“Corporate Social Responsibility Practices: A Perspective of Companies Listed in India”

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ABSTRACT

Corporate social responsibility covers the relationship between corporations and the society in which they operate. The health, education and environment of the community in which industrial unit is running are important matter for the company, none of the companies can carry out its functions smoothly in an environment which suffers from evils like poor health, illiteracy, polluted environment etc. Thus the company should serve for the upliftment of the society. In India, at present Companies Act, 2013 made it mandatory for every company to spend on CSR activities as defined in schedule VII of Section 135. The current work is an attempt to study CSR practices of the top thirty companies listed in BSE Sensex. The study revealed some crucial facts which shall serve as a guide for policy-making concerning CSR activities. It was found that most of the companies are complying with the requirements of Sec.135 of the companies act, 2013.

Keywords: Corporate Social Responsibility, Companies Act, BSE Sensex, Corporations

INTRODUCTION

There is a history associated with the evolution of the concept of Corporate Social Responsibility (CSR). In the early writings on CSR, it was referred as social responsibility (SR) rather than corporate social responsibility (CSR). The term ‘CSR’ emerged in the 20th century, especially during the past 50 years. Firstly, the social liability of businessman was defined by Bowen (1953) as “it refers to the obligation of the businessman to pursue those
objectives or to follow those policies and to make those decisions which are desirable for the society.” At that time, many countries in the world were facing the menace of unethical business practices and corporate policies. It was the period which marks the beginning of codes and standards on corporate governance and corporate social responsibility encompassing ethical practices of the businesses.

**History of CSR in India**

Socially responsible behavior is deep rooted in Indians; individually every Indian contributes for societal development directly or indirectly. Giving alms to the poor, offering services in the places of devotion like temple, mosque, etc. serving the underprivileged and keeping aside some part of their income for donations or charity are manifestation of socially responsible behavior (Sharma, Agarwal, & Ketola, 2009). Service by corporate entity is inevitable if they can represent the community as individuals.

In ancient times the scope of CSR was confined to social duty or charity but over the period its scope has been widened and it includes many more activities which are required for a holistic development of the society (Gupta, 2007). Similarly various corporates have also been contributing for the welfare and upliftment of the society. Shri JRD TATA who laid great emphasis on serving the society, urged everyone to be responsible towards the society as well as honest citizen of India.

Earlier people never reveal what they were contributing as the Bible says “Even your left hand should not know what your right hand has donated”. That is one of the reasons why these contributions found no place in the Indian accounting system (Sharma et al., 2009). Thus social works undertaken by many people in the past time went+ unrecorded. According to Bhargav RC (2008) “it is the duty of the company to undertake CSR activities because company and society are mutually interdependent on each other. The corporate entities are no longer those economic organizations to earn profits which do not care for general public.”

To be competitive globally, companies have to ensure that they establish themselves with ethical practices base (Firestein, 2006), Similarly (Hillenbrand & Money, 2007) explained that corporate reputation is dependent on corporate responsibility.
Indian Vedas says: “Man can live individually but can survive collectively. Vedas further advocate application of Samastajannanamsukhinobhavantu (maximum welfare of the maximum people).”

1. Eradicating hunger, poverty and promoting preventive health care and sanitation and making available safe drinking water.
2. Promoting education including special education enhancing employment skills.
3. Promoting gender equality, empowering women, setting up homes for women and orphans.
4. Ensuring environmental sustainability, ecological balance and conservation of natural resources.
5. Protection of national heritage and promotion of art and culture.
6. Measures undertaken for the benefits of armed forces, war widows.
7. Promoting sports, rural sports, Olympic sports and Paralympics.
8. Contribution to the PM’s national relief fund and other national funds.
9. Contribution to the funds provided for technology incubators within institutions approved by the central government.
10. Rural development projects.”

LITERATURE REVIEW

Many research studies have been conducted by various researchers in the area of corporate social responsibility. A brief review of the relevant literature regarding corporate social responsibility is given as follows:-

(Sharma et al., 2009) did a brief survey of Indian philosophy that teaches positive values to Indians, which influence their social behavior. The author further analyzed the annual reports of 50 Indian private corporate to show the extent of corporate governance and corporate social responsibility compliance. The study concluded that companies follow the mandatory norms with regard to CSR but for non- mandatory requirements findings are not positive.
(Gupta, 2007) explored the trends of corporate social responsibility in India. It was found that trends in socially responsible behavior are both positive and crucial in India. But despite the signs of progress, CSR is yet to realize its full potential in India.

(Carroll, 1999) studied how the corporate social responsibility concept has evolved over a period of time. It was found that CSR is the product of mainly last 50 years. As we look ahead it is expected that increasing attention will be given to the socially responsible behavior by the corporates.

(P. Aggarwal & Singh, 2018) analyzed the CSR practices of Indian companies in terms of disclosure quantity and quality. Data are collected from the annual reports of the top 60 listed companies in India. Altogether 18 items of the index are not disclosed by the majority of the companies in India. However, study fails to establish any conclusive evidence between SR and profitability.

(Chandra Das, 2009) examined the contribution of centre and state governments in social sector development. Study concludes that though revenue has risen for state and central governments but the social sector did not receive the deserved attention.

(Singh & Mittal, 2019) aimed to address the issue of the implementation of CSR practices in developing economies particularly in India. The findings indicate that pressure from primary stakeholders significantly influence organizational implementation of CSR practices, whereas pressure from secondary stakeholders was found to be insignificant.

(Palakshappa & Chatterji, 2014) explored the concept of CSR in the Indian context. Study found that CSR has always been an important part of societal structure but the benefits of socially responsible behavior could not be recognized to their fullest.

(Narwal & Singh, 2013) aimed to explore the different areas covered by Indian companies and to do a comparative analysis of CSR practices with MNCs working in India. Study found that little difference exists in CSR practices of Indian companies and MNCs in terms of focused areas of CSR.
(Hadfield-Hill, 2014) analyzed the corporate social responsibility practices within the Indian banking industry. Study offers strong evidence that western CSR initiatives have influence on business executives in India.

(Elembilassery & Gurunathan, 2018) the purpose of the study was to assess the CSR implementation practices in India. It was found that different mode of CSR implementations exist and a suitable mode can be chosen as per the organizational need and context of the firm.

(Arevalo & Aravind, 2011) examined how Indian corporations interpret corporate social responsibility and investigated the drivers of CSR and barriers in implementing CSR practices. Study found that profit motive is the significant drivers of CSR and one of the obstacles in implementing CSR practices is the lack of resources.

(George, 2015) examined the CSR and sustainability reporting practices of 200 largest state owned enterprise and private companies in India. The analyses show that most of the companies share information through their websites and overall CSR and sustainability reporting practices showing positive signs.

(Narwal, 2007) studied the CSR initiatives taken by the Indian banking industry. The findings suggested that Indian banking industry has chosen an integrated approach by combining CSR with the ultimate customer satisfaction. Areas of CSR activities undertaken by banks are similar irrespective of location and region.

(Firestein, 2006) tried to find out link between corporations reputation and sustainability. Study advocated that reputation is the stronger determinant of any corporation’s sustainability. But if a firm’s reputation is injured its recovery becomes difficult.

(Wuttke & Vilks, 2014) investigated can poverty alleviation be achieved through CSR practices. Findings suggest CSR practices should be enhanced to meet social needs and contribute to the alleviation of poverty.

(V. S. Aggarwal & Jha, 2019) aimed to find the pressures driving CSR practices. Author proposed an integrative model to help in understanding the antecedents as well as consequences of CSR practices in developing countries like India.
(Ingley, 2008) investigated the attitude of corporate executives towards corporate social responsibility. It was found that corporate board is required to pay increasing attention to the social responsibility and sustainability matters.

Rashid, (2018) aimed to investigate if the corporate governance practices has any influence on ‘Corporate Social Responsibility’ reporting by listed firms of Bangladesh. It was found that ‘corporate governance practices’ do not have any influence on firm CSR reporting.

(Jammulamadaka, 2013) aimed to draw attention to the responsibility of SMEs towards CSR. Findings suggested that SMEs themselves cannot take up this responsibility and government’s intervention is necessary in terms of rules and regulations.

(Singh & Mittal, 2019) seek to investigate relationship between CSR and company’s profitability. It was found that there is little evidence that companies with a code of ethics would generate more economic value added and market value than those without codes.

STATEMENT OF PROBLEM

The review of the literature shows that a hefty amount of research work on corporate social responsibility has been carried out during the previous two decades. However, no major work has been done to explore the spending on different areas of CSR covered by the Indian companies after the inception of Indian companies act, 2013. As companies act, 2013 made it mandatory for specified companies to spend a specific sum on CSR activities. So it becomes necessary to have an analysis of CSR spending on different areas by the Indian companies to see the pattern of CSR spending since 2014. Thus the present study is an attempt to explore the trends of CSR spending in terms of areas covered after the year 2014 (Companies Act, 2013 made applicable) of top 30 companies listed in BSE Sensex.

OBJECTIVE

The study aims to explore the CSR practices followed by the companies in India after the year 2014 and to have an analysis of CSR practices of thirty companies listed in BSE Sensex.

RESEARCH METHODOLOGY
Research Design: The present study follows exploratory cum descriptive research design. The study is entirely based on secondary data.

Sample Design: Study is limited to the thirty BSE SENSEX listed companies. The thirty selected companies are from different sectors and are some of the largest and genuinely represent various industrial sectors of the Indian economy.

Data Collection: The main source of secondary data for the study is published annual reports of 30 BSE listed companies for the year 2014 to 2017.

**CSR spending of companies listed in BSE Sensex (2014-2015)**

**TABLE I**

<table>
<thead>
<tr>
<th>SR no.</th>
<th>CSR activities as defined under sec. 135 of companies act, 2013</th>
<th>Companies Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>1.</td>
<td>Poverty eradication and preventive health care.</td>
<td>26</td>
</tr>
<tr>
<td>2.</td>
<td>Promoting education</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>Promoting gender equality</td>
<td>12</td>
</tr>
<tr>
<td>4.</td>
<td>Environment sustainability</td>
<td>17</td>
</tr>
<tr>
<td>5.</td>
<td>Protection of national heritage, art and culture</td>
<td>9</td>
</tr>
<tr>
<td>6.</td>
<td>Funds for armed</td>
<td></td>
</tr>
</tbody>
</table>
Interpretation: The table I represents the data highlighting the number of companies investing their CSR funds in improving the critical areas of societal development. It is crystal clear from the above data that Poverty eradication; Preventive health care and Promoting education are the top fields wherein around 85% of companies have invested to uplift the society in these areas. The fields of moderate priority are like Environmental Sustainability, Rural Development, Promoting gender equality and Protecting national heritage wherein around 30% to 57% of corporates have invested their CSR funds. Some other fields which could not attract hefty CSR funds from the corporate are like Technology enhancement, National Relief Fund, Promotion of Sports, Benefits for Armed forces. Only 20% of the companies listed in BSE Sensex spent their CSR fund in these areas. The welfare of armed forces and research promotion is the dry areas as they could attract the least attention from the corporates because only one company spent in these areas. The above data shows that there are some areas in which most corporate are investing, but few areas are not getting as much attention. This leads to an uneven distribution of CSR fund build-up through the advent of this novel law in the year 2013. It shows the dire need of governance and guidance to corporate houses for investing CSR funds for the holistic development of the society. Some companies have two or three focused areas for CSR spending. Corporates such as Asian Paints, Axis Bank, Bajaj Finance, Bharti Airtel, Hero MotoCorp, IndusInd Bank, Kotak Mahindra Bank, L&T, SBI, SPIL and Tata Motors are clustered around improving the quality of education and eradication of poverty; it may be due to socio economic condition of

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<tr>
<td>7.</td>
<td>Promotion of sports</td>
<td>5</td>
</tr>
<tr>
<td>8.</td>
<td>National relief fund</td>
<td>5</td>
</tr>
<tr>
<td>9.</td>
<td>Contribution for technology enhancement</td>
<td>1</td>
</tr>
<tr>
<td>10.</td>
<td>Rural development projects</td>
<td>11</td>
</tr>
</tbody>
</table>
the region where these units are located. Some other companies such as Bajaj Auto Ltd., ITC and Tata Steel have equal distribution, their CSR spending cover more than six areas, wherein Bajaj Auto has a uniform distribution covering nine regions. Rest of the companies are following equitable distribution of CSR fund covering around five areas among different activities defined under section 135 of the companies act, 2013.

**CSR spending of companies listed in BSE Sensex (2015-2016)**

**TABLE II**

<table>
<thead>
<tr>
<th>SR no.</th>
<th>CSR activities as defined under sec. 135 of companies act, 2013</th>
<th>Companies Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>N</td>
</tr>
<tr>
<td>1.</td>
<td>Poverty eradication and preventive health care.</td>
<td>27</td>
</tr>
<tr>
<td>2.</td>
<td>Promoting education</td>
<td>27</td>
</tr>
<tr>
<td>3.</td>
<td>Promoting gender equality</td>
<td>13</td>
</tr>
<tr>
<td>4.</td>
<td>Environment sustainability</td>
<td>21</td>
</tr>
<tr>
<td>5.</td>
<td>Protection of national heritage, art and culture</td>
<td>11</td>
</tr>
<tr>
<td>6.</td>
<td>Funds for armed forces</td>
<td>3</td>
</tr>
<tr>
<td>7.</td>
<td>Promotion of sports</td>
<td>10</td>
</tr>
</tbody>
</table>
Interpretation: Table II depicts the data regarding the main focused areas of companies for CSR funding among the different activities as defined in schedule VII of Section 135 in the Companies Act, 2013. It becomes clear from the above data that 90% of companies have invested their fund in Poverty eradication; Preventive health care and Promoting education, so these three are the top fields, companies have chosen for the upliftment of society in these areas. Environmental Sustainability, Rural Development, Promoting gender equality and Protection of national heritage is the fields of moderate priority wherein around 37% to 70% of corporations have invested their CSR funds. Technology enhancement, National Relief Fund, Promotion of Sports, and Benefits for Armed forces are other areas which could not attract thorough attention of the corporates wherein the number of corporate invested are least in number, i.e. less than 30%. Technology enhancement is the area which receives the least fund from the corporates, only 3% of companies have invested their fund for the technology enhancement. The data above shows that there are some areas which attract hefty CSR fund from corporates liberally and in others, very few corporations are investing; this leads to uneven distribution of CSR fund build-up through the advent of this new law in the year 2013. It shows the dire need for governance and guidance to corporates for investing CSR funds in the various fields to uplift the society with a focus on the priority of investment and uniformity among all areas to be uplifted.

CSR spending of Asian paints Ltd., Axis Bank, ICICI Bank, Kotak Mahindra, Maruti Suzuki Ltd., Tata Steel Ltd. and Yes bank is mainly focused around improving the quality of education and eradication of poverty it may be due to socio-economic condition of the region where these units are located, wherein Bajaj Auto and Mahindra & Mahindra are the companies which have an equal distribution of CSR fund covering seven or more fields.
Rests of the companies are following equitable distribution of CSR fund covering around five to six areas among different activities defined under section 135 of the companies act, 2013.

**CSR spending of companies listed in BSE Sensex (2016-2017)**

**TABLE III**

<table>
<thead>
<tr>
<th>SR no.</th>
<th>CSR activities as defined under sec. 135 of companies act, 2013</th>
<th>Companies Disclosure</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>N</td>
</tr>
<tr>
<td>1.</td>
<td>Poverty eradication and preventive health care.</td>
<td>25</td>
</tr>
<tr>
<td>2.</td>
<td>Promoting education</td>
<td>27</td>
</tr>
<tr>
<td>3.</td>
<td>Promoting gender equality</td>
<td>14</td>
</tr>
<tr>
<td>4.</td>
<td>Environment sustainability</td>
<td>22</td>
</tr>
<tr>
<td>5.</td>
<td>Protection of national heritage, art and culture</td>
<td>10</td>
</tr>
<tr>
<td>6.</td>
<td>Funds for armed forces</td>
<td>3</td>
</tr>
<tr>
<td>7.</td>
<td>Promotion of sports</td>
<td>9</td>
</tr>
<tr>
<td>8.</td>
<td>National relief</td>
<td>2</td>
</tr>
</tbody>
</table>
Interpretation: Table III represents the data about the number of companies investing their CSR funds in different critical areas of the societal development as defined in schedule VII of Section 135 in the Companies Act, 2013. In line with the previous two years, it is clear from the table III, providing details about CSR spending of 2016-17, that Poverty eradication; Preventive health care and Promoting education are the top fields wherein around 90% of companies have invested their CSR fund for the upliftment of the society in these areas. Environmental Sustainability, Rural Development, Promoting gender equality and Protection of national heritage are some of the fields of moderate priority wherein around 33% to 73% of companies could spend their CSR funds. Some other domains which could not attract adequate attention from the corporate are like Technology enhancement, National Relief Fund, Promotion of Sports, Benefits for Armed forces wherein the number of corporate invested are least in number, i.e. less than 30%. Contribution to national relief fund is the field which receives the least attention of the corporates in which only 7% of companies have invested their fund.

The data above shows that there are some areas which attract hefty attention wherein most corporates are investing. And others where very few corporates are investing, this leads to uneven distribution of CSR fund build-up through the advent of this novel law in the year 2013. It shows the dire need for governance and guidance to corporate for investing CSR funds in the various fields to uplift the society with a focus on the priority of investment and uniformity among all areas to be uplifted.

Asian paints Ltd., Axis Bank, ICICI Bank, Kotak Mahindra Bank, Maruti Suzuki ltd., Tata Steel Ltd. and yes bank are clustered around improving the quality of education and eradication of poverty and invested most of their CSR fund in these two fields; it may be
due to socio-economic condition of the region where these units are located. Other companies as Bajaj Auto, Hero Motocorp, Infosys, ITC, NTPC, and Power Grid Corp. covering almost all the fields and has invested their fund in seven or more areas for the upliftment of the society, Infosys has an equal distribution of fund covering eight regions. Rests of the companies are following uniform distribution of CSR fund covering five to six areas among different activities defined under section 135 of the companies act, 2013.

Conclusion

If we look at the trend of the previous years (2014-2017), two areas of societal development which receive the maximum attention of corporates and hefty CSR fund of the companies are: Eradicating hunger and poverty and promotion of education. In the year 2014-15, the first year of the mandatory CSR requirements, around 87% companies invested their fund in these two areas, in the year 2015-16 around 90% of the companies and in 2016-17 almost 83% companies preferred these two areas for CSR spending. Some companies such as Asian paints, Axis Bank and Yes Bank have invested the majority of their CSR fund in these two areas. The next area of interest is environmental sustainability, wherein around 70% of companies invested their fund. Least focused areas are contribution for the welfare of armed forces, technology enhancement and national relief fund wherein 10% or fewer companies have shown their interest.

Bajaj Auto, Infosys are some of the companies which have spent their CSR fund covering seven to eight areas of societal development defined under section 135 of the companies act, 2013. Bajaj Auto is the only company which has an equal distribution of CSR fund covering almost all areas consistently during the period of study.

Analysis of the above facts clearly shows that the government needs to identify development areas region-wise, which corporate attention as development needs vary across the region. As a cluster of funds in certain activities can hamper holistic development across different region in the country.
Most of the companies are complying with the mandatory CSR spending requirements. Moreover, there are few companies which are spending more than the mandatory requirements of sec.135 of the companies act, 2013. Although, very few companies were found which could not meet the compulsory target of spending 2 per cent of the average profit of the previous three years?

References:


