

INDIA'S CONTRIBUTION AND IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) FUNDS: A DESCRIPTIVE STUDY

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ABSTRACT

The economic development of a country is marked by its globalization phenomenon that acts as interdependence between Environment and development. India's quest for development especially on rural areas depends widely on corporate as the country is on major Industrial transformation and Globalization. Companies that takes resources from the earth has a responsibility to investment back to make the world a better place. In order to achieve the aforesaid objectives Corporate Social Responsibility (CSR) is made mandatory in India, the first country in the world with legal provision enforced from April 2014. On the other hand the CSR activities help the nation to achieve various Sustainable Development Goals (SDG) framed by United Nations in 2015 that was signed by 193 countries among which India plays a major part. This paper analyzes the amount spent by Indian companies on CSR and sectors that received those investments for the past one year (2019-2020) especially in Tamilnadu.

Keywords: Corporate Social Responsibility, investment, Sectors, Sustainable Development Goals, Top companies

1. INTRODUCTION

A business apart from attracting and retaining customers and stockholders must also follow certain business ethics. Corporate Social Responsibility is a higher version and offspring of business ethics as it focuses more on environmental and sustainability issues than morality. Initiatives taken by a corporation towards the execution of environmental, human rights, philanthropic and economic responsibilities helps a nation to attain greater heights. This paper helps to understand various sectors benefited by the CSR activities of Indian companies that in turn inculcate ethical motives in the mind of present and future entrepreneurs.

1.2 CSR VS SDG

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States on 25th September 2015 in Paris as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The 2030 agenda consisting of 17 SDGs is signed by 193 countries have immense opportunities for the corporate sector's participation. These goals provide a powerful framework for businesses to engage in corporate social responsibility. For example, when an organization defines its CSR focus area on enhancing livelihoods through skill development training of women and youth, it is contributing to various SDGs like creating a means to end poverty, zero hunger, quality education, gender equality and decent work and economic growth.

1.3 Voluntary to Mandatory

The journey of CSR from the nature of voluntary to mandatory has crossed various dimensions. Guidelines were released to encourage corporate companies to voluntarily achieve high standard of corporate Governance on 2009. In 2011, India endorsed UN and mainstreamed National Voluntary guidelines on business responsibility. Based on these guidelines SEBI made the filing of Business responsibility report mandatory on 2012 for top 100 listed companies. The Companies Act with Section 135 under Chapter IX (Account of Companies) enforcing corporate social responsibility was enacted on 2013 that made CSR mandatory from 4th April 2014. The recommendations made by high level committee on CSR framework was reviewed by companies law committee on 2016. The second

high level committee was constituted and the preliminary draft of National Action Plan on Business and Human Rights was released by the Ministry of Corporate Affairs on 2018. National guidelines on business were released and The Companies (Amendment) Bill 2019 was tabled in parliament on 2019.

1.4 Updated CSR

The Ministry of Corporate Affairs, on 22nd January 2021, updated the Companies Corporate Social Responsibility Rules with increased focus on impact assessment. According to the latest amendment, the following expenditure will **NOT** be included in the list of CSR activities:

1. Contribution of any amount directly or indirectly to any political party
2. Activities benefiting employees of the company
3. Activities on sponsorship basis for deriving marketing benefits for its products /services

A company's CSR Policy needs to mandatorily include:

1. List of CSR projects that are approved to be undertaken
2. The manner of execution of such projects
3. The details of utilization of funds for the projects
4. Implementation schedules for the projects
5. Monitoring and reporting mechanism for the projects
6. Details of impact assessment, if any, for the projects undertaken by the company.

The 2021 CSR amendment mandates a company to form a committee on CSR, to frame the CSR policy and submit a report on the Projects approved by the Board

2. METHODOLOGY

2.1 Need of the Study

CSR has become a common practice across industries. This study helps to enhance the knowledge on current CSR practices. It is the need of the hour as the entire world is under a stress due to an unexpected pandemic COVID-19. The contagious disease tremendously disrupted socio-economic circumstances of the planet. With the announcement by the government that any amount donated by companies in support of the fight against COVID-19 will qualify as CSR, majority of companies either contributed to the PM CARES Fund or for various other purposes that contributed in protecting health and preventing hunger of the affected. Therefore awareness on the sectors where, the collected CSR amount is invested is necessary.

2.2 Objectives

1. To analyze the amount spent by various Indian companies on CSR activities
2. To identify the sectors where the collected CSR amount is invested
3. To find the companies and states that tops in CSR.
4. To examine the participation of companies from the state of Tamilnadu in implementing CSR.

2.3 Data collection

The data collection is Secondary with descriptive study and the research tools include reports published in government and non-government websites, Papers from National and International Journals, Magazines etc... In order to reveal more information the collected secondary data is analyzed further using the tool Percentage analysis.

2.4 Review of Literature

A rapid growth in Industrialization in a developing country like India shows the importance of CSR activities in the enhancement of environment and society through investment in predetermined sectors. Past studies on CSR insists that the entrepreneurs of current generation must show much more concern towards CSR practices.

Chaitra R. Beerannavar's Research paper, "Corporate Social Responsibility in India: The need of the hour" attempts to find out whether industries are voluntarily giving back something to the society and the different ethical issues faced in marketing by the Indian companies during their non compliance with CSR. The paper concludes that only

successful Companies in India value social responsibility and acts as social entrepreneurs.

The research article, "Corporate Social Responsibility: An Indian Perspective" by Premlata and Anshika Agarwal explains how a company differs from its rivals through CSR policy and various limitations of CSR policy. The paper put forth CSR measures taken by certain companies for societal welfare.

Ashish Baghla (2018), article "Corporate Social Responsibility Practices in India: A Study of Few Companies" in Journal of Advances and Scholarly Researches in Allied Education contemplates the problems and challenges faced by Indian companies in implementing CSR. The paper also suggests that a company must concentrate more on health, education and clean India mission while implementing CSR

Desti Kannaiah, Jeyakumar (2018) article, "Impact of Corporate Social Responsibility (CSR) Practices on Consumer Behavior (with Reference to FMCGs in Tamil Nadu)" categorize the consumer into three clusters based on CSR performance behaviour. The paper also concludes that CSR must reach the people of rural areas to a maximum extent.

The article "Corporate social responsibility practices in Tamil Nadu Newsprint and Papers Limited (TNPL), Karur district, Tamil Nadu" by Sahila, Senthil Kumar and Prakash recommends the extension of CSR activities in less privileged states to avoid huge differences between urban and rural India in terms of healthcare facilities, education levels, infrastructure, housing, nutritious food, awareness on their rights of protection etc...

3. CSR IN INDIA

3.1 CSR investment by States

The report published by the government of India for the past six years clearly reveals the states that tops in CSR expenditure. Figure 1 shows the overall position of states by summarizing the amount spent on CSR for the past five years. Though there was an increase in the year 2018-19 on comparing, almost all the states showed a decreasing trend in the year 2019-2020. Fig 2 shows the investment by states for the year 2019-2020

Figure 1

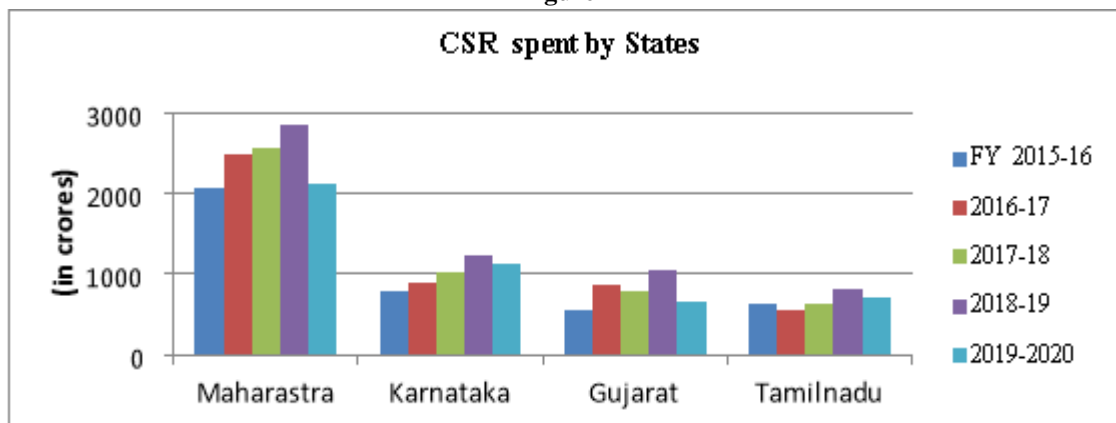
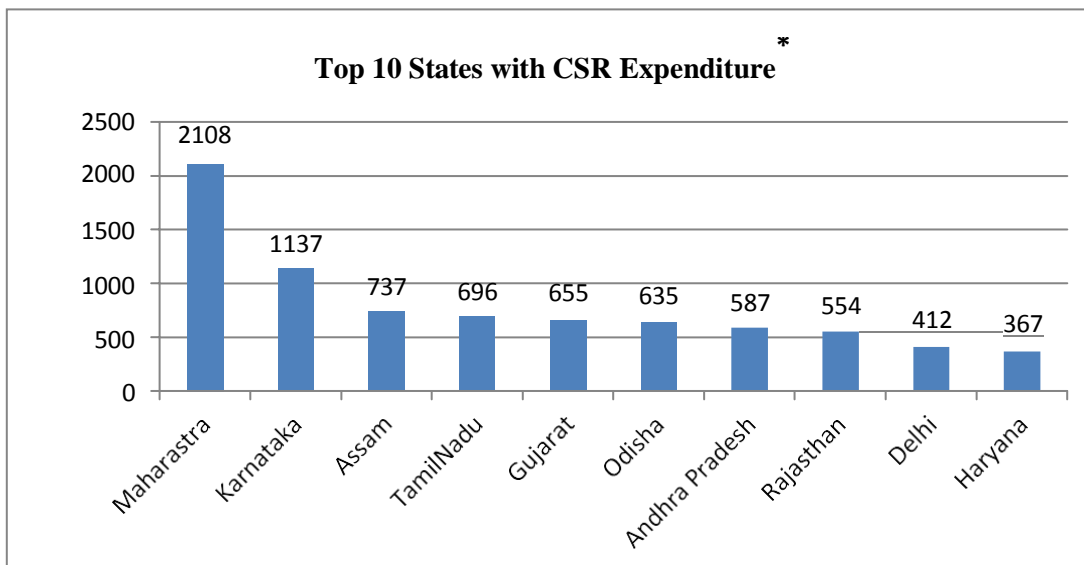


Figure2 (FY 2019-2020)

incrores



From Fig. 2 it is inferred that the state Maharashtra, aptly called the gateway of India which is one of the India’s biggest commercial and industrial centers garnered the lion’s share of CSR’s expenditure. Gujarat followed closely in third after Karnataka and Tamilnadu has taken the fourth position.

3.2 Sector-wise investment in India (FY 2019-2020)

The government of India has devised 14 different sectors with sub sections in which the CSR amount is invested and among the sectors Education received more funds (Table 1) and Clean Ganga Mission received the least. Of all the sectors the amount invested on Prime Minister’s National Relief Fund (Fig3) has seen a tremendous growth over the past five years and the fund on the sector Heritage and Culture has witnessed an increase of 160% than the previous year.

Figure 3

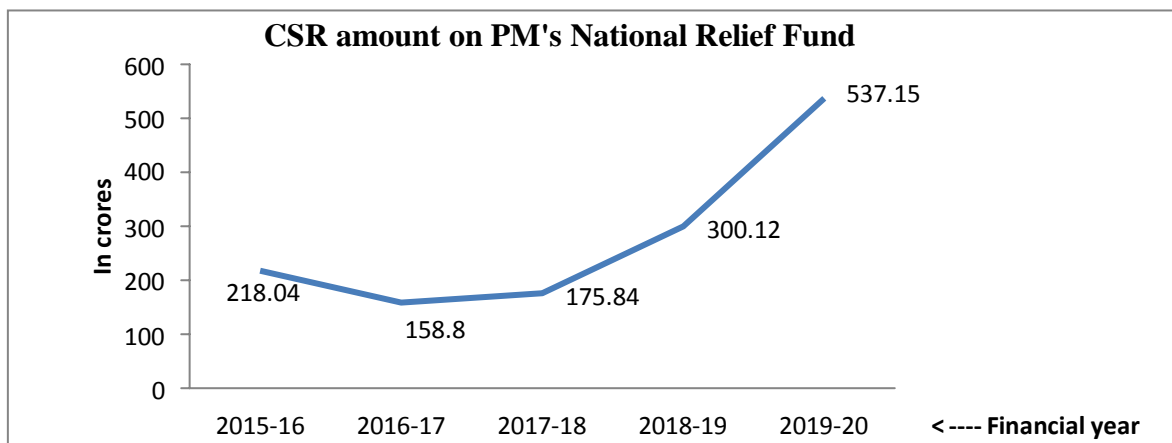


Table1: Sector-wise Contribution (FY 2019-2020)

Sector	Amount invested(in crores)
Education	5244.27

HealthCare	3438.27
Rural Development	1885.28
Environmental Sustainability	1198.74
Vocational Skills	995.71
Livelihood Projects	818.38
Eradication of Poverty, hunger and malnutrition	818.29

3.3 CSR investment by Indian Companies

According to Section 135 of the Companies Act, 2013(enforced on 4th April 2014) every company which has not completed the period of three Financial years with a

- i. Net worth of Rs.500 crore or more,
- ii. Turnover of Rs.1000 crore or more,
- iii. Net profit of Rs.5 crore or more have to spend **atleast 2% of the average net profit in CSR activities.**

About 5223 companies in India have spent 17885 crores on 18765 CSR projects for the financial year 2019-2020 and Table 2 reveals the top 10 companies based on the amount spent on CSR.It compares the amount spent by the companies with prescribed expenditure(2%of average net profit).

Table 2
Top 10 Companies with CSR fund in India (FY 2019-2020)

Company	Prescribed Expenditure*	CSR Spent*	% Increase (or) Decrease
Reliance Industries Ltd(NGC)	874.95	908.71	3.86%
TCS Ltd	600.06	602.00	0.32%
ONGC Ltd	571.81	582.35	1.84%
HDFC Bank	533.59	535.31	0.32%
IOC Ltd	543.38	518.49	-4.58%
Infosys Ltd	360.00	359.94	-0.02%
Bharat Petroleum Corporation Ltd	198.98	345.55	73.66%
Power Grid Corporation of India Ltd	209.90	346.21	0.79%
ITC Ltd	326.17	326.49	0.10%
NTPC Ltd	252.68	304.92	20.67%

*(in crores)

Table 2 consists of 5 Government companies and 5 Non government companies. The maximum fund invested by the above companies is spent for health and education. Of the above 57% of Reliance fund is invested in rural development projects, 50% of TCS fund is contributed to TCS foundation, 72.15% of HDFC fund helped in promoting education and Indian Oil Corporation Ltd has undergone 67 CSR projects, of which a major portion is spent for education, healthcare and vocational skills. Infosys ,a global leader in digital services and consulting spent its major CSR amount (20.17%) for COVID-19 relief measures by contributing to the PMCARES Fund, hospitals etc...Among the 10 companies Bharat Petroleum Corporation Ltd, a Government company in the seventh position stands first in the increased percentage. The data on IOC and Infosys reveals that the companies have spent below the prescribed expenditure.

4. CSR INTAMILNADU

4.1 Investment by Districts

On analyzing the overall performance of states (Fig 3) for the past five years Tamilnadu, a south Indian State with oldest cultural heritage holds fourth position in CSR practices. A detailed comparison from the year 2015 to 2020 given in fig.5 shows the highest contribution of Tamilnadu in the year 2018-19. Fig.6 shows the top 5 districts that contributes for welfare the society to a great extent. It is inferred that Chennai with more industrial areas in the state tops the list for more than Five years. Sivaganga stands last in the contribution list with 11.84lakhs.Ariyalur and Thiruvarur showed nil contribution.

Figure 4 – CSR Contribution by Tamilnadu

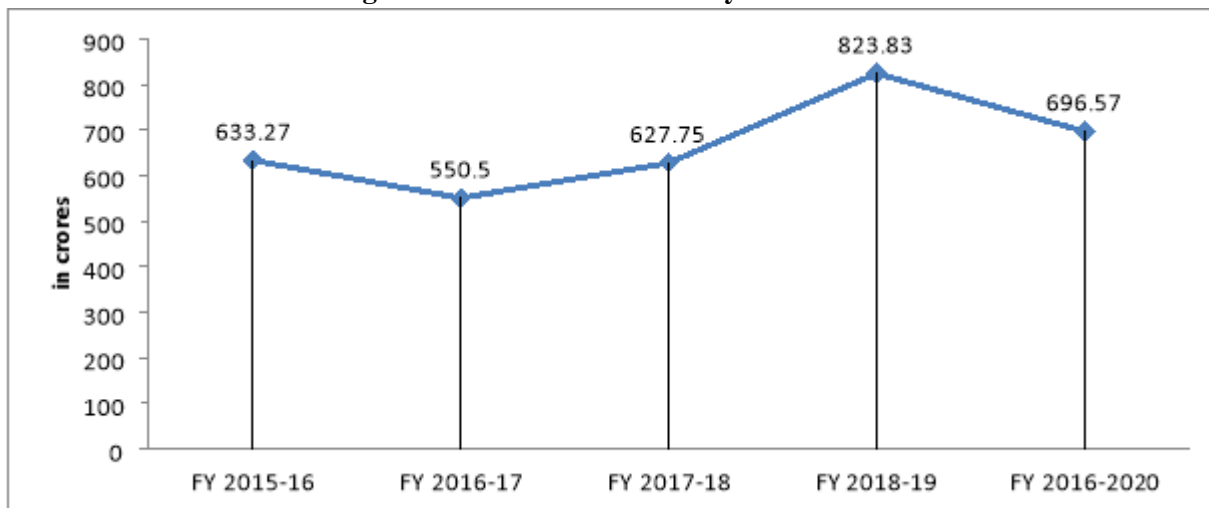
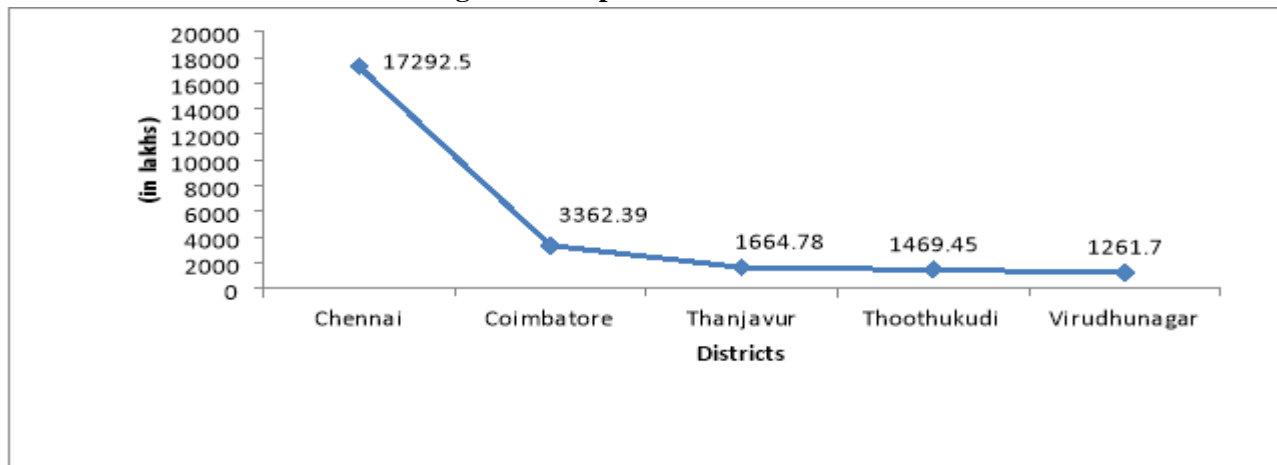


Figure 5 – Top 5 Districts in TN



4.2 Top Companies for CSR

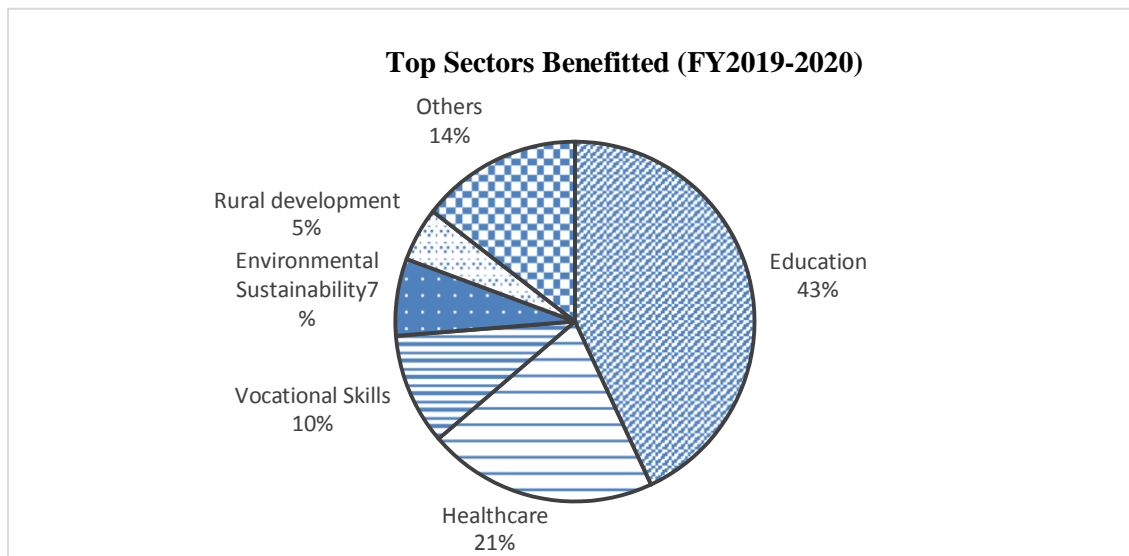
In Tamilnadu , 650 companies have spent Rs 697crore for CSR activities. Table 3 presents the top 10 companies that contributed for CSR in Tamilnadu for the financial year 2019-2020

Table 3-Top 10 Companies in CSR (Tamilnadu)

S.No	Company	Amount Spent(INR lakh)
1	Rane (Madras)Ltd	9073.00
2	NLC IndiaLtd	7566.00
3	MRF Ltd	6420.50
4	Chennai Petroleum Corporation Ltd	1671.72
5	Bharat Petroleum Corporation Ltd	1391.00
6	City Union Bank Ltd	1383.61
7	Sundaram Finance Ltd	1284.42
8	Equitas Small Finance Bank Ltd	1253.65
9	Vedanta Ltd	1242.00
10	Brakes India Private Ltd	1190.00

4.3 Development sector-wise amount spent

The State has contributed towards 28 development sectors among which the top sectors are Education, Health care and Vocational skills.



5. FINDINGS

The data analysis in the context of the above objectives reveals the following

1. There was a tremendous contribution after the mandatory CSR in India
2. Most of the Indian companies have spent more than the prescribed expenditure.
3. Indian oil corporation Ltd stands first in promoting Education and Health.
4. Education and Health care sectors were given more importance

5. The financial year 2018-19 has received more CSR funds than the previous years
6. The sector slum area Development is given least preference in Tamilnadu

6. SUGGESTION

1. Companies have to focus more on eradication of poverty through CSR in order to achieve the mandated Sustainable Development Goal (SDG) by 2030. Environmental sustainability should be given due importance
2. Natural resources are at the beginning of every supply chain. Hence the philanthropic companies have to take effort in conserving and improving the natural resources for future generation.
3. Irrespective of the percentage of profit every company must participate in CSR
4. Women empowerment, Sanitation, Slum area development, promotion of sports should be duly considered.

7. CONCLUSION

CSR has become a common practice across industries. Seemingly a majority of the companies are interested in various philanthropic and CSR endeavors. But whether the CSR expenditure is contributing towards needy areas or is contributing to existent funds and schemes is a topic that has various opinions and answers. True corporate sustainability creates long-term value that enables companies to capture new revenue growth opportunities and minimize risk, translating into a smarter business model. CSR should be in the DNA of each and every organization. "If you want to go fast go alone, If you want to go far go together"-say an African proverb. A business has number ways to earn profit but to sustain there is only one way (i.e) 'doing good'. Corporate must understand that CSR is not an expense but an investment to earn goodwill, to sustain customers, to retain proud employees, to attract investors and to achieve sterling reputation and brand image that in turn avoids conflict between business and government.

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