

A STUDY ON THE EXPENDITURE INCURRED BY THE VARIOUS INDIAN COMPANIES ON CSR ACTIVITIES

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ABSTRACT

Corporates companies will have to spend 2% of their profits in activities related to Corporate Social Responsibility (CSR) this was made a provision in the Companies Act 2013. The present paper analyses the expenditure incurred by various companies in activities related to Corporate Social Responsibility (CSR). The analysis is done on the basis of number of companies spending on CSR, details of CSR expenditure, amount of CSR spending as percentage of sales and profits. It has been observed that the CSR spending has been very low as percentage of revenue and profits during the phase of voluntary spending. Present study suggests that companies should spend their allocated budget in the social upliftment activities then only the objective of Companies Act 2013 will be full filled in real sense.

KEYWORDS: Corporate Social Responsibility, Companies Act 2013

INTRODUCTION

The concept of Corporate Social Responsibility has emerged over a period of time and has brought a change in the manner in which business activities are being undertaken.

Bowen was one of the first authors who formally defined CSR in 1950s. According to Bowen (1953), "it refers to the obligations of businessmen to desirable in terms of the objectives and values of our society." In the next three or four decades the literature and the concept of CSR widened. Davis (1960) associated CSR with the social power wielded by a firm in the society. It was widely accepted that corporate should achieve economic activities within the broader framework of social norms and interests. In the 1980s, CSR was being moulded into many alternative frameworks, ideas, concepts and themes. These alternative frameworks expanded and environmental themes got included in CSR.

In current scenario, CSR has gone beyond merely charity and donations, and is approached in a more organized way in India. It has become prominent in the Indian business houses because organizations have realized that besides growing their businesses and it is also essential to build trustworthiness and sustainable relationships with the community at large. Companies have CSR teams that prepare specific policies, strategies and goals for their CSR programs and set aside budgets to support them. To encourage the Indian corporations to acknowledge the need for observance of CSR, the Ministry of Corporate Affairs issued National voluntary guidelines on social, environmental and economic responsibilities of business in 2011. In line with these guidelines, the Securities and Exchange Board of India (SEBI) mandated the inclusion of Business Responsibility Reports as a part of the Annual Reports for top 100 listed entities based on market

capitalization at the BSE and the NSE as on March 31, 2012. Another landmark highlighting the prominence of CSR in India as a new trend-setter is the enforcement of the Companies Act 2013 from April 2014. The CSR provisions within the Act (clause 135) is applicable to the companies with an annual turnover of 1,000 crore and more, or a net worth of 500 crore and more, or a net profit of 5 crore and more. The Act encourages the companies to spend at least 2% of their average net profit in the previous three years on the CSR activities. The new rules which are applicable from the fiscal year 2014-15 also require companies to set up a CSR committee consisting of their board members, including at least one independent director. The Act lists out a set of activities eligible under CSR specified in the Schedule VII as: environment sustainability, empowering women and promoting gender equality, education, poverty reduction and eradicating hunger, social business projects, reducing child mortality and improving maternal health, improvement of health, imparting of vocational skills, contribution towards Central and State Government funds for socioeconomic development and relief and other matters as may be prescribed. The companies are not bound to spend only on the above-mentioned activities as a part of its CSR initiative. From time to time, different CSR activities are added to this list by the government.

REVIEW OF LITERATURE

The subject Corporate Social Responsibility has emerged a very important topic for discussion and debate. The academicians, practitioner and professionals all are expressing their views on this subject of contemporary importance. In this section of the paper we are attempting to present some important studies which have been undertaken in this field. There are number of studies which have been taken but we are referring to few of the study. A number of studies have been conducted on CSR practices in various countries (Andrew et al., 1989; Lynn, 1992; Savage, 1994; Gray et al., 1995a, Gray et al., 1995b; Kreuze et al., 1996; Nafez & Naser, 2000). In India, the studies have focused on CSR disclosures and corporate performance and the relationship between CSR activities and the characteristics of the firms. There are also case studies which describe the kind of CSR activities undertaken by corporate. Arora & Puranik (2004) found that CSR activities in India were mostly concentrated around community development and more or less ignored the sustainability focus of CSR activities. Raman (2006) analysed the chairperson's messages for top 50 companies using content analysis and found that development of product and human resources was the main focus of CSR activities. Sahoo and Nayak (2008) emphasized that banks should take pro-active measures in the environmental and ecological aspects as it will result in increased return on investments. Ahmed (2009) reported that education and health related activities in the surrounding areas continued to be the main focus of the CSR activities of the 300 companies covered in their study in India.

Chung et al (2009) found that CSR activities in India are far below the global norms and there is no significant change in the approach of Indian corporates towards CSR activities. Oana Branzci (2010) did a case study on Tata group, which has been engaged in sustainable development on account of changes in the expectations of the stakeholders 'groups. Sharma (2010) found absence of CSR in the annual budgets of corporate in developing countries. Gautam & Singh (2010) carried out an assessment of reporting practices of two hundred forty-five companies against eighteen GRI social indicators using content analysis. They found that CSR is an ad-hoc activity and most companies do not have any well-defined CSR philosophy and CSR is equated with philanthropic activities by most Indian companies. Arevalo & Aravind (2011) concluded that Indian companies are driven by moral motives rather than the profit motives.

Chaudhary et al (2011) used case study method to study the CSR practices of banking and financial institutions in India using both fund based and non-fund based activities. It was found that all banks were engaged in social banking and

priority sector lending. It was observed that only two banks had a prefixed budget for undertaking CSR activities. Bihari & Pradhar (2011) found positive effect on performance and image of banks due to CSR practices. Sharma & Kiran (2012) prepared a list of the various CSR initiatives taken by the Indian companies in recession phase of the business cycle.

Verma & Neha (2012) carried out a study focused on CSR activities of government sector organizations and did a case study on Delhi Metro Rail Corporation. This study without any references states that CSR spending of companies in India for the year 2009-10 was 7.5 billion. Das (2012) used case study method to examine the CSR practices and reporting by Indian corporate in the financial sector. The study concluded that banks have now started building the concept of sustainability into the business model. However the reporting practices are far below global standards. Thus, most studies are focused on the CSR disclosures and case studies about the kind of CSR activities. This paper attempts to study the monetary aspects of CSR activities of Indian companies.

OBJECTIVES OF THE STUDY

The present study has been conducted in order to achieve the following objectives:

- To study the Corporate Social Responsibility (CSR) spending by India companies.
- To analyze the Corporate Social Responsibility (CSR) spending by Government and Private sector companies

METHODOLOGY & DATA COLLECTION

Present study was descriptive in nature and attempts to analyze the amount spend on the Corporate Social Responsibility (CSR) related activities by Indian companies. The sample consists of 100 companies (Annexure I). In the present study India's top 100 companies were ranked 1-100 based on net sales for the financial year 2012 and their Corporate Social Responsibility (CSR) spending. 37 Government and 63 private firms were analyzed. 9 firms were left out of analysis due to their negative PAT. It may be noted here that this data pertains to be period when there was no legal binding regarding the expenditure on CSR activities.

FINDINGS AND DISCUSSION

The 100 companies which were taken for the study 9 firms were left out of analysis due to their negative PAT. Annexure I makes it very clear that the companies from government sector and private sector were selected for the purpose of this paper. The information given in the Annexure I reveal that 37 companies were found to be in government sector and rests of the companies were from the private sector. It is worth mentioning here that as per the new provisions given in the Companies act 2013 each company is supposed to spend 2% of their PAT (Profit after Tax) on the CSR activities. It is hearting to note from the table 1 that only six companies 2 from the government sector and 4 from the private sector were found to be spending more than the budgeted provision on the CSR activities.

Table 1: CSR Spending by the Companies as per the Target

S. No	Name of Company	Revenue(Cr.)	Avg. PAT(cr.)	Actual Spend(cr.)	2% of PAT(cr.)	Org/Type
1	Hindustan Petroleum Corporation	195891	1118	27	22	Government
2	TATA Steel	135976	3895	146	78	Private
3	MMTC	67023	129	3	3	Government
4	JSW Steel	36964	1569	32	31	Private
5	Jindal Steel & Power	22473	3814	88	76	Private
6	Jaiprakash Associates	15651	1396	47	28	Private

Source: Compiled by the Researchers

The information given in the table 2 makes it clear that not all the companies are spending money on the CSR activities. Information given in the table suggests that 42 companies have been found to be spending not even a single penny on the CSR activities. Of such companies more than 50% companies from government sector and 44 % companies were found to be from the private sector. This may be due to the indifferent attitude of the companies towards the CSR activities. It is worth mentioning here that private sector companies are spending less than the government companies. Total 35 companies spent below 50 per cent and above zero per cent. Of such companies number of government sector companies were 11 (31 per cent) and private sector companies were 24 (69 per cent). Total 8 companies spent more than 50 per cent and less than 100 per cent. Of such companies number of government sector companies were 5 (63 per cent) and private sector companies were 3 (37 per cent). Leaving apart the number of companies spending more than targeted 2% of PAT spending on CSR, the performance of private sector companies stood below the government sector companies.

Table 2: CSR Spending of Government and Private Sector Companies

Type of Organisation	CSR Spending as a Per Cent of PAT												
	0 %	(1 to 10) %	(11-20) %	(21 to 30) %	(31 to 40) %	(41 to 50) %	(51 to 60) %	(61 to 70) %	(71 to 80) %	(81 to 90) %	(91 to 100) %	Above 100%	G T
Government	18	1	1	6	2	1	3	1	0	1	0	2	36
Private	24	6	6	6	2	4	0	1	2	0	0	4	55
Total	42	7	7	12	4	5	3	2	2	1	0	6	91
Per cent of Total Firms in the Spending Category													
%age of Total Govt.	43	14	14	50	50	20	100	50	0	100	NA	33	40
%age of Total Pvt	57	86	86	50	50	80	0	50	100	0	NA	67	60
Per cent of Total Firms Included in the Study													
%age of total Govt.	50	3	3	17	6	3	8	3	0	3	0	6	100
%Age of Private	44	11	11	11	4	7	0	2	4	0	0	7	100

Source: Compiled by the Researchers

CONCLUSIONS

Now it has become mandatory to all the companies to spend at least 2% of PAT on the CSR activities. The conclusions which are being presented here are on the basis of the information which was collected prior to the mandatory provisions. Therefore it is difficult to state that how the companies are spending 2% PAT on the CSR activities. The conclusion given below makes it clear that government companies are spending more. Of the non -spending companies, the government sector companies spending nothing on CSR stood higher as compared to private firms. The companies spend below 50 per cent and above zero percent of such companies numbers of government sector companies were less than the private sector companies. Total companies which spend more than 50 per cent and less than 100 percent of PAT government sector companies were more than private sector companies. Companies which spend more than 100% of PAT private sector companies were found to lead government sector companies. Leaving apart the number of companies spending more than targeted 2% of PAT spending on CSR, the performance of private sector companies stood below the government sector companies this may be because of their indifferent attitude towards the spending money on CSR activities. Need of the hour is to educate all the companies to spend more on the CSR activities this is not to be considered as an expenditure but a an investment for enhancing the welfare of the society.

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ANNEXURE I

India's Top 100 Companies were Ranked 1-100 Based on Net Sales for the Financial Year 2012

Figures in Core

S. No	Company Name	Revenue	Avg. PAT	Actual Spend	2% of PAT
1	Indian Oil Corporation	442459	7783	83	156
2	Reliance Industries	369571	21138	288	423
3	Bharat Petroleum Corporation	223315	1438	8	29
4	Hindustan Petroleum Corporation	195891	1118	27	22
5	Tata Motors	170679	8437	15	169
6	Oil & Natural Gas Corporation	151121	23660	121	473
7	State Bank of India	147197	13056	71	261
8	TATA Steel	135976	3895	146	78
9	PNB Gilts	104628	29		1
10	Hindalco Industries	82549	3597	29	72
11	Coal India	78410	11759	119	235
12	Bharti Airtel	71506	6511	33	130
13	MMTC	67023	129	3	3
14	NTPC	66366	9334	49	187
15	Larsen & Turbo	64960	4818	70	96
16	Essar Oil	63428	-201		
17	Mahindra & Mahindra	63030	2948	22	59
18	Mangalore Refinery & Pertochemicals	57214	1066		21
19	TATA Consultancy Services	48894	8935	51	179
20	Bharat Heavy Electricals	50654	5823	37	116
21	Steel Authority of India	51428	5153	61	103
22	GAIL (India)	44861	3891	54	78
23	Sterlite Industries (India)	43116	6831	7	137
24	Chennai Petroleum Corporation	45397	392	3	8
25	Adani Enterprises	29416	1940	14	39
26	ICICI Bank	37995	6366	24	127
27	Punjab National Bank	37447	4460		89

(Contd.,)					
28	WIPRO	37308	5152		103
29	Maruti Suzuki India	40050	2162	12	43
30	JSW Steel	36964	1569	32	31
31	Infosys	33734	71128	36	143
32	State Trading Corporation of India	30905	60		1
33	Canara Bank	30816	3313		66
34	Bank of Baroda	30488	4262		85
35	Ruchi Soya Industries	30332	167	0	3
36	Housing Development Finance Corporation	29930	3608	3	72
37	Bank of India	28611	2301		46
38	HDFC Bank	27606	4108		82
39	ITC	36990	5201		104
40	Tata Power Company	26020	1117	9	22
41	Rajesh Exports	25654	285		6
42	Grasim Industries	27899	3395	16	68
43	Reliance Infrastructure	24181	1229	4	25
44	Hero Motocorp	25235	2179	33	44
45	Hindustan Unilever	24506	2404		48
46	IDBI Bank	23389	1532		31
47	Pertonet LNG	22696	694	0	14
48	Reliance Communication	22133	2423		48
49	AXIS Bank	21995	3347	19	67
50	Aditya Birla NUVO	22232	654		13
51	Suzlon Energy	21359	-926	6	-19
52	Redington (India)	21193	272		5
53	Union Bank of India	21152	1981	6	40
54	HCL Technologies	20831	1778	4	36
55	Bajaj Auto	20541	2709	10	54
56	Idea Cellular	19489	859		17
57	Ultratech Cement	21502	1618		32
58	Central Bank of India	19169	960		19
59	Jindal Steel & Power	22473	3814	88	76
60	Indian Overseas Bank	17897	943	5	19
61	Oil India	17215	2988	50	60
62	Jet Airways	17190	-642		-13
63	Oriental Bank of Commerce	15815	1260		25
64	Allahabad Bank	15528	1486		30
65	Syndicate Bank	15268	1059		21
66	Jaiprakash Associates	15651	1396	47	28
67	MotherSumi Systems	15138	291	1	6
68	Uco bank	14632	1009		20

(Contd.,)					
69	Tata Communications	14196	-674	1	-13
70	Tata Chemicals	14045	870	2	17
71	Videocon Industries	13695	-409		-8
72	Ashoka Leyland	14134	540		11
73	Power Finance Corporation	13075	2695	13	54
74	Corporation Bank	13018	1373		27
75	Siemens	13296	672	1	13
76	Gitanjali Gems	12498	349	3	7
77	Eid-Parry (India)	12646	550		11
78	Shree Renuka Sugars	13178	299		6
79	Indian Bank	12228	1678		34
80	Pantaloon Retail (India)	12212	72		1
81	Apollo Tyres	12902	473		9
82	MRF	13167	519		10
83	Cairns India	11861	5108		102
84	Hindustan Zinc	12061	4823	8	96
85	Andhra Bank	11362	1207		24
86	NMDC	11269	5737	0	115
87	Crompton Greaves	11615	691		14
88	JSW Ispat Steel	12124	-820		-16
89	HCL Infosystems	10856	161		3
90	Rural Electrification Coeperation	10338	2482		50
91	Punj Lloyd	10313	-18	1	0
92	Power Grid Corporation of India	10312	2664	25	53
93	LancoInfratech	10169	474	4	9
94	Ranbaxy Laboratories	10180	-353		-7
95	Shree Ganesh Jewellery House	10121	308		6
96	ACC	11049	1308		26
97	Bhushan Steel	10812	954		19
98	Alok Industries	10019	191	1	4
99	Asian Paints	10872	929	1	19
100	United Spirits	18234	244		5