



# SOEs with Non-commercial Objectives

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- SCOPE is an apex organization pursuing the interests of SOEs in India. Its vision is “To enable member enterprises to be globally competitive...”.
- SCOPE lays great emphasis to enhance standards of Corporate Governance and CSR.
- SCOPE has instituted SCOPE Meritorious Awards on Corporate Social Responsibility & Responsiveness.
- Facilitated CSR Guidelines by organizing interactions with SOEs .
- SCOPE is an institutional Member of UN Global Compact.

## SOEs in Asia

- Constraints of resources in the early stages of economic development in most of the Asian countries led to predominance of SOEs to help governments in fulfilling social obligations.
- SOEs in developing countries have significant non-commercial objectives. Their rationale was:
  - To build the country's infrastructure;
  - Promote self sufficiency in products & services
  - Employment generation
  - Contribution to government revenues
  - Generating surplus for enhancing economic development

## SOEs in India

- SOEs in India commonly known as Public Sector Enterprises (PSEs) were set up with twin objective of economic development and social justice. The focus was also on creation of employment, balanced regional development, ensuring equity and justice to weaker sections of community etc.
- Prime objective was CSR and **profit** Secondary.
- In 1980s the emphasis shifted to commercial aspect which got impetus after the liberalization of Indian economy in 1991.

# Growth of SOEs in India

Parameters	1990-91 Rs. in 100 Cr (\$ Billion)	2000-2001 Rs. In 100 Cr (\$ Billion)	2008-2009 Rs. In 100 Cr (\$ Billion)	Growth (Multiple) 90-91 to 2008-09
Equity Capital	432.45 (9.40)	862.15 (18.74)	1388.43 (30.18)	3.21
Net Worth	602.71 (13.10)	1714.06 (37.62)	5840.72 (126.97)	9.69
Net Profit	22.72 (0.49)	156.53 (3.40)	842.28 (18.31)	37.07
Total Taxes	191.07 (4.15)	555.60 (12.107)	1317.81 (28.65)	6.89
Turnover	1186.76 (25.80)	4582.37 (99.61)	12634.05 (274.65)	10.64
Manpower (million nos.)	2.219	1.742	1.535	-0.7



# SOEs Role in National Economy

•Coal	More than 80 %
•Crude Oil	86.0 %
•Natural Gas	75.3 %
•Thermal Power	42 %
•Hydro Power	38 %
•Nuclear Power	100 %
•Nitrogenous Fertilizers	26.4 %

## SOEs Today

- 44 (of 246) are listed at Bombay Stock Exchange. Hardly 1% contribute 25% of total market capitalization.
- Positive growth even during economic melt down.
- Share of Gross Value addition in SOEs in GDP is 6.50 %.
- 27 % industrial production
- 1/3<sup>rd</sup> Government Revenue
- Industrial production presently rising at 13 %



## Guidelines on CSR

- OECD Guidelines recognizes that “in some cases SOEs are expected to fulfill special responsibilities and obligations for social and public policy purposes... (that) may go beyond accepted norms for commercial activities”.
- SOEs India meet the high standards of CSR and government has issued new guidelines commensurate with:
  - Rapidly changing corporate environment
  - Functional autonomy & operational freedom etc.
  - Expectations of Society
  - Government concern for sustainable growth
- CSR in India reflects integration of business and social process.
- Parallel to business plan and social/environmental concerns.



## Thrust Areas

- Areas related to the business of the SOEs.
- Mostly project based rather than donation, to generate community goodwill, social impact and visibility
- Improvement of ecological conditions
- Skill enhancement and employment generation
- Health/Sanitation/Education
- Emphasis on Sustainable Development

# Funding

The CSR budget created through a Board Resolution as a percentage of net profit:

Types of SOEs Net Profit	CSR Expenditure (% of profit)	Amount at maximum
Less than Rs 100 Cr (\$ 22m)	3% - 5%	Rs. 50 m (\$ 1.08 m)
Upto Rs 500 Cr (\$ 109 m)	2% - 3%	Rs.150 m (\$ 3m)
Above 500 Cr (above \$ 109m)	0.5% - 2%	

- Profit making SOEs about Rs 99,000 Cr (\$ 22 billion). Average 2% contribution about Rs 2,000 Cr (\$ 440 million)

# Monitoring

- Monitoring of the CSR projects is very crucial
- The Board of SOEs to monitor implementation of CSR activities
- SOEs to bring separate paragraph/chapter in the Annual Report.
- Implementation of CSR guidelines as a part of Memorandum of Understanding (MoU)
- Performance of CSR to be monitored by Administrative Ministry/Department
- In MOU guidelines from 2010-11 onwards, 20% for non financial parameters

## Monitoring and Evaluation

- For proper monitoring, companies may appoint a CSR Committee/Social Audit Committee.
- CSR projects should also be evaluated by an independent external agency. This evaluation should be both concurrent and final.

# Common Features of CSR Activities

**A review of the consciously and extensively promoted activities by the Indian SOEs presents a long and impressive inventory. Notable common features are:**

- Undertaking production of goods & services in which India was or is deficient;
- Establishing production or service facilities economically to reduce regional disparities and create employment opportunities in economically backward areas particularly rural side.

## Common Features (contd..)

- Providing inclusive social facilities especially in areas of education, healthcare, sanitation, drinking water & environment
- Producing and supplying essential goods and services and conservation of scarce and non-renewable resources and assistance to social and cultural activities
- Participating/helping during national natural disasters/calamities



