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ACCESS TO CORPORATE CSR FUNDS BY SMALL NGOS IN INDIA: OPPORTUNITIES, CHALLENGES, AND STRATEGIC PATHWAYS

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ABSTRACT
Companies Act, 2013 has brought about the introduction of mandatory CSR which has greatly increased corporate contributions towards social development in India. With this expansion, availability of corporate CSR funds has not been evenly divided especially among small and grassroots non-governmental organisations (NGOs). This paper will explore how small NGOs can be incorporated to access CSR funds, how these barriers can be identified as key institutional, administrative and strategic barriers to their involvement and how the inclusiveness in CSR funds distribution can be increased. The mixed-method design approach based on secondary analysis of CSR expenditure data and primary data on small NGOs and CSR stakeholders reveals that large NGOs and corporate foundations heavily dominate CSR funds and small NGOs are given a disproportionate share. Major constriction is observed in complex requirements of compliance, limited organisational capacity, limited duration of funding, limited level of expenditure on overheads. The paper emphasizes the significance of simplified compliance systems, capacity-building infrastructure, pooled funding frameworks, and long-term relationships in improving the access to CSR resources by the small NGOs. The findings are added to the existing body of literature on the issue of CSR governance and cross-sector relations and provide a set of recommendations useful to a policy maker and corporate managers to enhance grassroots engagement and developmental impact of CSR activities in India.

Keywords: Corporate Social Responsibility, Small NGOs, CSR Fund Management, Corporate– NGO Partnerships, Inclusive Development, etc.

INTRODUCTION

The adoption of CSR in India by the Section 135 of the Companies Act, 2013 was a huge turnaround in the development financing environment of the nation. The legislation tried to direct the national development priorities through the establishment of a certain percentage of net profits required to be distributed by the eligible companies which could include the development of the country in terms of education, health, environmental sustainability and improving livelihoods. The level of spent on CSR in India has been rising in the last one decade and makes corporate CSR funds a crucial subsidiary to government expenditure on welfare. In this context, NGOs have become the important partners of the implementation because of their embeddedness in the community, contextual knowledge, and grass-root reach.

This growth does not translate into equal access to the corporate CSR funds especially those used by small and grassroots NGOs. Empirical data indicate that CSR expenditure is centred within the large, professionally run NGOs and corporate foundations, whereas smaller organisations have difficulties in raising funds, because they lack capacity or they lack visibility and because they are highly sensitive to compliance. When it comes to corporate CSR committees, scale, reputational safety, and auditability tend to be put up there, thus marginalising smaller NGOs which do not possess formalised reporting, impact measurement, and financial management systems, despite their large impact in places. The lack of balance leads to concerns of inclusivity and effectiveness in the fund allocation of CSRs.

It is not only a financial, but an institutional problem. Small NGOs tend to have high transactions costs on proposal writing, compliance with regulations, and reporting in comparison to the amount earned in grants. Also, limited time cycles of projects and inability to deploy CSR funds towards organisational capacity building create an added constraint on their capacity to professionalise, as well as be effective in dealing with corporate funders. These obstacles diminish the promise of CSR to help facilitate decentralised and community-based development, and limit the possibility of innovation at the grassroots.

On this backdrop, the current study analyses the accessibility of corporate CSR funds to the small NGOs in India with respect to opportunities, challenges and strategic directions to enhance the inclusion. The study will help provide a more balanced, workable CSR ecosystem, with the views on cross-sector partnership theory and absorptive capacity framework applied with the specifics of India CSR literature, by acknowledging the importance of small NGOs as development partners.

REVIEW OF LITERATURE

The compulsory CSR system in India has enjoyed a wide range of analysis on the literature as a result of the size, sectoral spread as well as the implication on governance. Research observes that CSR expenditure has grown by a wide margin since the Companies Act but the distributions are biased with a few sectors and geographical locations and most common areas of corporate operation. It is also found that companies choose to undertake and execute projects directly or via huge and highly proven NGOs in order to reduce compliance and reputational risks. This has caused CSR funds to be concentrated and fewer smaller NGOs to take part in formal CSR partnerships (Gautam, 2023).

Organisational size, the form of governance, financial transparency, and ability to report impacts are some of the criteria that help corporations to choose NGOs partners. These requirements have been pointed out in literature to be systematic against small NGOs, usually having lean administrations and weak documentation abilities. Though such organisations can prove to be highly trusting in the community and more effective in the context, they often cannot reach formal due diligence standards required by corporate CSR committees (Shen, 2015; Singh, 2020).

Differential outcomes between the formation of corporate-NGO partnership have been explained using the concept of absorptive capacity, which refers to the capacity of an organisation to acquire, assimilate and use external resources. Literature on cross-sector collaboration suggests that the compliance and reporting costs are disproportionately high to small NGOs and that the latter do not have an efficient way of absorbing CSR funding. These organisations will not be able to engage in a prolonged CSR without specific capacity-building assistance (Pittz, 2015; Selsky and Parker, 2005).

Intermediary partners like CSR foundations, consulting firms and big NGOs put a strong hand on the matching of corporate funds with the implementing partners. Although intermediaries are associated with the mitigation of transaction costs and technical assistance, the literature warns that they might also contribute to the concentration of funding the known individuals or partners. Other structures like pooled CSR funds, consortia, and multi-stakeholder platforms are getting more and more talked about as ways of extending accessibility and risk distribution (Austin and Seitanidi, 2012; Clarke, 2018).

Inadequacy of administration capacity, lack of a continuous cycle of funding, limitations to overhead spending, and invisibility are consistently cited by India-specific empirical research as obstacles being confronted by small NGOs. The fact that corporate sectors are unwilling to cover basic organisational expenses also contributes to these crises, preventing investment in systems and employee training as well as digital reporting technology. Consequently, small NGOs have been caught in a vicious circle of under-capacity and under-funding even though they have shown efficacy on grassroots (Kalagnanam, 2023).

According to the literature on cross-sector collaboration, successful CSR partnerships are defined by the joint value creation, the mutual trust, shared governance, and long-term involvement. Research indicates that partnerships pay off better in terms of improved social results when corporations invest in the capacity building of the organization and embrace flexible, multi-year funding schemes. These results indicate that strategic reforms in CSR funding design are able to promote the involvement of small NGOs considerably (Austin and Seitanidi, 2012; Clarke, 2018).

There is a gap in the empirical data dealing with how small NGOs do and do not access the corporate CSR funds in India, even though, current literature records the trends in CSR spending and partnership difficulties. Additionally, the capability to compare strategic monitored routes like tier compliance framework, intermediary funded and pooled CSR mechanisms is still under-known in peer reviewed literature. This research addresses these gaps by critically assessing these barriers and implementing action plans that can work towards financing inclusive CSR.

Objectives

The goals of the study are to identify the institutional and organisational obstacles that prevent the small NGOs access to the corporate CSR resources in India, study the corporate partner selection processes, determine the importance of intermediaries and suggest the ways to facilitate equitable participation and efficient use of CSR resources by a grass root organisation through a specific strategy and managerial direction.

Methodology

The research is done in the mixed-methods format including systematic review of peer-reviewed literature and CSR policy document sets, secondary analysis of corporate CSR expenditure data of the selected years and primary data collection of semi-structured interviews with small NGO representatives and CSR managers. The triangulation of qualitative and quantitative findings leads to establishing the access barriers and the strategic solutions.

RESULTS AND DISCUSSION

The current section examines small NGOs access to corporate CSR funds in India basing on secondary CSR expenditure datasets and primary responses obtained to 12 NGOs and CSR managers. The analysis emphasizes the topic of distribution of CSR funds, the level of access among small NGOs, sectoral distribution, gaps on financing, and the perceived barriers.

Table 1 CSR Funds Allocation by Size of Implementing NGOs (₹ Crore)

Type of NGO	Total CSR Funds Received	Percentage Share
Large NGOs / Corporate Foundations	4,250	68.5%
Medium NGOs	1,280	20.6%
Small NGOs	675	10.9%
Total	**6,205**	**100.0%**

Table 1 shows that large NGOs and corporate foundations are heavily concentrated in the number of CSR funds, as they get almost 69 percent of the total CSR. The small NGOs represent just 10.9 percent of CSR funds meaning that they have no access despite their numerical superiority and grassroots representation. Such imbalance indicates the preference of the corporations toward their long-running partners who have a greater compliance and reporting ability.

Table 2 CSR Funding Access Rate among Small NGOs

Access Status	**Number of NGOs**	**Percentage**
Successfully received CSR funds	38	31.7%
Applied but not selected	54	45.0%
Never applied (capacity constraints)	28	23.3%
Total	**120**	**100.0%**

According to the table, the percentages of surveyed little NGOs, who have successfully accessed corporate CSR funds, are only 31.7. The applied percentage is quite substantial (45) and yet also failed to receive funds as a result of inadequate funding, but a lot are also 23.3% who did not apply because they were not aware or not in paperwork and scared. This reveals organizational and informational limitations to participation.

Table 3 Sector-wise Distribution of CSR Funds Received by Small NGOs

Sector	**CSR Funds (₹ Crore)**	**Percentage**
Education	245	36.3%
Health Care	178	26.4%
Livelihood & Skill Development	121	17.9%
Environment & Sustainability	86	12.7%
Others	45	6.7%
Total	**675**	**100.0%**

The small NGOs receiving CSR funds are highly concentrated as education (36.3) and health (26.4) (corporate sectoral tiredness). Environmental sustainability and community development are the areas where funding is distributed on a relatively lower scale, and it indicates that CSR thematic options might not be very flexible.

Table 4 Comparison of Prescribed CSR vs Actual CSR Funds Disbursed to Small NGOs

Financial Year	**Prescribed CSR (₹ Crore)**	**Actual CSR to Small NGOs (₹ Crore)**	**Percentage Utilised**
2020–21	7,150	620	8.7%
2021–22	7,920	655	8.3%
2022–23	8,610	675	7.8%

Although there have been consistent growth in the amount of expenditure on voluntary CSR, the allocation of small NGOs has decreased to 7.8 percent sustained through the duration of the study (8.7 percent). This tendency demonstrates that an increase in CSR expenditure has not been converted to a corresponding increase in the inclusion of grassroots organisations.

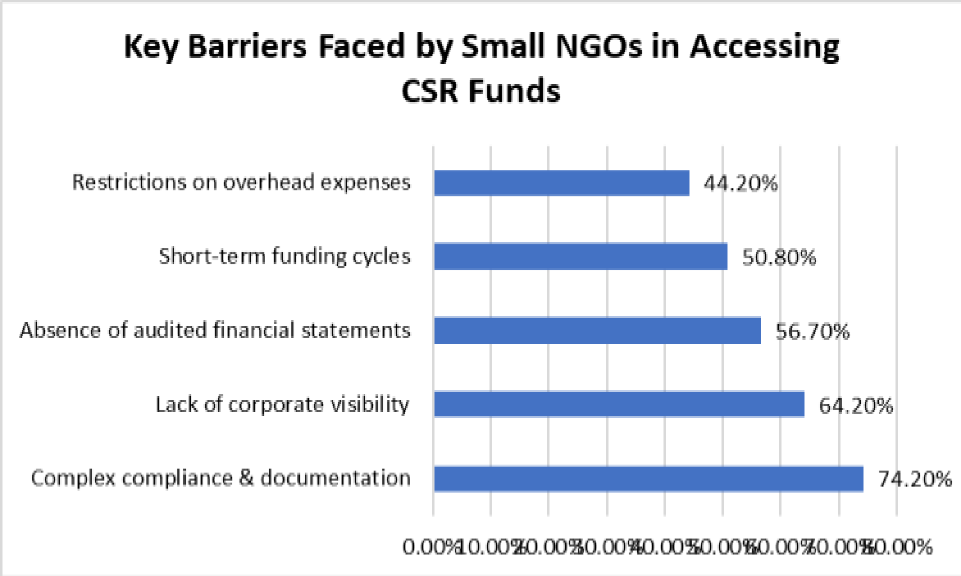

Fig. 1 Barriers faced by NGOs

Difficult compliance and documentation requirements (74.2%), and the absence of visibility between corporate donors, has been identified as the biggest obstacle. Curtailment of overhead costs is an additional constraint on capacity building of organisations, which strengthens the lock-out of small NGOs in funding streams of CSR.

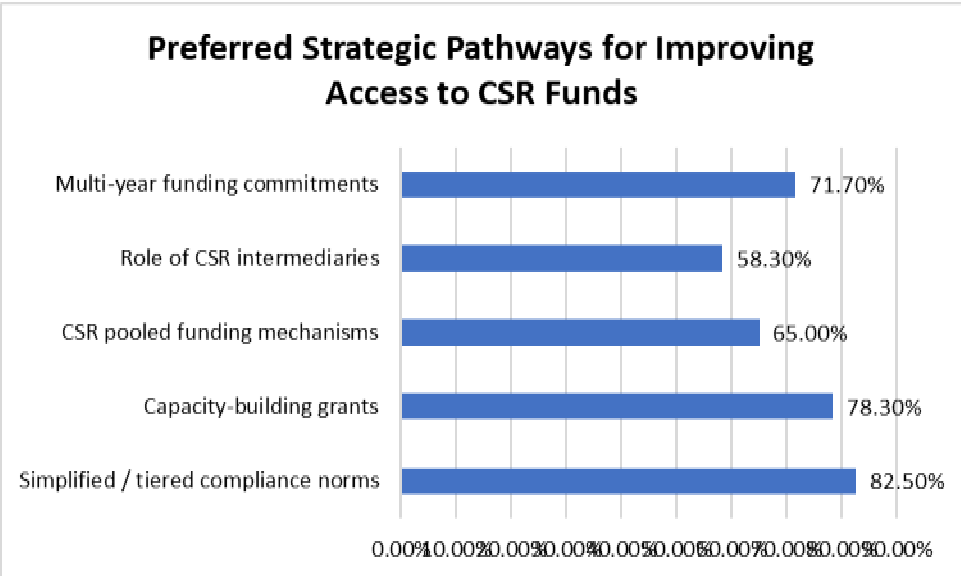

Fig. 2 Strategic Pathways

This is a high percentage majority of NGOs who support simplified compliance norms (82.5% and capacity-building grants 78.3%). Life-span funding arrangements also enjoy a great deal of support meaning that stability and sustainability is required in CSR collaborations.

The discussion has shown that although there is a massive establishment of CSR funding in India, small NGOs are disadvantaged by their structure in regards to receiving corporate CSR funds. The large NGOs concentration, high compliance cost, and support of capacity building have curtailed the participation of the grassroot. The concentration across sectors, reduces the opportunities in funding.

The results indicate the necessity of Top-tier reforms in the CSR fund management to facilitate equal, inclusive, and impact-oriented distribution.

CONCLUSION

It concludes the study that despite the fact that spending on corporate CSR in India has risen sharply since the mandatory CSR already comes in place, access to these resources by small NGOs is still low and uneven. The analysis indicates that there is a high level of concentration among large NGOs and corporate foundations in terms of CSR funds, and small, grassroot organisations have been impeded by consistent barriers in terms of complexity of compliance, visibility, short term funding cycle and capacity-building expenditure. Even though small, non-governmental organizations currently have the highest proximity to communities and can be the most effective at making contextual change, institutional selection pressures such as the desire to scale, auditability, and reduce risk keep them out of official CSR partnerships. This lack of balance defeats the inclusive development purpose of CSR and limits the CSR intervention efficacy at a grassroots level.

Recommendations

According to the results, the study suggests that corporate CSR models should be reshaped to facilitate the inclusive contribution of small NGOs. Corporates are recommended to use multi-level or streamlined compliance processes, use multi-year and flexible financing models, and reserve a specified amount of CSR funds to grassroots organisations. To lower transaction costs, policy makers can promote pooled CSR funds and facilitate the strength of bodies intermediary that are neutral. Moreover, the dedicated provision of CSR funds to the development of NGOs in terms of financial management, monitoring procedures, and online reporting would increase the absorptive capacity and help small NGOs to serve as an effective and viable CSR implementation model.

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