

**Study and Survey on CSR Expenditure under the provisions of CSR under Companies Act, 2013 in Tribal and Backward Districts of India - as recommended by Fifty-Ninth Report of the Standing Committee of Finance Demands for Grants (2018-19)**

**Study submitted to:**

Ministry of Corporate Affairs,  
Government of India



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Indian Institute of Corporate Affairs,  
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April 2020

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# CHAPTER 1: INTRODUCTION

## 1.1. About the Study

India became the first country to legally mandate specific spends on CSR for all corporate entities based on income, or profit, or net worth criteria following an amendment to the Companies Act, 2013 in April 2014. The Standing Committee of Finance has observed that CSR spent by Companies particularly in mining and industrial areas of tribal and backward regions of the country is minuscule as compared to the profits/ income accruing from these areas and much lower than mandated. The fifty-ninth report of the Standing Committee of Finance observed there is a need for framing structures for regularly monitoring CSR expenditures in compliance with CSR provisions and legal framework. Therefore, it was recommended that a detailed study is carried out to analyse the expenditure as well as the project implementation pattern of the selected corporates towards CSR activities.

The current study consists of an expenditure and intervention analysis of CSR activities by oil and mining sector companies. The study draws key insights and learnings from the implementation of selected CSR projects in the tribal and backward districts of India.

## 1.1. Background

### 1.1.1. Mining Companies & Socio-Economic Development

Tribal people constitute a significant segment of India's population in respect of both their large size of population as well as their rich and varied cultural heritage. The scheduled tribes are 11.3% of the total population of rural areas and 2.8% of urban areas. Their livelihood is mainly dependent on agriculture and handicrafts but the tribes of India still display a wide spectrum of “another India” we hardly know about.

The level of socio-economic development varies considerably between tribal and non-tribal populations, regions, tribes, and even among tribal subgroups. These disparities and diversities make tribal development more challenging and demanding. STs in India face large scale displacements and unsatisfactory compensation and rehabilitation due to the construction of dams, mines, industrial development, and the creation of wildlife parks and sanctuary. Some mining projects affect tribal people upsetting their lifestyles, environments, and livelihoods, despite the fact that culture and society are fundamental aspects of tribal existence and their maintenance and enhancement are a fundamental human right. The destruction of the environment and natural resources directly violates human rights by undermining the above aspects of human existence, and indirectly leads to other violations of human rights such as social disruption, conflicts and mining<sup>1</sup>. In tribal areas, there are a huge number of problems due to inadequate water, food, health and sanitation, etc. According to the Ministry for Human Resources Development (2014), 9.54% Schedule Tribe children remain out of school<sup>2</sup>. Women and children join the labour force in quarries and mines to increase their low family income, to

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<sup>1</sup> <http://www.indianet.nl/pdf/MiningAndItsEffectsOnChildren.pdf>

<sup>2</sup> [https://www.researchgate.net/publication/263179145\\_Impact\\_of\\_Displacement\\_on\\_Tribal\\_Children\\_Cases\\_of\\_Child\\_Labour\\_and\\_Abuse\\_in\\_Odisha](https://www.researchgate.net/publication/263179145_Impact_of_Displacement_on_Tribal_Children_Cases_of_Child_Labour_and_Abuse_in_Odisha).

## CHAPTER 2: RESEARCH METHODOLOGY

A study area of the research includes an in-depth analysis of large-scale mining companies', community welfare activities in the tribal areas, and to explore the circumstances and conditions in which such CSR initiatives were developed, implemented and perceived by the tribal population and stakeholders.

### 2.1. Research Objectives

1. To study the trends in CSR expenditure in mining and industrial areas of tribal and backward regions of the country for selected companies.
2. To study the reasons behind finalising projects under specific thematic areas of CSR and the agencies/ organizations selected for project implementation.
3. To assess how far the CSR activities have achieved National Development Goals and Sustainable Development Goals (SDGs).

### 2.2. Research Design and Methodology

The methodology adopted for the research is quantitative in nature given that it allows for enquiring and collecting information about CSR activities by companies involved in the mining sector. The analytical nature of the research allowed for drawing conclusions about the corporate social responsibility practices carried out by mining companies in various geographic locations. For the purpose of data collection, thematic area specific questionnaires were designed based on SDG indicators and physical inspection of projects implemented were conducted. For secondary data, a range of secondary material was also collected, for example Government and NGO documents, company sustainable development reports, and journal articles.

### **Steps involved in the study**

#### **1. Desk Review**

- i. A detailed literature review was undertaken to study the trends concerning CSR spent by the corporates in the mining sector and the impact of the same.
- ii. Statistical analysis of CSR expenditure to understand the trend analysis over the years from multiple sources including annual reports and CSR portals was undertaken.
- iii. Categorization of CSR spending under various development sectors (Schedule VII) was conducted.
- iv. For selecting the number of companies, a preliminary review of the annual reports and respective company's websites was conducted for 100 mining sector companies along with the data from the National CSR Portal. The companies that provided detailed information with respect to their CSR activities and specified the location of projects were used as the sample size in the study. A total of 55 such oil and mining companies were identified therefore for expenditure analysis.
- v. A comprehensive list of CSR projects of the sampled mining companies based on different thematic areas according to Schedule VII were mapped with location- specific information for field investigation.

Figure 3 Development sector-wise distribution based on the number of projects

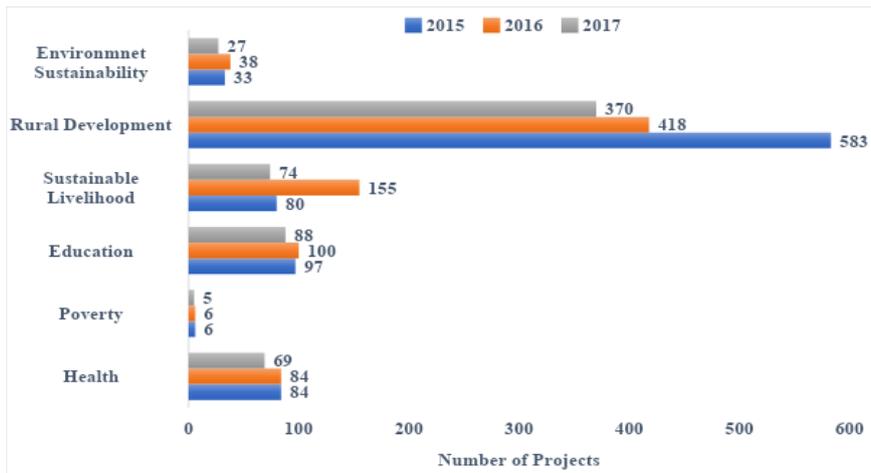
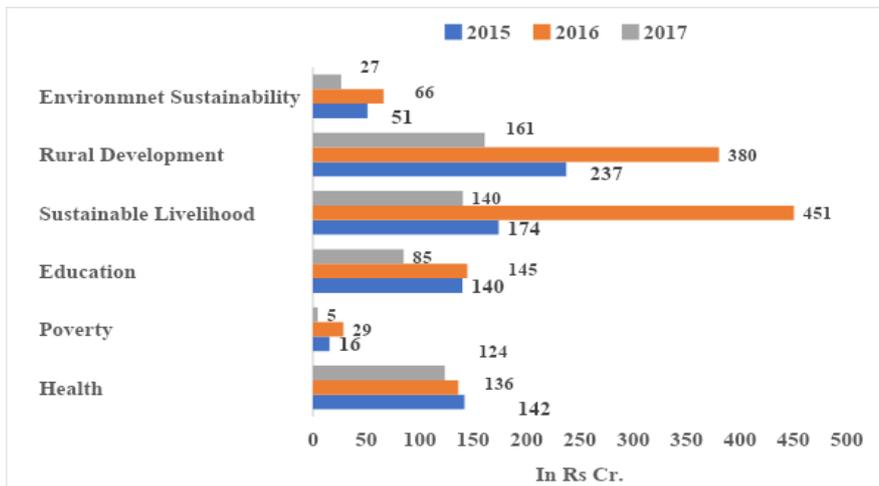


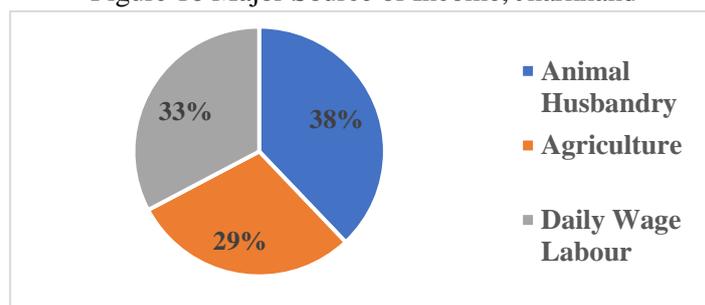
Figure 4 Development sector wise distribution based on the expenditure of projects in tribal areas



The mining, oil and gas sector companies, have been found to spend the most on development of rural communities, with a special focus on livelihood. The companies undertake community development in and around their areas of operation. This may be because the communities living close to their area of operation are most affected by negative production externalities. Figure 3 and 4 depict the distribution of sector-wise CSR projects based on the actual number of projects and CSR expenditure respectively.

Out of the total expenditure incurred on Schedule VII areas, the projects related to livelihood have received maximum CSR funds almost every year followed by projects falling in the domain of rural development. However, it was observed that the majority of the projects were implemented under the rural development theme (nearly 60 per cent of the total number of projects) followed by the theme of Sustainable Livelihood with 13.3 per cent of total number projects.

Figure 10 Major Source of Income, Jharkhand



Source: IICA Survey

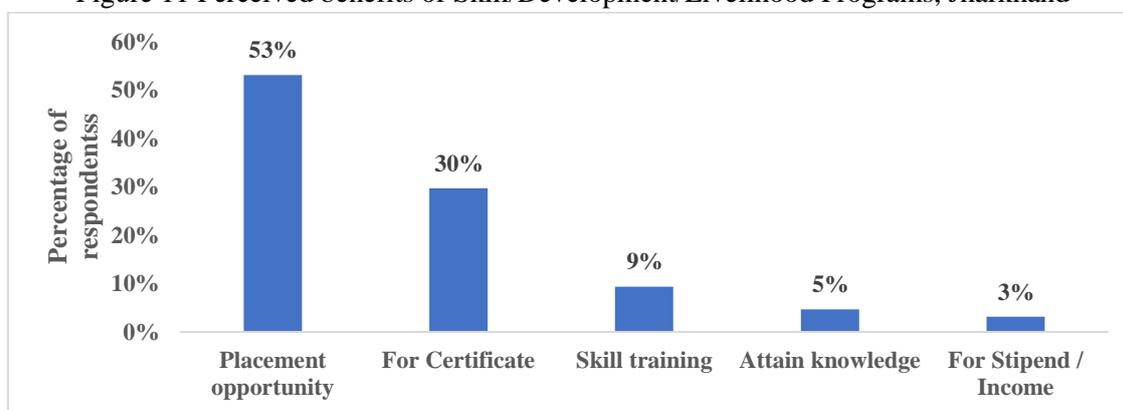
A skill gap study by NSDC (2012) also highlighted that access to vocational training and education remains a challenge for a large portion of the state. The survey results as shown that around 67 per cent of the beneficiaries who attended the livelihood program were engaged in agriculture and agriculture-related activities, similar to the state average of 66 per cent. The remaining 33 per cent were engaged as daily workers.

#### Status of Minimum Wages

The survey results indicate that all the respondents were paid daily wages below Rs 200, with nearly 68 per cent of the female's worker working below Rs 100 per day. This, when compared to the state minimum wage notification (2016) of Rs 264 for an unskilled worker, was far below the acceptable range.

#### Status of Livelihood/Skill Development Programs

Figure 11 Perceived benefits of Skill/Development/Livelihood Programs, Jharkhand



Source: IICA Survey

The majority of the beneficiaries (83 per cent ) reported to have awareness of such skill development programs through friends and family. Due to limited earning potential, the beneficiaries perceive training programs as a means to enter the organized employment sector. As per the survey 53 per cent of the respondents attended the programs for placement opportunities whereas 30 per cent joined the training programs for earning a certificate.

The beneficiaries who have attended the CSR livelihood programs, every respondent felt more aware of the schemes on livelihood and report receiving training or capacity building. Most reported monetary benefits as well.

received flyers on themes of health and sanitation, while 88 per cent have attended awareness programs.

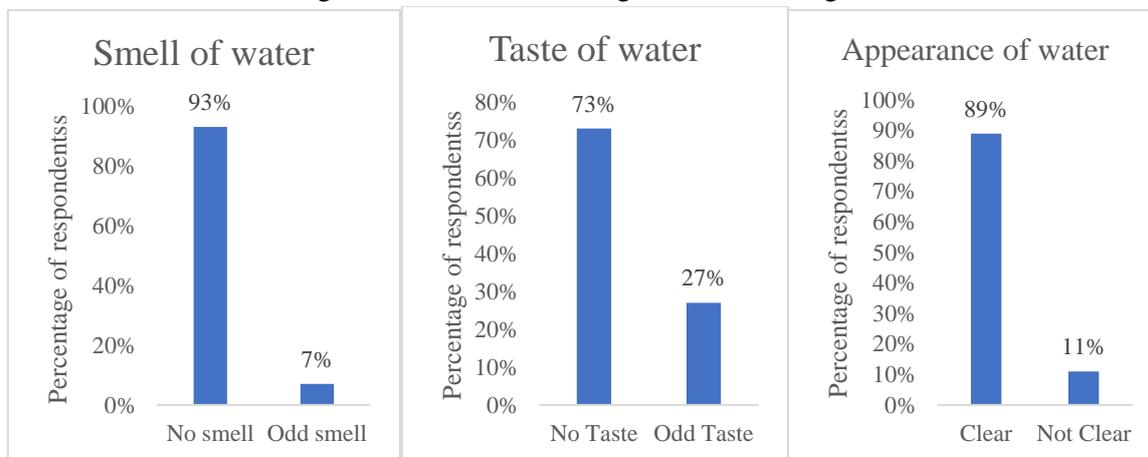
57 per cent of the responded reported that the constructed toilets are monitored and maintained by the panchayats. It is suggested that higher involvement of local bodies and communities should be encouraged towards the maintenance of toilets. This will promote sustainable facilities through the sense of belongingness among the villagers and lead to a better outcome for maintenance and cleanliness in the locality (Central Sanitation Programme, 2010).

#### Challenges and Effectiveness of Sanitation Program

The IICA survey results found that the biggest challenge reported was the issue of cleanliness as reported by 64 per cent of the respondents. This was followed by 18 per cent, which raised the issue of inadequate space in toilets and 13 per cent reporting lack of water. One of the prime reasons for the poor cleanliness is the inadequate supply of water facilities and poor maintenance. It can be clearly articulated that the project has encouraged the use of toilets over open defecation as high levels of satisfaction is observed with the constructed toilet as 94 per cent of the respondents were satisfied with the toilet facilities and 85 per cent felt a positive behavioural change as the demand for the toilet whereas 88 per cent felt that there was an overall improvement in the health profile post using toilets.

#### Quality of Drinking Water

Figure 18 Status of Drinking Water, Chhattisgarh



Source: IICA Survey

The survey found that the quality of water supplied through CSR projects was satisfactory. As depicted in figure 20, 93 per cent found the water has no foul smell and 89 per cent found water to be clear, while 73 per cent found it to have no foul taste.

#### Challenges and Availability of Drinking Water

The survey results revealed that before the implementation of CSR projects on drinking water, 47 per cent of the respondents reported that they had to travel to fetch water or depend on electricity for access to groundwater for drinking purposes. This indicates that the districts lack the provision of household drinking water. The survey also found that around 50 per cent of people were infected by waterborne disease even after the commencement of CSR projects

## Effectiveness & Impact of Livelihood/Skill Development Programs

The survey results indicated that the “additional income” was among the top three incentive to attend the training program followed by placement opportunity and skill training. 74 per cent of the respondents found that the training program was useful. A further 70 per cent of respondents also felt that the reading material was effective.

All the respondents indicated that there has been enhancement in the effective and sustainable livelihood methods, better access to and use of services such as extension, training, information etc. Majority of the respondents i.e. 89 percent felt that there was no more need to migrate for livelihood while 85 per cent were able to find a job. This has led to an increase in income for 67 per cent of the beneficiaries.

### 6.1.3. Theme III: Drinking Water and Sanitation

#### Relevance of Drinking Water and Sanitation based Interventions in Tribal Areas

Over 61 per cent of the State, mostly in the western part, is desert. The State has only 1.1 per cent of India’s total water resources. Besides the Chambal, the 13 other rivers of the state are non-perennial. Precipitation is scanty and constitutes the only source of annually renewable water supply.

#### Impact Assessment of Drinking Water & Sanitation based interventions in Promotion of Sustainable Development Goals

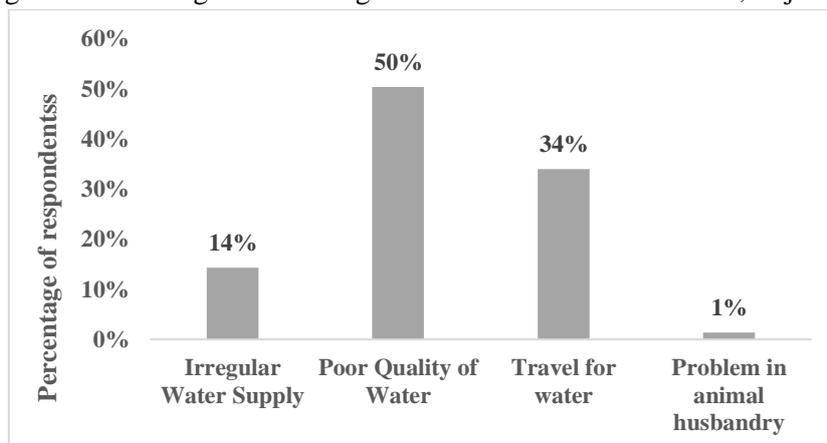
##### Quality of Drinking Water

The quality of water in the selected districts of Rajasthan was found to be satisfactory on parameters of smell and appearance as in more than 90 per cent of the cases the water was found to have no foul smell and was clear. The taste of water, however, was reported to have an odd-taste by 98 per cent of the beneficiaries.

##### Challenges and Availability of Drinking Water

##### *Challenges to access drinking water*

Figure 20 Challenges in drinking water before CSR intervention, Rajasthan



Source: IICA survey

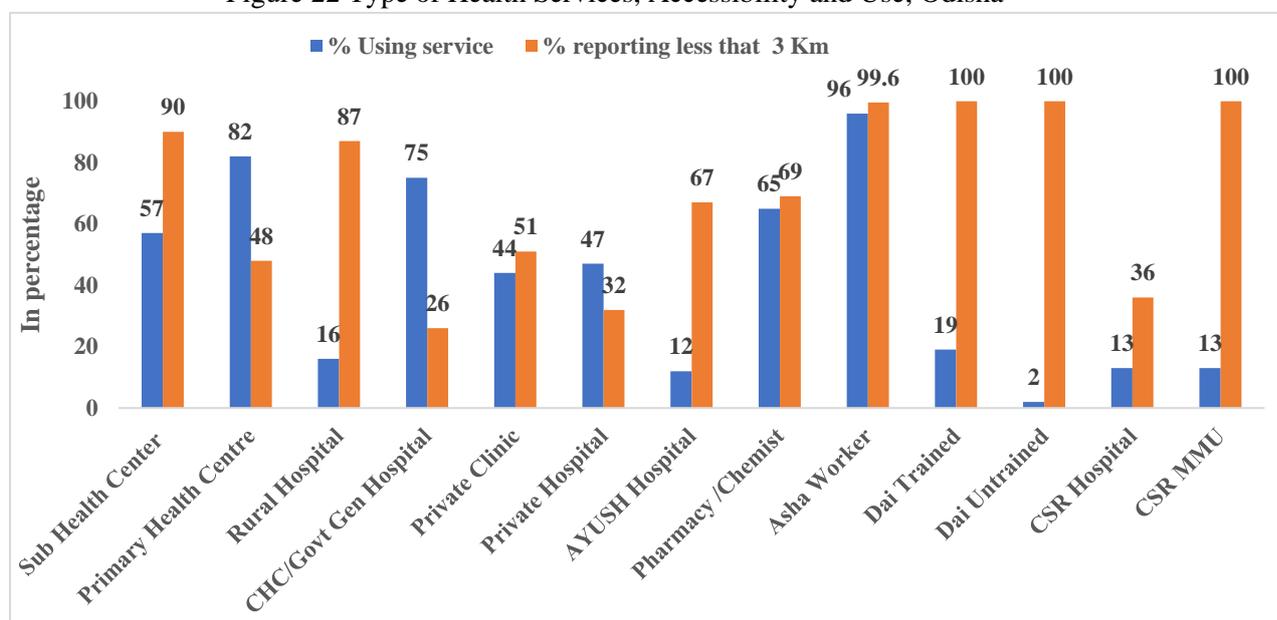
When inquired about major challenges with respect to drinking water, the survey revealed that 50 per cent of the respondents believed that the water supplied is of poor quality and 34 per

48 per cent of the MMU services were maintained by the PHC/CHC while another 47 per cent were maintained by CSR. The survey also indicated that the MMUs maintained by CSR were regular as 93 per cent reported that the MMUs visit the community at least once a month.

As per the IICA survey, 44 per cent of the respondents felt that no awareness camp was held in their community. 35 per cent reported that they were not aware of any health camp but they can't specify the name of the agency. 17.2 per cent felt that the camps were organized by the government and only 3.5 per cent reported that awareness camps were organized by CSR intervention. These were mostly done through MMUs maintained by CSR as the survey revealed that 23 per cent of the MMUs maintained by CSR also had medical camps.

This revealed a low awareness among the locality for health camps. The CSR projects need to enhance their efforts in awareness since the percentage of government-funded camps is also less than 18 per cent.

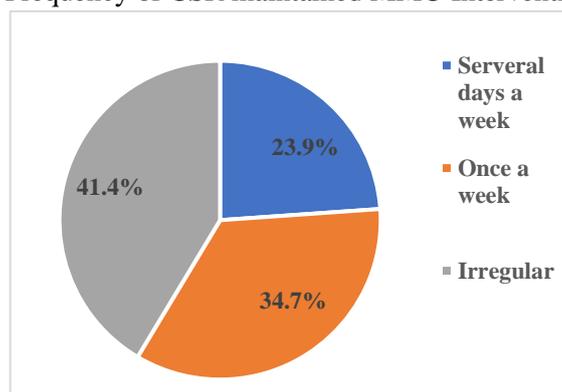
Figure 22 Type of Health Services, Accessibility and Use, Odisha



Source: IICA Survey

The survey revealed that various health services were available to the community. Sub-health centres, Rural hospitals, ASHA workers, Dai's, and CSR MMUs were found to be highly accessible with more than 85 per cent of each was within 3 km. 69 per cent of Pharmacy, 67 per cent of AYUSH hospital, 48 per cent of PHC were also quite accessible. However, the respondents mostly reported availing the services of ASHA workers (96 per cent), followed by Sub-health centres (90 per cent), PHC (82 per cent), CHC (75 per cent) and Pharmacy 65 per cent. It is also worth noting that even though trained and untrained dai was always accessible, the share of trained dai was around 19 per cent as against 2 per cent for untrained dai. This shows that the community has less dependence on informal health works. 26 per cent reported having availed the services of CSR hospital and MMUs. This is partly because 36 per cent reported CSR hospital within 3 km and the majority of the health services are already served by public service.

Figure 25 Frequency of CSR maintained MMU Intervention, Gujarat



Source: IICA Survey

The survey revealed that nearly 75 per cent of the respondents availing the MMU services were below the poverty line. The survey results found that 41.4 per cent have reported that the frequency of the MMUs was irregular. This imposes limitations to accessibility, especially for critically ill and poor people. Thus, it is recommended that MMUs should have frequent visits to the villages.

As per the IICA survey, 66 per cent of the respondents felt that no awareness camp was held in their community. 29 per cent were aware that the medical camps CSR intervention whereas only 5 per cent reported that awareness camps were organized by the government. This revealed low awareness among the locality for health camps. The CSR projects need to enhance their efforts in awareness since the percentage of government-funded camps is also less than 18 per cent.

#### ***Availability of Health Services***

The MMUs maintained by CSR have been reported to treat various kinds of ailments such as cough, cold, fever, maternal and child care and TB related treatment. It implies that the MMUs has been equipped with diagnostic and scanning equipment.

The prime aim of MMUs is to provide access to quality health services and affordability to the community. The IICA survey found that the average out of pocket expenditure of the respondents availing MMUs (CSR) was Rs 3195. This was similar to the national average. 45 per cent reported having spent more than Rs 2000. Given the fact that nearly 75 people availing MMU service are BPL, MMUs should continue to provide free check-ups, conduct awareness camps to further reduce the burden arising from health issues.

### **8.1.2. Theme II: Environment & Sustainability**

#### **Relevance and Assessment of Environment & Sustainability based interventions for Sustainable Development Goals**

The forest cover in the state of Gujarat is 14,857.33 sq. km which is 7.57 per cent of the state's geographical area (GA=1,96,244 ha) (ISFR, 2019). During the period 2018- a total of 1118.68ha of land was diverted for forest land under FC ACT, 1980. Out of the total Recorded Forest (or Green Wash) Area of 30,35,444ha, 39.88per cent is wetlands. 6 Eco-Sensitive Zones

## CHAPTER 9: RECOMMENDATIONS AND CONCLUSION

### 9.1. RECOMMENDATIONS

- There has been a positive trend in compliance with these mandatory provisions as well as the amount spent on CSR activities. Initially, it was estimated that about Rs 15,000 crores will be available for CSR activities in a year by all companies coming under this provision. As per available information, Rs 10,065.93 crores was spent by all corporates on CSR in the first year (2014-15), which increased to Rs 14,503.65 crores in the second year (2015-16); this remained at Rs 14,312.03 crores in the third year (2016-17) and decreased to Rs 13,326.69 crores in the fourth year (2017-18).
- From the above facts, it is clear that the funds available under CSR are too meagre as compared to the amount spent by the Central and State Governments for furthering the activities specified in the Schedule (VII) including the welfare of the Scheduled Tribes. Notwithstanding the size and manpower involved, this amount can play a very important role in filling the gaps in the ongoing programmes and providing quality services to the target group including the tribal populations. The second aspect relates to the use of appropriate technology and management of available resources. The corporates are known for their managerial skill and have a huge pool of technical and managerial manpower. Use of managerial skills in general and encouraging volunteerism among young executives for a social cause can go a long way in empowering disadvantaged segments including the tribal populations.
- The welfare of the Scheduled Tribes has been one of the major concerns since independence for achieving the Constitutional objectives of equality, justice and liberty for all. From the study and available reports, it appears that a number of metal and mining companies have taken up CSR projects for empowering tribal populations in the fields of education, health, drinking water, sanitation, skill development and entrepreneurship, livelihood, and environment. These interventions have helped the target group to some extent. Generally, projects that fill gaps in existing government schemes and incorporate technology have yielded better results. Keeping in view the findings and prevailing conditions, the following recommendations may be considered for using CSR as a tool for empowerment of the tribal populations.

### 9.2. Education

- The survey reveals that the conditions of the school buildings have improved as compared to respective state averages. Keeping in view the number of students in the catchment area, repair and maintenance of the existing schools and construction of additional classrooms and other facilities may be taken up under CSR after careful assessment of the actual requirement.
- Use of Information technology-based interventions has been making a big difference in providing quality education services. These have a long-term positive impacts on student skill development. The CSR interventions should continue to provide ICT



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