

# CORPORATE SOCIAL RESPONSIBILITY PRACTICE IN INDIA AFTER INTRODUCTION OF COMPANIES ACT, 2013

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**Abstract** *Companies Act, 2013 has come into effect in India recently. Previously, Indian companies were under the control of Companies Act, 1956. In Companies Act, 1956, there were no provisions regarding corporate social responsibility (CSR). Therefore, it was practiced only by few Indian companies voluntarily and they would report it in the way as they deemed fit. In this background, presence of a structured legal framework for CSR was badly needed. Keeping this in mind, Companies Act, 2013 has provided some important and contemporary provisions regarding CSR practice and reporting and these provisions came into effect from 1st April, 2014. Now, the companies which satisfy the required conditions as laid down in the act must spend a specific percentage of their net profit for CSR activities and report it each year. Standing on this situation, in this present paper, it has been attempted to review the scenario of CSR practice and reporting by some major Indian companies. A sample of ten companies has been selected for this purpose. On the basis of their merit in complying the CSR provisions, they have been ranked. The conclusion is that the selected companies have already initiated good CSR projects and they have the intention to perform their social responsibilities in the coming years in a better way.*

**Keyword:** *Corporate Social Responsibility, Average Net Profit, Implementing Agency, Monitoring Mechanism, Education, Health*

## INTRODUCTION

The key issue for emerging the concept of corporate social responsibility (CSR) is ethical in nature. A business centres around the society and the inordinate desire of the communities of the society is the main motivational factor for establishing a business concern. An entity takes all the elements necessary for its survival from the nature and society. Therefore, it should give back something in return to the nature and society and this concept is termed as social responsibility of a business. After introduction of Companies Act, 2013, the consciousness about corporate social responsibility has got a momentum in the corporate world of India. On 27<sup>th</sup> Feb, 2014, the Central Govt. issued by notification the Companies (Corporate Social Responsibility) Rules, 2014 to make the CSR provisions of the Companies Act, 2013 effective and those rules came into force on and from 1<sup>st</sup> April, 2014. As per the CSR Rules, 2014, a certain group of companies which would qualify the conditions as laid down in the said rules has to spend a certain percentage of their earned net profit for CSR activities. The rules also identify the types of activities which can be claimed as CSR activities. After spending the required amount for CSR, those qualified companies also require to report it in their annual report in specific format as given in the rules. Moreover, if any company fails to spend such amount in a year, it has to express the reasons behind its failure to do so

in its annual report. Therefore, a structured legal framework is now there for CSR activities as well as CSR reporting in Indian corporate sector.

Before the Companies Act, 2013 came into force; Indian companies were under no legal obligation to spend some amount for CSR and to report on it. Naturally, some Indian companies would practice it voluntarily though there was no parity between their practices. Further, they report it in the way they thought it best. Therefore, it was almost impossible to compare among the CSR activities of Indian companies. Now, the CSR Rules, 2014 has given a standard against which the performance of Indian corporate houses in terms of their CSR sensitiveness can be appraised and comparative analysis among them can also be done.

After the CSR Rules, 2014 came into force, we can examine whether Indian companies performed their CSR bindings in the year 2014-15 as per the said rules. In this present study, an attempt has been taken to see if the Indian companies, even after it becomes mandatory for them, perform their CSR obligation and, if yes, then to what extent. To test this, a sample of ten companies which come under the purview of CSR rules has been chosen. Keeping in mind several points of the CSR provisions, a scale has been derived to measure the merit of the companies in complying the provisions. On the basis of that scale the selected companies have been ranked. In a nut shell, that is what has been tried to be done in the present endeavour.

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## LITERATURE REVIEW

Khan (2008) in his study aimed at determining what CSR denotes in the Indian setting from the pharmaceutical industry's perspective. The study suggested that the Indian perspective of CSR differs quite significantly from the West. Three essential elements of western conceptualisation of CSR- stakeholder pressure, environmental concerns, and integration into core business are not prominently present in India. Sweeney (2009) evaluated the relationship between CSR and financial performance of the firms operating in the Irish sector. It was found that CSR has a strong positive relationship with social reputation; employee attraction, motivation and retention; and consumer attraction and loyalty. It was also found that the majority of respondents feel financial implications of CSR are experienced in the long run. Adams (2011) investigated what the major motivators are for social information disclosure in organisations in Australia. The study explored how organisations identify the stakeholders to whom they will report. The study found that Australian organisations consider employees the most important stakeholders. The study also indicated that the primary motive for reporting social information was to be transparent and accountable to stakeholders. Isaksson (2012) investigated external and internal strategic reasons behind undertaking CSR in Swedish Firms. The researcher found the following core factors for undertaking CSR- gaining a positive reputation; relationship improvement with customers, suppliers and employees; cost or risk reduction; achieving other competitive advantages. Tilakasiri (2012) tried to explore the relationship between CSR and company performance in a developing country- Sri Lanka. The study also developed an index to measure CSR performance of 50 selected companies. The study showed that Return on Equity and Return on Assets have highly significant relationship with CSR but Return on Sales has a less significant relationship with CSR. Prathima (2015) tried to portray the best CSR practices of top 10 companies across the globe. The researcher took Global Reporting Initiatives as standard CSR reporting for the study. The study looked at top 115 companies by revenue to arrive at the ranking. The following four criteria were considered for ranking- presence of CSR policy, presence of broad CSR oversight, practice of CSR reporting and covering all stakeholders by CSR activities.

## OBJECTIVES OF THE STUDY

The study has been aimed for the following specific objectives:

- (i) To highlight some of the most important points of CSR Rules, 2014;
- (ii) To examine whether the selected companies comply the CSR provisions;
- (iii) To develop a scale to measure merit of the selected companies in abiding by the CSR provisions; and
- (iv) To assign ranks to the sample companies on the basis of their score obtained according to the scale derived.

## DATA AND METHODOLOGY

The present study is a descriptive one based on secondary data. Data relating to the CSR provisions have been collected from the website of the Ministry of Corporate Affairs. Data on CSR activities, CSR expenditure and CSR reporting of the selected companies have been collected from the annual reports of those companies. Only the data of 2014-15 have been considered because only the financial year 2014-15 has been passed since CSR Rules came into force.

A sample of ten companies has been chosen for the study. For selection, purposive sampling has been used. The followings were the parameters of selection: (a) Companies belonging to the industries which contribute significantly to India's GDP have been considered. Industries which contribute at least 1% of GDP at current prices in 2013-14 as updated by Planning Commission, Govt. of India on 8/07/2015 have been consulted in this regard; (b) Only BSE listed companies which are considered as the leader in their respective industries in terms of market capitalisation have been taken care of. On this occasion, no companies having a BSE market capitalisation of less than Rs. 25000 crore as on 11/3/2016 have been considered; (c) Companies having a good track record (At least for 3 years preceding the year 2014-15) in CSR practices and/or reporting have been prioritised; (d) Companies having average net profit for the last three financial years ending on 31<sup>st</sup> March, 2014 of at least Rs.3000 crore have been taken into consideration.

The companies selected on the basis of above mentioned criteria may be shown in Table 1.

**Table 1: Selection of Companies**

Company	Industry
Hindustan Unilever Limited (HUL)	Fast Moving Consumer Goods
Infosys Limited (INFOSYS)	Information Technology
Larsen & Toubro Limited (L&T)	Construction
National Thermal Power Corporation (NTPC)	Power Generation
Oil and Natural Gas Commission (ONGC)	Crude Oil Production
Reliance Industries Limited (RIL)	Petroleum
Tata Steel Limited (TSL)	Steel
Mahindra and Mahindra Limited (M&M)	Automobile

Bharti Airtel Limited (BAL)	Tele Communication
Bharat Heavy Electronics Limited (BHEL)	Heavy Electronics

For construction of the scale against which the relative merit of the selected companies in complying CSR Rules, 2014 has been measured, five important points were kept in mind. They were: constitution of CSR committee, framing a structured CSR policy, CSR reporting in Director's report, maximum ceiling of overhead in total CSR expenditure, and percentage of amount spent on amount prescribed for CSR expenditure.

## ANALYSIS AND FINDINGS

The analysis of the present study has been done in four sections. They are discussed as below.

### Important Provisions of the CSR Rules, 2014

**Applicability:** Every company having net worth of rupees five hundred crore or more, or turnover of Rs. 1000 crore or more or a net profit of Rs.5crore or more during any financial year will be under the grip of the rules.

**CSR Committee:** Each such company shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. However, an unlisted public company or a private company covered under section 135(1) or a private company having only two directors shall constitute its CSR committee without independent / third director.

**Obligations of CSR committee:** The committee shall (a) formulate and recommend to the Board, a CSR policy indicating the activities to be undertaken by the company after consulting the activities as specified in schedule VII of the Companies Act, 2013, (b) recommend the amount of expenditure to be incurred on CSR activities, and (c) constitute a transparent monitoring mechanism for implementation of the CSR projects undertaken by the company.

**Obligations of the Board of Directors:** The Board of Directors shall (a) after taking into account the recommendations made by the CSR Committee, approve the CSR policy and disclose the contents of such policy in its report and display it in its website, (b) ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years (calculated in accordance with the provisions of section 198), in pursuance of its CSR policy, (c) include an annual report on CSR in the specified format in the Board's report.

**Other Important Points:** (a) Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year. (b) A company may undertake its CSR activities through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company having an established track record of three years in undertaking similar projects.(c) A company may collaborate with other companies for undertaking CSR projects.(d) Projects that benefit only the employees of the company and their families and contribution to the political parties will not be considered as CSR activities.

### Compliance of the CSR Provisions by the Selected Companies

#### Hindustan Unilever Limited (HUL)

- CSR Policy:** HUL undertook 11 brand CSR projects in its policy. They were- project shakti, hand washing behaviourchange programme, domex toilet academy, safe drinkingwater, etc.
- CSR committee:** Six directors were in the committee out of which four were independent.
- Statement of CSR expenditure:

**Table 2: CSR Expenditure of HUL**

Particulars	Amount(Rs. in crore)
Average Net Profit for last three financial years	3990.93
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	79.82
Amount spent (2.1% of AV. NP or 103.17% of amount prescribed )	82.35
Amount unspent	NIL

Source: Annual Report of HUL 2014-15

Division of expenditure:

**Table 3: Division of Expenditure of HUL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	78.59	95.43

Expenditure on capacity building / overhead	3.76	4.57
Total	82.35	----

Source: Annual Report of HUL 2014-15

Activities covered and expenditure on them:

**Table 4: Activity-wise CSR expenditure of HUL**

Activities	Percentage on Total	Amount (Rs. in crore)
Poverty and malnutrition, drinking water	5.23	4.31
Education, special education among children and differently abled, livelihood enhancement	4.93	4.06
Promoting gender equality, empowering women	58.19	47.92
Old age homes	31.65	26.06
	100.00	82.35

Source: Annual Report of HUL 2014-15

Manner in which projects will be carried out:

**Table 5: Manner of execution of CSR projects of HUL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct Projects	54.85	66.61
Projects through implementing agencies	27.50	33.39
Total	82.35	----

Source: Annual Report of HUL 2014-15

### Infosys Limited (INFOSYS)

- (i) **CSR Policy:** (a) INFOSYS stressed on healthcare, poverty eradication, education, rural development, gender equality, environmental sustainability, art & culture, etc. (b) Surplus arising out of CSR projects shall not form part of business profit of the company. (c) The company will collaborate with stakeholders to monitor the status of each project and findings will be reported to CSR committee periodically.
- (ii) **CSR committee:** Four directors were in the committee out of which three were independent.
- (iii) Statement of CSR expenditure:

**Table 6: CSR Expenditure of INFOSYS**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial years	12133
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	243
Amount spent (1.97% of AV. NP or 98.58% of amount prescribed)	239.54
Amount unspent	3.46

Source: Annual Report of INFOSYS 2014-15

Clarification for unspent amount: The unspent amount of 2014-15 was spent in April, 2015 upon receiving pending documentation.

(iv) Division of expenditure:

**Table 7: Division of Expenditure of INFOSYS**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	238.84	99.71
Expenditure on capacity building / overhead	0.70	0.29
Total	239.54	----

Source: Annual Report of INFOSYS 2014-15

(v) Activities covered and expenditure on them:

**Table 8: Activity-wise CSR expenditure of INFOSYS**

Activities	Percentage on Total	Amount (Rs. in crore)
Healthcare	18.43	44.15
Education	42.84	102.63
Art & culture	1.44	3.44
Destitute care	1.81	4.33
Rural development	29.38	70.38
Others (including capacity building expenditure)	6.10	14.61
	100.00	239.54

Source: Annual Report of INFOSYS 2014-15

(vi) **Manner in which projects will be carried out:** 100% of the amount spent on CSR was done through its implementing agency Infosys Foundation.

### Larsen & Toubro Limited (L&T)

- (i) **CSR Policy:** Preference areas of L&T were social infrastructure, water & sanitation, education, health, skill development, etc.

- (ii) **CSR committee:** Four directors were in the committee out of which one was independent.
- (iii) Statement of CSR expenditure:

**Table 9: CSR Expenditure of L&T**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial years	5310.29
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	106.21
Amount spent (1.44% of AV. NP or 72.07% of amount prescribed)	76.54
Amount unspent	29.67

Source: Annual Report of L&T 2014-15

**Clarification for unspent amount:** The company launched projects having a span of 4-5 years during the year 2014-15 and spends on such projects will increase considerably in subsequent years.

- (iv) Division of expenditure:

**Table 10: Division of Expenditure of L&T**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	67.03	87.57
Expenditure on capacity building / overhead	9.51	12.43
Total	76.54	----

Source: Annual Report of L&T 2014-15

- (v) Activities covered and expenditure on them:

**Table 11: Activity-wise CSR expenditure of L&T**

Activities	Percentage on Total	Amount (Rs. in crore)
Education	22.11	16.92
Health	7.24	5.54
Skill building	55.63	42.58
Community development	4.69	3.59
Environment	4.72	3.61
Employee volunteering	0.91	0.70
Others	4.70	3.60
	100.00	76.54

Source: Annual Report of L&T 2014-15

- (vi) Manner in which projects will be carried out:

**Table 12: Manner of execution of CSR projects of L&T**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct Projects	62.99	82.30
Projects through implementing agencies	13.55	17.70
Total	76.54	----

Source: Annual Report of L&T 2014-15

### National Thermal Power Corporation (NTPC)

- (i) **CSR Policy:** (a) Company's CSR policy covers the areas of health, sanitation, drinking water, education, capacity building, women empowerment, social infrastructure development, etc. The principal objective was to ensure environment protection and conserving natural resources. (b) Participation of panchayat, NGOs, SHGs, etc. will be solicited during planning and implementation of projects. (c) NTPC will not consider the surplus of any CSR projects as its business profit. (d) The effectiveness of CSR programmes will be evaluated and monitored by various internal and external teams.
- (ii) **CSR committee:** Five directors were in the committee out of which one was independent.
- (iii) Statement of CSR expenditure:

**Table 13: CSR Expenditure of NTPC**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial years	14173.78
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	283.48
Amount spent (1.45% of AV. NP or 72.38% of amount prescribed)	205.18
Amount unspent	78.30

Source: Annual Report of NTPC 2014-15

**Clarification for unspent amount:** (a) Unspent amount has been apportioned to CSR reserve in 2014-15. (b) Being the first year after section 135 came into effect, it took a substantial part of the year to formulate new policies and mobilize resources for undertaking projects. (c) One of the projects taken was construction of 24000 toilets in schools spread over 41 locations in 82 districts of 17 states. It took considerable time in surveying the locations and it is expected that major expenditures will take place in 2015-16.

- (iv) Division of expenditure:

**Table 14: Division of Expenditure of NTPC**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	191.00	93.09
Expenditure on capacity building / overhead	14.18	6.91
Total	205.18	----

Source: Annual Report of NTPC 2014-15

- (v) **Activities covered and expenditure on them:** The company has shown details of its CSR expenditure project wise but activity wise CSR expenditure has not been disclosed. Broad CSR activity areas were education, health & sanitation, activities for physically challenged, women empowerment, roads and infrastructure, drinking water, art & culture, biodiversity, environmental protection, waste management, etc.
- (vi) **Manner in which projects will be carried out:** 100% of the amount spent on CSR was done through implementing agency / contracting agency.

### Oil and Natural Gas Commission (ONGC)

- (i) **CSR Policy:** (a) The company is committed to adapt environmentally sustainable business practices as its CSR policy. The total budget of CSR is allocated equally for five broad activities- health, education, environment, rural development and others. (b) Unspent amount of prescribed CSR expenditure will be carried forward to next year. (c) Surplus of any CSR project shall not form part of business profit and it will be carried forward to next year in addition to prescribed CSR expenditure. (d) A comprehensive monitoring mechanism will be devised by ONGC for due implementation of CSR programmes.
- (ii) **CSR committee:** Four directors were in the committee out of which one was independent.
- (iii) Statement of CSR expenditure:

**Table 15: CSR Expenditure of ONGC**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial years	33030
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	660.61
Amount spent (1.50% of AV. NP or 74.97% of amount prescribed)	495.23
Amount unspent	165.38

Source: Annual Report of ONGC 2014-15

**Clarification for unspent amount:** (a) Major initiatives undertaken were mostly in transition phase. (b) Some of the flagship projects undertaken were of long period spread over 3-5 years.

(iv) Division of expenditure:

**Table 16: Division of Expenditure of ONGC**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	463.05	93.50
Expenditure on capacity building / overhead	32.18	6.50
Total		----

Source: Annual Report of ONGC 2014-15

(v) Activities covered and expenditure on them:

**Table 17: Activity-wise CSR expenditure of ONGC**

Activities	Percentage on Total	Amount (Rs. in crore)
Education	9.30	46.08
Health	0.72	3.58
Infrastructure	18.95	93.87
Cultural events	4.12	20.40
Environment & ecology	58.04	287.42
Projects for physically and mentally challenged	0.68	3.38
Promotion of artisans, craftsman	0.42	2.09
Others (including capacity building expenditure)	7.76	38.41
	100.00	495.23

Source: Annual Report of ONGC 2014-15

(vi) **Manner in which projects will be carried out:** 100% of the amount spent on CSR was done through implementing agency / contracting agency.

### Reliance Industries Limited (RIL)

- (i) **CSR Policy:** (a) The company considered six focus areas- rural transformation; health; education; environment; art, heritage and culture; disaster response. (b) RIL will emphasize on inclusive growth. (c) Surplus of any CSR project shall not be added to business profit. (d) A monitoring and evaluation team will be set up to measure the outcome of the projects.
- (ii) **CSR committee:** Four directors were in the committee out of which three were independent.
- (iii) Statement of CSR expenditure:

**Table 18: CSR Expenditure of RIL**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial years	26648
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	532.96
Amount spent (2.85% of AV. NP or 142.71% of amount prescribed)	760.58
Amount unspent	NIL

Source: Annual Report of RIL 2014-15

(iv) Division of expenditure:

**Table 19: Division of Expenditure of RIL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	750.98	98.74
Expenditure on capacity building / overhead	9.60	1.26
Total	760.58	----

Source: Annual Report of RIL 2014-15

(v) Activities covered and expenditure on them:

**Table 20: Activity-wise CSR expenditure of RIL**

Activities	Percentage on Total	Amount (Rs. in crore)
Education	2.81	21.34
Health	79.41	604.00
Rural transformation	14.64	111.34
Disaster relief	1.03	7.86
Others (including capacity building expenditure)	2.11	16.04
	100.00	760.58

Source: Annual Report of RIL 2014-15

(vi) Manner in which projects will be carried out:

**Table 21: Manner of execution of CSR projects of RIL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct & implementing agency jointly	31.40	4.13
Projects through implementing agencies	729.18	95.87
Total	760.58	----

Source: Annual Report of RIL 2014-15

**Tata Steel Limited (TSL)**

- (i) **CSR Policy:** (a) Company's CSR objective is to improve the quality of life of the communities they serve. The focus areas were- education, health, livelihoods, rural and urban infrastructure, environment and ethnicity, etc. (b) TSL shall implement the CSR projects in collaboration with other Tata Group companies, NGOs, and government organisations. (c) Surplus of any CSR project shall be re-deployed back to CSR activities. (d) There will be an in-house CSR department in Tata Steel to implement the projects in best possible way. The company has installed a 3 tiered governance and monitoring mechanism for CSR activities- CSR committee, CSR steering committee and CSR advisory committee.
- (ii) **CSR committee:** Five directors were in the committee out of which one was independent.
- (iii) Statement of CSR expenditure:

**Table 22: CSR Expenditure of TSL**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial years	8412.82
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	168.26
Amount spent (2.04% of AV. NP or 103.17% of amount prescribed)	171.46
Amount unspent	NIL

Source: Annual Report of TSL 2014-15

(iv) Division of expenditure:

**Table 23: Division of Expenditure of TSL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	163.29	95.23
Expenditure on capacity building / overhead	8.17	4.77
Total	171.46	----

Source: Annual Report of TSL 2014-15

(v) Activities covered and expenditure on them:

**Table 24: Activity-wise CSR expenditure of TSL**

Activities	Percentage on Total	Amount (Rs. in crore)
Education	25.81	44.25

Health sanitation and drinking water	24.02	41.19
Rural and urban infrastructure development	9.90	16.98
Livelihood enhancement	25.13	43.08
Ethnicity	2.37	4.07
Sports	5.02	8.61
Environment	2.98	5.11
Capacity building	4.76	8.17
	100.00	171.46

Source: Annual Report of TSL 2014-15

(vi) Manner in which projects will be carried out:

**Table 25: Manner of execution of CSR projects of TSL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct Projects	3.65	2.13
Projects through implementing agencies	13.06	7.62
Direct & implementing agency jointly	154.75	90.25
Total	171.46	----

Source: Annual Report of TSL 2014-15

### Mahindra and Mahindra Limited (M&M)

- (i) **CSR Policy:** (a) The objective of CSR is to promote a strategic approach to CSR by incorporating all the philanthropic actions under one umbrella 'Rise for Good'. Focus areas were- education, healthcare and sanitation, rural development, environment, etc. (b) TSL shall implement the CSR projects own or through agencies or trusts or jointly with other companies. (c) Surplus of any CSR project shall not be included in business profit. (d) For evaluating and approving projects, there will be a CSR council in the company. The council shall also monitor the projects.
- (ii) **CSR committee:** Six directors were in the committee out of which three were independent.
- (iii) Statement of CSR expenditure:

**Table 26: CSR Expenditure of M&M**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial year	4151.74
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	83.03

Amount spent (2% of AV. NP or 100% of amount prescribed)	83.03
Amount unspent	NIL

Source: Annual Report of M&M 2014-15

- (iv) **Division of expenditure:** The company has not shown the division of its total CSR expenditure into direct expenditure and overhead in its Board's report.
- (v) Activities covered and expenditure on them:

**Table 27: Activity-wise CSR expenditure of M&M**

Activities	Percentage on Total	Amount (Rs. in crore)
Education	29.51	24.50
Healthcare and sanitation	26.33	21.86
Rural development	18.10	15.03
Employment and livelihood enhancement	5.74	4.77
Prime Minister relief fund	2.41	2.00
Environment	6.67	5.54
Others	11.24	9.33
	100.00	83.03

Source: Annual Report of M&M 2014-15

(vi) Manner in which projects will be carried out:

**Table 28: Manner of execution of CSR projects of M&M**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct Projects	8.00	9.64
Projects through implementing agencies	75.03	90.36
Total	83.03	----

Source: Annual Report of M&M 2014-15

### Bharti Airtel Limited (BAL)

- (i) **CSR Policy:** (a) Focus areas include education, skill development, healthcare and sanitation, contribution to technology incubators, etc. (b) BAL shall implement the CSR projects through Bharti Foundation or any other organisation, if required. (c) Surplus of any CSR project shall not be included in business profit. (d) Key CSR projects will be monitored by periodic third party assessment.
- (ii) **CSR committee:** Three directors were in the committee out of which one was independent.
- (iii) Statement of CSR expenditure:

**Table 29: CSR Expenditure of BAL**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial year	6998.60
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	140.00
Amount spent (0.39% of AV. NP or 19.56% of amount prescribed)	27.38
Amount unspent	112.62

Source: Annual Report of BAL 2014-15

Clarification for unspent amount: Being the very first year, the company was in the process of evaluating the focus areas for CSR activities in 2014-15 but it is committed to increase its CSR impact in the coming years.

- (iv) **Division of expenditure:** The company has not shown the division of its total CSR expenditure into direct expenditure and overhead in its Board's report.
- (v) Activities covered and expenditure on them:

**Table 30: Activity-wise CSR expenditure of BAL**

Activities	Percentage on Total	Amount(Rs. in crore)
Education	97.77	267.70
Sanitation	2.23	6.10
	100.00	273.80

Source: Annual Report of BAL 2014-15

- (vi) **Manner in which projects will be carried out:** 100% of the amount spent on CSR was done through implementing agency.

### Bharat Heavy Electronics Limited (BHEL)

- (i) **CSR Policy:** (a) The vision of CSR policy is to be a responsible corporate citizen. Thrust areas for CSR activities have been categorised under seven heads- Inclusive India, Healthy India, Clean India, Educated India, Responsible India, Green India and Heritage India. (b) At least 75% of CSR budget will be spent in local areas of its operation. 5% of the CSR budget will be kept for disaster relief management. (c) The mega projects (more than Rs.2 crore) will be assessed by external agency. (d) To implement the projects and for their continuous monitoring, there will be a 3-tier CSR structure in the company-board level committee, level-1 committee and level-2 committee.
- (ii) **CSR committee:** Four directors were in the committee out of which one was independent.
- (iii) Statement of CSR expenditure:

**Table 31: CSR Expenditure of BHEL**

Particulars	Amount (Rs. in crore)
Average Net Profit for last three financial year	8222.33
Prescribed CSR expenditure (amount to be spent: 2% of AV. NP)	165.00
Amount spent (1.24% of AV. NP or 61.86% of amount prescribed)	102.06
Amount unspent	62.94

Source: Annual Report of BHEL 2014-15

**Clarification for unspent amount:** (a) CSR rules came into force since 1st April, 2014 but several clarifications were given throughout the year. (b) After formulating CSR policy, less time was available for execution of projects. Some of the projects were of longer duration. (c) Being a public sector enterprise, BHEL had to revise its CSR policy as per the DPE guidelines issued on October, 2014. (d) Unspent amount will be carried forward to next year.

- (iv) Division of expenditure:

**Table 32: Division of Expenditure of BHEL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct expenditure	98.37	96.38
Expenditure on capacity building / overhead	3.69	3.62
Total	102.06	----

Source: Annual Report of BHEL 2014-15

- (v) **Activities covered and expenditure on them:** In 2014-15, the company undertook 314 CSR projects. BHEL has shown the nature of the projects, expenditures incurred on them and other information about them brilliantly in tabular form. Its activities covered the areas of safe drinking water, health, skill development, education, sanitation, community development, rural development, environmental sustainability and many more.
- (vi) Manner in which projects will be carried out:

**Table 33: Manner of execution of CSR projects of BHEL**

Particulars	Amount (Rs. in crore)	Percentage on total expenditure
Direct Projects	84.49	82.79
Projects through implementing agencies	17.57	17.21
Total	102.06	----

Source: Annual Report of BHEL 2014-15

## FINDINGS

- (a) All the selected companies constituted CSR committee as per the provisions of CSR Rules, 2014. They all formulated CSR policy and displayed it in their website duly. Moreover, all the selected companies included an annual report on CSR in the specified format in the Board's report.
- (b) In our study, out of 10 companies, 3 were public sector undertakings (PSUs) and 7 were from private sector. In general, it can be observed that PSUs are lagging behind the private sector ones in spending their prescribed CSR expenditure. On an average, the PSUs spent 69.74% of their prescribed CSR expenditure. On the other hand, among the private sector companies, Airtel and L&T spent 19.5% and 72.07% of their prescribed CSR amount, respectively but the others spent either 100% or more than 100% of their CSR obligation. On an average, private sector spent 91.14% of their prescribed CSR amount. On the whole, out of 10 companies, only five could manage to spend their prescribed CSR expenditure in the very first year after CSR Rules 2014 came in to effect.
- (c) According to the percentage of CSR spending on average net profit of last three financial years, RIL secured the highest position with 2.85% and BAL secured the last position with 0.39%.
- (d) The companies which failed to reach their target made two causes responsible for their failure. Firstly, being the first year of implementation, in 2014-15, they did not find enough time to spend the required amount after formulating CSR policy and to comply other provisions of the said rules. Secondly, most of the projects undertaken by them were of longer duration. They were hopeful that in the coming years, their expenditure on those projects will certainly go up.
- (e) Out of 10 companies, 7 companies preferred to implementing agencies in execution of CSR projects. Out of those seven companies, five companies spent 100% of the prescribed CSR amount through implementing agencies and the other two spent more than 90% of the amount prescribed through such agencies.
- (f) The selected companies mainly confined their CSR activities to the activities referred to in Schedule VII of Companies Act, 2013. In our study, only for 8 companies, it was possible to show activity-wise distribution of actual CSR expenditure. It was observed that out of those 8 companies, four emphasized on 'Education' most.

## Scale of Measurement of Performance of the Companies

In the previous section, it has been examined to what extent the selected companies complied provisions of CSR Rules, 2014. Now, we shall try to derive a scale so that we can measure the merit of the companies in complying the said rules and arrange them in order of their merit. It is a ten marks scale which has been derived after considering the following six parameters.

- (a) Constitution of CSR Committee: Total marks allotted for this parameter are one. A company which has constituted the committee in the manner prescribed will get full marks and otherwise, it will get zero.
- (b) Structured CSR policy: Total marks allotted for it are one. A company having a structured CSR policy will get full marks and otherwise, it will get zero.
- (c) CSR reporting in Boards' Report: Total marks allotted for this parameter are one. A company which included an annual report of CSR in specified format in its Boards' Report will get full marks and otherwise, it will score zero.
- (d) Maximum 5% ceiling of capacity building / overhead expenditure on total CSR spending: Total marks assigned to it are one. A company whose capacity building expenditure is up to 5% on total CSR spending will get full marks and otherwise, its score will be zero.
- (e) Transparent monitoring mechanism: Total marks for this parameter are one. A company which has constituted a transparent monitoring mechanism for imposing effective control over the implementation of its CSR projects will get full marks and otherwise, it will get zero.
- (f) Percentage of amount spent on CSR on amount prescribed: Being the main obligation for CSR practices, five marks have been allotted to this parameter. The companies will get marks as a percentage of total marks assigned to this parameter and that percentage will be just equal to the percentage of their CSR spending on amount prescribed for CSR. Higher the percentage of spending on CSR, higher will be the score of a company. Even, a company may get more than five marks for this parameter, just like bonus, if its CSR spending is more than 100% of the amount prescribed.

## Score Obtained by the Companies and Their Ranks

On the basis of the scale, as derived in the previous section, the score of the companies will be as shown in Table 34.

Table 34: Ranking of the companies

Company	Parameters						Total Score	Rank
	CSR Committee	CSR Policy	CSR Reporting	5% Ceiling on overhead	Monitoring Mechanism	% of Amount Spent		
HUL	1	1	1	1	0	5.16	9.16	4 <sup>th</sup>
INFOSYS	1	1	1	1	1	4.93	9.93	3 <sup>rd</sup>
L&T	1	1	1	0	0	3.60	6.60	9 <sup>th</sup>
NTPC	1	1	1	0	1	3.62	7.62	8 <sup>th</sup>
ONGC	1	1	1	0	1	3.75	7.75	7 <sup>th</sup>
RIL	1	1	1	1	1	7.14	12.14	1 <sup>st</sup>
TSL	1	1	1	1	1	5.10	10.10	2 <sup>nd</sup>
M&M	1	1	1	0	1	5.00	9.00	5 <sup>th</sup>
BAL	1	1	1	0	1	0.98	4.98	10 <sup>th</sup>
BHEL	1	1	1	1	1	3.09	8.09	6 <sup>th</sup>

## CONCLUSION

As per the scale of measurement derived in the study, Reliance Industries Ltd. is in apex and Bharti Airtel Ltd. is at the bottom position. The first five positions have been secured by the private sector companies. After studying the report on CSR included in Boards' Report, it has been seen that the companies were trying to comply the CSR Rules, 2014 as per their capacity. Still, half of the selected companies failed to spend the amount prescribed for CSR expenditure but it was not due to their unwillingness to do so. Being the first year after the rules came in to force, in 2014-15, those lagging companies did not get much time to spend the prescribed amount. It took a substantial part of 2014-15 to formulate a CSR policy and to build other infrastructure for spending the amount. Longer duration of the proposed projects was another important reason for their failure to spend the required amount. Some of these lagging companies have also said in their report that they will carry the unspent amount to next year and all of them have the expectation that they will be definitely able to increase their CSR expenditure in the coming years. It has been seen from their reports on CSR that these companies have already initiated some good CSR projects which need longer period of time to be executed. It proves that these companies have the intention to perform their CSR obligation fruitfully and for these they need some more time.

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