

# Contribution Of Private Companies Towards Corporate Social Responsibility

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*Corporate social responsibility has come up as a significant subject matter in the business community and it's progressively becoming a mainstream activity. Expenditure on social purpose is one of the most important indicators of a company's financial and social performance. The purpose of the present paper is to track the financial performance of the top private sector companies in India and provides a peek into the overall CSR sentiment of the industry. The study has been initiated to comprehend and gain insight into the financial behavior of these companies towards social contribution aspect after the enactment of Companies Bill for the mandatory inclusion of 2% expenditure towards CSR. For this purpose, the top private sector companies as per the Fortune India 500 list 2012 form part of the CSR 10 India Index has been taken and an empirical study of these companies have been done.*

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A few decades ago, the concept of CSR was disruptive on the part of corporate. It was philanthropic in nature and no defined percentage was contributed in improving the quality of life of community that provides legitimacy to the business. They were known as dispersed philanthropy by Bruch and Walter. (2005). Nowadays directors and managers of companies felt the rising effect of CSR on workforce, clientele, the society, the environment, competitors, investors, shareholders and other groups. Focused priorities, allocation of finance for CSR, monitoring of activities to ensure that their first steps truly deliver outputs and report performance with transparency are a few orbital factors that ay escort competence in long run. (Tyagi Rupali, 2012).

In 1970, the economist & Nobel laureate Milton Friedman published an article in "The New York Times" magazine titled, "The Social Responsibility of business is to increase its profits." An emerging view that CSR can contribute to the financial performance of the company has been described as the enlightened shareholder approach, which suggests that corporate decision makers must take care of a range of social and environmental affairs in order to maximize long term financial returns. (Brine et al., 2007) CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stake holder. (Wikipedia). Corporate social responsibility of a firm can be assessed by how a firm manages its societal relationship, its social impact and the outcomes of its CSR policies and actions. (Wood, 1991)

## **History Of Csr-**

The phase of CSR was coined in 1953 with the publication of Bowen's Social Responsibility of Businessmen.

India has the world's richest traditions of CSR. The term CSR may be relatively new to India but the concept dates back to Maurayan history, where philosophers like Kautilaya emphasized on ethical practices & principles of conducting business.(www.soulace.in)

The history of CSR has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR (Wikipedia) CSR began to emerge when wealthy merchants shared a part of their wealth in setting up of temples and donating to the poor's on festive

and religious occasions. It gradually progressed and increased pressure was built on Indian entrepreneurs to show their dedication towards the society. The third phase of CSR (1960-80) enlarged the responsibility of business and shifting the focus from just stock holders to stakeholders. In the 4th phase, Indian Companies have started integrating CSR into a sustainable business strategy. With the recent passage of the companies Bill which mandated that companies of a certain size spend 2% of their 3year average annual profit towards CSR. (The Economic Times, September 5, 2013)

#### Current State Of Csr In India-

The new Companies Bill passed by both Lok Sabha & Rajya Sabha mandates the corporate to spend 2% of their average net profits of the last 3 financial years towards CSR. This is applicable for companies with a turnover of 1000 crore haPAT of Rs 5crore or net worth of Rs 500 crore. The new bill replaces the company's Act 1956 and empahsises carrying forward the agenda of CSR.

It is mandatory for central public enterprises to allocate 2-3% of the PAT for the inclusive development of backward district.

#### Objective Of The Study-

This study has been initiated to comprehend and gain insight into financial behavior of companies towards social contribution aspect.

To evaluate the performance of top 10 Indian private sector companies by revenue in terms of their CSR spend.

#### Survey Of Literature-

The empirical literature examining the relationship between CSR and corporate financial performance is extreme. According to Margolis & Walsh (2002) 122 published studies between 1971 & 2001 empirically examined the relationship between corporate social responsibility and financial performance which produces mixed results. Cochram & Wood (1984) have found a positive correlation between social responsibility and accounting performance.

Mohammed Anees (2012) revealed that CSR initiatives are independent of all the companies' profitability level, their ownership status and the type of their business activities.

The early literature in the spirit of shareholder theory (eg Friedman 1962; 1970 views social responsibility as a donation from shareholder to stakeholders that reduces profits.

Bedi (2009) studies the relationship between social and financial performance of top Indian firms for the financial year 2007-08, as rated by NGO

Karmayog. This research considered 37 companies which spent some amount of their financial resources on CSR activities. The relationship between their financial performance and expectations on CSR was then measured using correlation and regression. The analysis found a positive relationship between CSR and descriptive and inferential measures showed that corporate social expenditure relies upon the financial performance of a firm.

Singhania (2011) undertook a study of Nifty 50 companies in India and incorporated the tools of Tobin's Q and Regression Model. The analysis highlights that corporate governance score, net fixed assets, Profit after Tax, Price earnings ratio and Return on Equity have significant on financial performance ( Tobin's Q) of companies in India.

#### Research Hypothesis-

H1- CSE and PAT is an independent from each other and CSE does not depend upon FP.

#### Research Methodology-

This comparative analysis of top private companies according to Fortune India 500 List 2012 form part of the CSR 10 India Index (Tiwari Anup & Shukla Shweta (2013) tracks the performance of top 10 Indian private sector companies by revenue in terms of their CSR expenditure. Data has been analysed and compared with the current expenditure of the companies towards CSR when Corporate Affairs law mandates CSR spend equivalent to 2% of net profit. Correlation and regression analysis (also called 'least squares' analysis) are used to explain the relationship between these two variables.

#### Results And Analysis-

**Table 1.**  
**Expenditure On Csr Incurred By Companies**  
**Correlation-Descriptive Statistics**

	Mean	Std. Deviation	N
PAT	6493.0490	6218.15481	10

Name of the Company	PAT 2012-13(Rs in Crore)	CSR Spend 2012-13(Rs in Crore)	% of CSR Expenditure	2% PAT 2012-13
Tata Steel	5062.97	170.76	3.37%	101.25
Larsen& Turbo	4910.65	73.04	1.48%	98.21
Reliance Industries	21003	357.05	1.69%	420.06
Hindalco Industries	1699.20	29.79	1.75%	33.98
Bèrti Airtel	5096.3	29.55	0.57%	101.93

Mahindra & Mahindra Ltd	3352.82	33.52	1%	67.05
Maruti Suzuki Ltd	2392.4	18.94	0.79%	47.84
TCS	12786.34	35.21	0.27%	255.72
ICICI Bank	8325	116.55	1.4%	166.5
Tata Motors	301.81	19.21	6.36%	6.03
Total	64930.49	883.62	1.35%	

CSE	88.3620	106.63318	10
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**Correlationsa**

		PAT	CSE
PAT	Pearson Correlation Sig. (2-tailed)	1.000	.799** .006
CSE	Pearson Correlation Sig. (2-tailed)	.799** .006	1.000

\*\* . Correlation is significant at the 0.01 level (2-tailed).

a. Listwise N=k10

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799a	.639	.594	67.95906

a. Predictors: (Constant), PAT

**Anova<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	65388.254	1	65388.254	14.158	.006a
Residual	36947.469	8	4618.434		
Total	102335.723	9			

a. Predictors: (Constant), PAT

b. Dependent Variable: CSE

**Coefficients<sup>a</sup>**

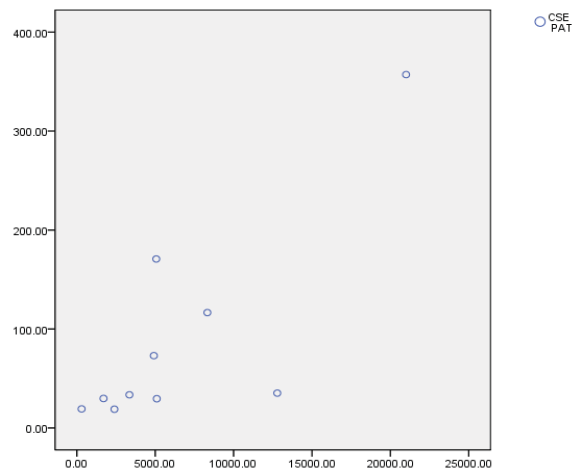
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.643	31.959		-.020	.984
PAT	.014	.004	.799	3.763	.006

a. Dependent Variable: CSE

The research analysis suggests that since the value of Sig is less than .05, then the correlation is considered to be significant between profit after tax and CSR spend.

With R2 at 63.9, it shows the dependency of social

expenditure on financial performance. On comparing the top 10, Tata Motors and Tata Steel are the only companies that have CSR expenditure of more than 2% of its profit after tax. Expenditure on CSR is taken as a dependent variable and financial profits as independent variable. After applying regression model, the R-square stands at 63.9% which shows dependency on profits and proves the Hypothesis hence to be null & void.



**Conclusion:-**

The analysis reveals that there is a positive relationship between the Profit and Social Expenditure of Indian Companies. But as apparent from the analysis, there are companies which are still far from fulfilling the required percentage of social expenditure. TCS has the lowest contribution towards CSR. Tata group is leading with a 3.37% and 6.36%. However, all the companies of this analysis have provided the sufficient information through their budget about their spending upon the projects. They have realized the importance of CSR to foster inclusive growth and are pursuing socio economic priorities. These companies have disclosed the annual spending in context of CSR by the Business Responsibility Report in their Annual Reports.

The company should embody the core value of building a long term, sustainable business by creating wealth for the society, improving the lives of communities and caring for the environment. Corporations have realized the importance of CSR to foster inclusive growth.

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### Continued from Page No. 33

regard to terminal values and this means difference was very negligible.

Non – Tribal children of Eastern Orissa were differed significantly from that of Northern Uttarakhand in the field of social recognition, comfortable life, sense of accomplishment, freedom, equality, security and self – respect and the non – tribal children of Orissa better terminal values with compared to their counterparts.

It was also seen that these was a cross – regional difference among the tribal and non – tribal children of both regions with regard to terminal values. As they agree with almost 12 terminal values but differ in 6 terminal values. The socio – cultural factors, way of living, status, govt. policy and independent thinking have a positive impact upon children of Eastern Orissa. The mean terminal scores also differed to some extent due to the aforesaid factors.

So far as moral judgement level is concerned, the tribal and non – tribal children of both the regions differed in their mean moral stage score (MSS). It seems to be so due to their aloofness and separation from the developmental concepts, modernity. It is due to their high respect and adherence to their rich cultural heritage and traditions. They are very much

involved with customs but never be ready to look at the unpeaceful disturbed world. But the tribal children of Orissa and Uttarakhand regions as well as non – tribal children of both the regions did not differ in their moral stage score (MSS) significantly and it was observed both had almost no difference. The non – tribal had their own moral point of view similar to that of other region.

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संगोष्ठियों में शोध प्रपत्र का वाचन शोधार्थियों एवं शोधविदों के लिए एक महत्वपूर्ण अवसर है। अपने गुणवत्तापरक शोध कार्य को इन संगोष्ठियों के माध्यम से जनमन के बीच लाएँ।