ABSTRACT

The Corporate Social Responsibility is the commitment of the corporates for the equitable growth & sustainable development of the society. Under the new Companies Act, 2013, passed by Parliament in August 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities. In this context the present paper examines the corporate social responsibility spending of the Indian companies. The study also focused on the comparative analysis of Corporate Social Responsibility spending as a percentage of PAT & the transparency score of the Public sector companies & Private sector companies.

The study is based on the secondary data collected from annual reports of the companies & Forbes magazine for the financial year 2011-12. The study revealed that the corporate social responsibility spending is less than 2 % of profit after tax of the Indian companies & also there is no significant difference in the corporate social responsibility spending & transparency score of the Public sector companies & Private sector companies. The findings can assists the policy makers to ensure that the Indian companies increased their Corporate Social Responsibility spending & can be more transparent in disclosure of the Business Responsibility report along with the Annual Report.

Keywords: Corporate Social Responsibility; Public Sector; Private Sector

INTRODUCTION

Businesses are an integral part of society, and have a critical and active role to play in gender equity and women empowerment, Promotion of education, Eradication of extreme hunger and poverty, Reducing child mortality and improving maternal health, Combating HIV-AIDS, malaria and other diseases, Environmental sustainability, Social business projects, contributing funds for disaster management, & Employment enhancing vocational skills.

It is recognized the world over those integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. The performance of an organisation should be judged beyond the financial parameters. The authorities need not only focus on the financial performance but to examine into the CSR performance of the organisation. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

Gandhiji’s concept of ‘trusteeship’ for businesses has been a definitive point in the evolution of CSR, that several well-known institutions of today like BITS Pilani (IIM, Ahmedabad and Physical
Research Laboratory, Shri Ram College Lady Shri Ram College for Girls are the result of CSR programmes undertaken during pre-independence or immediately after independence. In south Murugappa Group and Kuppuswamy Naidu established a number of educational institutions and hospitals, which still sustain and serve the society. There are several other industrialists who contributed towards society, mainly out of their social consciousness.

STATEMENT OF THE PROBLEM

From the past studied it has been found that the contribution on Corporate social responsibility by the Indian companies is very less. The new legislation of Companies Act 2013 requires certain class of companies to spend at least 2% of their three year average annual net profit towards CSR activities. It in this perspective the following study is undertaken to find out CSR spending of the Indian companies.

OBJECTIVES OF THE STUDY

1. To study the Corporate social responsibility spending of Indian Companies
2. To compare the Corporate social responsibility spending of Public sector companies & Private sector companies
3. To compare the CSR Transparency Score of Public sector companies & Private sector companies

REVIEW OF LITERATURE

Chandrakanta Sahoo (2011) studied “Corporate Social Responsibility: Issues and Controversies”. He concluded that CSR in India is restricted to narrowly defined set of people (read as stakeholders), to fixed set of roles (implementing community development projects) and to the approaches with tunnel vision (community development in sectors of health, education etc.). This is more specific to the country like India where for over a century the approach of CSR remained “corporate philanthropy and community development”. There is need to augment the scope of CSR with respect to stakeholders involved, CSR practices of corporations (from isolated, independent community development interventions, to more long lasting initiatives through their association with civil society organizations and government in planning, policy making and implementation of various RD interventions). As it is repeatedly cautioned, the approach of CSR is shifting from ethical to statist approach. It is time for the corporate bodies to take proactive steps, rather than allowing the State to define CSR for them or start reacting to the State’s policies on CSR.

Dean Roy Nash (2012) studied “CSR: contributions of Maharatna Companies of India” & found out that the commitment that has been really made by these companies in the CSR area. The Indian corporate sector is getting tough on CSR spending. It is more likely that CSR spending will be made mandatory in the coming 2012 budget. The gap between public and private companies with regard to CSR spending will be narrowed shortly. In this context the CSR activities of all the Maharatna companies should be taken as an ideal example and motivator by other corporates who wish to indulge sincerely in CSR activities of the country.

Amit Kumar Srivastava, Gayatri Negi, Vipul Mishra, Shraddha Pandey (2012) studied “Corporate Social Responsibility: A Case Study Of TATA Group” & concluded that for bringing back and maintaining the general balance in the economic and social arena it is evident to think deeply and act wisely about CSR. Every business house owe some responsibility towards the society, nation and world in general which provide it with all human, material and natural resources. Considering the long run growth and sustainable development following the norms of CSR, devising new policies and effective implementation is inevitable to bring and sustain a balance between corporate world and society, present generation and upcoming generation, man and nature. As far as the Tata group is concerned, it has gone a long way in fulfilling its duty and responsibility towards the society and the nation. It has reached the masses to elevate their lives, to nurture their dreams and to hone their skills.
justifying the statement of the founder —We do not claim to be more unselfish, more generous and more philanthropic than other people. But we think we started on so und and straightforward business principles, considering the interests of the shareholder, our own, and the health and welfare of the employees, the sure foundation of our prosperity

Gahlot Sushmita (2013) studied “Corporate Social Responsibility: Current Scenario” and concluded that the Clause 135 introduced by the Companies Act 2013 would go a long way in strengthening the social initiatives taken by the companies. Apart from boosting transparency and accountability, it would also open up the avenue for Corporate Social Responsibility Consulting. However, steps are required to be taken to sort out issues of penalties in the event of non-disclosure, scope of Schedule VII, internal controls etc. If the law is followed in true letter and spirit, India Inc. would succeed in discharging its social responsibility in an effective and efficient manner.

Amresh Kumar (2013) studied “Corporate Social Responsibility in Organized Retail: An Insight into the Initiatives of Future group” and found that CSR practices in Indian retail industry specifically in future group are in a formative stage, characterized by being unstructured, informal and sometimes, inconsistent., Future group does not bring out sustainability report / CSR report and dedicated personnel to drive CSR activities are lacking. In contrast, Wal-Mart tends to be more open and sensitive towards CSR, appeared to be more proficient in their stakeholder relations, exhibited higher CSR transparency and structured CSR more consistently. Our analysis revealed that Wal-Mart’s distinct higher interest levels towards global issues, while the Indian retailer in focus Future group emphasizes on local issues. CSR activities pertaining to environmental sustainability (reduction of energy consumption and waste management) need to be focused upon.

Monica Aggarwal (2013) studied “Corporate social responsibility and financial performance linkage evidence from Indian companies” and the studies revealed that sales of the experiment group i.e. companies having high ESG score is higher as compared to that of the control group i.e. companies having low ESG score, while ROA, ROE, PE ratio and BETA of experiment group is not significantly different from that of control group.

Rajeev Prabhakar and Ms. Sonam Mishra (2013) studied “A Study of Corporate Social Responsibility in Indian Organization: An-Introspection” & concluded that Corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in, spending on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders’ objectives.

Sarita Moharana (2013) studied “Corporate Social Responsibility: A Study of Selected Public Sector Banks in India” & found that the selected banks are directly engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. The analysis shows that, these banks are making efforts for the implementation of CSR, but are restricted within certain fields. There is a need for better CSR activities by the banks, which is possible by adding more and more social development issues link with corporate sector.

Eliza Sharma & Dr. Mukta Mani (2013) analysed “Corporate Social Responsibility: An Analysis of Indian Commercial Banks” & the analysis shows that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirements. The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area.

Swati Sharma, Reshu Sharma & Jugal Kishor (2013) studied “Emerging trends in Corporate Social Responsibility in India-A Descriptive study” & it revealed that till 1990s CSR was exclusively dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often
Abhinav International Monthly Refereed Journal of Research In Management & Technology

constrained themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the worth and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been an clear transition from giving as an obligation or charity to giving as a strategy or responsibility. Review of the case studies and work done on CSR by companies in India suggests that the CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

Nowadays corporates are treating CSR as a separate entity and dedicate attention to it. Most of the corporates have a vision and mission statements often at the corporate level or sometimes at the CSR level that compel their CSR initiative. Discussions are made to choose specific issues and initiatives. It has been observed that the areas they choose somewhere relate to their core values. Companies today are increasingly sensitive about their social role. The companies not only concentrate on how they will position their product or how they will sell it but also they have a social strategy because they have started feeling that brands are built not only around good quality of the product; but also around emotions and values that people ascribe to those products.

Abha Chopra & Shruti Marriya (2013)studied “Corporate Social Responsibility and Education in India” & found that there is strong desire to change the current state of education, and of the current less-than-adequate regard for the impact of business on larger societies are, however, prerequisites. India has to restructure the education system at all the levels i.e. elementary, secondary and higher education level. This is possible when the corporates also perform their responsibilities towards society. They are also the consumers/users of trained/skilled manpower produced by the universities. In order to reap concrete benefits they must help these universities /colleges to produce such skilled and trained manpower by providing funds for research and development, organizing various workshops, training and development programs, cross over exchange programs, infrastructural support and last but not least providing facilities for qualitative education that quantitative. The role of CSR in education is thus mitigating the skills gap with considerable experimentation, and learning-by-doing along the way. In this process, the affected individuals, companies, and society at large are likely to benefit.

P D Jose & Saurabh Saraf(2013) studied “Corporate Sustainability Initiatives Reporting: A study of India’s most valuable companies”. The study reveals significant variance in reporting across sectors as well as on the variables reported. The highest reported variables were related to corporate governance, followed by those related to CSR initiatives and measures to improve operational efficiency. Most initiatives in the area of CSR focused on four areas—education, healthcare, community livelihood, and infrastructure development. Operations-related measures included resource conservation (energy, water, paper) and waste management (emissions, solid waste, water). Less than 20% of the companies that were surveyed currently disclose information on sustainability issues related to the supply chain. The sectorial differences in reporting were also striking. The cement, metals and mining, electric utilities, and information technology sectors outperformed the other sectors on most indicators. The realty, telecom and TV, pharmaceuticals, and banking and finance sectors had not disclosed as much as the others did. The study also highlights areas for improvement. Voluntary sustainability reporting was still limited. Disclosures on CSR finances and donations were also nearly non-existent.

Ramendra Singh & Sharad Agarwal(2013)studied “Corporate Social Responsibilty for Social Impact: Approach to Measure Social Impactusing CSR Impact Index” & the study shows that most companies in India engage with local communities near their area of operations, and the beneficiaries of CSR activities are generally the local population. The companies should try to develop scalable models of CSR that can be extended across the nation using local NGO’s in each geographical area, a very helpful resource yet at a low cost. Scalable models will be helpful in expanding the socio-economic impact of CSR activities of the corporate. Larger socio-economic value creation can then be equated as a proxy for legitimacy that goes beyond local communities in the near vicinity of the business operations. But taking a more holistic view of CSR is irreplaceable since currently, in our sample of
companies, we observe that most firms have adopted the same sectors for CSR (e.g., healthcare, or education), and then they spend CSR budgets on a project to project basis (doing some health camps, adopting a village, building a road, maintaining a facility, and so on). Such project to project variations in CSR initiatives is seemingly devoid of a strategy, and also shows a lack of synergy with business operations. An attempt to align the business strategy with CSR strategy will help firms to leverage their CSR expenditures. Therefore, we suggest a directional change in perspective Indian corporates take in planning and strategizing their CSR operations in India.

Akanksha Jain (2014) studied “The Mandatory CSR in India: A Boon or Bane” & found that the mandated 2% CSR investment in the new Indian Companies Bill is a novel solution to India’s social problems. It may not be perfect but it is a product out of necessity for economic justice in India. Corporations in India have failed to take the responsibility for the real cost of their functioning. Many often pollute the environment and run away from human hazards that they invent. 2% CSR policy envisions a system in which each industry would contribute in a manner apt with their expertise. Chemical and oil companies might take environmental and safety initiatives and technology companies might take tech-education initiatives. Thus, in a nutshell, this new policy may turn out to be a boon for both the corporates and the society, propelling India towards the path of equitable and sustainable growth.

Anshul Agarwal (2014) studied “The New Spectrum of Corporate Social Responsibility in Emerging Economies” & concluded that the concept of corporate social responsibility has gained prominence from all street and it is a key success factor and advantageous tool for companies in competitive market. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Thus far, CSR studies have focused on developing-country firms in Asia specially Indian Firms, and little effort has been made to systematically study about CSR spectrum framework in developing Nations. In particular, we investigate businesses have been affected by the crisis in all three CSR areas (Social, Political and economic) and stakeholder issues discussed in Indian Firms. Now a day’s Companies have become aware about the importance of society for longer business. Therefore they are more prone towards the association with these societies as it has been proved.

RESEARCH METHODOLOGY

A. Data Sources and Type

The study is collected based on the secondary sources of data collected through journals, articles & annual report

B. Sampling Units

For analyzing the Corporate social spending a sample of 50 companies is collected from the population.

For comparing the corporate social responsibility spending as a percentage of Profit after tax of Public sector companies & Private sector companies a sample of 16 Public sector companies & 20 Private sector Companies is chosen.

For comparing the transparency score of a sample of Public sector companies & Private sector Companies a sample of 32 Public sector companies & 48 Private Sector Companies is chosen.

C. Data Collection & Classification

To meet the objective the data for the study is collected through annual report of India CSR Report of Socio Research & Reform Foundation (NGO) for the year 2012-13.
D. Statistical Tools Used

\[ \sigma_{\bar{x}} = \frac{\sigma}{\sqrt{n}} \]

\[ Z_{\text{Cal}} = \frac{\bar{x} - \mu_{H0}}{\sigma_{\bar{x}}} \]

Where

\( \sigma_{\bar{x}} \) = std error of the mean

\( \sigma \) = Simplest deviation

\( \bar{x} \) = sample of the mean

\( \mu_{H0} \) = Hypothesized value of the mean

\( n \) = Sample size

\[ Z = \frac{\bar{X}_1 - \bar{X}_2}{S_p \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \]

\[ t = \frac{\bar{X}_1 - \bar{X}_2}{S_p \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \]

\[ S_p = \sqrt{\frac{(n_1 - 1)s_1^2 + (n_2 - 1)s_2^2}{n_1 + n_2 - 2}} \]

Where

\( S_p \) = Estimated standard error of the difference between sample means

\( \bar{X}_1 \) = Mean of sample 1

\( n_1 \) = Size of sample 1

\( s_1 \) = Std deviation of sample 1

\( \bar{X}_2 \) = Mean of sample 2

\( N_2 \) = Size of sample 2

\( s_2 \) = Std deviation of sample 2

E. Limitations of the Study

The study is based on the secondary data collected from the CSR report of Socio Research & Reform Foundation (NGO).
RESULTS AND DISCUSSION

Statement and Testing of Hypothesis

\( H_0 \): Corporate Social responsibility spending of the Indian companies is 2% of the Profit after Tax in the Financial Year

\( H_1 \): Corporate Social responsibility spending of the Indian companies is not equal to 2% of the Profit after Tax in the Financial Year

**Table 1. CSR Spending of Indian Companies**

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Company</th>
<th>n</th>
<th>Mean ((\bar{x}))</th>
<th>Std Deviation (s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indian Companies</td>
<td>50</td>
<td>0.61973</td>
<td>0.746592</td>
</tr>
</tbody>
</table>

**Table 2. Z-Test on CSR Spending of Indian Companies**

<table>
<thead>
<tr>
<th>z- calculated</th>
<th>z- critical ((\alpha = 0.05))</th>
</tr>
</thead>
<tbody>
<tr>
<td>-18.3225</td>
<td>+1.64</td>
</tr>
</tbody>
</table>

The lower limit of the acceptance region is \( z = -1.64 \) & Z calculated > Zcritical, therefore we reject \( H_0 \) & accept \( H_1 \). The Corporate Social responsibility spending of the Indian companies is not equal to 2% of the Profit after Tax in the financial Year.

**Statement and Testing of Hypothesis**

\( H_0 \): There is no significant difference in the Corporate social responsibility spending as a percentage of Profit After Tax of the Public Sector Companies & Private Sector Companies.

\( H_1 \): There is significant difference in the Corporate social responsibility spending as a percentage of Profit After Tax of the Public Sector Companies & Private Sector Companies

**Table 3. CSR Spending of Public Sector Companies & Private Sector Companies**

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Company</th>
<th>n</th>
<th>Mean ((\bar{x}))</th>
<th>Std Deviation (s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Sector</td>
<td>16</td>
<td>1.005613667</td>
<td>0.65226594</td>
</tr>
<tr>
<td>2</td>
<td>Private Sector</td>
<td>20</td>
<td>0.740155</td>
<td>0.827046</td>
</tr>
</tbody>
</table>

**Table 4. T-Test On CSR Spending Of Public Sector Companies & Private Sector Companies**

<table>
<thead>
<tr>
<th>t - calculated</th>
<th>t - critical (34, (\alpha = 0.05))</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.385572416</td>
<td>+2.032</td>
</tr>
</tbody>
</table>

The upper limit of the acceptance region t critical is 2.032, \( t –\) calculated < t critical .So we accept \( H_0 \)& reject \( H_1 \). There is no significant difference in the Corporate social responsibility spending as a percentage of Profit after Tax of the Public Sector Companies & Private Sector Companies.

**Statement and Testing of Hypothesis**

\( H_0 \): There is no significant difference in the CSR Transparency score of the Public Sector Companies & Private Sector Companies

\( H_1 \): There is significant difference in the CSR Transparency score of the Public Sector Companies & Private Sector Companies

**Table 5. CSR Transparency Score Of Public Sector Companies & Private Sector Companies**

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Company</th>
<th>n</th>
<th>Mean ((\bar{x}))</th>
<th>Std Deviation (s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Sector</td>
<td>32</td>
<td>7.125</td>
<td>3.013411</td>
</tr>
<tr>
<td>2</td>
<td>Private Sector</td>
<td>48</td>
<td>5.875</td>
<td>3.226387</td>
</tr>
</tbody>
</table>
Table 6. z-Test On CSR Transparency Score Of Public Sector Companies & Private Sector Companies

<table>
<thead>
<tr>
<th>z- calculated</th>
<th>z- critical (α = 0.05)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.76643</td>
<td>± 1.96</td>
</tr>
</tbody>
</table>

The upper limit of the acceptance region z critical is 1.96, z –calculated< z - critical. So we accept H₀ & reject H₁. There is no significant difference in the CSR Transparency score of the Public Sector Companies & Private Sector Companies.

**CONCLUSION**

The study revealed that the CSR spending as a percentage of Profit after tax of the Indian Companies is not equal to 2 %. Further there is no significant difference in the CSR spending of Public Sector Companies & Private Sector Companies. It also shows that there is no significant difference in CSR transparency score of Public Sector Companies & Private Sector Companies.

The Companies Act, 2013 presents a unique opportunity to stand up to the challenge of providing equal access to opportunities. With a system of proper accountability & transparency it can bring about a remarkable change in the society by making the organisations socially sensitive and responsible.

**SCOPE FOR FURTHER RESEARCH**

- Comparative analysis of CSR Interventions in different sectors by Public Sector Companies & Private Sector Companies.
- Study of CSR linkage with Profitability of the Company.

**REFERENCES**

1. India CSR Report of Socio Research & Reform Foundation (NGO), August 2013.


