



CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INDIA

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Abstract

Corporate Social Responsibility is how companies manage their business processes to produce an overall positive impact on society. The study considered the CSR spending by selected companies in India during the period of 6 years from 2011-12 to 2016-17. The statistical tool used such as Mean, Standard Deviation and ANOVA. The highest CSR spending was in the order of Education, Health and Rural development sectors in the study period.

Key words: *CSR, Corporate Governance, Economy, Responsibility, Society, Sustainability,*

Introduction

Corporate Social Responsibility is a form of corporate self-regulation integrated into a business mode. CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. Corporate Social Responsibility (CSR) is how companies manage their business processes to produce an overall positive impact on society. CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Whatever the definition is, the purpose of CSR is to drive change towards sustainability's today forms the crux of all corporate activities. A CSR approach can help to improve corporate governance, transparency, accountability and ethical standards. CSR professionals need to balance and recognize the links between the society welfare and the success of the organization. To build a stronger commitment it is important to integrate CSR into key business areas, by identifying and managing the positive and negative impact of business activities on the society.

CSR Audit and other proper monitoring systems are essential to ensure efficient utilization of the CSR expenditure. CSR encompasses four different facets viz., economic, legal, ethical and philanthropic. The social concern must be reflected in its programs undertaken for the betterment of underprivileged people in the society.

Definition of Corporate Social Responsibility

According to UNIDO (United Nations Industrial Development Organization), CSR can be defined as Triple Bottom Line (TBL) approach which can help to gear up the social, environmental and economic growth of country. The vision of CSR is to achieve sustainable developmental growth. The corporate social responsibility is different from charity as the charity is the only donating or making philanthropic activities but CSR is contributing towards the social, environmental, and economic growth of the nation.

The Concept of Social Responsibility is not new to Indian Society. It is as old as Indian Culture and Civilization. The Bhagavad Gita lays utmost emphasis on "Loksamagrah" which means keeping human beings or the world together, regulating them such that they acquire strength from mutual cooperation. "Sarvalokahitam" in Vedic mythology which means "well-being of all stakeholders". In the Global Context, the CSR in the modern form has its roots in the industrial revolution of the 18th century, which took place in UK and the other European countries. In India, the industrialization and independence struggle went on side by side. Consequently the idea of CSR worked with freedom movement, which was mostly dominated by Gandhian philosophy. Mahatma Gandhi advocated the system of trusteeship, which required that property under the control of a private person, the person must regard himself as its proprietor not its master this is derived from the ideal of non-possession influenced by Gandhi and as a result most businessmen in India saw their business empires as a "trust" held in the interest of community at large. In the modern context the term CSR gained in the early 1970's where as by 1990's the concept was fully recognised. Individuals and organizations across the globe started supporting it. This can be underpinned by the fact that in 1977, less than half of the fortune - 500 firms mentioned CSR in their annual



reports, Whereas at the end of 1990, nearly 90 percent of the fortune - 500 firms imbibed CSR as an essential component in their organizational goals, and actively supported their CSR initiatives in their Annual reports.

Growing Importance of CSR

CSR can provide benefit to a company because it forces the leadership to research and implement ways to be a benefit for the society. Apart doing better for society and the planet, CSR can be a significant competitive advantage in today's highly competitive environment.

- **In the interest of enterprises** - CSR gives high benefits to companies in risk management, cost savings, access to capital, customer relationships, HR management, and their ability to innovate.
- **In the interest of the economy** – CSR provides companies more sustainable and innovative, which contributes to a more sustainable economy.
- **In the interests of society** - CSR offers a set of values on which we can build a more cohesive society and base the transition to a sustainable economy.

CSR is not new in India. Ever since its inception corporate like ONGC, IOCL, NTPC, HPCL, BPCL, RELIANCE, HDFC, to name few have been involved in serving the community, through donations and charity events. In India, CSR policy is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. CSR policies within the Act is applicable to companies with an annual turnover of Rs. 1,000 crore and more, or a net worth of Rs 500 crore and more, or a net profit of Rs. 5 crore and more than Rs. 5 crore. According to Companies Act, 2013 Rules, which effect from the fiscal year 2014-15 onwards, also require companies to set up a CSR committee consisting of their board members, including at least one independent director. In India several companies have started thinking that it is a innovative move to take up CSR activities and integrate it with their business process. The main objective of CSR in these days is to optimize the company's overall impact on the society and stakeholders.

Role of CSR to Business

- ✓ Business plays an important role in sustainable development and CSR activities make it attainable.
- ✓ It makes corporate more responsible towards the society by their consideration towards social and environmental issues.
- ✓ When companies function in an economically, socially and environmentally responsible manner, and they do so transparently, it helps them to succeed, in particular through encouraging shared value and social permit.
- ✓ CSR acts as a driving force for an organization to improve their actions towards the society.
- ✓ It is important for companies to understand the importance of operating ethically and not just for earning profits. CSR acts as competitive edge in a today competitive business environment and ensures survival of an organization in the long run.

Key Areas to be Covered For CSR

Health, Job, Education ,Women empowerment, Child care and development, Sanitation, Rural development, Agriculture, Safety and security, Employment, Reformation of slums, Heritage, Sports, Clean Ganga Fund, Swatch Bharath

Types of Responsibility

The following are the four types of responsibility under CSR concept

1. **Economic responsibility:** The main concern of a business is maximizing shareholder's wealth, firm's value & profit which act as foundation for other initiatives.
2. **Legal responsibility:** Company should operate within the framework as per legal provision given by the government.



3. **Voluntary/ Philanthropic responsibility:** This is related with the contribution of the company's resources for the well - being of the society so that quality of life for people around improves.
4. **Ethical responsibility:** This responsibility is related with the moral value of organization having obligation to do what is right.

We can say that business is an economic activity which is developed in the social environment. Now, in the time of globalization when competition & expectation towards corporates are increasing then it is the duty of business organization to take care of the social interest and need of the society. For survival & growth of the business, companies should fulfill its social obligations.

Review of Literature

Alok Kumar Mathur and Aditi Vyas (2012) in their study highlighted the importance of CSR, its role in the pharmaceutical sector and the social initiatives taken up by some of the pharmaceutical companies in varied dimensions. Five pharmaceutical companies were selected for the study. It has come to the fore that the pharmaceutical companies are making considerable contribution to the society in varied spheres, in particular, environment. Other areas of corporate social responsibility are health, education, community care, livelihood & skill development, etc. and are actively involved in social activities or responsibilities other than profit making.

RajaniBhalla (2013) study was confined to various dimensions, features and the impact of CSR on the Indian Corporate Sector i.e. TATA Consultancy Services, Coca Cola India, BHEL and Wipro. She studied the practices followed by select companies in the field of CSR for attaining sustainability. The time period considered by researcher was from 2009-2012. The outcome of her study shows that the companies under study are following the CSR practices in many fields like Education, Community development, Environmental Protection, Energy Conservation, Waste Material Management, Health Management, Waste Management etc. and are trying to encourage CSR awareness among different parts of the society.

Chandanaswal and Poojarani (2014) their study made an attempt to know whether the size of the company affects CSR activities or not. the authors studied the sustainability reports of top 50 selected Indians companies and determined the effect of size of the company i.e. natural log of Total assets on CSR score which is calculated by using 12 sustainability variables such as water, electricity, education, women empowerment, rural development, global compact, sustainability, employee welfare, HIV aids, disaster, health & safety, waste management and used regression analysis technique. They found that Companies are paying more attention to education, sustainability, rural development and health & safety which is the demand of the current scenario. The study concludes that size and CSR score are significant to each other.

Charumathi, PadmajaGaddam, B (2015) made an attempt to understand the status of CSR initiatives and practices made by Maharatna Central Public Sector Enterprises (CPSEs) in India by measuring their CSR disclosure. For this, an original Corporate Social Responsibility Disclosure Index for Maharatna Central Public Sector Enterprises (CSRDI - MRCPSE) was constructed and used. The required data for the period of five years from 2010-2011 to 2014-15 was collected from the annual reports of Maharatna companies using content analysis. It is found that the Maharatna CPSEs focus their CSR initiatives in the areas of education, environment, health and community and rural development as well as the capacity building and skill development.

Laily (2017) attempted to look up the considerable effect the audit committee poses on the earnings management of the manufacturing units in Indonesia. Out of the population of 151 units listed in Indonesian stock exchange, sample of 86 public units have been drawn and regression analysis has been applied to analyze and test the data for the study. There is no such significant effect of audit committee observed on the ground of analysis of data. It is opined that audit committee ensures reliability and fairness of financial reporting and it can only tend to reduce the earnings management practices only if committee do not perform its functions suitably or they are not independent.

Statement of the Problem

Keeping in view with the literature review and mandatory CSR on selected companies in India, the paper aims to explore the spending pattern of Indian Banking sector contributing towards CSR activities. The objective is to identify the present status of CSR spending on Indian companies and to compare the corporate social responsibility spending pre and post enforcement period in India. This will help the companies management to project where they stand when compared to their peers, to help CSR stakeholders to understand how Indian companies have made their CSR spending and aid companies to their future CSR project implementation.

Objectives of Study

- ✓ To overview CSR in India
- ✓ To understand the role, importance and type of responsibilities relating to CSR
- ✓ To examine the CSR practices of companies in India

Research Methodology

The study is based on secondary data taken from the annual reports of companies, presented in graph and tables, collected from 15 companies in India. We have used the capitaline database to select the sample companies and Top 15 BSE companies are selected by market capitalization. The data have been collected in respect of these 15 companies during the 6years' time frame from 2011-12 to 2016-17. We have selected the time period of 3 years before the enforcement, i.e. "pre-enforcement" and 3 years after the enforcement, i.e. "post-enforcement" of the new Act.

Hypothesis

H₀: There is no significant improvement in CSR spending of selected companies from pre and post enforcement period

H₁: There is significant improvement in CSR spending of selected companies from pre and post enforcement period

Analytical Frame Work

Data relating to CSR during pre-enforcement act and post enforcement act have been shown in the table. The data are represented on percentage of CSR spending on the average PAT of immediately preceding 3 years with respect to all 6 years. The percentage of CSR spending on average PAT for all 15 companies for 6 years is taken for the study.

Tools and Techniques

The researcher has attempted to draw conclusion scientifically; accounting, mathematical and statistical tools like ratios, average, standard deviation and covariance are used to achieve the desired objectives. Further, correlation of coefficient has been applied to test the hypothesis.

Table- 3. 4, Growth of Sector Wise CSR Spending During the Post Enforcement Period

Year	Clean Ganga fund	Educati on	Sports	Environ ment	Women Empowe rment	Health	Heritage	Other Sector	PMNRF	Rural Develop ment	Slum area develop ment	Swatch Bharat	Any other Fund	NEC
2014-15	5.47	3188.09	57.61	853.99	189.92	2525.92	117.37	9.5	228.18	1059.34	101.14	113.86	277.09	1338.39
2015-16	32.65	4881.26	137.58	963.22	337.44	4545	117.58	37.15	213.7	1369.52	14.3	324.72	326.88	1065.22
2016-17	24.23	5123.83	172.53	1282.34	434.75	3397	296.85	58.71	150.7	1507.45	49.81	165.09	412.38	388.86
Mean	20.78	4397.73	122.57	1033.18	320.70	3489.31	177.27	35.12	197.53	1312.10	55.08	201.22	338.78	930.82
SD	13.91	1054.57	58.91	222.58	123.27	1012.70	103.56	24.67	41.19	229.51	43.66	109.98	68.43	488.82
CAGR	1.10	0.27	0.73	0.23	0.51	0.16	0.59	1.49	-0.19	0.19	-0.30	0.20	0.22	-0.46

(Amount in Crore) (Source: National CSR Portal)

Table - 3.4 reveals that highest CSR spending by companies for CSR is to Education, Health and Rural development in the year 2014-15 and the amount are being Rs. 3188.09, 2525.92, and 1059.34 crores respectively. The highest CSR spending in the sector of Education, Health and Rural development in the year 2015-16 are Rs.4881.26, 4545 and 1369.52.crores The highest CSR spending in the sector of Education, Health and Rural development in the year 2016-17 are Rs. 5123.83, 3397 and 1507.45 crores respectively. The highest mean value of first 3 ranks are Education, Health and Rural development in the year 2014-17 are Rs. 4397.73, 3489.31, 1312.10 crores respectively. The highest standard deviation value of first three ranks are Education, Health and Rural development in the year 2014-17 are Rs. 1054.57, 1012.70, 229.51 crores respectively.

TABLE – 3.6, Growth of CSR Spending by Selected Companies during Pre and Post Enforcement Period(Amount in Crores)

Name of the companies	TCS	Reliance Industry	ITC	ONGC	Infosys	Coal India	HDFC Bank	ICICI Bank	HDFC	Wipro	HUL	Bharathi Airtel	Tata Motors	Sun Pharma	Larsen &Tourbo
2011-12	51.40	251.27	62.00	121.00	26.00	81.99	0.00	24.00	6.89	0.00	0.00	33.00	15.00	0.00	70.00
2012-13	71.60	351.00	82.34	262.13	10.00	140.13	39.01	116.55	9.13	16.00	52.00	29.56	19.14	4.55	73.20
213-14	93.58	711.72	106.63	341.30	9.00	420.74	70.37	156.00	13.48	16.00	0.00	40.45	17.33	5.04	76.90
2014-15	219	760.58	214.06	495.23	239.54	24.72	188.55	156	49.18	132.7	82.35	41.07	18.62	4.67	76.54
2015-16	294	652	247.5	421	202.3	19.69	195	172	85.7	159.82	92.12	53.47	0	11.65	119.89
2016-17	380	659.2	275.96	525.9	289.44	13.65	305.42	18.2	146.55	186.3	103.88	5.584	25.94	0	100.77
Mean	184.93	564.30	164.75	361.09	129.38	116.82	133.06	107.13	51.82	85.14	55.06	33.86	16.01	4.32	86.22
SD	134.26	209.97	92.06	152.69	128.45	156.64	115.85	69.13	55.57	83.52	45.99	16.12	8.65	4.28	19.79
CAGR	0.49	0.21	0.35	0.34	0.62	-0.30	-	-0.05	0.84	-	-	-0.30	0.12	-	0.08

(Source: Annual reports of company 2011-12 to 2016-17)

Table 3.6 elucidates that the mean value of CSR spending in the pre and post enforcement period varied between 4.32 and 564.30. The standard deviation varied between 4.28 and 209.97. The highest CSR spending by Reliance Industry in the year 2014-15 was Rs.760.58crores. The highest total CSR spending of the Reliance Industry was 3385.77 crores on CSR activities in the year between 2011-12 to 2016-17. The lowest total CSR spending of the Sun Pharma was 25.91crores on CSR activities in the year between 2011-12 to 2016-17.

Table – 3.6.1, Growth of CSR Spending by Selected Companies during Pre and Post Enforcement Period- Paired t test

Pair	of CSR Spending Avg. PAT	Paired difference			t	Sig. (2-tailed)
		Mean	Std.Deviatio n	Std. Error Mean		
Pre & Post	Pre -enforcement to post -enforcement	97.074	149.478	22.283	4.356	0.000

In case of top 15 companies in India, $t = 4.356$ and the P value is $0.000 (< 0.05)$. It indicates that the null hypothesis (H_0) is rejected. Therefore there is a significant improvement in percentage of CSR spending on average PAT from pre- enforcement to post- enforcement period. Because during pre- enforcement period voluntary CSR spending of top 15 companies was very negligible and unspent amount improved significantly over the previous years.

Table -3. 7 Growth of CSR Spending by Selected Companies during Pre and Post Enforcement Period (Source: Annual reports of company 2011-12 to 2016-17).

S. No.	Name of the Company	Pre- Enforcement period				Post- Enforcement period			
		Mean	Rank	Std. Dev.	CAGR	Mean	Rank	Std. Dev.	CAGR
1	TCS	72.19	7	21.10	0.35	297.67	3	80.56	0.32
2	Reliance Industry	438.00	1	242.24	0.68	690.59	1	60.72	-0.07
3	ITC	83.66	5	22.34	0.31	245.84	4	30.98	0.14
4	ONGC	241.48	2	111.59	0.68	480.71	2	53.94	0.03
5	Infosys	15.00	12	9.54	-0.041	243.76	5	43.72	0.10
6	Coal India	214.29	3	181.14	1.27	19.35	13	5.54	-0.26
7	HDFC Bank	36.46	8	35.25	-	229.66	6	65.69	0.27
8	ICICI Bank	98.85	4	67.76	1.55	115.40	8	84.56	-0.66
9	HDFC	9.83	14	3.35	0.40	93.81	10	49.19	0.73
10	Wipro	10.67	13	9.24	-	159.61	7	26.80	0.18
11	HUL	17.33	10	30.02	-	92.78	11	10.78	0.12
12	Bharathi Airtel	34.34	9	5.57	0.11	33.37	12	24.85	-0.63
13	Tata Motors	17.16	11	2.08	0.07	14.85	14	13.37	0.18
14	Sun Pharma	3.20	15	2.78	-	5.44	15	5.86	-1.00
15	Larsen &Tourbo	73.37	6	3.45	0.05	99.07	9	21.73	0.15

Table 3.7 It is clear from that the mean value of CSR spending in the pre- enforcement period varied between 3.20 and 438.00. The standard deviation varied between 2.08 and 242.24. The highest CSR spending by Reliance Industry was Rs. 711.72 crores in the year 2013-2014. Average amount of CSR spending by the first three ranked companies of Reliance Industry, ONGC and Coal India. were Rs. 438, 241.48 and 214.29 corers respectively. The mean value of CSR spending during the post- enforcement period varied between 5.44 and 84.56. The standard deviation varied between 5.54 and 84.56. The CAGR is varied between -0.66 to 0.73 per cent. Average amount of CSR spending by the first three ranked companies of Reliance Industry, ONGC and TCS. were Rs. 690.59, 480.71 and 297.67 respectively.

TABLE –3.7.1, Growth of CSR spending by selected companies during pre and post enforcement period – ANOVA result

Source of Variation	SS	Df	MS	F	P-value
Between Groups	70672.30	1.00	70672.30	2.79	0.106
Within Groups	708704.19	28.00	25310.86		
Total	779376.49	29.00			

Sources: Calculated value of table: 3. 7; Significance level-5%.

It is evident from the ANOVA test that the P value (0.106) is greater than 0.05; Hypothesis rejected or accepted.

1. The highest CSR spending was the sectors of Education, Health and Rural development in the year 2016-17 are Rs. 5123.83, 3397 and 1507.45 crores respectively.
2. The mean value of CSR spending in the pre and post enforcement period varied between 4.32 and 564.30.
3. The top 15 companies in India, $t = 4.356$ and the P value is 0.000 (< 0.05). It indicates that the null hypothesis (H_0) is rejected. Therefore there is a significant improvement in percentage of CSR spending on average PAT from to pre- enforcement to post- enforcement period.
4. The highest CSR spending by Reliance Industry is Rs. 711.72 in the year 2013-2014.
5. The ANOVA result shows that the calculated F value is 0.06. Which is less than the table value 0.94 at 5% level of significance and Hence there is significant difference among the CSR spending during post enforcement period.

Conclusion

The study considered the CSR spending by selected companies in India during the period of 6 years from 2011-12 to 2016-17. The highest CSR spending was in the order of Education, Health and Rural development sectors in the study period. Many positive outcomes of CSR have been noticed by stakeholders and the CSR spending is also growing. ANOVA results show, that there is a significant difference among the pre and post enforcement period for CSR spending. The study recommends, there should be explicit provision of carry forward and spending of unspent money, and carry forward and set off of excess amount spent, within the prescribed time frame and also Companies should disclose the CSR report to the general public periodically.

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