State of Impact Reporting in India

Road to Readiness

2024

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Foreword

This year we complete a decade of Companies Act for Corporate Social Responsibility (CSR). Over these years, CSR has become an integral part of the business agenda, and its significance cannot be overlooked in today's social space.

Businesses have an important role to play in creating a sustainable society, and CSR initiatives are an effective way to give back to the community. In recent years, impact assessment has emerged as a key tool for evaluating the effectiveness of CSR projects. It helps companies to measure and communicate the social and environmental outcomes of their initiatives and enables them to identify areas where they can improve their impact.

The impact assessment process is not only beneficial for companies but also for the stakeholders, including the government, Non-Profit Organisations (NPOs), and the community at large. The CSR Act amendment, which came into effect in January 2021, requires companies to evaluate the impact of their CSR initiatives (for CSR projects having outlays of INR 1 crore or more/company having min INR 10 crore of average CSR obligation in last three years) which have been completed not less than one year before undertaking the impact study. This has led to a more data-driven approach to CSR initiatives and is helping companies to focus on outcomes rather than just outputs. Impact assessment provides a transparent and accountable mechanism to evaluate the impact of CSR projects and helps to build trust and credibility in the corporate sector.

Despite being one of the fastest-growing economies, India faces several challenges in achieving the Sustainable Development Goals (SDGs). India continues to work in areas such as poverty reduction, access to education, and gender equality to achieve desired SDG goals. To move ahead, it is essential that we focus more on impact and assess the effectiveness of our CSR initiatives.

I am pleased to introduce this survey report on the impact assessment of Corporate Social Responsibility (CSR) projects undertaken by top companies in India. We hope that this report will contribute to the ongoing discourse on the importance of impact assessment in CSR initiatives and the factors to be considered while evaluating the total impact of an initiative. We hope a greater number of companies will work towards incorporating monitoring and evaluation frameworks as part of their CSR programme implementation with a view to being able to assess impact in a more holistic manner.

Jignesh Thakkar

Partner and Head – Social & CSR

KPMG in India

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Snapshot of state of impact reporting in India

Key findings across pillars of impact reporting

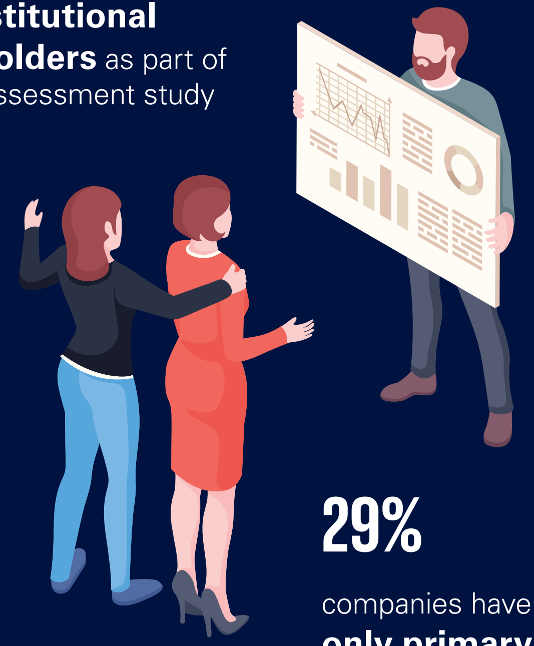
114 (46%)
companies from **Nifty 250 are eligible** to undertake impact assessment study

91 (80%)
from **eligible 114** companies **disclosed information** on impact assessment in the annual report

Only 51 (45%)
from **eligible** companies **provided access to detailed impact** assessment study

Inclusion of Stakeholders

Only 35%
companies have considered **primary, secondary and institutional stakeholders** as part of impact assessment study



29%
companies have considered **only primary beneficiaries** to assess the impact of their program

Sample Size

67%
companies **provided the sample size** considered for the impact assessment study

Out of 67%, only 18%
reported the statistical method used to finalise sampling for the study

Tools, Framework and Methodology

94%
companies **disclosed the impact assessment framework** used for the study

Only 22%
companies disclosed study tools in the report

95%
companies **adopted mixed research methodology** (qualitative & quantitative)

Impact reporting, segmentation, and benchmarking

12%
companies **reported intended as well as unintended outcomes**, of which **43% included positive and negative unintended outcomes** as well

Only 47%
companies **included benchmarking** as a part of study

59%
companies **mentioned demographic profiling** while reporting the impact

Way Forward

55%
companies **included recommendations** on how to optimise the impact further

61%
companies **mentioned a way forward for program** basis the impact assessment results

Evolution of CSR in India

Guidelines on mandatory disclosure of impact assessment (IA) as part of the CSR policy shows how since 2014, India has matured in the implementation of its CSR activities. From the below table it can be seen that over the years the purpose of CSR funds has transformed from sharing the profits for social benefit to creating sustainable positive changes in the community. In the past ten years, CSR discourse has changed from directional guidance to mandatory compliance norms.

Year	Milestone	Implications for organisations
2013	Enactment of Companies Act, 2013	Companies fulfilling specific criteria, mandated to spend 2 per cent of average net profits of last 3 years on CSR activities or, disclose unspent amount
2014	Section 135 of the Companies Act, 2013 on CSR comes into force	• Notification of CSR rules • Constitution of CSR committee • Specification of CSR expenditure and disclosure formats etc
2015	High Level Committee (HLC)-2015 constituted for improved monitoring of implementation of CSR policies- recommendation submitted to Ministry of Corporate Affairs (MCA)	• Existing penalty clause for non-compliance sufficient • Unspent balance of CSR funds to be carry forwarded • Unspent balance to be transferred to one of the funds listed in schedule VII • Boards/CSR committee to be responsible for due diligence of implementing partners, etc
2018	HLC-2018 submitted recommendations on the CSR framework to MCA	• Carry forward of unspent balance for a period of 3-5 years • Imposing monetary penalty for non-compliance • Mandating impact assessment • Strengthening the reporting for CSR • Registration of IA with MCA, additional 5 per cent admin expenditure for companies undertaking need and impact assessment, etc
2019	Companies Amendment Act, 2019	• Immediately preceding FY for eligibility under Sec 135 notified • Not notified - transfer of unspent amount to Fund mentioned in Schedule VII • Carry forward of unspent amount of ongoing project • Introduction of penalty clause for non-compliance including imprisonment
2020	Companies Amendment Act, 2020	• Carrying forward of excess spend and unspent amount relating to ongoing projects • Transferring of unspent amount not relating to ongoing project into Schedule VII fund • Monetary penalties for non-compliance
2021	The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021	• Inclusion of impact assessment study of CSR activities • CSR projects can be implemented by Sec 8 companies, registered trust or a registered society, any entity established under an Act of Parliament or a State legislature. • Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the unspent CSR account • Administrative overheads not to exceed five percent of total CSR expenditure of the company for the financial year • Mandatory disclosure of CSR committee, CSR policy and projects
2022	The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022	Amendment of CSR Rules as follows: • Constitution of a CSR Committee by a company having any amount in its unspent CSR account • Broadening the class of entities that can be engaged as implementation agencies • Change in the limits of expenses incurred towards impact assessment studies • Revisions in the format for the Annual Report on CSR activities

What does the law say on impact assessment?

Provisions for **impact assessment** have come into effect from **22 January 2021**. Companies are required to undertake impact assessment of the CSR projects completed on or after 22 January 2021

Impact assessment shall be carried out **project-wise only**

Hyperlink to access the complete impact assessment reports and providing **executive summary of the impact assessment reports in the annual report** on CSR, shall be considered as sufficient compliance

Impact Assessment is **mandatory** for with **minimum average CSR obligation of INR 10 crore or more** in the immediately preceding three financial years

AND

Companies that have CSR projects with **outlays of minimum INR 1 crore** and which have been completed **not less than 1 year** before undertaking impact assessment

Expenditure incurred on impact assessment is over and above the specified administrative overheads of **5 per cent**

In case two or more companies choose to collaborate for the implementation of a CSR project, then the **impact assessment carried out by one company** for the common project may be **shared with the other companies** for the purpose of disclosure

Impact assessment to be conducted by an **independent agency**

Source: Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR) -reg (E-file no CSR-05/01/2021-CSR-MCA), Ministry of Corporate Affairs, August 2021

About the survey

The survey provides information on how companies have implemented the mandatory impact assessment with respect to their CSR projects and the disclosures they have undertaken about the findings of the impact assessment. The intent behind mandatory impact assessment is to encourage companies to focus on impact creation through CSR funds. Additionally, the government is also aiming to streamline social sector spending of companies. The focus is not only on programme funders (companies with CSR funds) but also on the implementing agencies. The larger goal is to focus on impact creation rather than spending funds for compliance reasons. The report analyses and brings together findings from CSR reporting of the Nifty 250 listed companies as per market capital. Out of Nifty 250 companies, detailed analysis was conducted on various parameters on those companies whose detailed impact assessment reports are available in public domain. These companies are required to comply with the requirements of the Act.

In FY2022, out of the Nifty 250 listed entities in India, 46 per cent (114 companies) are eligible to undertake impact assessment study. Out of the 114 companies that are required to undertake impact assessment study 80 per cent (91 companies) have disclosed information in the annual report. Among those companies that have provided information regarding the impact assessment study, 51 companies have provided access to the detailed impact assessment study conducted for their projects. Thus, it can be seen that 45 per cent out of the eligible companies have provided complete disclosure about the impact generated through CSR funded interventions in their annual report. The amendment to Companies Act Sec 135, introducing impact assessment disclosure guidelines is recent and its inclusion in annual reporting is yet to see 100 per cent implementation among all eligible companies.

For this survey, an in-depth secondary research exercise was conducted to collate and analyse the impact assessment filings. Analysis was conducted on various predefined parameters and results of those are included in the report. This survey is exclusively for India.

114
companies from Nifty 250 are eligible to undertake impact assessment study

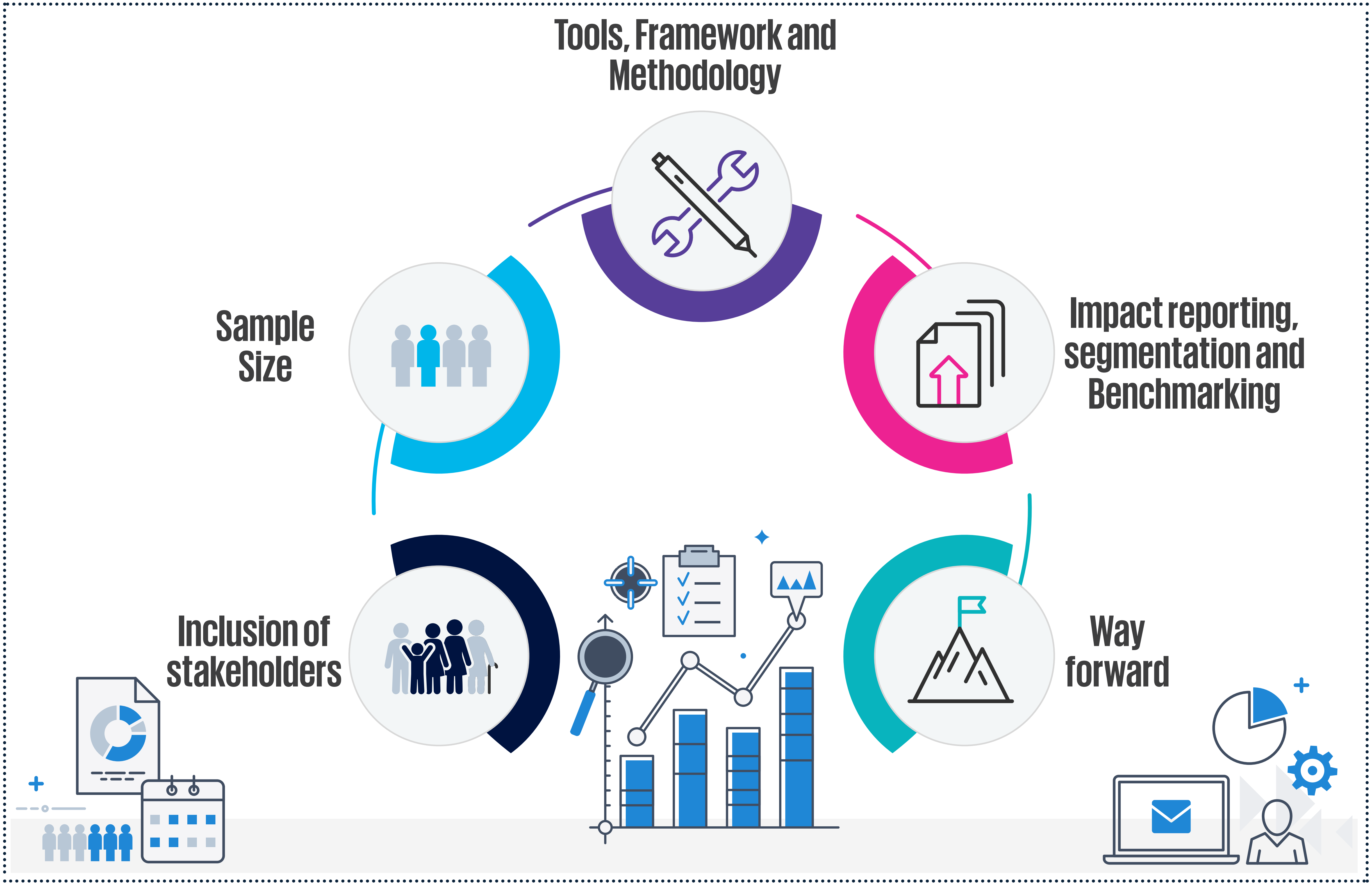
91
companies disclosed information on impact assessment in the annual report

51
companies provided access to detailed impact assessment study

Framework of analysis

The circular issued titled Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR) issued by Ministry of Corporate Affairs on August 2021 states that "the purpose of impact assessment is to assess the social impact of a particular CSR project. The intent is to encourage companies to take considered decisions before deploying CSR amounts and assessing the impact of their CSR spending. The aim of this amendment was to ensure that measurable outcomes are achieved through CSR interventions".

The framework of research is built on these aspects of the impact assessment report. Through data analysis, framework captures the depth of reporting. The universe of companies was assessed on the following parameters. The main pillars of research are presented below:



Inclusion of stakeholders

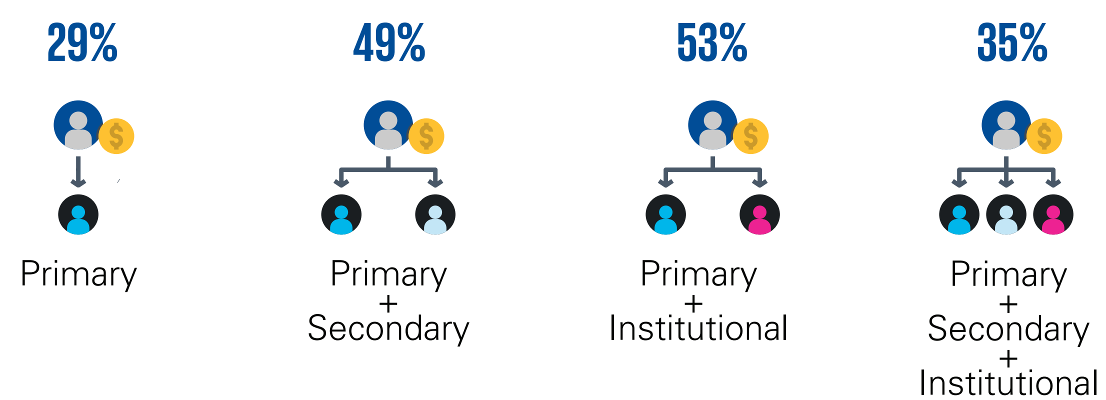
The concept

Stakeholders are defined as 'individuals, organisations or communities those who have a direct interest in the process and outcomes of a project, research or policy endeavour'. Inclusion of stakeholders is a critical element of the project right from the project inception stage. Similar to project planning and implementation stages, inclusion of stakeholders is equally important during the impact assessment stage. Overlooking stakeholder views during impact assessment may lead to misleading or inappropriate outcomes of the impact assessment study. Thus, in an impact assessment, inclusion of stakeholders is a key function to determine the project outcomes.

Stakeholders can be internal or external, primary or secondary beneficiaries and institutional or individual who are impacted by both intended and unintended outcomes of the project. A 360-degree holistic impact assessment exercise can be conducted only through inclusion of all types of stakeholders.

The practice

Fig 1.1 Beneficaries considered for IA study



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 1.1, we can observe that 53 per cent of the companies have prioritised primary and institutional beneficiaries as part of their study. Less than half of the companies have included secondary beneficiaries in the scope of their study. Over one-third of the companies have included primary, secondary and institutional beneficiaries as part of the study. Whereas, 29 per cent have considered only primary beneficiaries to assess the impact of their program.

Primary beneficiaries are individuals or groups who were targeted in the project and are directly affected by it. They are the primary recipients of the CSR project input and all activities conducted under the project are directed towards them.

Secondary beneficiaries are individuals or groups who were affected by the project indirectly. These beneficiaries are not direct recipients of project inputs, yet they receive indirect benefits from it either in short term or long term. They could be members of the community or family members of the target group.

Institutional beneficiaries are key actors in the ecosystem, who most often act as enablers to the project implementation. Institutional beneficiaries can be government or non-government agencies/institutions. Their participation in the project also impacts at a macro level through policies.

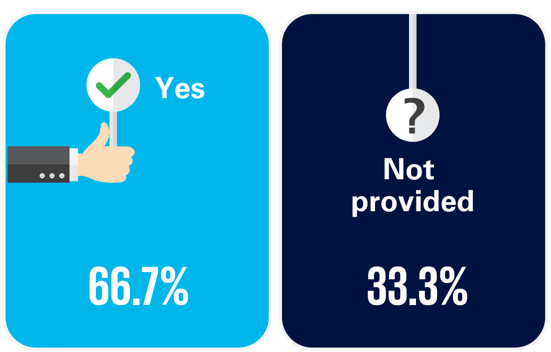
For example, in an early childhood nutrition programme addressing malnutrition being implemented at anganwadis, children attending the anganwadis will be primary beneficiaries. Secondary beneficiaries will be parents of the children and institutional beneficiaries will be the anganwadi centre and local health department who benefit from the programme.

Sample size

The concept

Sample size is an indicator of the size of the research undertaken. Sample size refers to the subset of beneficiaries who participated in the impact assessment exercise. Sampling if undertaken in a scientific manner through statistical approach represents the universe of data. The ideal sample constitutes similar proportion of all variables as in the universe of data. Sample size depends upon the type of the research methodology chosen. Disclosure of sample size in the impact assessment report helps the user understand the nature and scope of study undertaken. It also lends credibility to the study.

Fig 2.1 Sample size provided in IA report



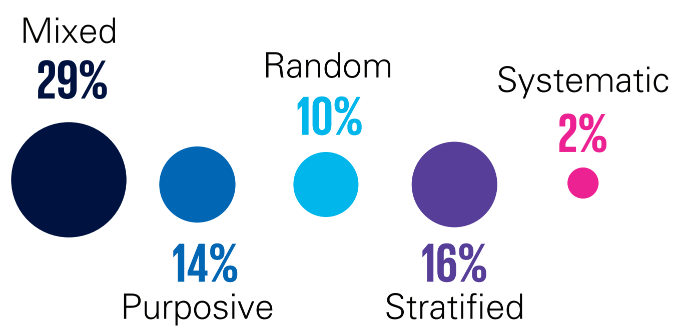
Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 2.1, It can be observed that 67 per cent of the corporates have provided the sample size that was considered for the impact assessment study. A sample size gives a glimpse of the universe that was targeted and was potentially impacted by the project.

Around one-third of the organisations have not disclosed the sample size of the study.

The practice

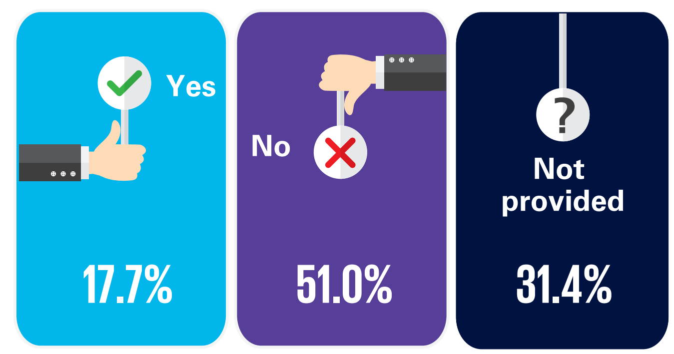
Fig 2.2 Types of sampling



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 2.2, it can be seen that mixed method is the most common type of sampling technique. Mixed method is a combination of two or more techniques. Data shows that stratified purposive and stratified random are two most common types of mixed sampling used by the companies for the study. For example, for an impact assessment study of a lake rejuvenation project, stratified purposive sampling can be households and commercial establishments situated around the lake and stratified random can be men and women from the larger community where the lake is located.

Fig 2.3 Statistical approach followed for sampling



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

Fig 2.3, depicts, more than half of the companies studied have not disclosed the statistical approach and quantitative methods undertaken to assess impact. Only 18 per cent of companies have reported statistical method used to finalise sampling for the study.

The confidence level and margin of error are important indicators of the reliability of the results and should be considered when interpreting the findings of an impact assessment study. Companies should consult with a statistician or research expert to ensure that the appropriate statistical methods are used, and the results are statistically significant.

Tools, framework and methodology

The concept

In an impact assessment study similar to other research exercises, it is important to use the appropriate framework, tools, and methodology to determine reliable results. Structured tools, results framework and choosing the correct methodology gives credibility to the study conducted and legitimacy to the findings of the impact assessment study.

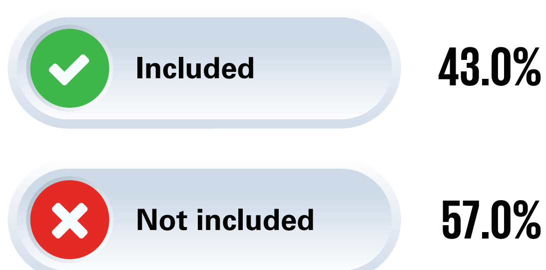
Results framework lays out clearly expected outcomes of the programme. Results can be divided according to the time frame into short term, mid-term, and long-term outcomes.

Various kinds of research tools can be used to conduct impact assessment study. Tools are used to collect data in a structured manner such that all parameters of research to determine the programme impact is being captured. Both quantitative and qualitative research has to be supported by appropriate data collection research tools.

Framework and methodology are the foundations of the impact assessment study based on them all further steps such as creation of tools, selection of beneficiaries, sample size of study among other aspects are determined. Social Impact Assessment (SIA), OECD DAC, SROI, IRIS+ are some of the universally accepted methodologies. Companies Act does not prescribe any particular methodology for impact assessment study. Methodology for impact assessment can be chosen according to the project. Publishing research framework and methodology not only strengthens the impact assessment report findings but also enables the users to consume the information in the report in an effective manner.

The practice

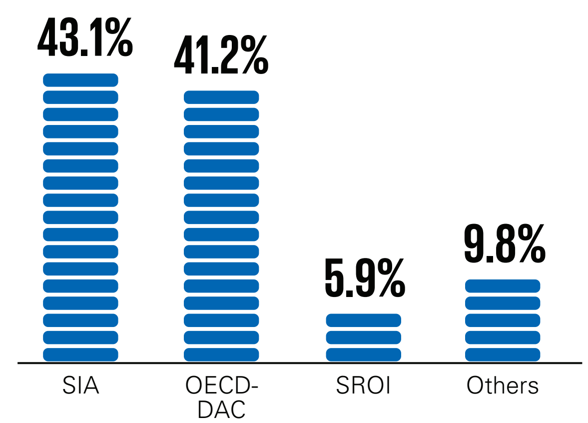
Fig 3.1 Results Framework included in IA report



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 3.1, it can be seen that only one-third of the companies who have provided impact assessment reports have mentioned details on the results framework used for impact study in the report. Rest 49 per cent of the companies have chosen not to report information on the results framework used for the study. Information on results framework helps the readers of the report to understand the various activities taken place, planned short-term and long-term outputs and outcomes, outcome indicators and related information adding more credibility to the report.

Fig 3.2 IA Frameworks/Methodology used for IA study



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

As indicated by the Fig 3.2, Social Impact Assessment and OECD DAC are the two most popular methodologies used to conduct impact assessment study.

Social Impact Assessment is a methodology which considers both long term and short-term benefits. Whereas OECD DAC is a normative framework based on six key evaluation criteria namely, relevance, effectiveness, impact, coherence, efficiency, and sustainability.

A considerable number of companies (6 per cent) tried to evaluate Social Return on Investment in addition to impact generated against desired outcomes of the programme.

Tools, framework and methodology

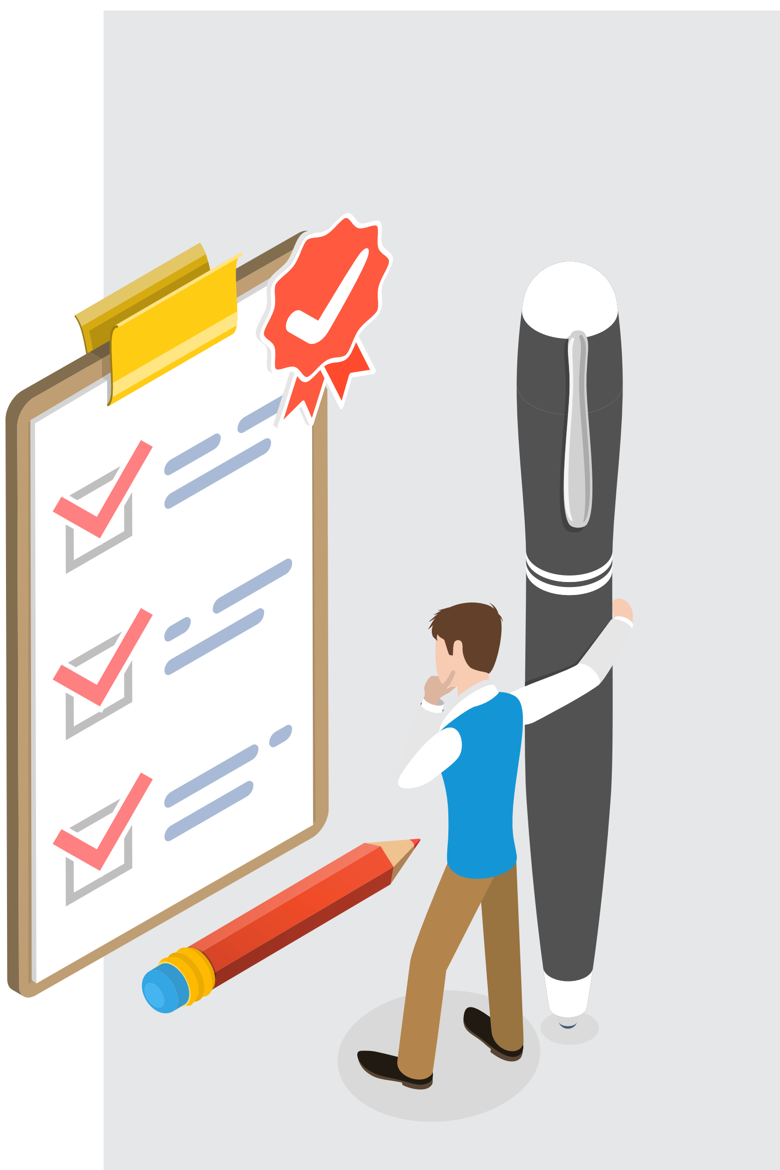
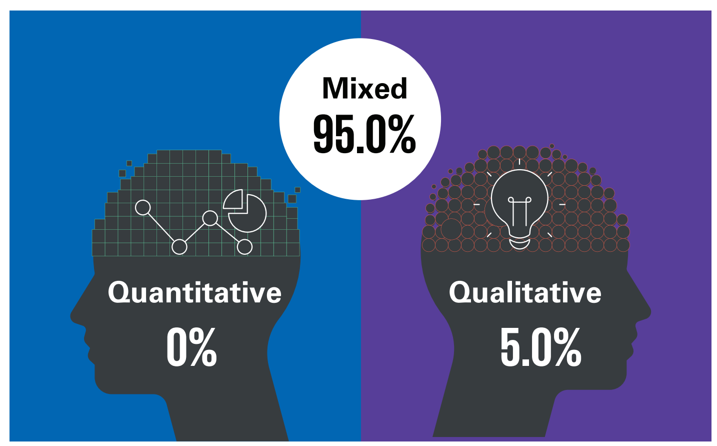


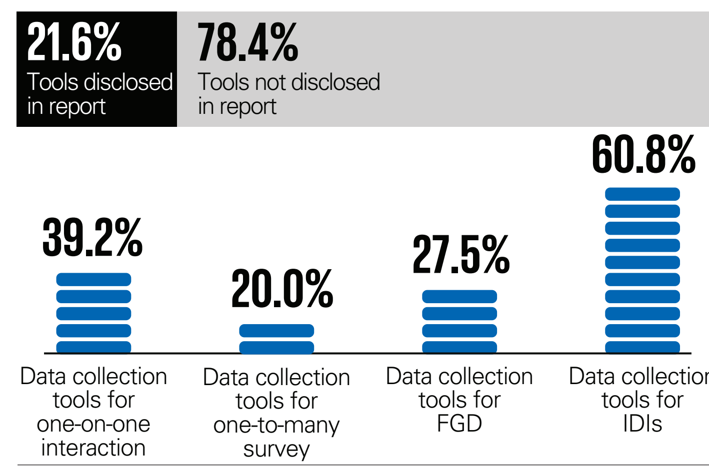
Fig 3.3 Types of research methodology



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 3.3, it can be seen that among the companies that have reported type of research methodology, almost all companies (95 per cent) tried to assess the impact using quantitative as well as qualitative methodologies together. None of the companies chose exclusively quantitative method while 5 per cent have disclosed exclusive use of the qualitative method to conduct the study. Mixed method indicates using quantitative and qualitative research tools to assess the programme impact. Quantitative methods can include regression analysis/ standard deviation to measure impact. Qualitative methods comprise of in-depth interviews and focus group discussions among others to gain insights from the programme.

Fig 3.4 Disclosure on research tools



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

Fig 3.4, shows that only 21.6 per cent of the companies have published data collection tools as part of the impact assessment study.

It indicates that almost two third of the companies have not provided information on tools used for one-on-one, one-to-many and focus group discussions used in the impact assessment study. Whereas 60.8 per cent of companies have ensured to include information on IDI tools in the report.

Research tools provide additional information to the reader of the report about the ways in which data was collected for the study. In the absence of research tools, it is difficult to ascertain the way primary information is gathered and if any secondary research data and anecdotal evidence has also been included as part of the study.

Impact reporting, segmentation, and benchmarking

The concept

Impact reporting not only provides information on the intervention undertaken but also serves as an effective communication tool with shareholders, policy makers and larger civil society about the nature of impact created through the project.

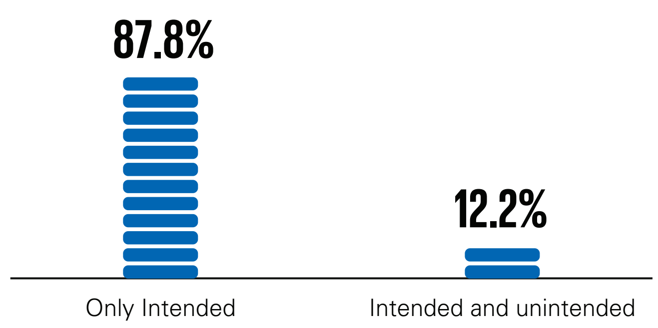
Intended outcomes are outcomes that were expected or planned at the beginning of the CSR project. Unintended outcomes are outcomes that are not expected or foreseen at the beginning of the CSR project planning. They are usually positive or negative outcomes that the CSR intervention did not set out to measure, but that the data suggests impact has taken place. Unintended outcomes may be a result of the way project implementation was undertaken or change in policies or involvement of external stakeholders.

Segmentation of impact under these categories not only provides a broader understanding of the change created but also helps ascertain the true value of the impact generated through the project.

Benchmarking is an exercise where the organisation compares its impact assessment results to similar project indicators or to the indicators which existed before intervention began. Benchmarking serves a dual purpose; it serves as an aspirational goal to pursue for an ongoing long-term project, and it serves as an evaluation tool for the measurable project goals achieved on completion of the project. For example, global UN SDG goals are aspirational goals towards which efforts have to be directed and the gap to be narrowed, and national NITI Aayog index serves as an evaluation tool for comparison with other states or best indicators available in the nation.

The practice

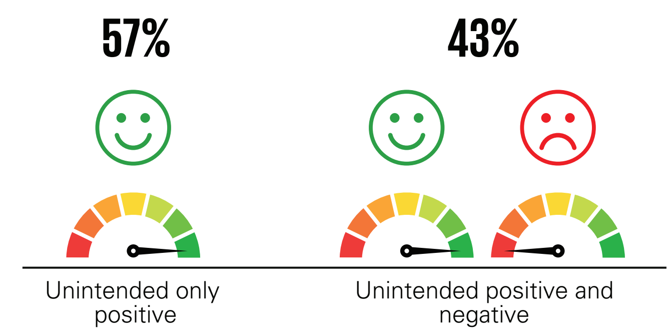
Fig 4.1 Inclusion of intended and unintended outcomes considered for IA study



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

87.8 per cent of the companies (Fig 4.1) mentioned in their impact assessment report only about the unintended outcomes achieved. That is, they have been able to meet the outcomes that the CSR intervention had initially planned. While 100 per cent of the corporates reported achieving intended outcomes, out of those 12.2 per cent chose to go one step beyond to report unintended outcomes as well.

Fig 4.2 Inclusion of Postive and Negative outcomes in IA study



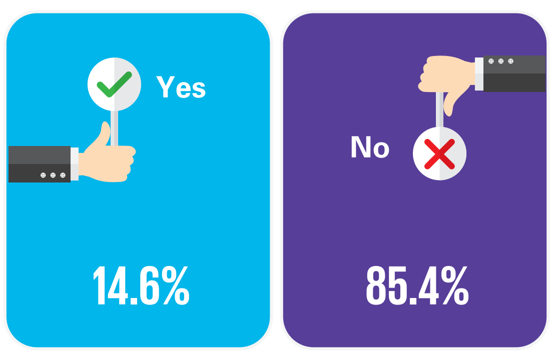
Source: KPMG in India's analysis 2022 based on the NIFTY 250 data.

From Fig 4.2, from the companies who reported unintended outcomes, 57 per cent have talked about the only positive outcomes achieved. Whereas, 43 per cent companies have included the positive as well as negative unintended outcomes in the report.

Negative outcomes are generally difficult to attribute to impact generated on the account of the programme. It occurs when one possibly overlooks the potential risks or does not consider any risk associated to the designed programme.

Impact reporting, segmentation, and benchmarking

Fig 4.3 Completeness of reporting

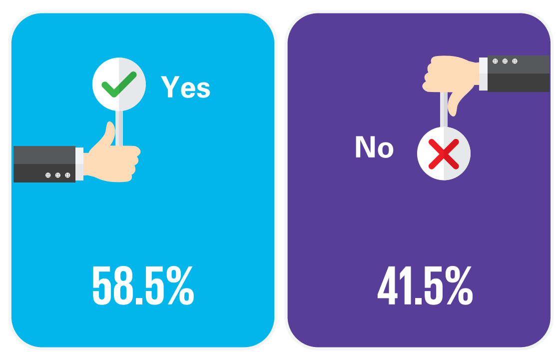


Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

Fig 4.3 indicates that only 14.6 per cent of companies have reported on beneficiaries impacted as well as remained unimpacted as a result of a programme.

Completeness of reporting indicates whether information on 100 per cent beneficiaries have been covered in the report. It is important to include information on change experienced by all segments of beneficiaries to understand varying degrees of impact the project has been able to generate. Impact assessment report tends to focus on the set of beneficiaries who have been benefitted from the programme and ignore other unimpacted beneficiaries. However, providing information on all 100 per cent of the beneficiaries leads to completeness of reporting in all aspects. For example, in a livelihood project if 70 per cent of beneficiaries have reported improvement in their income, to achieve completeness of reporting, report should capture the information on results experienced by the remaining 30 per cent of beneficiaries as well.

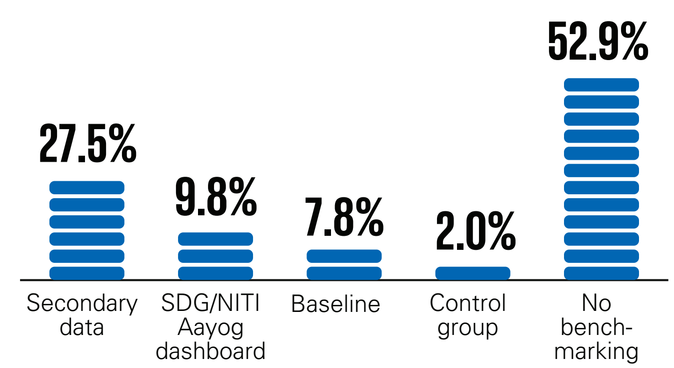
Fig 4.4 Demographic profiling on beneficaries for IA study



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 4.4, it can be seen that 58.5 per cent companies have undertaken segmentation of beneficiaries while reporting impact. The segmentation refers to categorisation of beneficiaries based on the demographic features. The demographic features include age, education level, gender, income levels, religious beliefs among other aspects of the population. This helps to understand the level or degree of impact generated for different segments of beneficiaries the programme is intended towards.

Fig 4.5 Benchmarking undertaken for IA report



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

Fig 4.5 suggests that more than 50 per cent of the companies do not include benchmarking analysis as part of the impact reporting. 27.45 per cent chose to include benchmarking as part of report, comparing impact assessment results with secondary data. Around 10 per cent chose to compare with global or national indicators. Whereas baseline study is used as a benchmarking tool by 7.84 per cent of the companies.

Benchmarking is a best practice recommended by international and national bodies and including it in the impact assessment reports helps the reader of the impact assessment report to build detailed understanding of the degree of impact generated by the intervention undertaken.

Way forward

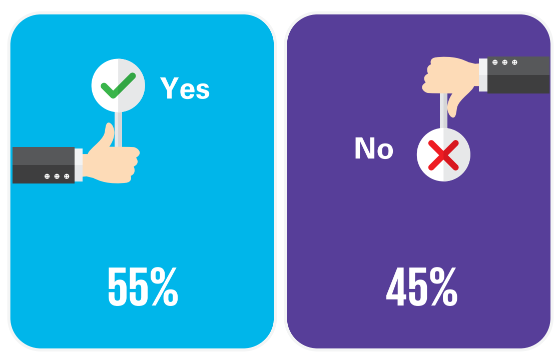
The concept

The way forward is an important section of the impact assessment report as it not only provides the reader with next steps of the project but also provides an understanding of the sustainability of the project and its outcomes. The way forward lays the roadmap for the future based on the project achievements and shortcomings. The reader is able to comprehend the report in a manner such that he/she is consuming the impact study data for future activities. In the absence of a way forward section, the impact assessment report fails to communicate to the user the end goal of the study undertaken and how it will be relevant for future use.

Recommendations on the other hand are learnings based on analysing the results and stakeholder interaction during impact assessment study. Recommendations are a desirable component of the impact assessment report as they encapsulate learnings from project design and implementation which can improved in the future for the same or similar intervention.

The practice

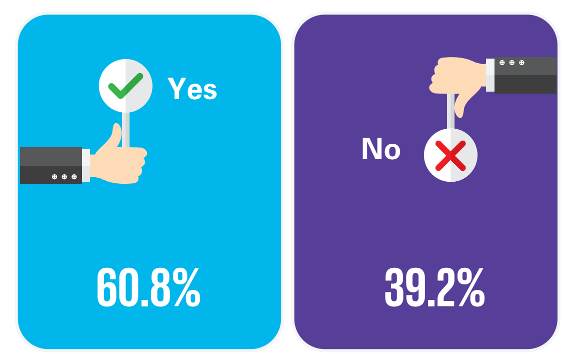
Fig 5.1 Recommendations included in IA report



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 5.1, it can be seen that 55 per cent of the companies have included recommendations as part of the impact assessment study. Recommendations are usually derived out of the analysis and insights from beneficiary interactions. Recommendations can be on multiple aspects of the project like sustainability of the impact, implementation process or pointers regarding maximising project impact.

Fig 5.2 Way forward included in IA study



Source: KPMG in India's analysis based on State of Impact Reporting in India, 2023.

From Fig 5.2, it can be seen that 60.8 per cent of the companies included a way forward section in the impact assessment report.

More than 60 per cent of the companies have stated next steps of the project. This indicates that impact assessment has helped these companies gain understanding of delta change created because of the programme which in turn provided clear vision on the future of the project.

Acknowledgements

Prominent contributors to this document

- Shivananda Shetty
- Jignesh Thakkar
- Gajendra Parmar
- Shruti Parmar
- Shubham Sodhani
- Leeja Pillai
- Naveen Surya
- Afsalsha S
- Sara Khalid Patel
- Prajwal Shinde

Production team

- Shveta Pednekar
- Nisha Fernandes

KPMG in India contacts:

Akhilesh Tuteja
Head – Clients & Markets
E: atuteja@kpmg.com

Shivananda Shetty
Partner and HOF – ESG
E: sshetty6@kpmg.com

Jignesh Thakkar
Partner and Head – Social & CSR
E: jigneshthakkar@kpmg.com

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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.