

SOCIAL SECTOR PULSE

Volume 1

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Unfurling
growth with
#GTSocial

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Foreword

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As a firm, we are true believers that the social sector is a critical pillar of democracy and adds immense value to society. Its role in the upliftment of the underprivileged with inclusive participation of all relevant stakeholders has been well acknowledged. Grant Thornton Bharat has a dedicated support ecosystem for the Environmental, Social and Governance (ESG). We help solve problems in the social sector and help our clients navigate the complex setup in the country by establishing expert connects and delivering bespoke solutions. We understand the diverse needs of the sector's stakeholders and have developed expertise and diversity of thematic areas to cater to them. We CARE for our people, clients and communities and support them to thrive through Collaboration, Authenticity, Responsibility, Respect, and Excellence. Our endeavor of shaping a Vibrant Bharat makes sure that our work enables organisations to reach out to last-mile beneficiaries and improve their lives in a targeted way.

It gives us immense pleasure to introduce the first edition of our newsletter – Social Sector Pulse. Through this newsletter, we will highlight the latest trends and updates in the social sector. We look forward to suggestions and feedback from our readers in helping us get better and achieve our objective.

The social sector must consider strategies to transform the way people behave, collaborate and realise their full potential. Several stakeholders are involved in this transformation process and development occurs because of the concerted strength of all these players.

Peter Drucker stated in his book – Managing Nonprofit Organisations – that the primary role of the social sector is to create “changed human beings.” The social sector must delve deeper in all its actions and look at ways to change the way members of the society think, act, cooperate and come to realise their potential.

Grant Thornton Bharat's dedicated ESG offerings are aimed at helping our clients solve complex problems in the social sector. We CARE for our people, clients and communities.

India celebrated 75 years of independence on 15 August 2022. The government initiative of *Azadi Ka Amrit Mahotsav* symbolically paved this celebration across various spectrums of social space, commerce and trade and linkage of various government and private partnerships across ministries and functionaries with themes of *Sashakt* and *Samarth Bharat*.

Since independence, the social sector has played a pivotal role in the country's development agenda while ensuring that the related facets of society are also developed alongside. The initial decades after independence saw the support of missionaries and working in small community groups for localised interventions. Some public sector undertakings (PSUs) also took up community-based development in their manufacturing facilities or government focused geographies. Post 1990, the sector matured and witnessed large scale international partnerships with the government and private players at the federal and institutional level. This was the time when many large international NGOs started marking their presence in the country with either liaison offices or formulating Indian entities. There were no domestic laws focused on governing the funding raised and channelisation

of the social sector. In the absence of monitoring requirements of domestic money, large Indian donors were typically promoter-led foundations or charities and private participants from the established business families. Foreign grants were either through government participation or private space monitored through Foreign Exchange Management Act (FEMA) and later The Foreign Contribution (Regulation) Amendment Act (FCRA) under Ministry of Home Affairs (MHA). During this time, the monitoring and evaluation processes were also evolving.

Currently with the CSR Act and FCRA Act in new avatar, there are indicators on donor as well as recipient fraternity within the country. Also, there is guidance and clarity on the do's and don'ts and the space has matured in terms of compliance orientation and adherence. Thematic areas emerged, government focus on aspirational districts brought in clear focus on the type of intervention required and both regional and national players emerged over time. The COVID-19 pandemic marked a new era for the social sector, strengthening collaboration and partnerships to achieve sustainable social impact.



Sector evolution in the past decade

Understanding the social sector framework in India

The social sector in India is considered as one of the critical pillars of the Indian democracy. Like the rest of the world, it evolved from a charity and faith-driven endeavour to a more strategic one, collaborating with the government and the private sector to address social issues and create a far-reaching impact.

In 2009, the Central Statistical Institute estimated that there are 3.3 million non-government organisations (NGOs) in India. However, there is no database available in the public domain which specifies the total number of the registered NGOs.

It takes approximately three to four months to register a not-for-profit organisation. In addition to this, the Income Tax Department may require anywhere between three to six months to grant tax exemption status (Section 12AB of the Income Tax Act, 1961) and to process donors' tax deductions (Section 80G). The processing of applications for a not-for-profit organisation to receive foreign funds





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under the Foreign Contribution (Regulation) Act (FCRA), 2010, can take another three to six months and organisation must have spent a minimum of INR 10 lakhs in the preceding three years towards achieving its objectives and must submit copies of such financial statements. Newly registered entities require an approval for a specific activity, purpose or fund source from the Ministry of Home Affairs (MHA) via the Prior Permission method.

Not for profit organisations may be registered as public charitable trusts, societies or Section 8 companies. Both charitable trusts and societies are generally subject to state laws which vary across states, while Section 8 companies (public and private) fall under the ambit of the Indian Companies Act, 2013.

The legal framework regulating not-for-profit organisations in India is developing swiftly and there are several regulations guiding the governance, funding and taxation.

Civil society experiences across the globe have

shaped the Indian social sector uniquely. India's complexity lies in its religious, political, ethnic, social and cultural diversity. India makes for a great case study to observe how nonprofits overcome challenges related to growth and optimally using scarce resources. The length and breadth of India's social sector makes it a unique and challenging landscape.

India's compliance structure governing the sector makes it unique. The government's checks and balances not only regulate the industry but bring in more governance in the space. This ensures that critical aspects like funding sources and effective implementation are being efficiently monitored and evaluated. The CSR framework and the FCRA are the two main legal frameworks that help monitor the sector's funding.

India has a dynamic framework in which social sector professionals operate. Over the last decade, the social sector has witnessed a paradigm shift. The sector is now accommodative in terms of opportunities, open to accepting talent from varied backgrounds with different hopes, aspirations, skillsets and visions of change. It has opportunities for professionals ranging from strategy to program management, monitoring and evaluation, communications and fundraising with the latest provisions for the social stock exchange draft being released.



Regulatory parlance in the 75th year of independence

On 12 March 2021, India embarked on a 75-week countdown to its 75th anniversary of independence with the Government of India initiative – *Azadi Ka Amrit Mahotsav*, through its five themes celebrating the freedom struggle, ideas at 75, resolve at 75, actions at 75 and achievements at 75.

Ever since independence, India's social sector has witnessed a massive change, not only in terms of accelerating growth but also with legal and regulatory requirements introduced by the government.

The sector has always evolved, transformed and contributed in alignment with the central and state government focus. It has leveraged the schemes and infrastructure on various social causes to maximise the impact and contribute to beneficiaries in the best way possible.

The space has adapted itself to compliances which have been regulated by various acts and ministries to bring in more discipline and robustness to keep a check on governance. This

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- A close-up photograph of a hand holding a blue pen, signing a document. The document is a 'Last Will and Testament' form. The signature is written in blue ink. A red wax seal is visible on the left side of the document. The background is a blurred image of a person's face.

-

Partnerships for social good

The quality of cooperation between nonprofits and corporate entities will have a big impact on how communities recover from the pandemic and how we emerge as a more equitable, sustainable, resilient and inclusive society.



The COVID-19 pandemic has worsened the hardships that communities were experiencing and has setback many of the incremental improvements that development programmes had made over the years. The next few years are a chance to build better.

Nonprofit-corporate collaborations help everyone – businesses, employees and customers. Businesses can broaden their relevance and addressable market; customers benefit from the capabilities

and offerings that businesses bring to the table; and employees can broaden their development prospects by being exposed to new perspectives and skills. New strategies and avenues for social sector development arise over time.

While such partnerships are on the rise, it is reasonable to believe that in forging such a partnership, nonprofits and private organisations look for a particular set of mutually beneficial requirements.



Alok Majumdar
Head of Corporate Sustainability,
HSBC India



At HSBC India, we believe in co-creating programmes with our partners to make a lasting impact. Alignment with values, strong governance and control systems, expertise and connect with local communities are some of the key aspects that we consider while entering a partnership. We have been able to design and implement programmes across diverse geographies, leveraging the strengths of our partners. Our thinking centres around engaging with them across the entire duration of a project to realise the outcomes.



A not-for-profit expects the partnership to bring:

Additional funds for projects: Many organisations opt for sponsorship of a charity event or cause. In exchange for advertisement on event materials, businesses donate to the cause and in turn these donations become pivotal in sustaining and growing the program of the nonprofit.

Growth in volunteer program: Nonprofits generally run on a voluntary basis while large businesses run employee volunteer schemes. Combining these two, the nonprofits gain a steady

supply of helping hands while the employees benefit from altruistic and positive experiences.

Improved community visibility: This pertains to increased awareness of the nonprofit, its programs and the causes it supports. Businesses are great at networking and part of their strategy is building trust with consumers and the community at large. This trust can transfer to its nonprofit partners.

Support in achievement of their own social cause: Financial and technical support received from corporates adds to the fulfilment of non-



Chetna Gala Sinha

Co-Chair,
World Economic Forum 2018
Founder/Chair,
Mann Deshi Bank & Mann Deshi
Foundation



When Mann Deshi started a business school for women in 2007, nobody was talking about financial literacy. But our women demanded a financial literacy programme and HSBC believed in our ability to understand the community's needs and ideas. Since then, over the last 15 years, we've worked on different women empowerment projects, a water conservation project where HSBC supported us to build check dams in our drought-prone area and the unprecedented COVID-19 pandemic where they partnered with us to run two COVID care centres and provide healthcare to last-mile communities in rural India. While numbers alone could never fully explain how much their giving means to us, it is their giving style - a model that reflects respect and faith - that truly defines our relationship. In 2023, Mann Deshi will have impacted over one million women and this would not have been possible without the generosity from HSBC over the years. Ours is a partnership for good with the goal to make people's lives better.



profits' core objectives of social good and helps towards the creation of large-scale sustainable impact for its beneficiaries.

On the other hand, businesses seek other requirements when forging such partnerships, including:

An alignment of values: The nonprofit must reflect the company's model or industry and operate in a way that is respectful to the perspectives and values held by the organisation and its community.

Increased sense of belongingness: Customers today are more aware about the products they choose to purchase. CSR and corporate philanthropy programs help improve consumer confidence in an organisation's effort to bring social change.

Data: As a part of their CSR, businesses require documentation of how far along their contributions have materialised. Such partnerships allow businesses to easily meet their compliances.

Strong internal controls and governance: Corporate partners are increasingly looking for nonprofits with good governance practices and all-encompassing internal controls, which allows setting of higher standards for their implementing partners in terms of outreach, impact creation and effective monitoring and evaluation (M&E) frameworks.

Fulfilment of responsibilities towards the society: Through CSR and other ESG projects, corporates can truly demonstrate an interest in wider social issues, allowing for sustainable business



Through CSR and other ESG projects, corporates can truly demonstrate an interest in wider social issues, allowing for sustainable business practices and fulfilment of responsibilities towards the society.

practices and fulfilment of responsibilities towards the society. Together, they realise the ideals of our constitution - The Fundamental Duties and Directive Principles of State Policy - which seek to create a welfare society.

To conclude, any partnership, big or small, will work best when there is a shared goal. Establishing a common purpose sets the foundation and acts as the glue holding the partnership together. Answering some key questions about the partnership will help determine its efficacy, including a shared vision for the community, people invested in the partnership, duration of association, presence of mutual respect, trust, transparency and two-way accountability of actions. It is crucial that both parties involved feel equally involved in the engagement to increase the chances of success. Therefore, when done correctly, a relationship between a business and a charity has the potential to be extremely influential and transformative, whether for a cause or for an individual involved in this type of partnership.

SOCIAL NEWSeum

This section focuses on the key developments in India and aims to meet the needs of dynamic Indian businesses. This edition covers updates till July 2022.

Dasra's vision of #ABillionThriving through GivingPi

Incubated as an independent initiative under the aegis of Dasra, a venture philanthropy fund, GivingPi, India's first and exclusive family philanthropy network, by and for philanthropists, has been launched to unlock philanthropic capital for India's development. By 2030, GivingPi aims to have 5,000 members, giving USD 1 billion to diverse social causes in India, annually.

The invite-only platform expects its members to donate a minimum of INR 50 lakh annually to support social development in India which would provide an investible corpus of INR 60,000 to INR 100,000 crores for the development sector and realize the vision of #ABillionThriving.

The GivingPi network will provide connections to credible NGOs and trusted philanthropy advisors, peer networking, theme-based learning and collaborative funding opportunities while also mainstreaming the narrative around family philanthropy in India.

Social stock exchange to ease fundraising for nonprofits

Zero coupon zero principal instruments have been declared as securities and would come under the purview of the Securities and Exchange Board of India (SEBI). This move will hasten the creation of a social stock exchange that will allow a not-for-profit organisation to raise money easily and with greater transparency. At the same time, corporates would be able to better utilise their funds marked for social responsibility.

It has been proposed that the issue size will need to be a minimum of INR 1 crore and the application size a minimum of INR 2 lakh. Also, the organisations listed on the exchange will need to do regular audits of social impact and these will be disclosed to all stakeholders (much like it is done by for-profit entities on regular stock exchanges).



MCA gives thumbs up to Har Ghar Tiranga

Har Ghar Tiranga is a campaign under the aegis of *Azadi Ka Amrit Mahotsav* to encourage people to bring the *tiranga* home and to hoist it to mark the 75th year of India's independence. While Schedule VII of the Companies Act 2013 earmarks the activities eligible for CSR funds, MCA has allowed companies to spend their CSR funds for the production and supply of the national flag, outreach and amplification efforts and such other related activities for the campaign.

National and international foundations are on board with the aspirational districts

The Aspirational District Program has received a renewed thrust with the publishing of second edition of delta rankings by NITI Aayog, with Balrampur in Uttar Pradesh being awarded as the best performing district.

Aspirational districts (ADs) have outperformed non-aspirational districts (non-ADS) on several fronts. In ADs, 9.6% more home deliveries were attended by a skilled birth attendant; 5.8% more pregnant women with severe anemia were treated; 4.8% more children diagnosed with diarrhea were treated; 4.5% more pregnant women registered for antenatal care within their first trimester and 1,580 more accounts opened per one lakh population.

Given the potential of this program, many not for profit organisations such as the Tata Trust, ITC and the Bill and Melinda Gates Foundation have come on board to support the effort.

About Grant Thornton Bharat

Grant Thornton Bharat is a member of Grant Thornton International Ltd. It has 6,500+ people across 15 offices around the country, including major metros. Grant Thornton Bharat is at the forefront of helping reshape the values in our profession and in the process help shape a more vibrant Indian economy. Grant Thornton Bharat aims to be the most promoted firm in providing robust compliance services to dynamic Indian global companies, and to help them navigate the challenges of growth as they globalise. Firm's proactive teams, led by accessible and approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients, and help them find growth solutions.



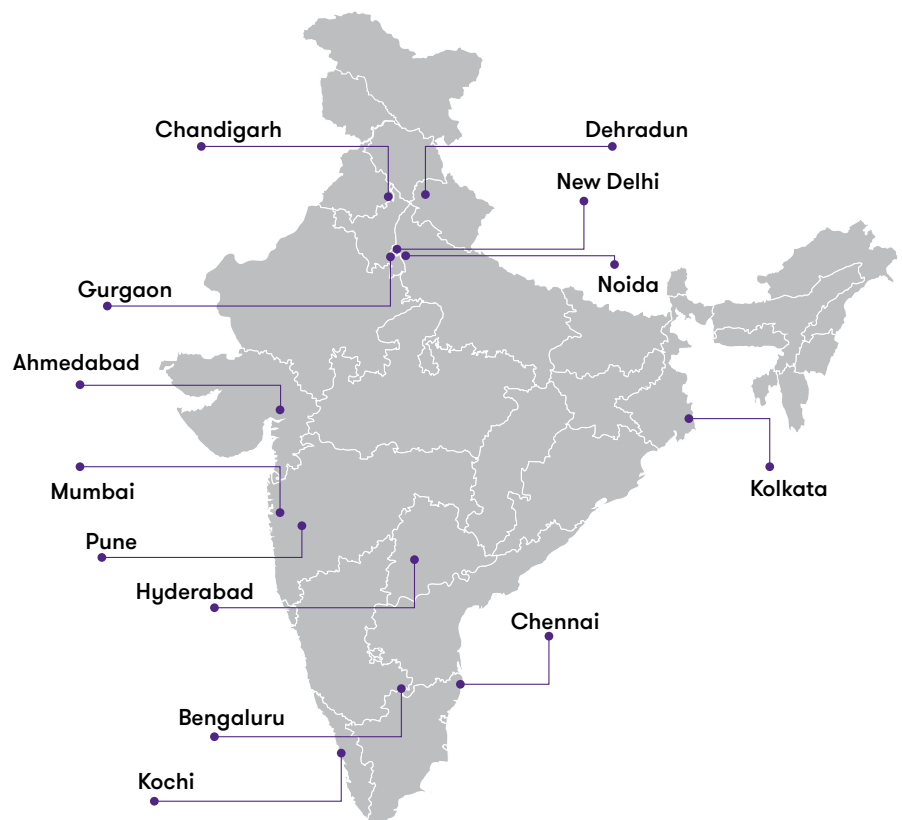
6,500+
people



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13 locations



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fully integrated
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and Consulting firms



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Notes

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