CSR SPENDS AND BUSINESS INCUBATORS: TRENDS AND SIGNIFICANCE

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ABSTRACT:

With the advent of a Global Buzz “The Sustainable Development Goals” adopted by the United Nations Member Countries in 2015, every nation committed to this noble policy is striding towards better achievement of the same. India is an economy which thrives in all possible means with unique modus operandi to achieve said goals by 2030. The most effective strategy that shows a beacon light towards accomplishing the listed goals is “CSR” initiatives of businesses that formulate a triple bottom line approach of People, Planet and Profit. On the other hand, Entrepreneurship and Startup Ecosystem are observed as key catalyst in promoting economic development and sustainable growth of the country. The momentous decision of the Government of India in the amendment of the Companies Act (Schedule VII) in 2013, mandating CSR spends for the Companies and its crucial move of persuading CSR spends for Technology Business Incubators that promote innovative Startup Ventures, may be perceived as an excellent step forward towards growth and sustainability. This paper aims at studying the current trends of CSR funding towards Business Incubators and the significance it will bring about to the Entrepreneurial ecosystem of the nation.

Keywords: CSR spends, Entrepreneurship, Startup Ecosystem, Sustainable development, Companies Act

INTRODUCTION:

Growth and Sustainability has become key words for any nation in all its spheres, as the global economy is marching towards achieving the “Sustainable Development Goals that have been adopted by the United Nations Development Programme in 2015. The list of around 17 goals administers the performance of all the nations as they form the epicentre of the country’s vision and mission. The goals include – No Poverty, Zero Hunger, Quality Education, Gender Equality, Decent work and Economic Growth, Industry – Innovation-
Infrastructure, and so on. All the nations which have adopted these goals, are working with immense care and concern towards achieving the same. In India, most of these goals have been at their height since time immemorial. Still, there are many of these goals active under “to be achieved” category and form a part of the Vision and Mission of the country. Entrepreneurship in India has been motivated through various measures that would lay a strong foundation to the dawn of ‘ease of doing business in India’. The amendment of Schedule VII (Sec.135) of the Companies Act, 2013, which has been passed in 2014, mandates the 2% spending of the CSR funds for Companies which satisfy certain eligibility criteria. A number of activities that qualify as CSR funding have been listed out of which 90% relate to the vision of Sustainable Development. So it is advocated that the enforcement of the amendment will bring about a wholesome satisfaction in a three tiered structure- Entrepreneurship, Economic growth and Sustainable Development

CURRENT SCENARIO OF ENTREPRENEURSHIP IN INDIA

The Global Entrepreneurship Index Rankings 2018 released by the Global Entrepreneurship Development Institute (GEDI) states that out of the 137 countries studied, India ranks 68th position, middling the performance. As per the Asia Pacific region, India is again in the middle position, 14th out of 28 countries. The leading regional players are Australia, Hong Kong and Taiwan at first, second and third positions respectively. It is noteworthy that India falls below China (9th) and more established regional economies such as Korea (4th) and Japan (6th) in the region. According to the study, India’s strongest performance falls under the criterion of product innovation where its score is equal to the best in the world. This measures a country’s ability and potential to generate new products. India’s strength lies in its ability to identify the opportunities and risk-taking, which in turn links to its capabilities in product innovation and a healthy attitude towards internationalization and seeking new markets beyond the home base. Besides such immense strength, the reasons for India’s middling performance attributes to the under-developed Start up Skills, Cultural Support, networking and technology absorption. India does not perform at the same standard as a number of other countries do in terms of how well entrepreneurs know and connect with each other to share ideas, technical know-how, market connections and to undertake joint activities.

The Government of India is keen in promoting Entrepreneurship development through progressive industrial policies, establishment of Entrepreneurship Development Institutes,
introduction of special schemes like “Start Up India”, “Make in India” etc. This has resulted in emergence of Business Incubators that trains the young and aspiring entrepreneurs with Start up skills and provides the necessary support for them to launch their own enterprises. Yet, as per the aforesaid index, it is evident that there has to be increased attention to the Start Up Skills, cultural support and other required know-how.

START UP ECOSYSTEM & BUSINESS INCUBATION IN INDIA

India is becoming a Start Up hub with 108% growth and over 7200 Start Ups in 2018 according to NASSCOM (Economic times, Oct. 2018) Though there are enough inputs to Young India in Entrepreneurship as a curriculum, the practical application of this subject is at its trial and error stage. This indicates that the Start Ups cannot operate on their own. They require a vacuum where they nurture their potential to flourish up or blossom a business that will be successful and sustainable. Furthermore, they need the support of blood to the business: the finance. The first fever of any entrepreneur is “how to fund the innovative idea back in his brain that will mark the birth of his business venture”. Supplementing this base question, the fear of failure, possibility of developing the prototype, market testing, obtaining customer feedback etc. play a crucial role.

This is the moment that an aspiring Entrepreneur ought to be gifted with an incubation facility, under the care of which, he will be able to move from the phase of idea generation to the phase of product testing and sourcing of funds. The culture of Incubation Centres is at its budding stages in India. The Ministry of Skill Development and Entrepreneurship has encouraged setting up of Incubation Centres in academic institutions that will identify young and aspiring Entrepreneurs who evolve with innovative ideas that can be converted into marketable products. E-Cells and TBIs (Technology Business Incubators) have been established in many universities and academic institutions. India has around 140 Incubators.

The incubation centres or co-working stations indulge in carefully drafting the amateur business idea into a firm business venture in a stage by stage process as explained below.
AMENDMENT TO THE COMPANIES ACT 2013 (SCHEDULE VII)

From the Ministry of Corporate Affairs, it is known that the Companies Act, 2013 has been amended in the year 2014 and the Schedule VII of the Act (Sec.135) states under pt.ix that:

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

(ix) Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and 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 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).

Apart from this, the schedule VII also advocates to qualify the CSR spending in activities relating to eradication of hunger & poverty, promoting education, gender equality, women empowerment, ecological balance, environmental stability etc.
While observing the move of the Government of India amending Schedule VII of the Companies Act in 2014 with mandatory CSR spending of 2% for eligible corporate (i.e. Net worth of 1000 crores or more, turnover of 500 crores or more and Net profit of 5 crores or more) and prescribing the key activities for spending, in comparison to the UNDP sustainable development adopted in 2015, there exists a strong direct relationship between the two. It is thereby implied that on strengthening the CSR spending for the mentioned activities will improve the economic standards of the nation.

The most significant out of it is the CSR spends for business incubation, which will guide as a beacon towards the goal of instilling entrepreneurship spirit among young generations of India by way of empowering Start Ups and there will be increased “ease of doing business” resulting in economic growth, creation of wealth, innovation, job creation, contribution to national income, social change etc. It is suggested that it may be made mandatory for the eligible corporate to spend a minimal share of the 2%CSR spending towards Business Incubation in order to promote Indian Entrepreneurship at the International Platform. In order to enhance National income and other benefits and also to uplift India’s position at the global level.
CONCLUSION:

With increased importance to incubation centres and entrepreneurship, the mandatory CSR spends must be channelized to Technology Business Incubators which will promote the growth of Start up ventures and innovative products. In order for India rank among the top countries in the Global Entrepreneurship ranking, it is highly important for the Government to take all measures to ensure that the CSR spends are utilized to support and facilitate the incubation centres that serve as the backbone of business ventures raising day by day. With the right mentoring, facilities and required resources India can emerge as a World Leader in its Entrepreneurship eco-system which is possible through the CSR funds.

References:

➢ [https://www.msde.gov.in/proposed-scheme.html](https://www.msde.gov.in/proposed-scheme.html)