

A STUDY OF CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES OF MAHARATNA COMPANIES

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ABSTRACT

Every existence is a co existence. A business unit cannot sustain & flourish on its own similarly society also requires the good products and services to enhance the standard of living of its people. Society gives resources and market to the business unit and in return business units are expected to provide society with good quality of products and services. Business Units now are not only morally but also legally required to consider about their social responsibility activities. In a way, it is the need of an hour that if we want equitable development for our nation, transfer of certain benefits and luxury to the economically backward regions is must. Companies Act, 2000 mandates specified business units to utilize a part of their net profit for CSR activities. This research paper tries to find out the CSR activities resorted to by the Maharatna Companies. These are Government Companies with immense potential to expand their market share in India as well as overseas. It would be interesting to know about the Social Accounting practices undertaken by these companies as they may set up a benchmark for other business units of public as well as private sector to undertake or expand their activities in this direction. Attempt is made to study trend of CSR activities taken up and the extent to which they are embodied in the books of accounts. Disclosure pattern followed is also analyzed.

KEYWORDS: *Corporate Social Responsibility, Social Accounting Practices, Disclosure of CSR Activities.*

Introduction

Watts described CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. This is one of the oldest definitions of CSR. Over the period of time the concept of CSR was evolved and enlarged so as to encompass socio-economic development of a country at macro level.

Carroll, 1991 extended the conservative concept of CSR and gave it a broad meaning increasing its scope. Through a pyramid she put forth the 4 dimensions of CSR activities dividing them into – Economic Responsibilities, Legal Responsibilities, Ethical Responsibilities and Philanthropic Responsibilities.

Evolution of CSR in India observed that the most common activities covered by the companies in their CSR included health, education, livelihood, environmental & rural development. In India, the Indian Government mandated the 2013 CSR Act which required the specified business units to follow a “Comply or Explain” rule. It requires a formation of a special CSR Committee that would be required to draft and implement the CSR policy for the business unit. Companies (Corporate Social Responsibility

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Policy) Rules, 2014 lays down a clear code of conduct expected from the business units. Rule 2 of the said policy defines CSR. According to this rule, CSR means and includes but is not limited to:

- Projects or programs relating to activities specified in Schedule VII to the Act ; or
- Projects and programs relating to activities undertaken by the board of directors of a company in pursuance to the recommendations of the CSR committee as per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

Such a mandate is historic in nature and it would be interesting to learn about how the Indian Companies responds to the same. It would be interesting to know about the Maharatna Companies performance in this direction and analysis of their CSR activities.

Literature Review

Brunch, 2005: The concept of social accounting is age old. Earlier, donations were just philanthropic activities performed by corporate on their free will. There existed a concept of corporate philanthropy wherein it was not regarded mandatory to pass on the benefits to the various stakeholders.

An article by S. B. Verma on social accounting practices in public undertakings in India relates to conceptual framework of social accounting with various existing models in context of Indian government corporate.

Visser, 2011: He pointed out the flaws in traditional CSR practices and recommended reforms to create conditions for CSR in real sense. He has identified the following focus area for CSR activities – Economic Value Creation, Good Governance, Societal Contribution and Environmental Integrity.

Om Dutt in his article Social Accounting practices in India observed that a few attempts have been made by some of the companies of both public and private sector to disclose some descriptive as well as quantitative information regarding social activities undertaken. TISCO was the first Indian company to conduct social accounting. ONGC, CCI, SAIL, BHEL, OIL, HAL, IPCL, FCI, IISCL, MUL etc are few of the Indian companies that disclose their social activities and publish them as well. It was also noticed that the disclosures were by way of a notes to account and very limited information is being published. There is lack of common reporting format.

Rupal Tyagi, A. K. Sharma and Vijay Agrawal jointly presented a paper on the empirical evaluation of the critical factors in CSR. They conducted a survey on the basis of primary data through which they identified the three main keystones in Indian CSR viz – Financial Health Keystone, Competency Keystone and Stakeholder Keystone. They recommended formation of a committee on CSR in all the enterprises to adhere to CSR more proactively.

Sanker Sen, 2008: CSR is a multi dimensional concept. "In increasing relevance of CSR in India has stemmed from the fact that business cannot succeed by ignoring the human and social needs of our society." Corporate like Microsoft, HUL, Tata group, Aditya Birla group, IOC etc. have been involved in serving community through donations etc to develop their brand capital through varied CSR activities.

Objectives

- To study the areas in which CSR activities are undertaken by the selected business units.
- To study the pattern of disclosure and accounting of CSR activities undertaken by the business units.
- To study the relation between the age, turnover, capital employed and the return on investment of the business unit and the extent of CSR activities undertaken by them.
- To judge the best company on the basis of CSR performance.

Research design

Descriptive research design is used in this research

Population of the study

All the Public Enterprises comprises of the population of the study. At present there are nearly about 300 Central Public Enterprises in India.

Sample size

Maharatna Scheme was introduced for Central Public Sector Enterprises (CPSEs), with effect from 19th May, 2010, in order to empower mega CPSEs to expand their operations and emerge as global giants. Following CPSEs have been identified as Maharatnas:

- Bharat Heavy Electricals Ltd.
- Coal India Ltd.
- Gail (India) Ltd.
- Indian Oil Corp. Ltd.
- NTPC Ltd.
- Oil & Natural Gas Corp. Ltd.
- Steel Authority of India Ltd.

All of these are comprise of the selected sample frame.

Type of Data

Secondary data is used for the purpose of analysis. It is collected from the annual reports of the selected enterprises for the time period of 10 financial years (2007-08 to 2016-17).

Tools and techniques for analysis

Social Reporting Index is computed using the formula:

$$SRI = \frac{\text{Total Score of Individual Enterprise}}{\text{Maximum Obtainable Score by the Enterprise}}$$

Following basis of social accounting is identified as per Schedule VII laid down by Government of India under the Corporate Social Responsibility Rules & Guidelines:-

- Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and including contribution to Swachh Bharat Kosh set up by Central Government for promotion of sanitation, making available safe drinking water.
- Promoting education, including special education and employment enhancing vocation skills. Especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to clean Ganga fund set up by the central government for rejuvenation of river Ganges.
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional and handicrafts
- Measures for the benefit of armed forces veterans, war widows and their dependents.
- Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports.
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste & the Scheduled Tribes, other backward classes, minorities and women.
- Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- Rural development projects.
- Slum area development.
- Others

The enterprises are then tested on the basis of certain characteristics to find out the relationship between SRI and these characteristics. The characteristics identified are:

- Age of the enterprise
- Capital employed by the enterprise
- Turnover of the enterprise
- Return on investment

Correlation coefficient is calculated to analyze the relationship between SRI and each of the above mentioned company characteristics using the formula:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Data Analysis & Interpretation

Correlation Analysis

- Age & SRI

Company	BHEL	CIL	GAIL	IOC	NTPC	ONGC	SAIL
Correlation	0.79	0.45	0.66	0.74	0.86	0.78	0.72
Type	Strong Positive	Partial Positive	Strong Positive	Strong Positive	Strong Positive	Strong Positive	Strong Positive

Analysis & Interpretation

From the above table in general it can be conferred that there exists a strong positive correlation between the age and the SRI. It can be conveniently assumed that as the enterprise grows old its reserves base also strengthens and in order to return the favor back to the society and consumers for their support the companies would be resorting to more and more CSR activities. The newly formed companies have yet to position themselves in the market and the expectations from them are comparatively on a lower side.

- Turnover & SRI

Company	BHEL	CIL	GAIL	IOC	NTPC	ONGC	SAIL
Correlation	-0.01	-0.36	0.65	0.80	0.75	0.67	0.33
Type	Weak Negative	Partial Negative	Strong Positive	Strong Positive	Strong Positive	Strong Positive	Partial Positive

Analysis & Interpretation

From the above table it can be seen that there exists a positive correlation between the turnover of the company and the SRI in GAIL, IOC, NTPC & ONGC. It is partial for SAIL and negative in CIL & BHEL. Generally it is assumed that a company having good turnover would in turn be doing more CSR activities as compared to the companies with smaller turnover but from the above we can say that in many cases turnover and adherence to CSR is not very closely related.

- Capital Employed & SRI

Company	BHEL	CIL	GAIL	IOC	NTPC	ONGC	SAIL
Correlation	0.72	-0.44	0.69	0.88	0.42	0.66	0.33
Type	Strong Positive	Partial Negative	Strong Positive	Strong Positive	Partial Positive	Strong Positive	Partial Positive

Analysis & Interpretation

In general there exists a strong positive correlation between SRI and Capital Employed by the enterprises. Capital Employed represents the total resources invested by the enterprise. Now these resources are received or collected from the society and hence it bears some logic to link capital employed and SRI. It is quite ethical to realize that higher the resources of society we use, higher is our responsibility towards it. This remains true for BHEL, GAIL, IOC, NTPC, ONGC & SAIL and only in case of CIL the correlation is negative.

- Return on Investment & SRI

Company	BHEL	CIL	GAIL	IOC	NTPC	ONGC	SAIL
Correlation	-0.72	0.57	-0.48	-0.08	-0.94	-0.78	-0.72
Type	Strong Negative	Strong Positive	Partial Negative	Weak Negative	Strong Negative	Strong Negative	Strong Negative

Analysis & Interpretation

From the above tabulations, it can be seen that there exists a negative correlation between SRI and Return on Investment. Return on Investment measures the earnings of the enterprises. Higher profitability indicates the stability of the company and the companies more stable can easily adhere to CSR activities so should be having higher social accounting practices. It is not necessarily true that the companies with high profitability are going to undertake more CSR activities.

(Values of SRI and r are computed separately. For details author may be contacted.)

Limitations

- Only the Maharatna companies are selected for the studies.
- Only the heads of activities under which the social responsibilities are recorded are considered in calculating social reporting index.
- Since all the companies have only resorted to disclosure of the CSR activities the amount actually expended by them is not known for all the years.
- Analysis is done on the basis of SRI which cannot be considered conclusive as in calculation of SRI only the heads under which CSR reporting is undertaken is considered. It does not give emphasis on the amount spent behind CSR. It may so happen that the enterprise might have resorted to only one or two activities but the amount spent is huge.

Finding and Conclusion

From the above observation, analysis & interpretations the following conclusions can be drawn:

- All the selected business units have undertaken corporate social responsibility activities.
- All the selected business units have disclosed their social accounting activities in the Director's Report which forms an integral part of their Annual Report. A separate Annexure to Director's Report is specially dedicated to report the CSR activities undertaken by the Business Units from the year 2014-15 onwards wherein the total amount spent on each activity is also disclosed. However quantified data for the previous years are not available. Only a broad outline of the CSR activities undertaken is given.
- Out of total 12 activities identified, on the basis of the study we can say that the business units have mainly focused only on the following activities:
 - Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and including contribution to Swachh Bharat Kosh set up by Central Government for promotion of sanitation, making available safe drinking water.
 - Promoting education, including special education and employment enhancing vocation skills. Especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
 - Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to clean Ganga fund set up by the central government for rejuvenation of river Ganges.
 - Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports.
 - Rural development projects.
- It was observed that prior to compulsory CSR; there existed some relationship between SRI and Age, Turnover, Capital Employed & Return on Investment. But the relationship is not that strong. Ultimately undertaking CSR activities is more dependent on the philosophy of management than on the performance of the enterprise. But after making it compulsory all the business units have duly abided by the legal requirements in this regards.
- There exist some disparities in disclosure pattern of CSR activities. Each business units have given all the necessary information but we still lack a proper format of disclosure.
- On the basis of detailed analysis of CSR Policy and activities of the business units we can say that from among the selected business units, the most impressive performance is that of BHEL in covering the varied activities, NTPC & ONGC have also shown keen interest in performing well. SAIL's performance is also satisfactory in this direction while the least impressive was that of CIL in terms of disclosure pattern.

It is clearly evident that most of the business enterprises have understood the importance of recognizing their social responsibility and undertake them seriously. However, due to lack of proper format of reporting social expenses, the corporate discloses their CSR activities in a descriptive manner. Only inclusion of details in Director's Report or presentation in Business Responsibility Report cannot be considered adequate and hence the step taken by the government to state the CSR Policy separately,

creation of CSR Committee and earmarking funds compulsorily is a welcome step. In this regard Government may come out with compulsory Social Audit of the selected enterprises whose CSR budgets are very huge say exceeding Rs. 100 Crores.

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