Sector Wise Comparison of Corporate Social Responsibility by Companies in India

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Abstract

The study looks at the Corporate Social Responsibility (CSR) of Indian firms from various sectors and its impact on the performance and market execution of firms. The study looks at the CSR contribution of various firms and its impact on profit after tax over a three year period from 2013 to 2015. The study utilizes substance investigation to study CSR revelation and characterizes and rates these exercises utilizing things from a setup scale took after by development of class shrewd CSR records. This study also analyzes the CSR activities of various sectors in India by covering a wide range of activities done by various leading companies of these sectors. The study finds that CSR reporting may have any critical effect on market performance and market execution of the firm in the fleeting yet environment situated CSR exposure may be adversely identified with the business sector execution of the firm. The concentrate additionally finds that organizations concentrate intensely on representative and client arranged CSR and the methods of CSR ventures are more contributory as opposed to participative in nature. This study also finds that various leading sectors in India are very focused and dedicated in terms of CSR activities and there is a kind of competitive environment among the companies for participating in CSR activities, which is actually a very good sign.

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1. Introduction

While there may be no single all-around acknowledged meaning of Corporate Social Responsibility (CSR), every definition that as of now exists supports the effect that organizations have on society everywhere and societal desires of them. In spite of the fact that the foundations of CSR lie in magnanimous exercises, for example, gifts, philanthropy, help work, and so forth of partnerships, internationally, the idea of CSR has advanced and now envelops every single related idea, for example, Triple Bottom Line, corporate citizenship, charity, vital altruism, shared worth, corporate supportability and business obligation.

The aggregate of CSR can be resolved from the three words this expression contains: corporate, social and responsibility. CSR covers the relationship between enterprises or other substantial associations and the social orders with which they interface. CSR likewise incorporates the obligations that are characteristic on both sides of these connections. CSR characterizes society in its broadest sense, and on numerous levels, to incorporate all partners and constituent gatherings that keep up a progressing enthusiasm for the association's operations. CSR is, for the most part, comprehended to be the way an organization adjusts the practical, ecological, and social parts of its operations, tending to the desires of its partners.

Keeping in mind the end goal to streamline the magnanimous exercises and guarantee more responsibility and straightforwardness, the legislature of India made it obligatory for organizations to embrace CSR activities under the Companies Act, 2013. The idea of CSR is characterized in statement 135 of the Act, and it is relevant to organizations which have a yearly turnover of Rs 1,000 crore or more or total assets of Rs 500 crore or more, or a net benefit of Rs 5 crore or more.

Under this statement, these organizations should set aside no less than 2% of their normal benefit in the most recent years for CSR activities. The law has rattled off a wide range of exercises under CSR, which cover exercises, for example, advancement of instruction, sexual orientation value and ladies' strengthening, fighting HIV/AIDS, jungle fever and different maladies, destruction of amazing neediness, commitment to the Prime Minister's National Relief Fund and other focal assets, social business ventures, diminishment in kid mortality, enhancing maternal wellbeing, ecological supportability and occupation improving professional abilities among others.

Review of Literature

IGOR F, et al. (2014) studied interrelationships between the firm’s corporate governance, responsible leadership and corporate social responsibility (CSR) approaches in different institutional contexts. They linked different leadership orientations and corporate social responsibility approaches to two key process dimensions of corporate governance related to monitoring and incentives. They further argued that links between corporate social responsibility strategies and corporate governance factors such as boards of directors, ownership patterns, and executive incentives may differ depending on the legal system and institutional characteristics in a specific country.

a) Denise Baden (2014) explored how positive and negative role models (PRMs and NRM) of business affect students’ attitudes, expectations, and behavioral intentions relating to their future business behavior. He conducted a thematic analysis of student reflections (N = 96) based on their experience of material presented in their Business Ethics/Corporate Social Responsibility modules, interpreted through the framework of Ajzen’s theory of planned behavior, revealed that while negative role models led to intentions to avoid unethical behavior and engage unethical practices such as ethical purchasing, they also increased cynicism and undermined students’ self-efficacy in the ethical business domain. This study suggests that positive role models are necessary to counter the impression created by negative role models that ethical business is unachievable or unlikely, as such beliefs can become self-fulfilling.

b) Igor Filatotchev, et al. (2014) explored interrelationships between the firm’s corporate governance, responsible leadership, and corporate social responsibility approaches in different institutional contexts. They presented a critique of corporate governance research grounded in agency theory with its focus on corporate social responsibility as mere compliance with rules and regulations by linking different leadership orientations and corporate social responsibility approaches to two key process dimensions of corporate governance related to monitoring and incentives. Finally, they suggested that researchers need to develop a more holistic, institutionally embedded governance framework to analyze organizational approaches to corporate social responsibility.

c) Rui Albuquerque, et al. (2013) presented an industry equilibrium model where firms can choose to engage in corporate social responsibility (CSR) activities. They modeled CSR activities as an investment in customer loyalty and showed that CSR decreases systematic risk and increases firm value. These effects are stronger for firms producing disorientated goods and when consumers’ expenditure share on CSR goods is small. They found supporting evidence for their predictions. In their empirical tests, they addressed a potential endogeneity problem by instrumenting CSR using data on the political affiliation of the firm’s home state, and data on environmental and engineering disasters and product recalls.

d) Young et al. (2013) examined the role of high-performance work practices (HPWPs) in helping to translate corporate social performance (CSP) into corporate financial performance (CFP). They also studied the moderating influence of HPWPs on the CSP–CFP linkage. They suggested that HPWPs moderate the relationship between CSP and financial outcomes, and suggest that human resource practices may play an important role in enhancing a positive CSP–CFP relationship by helping to vertically align the behaviors of employees with the values and orientation of the organization.

e) Caroline (2013) Studied whether shareholders are sensitive to corporations’ environmental footprint by conducting an event study. He found that companies reported behaving responsibly toward the environment experience a significant stock price increase, whereas firms that behave irresponsibly face a significant decrease. He argued that environmental CSR is a resource with decreasing marginal returns and insurance-like features. He found that the positive (negative) stock market reaction to eco-friendly (-harmful) events is smaller for companies with higher levels of environmental CSR.

f) Nicholas et al., (2012) Studied normative ethical framework, labeled the integrative justice model (IJM) for impoverished markets that were introduced in the marketing and public policy literature. Specifically, they extended the normative ethics of the IJM by proposing logically reasoned decision principles for managers, particularly in MNC subsidiaries, that might better shape ethical business strategy when targeting impoverished segments. Additionally, numerous case examples are given to illustrate how a number of these decision principles are already being applied by companies around the world. Such an approach can serve as a counterweight to the difficulty of crafting global regulations for market development.

g) Aseem et al., (2012) Examined how multinational corporations (MNCs) respond to the twin pressures of globalization and localization when implementing corporate responsibility (CR) policies. As economies globalize, so do politics and stakeholder expectations that MNCs must negotiate as they manage their global operations. Working from the premise that CR strategies need to cohere with product and factor market strategies, Firstly, they suggested that CR is an integral component of MNCs’ market and non-market strategies. Secondly, in addition to multi-domestic CR strategies, MNCs should consider international and global CR strategies as well.

Objectives of the study

a) To study the scenario of Corporate Social Responsibility (CSR) in India.
b) To analyze the Correlation between Profit after Tax and Socially Responsible Expenditure by Firms in India.
c) To analyze the Sector Wise Contribution and Activities under Corporate Social Responsibility (CSR).

2. Research Methods

The present study applied the qualitative-quantitative methods. All data is analyzed descriptively. It is used a paraphrase to explain, elaborate, and explore regarding the phenomenon belonging. The conclusion is the last remarked based on the previous discussion and result.

3. Results and Analysis

The relationship between CSR expenditure and profitability of firms

There has been a considerable measure of verbal confrontation about the pointless weight on the corporate area because of the CSR expenditure determined in the Companies Act, 2013. Corporate gatherings have reprimanded the
required condition in the Act, as it will diminish the gainfulness of firms. We have examined the relationship between benefit after duty and gift and group advancement use embraced by the organizations in the course of the most recent three years and observe it be sure and expanding.

Expenditure on CSR expands firms’ productivity by building their picture according to purchasers, suppliers and the administration. Firms additionally deliberately separate their items from rivals' items in the business sector on the premise of CSR. CSR activities in nearby groups by naturally dirtying organizations likewise help in staying away from dissent developments and future legislative regulations. This lessens dangers and vulnerabilities and expands the solidness and returns of the organizations. In this manner, CSR consumption prompts higher benefit for every single firm size as represented in Figure below.

![Correlation between profit after tax and socially responsible expenditure by firms from the year 2013 to 2015 using prowess database](image)

Figure 1. Correlation between profit after tax and socially responsible expenditure by firms from the year 2013 to 2015 using prowess database

We additionally find that there is a positive relationship between CSR and profit, and the likelihood of higher spending on CSR increments as the firm gets to be greater. CSR as we probably are aware has advanced from altruism to group improvement to vital CSR. Littler firms with lesser assets available to them are less inclined to embrace vital CSR. They ordinarily embrace altruism and group advancement exercises, for example, schools for children of representatives, gifts to religious associations and so forth.

Be that as it may, CSR activities firmly connected to the organization's business objectives and falling in the domain of key CSR (for example–women cleanliness classes by fast moving consumer goods majors) have higher payoffs and are generally done by bigger organizations. Subsequently, the positive correlation between profit and CSR use is upgraded as the extent of the firm increments. It is beneficial for a huge organization to spend on CSR, as it deliberately differentiates its product/service, which at last pays off over the long-term period. Vital separation might likewise goad advancement, which may enhance conveyance of administration.

*The pattern of CSR expenditure by major firms in 2014-15*

We studied the CSR activities undertaken by the top 200 firms by going through their annual reports for the year 2014-15 in order to better understand the nature of those activities and the driving forces that induced those activities. Although some studies (Singh and Aggarwal, 2014) have looked at types of CSR activities undertaken by Indian companies, we have covered a larger number of firms across ten industries and have done an industry level analysis.

Until 2014, many firms had disclosed the activities undertaken by them, but not the exact amount they spent on each activity. We find that most of the firms undertake CSR expenditure for the welfare of rural communities, especially around their areas of operation. A possible reason could be to generate goodwill amongst people in the neighborhoods and become familiar with the area and its needs, which in turn would minimize the costs of providing

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services. Contrary to the developed countries where CSR activities are undertaken mainly in the area of environment, in India it is mainly undertaken in the social sector.

In light of the recent legislation, it would be interesting to see how companies would change their CSR strategies. After community development, education (including skill development) attracts the largest share of CSR expenditure. Health is also a major area where firms like to invest. The following table gives an industry-wise breakup of the major CSR activities undertaken by each industry.

Table 1
Industry-wise segregation of major CSR activities undertaken by firms in 2014-15

<table>
<thead>
<tr>
<th>Industry</th>
<th>Health</th>
<th>Education</th>
<th>Community Development/Rural Development</th>
<th>Environment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>23.50%</td>
<td>35.29%</td>
<td>29.41%</td>
<td>11.76%</td>
<td>100%</td>
</tr>
<tr>
<td>Automobile</td>
<td>40.00%</td>
<td>10.00%</td>
<td>40%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>24.76%</td>
<td>21.34%</td>
<td>15.25%</td>
<td>28.75%</td>
<td>100%</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>35.29%</td>
<td>23.53%</td>
<td>35.29%</td>
<td>5.88%</td>
<td>100%</td>
</tr>
<tr>
<td>Banking &amp; Financial Services</td>
<td>8.57%</td>
<td>20.00%</td>
<td>48.57%</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>Power</td>
<td>10.00%</td>
<td>10.00%</td>
<td>45%</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8.35%</td>
<td>30.55%</td>
<td>44.44%</td>
<td>16.66%</td>
<td>100%</td>
</tr>
<tr>
<td>Cement</td>
<td>22.20%</td>
<td>25.00%</td>
<td>29%</td>
<td>23.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Paper &amp; Pulp</td>
<td>19.90%</td>
<td>24.10%</td>
<td>18%</td>
<td>38%</td>
<td>100%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>30.00%</td>
<td>28.00%</td>
<td>22.00%</td>
<td>20.00%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Calculated by the author from the annual reports of the top 200 firms for the year 2014-15

a) Oil and Gas Sector: In the oil and gas sector, public sector undertakings have been found to spend the most on the development of townships and community, with a special focus on education. They undertake community development in and around their areas of operation. This may be because the communities living close to their area of operation are most affected by negative production externalities. Hence the firms undertake CSR spending in order to reduce the negative effects of their production activities. They organize health camps, which provide free medical check-ups to people. For example, the Indian Oil Corporation runs mobile medical units in Mathura and has set up a nurse training institute in Digboi, Assam. It has also spent a lot on the school education of children who live near their plants and in their townships.

b) Iron and Steel Sector: In the iron and steel sector, the Steel Authority of India Limited (SAIL) has invested in health and education infrastructure for its employees. Many firms spend on skill development programs, which help in building human capital leading to better employment prospects for people. The firms fund the school education of the children living in the nearby communities and give scholarships for higher education as well.

c) Banking Sector: Companies in the banking sector spend mainly on priority sector areas. They count the 40% mandatory priority sector lending as a part of their CSR activities. However, banks such as Jammu and Kashmir Bank undertake activities other than priority sector lending also. They support schools and provide funds for meeting educational expenses. Studies have shown that banks spend more on education and environment in order to strengthen their image and increase consumer satisfaction (Narwal, 2007). Large banks tend to take on more CSR activities to signal better market performance, while relatively less profitable or smaller banks may want to increase their CSR initiatives to build stronger relationships with its stakeholders (Narwal, 2007). In a content analysis study, it has been found that Indian banks differ in their CSR orientation with respect to their ownership.
structure, a number of employees, and date of its incorporation (Singh and Aggarwal, 2011). It has been found that there is a significant difference in orientation in the areas of environment and rural development (when comparing banks with respect to ownership), in community welfare and environment and rural development (when comparing banks with respect to number of employees), and in environment and market place (when comparing banks with respect to the date of incorporation of the bank) (Singh and Aggarwal, 2011). Indian banks no longer see CSR as charity, but they see it as a way of building their image and marketing their products.

d) Automobile Sector: Most of the companies in the automobile sector spend mostly on environmental sustainability, while some like Tata motors focus more on education and skill development. Mahindra and Mahindra focus more on the environment by committing to reduce greenhouse gas emissions. It has introduced various sustainability measures in its plants like xeriscaping, green buildings, and water efficient plants. This can be attributed to the fact that the automobile sector is one of the most polluting industries in India. The Centre for Science and Environment (CSE) has given a very low score to Tata Motors and Mahindra and Mahindra in its green rating programme. Hence this may explain their CSR orientation towards the environment. While Maruti Suzuki, which has a comparatively higher score in green rating, has spent more on employee welfare than on environment-related activities. This suggests that firms which are comparatively more polluting are more driven towards the environment in their CSR orientation. This may be to avoid possible future environmental regulations.

e) Cement Industry: Cement industry is one of the most polluting industries in India. Shree Cements which was given a very low rating by the CSE Green Rating programed has focused more on sustainability. It has adopted the “triple bottom line” approach, where the focus is on profit maximization, employee welfare, and environmental sustainability. In its sustainability report, it has focused on climate change and reduction of greenhouse gases during production. Grasim Cement, which has a comparatively higher rating, has focused more on community development and rural development. Their CSR spending has been directed toward health care, mother and child welfare and education. Gujarat Alkalies and Chemicals Limited (GACL) and Madras Cement Limited (MCL), which are subsidiaries of Ramco Cements, spend on community development and environment. GACL has undertaken the clean development mechanism in order to reduce greenhouse gas emissions. Ultratech Cement’s CSR strategy is oriented more towards community development. It has conducted health camps in rural areas around its plants and has encouraged sustainable livelihood through watershed management and the environment.

f) Paper and Pulp Industry: In the paper and pulp industry, Ballarpur Industries (BILT) has focused on sustainable development. Its CSR strategy focuses on rural development, with an emphasis on environment and communities. Similarly, JK Paper emphasizes on social farm forestry and even publishes a bi-annual environment compliance report. Andhra Pradesh Paper Mills also focuses on environmental sustainability.

g) Power Sector: In the power sector, firms spend predominantly on community and rural development. They undertake development measures for communities which stay close to their plants through foundation and trusts. They emphasize on the provision of educational facilities and skill development programs. For example, Jindal Steel carries out its CSR activities through its own trusts, which lead to saving of transaction costs and the creation of goodwill in the local area. Public sector units like NHPC and NTPC focus on rehabilitation and resettlement of the communities displaced by construction projects. Since these plants cause damage to the surrounding areas, CSR activities may help in circumventing agitation by the local community and NGOs.

h) Consumer Durables: In the consumer durables and fast moving consumer goods industry, companies focus on healthcare and education. The Godrej group supports environmental sustainability by supporting the conservation of mangrove forests and undertakes philanthropic activities in the health and education sector. They conduct blood donation camps, conduct cleft lip surgeries with Smile Train, an NGO. Similarly, Hindustan Unilever (HUL) focuses on improving health and well-being and reducing the environmental impact of its production activities. Hence in the consumer durables and fast moving consumer goods sector, we find that companies spend mainly on education and health initiatives.

i) Pharmaceutical Companies: Companies in the pharmaceutical sector spend mainly on education and health initiatives. Since pharmaceutical companies operate in the health sector and have enough skilled manpower, they conduct many health camps in rural areas. The thrust of their CSR activities is to make health care accessible to the marginalized sections of the society. Companies like Aurobindo Pharma, Cadila Healthcare, Sun Pharma and Ajanta Pharma conduct medical camps, while GlaxoSmithKline focuses on the development of communities which reside near their plant.

j) Infrastructure Sector: In the infrastructure sector, firms spend heavily on community development programs. We have taken firms engaged in construction, engineering, ports, shipping, and road transport under infrastructure sector. These firms spend in the development of rural areas. They support the mid-day meal programs in schools.
and skill development programs for women and youth. When it comes to CSR implementation, we find that these firms undertake CSR mostly through foundations and NGOs.

4. Conclusion

The idea of CSR can possibly get a transformation the improvement of the economy. With rising financial deficit and leakages in the welfare plans, CSR looks to address the issues of society in a practical way. The idea can possibly create Rs 20,000-25,000 crore consistently, which can give a support to interest in human and physical capital. In a matter of seconds, CSR use is for the most part brought about at the nearby level through the establishments built up by firms. This adjusts CSR activities to the belief system of the firm and minimizes exchange costs for it. For effective usage of assets allotted for CSR and full acknowledgment of potential advantages, these uses require a addressing. The declaration of Rs 100 crore each, by two leading Indian corporations, Tata Consultancy Services and Bharti Airtel, as a part of their CSR investments to build toilets for girls in schools in the wake of government’s Swachha Bharat Abhiyan is only the tip of the iceberg. Some more thought needs to be given to the most burning problems of society and whether CSR resources could be utilized to address them. Contrary to some pessimistic voices in the society, CSR expenditure may have a positive effect on profits and could help in building the brand image of the company.

Though the Companies Act, 2013, which made mandatory spending of 2% of their profits on CSR activities, came into action only in April 2014, the last couple of years have seen a significant increase in CSR expenditure by firms. This can be attributed to the desire of companies to project themselves as socially responsible. The CSR expenditure by firms is affected by the industry to which they belong. Firms in contaminating industries spend more on activities related to the environment, while firms in the iron and steel and power area spend more on nearby group improvement, as their undertakings cause huge scale displacement. They also do it with the expectation that it may avert future blacklist and public protests. Up to this point, charity by firms was driven by their intrigues; it was subjective, and at times little in correlation to the measure of the organizations. The CSR exercises of the organizations relied on the way of their industry and limited to the zone where the firm was found. This was to a great extent driven by components, for example, cost minimization and "deceivability" among the consumers. Be that as it may, this may change with the new law. Firms may be headed to differentiate their ranges of operation and some portion of the populace which had been deserted in the improvement procedure may pick up hugely from this.

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Statement of authorship
The author(s) have a responsibility for the conception and design of the study. The author(s) have approved the final article.

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