



## Corporate Social Responsibility: A Study on Initiatives Taken by Selected Indian Companies

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### Abstract

Key objective of companies is to earn profit and to fulfill this objective companies use the society in different ways. So it is their ethical duty to participate in the development of society, where they belong. Companies have realized that, to get strategic benefits and ensure continuation of business, they have to focus on public welfare and reduce social inequalities. Thus they have to be more concern about society and common people. CSR is a means to corporate houses to work for society and create value for stakeholders. **J.R.D. Tata** rightly said that, *“No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people.”* The aim of this paper is to see the CSR initiatives taken by selected Indian companies and whether the companies are compliance with the Companies Act. 2013, regarding amount spend for CSR purpose.

**Key words:** - Corporate Social Responsibility (CSR), Society, Stakeholders, Indian Companies.

### Introduction

CSR can be defined as the responsibility of a company to the society's welfare in form of different activities. The stakeholders of a company are obviously interested about the company's financial performance, but now-a-days they are keen and proud to know what the company's contributions to the society are. CSR also works as a medium to create brand image to the corporate houses. In India, there is a large development gap between the cities and rural areas and large financial gap between the upper class and poor people. Government works to reduce these gaps by implementing different plans and policies. But only Government's participation in social development is not enough, so more stakeholders need to involve and here the corporate entities have an important role to use their resources for the social development. In early days, the concept of CSR was limited within the philanthropic approach, but now-a-days the companies are performing their social duties with innovative ideas and methods. For example- Proctor and Gamble has launched the project 'Shiksha', where company spend a part of price of its products in this project to educate the children in India.

As per Companies Act. 1956, it was very difficult to the stakeholders to know how much amount companies spend for CSR purpose, because there was no provision in Companies Act. 1956, to mention about it. Many companies did not mention about their social performance and the amount they had spent on this issue. So to eliminate this problem, there is a provision in the Companies Act. 2013, where, as per Section 135, *“every company having net worth of rupees 500 crore or more, or turnover of rupees 1000 crore or more or a net profit of rupees 5 crore or more during any financial year 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. The CSR Committee shall formulate and recommend Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the company as specified in schedule VII and shall also recommend the amount of expenditure to be incurred on the CSR activities. The Board of every company shall ensure that the company spends in every financial year at least 2% of the average net profits of the company made during the three immediately preceding financial years in pursuance of its CSR policy.*

*Where the company fails to spend such amount, the Board shall in its report specify the reasons for not spending the amount. The approach is to 'comply or explain'. The company shall give preference to local areas where it operates, for spending amount earmarked for CSR activities. According to Schedule-VII of Companies Act 2013, the following activities can be included by companies in their CSR Policies:-*

- Eradicating extreme hunger and poverty,
- Promotion of education,
- Reducing child mortality and improving maternal health,
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases,
- Promoting gender equality and empowering women,
- Ensuring environmental sustainability,
- Social business projects,
- Create employment by enhancing vocational skills,
- Contribution to the Prime Minister's National Relief Fund or any other fund set by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women, and
- Such other matters as may be prescribed”.

### Objectives of the Study

This study has been carried out with the following two specific objectives:-

- To study the initiatives taken by the selected Indian companies in the ground of CSR.
- To analyze whether the selected companies are compliance with the Companies Act. 2013 regarding the amount spends for CSR purpose.

## Literature Review

**Carroll (1979)** defined that there are four types of responsibilities which a company has to fulfill, namely- “*economic, legal, ethical and discretionary responsibilities*”. In Economic responsibility, a firm has to focus on profit earning for its shareholders. In legal responsibility, the firm should follow the rules, regulations imposed by government while doing business. Ethical responsibility refers to the activities of the management without partiality, and finally discretionary responsibility is the moral duty of the companies to contribute for the social development. **S. Pradhan and A. Ranjan (2010)** examined the CSR initiatives of Indian companies in rural development and came to the conclusion that companies have realized social and economic growth of the local communities is a big issue for doing business in an efficient way and they are engaged with different kinds of social activities in rural areas for better social and economic growth. **A.K. Srivastava, G. Negi, V. Mishra and S. Pandey (2012)** examined the CSR performance of TATA group and concluded that TATA group is performing its duty and responsibility towards the nation in an efficient way. **N. Singh, R. Srivastava and R. Rastogi (2013)** analyzed the CSR practices of selected banks and they concluded that the banks are performing their CSR activities in an efficient manner. **V.L. Govindarajan, N.V. Kumar and N. Purusothaman (2013)** attempted to see whether there is any linkage between the CSR initiatives and financial and stock market performances of the companies and they concluded that CSR score and stock market performance are positively correlated for selected companies. **T.S. Mundhe (2013)** conducted the research on impact of Indian ethos and CSR of selected Indian companies, where the result shows that Indian ethos help to the Indian companies to realize their social performance and the CSR activities of the selected companies have a great role in development. **P.D. Sawant (2014)** analyzed CSR practices, initiatives and expenditures of selected pharmaceutical companies in India. The result shows that the companies have taken different initiatives to discharge their social duties. Dr. Reddy’s Laboratories Ltd. was the only entity which spent near 2% of its average net profits of the preceding three years (i.e. 2009-10, 2010-11 and 2011-12); while no other entity was close to this percentage. **J.A. Bhat and Dr. N.Z. Qureshi (2014)** investigated the CSR initiatives of selected life insurance companies in India and they came to the conclusion that life insurance sector is contributing in social development by implementing various projects. **H.A. Khan, A. Zahoor and S. Irum (2014)** attempted to find out the impacts of CSR on employees’ behavior in telecom sector of Pakistan, where they concluded that CSR activities has the great role on employees’ performance level. CSR initiatives help the employees’ to feel proud and make them more committed towards the organization. **N. Guruvaiah and M.B. Rao** analyzed the role of corporate organizations in social development, where they observed that 62% of manufacturing companies focused on CSR activities in terms of environmental concern, as manufacturing units damage the environment by different ways and 72% of service organizations paid attention on different social issues, besides, it had been seen that there is a positive relation between the amount of CSR spent and the performance of the companies.

## Research Methodology

This study is purely based on secondary data. Secondary data has been collected from the published annual reports of the selected Indian companies for the period of four years (i.e. from 2011-2012 to 2014-2015). Six Indian companies, namely- Asian Paints Ltd., Axis Bank Ltd., Dabur India Ltd., Exide Industries Ltd., Emami Ltd. and Tata Chemicals Ltd. have been selected randomly.

## Analysis and Findings

### CSR initiatives of selected companies:-

#### *Asian Paints Ltd.:-*

Company has taken many projects to fulfill its social commitments, such projects are- organize health check up camps in rural areas; provide funds for development of hospitals. Company provides financial support for the purchase of educational items and infrastructure development of schools, arranges e-learning classes, training for competitive examinations. Besides, company taken initiatives for skill development of youths, community development by making self defense camps for women, as well as for environmental safety the initiatives for water preservation for recycling of water, rain water harvesting, tree plantation program etc. have been undertaken.

#### *Axis Bank Ltd.:-*

The bank performs its CSR activities through “Axis Bank Foundation” (ABF). The CSR initiatives taken by foundation are- support in education for the children of backward section in India, arrange special education program for physically and mentally challenged children. Besides, arrange vocational training for the youths to enhance their employability. Foundation is working to provide medical facilities to the accidental injured patients from the accident spot to the hospital, arranges blood donation camps. For green banking initiatives, it collects the dry wastage from the bank’s office and recycles it to produce envelopes; notebooks etc. and some other notable projects have been undertaken for society’s development.

#### *Dabur India Ltd.:-*

Company has taken many projects to fulfill its social commitments, such projects are- help in education for the backward section of society, give financial assistance for improvement of schools, arrange vocational training and skill development programs. Set up health checkup camps to provide different kinds of health care facilities, create awareness on rural people about malaria, HIV-AIDS, cancer etc. For women empowerment, different initiatives have been taken. Company also works to protect scare plants and herbs and arrange tree plantation program time to time for environmental sustainability.

**Emami Ltd.:-**

Different programs have been taken by the company to fulfill its social responsibilities, such programs are- give financial assistance to poor students in school and college level, offer scholarships to the meritorious students, donate educational infrastructure to the schools, arrange vocational training for skill development of youths. Company also engages to provide different healthcare services, organize blood donation camps, donate ambulance to various hospitals. It also works for women empowerment by giving education and training to the women of the rural areas to make them self employed and for community developments some other notable projects have been undertaken.

**Exide Industries Ltd.:-**

Company has taken different programs to perform its social responsibility. Such are- provide basic education and health checkup facilities to deprived children of the age between 2-6 years in Kolkata and thus a project has been undertaken with an NGO namely, "**Lighting Young Lives-Improving Child Health Outcomes Through Community Participation**". Beside, company has taken foot step in rural infrastructure developments and health treatment of underprivileged sections in India. Since 2009, the company is working with 'UNICEF' under the program "WASH" (Water, Sanitation and Health) for improvement of children health in rural India. Besides, for environmental safety the company has taken the initiatives of tree plantation program and also contributes for flood relief and other social welfare.

**Tata Chemicals Ltd.:-**

Company executes its social responsibilities by implementing different programs. Such are- education program in rural areas, provide health care facilities, arrange vocational training for skill development of youths. Company also has taken different initiatives for women empowerment. Besides, it has taken foot step to provide safe drinking water, helps in construction of toilets in rural areas, development of traditional arts and handicrafts. For environmental safety company engage in water management by re-cycling of water, protection of natural resources and also involve with many more social activities.

• **Table: - Amount of profit and spent for CSR purpose**

(Rupees in Crore)

Name of Company	Average profit (Considered profit of last three years)	CSR commitments (2% of average profit)	Actual amount spent (in F.Y. 2014-15)	Variance (in rupees)
Asian Paints Ltd.	1493.73	29.87	19.01	10.86
Axis Bank Ltd.	6688.67	133.77	123.22	10.55
Dabur India Ltd.	732.68	14.66	14.71	(0.05)
Emami Ltd.	377.65	7.553	7.5922	(0.0392)
Exide Industries Ltd.	685.14	13.70	3.58	10.12
Tata Chemicals Ltd.	583.01	11.66	10.20	1.46

Source: - Annual Report & Business Responsibility Report.

**Conclusions**

The conclusion can be drawn that, CSR has a great importance in today's business environment for socio-economic developments and to contribute to the value of stakeholders'. The selected Indian companies have taken several initiatives for socio-economic development in the way of CSR. But that is not enough. The above table clearly shows that only two companies (namely- Dabur India Limited & Emami Limited) have compliances with the provision of Companies Act, 2013 for amount spending for CSR purpose, but remaining companies failed to spent 2% of their average net profit of last three years for CSR purpose in the F.Y. 2014-2015. So they have to be taken more initiatives to fulfill their social commitments.

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