

ISSN 2063-5346



TO STUDY THE SECTOR AND INITIATIVE WISE CSR PERFORMANCE OF THE INDIAN CORPORATE SECTOR

Lipika Dhingra¹, Dr Sachin Kashyap²

Article History: Received: 02.07.2023

Revised: 15.07.2023

Accepted: 23.07.2023

Abstract

Corporations have realised that taking social responsibility in the societies where they operate can result in a number of benefits. The debate now centres on a company's capacity to inform its stakeholders about its social contributions rather than just being a model corporate citizen. Therefore, the current study investigates how NIFTY 100 corporates engaged in CSR during the voluntary era and following the passage of the 2013 Companies Act.

¹Research Scholar, Lovely Professional University, Punjab
Dhingralipika123@gmail.com

²Assistant Professor, Lovely Professional University, Punjab
sachinkashyap1981@gmail.com

DOI:10.48047/ecb/2023.12.9.195

Introduction:

The community –economic development of any country really need the efficacy of handling with the different issues for instance poverty, reducing inequality, health, unemployment along with the overall expansion of the people (Mishra, 2021). In the modern scenario, buyers, economic institutions, partners, and social stakeholders are emphasizing the need for an incorporated appraisal of the cost that a corporation creates the use of a bundle of various bureaucracies (monetary, natural, and social) of capital (Figgie and Hahn,2005). Corporate social responsibility is the commitment of an organisation to manage the social, environmental, and economic influences on operations in accordance with public expectations. Businesses across the industry have responded to changes in public expectations and views by making CSR initiatives an integral component of their efforts. Corporates are indulged with corporate social responsibility initiatives to alleviate unfavourable perceptions and to formulate a foundation which is based on the mutual trust and confidence (Dean,2003).

Businesses across the industry have responded to changes in public expectations and views by making CSR initiatives an integral component of their efforts (Chatterji, 2011).Nonetheless, the wave of liberalisation, privatisation policy has swayed away Indian corporate area from traditional ethos. That’s why to put the Corporate Social responsibility on the core platform of business again, numerous measures have been taken by the government. For formulating a CSR policy, Government has issued CSR voluntary guidelines which should be aligned with the business goals. Nonetheless, Companies Act 2013 including section 135 has given the numerous initiatives which basically fascinate towards the different issues of the environment, rural development, women empowerment, sustainable development,

environmental issues. This move has actually aligned the business with the external environment in which companies are called to give reporting, budgeting etc. (Gupta, 2021).Additionally; there is a paradigm shift in the Indian Corporate Sector from voluntary to mandatory CSR.

The study has contributed to the current literature in numerous ways. First in-depth overview of the CSR initiatives in the both the periods giving the different insights into the shift of CSR in India.

Prior Research

In India, CSR has taken on a multitude of forms, including merchant charity, philanthropy, CSR, and finally corporate citizenship (Sunder,2000). India is the second-most-populated country in the world after China and is home to a very high number of religious communities. Even though it has been said that India is a secular nation, many different religions, including Muslims, Christians, and Hindus, have found refuge there. Charitable giving is one of these religions' fundamental tenets. As a result, nations have long practised religion in conjunction with charitable work (Mishra and Suar,2010).

Prior to the industrial era and afterwards from 1800 to 1914, when CSR operations in India were most active, corporate philanthropy was dominated by religious sympathies. According to the eighteenth century, India was treated like a slave by the British and mostly laboured for them. However, the development of temples, religious institutions, schools, and hospitals served as a visual representation of nineteenth-century societal concerns (Chahoud,2006 and Sunder,2000).

Additionally, Gandhiji's Trusteeship Model, which placed emphasis on the idea that corporations should direct their attention toward social concerns through fostering the arts, sciences, and education, characterised the second phase (1914–1960). (Narayan,1966).

During the third phase, which covered the years 1960 to 1980, it concentrated on the self-interest toward the). Corporate Social Responsibility that was combined with charity deeds with an emphasis on the deceptive contribution to the CSR (Sood and Arora 2006). The public sector played a significant role during this time period, which is why it is also known as the "Era of Command and Control." The emphasis of corporate social responsibility was on more stringent industrial licencing and taxes, capital-specific issues, resource allocation, pricing, and the growth of monopolies and economic power. However, due to the limited involvement and participation of the public sector, the private sector was actively needed in the system. In that situation, CSR had taken on the task of determining the legality of commercial activity and promoting company interests.

In 1990's taking into consideration LPG of the economy, there were large presumptions from different consumer groups, pressurize groups as well as the society for the obligation behaviour to be enhanced. It was also been observed that there was a lot of irresponsible behaviour which was visible and that could be seen in the shape of undisciplined behaviour of Union Carbide gas leak tragedy .Additionally Satyam scam had also taken place which has actually lead to a lot of outrage by the people .It is then only that government had actually realized that yes organizations need to play a much wider role apart from providing their products at a reasonable rates as well as prices they really need to think about the vicinity around them ,declining the human rights abuse at the work place (Kumar etal; 2001). Indian corporates had actually initiated to take CSR as the centre to the action of the corporates instead of the passive charitable activity (CSR survey report 2002).

The revenue making Indian listed companies were asked to contribute to Corporate Social Responsibility which was actually implemented from April,

2014.Much of the work was already completed by the government during 1993. Nonetheless, the clause 135 of the New Companies Act ,2013 relates with CSR.It states that corporates having corporates having the net worth of 500 crore or more or turnover 1000 crore or more or the net profit of 5 crore or more during any financial year shall formulate a CSR committee, consisting of three or more directors out of which at least on should an independent director.The CSR committee shall be obligatory for the following :

- a) Formulating and suggesting a CSR policy to the Board of Directors.
- b) Advising the Corporate Social Responsibility budget.
- c) Monitoring and reviewing CSR policy for the company.

The CSR executives who would be doing default would be imprisoned up to three years or they would be fined among INR 50,000 to INR 500,000. The reasons for the failure should be disclosed, if any of the corporations fails to spend its CSR budget according to section 135 of Companies Act2013.According to the recent advancements, there are certain impositions which had been filed up by the Government in the Act as the defaulter company has to face the repercussions for the same. Additionally the Government has laid down certain parameters in the Schedule 7 of the Companies Act 2013 which would qualify it as a CSR activity. The schedule contains different activities from eradicating poverty till the disaster management .These activities have to be carried out through a society, registered trust or section 8/25 of the corporates; through a holding, subsidiary or associate company which are having a record of at least three years in carrying out similar activities. Those activities which are purely out of the normal course of the business or upliftment of the employees and families would not be taken into consideration.

Sector Wise CSR performance:

Sharma (2012) has studied about the initiatives of the major companies of India with special reference to health, education as well as environment. The initiatives have been evaluated by the assistance of the scale and rating has been given through 1 to 5. The results were found that IT and Auto sector are doing more for the CSR initiatives. However FMCG sector has not emphasized much in the social responsibility initiatives. Singh et al (2016) has stressed on CSR, reporting might also have any critical impact on marketplace overall performance and marketplace execution of the organization in the fleeting but surroundings situated CSR exposure may be adversely recognized with the commercial enterprise quarter execution of the corporation. This study also finds that numerous sectors in India are very centered and committed in terms of CSR activities and there may be a kind of aggressive surroundings the various corporations for collaborating in CSR sports, that's virtually a superb way. Lin et al (2020) have monitored that EMI positively predicts CSR authenticity. Furthermore, CSR authenticity makes a significant prediction about CSR legitimacy. Positive and significant is the direct connection between EMI and CSR validity (Muzzamil, 2021). The research also shows that the relationship between EMI and CSR legitimacy ties is mediated by CSR authenticity. These results suggested that managers in the hospitality and travel sectors should take part in CSR sports. Zygaldou (2016) has focused on the effects of SR changes as assessed by value growth as well as their temporary impact on earnings contingent upon the organization's quarter. First, we demonstrate that investments in eco-efficiency are price destroyers in eight out of ten industries. We discover the largest consequences for

corporate governance in three industries with uncertain characteristics (Bhat Ali Basit, Gupta Nitin Dr, 2022). We evaluate the decreased impact of CSR initiatives on the companies' financial overall performance in case of 4 industries despite integrating the third social assessment. According to Shahbaz, board responsibility and CSR commitments are significant influences on performance as measured by the ESG rating alongside its three individual sizes. While board independence is extra influential in environmental and governance signs. However CSR performance doesnot guarantee higher performance.

Objective of the study

The main objective of the study is to scrutinize the sector wise as well as initiative wise performance of CSR in Indian Corporate Sector by NIFTY 100 companies in the voluntary period and the after the implementation of Section 135 of Companies Act 2013

Research Methodology

The 90 companies entailed in Nifty100 (an index of National Stock Exchange) has been examined from the period of 2009-2020. The dataset has covered 5 years from 2009-10 to 2013-14 from the voluntary tenure of CSR initiatives (cited as per voluntary tenure thereafter) and 6 years (2014-15 to 2019-20) from the tenure after the implementation of Section 135 of the Companies Act 2013. The identified companies represent the different sectors namely Financial services (21), Metals, Chemicals, Fertilizers, Industrial manufacturing, Services, Automobiles, Consumer Goods etc.

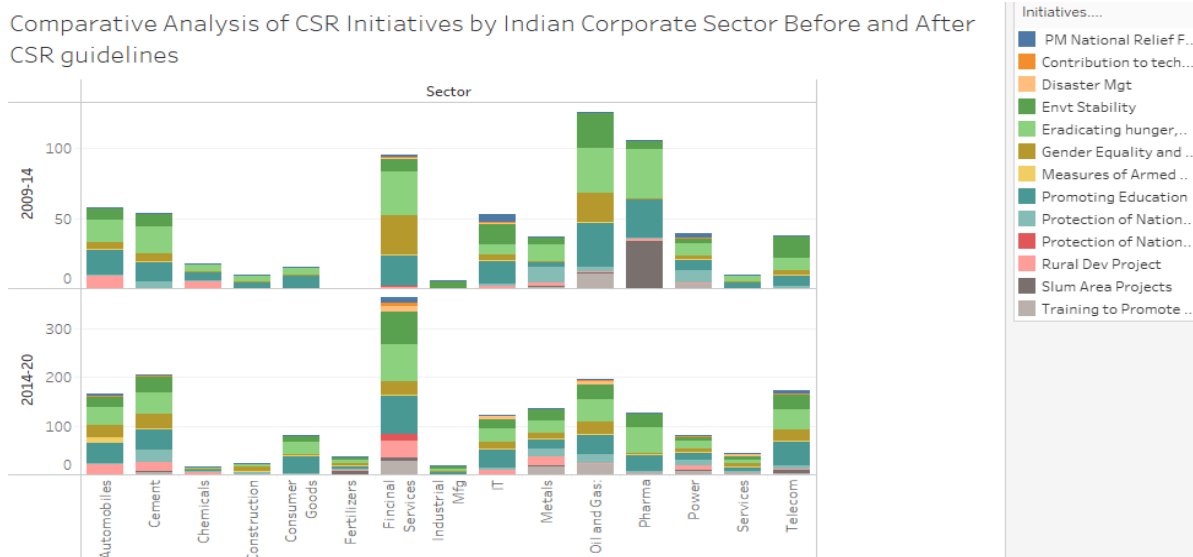


Figure 1 : Comparative Analysis of CSR Initiatives by Indian Corporate Sector Before and After CSR guidelines

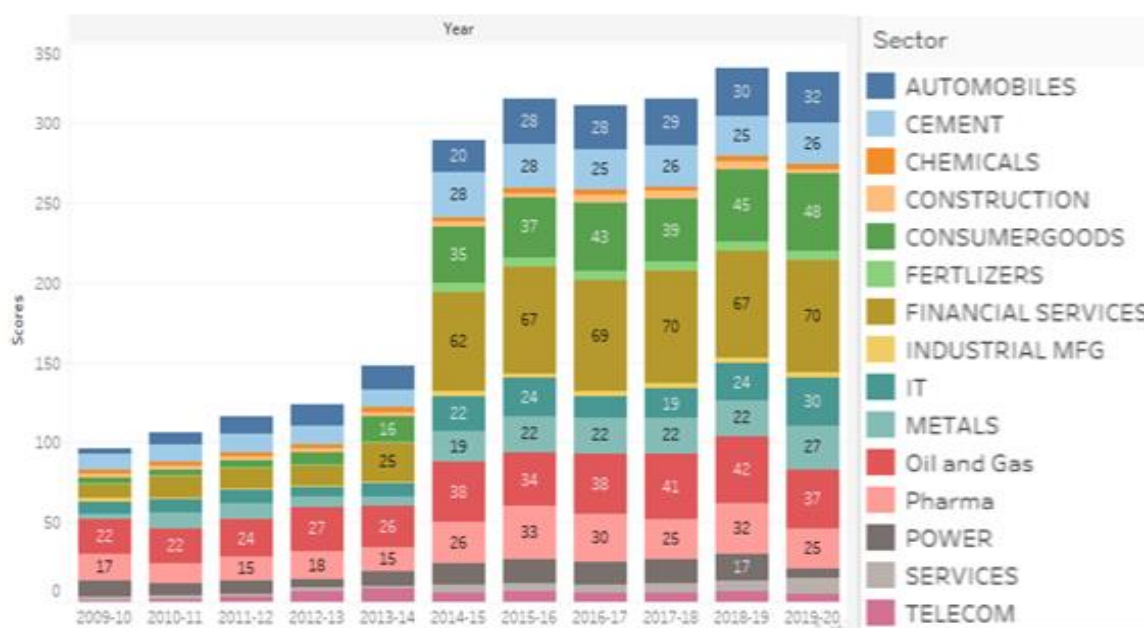


Figure 2: Sector Wise Analysis of the Initiatives

Findings and Conclusion:

The maximum contribution has been made by the sectors on eradicating hunger, poverty and malnutrition, education and environment sustainability. It has been observed that education is regarded as the most crucial area so far as it entails different activities in it but for instance: promoting sports and physical education in schools ,construction and the development of the libraries and laboratories,teacher’s training

and early childhood care,these areas are not getting significant attention. It has also been observed that firms are suggested that they should move beyond the just providing tuitions, lending books, or constructing school infrastructure .Furthermore, organisations should assist in the processes, firms that have concrete learning outcome targets which would easily measurable as well as attainable.

Moreover the companies have also contributed towards providing toilets to the respective schools. Similarly certain funds have also contributed towards building of classrooms and infrastructure facilities, though these activities are crucial but are not lending anything to the learning outcome. As also there is no **particular sanitation** activity in Companies Act 2013 so the corporates have marked that activity in the education itself. Of course this could be the another factor wheat to the increment in the educational sector.

The funds have been majorly contributing to set up more number of schools as which it paid to construct and build. Moreover the foundation has also emphasizing on training the teachers, collaborating with the different government agencies.

Why companies are engaged in Environmental activities:

The changing climatic conditions and everlasting ecological crises have pressurized the corporates to actively indulge in the issues of environment. The enhancing rate of inflation as well as unemployment and the declining rate of self-applomb of the consumers had led to work on the business as well as economic solutions. From the economic viewpoint, its miles commonly identified that the use of and shielding the environment are crucial components of commercial enterprise procedures that generate costs for organisations. Environmental protection prices in firms. It may be divided into internal and external expenses. From the monetary perspective of the organization; the most critical are the overall inner costs of environmental safety. Environmental protection prices are the sum of all investment outlays and cutting-edge expenses borne via the business enterprise to lessen its environmental burden, by means of secure storing, preventing, neutralizing, decreasing, or eliminating pollutions and/or environmental harm (Kobyłko, G. (Ed.)).

Why Eradication hunger, Poverty and Malnutrition is playing a key role in extracting maximum funds from the companies : The companies are rigorously working for the health of the people in the sense that would indirectly lead to the economic growth of the people. Moreover the physically healthy people could utilise the growth opportunities which had been made available to them. **The community development programs for PHARMA corporates are focussing on, drinking water, health, sanitation, education as well as rural development.**

i). Quality and affordable healthcare delivery program with SEWA (Self Employed Women's Association), to launch a comprehensive, community based healthcare program, to improve access to quality primary, acute and NCD (Non-Communicable Disease) care among low income populations (Pharma Companies).

(ii) Malaria elimination program with Malaria No More, in partnership with Government of Odisha, Abbott is supporting the program with technical expertise, diagnostic products and funding support to advance efforts to end malaria in the state.

(iii) Improving access to healthcare through health clinics.

AREAS WHICH HAVE NOT BEEN TOUCHED BY THE SECTORS:

There are several areas which have not been touched by companies are for instance:

- a) Contribution to Prime Minister's National Fund (socio economic development)
- b) Slum area
- c) Contribution to technology incubators located within academic institution
- d) Disaster Management
- e) Measures for benefit of armed forces veterans, war widows and their dependants.

Since these areas have not been touched by the corporations as it should be suggested and advised to all the corporates to work over these areas.

Future Scope:

It has been recommended that instead of taking NSE the future scholars should orient towards BSE. However they could also direct their efforts towards taking the sectors other than the same which had been taken so far.

References :

- Fernando, J. (2020, January 30). Corporate Social Responsibility (CSR). Retrieved October 20, 2020, from <https://www.investopedia.com/terms/c/corp-social-responsibility.asp>
- Starbucks. (2019). Starbucks Global Impact Report, 2019 (p.5 to p.12). Retrieved October 20, 2020, from <https://stories.starbucks.com/uploads/2020/06/2019-Starbucks-Global-Social-Impact-Report.pdf>
- (n.d.). Coronavirus. Retrieved October 20, 2020, from https://www.who.int/health-topics/coronavirus#tab=tab_3
- Template: COVID-19 pandemic data. (2020, October 20). Retrieved October 20, 2020, from https://en.wikipedia.org/wiki/Template:COVID-19_pandemic_data
- MOHFW, Number of COVID-19 Cases in India (as on Oct20, 2020; 08:00 AM). Retrieved October 20, 2020, from <https://www.mohfw.gov.in/>
- ETGovernment. (2020, May 16). Corporate Social Responsibility in times of covid-19 pandemic - ET Government. Retrieved October 20, 2020, from <https://government.economictimes.indiatimes.com/news/economy/corporate-social-responsibility-in-times-of-covid-19-pandemic/75771467>
- Liberto, D. (2020, March 21). Zakat definition. Retrieved October 25, 2020, from <https://www.investopedia.com/terms/z/zakat.asp#:~:text=Zakat%20is%20a%20religious%20obligation,of%20a%20person%20or%20family>
- GatewayHouse. (2017, September 01). A Brief History of Indian CSR. Retrieved October 25, 2020, from <https://www.gatewayhouse.in/a-brief-history-of-indian-csr/>
- (n.d.). Corporate Philanthropy: The Ultimate Guide to Giving. (2020, September 10). Retrieved October 25, 2020, from <https://doublethedonation.com/tips/corporate-philanthropy/#:~:text=Corporate%20philanthropy%20is%20the%20act,donations%20of%20funds%20or%20time>
- Bhat Ali Basit, Gupta Nitin Dr, R. M. (2022). *To Study the Effect of Corporate Governance on the Performance of Indian Listed Firms : A Comparative Panel Data Analysis*. 20(August), 9268–9282. <https://doi.org/10.14704/nq.2022.20.10.NQ55908>
- Muzzamil, R. (2021). Impact of Corporate Governance on the Financial Reporting Quality in the Nigerian Banking Industry. *Johuns.Net*, 48(5). <https://johuns.net/index.php/publishing/22.pdf>
- Says:, P., Says:, A., Says:, R., Says:, H., Says:, S., Says:, D., . . . Says:, S. (n.d.). Corporate Social Responsibility (CSR) as per companies act, 2013. Retrieved October 25, 2020, from <https://taxguru.in/company-law/corporate-social-responsibility-csr-companies-act-2013.html>
- Collier, E. (2020, April 28). Corporate Social Responsibility For Your Business. Retrieved November 13,

- 2020, from <https://www.highspeedtraining.co.uk/hub/importance-of-corporate-social-responsibility/#:~:text=CSR%20demonstrates%20that%20you're,business%20sense%20to%20operate%20sustainably>
- Desk, I. (2020, May 23). Sonu Sood trends on Twitter as people thank him for being the messiah for migrant workers. Retrieved October 26, 2020, from <https://www.india.com/entertainment/bollywood-news-sonu-sood-trends-on-twitter-as-people-thank-him-for-being-the-messiah-for-migrant-workers-4037279/>
 - Making Ethical Decisions: Process. (n.d.). Retrieved October 21, 2020, from <https://blink.ucsd.edu/finance/accountability/ethics/process.html>
 - 6 Step Ethical Decision Making Model (Ethics) Flashcards... (n.d.). Retrieved October 21, 2020, from <https://quizlet.com/75130448/6-step-ethical-decision-making-model-ethics-flash-cards/>
 - GOI. IndianKanoon. Section 144 in the Code of Criminal Procedure, 1973. Retrieved October 21, 2020, from <https://indiankanoon.org/doc/930621/>
 - Krishna, V. (2020, May 05). How COVID-19 Changed the Behaviour of Consumers and Retailers in India. Retrieved October 22, 2020, from <https://yourstory.com/2020/05/covid-19-consumer-retailer-behaviour-lockdown>
 - GOI. IndianKanoon. Article 21 in the Constitution of India, 1949. Retrieved October 22, 2020, from <https://indiankanoon.org/doc/1199182/>
 - How Indian Companies are Responding to COVID-19. (n.d.). Retrieved November 11, 2020, from <https://csrbox.org/how-Indian-companies-responding-COVID19>
 - Jeronimus, B. F. (Geaccepteerd/In druk). Personality and the Coronavirus Covid-19 Pandemic. In Personality and the Coronavirus Covid-19 Pandemic University of Groningen. Retrieved November 06, 2020, from <https://doi.org/10.21827/5ed9ebc01d65f>
 - The Jakarta Post. (n.d.). COVID-19: Rationality Maintains Macroeconomic Immunity. Retrieved November 07, 2020, from <https://www.thejakartapost.com/academia/2020/03/24/covid-19-rationality-maintains-macroeconomic-immunity.html>
 - Hope in the Midst of the Coronavirus. (2020, October 28). Retrieved October 07, 2020, from <https://www.hrw.org/news/2020/03/19/hope-midst-coronavirus>
 - ETGovernment.com. (2020, May 16). Corporate Social Responsibility in Times of COVID-19 Pandemic - ET Government. Retrieved November 15, 2020, from <https://government.economictimes.indiatimes.com/news/economy/corporate-social-responsibility-in-times-of-covid-19-pandemic/75771467>