Corporate Social Responsibility and Beyond [2011-2020]**

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July, 2021



Council for  
**Social & Digital**  
Development



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## Executive Summary

The North East Region (NER) of India is strategically located. It shares international boundaries with Bangladesh, China, Nepal, Bhutan, and Myanmar. Further, the Central Government's Look East (now the Act East Policy) seeks to improve economic and socio-cultural relation with South East Asia, one of the fastest growing regions of the world. Add to this, the new thrust through the 'North East Vision Document 2035' of the North Eastern Council and Ministry of Home Affairs, India, final draft of which is in place, that puts multifarious priorities to develop the region. One of the prime requirement or desired consequence of these policies is through the development of the NER. With historical isolation, geographical barriers like hilly terrain, lack of industries in the region, and years of insurgency, the NER remains one of the most complex stories of India's development narrative.

Given this background, the NER is a long way from achieving the key Sustainable Development Goals (SDGs) and is below key socio-economic indicators of development than national average and behind many advanced States of the country. While certain states of the region are trying to do better in many indicators, certain states are worse off. The socio-economic divide within the region and the divide from the rest of the country make

the development story of the region more complicated.

Here, the Corporate Social Responsibility (CSR) has been playing and can play an exhilarating role in the development of the region (a tribal dominated region); in social and economic inclusion, and promote economic growth. The main points coming out from this policy brief are:

1. One development indicator in NER is people living below the poverty line. The percentage of people living below the poverty line is 34.28% in the region, which is far higher than the national average of 26.1%. This requires further social spending in the region including CSR investments. However, the CSR spending in the NE region has only been a small percentage of the total CSR spent in the country.
2. Only 3% of the total companies chose to spend their CSR allocation in the North-East during 2017-18, reflecting the neglect in terms of CSR spending in the region. The CSR contribution in North East India in the financial year 2017-18 is 3.6% (INR 342.58 crore) of the total all-India CSR fund of INR 9516.1 crore.
3. Irrespective of the amount spent, Assam received the highest percentage of this allocation, which is 68.3% (INR 233.98 crore) during the

time period 2014-19. This is followed by Arunachal Pradesh which is 8.38% (INR 28.7 crore). Tripura got 6.1% (INR 20.89 crore), Sikkim 5% (INR 17.1 crore), and Manipur 4.11% (INR 14 crore). Meghalaya, Nagaland, and Mizoram received a meagre 3.68% (INR 12.60 crore), 2.77% (INR 9.48 crore), and 1.6% (INR 5.48 crore) respectively in 2019. Although states like Meghalaya, Sikkim, and Manipur have witnessed increasing growth in CSR allocation from 2014 to 2019, the percentage of allocation is meagre.

4. There is a rise in CSR spending since 2014-15. The rise in percentage of this from 2014-15 to 2018-19 seems much larger given that the initial count was much lower. For example, states like Nagaland, Tripura, and Manipur had very few companies engaging in CSR activities in 2014-15 to begin with.
5. Data from the Ministry of Corporate Affairs (MCA) show that four North-Eastern States – Tripura, Manipur, Meghalaya, and Sikkim have seen a jump of 200% in CSR spending from 2014-15 to 2018-19, though in actual terms, the amount of investment is still far than national level investments. Assam remains the biggest beneficiary of CSR activities.
6. Although the positive rise in the number of companies in the region is a welcome improvement, the region

still has a long way to go in bridging the CSR divide. Although the region has witnessed positive improvements, this has mostly been in favor of Assam and the final amount still is very less when compared to the rest of the country.

7. The rise in CSR expenditure by PSUs is larger than the rise in CSR expenditure by non-PSUs from 2014-15 to 2018-19 in Assam where CSR expenditure by non-PSUs has fallen. However, CSR expenditure by non-PSUs has increased in states like Arunachal Pradesh, Manipur, Meghalaya, Nagaland, and Sikkim during the same period.
8. Education and Health get the highest CSR expenditure in the region, just like the rest of the country. There are other priority sectors but planning, decisions and actions on priorities are areas that need attention.
9. Though CSR investments are happening in NER, the consolidated picture is far from visible in terms of amounts of investments, priority sectors in investments as per State and region's needs, output-outcome-impacts from investments, measuring the impacts and information, data around all these towards good CSR governance and management in NER.
10. Post Covid-19 Response, Recovery and Resilience (RRR) in NER would need benevolent and inclusive

investments by CSRs in the region in accelerating and strengthening the fundamentals and building on new priorities and needs.

11. There is a felt necessity to accelerate and enhance CSR investments in NER to bridge the CSR divide in the region. The existing institutional commitment, policies and instruments can be evaluated, reviewed, revised at each CSR levels.
12. Deliberating and considering policy tools and best practices for 'Enabling Accelerated CSR Presence and Investments in NER' has logic in existing CSR mandatory industry presence commitment, NER market presence-consumer base and ROI for companies of all hues; as well as national obligatory factors (keeping in mind Government of India's separate thrust for NER at national and regional level as a strategic region).
13. Policy provision through amendment in existing CSR provisions for mandatory CSR presence and

investments in NER does not look outlandish and out of context, knowing the region's strategic importance, need for development, inclusion and promotion and its traditional topographical limitations, limited industries, environment and ecology and historical social-cultural and economic patterns.

14. Listing, deliberating and considering sound policy tools and incentives including information based, market based, and regulatory instruments are required areas for review and consideration at various levels.
15. Regional and state specific effective CSR management and governance is called for with involvement of regional CSOs/NGOs and others enhancing the standardization and operations of CSR presence and investments. State level policies and instruments can be reviewed and considered to make CSRs as equal partners of development in region towards achieving the SDGs and beyond.

## 1. Introduction

The United Nations Industrial Development Organization (UNIDO) defines Corporate Social Responsibility (CSR) as a business management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. Corporations achieve a balance of economic, social, and environmental imperatives through CSR while also fulfilling the expectations of the stakeholders and shareholders.<sup>1</sup>

The traditional role of a corporation was only profit maximization and paying its shareholders. But, the increasing ethical debates, discussions around climate change and the role of large multi-nationals in this, and the social costs associated with certain consumer goods have given rise to the concern about what corporations can do for the society. The concept of CSR, however, is not limited to the mere provision of public goods; it also plays a role in growth and development of the region. While most critiques against CSR argue that it is a cost to the company and leads to a reduction in profit, recent research has found evidence of companies implementing CSR activities to be more profitable in the longer run (Hategan, Sirghi, Curea-Pitorac, Hategan, 2018).

Over the years, corporations have come under pressure from activists and non-

government organizations to take on specific corporate social responsibility obligations. There are strong arguments in favour and against of CSR. CSR is mostly opposed by the advocates of the 'free market' on the ground that corporations are not obliged to do altruistic activities and that it would not be profitable for them. This view can be traced back to Nobel Laureate Milton Friedman who was critical of CSR practices. The altruism argument is the most prominent one which claims that corporations are a part of the society, just like individual citizens, and should engage in "good" practices and build their image as "good corporations". At another end of spectrum, arguments point out that CSR issued as a defensive strategy against activists and NGOs in response to their online or offline agitation; also the fact that CSR is a good marketing strategy that corporations can use to generate further revenues.

In a post-Covid world or a world wrecked by the pandemic which has reinforced inequalities and have made the vulnerable more vulnerable, the pressure on corporations is definitely high. Social and economic upheavals, climate change and increasing inequality have put the onus on the corporations to be more inclusive.

CSR has been made mandatory in India by law. We will look more closely at the

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<sup>1</sup>Thacker, H. (2020, April 7). *What is CSR?* The CSR Journal. <https://thecsrjournal.in/what-is-csr-corporate-social-responsibility/>

law and what mandatory CSR expenditure has meant for the North-Eastern Region (NER) of the country. The North East is separated from the rest of the country by a 22 kilometres long piece of land, also termed as the 'chicken's neck'. The land beyond the chicken's neck is rich in culture as well as biodiversity. It is, however, also the region which has witnessed one of the least growths and is underdeveloped in most sectors. The absence of a vibrant manufacturing sector in the region, a large population dependent on agriculture, hilly and difficult terrain, years of insurgency, and natural disasters like floods and landslides make the region vulnerable to economic difficulties.

With the recent focus of policies on the NE region, predominantly the Act East policy, and the gaining importance of Sustainable Development Goals (SDGs), the role of CSR has become increasingly needed in the region. While the law to

make CSR is a recent one which came in being in 2014, CSR activities in the country is age old. There is, however, an absence of historical recording of CSR expenditure and inadequate measurement of their impact. This policy brief is thus an attempt to understand CSR expenditure in the region, the gaps in literature and measurement of its impact, and bring a new light to the discussion regarding CSR presence and investment in the NER, the region deserving equally if not more than others, also due to the strategic location of the eight NER States.

The policy brief seeks to bring attention towards the importance of increasing CSR presence and investments in bridging the regional social and development gaps of the region vis-a-vis rest of the country. The brief also seeks to focus on the various nuances of CSR expenditure, activities and impact within the region and the sectors the spending is done on.

## 2. CSR Investment and Development – A General Overview

When China's Great Sichuan Earthquake happened in 2008, which killed more than 69,000 people and left more than 15 million people homeless, it caused a total destruction of an estimated \$150 billion. CSR became a norm in China when corporations offered \$1.5 billion in support. When another earthquake struck the region in 2013, major multinationals like Samsung and Apple offered quick support to rebuild the city<sup>2</sup>. The example of China is important here because the growth trajectory of India and China reveal that both are developing countries with very high levels of growth rates. For a major part in the last two decades, China has been the fastest growing country, followed by India.

The above paragraph also reveals that the scope of CSR is indeed huge, but not only in times of natural disasters. CSR can contribute to growth and development of a region. It is also worth pointing out that as the Covid-19 pandemic broke out; the CSR community in India was quick to respond with most committees and boards working overtime to speed up the internal process.<sup>3</sup>

The idea that the role of industry should not be limited to profit maximization but should also contribute to the welfare of the society is not a new one. According to Trusteeship Theory of Business and Stakeholder Theory, businesses should benefit the trustees and the stakeholders of the society, instead of only the shareholders (Kapoor, 2017). With growing interest in this domain, recent research has found evidence of a positive relationship between CSR and firm performance, negating the idea that CSR is nothing but an additional cost to the company. CSR has a role in facilitating marketing, innovation, management, and ownership.

India became the first country to legally mandate CSR in 2014. According to new laws in Section 135 of India's Companies Act, it is mandatory for companies of a certain turnover and profitability to spend 2% of their average net profit for the past 3 years on CSR. Every company registered under the Companies Act, 2013 or any other previous company law is eligible for the CSR mandate if they have a net worth of Rs 500 crore or more. Companies with a turnaround of Rs 1000 crore or more or with net profit of Rs 5 crore or more during a financial year are also eligible for this mandate. The activities eligible across sectors include hunger and poverty, education, health, gender equality, women empowerment, skills training, environment, social enterprise projects, and promotion of

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<sup>2</sup>Biswas, A.K and Tortajada, C. (2019, December 9). *The Evolution of Chinese Corporate Social Responsibility*. Project Syndicate. <https://www.project-syndicate.org/commentary/china-promote-corporate-social-responsibility-by-asit-k-biswas-and-cecilia-tortajada-2019-12>

<sup>3</sup>Kumar, Anita. (2020, April 15). *Data and Insights on CSR's Covid-19 response*. India Development Review. <https://idronline.org/data-and-insights-on-csrs-covid-19-response/>



rural and national sports. The CSR activities are carried out through committees that are formed by the corporations and through a registered trust, society, or company. If the CSR activity only benefits the employees of the companies or their families, such expenditures will not be considered CSR as per the law. Further, any activity that is not in the form of a project is not considered CSR as per the law. Also, any CSR activity not approved by the board cannot be qualified as a CSR initiative.

Since the law has been relatively new in India, the real impact of CSR cannot be completely measured or understood. According to the CSR journal, it is observed that the amount spent on CSR is concentrated in few states, leaving out states that require development. It is also feared that CSR expenditure can further accelerate the regional differences between states. States which are already developed tend to gain more benefits from CSR activities as compared to states with less number of companies, accelerating the already evident regional economic gap between the high-income states and low-income states. It is also seen that the sector-wise spending of CSR has also been non-uniform with certain sectors taking up more expenditure.

The idea of CSR in developing countries is seen as an accelerator of socio-economic growth. According to the UNIDO, CSR will help these countries attain their Sustainable Development Goals (SDGs) and lead to wellbeing of the society<sup>4</sup>.

The North East India Region (NER) has its own set of issues. If we compare the region in terms of its SDG achievement, we see that Assam, Arunachal Pradesh, and Manipur are still in aspirant category (0-49) as per the first SDG goal of 'No Poverty'. As per the second goal of 'Zero Hunger', Assam, Meghalaya, and Tripura are still aspirant states. As per the third goal and fourth goals of 'Good Health and Well Being' and 'Quality Education' respectively, Assam and Nagaland are both aspirant states. The region does not do well in the fifth goal of 'Gender Equality'; where all the states including Sikkim are dubbed as non-performers. As per the tenth goal of 'Reduced Inequalities', Tripura and Arunachal Pradesh need improvement.

The role of CSR in this region can, thus, be immense. Through this policy brief, we will first look at the CSR spending in each state, compare this along with the rest of the country, understand the areas that CSR activities in the region are most allocated in, and analyze the various challenges and divide in CSR allocation in the region.

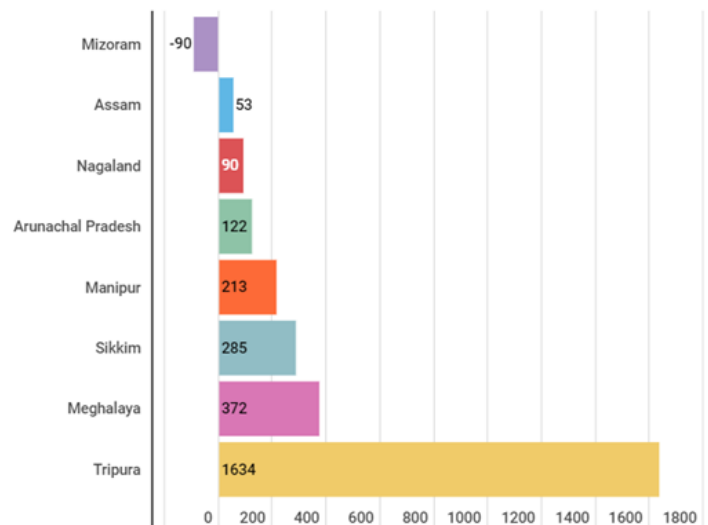
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<sup>4</sup> United Nations Industrial Development Organization. *What is CSR?* <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>

### 3. State of CSR Investment in NER during 2011-2020

According to a recent report by CII-ITC Centre of Excellence for Sustainable Development (CESD), companies choose to operate in areas where they operate<sup>5</sup>. This puts states like Maharashtra and Gujarat in immediate location advantage, whereas the North-Eastern states tend to lose out because of this. According to the same report, only 3% of the companies chose to spend their CSR allocation in the North-East. The region has remained neglected in terms of CSR spending.

Data from the Ministry of Corporate Affairs (MCA) show that four North-Eastern States – Tripura, Manipur, Meghalaya, and Sikkim have seen a jump of 200% in CSR spending from 2014-15 to 2018-19. The growth of CSR funds in the same time period in Assam is 53%, which is lesser than 6 NE states – Tripura, Meghalaya, Sikkim, Manipur, Arunachal Pradesh, and Nagaland.<sup>6</sup> This data can be understood from the following graph:



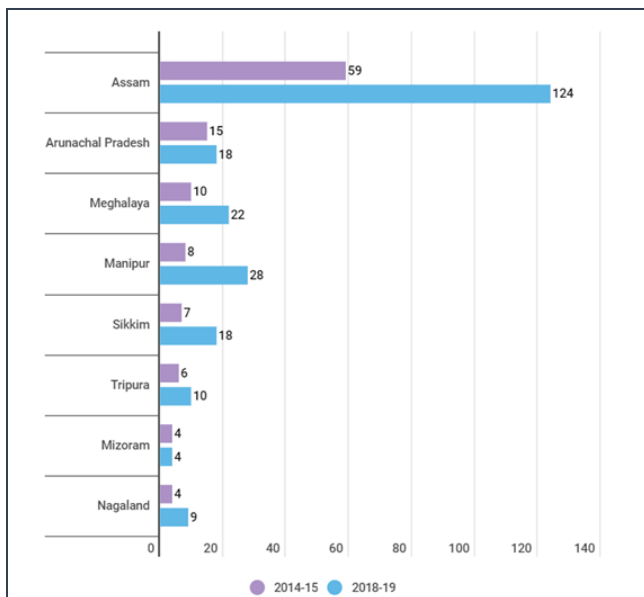
*Figure 1: Growth of CSR spending from 2014-15 to 2018-19 in the North east (in percentage) (Data from Ministry of Corporate Affairs)*

The above graph reflects that Mizoram is the only exception recording a fall of 90% in CSR activities. Tripura showed a massive rise in CSR spending. The rise in Assam is not large in terms of percentage, but the amount of CSR spending done in the state is the largest in the region (as will be discussed next).

The region also saw an increase in the number of companies investing from 2014-15. The graph below represents this:

<sup>5</sup>CII-ITC Centre of Excellence for Sustainable Development (CESD). (2019). *Standing United for a Sustainable Future: Annual Report 2019*. <https://sustainabledevelopment.in/wp-content/uploads/2020/06/1591883400CESD-Annual-report2019standingunited.pdf>

<sup>6</sup>Ministry of Corporate Affairs. *CSR Data and Summary*. <https://www.mca.gov.in/content/mca/global/en/data-and-reports/company-statistics/csr-data-summary.html>



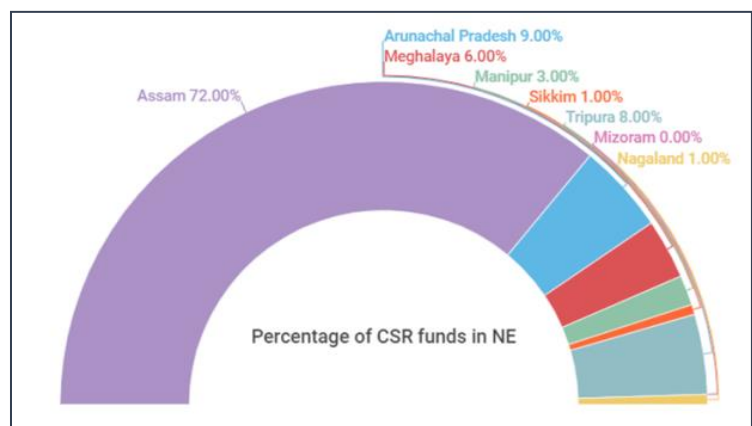
*Figure 2: Number of companies doing CSR projects in the North East 2014-15 to 2018-19 (Data from Ministry of Corporate Affairs)*

According to the chart above, it is evident that all the states except Mizoram have seen a rise in the number of companies engaged in CSR activities. The number of companies spending on CSR is the highest in Assam, increasing from 59 in 2014-15 to 124 in 2018-19. This is followed by Manipur, Meghalaya, Arunachal Pradesh, and Sikkim.

However, the rise in percentage of this from 2014-15 to 2018-19 seems much larger given that the initial count was much lower. For example, states like Nagaland, Tripura, and Manipur had very few companies engaging in CSR

activities in 2014-15 to begin with. Although the positive rise in the number of companies in the region is a welcome improvement, the region still has a long way to go.

According to the data from the MCA website, Assam is the largest benefactor of CSR funds in the region with an allocation of Rs 205.60 crore in 2018-19. This has increased from Rs 134.78 crore in 2014-15. Arunachal Pradesh follows next from an allocation of Rs 11.04 crore in 2014-15 to Rs 24.49 crore in 2018-19.



*Figure 3: Percentage of CSR funds in the North-East in the time period 2014-15 to 2018-19 (Data from Ministry of Corporate Affairs)*

Tripura is the third largest benefactor with a hefty rise from Rs 1.33 crore in 2014-15 to Rs 23.06 crore in 2018-19. Meghalaya, Manipur, and Sikkim have also witnessed a decent rise from 2014-15 to 2018-19 in CSR fund from Rs 3.53

crore into Rs 16.67 crore, Rs 2.44 crore to Rs 7.64 crore, and Rs 1.19 crore to Rs 4.58 crore respectively. Nagaland has witnessed a rise from Rs 1.11 crore to Rs 2.11 crore in the same time period. Mizoram, on the other hand, saw a decline from Rs 1.03 crore to Rs 0.1 crore in the same time period.

Although the region has witnessed positive improvements, this has mostly been in favor of Assam and the final amount still is very less when compared to the rest of the country.

## 4. Public and Private CSR Investments in NER

There exists a difference in the CSR expenditure of Public Sector Units (PSUs) and the Non-Public Sector Units (Non-PSUs) in the North Eastern region. The region has seen overall growth in CSR expenditure in both Public Sector

Units as well as Non-Public Sector Units from 2014-15 to 2018-19.

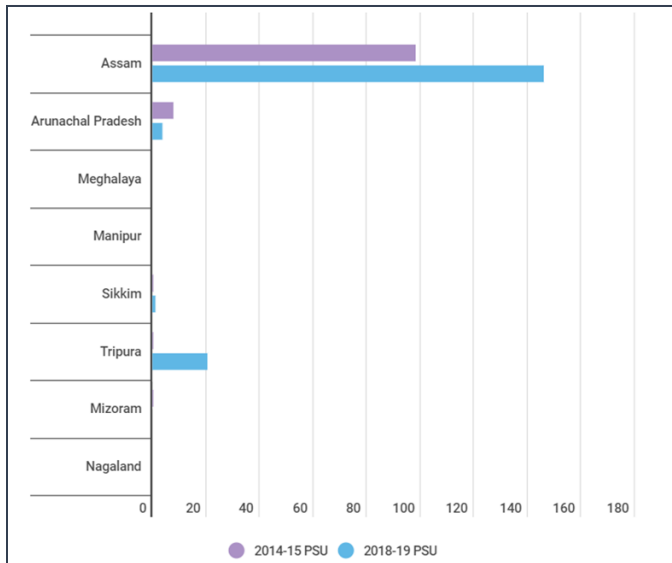
The table below gives a good idea of this growth. The table only includes the listed PSUs and the listed Non-PSUs.

State	PSU Expenditure on CSR in 2014-15 (Listed)	Non-PSU Expenditure on CSR in 2014-15 (Listed)	PSU Expenditure on CSR in 2018-19 (Listed)	Non-PSU Expenditure on CSR in 2018-19 (Listed)
Assam	98.21	16.50	146.04	15.70
Arunachal Pradesh	7.82	0.07	3.88	13.52
Manipur	0.09	0.00	0.01	1.26
Meghalaya	0.03	1.38	0.17	8.30
Mizoram	0.20	NA	0.08	NA
Nagaland	0.08	0.08	0.08	0.29
Sikkim	0.36	0.30	1.25	1.86
Tripura	0.26	0.00	20.50	0.00

*Table 1: PSU and Non-PSU expenditure on CSR in the North East (in crore rupees) (Data from the Ministry of Corporate Affairs)*

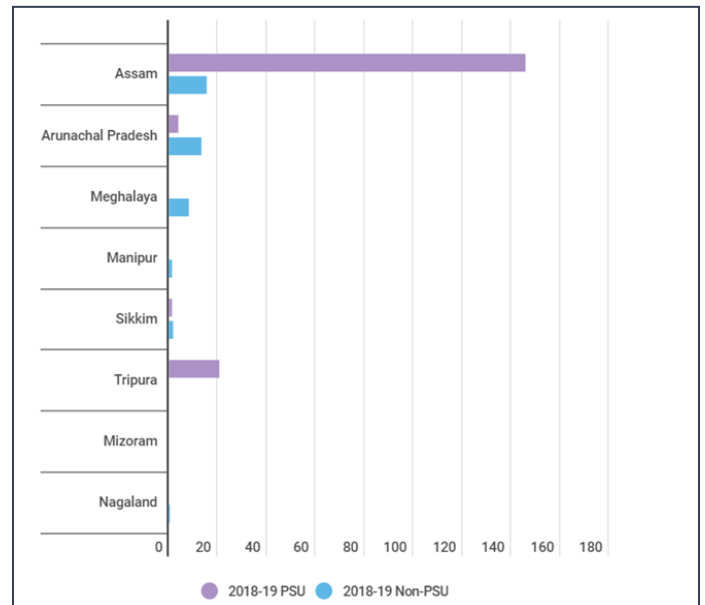
The table shows the huge difference between PSU and non-PSU spending in states like Assam and Arunachal Pradesh. The rise in CSR expenditure by PSUs is larger than the rise in CSR expenditure by non-PSUs from 2014-15 to 2018-19 in Assam where CSR expenditure by non-PSUs has fallen. However, CSR expenditure by non-PSUs has increased in states like Arunachal Pradesh, Manipur, Meghalaya, Nagaland, and Sikkim in the same time period.

The following graph shows the CSR expenditure by PSUs in the region in the time period. The negligible CSR spending by PSUs in states like Meghalaya, Manipur, Mizoram, and Nagaland become apparent from the graph.



*Figure 4: CSR expenditure by PSUs in the North East in 2014-15 and 2018-19 (Data from Ministry of Corporate Affairs)*

To understand the difference between the PSU and non-PSU expenditure of CSR in the North-East, the following graph shows how PSU's incur most of the spending in the region. As compared to Rs 15.70 crore spend in 2018-19 in Assam by non-PSUs, the PSUs have spent Rs 146.04 crore in the same time period. However, states like Manipur, Nagaland, Meghalaya and Sikkim have more expenditure by the non-PSU as



compared to PSUs in the same time period.

*Figure 5: CSR expenditure by PSUs and non-PSUs in the North East in 2018-19 (Data from Ministry of Corporate Affairs)*

In states like Arunachal Pradesh, Meghalaya, Manipur, and Sikkim, the CSR expenditure by non-PSUs is greater than CSR expenditure by PSUs though in absolute terms and size, this is still far below the average non-PSU CSR spending in other States of India.

## 5. CSR in India versus CSR in NER

According to the data released by the Ministry of Corporate Affairs in their website, the CSR contribution in North East India in the financial year 2017-18 is 3.6% of the total all-India CSR fund. Assam gets the highest percentage of this allocation, which is 68.3% followed by Arunachal Pradesh which is 8.38%. Tripura gets 6.1%, Sikkim 5%, and Manipur 4.11%. Meghalaya, Nagaland, and Mizoram get a meagre 3.68%, 2.77%, and 1.6% respectively. Although states like Meghalaya, Sikkim, and Manipur have witnessed massive growth in CSR allocation from 2014 to 2019, the percentage of allocation is still meagre<sup>7</sup>.

There is also an increase in the number of companies and corporations investing in the region, Assam continue to reap the maximum benefits. However, according

to the CSR Survey of 2020, Assam reaps on 1.10% of the total CSR allocation in India, which is much lower as compared to developed states like Maharashtra which gets 10% of the allocation, followed by Karnataka, Rajasthan, Uttar Pradesh, and Gujarat with 3.60%, 2.80%, 2.50% and 2.30% of the total CSR allocation<sup>8</sup>. The size of the state's matter but even Delhi gets an allocation of 2.10% of the total CSR funds. Assam's position is higher in terms of percentage allocation as compared to states like Tamil Nadu, Kerala, Madhya Pradesh, and Bihar. But the allocation in rest of the north-eastern states is dire and questionable.

***The table below looks at the numbers of CSR expenditure in the rest of the country and the NER:***

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<sup>7</sup>Singh, S. (February 2<sup>nd</sup>, 2021). *CSR in North East India: Tripura Stands Out, More Than 200% Growth in Meghalaya, Sikkim, Manipur*. The CSR Universe. <https://thecsr universe.com/articles/csr-in-north-east-india-tripura-stands-out-more-than-200-growth-in-meghalaya-sikkim-manipur>

<sup>8</sup>KPMG. (February 2020). *India's CSR Reporting Survey 2019*. <https://assets.kpmg/content/dam/kpmg/in/pdf/2020/02/india-s-csr-reporting-survey-2019.pdf>

<b>Name of State</b>	<b>CSR Expenditure from 2014-15 to 2017-18 in INR Crore</b>
<b>Jammu and Kashmir</b>	208.4
<b>Himachal Pradesh</b>	147.8
<b>Chandigarh</b>	49.4
<b>Punjab</b>	287.7
<b>Haryana</b>	1196.6
<b>Delhi</b>	1773.9
<b>Rajasthan</b>	1385
<b>Madhya Pradesh</b>	758.5
<b>Gujarat</b>	2499.7
<b>Chhattisgarh</b>	552.9
<b>Maharashtra</b>	8468.2
<b>Goa</b>	144.6
<b>Karnataka</b>	3014.5
<b>Lakshadweep</b>	2.3
<b>Kerala</b>	497.1
<b>Tamil Nadu</b>	2330.5
<b>Puducherry</b>	21.2
<b>Andhra Pradesh</b>	2727.7
<b>Telangana</b>	913.8
<b>Orissa</b>	1660.2
<b>Jharkhand</b>	338.1
<b>West Bengal</b>	1177.8
<b>Uttar Pradesh</b>	1184.5
<b>Uttarakhand</b>	331.2
<b>Bihar</b>	290.1
<b>NE States</b>	
<b>Tripura</b>	5.8
<b>Mizoram</b>	2.4
<b>Manipur</b>	24.7
<b>Assam</b>	653.1
<b>Nagaland</b>	3.3
<b>Arunachal Pradesh</b>	48.4
<b>Meghalaya</b>	24.1
<b>Sikkim</b>	16.8

*Table 2: CSR Expenditure in Indian states from 2014-15 to 2017-18 (Data from Ministry of Corporate Affairs)*



The graph below represents the CSR spending in all the Indian states in 2019-

20 as represented in the table above.

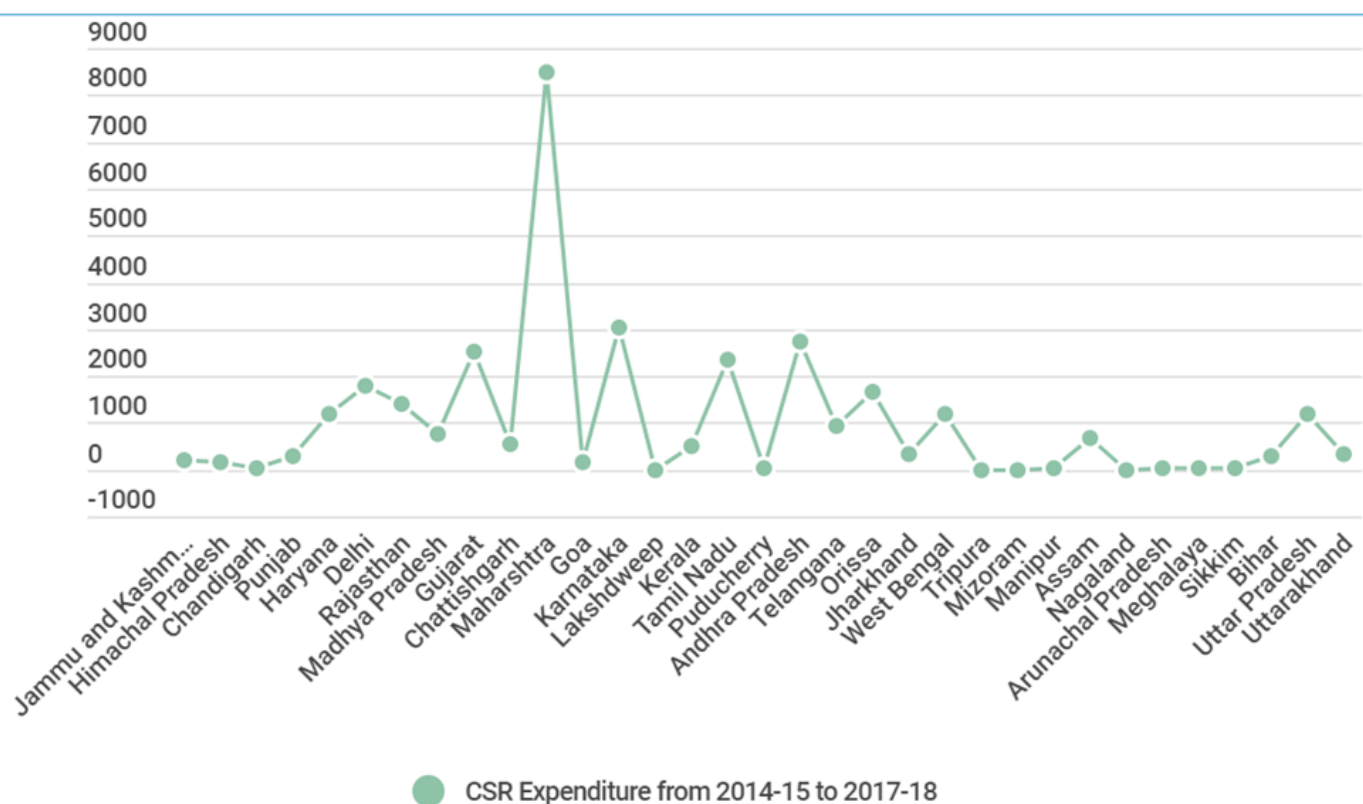


Figure 6: CSR Expenditure from 2014-15 to 2017-18 in Indian states (Data from Ministry of Corporate Affairs)

As seen from the above graph, CSR allocation in states like Maharashtra, Gujarat, Karnataka, and Tamil Nadu is

very high whereas the NE states have a very small proportion of CSR fund allocation.

## 6. CSR Returns, Social and Development Impacts in NER

Debates around climate change and ethical discussions regarding corporations have made both consumers and brands more conscious. The North-eastern region of the country is no different in terms of its consumer base. While years of insurgency and development challenges have disrupted CSR initiatives, recent years have

witnessed growth in CSR initiatives as seen earlier. Development was halted previously because of both the region's isolated location, its hilly terrain as well as because of socio-political challenges including insurgency. The state wise total CSR expenditure in 2019-20 can be seen in the table below.

State	CSR expenditure in 2019-20
Assam	234
Arunachal Pradesh	28.7
Manipur	14.1
Meghalaya	12.6
Mizoram	5.7
Nagaland	9.5
Tripura	20.9
Sikkim	17.1

*Table 3: CSR expenditure in 2018-19 in NE states (in crore rupees) (Data from Ministry of Corporate Affairs)*

### 6.1. Thematic Areas / Priorities of CSR Investment in NER:

Out of the expenditure for NE, it is also useful to understand the area where the CSR expenditure is targeted towards. The thematic distribution of CSR expenditure in the NE is as follows:

The table below gives an idea of the projects done in each area.

<b>Thematic Area of CSR expenditure</b>	<b>Percentage spent</b>
Education & Skills	48
Poverty Alleviation, Health Care and WASH	31
Environment Sustainability	7
Rural Development	6
Gender Equality and Women Empowerment	2
Rural Sports and Paralympics	1
PM Relief Funds and Similar Funds	1
Protection of Heritage & Art	1
Others (in cases of natural disasters, relief funds, etc)	3

*Table 4: Percentage of CSR spent in the NE states on each thematic area in 2018-19 (Data from the Ministry of Corporate Affairs)*

A brief highlight of key social and development impact of some of the flagship programs in each area are as follows:

#### **6.1.1. Education**

ONGC Super 30 in Sivasagar, Assam trains 30 students annually belonging to economically weaker families to get admission in premier engineering colleges. ONGC is also constructing B.Ed. College at Nirjuli and hostels at Naharlagun, both in Arunachal Pradesh. IOCL has taken initiative on providing classes for professional nursing / midwifery courses to unemployed girls of the region. A Vocational Industrial Training Centre in Digboi has offered 68 seats in Industrial Trade Discipline. Similarly two women were trained on solar electrification in Cachar District Assam by ONGC.

#### **6.1.2. Rural Sports and Paralympics**

Football Sports Program by Tata covers the states of Manipur, Meghalaya, and Mizoram apart from other states of the country to promote young talent.

#### **6.1.3. Protection of Heritage and Art**

The Bodo community has a complex art of weaving which is an integral part of Bodo culture. McLeod Russel's Bodo Handloom Scheme is designed to encourage and empower the women of the community. This highly successful community-based scheme started in 1995 at Borengajuli Tea Estate in Assam has not only empowered numerous women to continue their cultural heritage but increased their income also.

The state of Arunachal has been bestowed with various traditional ways of cultivation, handicrafts, cooking recipes, etc which are unique. And with a vision to protect the tribal cultural heritage ONGC

has funded the documentation Centre project in Roing, in Lower Dibang Valley.

ONGC has started one Rs 3.96 crore plan to preserve the heritage sites of Upper Assam under a project called Amulya Dharohar in association with the National Culture Foundation.

#### **6.1.4. Poverty Alleviation, Health care and WASH**

ONGC has set up a Multi-Specialty Hospital in Sibsagar, Assam with 300 beds to treat 1 lakh patients. Indian Oil established the Assam Oil School of Nursing (AOSN) in 1986 and offers three-year Diploma in General Nursing and Midwifery (GNM) course to young girls with intake capacity of 30 students per year. A four-year B.Sc. (Nursing) course has also been started.

Assam Oil Division Hospital, Digboi, is a 200-bed hospital with modern facilities catering to about 1 lakh patients. This hospital registers about 4,000 patients for indoor admissions and conducts operative procedures on about 2,000 patients every year. Health camps of a general and specialized nature are also organized regularly by the hospital to reach out to the poor villagers in the vicinity, who have no access to medical consultations or treatment.

Indian Oil's unique CSR initiative titled 'SarveSantuNiramaya' (Good health to all) provides free health consultation and free medicines to human beings as well as livestock of the villages near Digboi

Refinery. The company believes that good health of livestock is as important as that of the human beings, as livestock was a key livelihood generator for the villagers.

Community toilets have been constructed by both Indian Oil Corporation Limited and ONGC under Swach Bharat Abhiyan.

#### **6.1.5. Rural Development**

HDFC Bank Parivartan along with its implementation partner launched the concept of Integrated Farmers' School to restore the floodplain and non-cultivable land after an embankment breach. The initiative allows for farmer linkages – giving them access to knowledge on related activities – and encourages the younger generation to explore agriculture. It has also acted as a hub for accelerating economic growth for over 500 farmers from adjoining villages over the past five years. The farmers were also given equipment support for initial operation. The platform has thus far helped form a farmers' collective that could cover over 1,000 farmers.

#### **6.1.6. Environment Sustainability**

Narayanpur Rail Basti Village in Silchar, Assam hardly had any electricity. ONGC started a CSR initiative by training two women of the village for six months on all components of solar electrification at Barefoot College. The two women set up the entire solar electrification of every house in their village. Henceforth, the

entire village will have solar powered electricity with all the repair and maintenance being done by the two women.

#### **6.1.7. Gender Equality and Women Empowerment**

ONGC CSR trains women of Sibsagar district in water hyacinth craft to become self-sustainable. Five of the women have been trained in advance design at the prestigious National Institute of Design (NID), Ahmedabad to become master trainers.

## 7. Measuring the CSR Impacts in NER

We have so far seen the allocation of CSR in various areas in the North-east and the scope of their impact. Naturally, the question arises: what has been the impact of CSR expenditure in the region? There has been no exercise done to understand the wholesome impact of CSR in the region so far. However, some work has been done to understand the impact of several companies and their

targeted projects in the region. We will look at some of these projects here from the areas that have been targeted through CSR.

### 7.1. Education & Skills

The NE region has a skewed literacy level. The table below explains this.

State	Literacy Rate (Census 2011)
Assam	72.2%
Arunachal Pradesh	65.4%
Manipur	79.2%
Meghalaya	74.4%
Mizoram	91.3%
Nagaland	79.6%
Tripura	87.2%
Sikkim	81.4%

Table 5: Literacy rate in the NE region (Source: Census Survey of India, 2011)

The table reflects there is a scope of improvement in education level in the region.

Assam and Tripura has seen an increase in enrolment rate after ONGC upgraded the infrastructure of 35 schools. ONGC also carried out a Super 30 initiative which provided free coaching to 115 economically weaker students in Assam (<https://www.csrl.in/>). Out of the 30 students in 2017-18, 7 students were selected for admission in IITs, 6 students

in NIT Silchar, 6 students in AEC, Guwahati, 1 in IIIT Gwalior, 1 in IEST Kolkata, 1 in JEC, 3 students in Tezpur University and others in various prestigious universities and colleges<sup>9</sup>.

### 7.2. Rural Sports and Paralympics

CSR can play a role in reducing the dropout rates in sports in the region. While North-East has already done well in sports and has many sportspersons from the region representing in the

<sup>9</sup>Chakraborty, A. (August 27<sup>th</sup>, 2018). Assam: 7 Students from ONGC Super 30 Selected for

IITs. <https://nenow.in/education/ongc-super-30-seven-students-from-assam-selected-for-iits.html>

Olympics, there is a scope for improvement.

The Indian Oil Sports Scholarship Scheme for Upcoming Sportspersons promotes youngsters in 20 different sports and benefits 198 players in the region. The Project Khelo Hero includes 2000 boxers who are trained under Mary Kom and also include Paralympic athletes.

### **7.3. Poverty Alleviation, Health care and WASH**

Government's spending on healthcare is estimated to be a meager 1.5% of GDP in India, which is comparatively much lower than other countries. Health is a major aspect of human development and investment in healthcare should be a prime focus. It is estimated that India's top companies spent around Rs 1369 crore on healthcare.

In the North-East, the situation requires more understanding. The doctor-population ratio in the region is much lower. Other than insufficient expenditure on health, the region has a poor health infrastructure because of numerous reasons like poor transportation facilities, frequent power cuts, floods, landslides, etc.

In Nalbari, over 10,000 water sources were found to contain arsenic and over 1,200 were found to be contaminated with fluoride. Consumption of such water

causes dental and skeletal fluorosis, cases mostly found to be in children with symptoms such as bent legs, and discoloured, brittle teeth. In order to provide clean drinking water, HDFC Bank Parivartan set up 10 solar-powered water systems, 1 advanced RO and 2 arsenic removal plants which were handed over to the community to manage. A Water User Group was formed through the Water Treatment Management Committee, whose users were charged a minimal fee for meeting operational costs. The Bank also focused on generating awareness to improve the overall health of the villagers

As noted earlier, Assam Oil School of Nursing (AOSN) established by Indian Oil provides opportunities to young, underprivileged girls. Before AOSN was established, there was a dearth of qualified nurses in the Northeast. AOSN not only bridged this gap but also simultaneously provided the women stable careers and livelihood.

### **7.4. Gender Equality and Women Empowerment**

Project Sakhi, implemented jointly with UNESCO, has been launched to promote menstrual hygiene through Sanitary Vending Machines in Sivasagar, Assam. The project seeks to benefit 7000 students from 13 government schools.

Let us now look at some of the CSR initiatives state-wise from 2014 onwards:

## **Manipur**

The state of Manipur has seen CSR investment from companies like Lenovo, Credit Suisse, and Reckitt Benckiser (RB). Lenovo has started a programme named Education Technology and Teacher Training with Meghshala Trust. The Meghshala Trust has reached 3333 schools in Manipur and Karnataka and boasts of 10,175 users 18,000 downloads on their free Meghshala app. Lenovo supported Meghshala by providing tablets and smartphones for both teacher training and student use, helping reach more than 1,800 schools and 4,900 teachers in Karnataka and Manipur.

Credit Suisse has started a three-year partnership to support Barefoot College International (BCI) 'Women Prosper Initiative' and targets to empower women with the necessary skills to build resilient and prosperous rural communities. Reckitt Benckiser (RB) has started a programme called "Birds and Bees Talk" (BBT) on the education sector targeting the comprehensive sexuality education curriculum to get accurate, fact-based and age appropriate information on growing up, sexuality and life skills amongst adolescent kids. The Birds and Bees Talk program seeks to be executed and implemented across Manipur in Government and Recognized Private Schools to ensure the maximum reach and beneficiaries. The unique design of the program comprises of 27-hour lessons allowing the schools to teach in a staggered format, spread over the year. The program will help in

developing key skills like critical thinking and decision-making.

Dalmia Bharat and NABARD have started a programme called 'Project NEW' (NER Entrepreneurs' World) targeting to reach 1 lakh unemployed youth all over NE. An online portal along with a smart app will be set up to capture skill gaps and aspirations. This data will be collated into state/district/block level data sheets and will be the first step towards developing the first-ever such database for the entire NER. This data will be shared with NGOs, NABARD, banks and policy framers in the bureaucracy. In the next phase, a concerted effort will be made to develop tailor-made skilling programmes based on skill aspirations.

## **Meghalaya**

Power Grid Corporation of India Limited has started a Power Grid Corporation's Telemedicine Centre targeting the local Khasi community in East Khasi Hills. According to the programme, medical facilities in specialized domains like neurology, oncology, dermatology, ophthalmology, gynecology, cardiology, dental, pediatrics, ENT, urology and psychiatry will be provided.

North Eastern Electric Power Corporation Limited (NEEPCO) has started NEEPCO Cold Chain Equipment targeting the Local Khasi community in Ribhoi, East Khasi Hills, East Jaintia Hills, and West Jaintia Hills District. The activities include providing Cold Chain



Equipment to the State of Meghalaya to combat the pandemic. Lafarge Umiam Mining Private Limited (LUMPL) partnered with Nangkiewshaphrang SHG, a women's weaver group of Nongtrai village, to help produce and distribute more than 1000 face masks for the residents in Nongtrai.

HDFC Bank has introduced capacity building sessions and established certain enterprises. The team set up 2 weaving centers benefitting 150 households, rice and turmeric processing units in 6 villages, pineapple and banana clusters for 157 households. HRDP (Holistic Rural Development Programme) has started Parivartan where 420 socio-economically marginalised youth were chosen for skill development and entrepreneurship training in various vocational trades to help reduce unemployment and poverty in the region.

### **Mizoram**

Rural Electrification Corporation (REC) Foundation has started a programme called Transforming Health and Education targeting the natives of Mamit District. It will include mobile vans, life support equipment and medical test facilities apart from 'telemedicine' equipment for all 52 government medical facilities. The Nestlé Healthy Kids Programme by Nestlé targets adolescents' health. The key to Nestlé Healthy Kids Programme is the understanding of a balanced diet, healthy eating habits, awareness of food and personal hygiene and regular exercises

in form of some physical activity like sports and games.

Tata Trusts has started a Centre of Excellence (CoE) to create quality level footballers in Aizawl, Mizoram. The coaches scouted 250 players who were put through two rounds of the selection process – in March 2019, 30 cadets, aged between 12-15 years were chosen to reside at the Centre of Excellence to continue with their education and receive football training.

### **Nagaland**

SBI Foundation started the Integrated Rural Development Program to cover the sectors of digitalisation, education, health, drinking water & sanitation, women & youth empowerment, infrastructure development, and environment in few village of Nagaland. It includes an awareness programme on Integrated Nutrient Management and Bio-control of Pest and Diseases in the villages of Ura, Bade, Diezephe, Khirzephe and Tsithrongse.

Global Himalayan Expedition (GHE) started Electrification with Solar Power programme targeting 60 households, Churches and community hall. Tata Trusts launched Antaran targeting artisans to promote exquisite textiles of lesser-known handloom region in India. National Highway and Infrastructure Development Corporation Ltd started the Gift Milk programme targeting students and seeks to provide milk to over 3,800

students from Kohima and Dimapur district.

## **Sikkim**

Dettol BSI started the Birds and Bees Talk programme targeting children in all districts of the state. Under this programme, teachers from the enrolled school will be appointed with full programme essentials including teaching method and learning. Cipla Foundation has started the Second Mobile Science Lab (MSL) targeting children in all districts of the state and carries out activities like classroom sessions, science fairs and community visit. The REC LTD has started a programme called Transforming Education and Health Sectors of West Sikkim in the Western District of the state. The programme seeks to organize science and technology fair, smart class, train teachers, and ensure exposure visits of teacher.

## **Tripura**

ONGC has started Protection of Korbong Tribe in Tripura programme targeting 31 families of Korbong tribe in West Tripura. The programme seeks to provide income generation opportunities for the villagers through pisciculture, duck and goat rearing, piggery farm and cross bred

cattle schemes. There has been an increase in education standards in the recent exams.

Tata Trusts has started the Education in Tulasikhar programme to increase the grade appropriate competencies amongst 149 schools covering 9000 students and 974 teachers from classes I to VIII in Khowai. The programme includes teacher training in primary, upper primary and secondary levels, distribution of Math kits, end year assessments, and onsite support.

Tata Trusts has started a Fisheries programme targeting 6 blocks of three districts – Dhalai, Khowai and Septhajala of Tripura to generate livelihood opportunities.

Tata Trusts has also started a Youth Training at ITI in Ambassa in Dhalai district targeting the locals in the area. Under this programme, the youth will be undergoing training in the Automobile trade at and Food processing trade at ITI, Indranagar. Tata Trusts has further started a Dairy Programme in Dhalai, Gomati and in South Tripura targeting the locals of the region. The programme seeks to support regular procurement of milk from farmers, projects purposes to setup a dairy plant.

## **8. Limitations and Inadequacies of CSR Investments in NER**

### **8.1. *Inadequacy of investment in NER:***

The CSR expenditure for the North-East, though increasing in the recent years, is still lower as compared to the rest of the country. Years of isolation, marginalization, and insurgency have left the region underdeveloped in many sectors. CSR, hence, has a role to play here.

### **8.2. *Measuring the CSR induced welfare in NER:***

However, the problem is not only that the reported expenditure on CSR projects in the North-East is smaller as compared to the rest of the country but also that the reported expenditure on CSR projects is not a good metric of societal welfare. In absence of historic measurement of CSR, the numbers or the percentage increase in CSR expenditure do not reveal the true story. The numbers, in fact, overstate the effect of the law. It cannot be told if the corporations have really increased their spending on CSR before and after the law of 2014 was passed. There is some evidence that while firms that were initially spending less than 2% increased their CSR activity, but those that were initially spending more than 2% reduced their CSR expenditure.

### **8.3. *Determining the priorities in NER:***

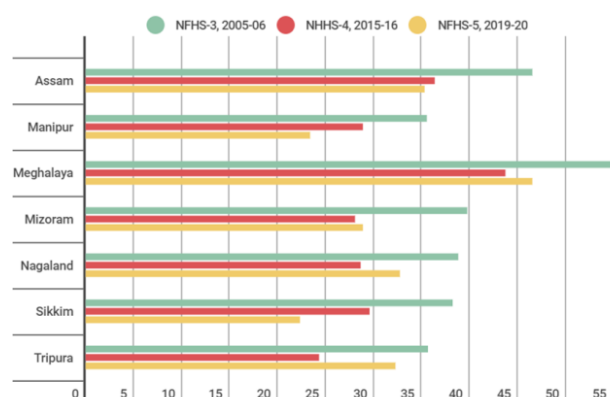
The CSR activity in the NE region has increased and has seen positive benefits in most sectors. However, despite the increase in socially beneficial activities in the region, the spending has not gone to democratically determined priorities, but rather to whatever the companies prefer to emphasize. We saw this while understanding the area-wise distribution of CSR expenditure in the region as education and health were the highest spent sectors, but areas like rural sports and gender equality tend to lose out. While education and health require decent expenditure, but the bias towards them at the expense of the other priority sectors cannot be considered fair.

### **8.4. *Needs and Issues of sectoral investment in NER:***

This is true for the CSR expenditure in the entire country and not just the NE region. Of the nine different schedules prescribed by the Companies Act, two schedules - combating various diseases and promotion of education accounted for 44% of the total CSR expenditure. Areas like reducing child mortality received no funding and eradicating extreme hunger and poverty received only 6% of the total CSR expenditure. Given that about 50% of children in India are malnourished due to pervasive poverty, it is unlikely that the above

allocation of resources reflects the democratic will of the Indian people.

According to the fifth round of the National Family Health Survey, 2019-20<sup>10</sup>, Tripura, Meghalaya, Mizoram, and Nagaland saw an increase in stunting among children while Assam, Manipur, and Sikkim saw a decline. These trends are in contrast with NFHS-3 and NFHS-4 reports, where all North East states had seen a decline in stunting levels. The graph below depicts this new rise in stunting in the region.



*Figure 7: Stunting levels across North Eastern states from 2005-06 to 2019-20 (data from National Family Health Survey)*

Similarly, the poverty ratio in the region is high with Sikkim having a poverty ratio of

20.1%, Assam 19.7%, Nagaland 19%, Tripura 18.9%, and Meghalaya 18.5%. The lowest is in the states of Arunachal Pradesh (17.6%), Manipur (17.3%), and Mizoram (12.6%)<sup>11</sup>. It is the government's responsibility to determine high-priority needs of society and target public expenditure in these areas. With the CSR law, the government has abdicated one of its primary functions.

### 8.5. Geographical Equity, Ease of Doing Business, and CSR Investment.

There is also an issue of geographic equity. Five states: Maharashtra, Gujarat, Andhra Pradesh, Rajasthan and Tamil Nadu account for well over one-quarter of all CSR spending. Towards the bottom of the list are Nagaland, Mizoram, Tripura, Sikkim and Meghalaya—all from the North East. This, of course, reflects the inclinations, interests, and priorities of the business sector. The states which get more CSR funding like Maharashtra, Andhra Pradesh and Gujarat have also consistently done well in terms of the internal Ease of Doing Business Index. These rankings reveal willingness of states' to reform and attract investment.<sup>12</sup>

<sup>10</sup> Institutional Institute for Population Studies. (2020). *Fact Sheets Key Indicators 22 States/UTs from Phase 1 National Family Health Survey*. [http://rchiips.org/NFHS/NFHS-5\\_FCTS/NFHS-5%20State%20Factsheet%20Compendium\\_Phase-I.pdf](http://rchiips.org/NFHS/NFHS-5_FCTS/NFHS-5%20State%20Factsheet%20Compendium_Phase-I.pdf)

<sup>11</sup> National Institute of Rural Development. (2006). *Poverty Eradication/Alleviation in North East India: An*

*Approach*. [http://www.indiaenvironmentportal.org.in/files/Cover\\_Page9550048814.pdf](http://www.indiaenvironmentportal.org.in/files/Cover_Page9550048814.pdf)

<sup>12</sup> Pattanayak, B. (February 11, 2018). *Ease of Doing Business: 18 States Claim Perfect Score in Reforms*. <https://www.financialexpress.com/economy/ease-of-doing-business-18-states-claim-perfect-score-in-reforms/1061454/>

In fact, according to the 2019 Indian states ranking of Ease of Doing Business, the top performing states are Andhra Pradesh, Uttar Pradesh, Telangana, Madhya Pradesh, Jharkhand, Chhattisgarh, Himachal Pradesh, Rajasthan, West Bengal, and Gujarat respectively. Maharashtra has slipped down in recent rankings but still performs the best in the measures like 'Obtaining infrastructure related utilities' and 'enforcing contracts'. However, the best performing NE states is Assam, ranked 20<sup>th</sup>. Mizoram is 25<sup>th</sup> in the ranking while Arunachal Pradesh, Manipur, Nagaland, Meghalaya, Sikkim, and Tripura all occupy the last spot of 29<sup>th</sup>. There seems to be a relation between the rankings and the CSR funding, implying the importance of local businesses and corporations.

#### **8.6. *Definitional issue and halfhearted investment in CSR:***

CSR is a controversial idea with many executives, academics and officials on both sides of the issue. Thus, it is not surprising that the Indian law does not clearly define CSR for the purposes of expenditures. The law lists only a few genres of CSR activities: "eradicating extreme hunger and poverty", "promotion of education", and "social business projects". This is much too vague to work as a legal definition. It is not surprising that the law does not even discuss, let alone define, an enforcement mechanism or penalties for non-compliance. This vagueness perhaps

also aids in non-prioritized or a 'casual attitude' to invest in NER by some CSRs.

#### **8.7. *Quality and sustainability of investment in NER:***

The CSR law appears to be somewhat contradictory. CSR is fundamentally an inspirational exercise, and it is very difficult to legislate aspirations. Laws only set minimum standards, but do not create an impetus for positive action. For example, it would be difficult to require that companies build "excellent" schools; the legal requirement can be met merely by spending money on education.

#### **8.8. *Enforcing positive investment by CSR in NER:***

Inequality in India, which was already high, has increased even more. The CSR law does not go far enough in reducing inequality and helping the disadvantaged. It is felt that without an enforcement mechanism, it is unlikely that the law will result in widespread compliance and real effectiveness. In other words, "required" CSR will remain largely voluntary, but give the illusion of progress.

#### **8.9. *Gaps are evident in NER:***

India is the first country to require companies to expend resources on CSR. There is sound logic behind why other countries have not done this, and India should not either. The distribution of the

CSR funds also shows massive gaps. Rural Sports and Paralympics get the highest allocation of the funds which is 48%, followed by Poverty Alleviation, Healthcare and WASH which is 31%. However, areas like Education and Skills, Gender Equality and Women Empowerment, and Rural Development get a meagre 1%, 2%, and 6% allocation respectively. This is not an ideal allocation of the CSR funds. The North-Eastern region is facing challenges in these and other numerous areas pertaining to CSR investments.

Similarly, lack of data also does not clearly bring out the priority areas. Certain thematic areas need more investment in certain regions, but a lack of data makes it difficult to get that analysis right.

#### **8.10. NER and CSR Governance Issues:**

There are issues regarding CSR governance in the NE region. These include issues related to information dissemination, data transparency, investment range, priorities, empanelment issues, portal and digital issues, state wise streamlining, consortium, annual reporting for public domain, etc. Lack of data has been a prime reason for the lack of information regarding CSR issues. While some improvement has been made in terms of recording data, there is still a long way to go. Even if the any work has been done in the region because of CSR investment, lack of data from official or company websites make it difficult to know the true impact of any project.

## 9. The Logic of CSR by Industry Presence, Market and Consumer Base and National Strategic Interest

Census data reveals that as much as 84% of the total population in the North-East resides in rural areas, which is greater than the national average of 70%. India has been called a 'failing state' by Lant Pritchett (2009) and the country faces numerous developmental challenges. CSR being incorporated by the government of India is one step towards moving ahead of these challenges.

The North-eastern region of the country with its large bio-diversity along with a rich socio-economic heritage constitutes 8% of India's total geography. The region is home to 4% of the country's population. It cannot be denied that the region beyond the chicken's neck has faced severe developmental challenges

because of its distance from the mainland India. Despite several schemes by both the Central and the State governments in recent years, the region continues to face developmental challenges. **The percentage of people living below the poverty line is 34.28% in the region, which is far higher than the national average of 26.1%. However, the CSR spending in the NE region has only been a small percentage of the total CSR spent in the country and further below expectant level in this critical area of poverty alleviation and such other critical concerns.**

The table below gives a better idea of this.

Financial Year	CSR Spent in NE	Percentage
2014-15	156.81	1.56
2015-16	183.40	1.26
2016-17	326.32	2.27
2017-18	117.11	0.81
2018-19	285.95	1.52
2019-20	803.92	3.78

*Table 6: CSR spent in NE in different financial years (in crore rupees) (Data from Ministry of Corporate Affairs)*

It is clear from the above table that CSR expenditure in the region has witnessed no clear trend. There was a dip in the CSR expenditure from 2014-15 to 2015-16 and a rise in 2016-17, followed by a

fall in 2017-18. CSR expenditure has since then increased in the region.

The region, with its tremendous potential in terms of natural resources, bio-diversity, and hydroelectricity, has an

immense scope of growth. Being highly agriculture dependent, the region can use CSR to overcome the technical and financial constraints (Ayengia, 2020). CSR also leads to innovation which the region can use to grow further. Private firms can act as strategic partners and provide market opportunities to the rural products, lead to innovation by sharing technology, and enhance skills and knowledge.

**There are three major CSR investment themes that can be analyzed in the context of the NER:**

### **9.1. CSR and Industry Presence in NER**

According to the data available in the Ministry of Corporate Affairs, there were 85 companies investing in CSR in the NER in the financial year 2017-18. They

have implemented 287 projects in the region and have spent 342.58 crore rupees in the region. This is only 3.60% of the total CSR spent in the country.

### **9.2. CSR and Market and Consumer Base in NER:**

According to the Census data of 2011, the NE region comprises 3.76% of the total population of India. The total population is about 450 crore with Assam contributing the highest (68%) of the population, followed by Tripura (8%). The share of the other NE states in terms of population is less, but is fast increasing. The population of Assam is 310 crore, Tripura 36.7 crore, Meghalaya 29.6 crore, Manipur 27.2 crore, and Sikkim 6.1 crore. The region has witnessed a rapid growth of population as seen in the table below.

State	1971-81	1981-91	1991-2001	2001-11
Arunachal Pradesh	35.15	36.83	27.00	25.92
Assam	23.6	24.24	18.92	16.93
Manipur	32.46	29.29	24.86	18.65
Meghalaya	32.04	32.86	30.65	27.82
Mizoram	48.55	39.70	28.82	22.78
Nagaland	50.05	56.08	64.53	-0.47
Sikkim	31.92	34.30	16.03	12.36
Tripura	50.77	24.47	33.06	14.75
India	24.66	23.85	21.54	17.64

*Table 7: Decadal Growth Rate of Population in North Eastern Region (Source: Census of India 1971, 1981, 1991, 2001, and 2011)*

The table reflects that the growth of population in the region in 2001-11 is higher in most states than the all India

average growth of population. Arunachal Pradesh, Manipur, Meghalaya, and Mizoram have a higher growth of



population that the all-India average growth of population.

The region, thus, has a good representative of population and is growing with time. This implies that the consumer base is also growing the region. Further, increasing urbanization has led to more consumer demands in the region. With a rising consumer base, the region can benefit from larger CSR investment but this is not happening.

### **9.3. CSR and National Strategic Interest in NER:**

The region also has a very strategic location as it has boundaries with several other countries. Bangladesh has been one of the most emerging economies in current times, with growth rates increasing tremendously. The region also shared boundaries with Myanmar, China, Nepal, and Bhutan. The NER was

the gateway to East and South East Asia since a long time, with exchange of information and migration continuing for centuries. The Central Government's Look East Policy was an attempt to make use of this strategic location. The policy, now upgraded as Act East Policy, is a diplomatic initiative to promote economic along with strategic and cultural relations with the vast Asia-Pacific region. Due to its strategic location, the NER serves as the hub of this. The development of the NER is crucial to the success of this policy.

Keeping in mind the strategic interests, the role of CSR in the region, hence, goes beyond its current limited investments in regional development. It can enhance the growth and development of the NER and contribute in making the region robust, resilient and match with the neighboring countries in strategic capacities supported by robust foreign diplomacy and at policy level.

## 10. Understanding The CSR Divide IN NER

### 10.1. Forest Cover & Hilly Tract

**Composition as a divider:** While the NE region sees a smaller CSR expenditure as compared to the rest of the country, there is a similar bias within the region. The region with its hilly terrain makes it difficult for economic industries to grow. This is a major reason behind the absence of many large corporations in the region. The NE region covers 24.5% of India's total forest cover. States which have large forest cover and are smaller in size receive lesser CSR expenditure as compared to the plain and larger NE states. The Indian Forest Act, 2019 seeks to increase the forest cover. While

this could mean a positive turn in favour of green cover, but the NE states are sure to lose out in terms of growth and development. It is true that the focus should not always be on growth and there is a need to look at 'green development' and 'Green Gross Domestic Product (GDP)', but the burden on the NE states should not go uncompensated. A rise in forest cover may lead to further fall in CSR expenditure in the region. We will carry forward this discussion in this chapter.

The table below looks at the percentage covered by forest in the NE states.

State	Forest cover percentage in the state
Assam	36.11
Arunachal Pradesh	79.63
Manipur	75.46
Meghalaya	76.32
Mizoram	85.41
Nagaland	75.31
Tripura	74
Sikkim	47.11

*Table 8: Percentage of forest-cover in the NE states (data from India State of Forest Report 2019)*

Mizoram has the highest forest cover in the region followed by Arunachal Pradesh, Meghalaya, Manipur, Nagaland, and Tripura. Assam and Sikkim have the lowest forest cover. As

seen previously, Mizoram, Nagaland, Sikkim, and Manipur also have the lowest CSR share in the region.

## 10.2. Tribal population density and diversity:

It is also important to look at the demographic characteristics of the region. The hilly states have more tribal diversity and population. There is

State	Percentage of ST population
Assam	12.4
Arunachal Pradesh	68.8
Manipur	35.1
Meghalaya	86.1
Mizoram	94.4
Nagaland	86.5
Tripura	31.8
Sikkim	33.8

*Table 9: Percentage of ST population in NE states (data from North Eastern Council Secretariat<sup>13</sup>)*

Mizoram has the highest tribal population in the region, followed by Nagaland, Meghalaya, and Arunachal Pradesh. Assam has the lowest ST population in the region. Again, Mizoram and Nagaland are two of the lowest CSR receiving states, not just in the NE region but in the entire country.

**10.3. Land Size of States:** We also look at the size of each of the NE state. The graph below highlights

a history of tribal regions being underdeveloped because of the neglect of the mainstream. The table below looks at the tribal population of the region.

this. According to the geographical size, Arunachal Pradesh and Assam are the largest states in the region followed by Meghalaya, Manipur, and Mizoram. It is not surprising that four of these 5 largest states of the region get the highest CSR investment within the region – Assam, Arunachal Pradesh, Manipur, and Meghalaya. Geographical size of the state and the percentage of CSR investment in the region seem to have a correlation here, except Mizoram which has the highest ST population and the largest forest cover.

The following figure reflects the percentage of geographical area of each NE state. The geographical size of a state is an important indicator of the amount of investment a state receives, be it investment for infrastructure development or CSR investment.

<sup>13</sup>North Eastern Council Secretariat (Government of India). (2015). *Basic Statistics of North Eastern Region*.

<http://necouncil.gov.in/sites/default/files/uploadfiles/BasicStatistic2015-min.pdf>

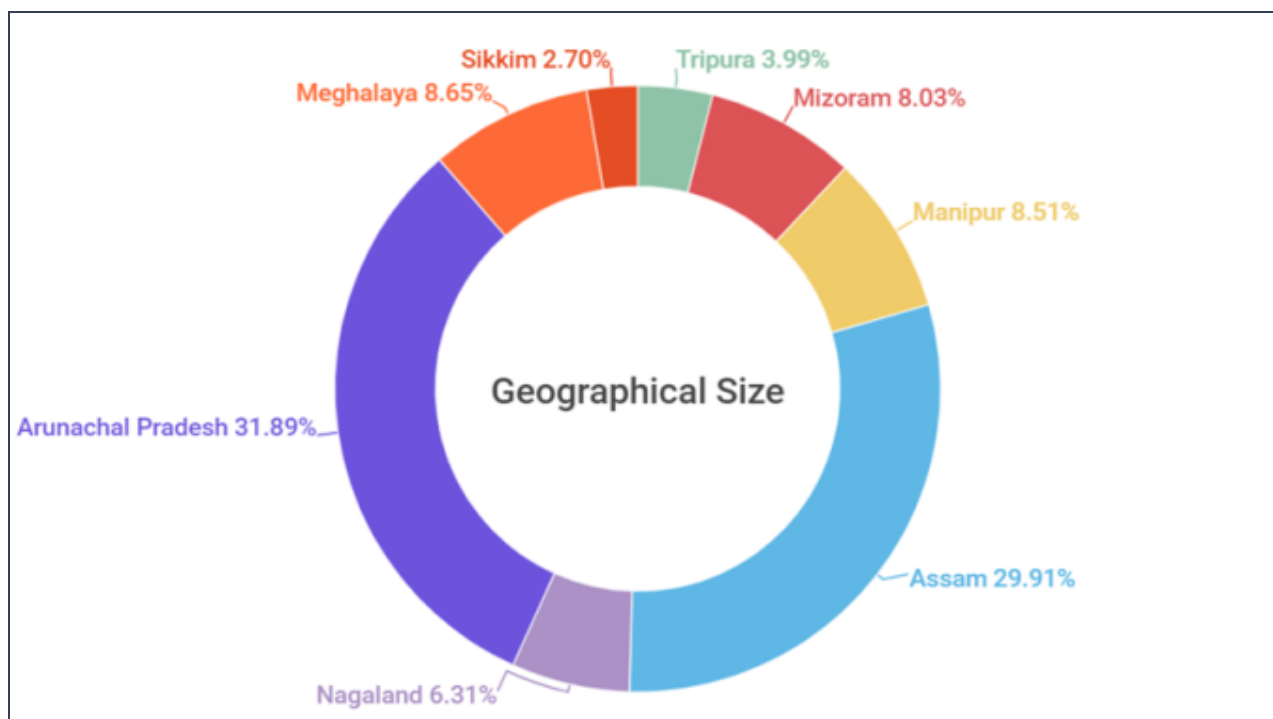


Figure 8: Percentage of geographical area of each NE state

Arunachal Pradesh and Assam are the largest states, while the other NE states

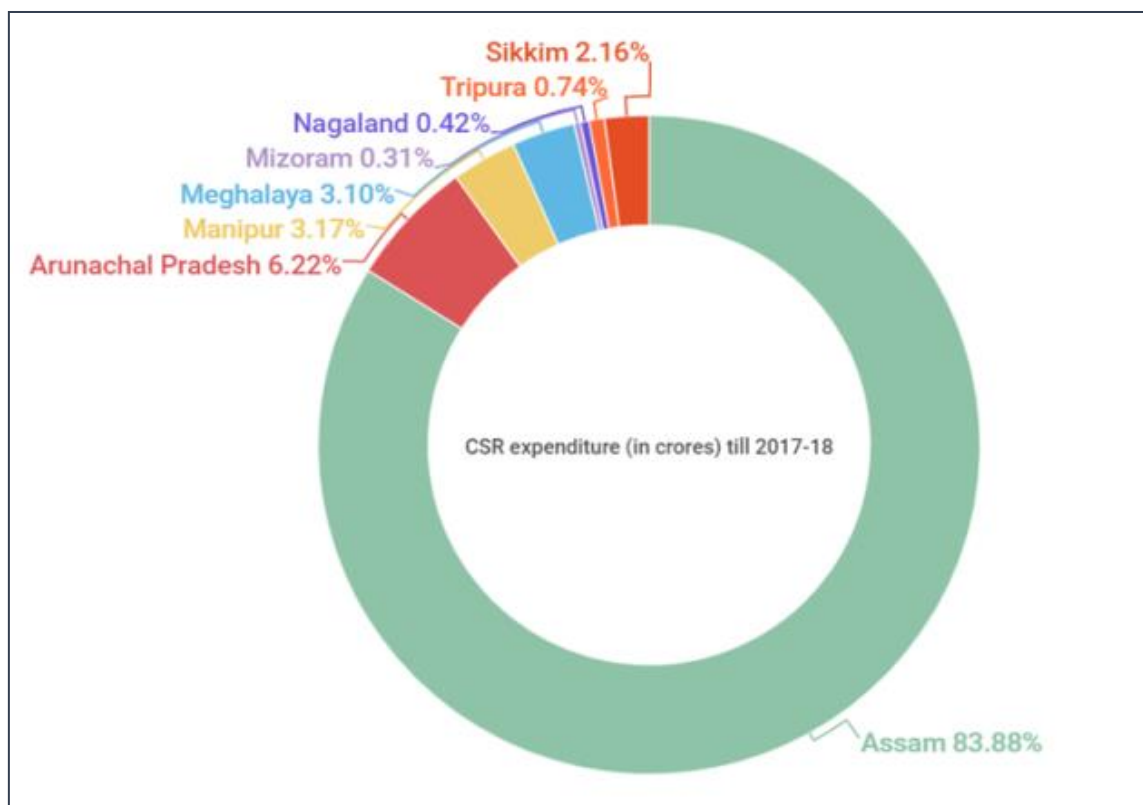
all comprise less than 10% of the total region in terms of geographical area.

#### 10.4. Intra-State Divide

The table below looks at the CSR expenditure of each state in the region.

Table 10: CSR expenditure (in crore rupees) in the NE states till 2017-18

State	CSR expenditure (in crore rupees) till 2017-18
Assam	653.10
Arunachal Pradesh	48.4
Manipur	24.70
Meghalaya	24.10
Mizoram	2.4
Nagaland	3.30
Tripura	5.80
Sikkim	16.80



The table makes it clear that within the region, there exists a divide in the CSR

expenditure. The graph below represents the above table.

*Figure 9: CSR expenditure in the NE states till 2017-18*

While Assam is one of the largest states in the region, it has the lowest forest cover and lowest tribal population but the highest CSR expenditure. Mizoram is smaller in size, is only 8% of the NE region, and has the highest forest cover and ST population. But the state has

seen a fall in its CSR expenditure and the lowest CSR spending in the region.

### 10.5. National Vs. Regional Divide

The following table reflects the national and regional divide in CSR investment.

Name of State	CSR Expenditure from 2014-15 to 2017-18	Percentage of CSR expenditure
Rest of India	3196.17	97.6%
Tripura	5.8	0.02%
Mizoram	2.4	0.01%
Manipur	24.7	0.08%
Assam	653.1	1.99%
Nagaland	3.3	0.01%
Arunachal Pradesh	48.4	0.15%
Meghalaya	24.1	0.07%
Sikkim	16.8	0.05%

*Table 11: CSR expenditure (in crore rupees) in the NE states from 2014-15 to 2017-18 and the percentage (Data from Ministry of Corporate Affairs)*

While the rest of India gets a whopping 97.6% of the total CSR investment, the percentage of CSR investment in various NE states is very meager. Assam gets the highest percentage of CSR investment, with a percentage close to 2%, followed by Arunachal Pradesh with 0.15%. The difference between the CSR investments in the two states in terms of percentage is a good 1.84% which is a huge margin. The rest of the NE states need egalitarian distribution of funds.

### **10.6. Industry presence & Divide**

The amount spent by various industries on CSR also differs in the region. Oil, drilling, lubricants and petrochemicals spend the highest amount on CSR, which is not surprising given most of these

industries are PSUs and the share of CSR expenditure by PSU is higher than the share of CSR expenditure by non-PSU in states in Assam. This is followed by Banking and Finance industries and Power and Heavy Engineering industries, which are also mostly PSUs.

The share of Cables and Telecommunications and Chemicals, Pesticides, and Fertilizers is very low as compared to the other industries. This is disturbing given the region has seen an expansion of mobile networks and agrarian push towards modernized methods. The CSR gap in these sectors can be addressed in the region. The table below highlights the sector wise CSR allocation in the region.

<b>Sector</b>	<b>Amount Spent (in crore rupees)</b>
Oil, Drilling, Lubricants, and Petrochemicals	204.36
Banking and Finance	43.35
Miscellaneous	32.45
Power and Heavy Engineering	30.44
Computer Software/IT	12.48
Consumer Goods	9.33
Healthcare and Pharmaceuticals	6.16
Auto and Auto Ancillaries	1.66
Construction, Contracting, and Infrastructure	1.43
Metals, Mining, and Mineral	0.53
Cables and Telecommunications	0.22
Chemicals, Pesticides, and Fertilizers	0.18

*Table 12: Sector wise CSR expenditure in NE states in 2017-18 (Data from Ministry of Corporate Affairs)*

What becomes apparent from this table is that certain sectors need to divide their CSR allocation more in the region since

there is an ample consumer base. We now look at sector wise number of companies working in the region.

<b>Sector</b>	<b>Number of Companies</b>
Oil, Drilling, Lubricants, and Petrochemicals	8
Banking and Finance	14
Miscellaneous	17
Power and Heavy Engineering	4
Computer Software/IT	8
Consumer Goods	7
Healthcare and Pharmaceuticals	7
Auto and Auto Ancillaries	3
Construction, Contracting, and Infrastructure	4
Metals, Mining, and Mineral	2
Cables and Telecommunications	1
Chemicals, Pesticides, and Fertilizers	1

*Table 13: Number of companies sector-wise in 2017-18 (Data from Ministry of Corporate Affairs)*

Again, it can be seen from the table that sectors like Banking and Finance and Oil, Drilling, Lubricants, and Petrochemicals have the highest number of companies investing in CSR in the region. Only 1 Cables and Telecommunications invest in CSR funding in the region. This is a disturbing insight since mobile use in the NER states has increased in the recent years. 7 Consumer Goods companies invest on CSR in the region, which is also a low number given the spread of

urbanization in the region. There is a need to bridge these gaps in CSR allocation.

### 10.7. Divide in priorities

There is also a divide in the CSR funds in terms of its thematic areas. Education and Health get most of the CSR allocation. This is important but the unbalanced division of CSR funds become apparent from the table below.

Thematic Area	No. of projects	Amount Spent in crore rupees
Education and Skills	109	163.09
Poverty Alleviation, Healthcare and WASH	79	105.67
Environment Sustainability	28	25.47
Rural Development	25	22.33
Others	4	9.67
Gender Equality and Women Empowerment	14	5.99
Rural Sports and Paralympics	4	4.11
PM Relief Funds and Similar Funds	9	2.99
Protection of Heritage and Arts	9	1.89
Technology Incubation	5	1.61
Benefits to armed forces veterans, war widows	1	0.02

*Table 14: Number of projects and amount spent according to each thematic area (Data from Ministry of Corporate Affairs)*

Thematic areas like Gender Equality have tremendous scope of improvement in the region, as we saw in our discussion regarding the SDGs earlier. NER is also considered to have immense scope in

Sports and Rural Development which also has meager allocation of CSR funds. These gaps need to be addressed by a more balanced approach of CSR fund allocation.



## **11. Does a Sustainable CSR Presence and Investment in NER need a Policy and Legal Safeguard?**

### **11.1. Expanding and increasing CSR Footprints in the region:**

Since the major aspect of CSR is seen as a contribution towards growth and development, it would seem unfair that only developed and larger states gain from the allocation. As discussed previously, the North Eastern region of the country has a long way to go when it comes to achieving key Sustainable Development Goals. The companies who contribute the most in the region are public sector companies or public companies. The private companies have a limited contribution of CSR to the region. According to the CSR Survey of 2019, Assam gets the second largest share of CSR contribution of PSU's total expenditure. But the rest of the region continues to lose out. But even if PSUs investment is bigger and wider, whether this is sufficient, sustainable, impactful, and meets other critical criteria of meaningful social and development investment is the major question. Does this presence and investment of public and private CSR as a critical 21<sup>st</sup> century resource need in the NE region requires a policy and legal support then? Hasn't the Central

Government made specific investment and development priorities in the region time to time with separate Ministry, council, investment incentives, and 90 percent grant based support, heavy central pool of planned and non-planned expenditure in the region?

### **11.2. NER as an Emerging and Expanding Market and Consumer Base:**

North East Region has a population base of 455 crore (as per the Census data of 2011). It is an existing and emerging market for all companies forever. Need of almost every person in the region. From cereals, automobiles, FMGCs, knowledge service agencies, dairy, IT, telecom, digital device corporations, and others, companies are expanding and widening their market and consumer base. Does this need a tweaking of policies, regulations and provisions wherein companies earning in the region beyond a certain annual returns are obliged to spend a sum of earnings in deprived and backward districts in the region? Overall, the question remains, the NER serves as a huge market for corporations. But the corporations receive their returns from the region without much CSR

investment in the region. While the companies are receiving their economic returns, the social returns for the population of NER are very low. Does this also require policy and legal support to encourage and motivate CSRs to invest in the region?

**11.3. Is CSR Cost of Investment in high in North East?** It has been seen that companies like to invest CSR in the states that they already have their offices in to reduce costs. When a company is already familiar with a particular region, it is obvious that mapping and other costs of planning in the region get reduced. Due to its hilly terrain and isolated location, the NER falls at a disadvantage despite its strategic location. Thus, despite a mandatory 2% CSR for the companies, the NER continues to lose out.

**11.4. NER is a Strategic priority of India:**

The NER is a region of strategy and priority for national geopolitical and strategic interests as can be seen with increasing government thrust and investment in the region including in the international border areas with neighbouring countries and region including South East Asia. With eight strategic States in the region, how can this strategic presence, threat, development and mainstreaming can be excluded from the purview of the CSRs in India, especially the major CSRs in the country, despite may not be having any of their strategic business interests in the region. A legal mandate can make things different. A major part of the now upgraded Look East (now Act East Policy) is improving the development of the NER as it serves as the gateway to South East Asia. The role of CSR in this can be, indeed, huge.

## 12. Recommendations

The CSR expenditure in the region has seen an unclear trend. We cannot conclude that it is rising, as shown by the data. Moreover, there is an uneven distribution of CSR expenditure not just within India but also within the region. The uneven distribution is due to many reasons like size of the state, presence of industry, forest cover in the state, demography of the population, etc.

However, the small proportion of CSR expenditure in the NE region, which is itself one of the most isolated and underdeveloped regions in the country needs to be changed. Despite many central and state schemes in the region, the process of development is a long process in the region, which has a historical record of insurgency and isolation. CSR spending and investment in the region can thus play a huge role.

It is too early to claim for sure that the government mandated CSR policy has increased CSR expenditure in the country and in the NER. In the absence of data, it is difficult to measure CSR expenditure in the country before CSR was mandated by law. Hence, the impact of the law on actual expenditure is difficult to understand. While many experts suggest there is a rise in the spending, but many others hold a different view. It is possible that many corporation who used to invest or spend more than 2% on CSR expenditure before the law has reduced their spending. But the law is still an important

inclusion. It has eased the conversations on CSR, has made the maintenance of data possible, and has made it easy to understand regional variations in CSR spending.

While the law does not say anything about the region or location of CSR spending by the corporation, companies find it easier to spend on regions they already have a base in and have proper information about. This is where the NE region loses out. With a hilly terrain, lack of a vibrant manufacturing sector and industries, and years of isolation and insurgency, the NE region can be justified to have a smaller size of CSR spending on paper. But the population of the region does consume the same goods like the rest of the country, underdevelopment of one region will always be a hindrance in development of the country, and the role of CSR in development cannot be ignored. The region definitely needs more attention regarding this.

***The following recommendations can be made:***

### **(i) Hilly and Tribal State as a priority investment**

Geographical terrain has always kept the NE region at a disadvantage. The location disadvantage has meant an absence of industries and large companies. The recent Indian Forest Act, 2019 is a remarkable step to increase

forest cover and greenery in the country. But the burden will fall on the NE states as corporations will find it more difficult to invest in the region. The region needs to be compensated if it takes the burden of increasing green cover for the rest of the country. The people in the hilly states also consume the same goods as the rest of the country. Hence, these states should get a focus in terms of CSR expenditure both in CSR mandate as well as national strategic interest objectives.

**(ii) Size of the state should not be the basis**

The size argument will keep the NE states at a disadvantage as most of these states are smaller in size. But at the same time, regions like Delhi do get ample CSR spending despite the similar size. There should be a fair allocation of CSR expenditure and not entirely based on size.

**(iii) Companies should be encouraged to invest more diverse areas with market / industry presence, national strategic interest**

Areas like health and education get more CSR investment, not just in the NE region but in the entire country. Other areas like rural sports and heritage have large scope in the region and proper allocation of CSR funds in those areas can do wonders. Post-

Covid, the need for renewed and increased investments in health and education is going to be an added necessity all over.

**(iv) Private Sector Units have a role to play**

The data has shown that Private Sector Units are important in CSR spending in some of the states of the region, but not so much in the other states. With increasing privatization, the private sector has a role to play in the region.

**(v) Removing CSR disparity within the Region**

The region has an unbalanced allocation of CSR funds with certain states receiving more investment than some other states. There has been an increase in CSR investment in many states in the last few years, but this increase is bigger in percentage terms since the original investment was very low. The region still has a very low CSR investment when compared with the rest of the country. There needs to be a more balanced CSR allocation of funds within the region, with states like Mizoram and Nagaland getting more investment projects.

**(vi) Whether we need for another legal intervention**

While it is difficult to answer if total CSR spending has increased after the mandatory 2% CSR expenditure by the companies, it is undeniable that discussion around CSR has improved. The role of CSR in development of a region is more understood. In such a framework, a legal mandate that even a 20% of all CSR expenditure by a company (out of the 2% mandated CSR expenditure) being allocated to the NER can lead to further improvement in the development process of the region. This will certainly contribute in mainstreaming the region with rest of India, bridge the wider development divide, and enable the region to compete with its neighboring countries and region including South East Asian societies.

**(vii) Whether there is a need for the setting up of NER CSR Taskforce to Enhance CSR Investment**

The presence of such a taskforce with multi-stakeholders part of it can look into the proper investment of CSR presence, investment and funds including whether and if the priority sectors are getting enough investment and in good CSR practices and governance in the region, the Task Force involving State Departments and CSOs and academic institutions as a collaborative work force.

**(viii) Whether there is a need for North East CSR Resource Hub and CSR nodal cells in every NE state**

Whether and if a CSR hub for the NER in the region backed by the Government of India and supported by the States can streamline CSR activities, resources, knowledge, practices and collaboration is a point that can be deliberated. Further, Local needs for CSR can be understood by local nodal cells and such cells can play a better role if they work under State industries department or any such relevant department.

**(ix) Involving Civil Societies and Universities to make data transparent**

One of the prime concerns of measuring the CSR impact in the region has been the lack of data. If Civil Society and Universities work together, data transparency and analysis can become easier.

- Measuring the CSR Investment and Impacts
- Prioritizing the CSR investments and Governance
- Documenting good practices for dissemination, advocacy and strengthening.

## **13. Conclusion**

The CSR expenditure in the North-Eastern region is ridden with ambiguity. While the region faces a small proportion of the total CSR spending of the country, there is a gap in the division of the CSR expenditure within the region. CSR expenditure has increased in the recent few years in the region, with some states showing more than 200% of growth. Despite this large growth in CSR spending in the states, the actual figures of the CSR expenditure in these states show that the numbers are far from satisfactory. There is also an intriguing difference in the way public and private businesses invest in CSR activities in the region. This calls for greater and in-depth study.

This policy brief was an attempt to start a discussion around CSR spending and its role in development in the region. Numerous flagship programs started in the region have already done good work in the region. But the proper need of documentation and data of these programs and an even distribution of CSR funds in the region and within sectors are requirements of the time.

This policy brief, along with its recommendations, has made an attempt to understand the various issues and challenges regarding CSR in the region and the road ahead. The suggestions have been put forward by taking an understanding of the geographical,

regional, and economic environment of the region.

Recent years have seen several schemes and policies directed towards the NER. But the region remains deficient when it comes to several socio-economic indicators and SDG goals. We understand that economic growth and progress is a long process and with the region's history of long isolation, geographical barriers, and insurgency, this process of development becomes slower here. And this is why the role of CSR in the region becomes especially important. This policy brief makes this argument while keeping in mind the various socio-political, economic, and geographical barriers of the region.

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