Social Fund as an Intermediary for CSR Activities

THOUGHT ARBITRAGE
Bridging the thought divide

Table of Contents

Background to CSR in the Companies Bill 2011

Section 135 of the Companies Bill 2011[1], states that companies which meet a certain threshold of net worth/turnover/profits[2] are required to set up a committee of the Board called Corporate Social Responsibility (CSR) Committee, which will endeavour to spend at least 2% of a company's net profit in a year in accordance with its CSR policy. The regulation pertaining to spending of 2 % of profit of companies on CSR activities is expected to generate greater than Rs 10, 000 crore funds available for spending on social sector[3].

Schedule VII of the Bill, lists 10 permissible activities constituting CSR and also offers guidance on the manner of implementation. These activities include those that relate to "eradicating poverty, promotion of education, promoting gender equality and empowering women, ensuring environmental sustainability, employment enhancing vocational skills and social business projects".

However, Sub-section x) of the Schedule VII also permits investment in "***other matters as may be prescribed***" as a condition of eligibility under CSR activities.

We present here a case for **Social Sector Fund/ Social Venture Funds** as defined in the Securities and Exchange Board of India's (SEBI) - Alternative Investment Fund (AIF) Regulations to be included as an eligible investment to be covered as a permissible activity for CSR spending. We believe that this will align the overall goals of the Government in relation to its commitment to the Millennium Development Goals (MDG) and will bring in desired social outcomes that are envisaged through an effective implementation of Schedule VII of the Companies Bill 2011.

[1] Currently pending for approval in Rajya Sabha of Parliament, Lok Sabha passed it on 19th December 2012.
[2] As per Clause **135** (*1*) of the Companies Bill 2011 - Every company to have CSR committee (comprised of three members with at least one independent) which are "*having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year*".
[3] Govt sees Rs 10,000 crore flow a year from CSR spend, Times of India, 9 February 2013.

Background: Role of Private Sector in Social Development

The combined resources of government and corporate philanthropy alone are insufficient to solve the multitude of the development challenges of India in the twenty first century. Over the past decade, there has been growing recognition within the private sector, of the need to take a greater and more active role in promoting sustainable development through generating employment for youth, empowering women and tackling challenges related to energy, health, water and hunger.

Several international agencies observe that many of the developing countries, including India, are not on track to reach the Millennium Development Goals (MDGs) by 2015 and need to pursue better and more sustained ways of reducing poverty. OECD[4] observes that "the private sector has a central role to play in the war on poverty and mobilizing private investment is imperative for promoting the broad-based and sustained growth that will help drive poverty reduction."

Corporations and investors are now more alive to the long term benefits of contributing to development and initiatives to advance the sustainability agenda which have gained strength in the recent past and will continue to play an important role in the future. However, in the quest for innovative ways to engage the private sector to bolster global sustainability further, a new approach of ***impact investment*** has gained significant momentum in recent years[5].

What Are Impact Investments[6]?

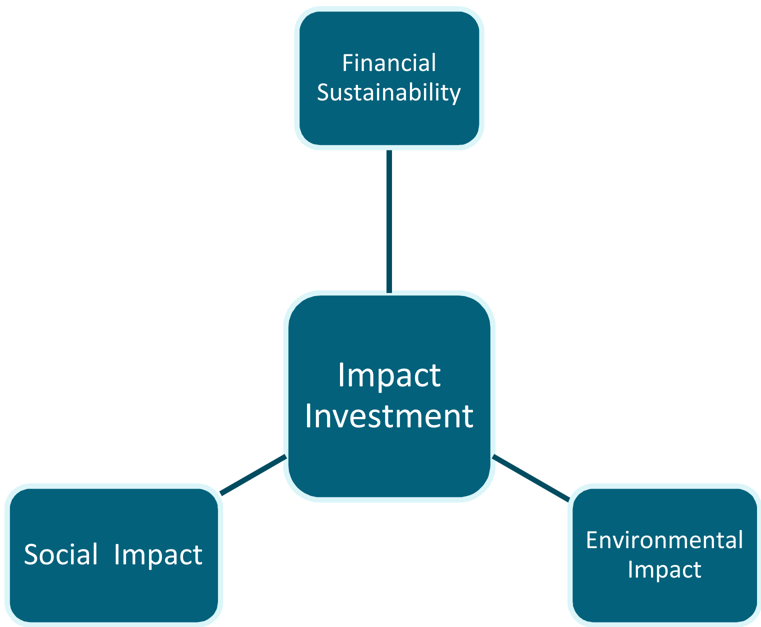
Impact investments target social and environmental issues not directly serviced by existing international development efforts or investment opportunities. Like nongovernmental organizations (NGOs) engaged in development, impact investments focus on sectors that have a significant positive effect on recipients' quality of life. Unlike NGOs, however, impact investments are made with the expectation of an explicit financial return, and are not largely dependent on external subsidies to sustain operations. Official Development Assistance (ODA) funds critical needs such as education and health, but often through large, inflexible government-sponsored projects. At the other end of the spectrum, traditional commercial investors focus almost exclusively on projects that are attractive

[4] Promoting Private Investment for Development: The Role of ODA (2006), OECD, pg.11
[5] A Framework for Action: Social Enterprise & Impact Investing (June 2012), United Nations Global Compact and The Rockefeller Foundation
[6] More than Money :Impact Investing for Development (2010), the Center for Global Development

purely for their financial returns, such as the natural resource extraction and low-cost manufacturing sectors, with social outcomes as a secondary issue. Impact investors operate in the space between the two poles, seeking to address problems through market-based, for-profit models that provide both a social benefit and the positive financial return necessary to generate a self-sustaining revenue stream and achieve scale.

Monitor Group[7] briefly defines impact investment as "*actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor*."

The private sector impact investors can resolve several social issues by supporting social enterprises, which serve the base of pyramid while focusing on triple bottom line returns – profits with financial sustainability, social impact and environmental impact[8].



The impact investment (investment in social sector) can be broadly classified into two categories – *Finance First investors and Impact first investors[9].* The primary objective of Finance First social investors is of getting limited financial returns with a secondary goal of social or environmental

[7] Monitor Institute, *Investing for Social and Environmental Impact: A Design for Catalyzing and Emerging Industry* (Monitor Institute, January 2009), p. 11, http://www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact_FullReport_004.pdf, accessed October 2011.
[8] V. Kasturi Rangan, Sarah Appleby and Luara Moon (2011), " The Promise of Impact Investing", Harvard Business School, N9-512-045, November 4, 2011, http://evpa.eu.com/wp-content/uploads/2010/11/The_Promise_of_Impact_Investing3.pdf
[9] *Ibid(refer to 6)*

impact, while Impact First social investors devote their capital with the main aim of social and environmental impact along with either minimal or no financial return. The financial impact investors seek financial returns to match the market rate return, and are willing to invest in more mature sectors of social investments like micro-finance or low income housing projects. Social investors (impact first investors) agree to take a higher risk without returns and are not averse to investing in new areas untouched by the finance first investors[10].

Traditional corporations are primarily oriented towards financial returns and are only partially concerned about societal values. Impact investors primarily devote their funds to social enterprises which are involved in activities that create some kind of social impact. In the study of GIZ[11], social enterprises have been defined as "entities committed to social impact as part of their mission with a focus of delivering products and services in critical need sectors at the base of the pyramid."

Impact Investment	**Revenue Generating Social Enterprises**	Breakeven all income from trading	**Impact First**
		Profitable surplus reinvested	
	Socially Driven Business	Profit distributing socially driven	
	Traditional Company	CSR company	**Finance First**
		Company allocating percentage to charity (CSR)	

Source: *Based on the European Venture Philanthropy Association, European Venture Philanthropy Association: An Introduction (European Venture Philanthropy Association, October 2011), p. 5*

Areas of Social Investment

A recent survey by J.P. Morgan and the Global Impact Investing Network says that private sector focus of social sectors, other than microfinance and financial services, ranks food & agriculture as

[10] V. Kasturi Rangan, Sarah Appleby and Luara Moon (2011), " The Promise of Impact Investing", Harvard Business School, N9-512-045, November 4, 2011, http://evpa.eu.com/wp-content/uploads/2010/11/The_Promise_of_Impact_Investing3.pdf

[11] Enablers for Change -A Market Landscape of the Indian Social Enterprise Ecosystem," September 2012,GIZ (Deutsche Gesellschaft fur Internationale Zusammenarbeit), Available at : http://www.giz.de/Themen/de/dokumente/giz2012-enablers-for-change-india-en.pdf

the most preferred sector with healthcare taking the second place [12]. The other important areas for impact investing as observed by respondents of the survey include education, housing and energy.

Different areas of investment (in order of priority based on GIIN and J.P. Morgan Survey) include:

- Food and Agriculture
- Financial Services (excluding micro-finance)
- Micro finance
- Education
- Housing
- Energy
- Water and Sanitation
- Information and Communication technologies

Participants of Social Investments (Impact Investments)

There are participants who are inclined to invest in the social sector. They include[13]:

- Development Finance Institutions
- Private Foundations
- Large Scale Financial Institutions
- Commercial Banks
- Pension Funds
- Boutique Investment Funds
- Community Development Finance Institutions
- High Net Worth Institutions
- Corporations (CSR Activities)

[12] Global Social Finance (2013), Perspectives on Progress The Impact Investor Survey, by JPMorgan Chase & Co. and the Global Impact Investing Network ; http://www.thegiin.org/cgi-bin/iowa/download?row=489&field=gated_download_1;
[13] *Impact Investments: An Emerging Asset Class*, J. P. Morgan, November 29, 2010, p. 16; http://www.jpmorgan.com/cm/BlobServer/impact_investments_nov2010.pdf?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1158611333228&blobheader=application%2Fpdf, accessed October 2011.

Challenges Faced in Social Sector Investment (Impact Investment)

- Lack of investment pipeline for investors
- Limited investment readiness of enterprises due to rising management skills gaps
- Lack of seed funding for start-up enterprises involved in the social sector
- Lack of efficient intermediation,
- Lack of understanding of risk of the social sector
- Lack of enabling infrastructure to help people identify and function as part of an industry
- High search and transaction cost to investors to identify and undertake due diligence on enterprises involved in social sector
- Low scalability of enterprises in social sector due to availability of finance
- Defining of social impact and measurement of performance of capital invested in social enterprises

Source: *Enablers for Change -A Market Landscape of the Indian Social Enterprise Ecosystem," September 2012, GIZ, pg. 9;*

From Blueprint to Scale: The Case for Philanthropy in Impact Investing, Monitor Group, by Harvey Koh, Asish Karamchandai and Robert Katz, April 2012; http://www.mim.monitor.com/downloads/Blueprint_To_Scale/From%20Blueprint%20to%20Scale%20-%20Case%20for%20Philanthropy%20in%20Impact%20Investing_Full%20report.pdf.

Market and Potential of Private Sector (Impact Investment Market) for Social Development

Impact investing funds have grown over the years, e.g. Acumen Fund in 2001 to more than 125 funds and foundations claiming to do some form of impact investing in the social sector[14]. The Aspen Network of Development Entrepreneurs (ANDE) recently acknowledged at least 199 impact investment funds in their group[15]. However, the sector does not attract more than 0 .5 % of the capital invested by all investors in private sector!

In a survey done by J.P. Morgan and the Global Impact Investing Network (GIIN), 99 survey respondents report that they committed $8 billion to impact investments in 2012, and plan to

[14] More than Money :Impact Investing for Development (2010), the Center for Global Development
[15] *Impact Report*, (2010) Aspen Network of Development Entrepreneurs.

commit $9 billion in 2013[16]. In another study, estimates from the Monitor Group and the Money for Good Initiative suggest that impact investing could mobilize US$500 billion annually within 10 years, US$120 billion from U.S. retail investors alone[17]. The Monitor Group estimated that social investment funds will emerge as a separate new asset class and will be around 1 percent of total global assets by the next decade.

Though the need for impact investing is being felt across the globe and the awareness is rapidly spreading, capital infused by financial investors into this sector has been limited and that has been a fundamental reason for the sector which remains to be a peripheral player in private sector led development initiatives.

[16] Global Social Finance (2013), Perspectives on Progress The Impact Investor Survey, by JPMorgan Chase & Co. and the Global Impact Investing Network ; http://www.thegiin.org/cgi-bin/iowa/download?row=489&field=gated_download_1;
[17] Monitor Institute, *Investing for Social and Environmental Impact: A Design for Catalyzing and Emerging Industry* (Monitor Institute, January 2009)

Social Sector Development in India: Challenges and Potential of Private Investment in Social Development Initiatives (Impact Investments)

Indian economy is one among the fastest growing economy in the world. But there remain significant challenges for inclusive development of the country and is likely to miss some of its targets with respect to Millennium Development Goals (MDG) of 2015. There have been some improvements in reducing poverty and providing drinking water, but significantly lags behind in the areas of sanitation, food security, maternal mortality and gender equity standards[18]. In India, approximately 41% of the population have an earning capacity of less than $1.25 per day (poverty line)[19] and the adult literacy rate is only 63%. Infant mortality rate is also very high at a 50 per 1000 and life expectancy of population averages 64 years.[20]

Private sector funded social enterprises (impact investment) can become effective in augmenting and complementing the Government of India's response to social, environmental and other sustainability challenges that may be costly for the Government to tackle alone to meet the Millennium Development Goals (MDG) [21]. The Government of India has robust Five Year Plans which provide strategic direction for all development investments in India. The on-going 11th Plan sets out India's development priorities: inclusive growth; reforms for a vibrant private sector; better access to essential services in health and education; infrastructure; environmental sustainability; special attention to disadvantaged groups; and good governance at all levels.

In 2009, India invested 30% of its budget on health, education, rural development and food aid. The Indian Government has a number of 'centrally-sponsored schemes' that finances development; its spending through these schemes has grown rapidly[22]. However, India has among the lowest per capita spending on health and education in the world. There exists great scope for private investment in these sectors along with poverty reduction activities.

[18] THE MILLENNIUM DEVELOPMENT GOALS REPORT 2012: POVERTY, SLUMS & WATER TARGETS MET 3 YEARS AHEAD OF 2015; http://indiasanitationportal.org/2977

[19] Asian Development Bank, *Key Indicators for Asia and the Pacific 2011.*

[20] India Social Enterprises: Landscape Report (2012), Asian Development Bank, Philippines. Available at : http://www.avpn.asia/downloads/india-social-enterprise-landscape-report.pdf

[21] A Framework for Action: Social Enterprise & Impact Investing (June 2012), United Nations Global Compact and The Rockefeller Foundation

[22] Operational Plan 2011-2015, DFID INDIA, June 2012

Significant investment in the social sector has taken place in the country. In the last 8 years, around $6 million has been invested in the social sector. However, the sector is still nascent and requires a lot of investment. In November 2011, the Indian Government announced a $1 billion India Inclusive Innovation Fund; more than 80 percent of the capital for this is expected to be raised through the private sector.

The report by GIZ[23] finds that investment in social sector is predominately dependent on foreign investors, particularly from the USA. With current global financial markets not being in a good position in the aftermath of global crisis and concurrent European crisis, there is significant unexplored potential of CSR spending by corporations in the social sector.

[23] Enablers for Change -A Market Landscape of the Indian Social Enterprise Ecosystem," September 2012, GIZ, pg.9;

Social Investment Sector in India : Constraints, Gaps and Potential for Private Sector				
Sr. No.	**Social Sector**	**Constraints**	**Resource Gaps**	**Potential for Private Sector**
1	Healthcare	High Private expenditure of $ 6.2 billion	Inadequate public healthcare infrastructure, poor access to existing facilitating	Affordable healthcare services using innovative operating models
2	Housing	Gap of 25 million houses with estimated demand for $280 billion investment	Supply of affordable housing to both urban and rural poor	Affordable housing projects and affordable housing finance
3	Agriculture	70 % of the population in rural area but contribution of this sector to GDP is only around 15 percent	Small farm holdings, poor access to credit, high dependence on monsoon, lack of adequate capital investment, knowledge of modern agricultural practices, other institutional inefficiencies	Potential for investment in agriculture value in pre-harvest and post-harvest and in dairy operations.
4	Education	Low public expenditure on education, only 63% of adult population education	High public expenditure on enrolled students in schools but outcomes are not significant	Affordable private schools
5	Energy	50-55% of rural population do not have access to electricity. High expenditure by rural people on energy but there exist significant environmental and health problems	Lack of environmental friendly affordable energy resources and their distribution	Generation of affordable off-grid and distributable renewable energy and waste to energy projects
6	Livelihood	Constraint in non-agricultural sector livelihood capacity, infrastructure, access to finance, technology diminish	Lack of enough livelihood activities	Creation of livelihood activities by organizing the informal non-farm activities and facilitation of market linkages. Also skill development primarily employability of unemployed youth through structured training courses.
7	Water and Sanitation	Few people have access to clean drinking water and more than half of the population in urban and rural areas has no access to any kind of sanitation facility	Greater demand for clean water and sanitation services, lack of investment and intervention in area of drinking water and sanitation	Investment in the areas of water harvesting, storage, water supply and distribution, piping, water treatment and waste management

*(**Source:** India Social Enterprises: Landscape Report (2012), Asian Development Bank, Philippines. Available at : http://www.avpn.asia/downloads/india-social-enterprise-landscape-report.pdf)*

Private Sector Investment in Social Sector (Impact Investing): Potential Benefits to Indian Government[24]

Increased Capital for Development

Increased private investment in development sectors, where returns could be monetised would allow government spending to be redirected to other sectors less likely to attract private capital and may reduce dependence on international grants and other funding. Moreover, a strong private sector ecosystem will promote long-term investment beyond the life of any particular political administration. In cases where the private capital directly funds any social development activity, this may allow a shift from a subsidy based model to a for-profit model, providing a source of sustainable funding with optimum resource utilisation. This serves to promote fiscal efficiency, allowing funds to be regenerated and reinvested in new projects.

Advancement of Specific Policy Objectives

Private sector actors may be able to act quickly and may be more responsive to market opportunities that serve development objectives. Also, such enterprises often tend to provide financial discipline to organizations, or even entire sectors, making them more efficient in their development impact.

Social funds could channelize their capital into areas of skill development, tertiary education and entrepreneurship amongst rural and urban youth, which may accelerate the overall development objectives of the country.

Higher Return on Social Capital

Social enterprises can combine development objectives with an implementation plan which looks at optimum resource utilization. This enables efficient use of resources, focusing on defined outcomes as a measure of success. They can also bring in expertise and a sense of business acumen that is driven by goals and objectives. They are normally better placed than corporations in achieving better outcomes of the development objectives due to their focus and expertise in given areas of social

[24] A Framework for Action: Social Enterprise & Impact Investing (June 2012), United Nations Global Compact and The Rockefeller Foundation

interventions. Their focus on goals and orientation towards social returns make them more effective in utilization of resources than NGOs.

The strategic intent of these funds combined with their inherent fiscal discipline brings about better utilisation of economic, social and environmental resources, which are deployed to meet the objectives of the investment and its goals.

This augmentation of development capital has shown remarkable results in emerging economies in Asia including India, Africa and Latin America.

Social Funds (Social Venture Funds): An Intermediary for Impact Investing for Inclusive Development

Social venture capital (SVC) is a form of venture investing that provides capital to businesses and individuals deemed socially and environmentally responsible. These investments are intended to both provide a limited benchmark return to investors and provide sustainable solutions to social and environmental issues. Social venture capital can refer to debt, equity or other investments in socially oriented enterprises, which includes BoP (Base of the Pyramid) -targeted efforts to stimulate economic development in the poorest regions of the world. Social venture funds are an integral part of venture philanthropy and impact investing to promote social development.

While the focus of these funds is largely non-profit and social orientation, they also increasingly realize the importance of ROI (financial Return on Investment) and SROI (Social Return on Investment). These funds are also involved in conducting greater due diligence on investments and supporting capacity building or technical training.

Social Venture Funds under SEBI-regulated alternate investment funds are those that invest primarily in "Social Ventures" and which satisfies social performance norms laid down by the fund and whose investors may agree to receive restricted or muted returns.

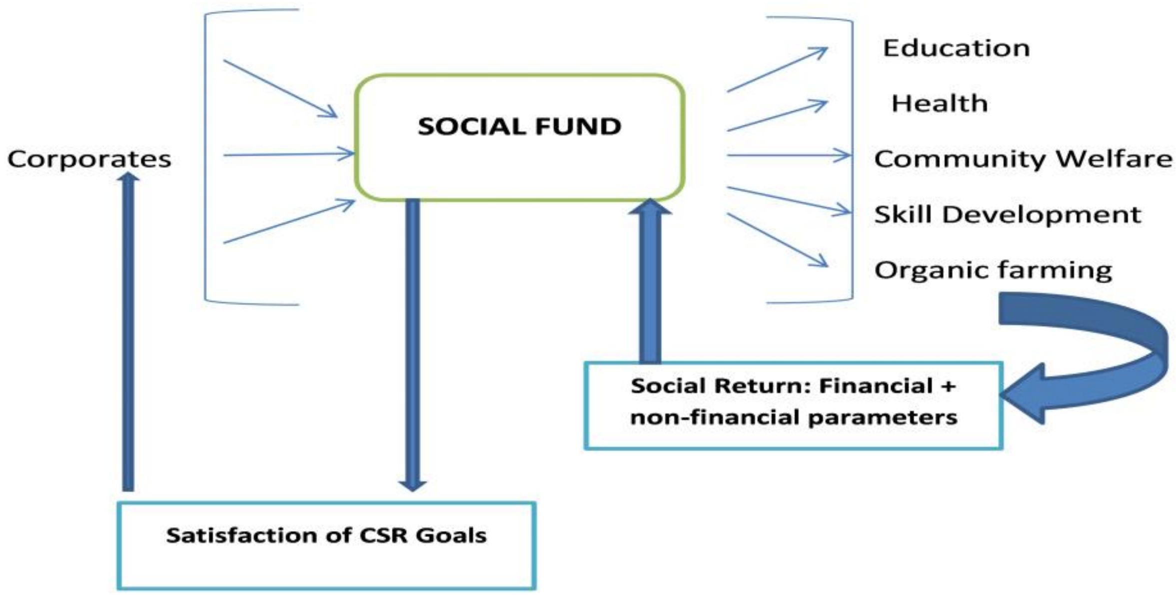
There are several organizations providing services to social sector funds (SVC) that include I-DEV International (management strategy, business scaling, portfolio improvement, and exit strategy) to GIIRS, which is an initiative sponsored by the Rockefeller Foundation and others to create standardized metrics with which to compare social investment performance and criteria. Further, there are service providers such as Aspen Network of Development Entrepreneurs (ANDE), and the European Venture Philanthropy Association (EVPA), an association that covers venture philanthropy funds in Europe that finance charities, revenue generating social enterprises and socially driven business.

Sven Sandström[25] (Managing Director The World Bank 1997) observes that :

Social funds have become important instruments. Social funds have also proven to be effective in forging partnerships with the private sector and with community groups to help the poor help themselves. In fact, social funds are reaching areas and groups heretofore untouched by public sector interventions, demonstrating that participatory development can be both cost-effective and quick. Social funds, however, should not be seen as a magic wand that will eradicate poverty. They can only be truly effective when combined with sustainable economic policies and investments in people[26].

A Social Fund (or social venture fund) acts an institution that provides financing to small or medium scale public investments that are targeted at meeting the needs of poor and vulnerable communities. Social funds have the advantage of better reach to poor constituencies, better administration of line functions of the fund and even reduce instances of corruption.

Social funds have performed differently and contributed in accordance with the national context[27]. They form an integral aspect of *national poverty reduction strategy; effectively reaching the poor; social participation and participation in development; and sustainable approach to service industries.*

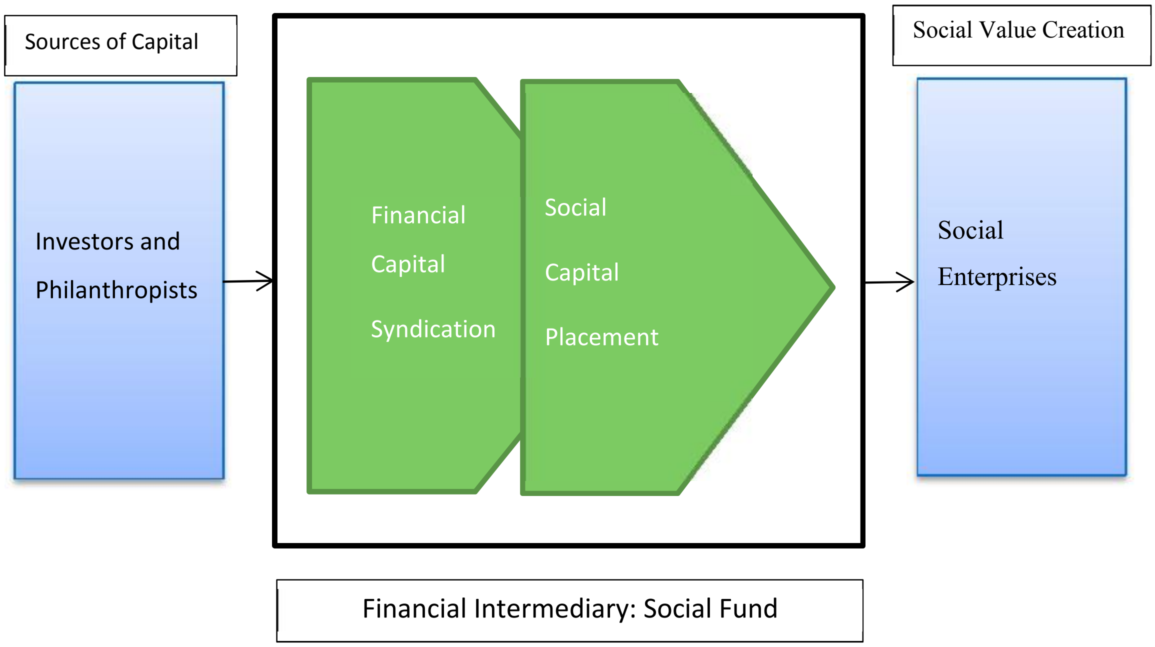


[25] Social Funds and Reaching the Poor *Experiences and Future Directions(1997),* Proceedings from an International workshop organized by The World Bank and AFRICATIP, La Red Social de América Latina y el Caribe NGO-WB Committee, ed. By Anthony G. Bigio, The World Bank, Washington, D.C.
[26] *Ibid(same as 11)*
[27] Glaessner, Philip J.; Sant'Anna, Anna Maria; de St. Antoine, Jean-Jacques (1994), Poverty alleviation and social investment funds, The World Bank Washington DC; Hala Abou-Ali; Hesham El-Azony; Heba El-Laithy; Jonathan Haughton; Shahidur R. Khandker (2009), Evaluating The Impact Of Egyptian Social Fund For Development Programs, The World Bank, The World Bank Washington DC.

Social fund provides an opportunity for philanthropists and investors (both companies as part of their CSR policy and other social oriented institutional investors) who wish to spend on socially responsible activities - impact investing – by applying business tools and acumen in pursuit of community and social change.

Social funds may act to fulfil the intermediary gap so as to accelerate the growth of investment in the social sector to bring about social change and contribute to inclusive economic development. **Social venture fund** focuses on maximizing the social impact of an investment. The Social Venture Fund will not compromise on social returns for higher financial returns. Instead, the management's aim is to maximize the social effect with adequate financial compensation.

In social funds, a "social value creation" is the unified objective of the investing community. Investment of a prospective system (social funds) through which "social finance" is assembled, provided by a range of investors with diverse backgrounds. Good capital is drawn and diverted to fund social causes whose risk/returns are aligned with the motives and incentives of the capital providers. Social venture funds may facilitate to bridge the **"intermediation gap"** existing in the social investment market along with the **"capital gap"** and **"social innovation gap"** which have been in existence for a long time[28]. These funds create a value that incorporates all the three interlocking components of social investment market in a single creation process.



Source: *Adopted from : Money for Good – Global Trends and Local Potentials in Engaged Giving and Social Investing (2012), Social Ventures Hong Kong; http://www.sv-hk.org/knowledge-center.php*

[28] Money for Good: Global Trends and Local Potential in Engaged Giving in Social Investing (November 2011), Social ventures Hongkong

Social Funds: An intermediary to enhance the impact of CSR and accelerate socio-economic development

- Social funds offer opportunity to make **larger-sized investments** as compared to direct investment by individuals and require a lower level of on-going involvement. The larger capital outlay with a dedicated management structure leverages the overall impact of the investment as compared to individuals or a company.

- Social funds/social venture funds facilitate market participants, including both capital providers and users to gain market information and help lower transaction costs in deal making. These funds may allow companies to facilitate CSR activities and reach out to individuals across geographies.

- Social funds confer opportunities to companies/investors to invest in social enterprises based on their impact orientation. The social outcome of investment is of primary importance and financial returns may be secondary. The impact measurement systems are also applicable at the fund level and can be utilized to measure the impact orientation of a fund.

- The investors of the funds also have the opportunity to think about the **stage of enterprise development** at which the social fund manager (intermediary) can target their investments. Early stage social investing, as compared with growth stage social investing, can have different implications on risk and potential returns.

- **Social fund managers** offering impact investment opportunities can provide companies and other investors multiple options for structuring fund investments. Since asset managers have a variety of investment capabilities, they have more options to consider when deciding upon a strategy. Such asset managers can form a fund of funds, set up an internal direct investing fund, make direct investments in external impact funds or make direct investments in social enterprises with the assistance of an external manager. Alternatively, as a more preliminary strategy, they can simply act as an advisor to their clients in facilitating investments in external funds. Some fund managers have built impact investment into their broader portfolio, while others seek to offer this as a separate product.

- Social funds may facilitate the development of innovative models, offering technical and capacity building support to the social sector enterprises.

- One of the objectives of a Social Venture Fund is to preserve and recycle invested capital for future investment. By doing so, the intrinsic power of the capital is mobilized for positive change while the capital itself is preserved. The endeavour of social funds is to build a robust organic system which would reproduce itself in a spiral manner with regular accumulation of social wealth.

- Companies contributing to social funds as a part of their CSR activity, other philanthropists and long term investors will provide “patient capital”, which is available for long term investment. Hence, social funds can invest in activities and bank upon ‘base of pyramid’, which may take long haul but will provide sustainable benefits to investors, society and the country as a whole.

Conclusions

The social sector fund can be vital to overcome market failures, governance gaps, institutional weakness and resource constraints faced in the development of social sector. They offer an attractive way to accelerate the creation of share value. Inclusive and sustainable growth promotes economic and social development, and subsequently may create a more enabling business environment in which both investors and corporations may prosper. The private sector can significantly contribute to social sector development through impact investment.

However, this sector is unlikely to receive the interest of traditional commercial investment and face many challenges that can be overcome with improved collective action and concrete reforms by government and public institutions.

Government envisions a corpus of Rs. 10,000 crore from companies through their contribution of 2% of profits on CSR activities, articulated through section 135 of the Companies Bill, 2011. Social Funds can act as intermediary to channelize CSR funds of companies along with other private sector investment and offer several benefits which have already been discussed. The Government may contribute by allowing companies to invest some part of their compulsory CSR spending, i.e., 2% of profits as envisaged in the Companies Bill 2011 in social funds. This may be effected through inclusion of social funds/social venture funds in Sub-section (x) of Schedule VII of the Companies Bill 2011.

The collaborative action of private sector through social funds will certainly add momentum to socio-economic growth of the country and achieve the committed Millennium Development Goals (MDG).

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