Inspira-Journal of Commerce, Economics & Computer Science (JCECS)
ISSN : 2395-7069 General Impact Factor : 2.4668, Volume 04, No. 02, April-June, 2018, pp. 01-07

CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE BY SELECT INDIAN COMPANIES IN THE CONTEXT OF CSR RULES 2014 – AN ANALYTICAL STUDY

Prof. Nikhil Bhusan Dey*

ABSTRACT

Business organisations are basically social institutions. Business establishment are for the society, by the society and of the society. Almost all civilization centred around business activities. Despite close bonding of business with society, social objectives of business organisations are not appropriately addressed in our academic literature so far. Business houses are utilising the resources from society like natural resources, human resources and financial resources. In turn, these social resources are converted into utility product and services and are being used by the society. The paper examines the pattern of CSR spending by select Indian companies according to their age, location, size and category. 57 sample companies were selected from BSE Top 200 companies and data were collected from Annual Report. In the context of implementation of CSR Rules 2014, their CSR expenditures were compared with the mandatory 2%. The analysis was done according to the industry category, zone-wise, age-wise and size wise. ANOVA has also been done to compare the CSR spending before and after CSR Rule 2014 in respect of industry category, zone-wise, age-wise and size wise.

KEYWORDS: *CSR, ANOVA , CSR Spending, Annual Report, Human Resources, Financial Resources.*

Introduction

Business organizations are basically social institutions. Business establishment are for the society, by the society and of the society. Almost all civilization centered about the business activities. Despite close bonding of business with society, social objectives of business organizations are not appropriately addressed in our academic literature so far. The focus of business literature has been towards profit objective with complete disregard to social objective has nurtured a mindset of conflicts on the issue of social objective and profit objective. Basically social objective and economic objectives are complementary to each other. In the recent years, business and society interrelation has been gradually recognized and a paradigm shift is observed from the old stockholders theory to stakeholders' theory. In the context of growing awareness about the role of business in serving the stakeholders new areas and issues relating to contribution of business towards the society is observed. Inclusion of business ethics, corporate governance and corporate social responsibility in the literature of business studies are some positive steps in this direction. It is observed that management institute and business studies are making managers and entrepreneurs without social touch and with an expectation of economic performance as an indicator of business performance.

The economic objectives are so much highlighted in our studies so that profit, loss, assets, liabilities, capital, financial management, operation, human resource, marketing, etc become important areas for studies. Of late it is observed that Business Ethics, Social Responsibility, Corporate Governance, Environment Management and Reporting, Social Reporting etc has been taken into consideration for studies focusing on social side of the business.

* Professor (Retd.), Department of Commerce, Assam University, Silchar, Assam, India.

Business houses are utilising the resources from society like natural resources, human resources and financial resources. In turn, these social resources are converted into utility product and services and are being used by the society. In the process of use of resources business organizations are using technology, creating employment and many a time causing harm to the environment. Hence, business has a responsibility towards the society not only in terms of providing quality goods and services, creating employment, payment of taxes, etc. they are also expected to participate in other social activities like spread of education, health services, protection of environment, eradication of poverty, etc.

Review of Literature

Vishwanadham and Subramanyam (1986) analyzed the influence of Social Responsibility on the performance of public enterprises and problems involved therein.

Krishnan (1992) examined the attitude of managers towards the need for and rationale of Corporate Social Reporting and Social Auditing models.

Sengupta (1993) enquired how the Indian public enterprises approach social goals in terms of planning, control and appraisal of social obligation/performance and also analysed their involvement in major social action programmes.

Agarwal, (1997) evaluated the status of Social Responsibility Disclosure practices in Indian companies and also examined the difference in Social Reporting Practices of private sector and public sector companies in India.

Baskin and Gordon (2005) studied corporate responsibility practices of emerging market companies and found that there is not a vast difference in approaches to corporate responsibility between companies in high-income OECD countries and their emerging market peers and there is significant diversity in the policies and practices of the emerging country business.

Pradhan and Ranjan (2010) in their article Corporate Social Development in Rural development Sector: Evidences From India studied the CSR initiative by selected public and private sector companies for rural development and observed that most of the companies which designed and implement CSR initiatives in the vicinity of their work and cover entire community and suggest that a company should have a dedicated CSR division with well trained and qualified professional along with mechanism of social audit.

Bayoud, Kavanagh and Slaughter (2012) explored whether company age, industry type and company size have a potential influence on levels of Corporate Social Responsibility Disclosure in the annual reports of Libyan companies. In this study quantitative and qualitative methods were used to collect data to determine the level CSRD in Libyan firms. The quantitative findings revealed that among the selected factors, company age and industry type have only the level of CSRD. However, the qualitative findings revealed that level of CSRD in Libyan companies are positively influenced by the all the selected factors.

Objective of the Study

The objective of the study is to examine the pattern of CSR spending by select Indian companies according to their age, location, size and category.

Methodology of the Study

The present study is empirical in nature and is based on secondary data. The required secondary data have been collected from Annual Reports and Websites of the selected companies. 57 sample companies were selected from BSE Top 200 companies. The availability of the Annual Reports from 2012-13 to 2015-16 were considered for inclusion in the sample. Since, the implementation date of CSR Rule according to the Companies Act. 2013 was 1st April 2014 the Annual Reports were segregated into two parts 'before' and 'after'. The website of the companies were searched and the Annual Reports were downloaded. Out of the Annual Reports of 2012-13 and 2013-14, the Annual Reports of 2013-14 were considered for collecting the data of turnover, profit, CSR spending, net worth, age of the company, region, area of expenditure, etc. In some cases the Annual Reports of 12-13 were considered where Annual Reports of 2013-14 were not available. So far as the after the Companies Act. 2013 the Annual Reports of 2015-16 were mostly included and in some cases where 2015-16 were not available 2014-15 were considered.

This is mainly because the companies are expected to spend the CSR amount more effectively from 15-16 onwards because of initial teething problems during 14-15. In taking the annual report of any one of the two year in prior or after it is felt that there is no substantial change so far as the CSR spending prior to or after 1st April 2014.

Top BSE 200 companies during the year 2014-15 were considered. Since, these are top companies; the CSR spending practices may not reflect the overall corporate structure of India. Out of these 200 companies initially 80 companies were selected on the basis of availability of Annual Reports in the website of the respective companies. Out of these 80 companies there are some mismatches so far as availability of Annual Reports, expenditure and currency related issues and non availability of Annual Reports ultimately 57 companies were finally considered for data analysis. The selected companies are categorized into different industry groups and also according to the age, profit and turnover. Necessary statistical tools have been used like descriptive statistics and ANOVA. The relevant data are entered into Excel and then into SPSS 16.0.

Data Analysis and Discussion

From the sample of 57 companies under study, the data relating to various dimensions and the pattern of CSR spending before the implementation of CSR Rules, 2014 under the Companies Act, 2013 and after the implementation of the Rules are compiled and collected mostly from the Annual Reports of the aforesaid companies as available in the website of the respective companies. An attempt has been made to analyse the data in the present chapter.

Table 1: Category Wise Classification of Sample Companies along with their CSR spending Pattern after the implementation of the CSR Rules 2014

(In INR crores)

Industries	No. of Company	Ave. Profit(of preceding three years)	Mandatory minimum 2% CSR spending	Actually Spent	Difference	Actual Spent in %	Difference in %
Banking	7	2495.75	49.92	30.94	-18.97	1.24	-0.76
Petrochemicals	5	3354.93	67.10	67.21	0.11	2.00	0.00
IT-Software	2	12586.48	251.73	226.90	-24.83	1.80	-0.20
Pharmaceutical industries	6	1181.84	23.64	7.91	-15.72	0.67	-1.33
Electrical, Power Generation & accessories	5	2171.76	43.44	40.70	-2.74	1.87	-0.13
Cement & Construction companies	5	1063.76	21.28	16.67	-4.61	1.57	-0.43
Automobile & Accessories	6	774.92	15.50	16.97	1.47	2.19	0.19
Fast Moving Consumer Goods	4	484.07	9.68	4.36	-5.32	0.90	-1.10
Steel/Sponge Iron/Pig Iron	2	1174.58	23.49	17.08	-6.42	1.45	-0.55
Miscellaneous	15	526.73	10.53	10.09	-0.44	1.92	-0.08
Total	57	25814.81	516.30	438.83	-77.47	1.70	-0.30

All the above sample companies are above the threshold limit for guidelines of CSR expenditure requirement. Accordingly after the implementation of the CSR Rules 2014 the selected companies (sample taken from BSE Top 200 Companies) were required to spend 2% of average profit of preceding three years. The table 1 above reflects the average profit of the companies under each category along with the spending on CSR. The ten categories of companies indicated in the table 1 has been divided into three types based on their CSR expenditure percentage. The first category which has spent 1.8% to 2.2% has been coloured as green. Five categories viz. Automobiles and accessories (2.19%), petrochemicals (2%), miscellaneous (1.92%), electrical and power generation accessories (1.87%) and IT-Software (1.8%) have been identified under green group. The second group comprising cement and construction companies (1.57%), steel pig iron (1.45%) and banking (1.24%) has been categorised as yellow. The third category is below 1% spending has been indicated as red in the table above are FMCG (0.90%) and pharmaceutical (0.67%). On an average it appears that the sample companies had spent approximately 1.7% of the average profit with a short fall of 0.30%. Since the sample companies are selected from top BSE 200 companies in reality many of the companies the unspent balance may be in crores and crores of rupees for which immediate attention is needed.

Table 2: Zone Wise Classification of companies and their CSR spending pattern after the implementation of CSR Rules

(In INR crores)

Zones	No. of Company	Ave. Profit(of preceding three years)	Mandatory minimum 2% CSR spending	Actually Spent	Difference	Actual Spent in %	Difference in %
North India	11	2055.67	41.11	38.314	-2.80	1.86	-0.14
North Eastern India	1	3026.95	60.54	92.210	31.67	3.05	1.05
Eastern India	7	2594.74	51.89	4.540	-47.36	0.18	-1.82
Western India	29	2046	40.92	30.712	-10.21	1.50	-0.50
South India	9	1534.23	30.68	23.272	-7.412	1.52	-0.48

Based on the registered office of the sample company, the companies are classified on the basis of five regions i.e. North, North Eastern, Eastern, Western and South Indian. The CSR spending on an average based on 11 companies of North India is 1.86% which is near the mandatory requirement. The North Eastern although represent the highest CSR spending of 3.05% but cannot be taken as representative since the sample of one company only. In case of Western India and Southern India the CSR spending of the sample companies in percentages are 1.50 and 1.52 respectively. The situation of companies located in Eastern India is a matter of concern with the CSR spending of 0.18% of the average profit.

Table 3: Age Wise Classification of companies and their CSR spending pattern after the implementation of CSR Rules

(In INR crores)

Age (yrs.)	No. of Company	Ave. Profit(of preceding three years)	Mandatory minimum 2% CSR spending	Actually Spent	Difference	Actual Spent in %	Difference in %
Below 20	3	650.56	13.01	8.31	-4.70	1.28	-0.72
20-40	18	2044.25	40.88	36.33	-4.56	1.78	-0.22
40-60	14	3538.39	70.77	47.82	-22.95	1.35	-0.65
60-80	11	1657.03	33.14	22.05	-11.09	1.33	-0.67
80-100	4	730.76	14.62	9.33	-5.29	1.28	-0.72
100& Above	7	1005.07	20.10	2.49	-17.61	0.25	-1.75

From table 3 it appears that companies age of 20- 40 years on an average are spending 1.78% of their average net profit on CSR followed by 1.35% by 40-60yrs age group followed by 60-80 yrs. of age group with 1.33%. Very senior companies with age of 100 years and above seemed to be low performer with 0.25% only. An interesting observation is there that the percentage spent starts with a low of 1.28% of the age group of below 20 yrs. and with an increasing age after 40 years it starts declining.

Table 4: Size Wise Classification of companies and their CSR spending pattern after the implementation of CSR Rules

(In INR crores)

Turnover (Rs. Crore)	No. of Company	Ave. Profit(of preceding three years)	Mandatory minimum 2% CSR spending	Actually Spent	Difference	Actual Spent in %	Difference in %
Below 5000	20	420.50	8.41	7.41	-1.00	1.76	-0.24
5000 to 10000	7	994.88	19.90	20.55	0.66	2.07	0.07
10000 to 20000	11	344.45	6.89	11.93	5.04	3.46	1.46
20000 to 30000	9	2136.13	42.72	24.58	-18.14	1.15	-0.85
30000 and above	10	6845.25	136.90	100.10	-36.80	1.46	-0.54

Table 4 classifies the sample companies on the basis of turnover and it appears that companies with turnover of Rs. 10000-20000 crores had spent 3.46 % of average profit which is much higher than the mandatory requirement. In case of companies with turnover of Rs. 5000- 10000 crores had spent 2.07% of their average profit which little more than the mandatory requirement. 20 companies with an average turnover of below Rs. 5000 crore had spent almost 1.76% of their average profit. Moreover the companies with turnover of Rs. 20000- 30000 and Rs. 30000 and above had spent 1.15% and 1.46% respectively.

Table 5: One Way ANOVA of CSR Spending of all Sample Company
ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	500312.4	56	8934.15	4.993435	0.000
Within Groups	101983.2	57	1789.179		
Total	602295.6	113			

The above ANOVA table indicate the significant value of 'F' is 0.00 which is the P-value corresponding to the test. Since the P-value is less than 0.05, so it can be interpreted that there is significant difference in the pattern of CSR spending among the sample company before and after the Companies Act. 2013 at 5% level of significance.

Table 6: One Way ANOVA of CSR Spending Sector Wise
ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	49548.41	9	5505.379	3.282745	0.039
Within Groups	16770.65	10	1677.065		
Total	66319.06	19			

The ANOVA table indicate the significant value of 'F' is 0.039 which is the P-value corresponding to the test. Since, the P-value is less than 0.05, so it can be concluded that there is significant difference in the pattern of CSR spending among the sector of the selected company before and after the Companies Act. 2013 at 5% level of significance.

Table 7 : One Way ANOVA of CSR Spending Age wise
ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1897.177	5	379.4354	3.542601	0.078
Within Groups	642.6387	6	107.1064		
Total	2539.816	11			

The ANOVA table indicate the significant value of 'F' is 0.078 which is the P-value corresponding to the test. Since, the P-value is more than 0.05, so it can be concluded that there is no significant difference in the pattern of CSR spending among the selected company based on age before and after the Companies Act. 2013 at 5% level of significance.

Table 8: One Way ANOVA of CSR Spending Zone Wise
ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6189.18	4	1547.295	4.044922	0.079
Within Groups	1912.639	5	382.5278		
Total	8101.819	9			

The ANOVA table indicate the significant value of 'F' is 0.079 which is the P-value corresponding to the test. Since, the P-value is more than 0.05, so it can be concluded that there is no significant difference in the pattern of CSR spending among the selected company based on zone wise before and after the Companies Act. 2013 at 5% level of significance.

Table 9: One Way ANOVA of CSR Spending Size Wise
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14421.66	4	3605.414	23.85897	0.002
Within Groups	755.5679	5	151.1136		
Total	15177.22	9			

The ANOVA table indicate the significant value of 'F' is 0.002 which is the P-value corresponding to the test. Since, the P-value is less than 0.05, so it can be concluded that there is significant difference in the pattern of CSR spending among the selected company based on size before and after the Companies Act. 2013 at 5% level of significance.

Summary of Findings

- After the introduction of CSR Rules 2014 the percentage spending on CSR by the automobiles and accessories (2.19%), petrochemicals (2%), miscellaneous (1.92%), electrical and power generation accessories (1.87%) and IT-Software (1.8%).
- The spending on CSR by Cement and construction companies (1.57%), steel/pig iron (1.45%) and banking (1.24%) were observed.
- The pharmaceutical (0.67%) and FMCG (0.90%) had spent less than 1% of their average profit.
- On an average the sample companies had spent approximately 1.7%.
- The companies located in Eastern India is a matter of concern with the CSR spending of 0.18% of the average profit.
- Very senior companies with age of 100 years and above seemed to be low performer with 0.25% only.
- Companies with age group of 20-40 years had spent 1.78% of their average net profit which is one of the highest.
- Companies with turnover of Rs. 10000-20000 crores had spent 3.46 % of average profit which is much higher than the mandatory requirement.
- The test of ANOVA indicates that there is significant difference in the pattern of overall CSR spending among the sample companies before and after the Companies Act. 2013.
- Moreover the test of ANOVA also indicates that there is significant difference in the pattern of CSR spending among the sector of the selected company before and after the Companies Act. 2013.
- The test of ANOVA also indicates there is no significant difference in the pattern of CSR spending among the selected company based on age before and after the Companies Act. 2013
- The test of ANOVA indicates that there is no significant difference in the pattern of CSR spending among the selected company based on zone wise before and after the Companies Act. 2013
- By applying the test of ANOVA it is observed that there is significant difference in the pattern of CSR spending among the selected company based on size before and after the Companies Act. 2013

Suggestions and Conclusion

Some of the important suggestions are given below:

- It is to be ensured that the companies required to spend on CSR as per the Companies Act 2013 are to spend the minimum required amount and if they fail to do so it should be deposited in some common fund to be maintained for the purpose. The details may be worked out by the Ministry of Corporate Affairs, Government of India.
- In order to avoid manipulation some more measures are to be taken diverting the CSR fund by the company themselves for fulfilling their own objective.
- CSR spending should not widen the regional disparities by spending in developed area and lagging behind the industrially undeveloped and underdeveloped area.
- It is necessary to take appropriate measures to ensure that the CSR spending is made by the concerned company under the rule and if they fail to do so penal provisions should be included in the Rules. Simple explanation is not enough.

Social responsibility of business in India has been practiced from time immemorial. In recent years, business ethics and CSR is being practiced by the companies in the context of National Voluntary Guidelines and other measures adopted by SEBI and Govt of India. In addition to that the Companies Act 2013 is a landmark legislation in this regard. It will go a long way for companies to participate for the social cause and it is expected that CSR spending will positively influence in solving social problems which will ultimately address the Triple Bottom Line issues. It will also help in sustainable development of business.

References

- ~ Agarwal, R.S. (1997), "Corporate Social Information Disclosure: A Comparative study", The Management Accountant. Kolkata: ICWAI Calcutta. March Issue.
- ~ Baskin, Jaremy and Gordon, Kathryn (2005), "Corporate Responsibility Practices of Emerging Market Companies- A Fact Finding Study", OECD Working Papers on International investment, 2005/03, OECD Publishing.
- ~ Bayoud, Nagib Salem,Kavanagh, Marie and Slaughter, Geoff (2012), "Factors Influencing Levels of Corporate Social Responsibility Disclosure by Libyan Firms: A Mixed Study", International Journal of Economics and Finance, Vol. 4, No. 4; April. doi:10.5539/ijef.v4n4p13
- ~ Krishnan, C. Gopala. (1992), "Corporate Social Responsibility in India", New Delhi: Mittal Publication.
- ~ Pradhan, Sanjay and Ranjan, Akhilesh (2010), "Corporate Social Responsibility in Rural Development Sector: evidences From India" retrieved from http://www.iiuedu.eu/press/journals/sds/SDS_2010/SSc_Article1.pdf
- ~ Sengupta, Palas. R.,(1993), "Social Performance of Public Enterprises", Delhi: Kanishka Publishers and Distributers.
- ~ Vishwanatham,V and Subromanayam,P. (1986), "Social Responsibility and Performance of Public Enterprises: A Case Study of APSRTC" in Rao, Y.S, Public Enterprises: A State Level Perspective. Delhi: B.R. Publishing Corporation.

❖❖❖