

Effects of Corporate Social Responsibility Rules In Indian Economy

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Abstract— In present day corporate world Corporate Social Responsibility is getting very good importance and increase an awareness and control. Corporate Social responsibility means, policies of organisations to run their business in such manner that is ethical, socially favourable, environmentally friendly and beneficial to community with respect to development. Organisations and firms in additions to their objectives and interests like profit maximisation and growth, also they should show their interest in societal welfare and environmental protection by taking reasonable responsibility. As per recent company regulations organisations required to invest specified percentage of their profit on corporate social responsibility activities.

Before amendments to Company's Act in 2013 investments in CSR activities by Business organisations were not so much mandatory. Some organisations were investing some funds in social welfare activities as responsibility towards business. After amendments to Companies act, as per law many corporate companies coming forward and investing funds in specified CSR activities. Also this investments are increasing year by year which is one of the success of this CSR rule. In this research paper the researcher has taken information of top ten companies in CSR investments and also analyse the state wise investment made by corporate companies in CSR activities. The main objective of this research paper is to find out the responsiveness of organisations towards of CSR rules in India.

This paper is based on conceptual research and information is taken from secondary resources by referring research journals and magazines and bank reports, MCA reports and websites.

Keywords— Corporate Social Responsibility, Sustainability, Economic Development. Public sector undertaking.

I. INTRODUCTION

Business organisations run its operations for the purpose of earning profit, making wealth, name fame etc. Profit making organisations are very much required for our economy. Profitable organisations can pay tax to the Government, pay well to employees, can ensure stability in business, can plan for growth in business and business expansion etc. Loss making organisations cannot do anything positively to the economy. They are burden to the economy. Even though the main purpose of the business organisation is profit maximisation, organisations should show some additional concern to the society. Firstly, organisations should do business activities in ethical manner. This it is one of the big social responsibilities of Business organisations.

The Corporate Social Responsibility concept in India is Governed by Section 135 of the Companies Act, 2013 and Rules made thereunder wherein the criteria has been provided for assessing the CSR eligibility of a company, implementation and Reporting of CSR Policies. Our country having most detailed CSR mechanism and implementation system for the achievement of sustainability in economic development.

II. OBJECTIVES

- To know the CSR concepts and activities adopted by corporate companies.
- To know the expenditure made by corporate companies in various CSR Activities.
- To find out the effects of CSR rules on Economy.

III. RESEARCH METHODOLOGY

This Research study is based on secondary data collected from secondary sources by referring magazines, journals, Company Reports, Ministry of Corporate Affairs Reports, websites etc. Researcher has applied simple statistical techniques to analyse the data for giving interpretation.

For this research purpose researcher has taken data pertaining to CSR from 2014-15 to 2017-18 and analysed.

IV. REVIEW OF LITERATURE

- A detailed study conducted by **Khan and Atkinson (1987)** on the managerial responses to social responsibility in India and Britain reveals that many Indian managers have the opinion that CSR is relevant to every business organisations and highly supported that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state.

- **Singh and Sharma (2015)** in their paper “Corporate social responsibility practices in India: Analysis of Public Companies” explain the regulatory system and CSR policies and functions and services carried out by the public sector units i.e. Coal India Ltd. And GAIL. The action taken in the areas of education, skill development, and women empowerment activities, development of poor and needy section of society, nutrition, health and sanitation facilities and rural development. They also follows mandatory regulations. These companies highly working for social responsibility and they are covering activities as per companies Act 2013 also performing many more other activities.
- **Fadun et al.(2014)** in his paper “Corporate Social Responsibility (CSR) Practices and Stake holders Expectations: The Nigerian Perspectives” use Caroll’s 1991 CSR model and verifies business CSR practices and stakeholders’ expectations in Nigeria which states that four kinds of social responsibilities constitute total CSR.: economic, legal, ethical and philanthropic. Stake holders give more importance on economic, legal and ethical responsibilities than philanthropic component.

V. MEANING OF CORPORATE SOCIAL RESPONSIBILITY

CSR is the combination of socially beneficial programs and practices into a company’s business model and practices. Corporate social responsibility is a self-regulating business system that helps a company be socially accountable to itself, its stakeholder, and the public. By implementing CSR companies can be conscious of the kind of impact they are having on all aspects of society including economic, social and environmental. As per corporate social responsibility corporate houses should take welfare activities for the benefits of the society in addition to do business activities in ethical basis.

In addition to regularly payment of varieties of tax to the Government, the organisations required do some social activities for the social development in specified fields like environmental protection activities, rural areas development program, woman empowerment, supporting agriculture, education program, skill development program etc. Business is an integral part of the society and the social system in which it functions. Business organisations cannot run alone from the rest of the society. Business organisations are part of the society and depending on society only. The success of business organisation depends on its additional contributions towards society in addition to supply of goods and services to the society.

VI. RULES OF CSR AS PER COMPANIES ACT, 2013

Even though the CSR concept originated quite long back, unfortunately very few companies were involved in CSR activities before implementation of CSR rules under companies ‘Act 2013. According to Section 135 of new Companies Act 2013, any company or business has a turnover of more than 1000 crore Rupees, net worth of Rs. 500 crore and having at least 5 crores of net profit in any financial year must do CSR. Under the rules, the Government has also fixed a threshold limit of 2% of “Average” net profit of the block of previous three years on CSR Activities and it company fails to spend such amount, disclosures are to be made for the same. Companies required to do CSR activities as per certain identified CSR activities under Schedule VII of Companies Act 2013.

CSR Activities as prescribed under sub section 3, section 134 of Companies Act, 2013

- 1) Poverty alleviation
- 2) Education
- 3) Development
- 4) Ecological balance
- 5) Enhancement of craftsmanship.
- 6) Support to armed forces
- 7) Support for sports events
- 8) Charitable funds – Favouring Prime Minister’s National Relief Fund etc.
- 9) Technological support – to uplift the technology of incubator that comes under academic institutions and which are approved by Central government.
- 10) Rural development – introducing varied projects for Rural Development.

VII. DATA ANALYSIS AND INTERPRETATION

TABLE NO. 1

STATEMENT OF CSR SPENT - TOP 10 COMPANIES FOR THE YEAR 2014-15

SL NO.	COMPANY NAME	TOTAL AMOUNT SPENT
1	Reliance Industries Limited	760.58
2	Oil And Natural Gas Corporation Limited	495.23
3	Infosys Limited	239.54
4	Bharat Heavy Electricals Limited	239.11
5	Tata Consultancy Services Limited	218.43
6	Itc Limited	215.05
7	Ntpc Limited	205.17
8	Nmdc Limited	188.65
9	Tata Steel Limited	171.46
10	Icici Bank Limited	155.54

SOURCE: <http://www.mca.gov.in/>

As per above statement Reliance Industries is in 1st position in Top 10 companies list followed by oil and Natural Gas corporation ltd. During the year 2014-15 Most of the companies in the above top 10 companies list are non government companies.

TABLE NO. 2
STATEMENT OF CSR SPENT - TOP 10 COMPANIES FOR THE YEAR 2015-16

SL NO.	COMPANY NAME	TOTAL AMOUNT SPENT
1	Reliance Industries Limited	639.70
2	Ntpc Limited	491.80
3	Oil And Natural Gas Corporation Limited	408.99
4	Tata Consultancy Services Limited	280.22
5	Itc Limited	247.50
6	Central Coal fields Limited	214.60
7	Nmdc Limited	210.09
8	Tata Steel Limited	204.46
9	Infosys Limited	202.30
10	Power Finance Corporation Limited	194.47

SOURCE : <http://www.mca.gov.in/>

As per above table we can observe that Reliance industries occupying No. 1 position during 2015-16 also with highest spending of 639.70 Crore Rupees in CSR projects followed by NTPC Ltd. Even Government organisations also occupying the 2nd and 3rd position in Top ten companies ranking list.

TABLE NO. 3

SL NO.	COMPANY NAME	TOTAL AMOUNT SPENT
1	RELIANCE INDUSTRIES LIMITED	649.26
2	OIL AND NATURAL GAS CORPORATION LIMITED	504.91
3	TATA CONSULTANCY SERVICES LIMITED	380.00
4	Hdfc Bank Limited	305.42
5	INFOSYS LIMITED	289.44
6	Ntpc Limited	277.81
7	ITC LIMITED	275.96
8	OIL INDIA LIMITED	216.74
9	INDIAN OIL CORPN. LIMITED	213.99
10	WIPRO LIMITED	186.31

STATEMENT OF CSR SPENT - TOP 10 COMPANIES FOR THE YEAR 2016-17

SOURCE : <http://www.mca.gov.in/>

During the year 2016-17 also Reliance Industries retaining its Top No. 1 position. Even Government Organisations and Banking Institutions also got one of position in Top 10 Raking list.

TABLE NO. 4
STATEMENT OF CSR SPENT - TOP 10 COMPANIES FOR THE YEAR 2017-18

SL NO.	COMPANY NAME	TOTAL AMOUNT SPENT
1	RELIANCE INDUSTRIES LIMITED	745.04
2	TATA CONSULTANCY SERVICES LIMITED	400.00
3	HDFC BANK LIMITED	374.55
4	INDIAN OIL CORPN. LIMITED	331.01
5	Infosys Limited	312.60
6	MAHANADI COALFIELDS LIMITED	267.53
7	NTPC LIMITED	241.54
8	Wipro Limited	186.60
9	HOUSING DEVELOPMENT FINANCE CORPORATI..	175.99
10	ICICI BANK LIMITED	170.37

SOURCE: <http://www.mca.gov.in/>

During the year 2017-18, Reliance Industries has retained its top No. 1 position in CSR Investments also its CSR Investment has been increasing year by year. ICIC Bank first time got position in top 10 Companies 'Raking list, after the gap period of 2 years.

As per data shown in table Nos. 1 to 4 we can see one type of competition among corporate companies in investments in CSR Projects. Many companies shown its interest in implementing CSR Rules as specified in Companies' Act, 2013. Due to these investments Indian society gets benefit and it is addition contributions to economic development.

TABLE NO 5
STATEMENT SHOWING GROWTH IN CSR SPENDING AND PROJECTS

SL	PARTICULARS	2014-15	2015-16	2016-17	2017-18
1	Total number of companies	16785	22064	21470	3117
2	Total amount spent (INR Crores)	10066	14528	14242	8365
3	States and UT covered	36	36	36	36
4	Total no. Of CSR Projects	9391	18559	22799	9402
5	Development sector entered by companies	29	29	29	29

Source <http://www.mca.gov.in/>

On going through the above table we can identify that total number of companies coming under CSR obligations were increased from 16785 to 22064 during the year 2015-16 and reduced to 21470 during the year 2016-17 and further reduced drastically to 3117 during the year 2017-18

.Also Total Amount spent were increased from Rs. 10066 crore to Rs. 14528 crore during the year 2015-16 and later it was reduced to Rs.8365 during the year 2017-18.

Total number of CSR projects also increased from 9391 in the year 2014-15 to 22,799 in the year 2016-17 later during the next year- 2017-18 it was reduced to 9402 projects.

Researcher have the opinion that the above reduction/variation in the number of companies and projects as well as the total amount spent in CSR projects, compared from year 2014-15 to 2017-18 is due to applicability condition of CSR Rules.

TABLE NO 6
STATEMENT SHOWING CSR COMPLIANCE
(no. Of companies)

SL	PARTICULARS	2014-15	2015-16	2016-17	2017-18
1	Exactly spent	688	408	638	206
2	More than specified amount	2006	3866	4334	1454
3	Less Than specified amount	5073	6943	6284	875
4	Zero spent	9018	10847	10224	582

Source <http://www.mca.gov.in/>

As per the information specified in the above table we identify that 688 companies spent exact amount of profit as specified in CSR rules (2%) during the year and this number was reduced to 408 during the year 2015-16 and increased to 638 in the next year and thereafter further reduced to 206 during the year 2017-18.

2006 companies spent more than specified amount during the year 2014 and during the year 2015-16 3866 companies, in 2016-17 4334 companies, in 2017-18 1454 companies spent more amount in CSR Projects. This shows that some organisations were showing interest in Social Responsibility Activities.

However many companies were not willing to spend even specified amount in CSR activities. Their number is big in size i.e., 5073 in the year 2014-15, 6943 in the year 2015-16, 6284 in the year 2016-17 and 875 in the year 2017-18

Still many companies not spent any amount in CSR projects which are in very big number like 9018 in the year 2014-15, 10847 in the year 2015-16, 10224 in the year 2016-17

The above data shows that even though some corporate follow the CSR rules specified in the Companies Act, 2013, many companies are not willing to spend money as per law in CSR projects/ activities, which is one of the big loss of benefits to the society as well as to the entire economy. Government/ concerned authorities required to take necessary steps to make the corporate to spend at least specified amount of fund in CSR projects/ activities.

TABLE NO 7
STATEMENT SHOWING CSR INVESTMENTS
TOP 10 STATES
(INR Crores)

SL	2014-15		2015-16		2016-17		2017-18	
1	Maharashtra	1445	Maharashtra	2043	Maharashtra	2465	Maharashtra	1430
2	Tamilnadu	539	Andra	1256	Karnataka	883	Karnataka	596
3	Andra	414	Karnataka	790	Gujarat	859	Gujarat	376
4	Karnataka	403	Tamilnadu	631	Andra	753	Tamilnadu	352
5	Gujarat	313	Odissa	623	Tamilnadu	544	Odissa	308
6	Rajasthan	299	Gujarat	564	Delhi	517	Delhi	222
7	Odissa	252	Rajasthan	503	Haryana	376	West Bengal	157
8	Delhi	237	Delhi	488	Rajasthan	324	Rajasthan	136
9	West Bengal	194	UP	422	UP	321	UP	122
10	Haryana	187	West Bengal	415	Odissa	317	Telangana	119

Source <http://www.mca.gov.in/>

As per above statement researcher has observed that the state of Maharashtra occupying number 1 position always from the year 2014-15 to the year 2017-18. Karnataka State improved its position from 4th to 2nd during the year 2017-18.

From the above take we can understand that only industrially developed states like Maharashtra, Karnataka, Gujarat, Andrapradesh, Tamilnadu etc. are getting more CSR investments and industrially backward states, north eastern states gets less or Zero investment in CSR projects. This again giving negative effects for regional economic development of backward states.

It shows that corporate companies show much interest in implementing CSR activities or programs in industrially developed places not in underdeveloped places. Companies required to concentrate to do more CSR investments in underdeveloped states to give the benefits of CSR projects to underdeveloped and remote places. Companies also required support overall economic development of our country. Government required to do some sort of co-ordination in this regard.

TABLE NO 8
STATEMENT SHOWING CSR INVESTMENTS
COMPARISON BETWEEN GOVERNMENT AND NON GOVERNMENT COMPANIES
(INR Crores)

SL	PARTICULARS	2014-15	2015-16	2016-17	2017-18
1	Government Companies	2816	4202	3285	1479
2	Non Government Companies	7249	10325	10956	6886

Source <http://www.mca.gov.in/>

As per above table we can observe that many non Government companies participating in CSR activities along with Government companies. Bringing private sector companies in CSR net is very tough task. Still many non government companies required to join hands with CSR activities.

TABLE NO 9
STATEMENT SHOWING CSR INVESTMENTS
LISTED V/S UNLISTED COMPANIES
(INR Crores)

SL	PARTICULARS	2014-15	2015-16	2016-17	2017-18
1	Listed Companies	2278	2589	2457	761
2	Un-listed Companies	14507	19475	19013	2356

Source <http://www.mca.gov.in/>

Among Companies engaged themselves in CSR projects, many companies are unlisted. Their number is 14507 in the year 2014-15, 19475 in the year 2015-16, 19013 in the year 2016-17 and 761 in the year 2017-18

TABLE NO 10
STATEMENT SHOWING SECTORWISE
CSR INVESTMENTS
(INR Crores)

SL	PARTICULARS	2014-15	2015-16	2016-17	2017-18
1	Any other fund	227	332	417	215
2	Clean Ganga Fund	5	32	24	2
3	Education, differently able, lively hood	3188	4942	5511	3486
4	Encouraging Sports	57	138	178	121
5	Environment ,animal welfare Conservation of reserves	853	972	1311	1006
6	Gender Equality, woman empowerment old age, reducing inequalities	189	342	463	274
7	Health, eradication hunger, poverty, malnutrition, safe drinking water, sanitary	2525	4607	3640	1773
8	Heritage Art and culture	117	119	304	212
9	NEC	1338	1065	388	00
10	Other sectors technology inculcator and benefits to armed	9	37	60	21
11	PM national relief fund	228	217	157	60
12	Rural Development	1059	1379	1548	1066
13	Slum area Development	101	14	51	4
14	Swachh Bharath Kosh	113	325	183	118

Source <http://www.mca.gov.in/>

As per above table we can observe that corporate companies done CSR activities in almost all fields of social development. More investments we can observe in the field of education, environment, gender equality, health, rural development. Definitely these implementing above cited social responsibility activity is supportive to the social development and economic development also. However much more importance should be given by corporate companies for environmental protection.

VIII. FINDINGS

- Due to implementation of mandatory rules in the field of CSR many companies coming under the responsibility net. Due to these investments in CSR projects is increasing.
- Many companies still not investing specified amount in CSR activities even though they know it is mandatory to spend amount in CSR projects. This reduces the benefits to the society and economy.

- Also many companies spend fewer amounts than specified amount in CSR activities. This also reduce benefits to the society and economy.
- Large amount of CSR spending is taking place in industrially rich states and underdeveloped states is not getting the benefits from CSR activities.
- Basically company required to give more importance on environmental protection programs for sustainable development.
- Total number of companies in CSR responsibility is declining recently, again this is giving negative benefits to the society and economy.

IX. CONCLUSION

Government is trying to give certain level of benefits to the society by making mandatory law in the field of CSR. However many corporate companies are trying to escape from CSR responsibility. Government required to take still better steps to implement CSR activities as per law. Corporate companies also required to show their responsibility in social development voluntarily and join hands with the government for social development and economic development.

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