



Providing an impetus to innovation through CSR spending

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This policy brief begins with an overview of Corporate Social Responsibility (CSR) spending in India between 2015 and 2019 across different sectors and states. In late 2019, the scope of CSR was widened to also consider contributions to public research institutions. While considering the current status of CSR spending on research and technology which currently is only about 0.2 percent of the total CSR spending, the brief also covers the state-wise distribution of public funded R&D institutions, incubators, institutes in top 100 and institutes of national importance which can potentially absorb the CSR spending directed towards research and technology. We observe that the states that are among the top recipients of aggregate CSR funds are also endowed with a high number of these public institutions. It is thus likely that these very states will continue to benefit from any increased CSR spending towards research and technology. Policymakers need to not only encourage increased CSR spending towards research and technology, but also ensure an expanded reach of this increased funding to benefit several other states as well. There is scope for CSR spending towards research and technology to encourage more collaborations between industry and public institutions.

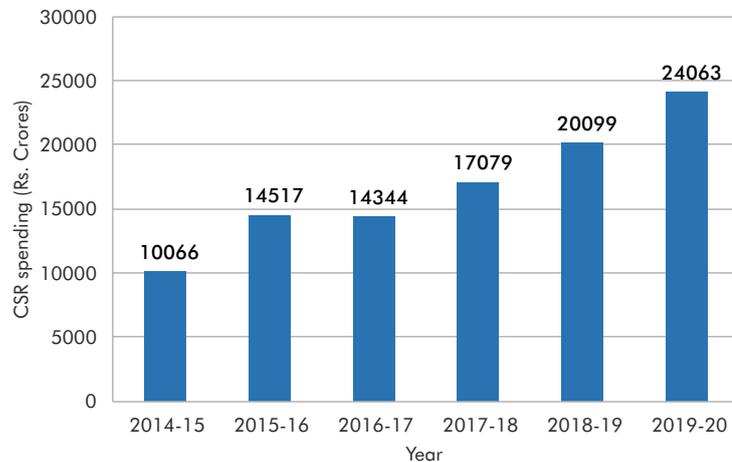
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Overview of CSR spending in India

The CSR Rules were introduced in 2014, where companies are mandated to spend, in every financial year, at least two percent of the average net profits made during the three preceding financial years¹ on projects or programs relating to activities, areas or subjects specified in Schedule VII to the Act.² The sectors specified in Schedule VII broadly include Education, Health, Eradicating Hunger and Poverty, Rural Development, Gender Equality, Environment, Clean Ganga Fund, Encouraging sports, Heritage art and culture, Technology incubators, Prime Minister national relief fund, Slum area development, etc.³

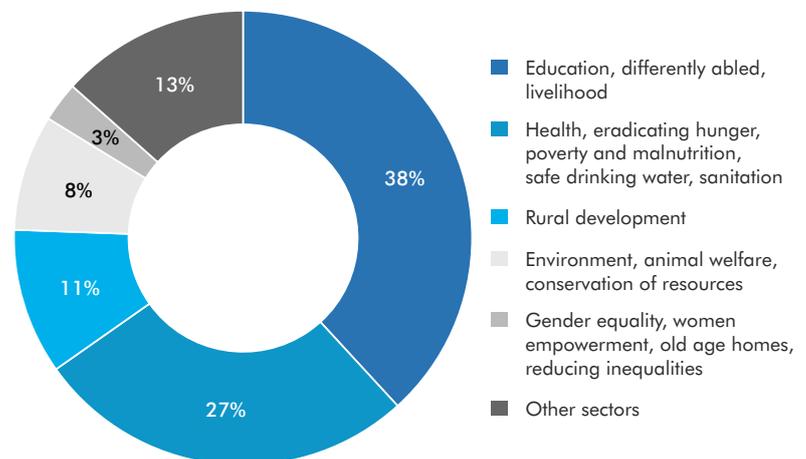
Since the introduction of the CSR Rules, the number of companies spending on CSR projects in India increased from 16,548 in 2014-15 to 22,155 in 2019-20.⁴ As can be seen in Figure 1, the amount of CSR spending has more than doubled over the same period, with the Education and Health sectors accounting for around 65 percent of total CSR amount spent during the period under consideration (see Figure 2).

Figure 1: CSR spending across years (Rs. Crores)



Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India, as on 20 October 2021

Figure 2: CSR spending by sectors between 2014-15 and 2019-20 (%)



Total CSR spending between 2014-15 and 2019-20 : Rs. 100,168 Crores

Note: Other sectors include Clean Ganga Fund, Encouraging sports, Heritage art and culture, Technology incubator and benefits to armed forces and admin overheads, Prime Minister national relief fund, Slum area development, Swachh Bharat Kosh, Other funds, NEC/not mentioned

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India, as on 20 October 2021

1 [Companies Act, 2013](#)

2 [The Companies \(Corporate Social Responsibility Policy\) Rules, 2014 notified on 27-02-2014 \(inclusive of all amendments\).](#)

3 [National CSR Portal](#)

4 [National CSR Portal](#), as on 20 October 2021

Furthermore, 12 states account for over 85 percent of total state-wise CSR funding received in between 2014-15 and 2019-20 (excluding Pan India projects) as can be seen in Table 1.

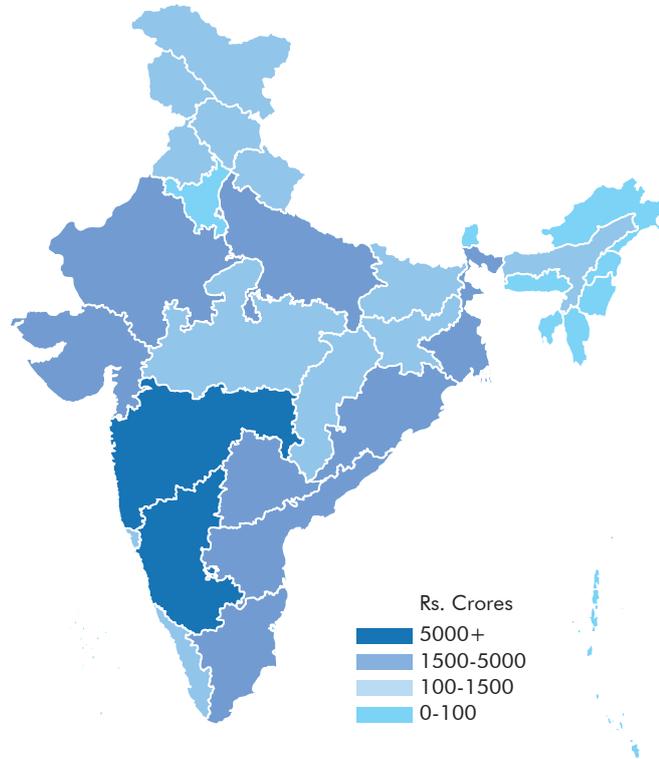
According to an Invest India report⁵, states with a higher level of development and industrial agglomeration tend to receive a higher amount of CSR funding. The report also highlights that, states like Jharkhand, Bihar, Chattisgarh, Madhya Pradesh and Uttar Pradesh that account for more than 55 per cent of the aspirational districts⁶ across India receive relatively low amounts of CSR funding. Figure 3 shows the distribution of CSR funds across all states in the country.

When it comes to CSR spending on research and technology, we shall see in the sections that follow that not only is the current amount allocated towards this sector very low, but any increased spending towards research and technology going forward will again very likely be concentrated in a few states. Since 2019, there have been certain amendments to the CSR Act captured in the following section that are specifically targeted towards attracting greater CSR funds into research and technology. Policymakers would not only need to create greater awareness around the amendments that have been

5 [The changing landscape of CSR in India during COVID-19](#)

6 As identified by NITI Aayog

Figure 3: CSR spending between 2014-15 and 2019-20 across India



Note: State-wise breakdown of amounts not available for Pan India Projects.

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India, as on 20 October 2021

Table 1: Top 12 States to receive the highest CSR funding between 2014-15 and 2019-20

State/Union Territory	Total CSR amount spent between 2014-15 and 2019-20 (Rs. Crores)
Maharashtra	15357
Karnataka	5975
Gujarat	4771
Andhra Pradesh	4414
Tamil Nadu	4353
Delhi	3574
Odisha	3125
Rajasthan	2909
Uttar Pradesh	2436
Haryana	2216
West Bengal	2090
Telangana	1900
Total for top 12 states	53119

Note: State-wise breakdown of amounts not available for Pan India Projects.

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India, as on 20 October 2021

made, but also focus their efforts on ensuring a wider reach of this funding to every state in India.

CSR spending on research and technology

The CSR Act has evolved in recent years especially with respect to funding of research and technology. Previously, the Schedule VII of the CSR Act allowed for companies to allocate their mandated CSR spending as contributions or funds to ‘technology incubators’ located within academic institutions and approved by the Central Government. However, in late 2019^{7,8}, the Act was amended to also include ‘contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology)

engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)’.⁹

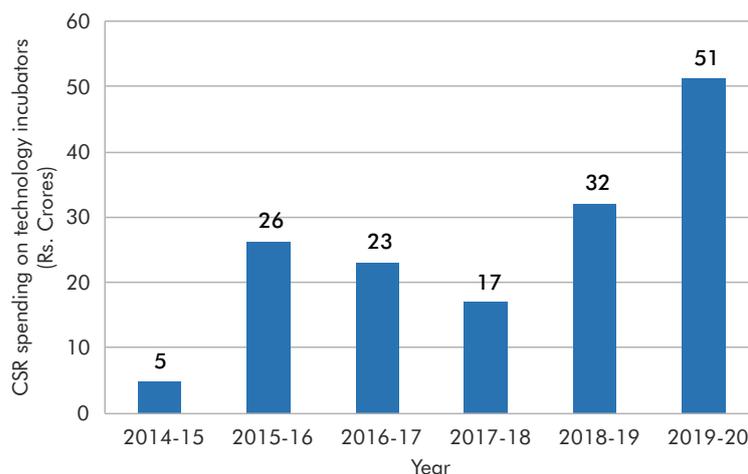
The clause was further amended in August 2020 to include the ‘Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)’.¹⁰

Although there has been a steady expansion of institutions eligible to receive CSR funds beyond technology incubators, the public institutions listed above continued to be classified under ‘technology incubators’ (item ix of the Schedule VII of the

CSR Act) in 2019-20. Thus far, CSR spending on ‘technology incubators’ accounted for around 0.2 percent of total CSR amount spent in each year, except 2014-15 and 2017-18 where it was lower. The share of spending in this sector was one of the lowest compared to the other sectors where CSR funds can be allocated.

The low level of CSR funds towards research and technology can partly be attributed to a lack of awareness around the classification and eligibility of technology incubators at public institutions or even awareness around the more recent

Figure 4: CSR spending on ‘technology incubators’ (Rs. Crores)



Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India, as on 27 October 2021

7 [Companies Act, 2013](#), Notification Dated 11th October 2019

8 [Companies Act, 2013](#), Corrigendum Dated 19th November 2019

9 [Companies Act, 2013](#), Schedule VII

10 [Companies Act, 2013](#), Notification Dated 24th August 2020

amendments. According to a survey conducted in September 2020 of select corporates spending CSR funds in India, 24 percent of the respondents were unaware of the fact that funding of innovations in technology incubators count towards CSR and 45 percent did not have information about the technology incubators or technologies they could invest in.¹¹

In terms of the beneficiary states that received CSR funding under the ‘technology incubators’ sector, Maharashtra received the highest amount during the period under consideration, followed by Tamil Nadu, Karnataka and Delhi. Apart from the lack of awareness in industry about the possibility that CSR funds could be allocated to this sector, another focus for policy makers would need to be

around the absorptive capacities of various states to absorb this funding. As we shall see in the next section, several of the states highlighted previously are also the very states that are endowed with a large number of institutions that could potentially absorb any increased CSR spending towards research and technology.

Distribution of institutions across states

The table below shows the distribution of public funded R&D institutions, incubators, institutes in top 100 (universities and institutes according to the National Institute Ranking Framework) and institutes of national importance in each of the states across the country.

Table 2: State-wise distribution of institutions that can absorb CSR funding towards research and technology

State	Public funded R&D Institutions	Number of Incubation Centres	Number of Institutes in top 100	Institutes of National Importance
Andaman & Nicobar Islands	4	0	0	0
Andhra Pradesh	11	5	3	9
Arunachal Pradesh	2	0	0	1
Assam	15	5	3	3
Bihar	8	0	1	5
Chandigarh	8	1	1	1
Chhattisgarh	1	2	0	4
Dadra & Nagar Haveli	0	0	0	0
Daman & Diu	0	0	0	0
Delhi	72	10	7	5
Goa	4	4	0	2
Gujarat	17	18	2	5
Haryana	19	3	1	3
Himachal Pradesh	7	1	1	4
Jammu & Kashmir*	8	3	1	3
Jharkhand	10	1	2	4

¹¹ [The changing landscape of CSR in India during COVID-19](#), Invest India

State	Public funded R&D Institutions	Number of Incubation Centres	Number of Institutes in top 100	Institutes of National Importance
Karnataka	59	28	7	4
Kerala	27	9	4	6
Madhya Pradesh	17	6	1	8
Maharashtra	65	21	12	6
Manipur	3	1	0	2
Meghalaya	4	0	1	2
Mizoram	1	2	0	1
Nagaland	3	0	0	1
Odisha	21	2	4	5
Puducherry	4	1	1	2
Punjab	10	6	4	5
Rajasthan	15	8	2	5
Sikkim	4	1	0	1
Tamil Nadu	46	33	21	7
Telangana	37	14	4	2
Tripura	2	0	0	1
Uttar Pradesh	47	14	7	9
Uttarakhand	28	2	2	4
West Bengal	40	4	8	7
Total	619	205	100	127

Among top 10 states

Source: CTIER Handbook 2021; Directory of R&D Institutions, DST; Technology Business Incubator (TBI), NSTEDB, DST; Technology Incubation and Development of Entrepreneurs (TIDE), MeitY; Selected Atal Incubation Centres, Atal Innovation Mission, NITI Aayog; Department of Biotechnology; BioNEST, BIRAC, DBT; Centre for Technology, Innovation and Economic Research (CTIER)

Note: (i) Institutes of National Importance (INI) are premier public higher education institutions in India established by an act of parliament and include Indian Institutes of Technology (IIT), National Institutes of Technology (NIT), Indian Institutes of Science Education & Research (IISER) etc.

(ii) The data reported is for the state of Jammu and Kashmir which was reorganised into the Union territory of Ladakh and Union territory of Jammu and Kashmir from October 2019

The 12 states, covered in Table 1, that received the highest CSR funding, namely Maharashtra, Karnataka, Gujarat, Andhra Pradesh, Tamil Nadu, Delhi, Odisha, Rajasthan, Uttar Pradesh, Haryana, West Bengal and Telangana, are also endowed with a large number of public funded R&D institutions,

incubators, institutes in top 100 and institutes of national importance. The 12 states account for 73 percent of the total number of public funded R&D institutions and 78 percent of the incubation centres and institutes in the top 100. This suggests that these 12 states would continue to benefit from any increased CSR

spending by companies, directed towards research and technology. With respect to other forms of funding for the innovation ecosystems in these states, it is found that these are also among the top states in India to receive Foreign Direct Investment and funding for startups.¹²

¹² <http://www.ctier.org/handbook2021.html>

Some of the other states that currently do not receive significant amounts of CSR funding, but could see an inflow of CSR funds towards research and technology based on the data in the table above include Kerala, Madhya Pradesh, Punjab, Uttarakhand and Bihar as these states too have a fair number of such public institutions. However, the remaining states neither receive a significant amount of CSR funds currently nor have the infrastructure or the resources to absorb the CSR funding towards research and technology. Policy makers would need to focus on ensuring an expanded reach of the benefits of public and private sources of funding that can support science and innovation across India. The next section suggests some policy measures to foster India’s innovation ecosystem through CSR spending in India.

Providing an impetus to innovation through CSR spending - Policy Measures

CSR spending towards research and technology remains extremely low compared to other sectors that are eligible for CSR funding. Recent amendments to

encourage greater CSR spending by industry on research and technology have been a step in the right direction, but several policy challenges remain. Some of these policy challenges could be mitigated by creating greater awareness about the eligibility of this sector under CSR as well focusing on science, technology and innovation (STI) infrastructure in states that currently lack absorptive capacities for CSR funds. The ongoing pandemic has seen a further relaxation of eligibility for CSR funds especially in the health sector which may offer a guide for further evolving the CSR Act with respect to research and technology to benefit other key science and technology sectors of national importance. Some policy suggestions are captured below.

Encouraging CSR spending on innovation:

Policies should encourage companies to use a targeted approach and channelise some of their CSR funds towards public research institutions and state funded incubators. Research has shown that there is a bidirectional relationship between CSR spending and Innovation spending, i.e. increase in innovation spending leads to an increase in CSR spending and vice versa.¹³ Since this

amendment is new, efforts should be made to increase awareness among companies of this opportunity that in turn will provide opportunities for public institutions to bring in CSR funding for their ongoing research projects.

Identifying and focusing on states which lack STI infrastructure:

Currently, the CSR spending in India is concentrated within a few states which are also resource-rich in terms of STI institutions. Policymakers would need to focus on states which receive low amounts of CSR funding. While companies can be encouraged to increase their CSR spending in these states, policies should also aim for the development of the infrastructure and innovation systems in these states to enable them to attract greater CSR funds from companies.

Incentivising collaborations between industry and public funded institutions:

While the scope of the CSR spending by companies has been widened to include contributions to various autonomous institutes, funding of activities undertaken by the companies during the normal course of their business cannot be considered as CSR activities.¹⁴ However, in one of

¹³ [Linking Corporate Social Responsibility and Innovation spending](#)
¹⁴ [Deploying CSR funds for incubators and Research](#)

the later amendments of the CSR Act¹⁵, the companies engaged in research and development of new vaccines, drugs and medical devices related to COVID-19 (for financial years 2020-21, 2021-22 and 2022-23) can perform these activities under the CSR ambit even if it falls under their normal course of business. This amendment comes with a clause that the research has to

be performed in collaboration with any of the institutes/ organisations mentioned in the Schedule VII of the Act.¹⁶

This relaxation for companies engaged in research and development of new vaccines, drugs and medical devices during the pandemic can serve as a guide for policymakers to address various other challenges

in the country and to encourage more collaborations between industry and public institutions. Policymakers can consider making similar amendments in a strategic manner to promote areas of research which are of national priority or mission oriented research targeting SDGs.

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¹⁵ [Companies Act, 2013](#), Notification Dated 24th August 2020

¹⁶ [Companies researching COVID-19 can include R&D spends under CSR](#)



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