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Comparative Study of CSR Spending by Selected Companies in India-A Post mandatory CSR scenario

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ABSTRACT

The present study aims at comparing the CSR expenditure and coverage of activities by the top 10 CSR spending companies in India as reported by the National CSR portal of India. In India CSR is governed by the clause 135 of the new Companies Act 2013. Many directives regarding CSR spending have been laid down in the new clause. It is found that though public sector organizations have performed well private sector has performed better as far as amount spend on CSR is considered. Other than Covid response, Education and Health have been the top priority focus area for the top 10 CSR spending companies in India.

Keywords: Corporate Social Responsibility, CSR Spending, Focus Area- Education, Health, Rural Transformation And Covid 19 Response.

1. INTRODUCTION

India is the first country to introduce mandatory CSR for the corporate sector. Seven years have passed since the implementation of the mandatory clause. Philanthropy is not new to the Indian corporate sector. Many companies have been engaged in CSR initiatives a lot before the implementation of the new mandatory clause. Meanwhile the Ministry of Corporate Affairs has launched a national CSR portal which gives data regarding the CSR spending of the companies in India on the basis of Annual Reports and CSR reports of the companies. A study of the data regarding CSR spending of the top 10 CSR spending companies as listed on the portal would be very interesting as it would bring out the direction in which companies are diverting their CSR funds.

2. LITERATURE REVIEW

In the post mandated period a few studies have been done in India. (Santanu, 2015) in his study concluded that CSR is regarded as an important business issue of Indian companies irrespective of size, sector, and business goal. Therefore, CSR actions have positive impact not only on development of rural community but also their business. Another study in 2016 adopts qualitative approach to find out the CSR spending pattern by the companies in Kerala and the main initiatives adopted by the companies in Kerala (Riaz & Ganesan, 2016) Another study tried to analyze the relevance of CSR communication in the effectiveness of CSR. CSR communication has a positive and significant relationship with corporate social responsibility and CSR in turn has a positive and significant relationship with the corporate performance. (Mitra & Akhtar, 2018) During the same year (C.U. Dhavaleshwar & Dr. S.Y. Swadi, 2018) attempted to identify and investigate CSR initiatives of HINDALCO and to analyse the contribution made by the organizations towards the rural development. Another observed that the companies are interested in complying with the CSR legislature and are putting serious efforts to embed CSR in their corporate culture. (Sarkar & Chatterjee, 2019). One more study in 2019 concluded that The Companies Act of 2013 concerning CSR has a significant implication on the Indian socio-economic development. As large companies have been required to donate 2% of their profits to CSR activities, this has generated awareness and has helped establish a culture of social responsibility. (Gupta & Gupta, 2019). Many such studies have been done post mandatory provisions. However, there are a few studies which analyze the focus area wise CSR spending done by various Indian companies. Similarly, studies have been carried out during normal business years, however the year 2020-21 have been a year when the entire

world was inflicted by corona pandemic. The corporate sector has been one the worst sufferer of the same. Hence it becomes interesting to study the CSR spending of top CSR spenders in India during the same year.

3. SIGNIFICANCE OF THE STUDY

India is considered as a major emerging economic power across the globe. But the biggest hurdles obstructing India from becoming an economic leader are poverty, illiteracy and lack of affordable health care facilities along with many other social evils. Large scale investment is needed for providing quality education, extending healthcare facilities, nutritious food etc. to the masses. Contribution by corporate world is undoubtedly a welcome step towards community development. The study would help in analyzing the direction of the current CSR practices by Indian companies. It would help in identifying the focus areas given priority by the Indian corporate sector and the areas which lack attention. The study would also help in identifying that whether the top 10 CSR spending companies are spending the prescribed amount or lesser than it.

4. OBJECTIVE OF THE STUDY

The study intends to achieve the following objectives:

- To analyze the corporate social responsibility (CSR) activities carried out by the top 10 CSR spending companies as listed on the National CSR Portal
- To study the expenses incurred on CSR by the selected companies during 2020-21 seven years after the enactment of the New Companies Act

5. METHODOLOGY

For the purpose of this study the sample consist of the top 10 CSR spending companies for the year 2020-21 as given on the national CSR portal. The sample includes 3 major government companies viz: ONGC, IOCL and NTPC whereas it includes 7 public sector non-government companies like- Reliance Industries Ltd, Tata Consultancy Services Ltd, Tata Sons Private Ltd, HDFC Bank Ltd, Infosys, ITC Ltd and Wipro. The study is based on the secondary data collected from the national CSR portal and annual reports of the selected companies for the year 2020-21. The study is a descriptive analysis done with the help of tables and charts. The activities undertaken by the 10 companies are divided into 13 activities for the ease of study as follows: -

Reference Number of the Activity	Activity Description in Short
1	Promoting health Care and sanitation and safe drinking water
2	Education including special Education and Vocational Skills
3	Rural development projects
4	Promoting Sports
5	Protection of national heritage, art and culture including promotion and development of traditional arts and handicrafts
6	Covid Response-Including contribution to Prime Minister Fund
7	Donation to other funds meant for different activities under schedule VII
8	Measures for the benefit of armed forces veterans, war widows and their dependents
9	Ensuring environmental sustainability and ecological balance.
10	Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government
11	Others (Not included in 1 to 10 above)
12	Amount spent on Administrative Overheads
13	Amount spent on Impact Assessment

6. DATA ANALYSIS AND INTERPRETATION

The provisions of the Section 135 of the New Companies Act 2013 requires companies to spend 2% of their average profit of the three preceding years on CSR initiatives mandatorily. This average profit is to be calculated as per the provisions of Section 135(5). The following table gives the details of the average profit calculated as per Section 135(5) of the top 10 CSR spending companies in India as mentioned on the national CSR portal of the ministry of corporate affairs. The table also gives the prescribed 2 % for the companies and their actual CSR spending

Table 1 Amount of prescribed and actual CSR spending and percentage of average PAT as per 135(5) spent on CSR (Source: Annual Reports of the respective companies) (Ministry of Corporate Affairs, 2020-21)

Company Name	Avg.PAT as per 135(5) in INR (Crores)	Prescribed Amount in INR (crores)	Actual CSR Amount Spent in INR (crores)	CSR spending as a % of Avg.PAT as per 135(5)
Reliance Industries Limited	44196	884	922	2.09
Tata Consultancy Services Limited	33153	663.07	674	2.03
Tata Sons Private Limited	7372.2	147.44	545.83	7.40

HDFC Bank Limited	31392	627.86	634.91	2.02
Oil And Natural Gas Corporation Limited	26939	538.77	531.45	1.97
Indian Oil Corporation Limited	17100	342	460.4	2.69
NTPC Limited	13928	278.57	418.87	3.01
Infosys Ltd.	18620	372.39	361.82	1.94
ITC Limited	17642	352.84	335.43	1.90
Wipro Limited	8281.7	165.6	246.99	2.98

The table 1 also indicates that companies like Reliance Industries Ltd, Tata Consultancy Services ltd, Tata Sons, HDFC Bank Ltd, IOCL, NTPC Limited and Wipro have spent more than the prescribed amount during the year 2020-21. While companies like ONGC, Infosys Ltd and ITC limited have spent lesser than the prescribed amount during the year.

The Figure 1 given below show the comparison of the actual amount of CSR spending and the amount spent in the local area by the selected companies during the year 2020-21.

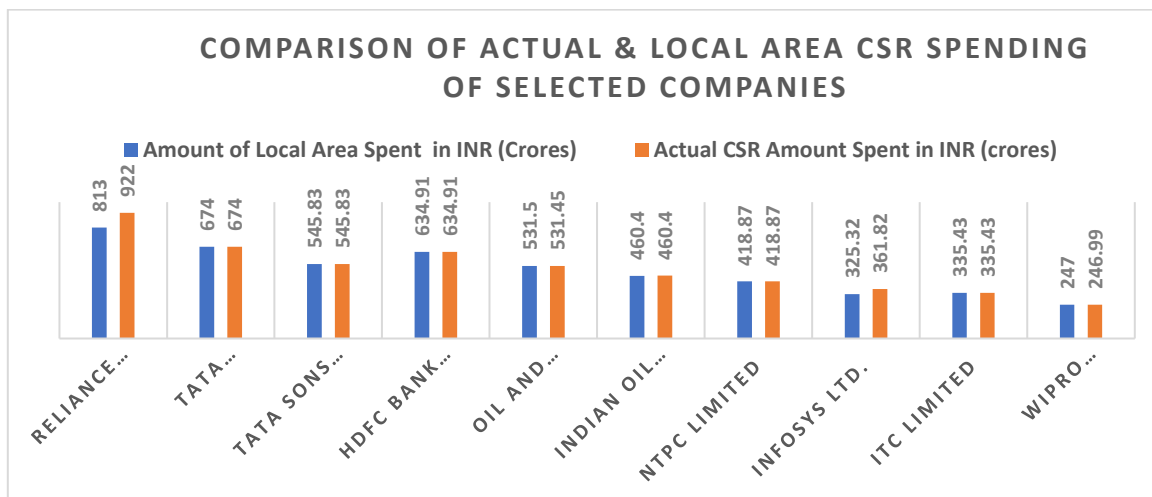


Figure 1 Comparison of Actual and Prescribed CSR spending of top 10 companies as listed by the National CSR portal.

If the data given by table 1 and figure 1 is studied combinedly then we find that Reliance Industries Ltd have spent approximately 88 % of its CSR amount in the local area. This percentage comes to 99% in case of IOCL and 90% in case of Infosys Ltd. While in case of all other companies it is 100%. This indicates that almost all the companies have concentrated their CSR initiatives in the areas around their plant vicinity.

Similarly, the table 2 gives the detail of the sending by the individual companies in the various focus areas during the year 2020-21. The total CSR spending by Reliance Industries Ltd is the highest at INR 922 crores while the lowest of the 10 companies is in case of WIPRO Ltd i.e., INR 246.99 crores.

Table 2 Focus area wise CSR amount spent by the sample companies during 2020-21 (Source: Compiled by the author from the data given in the annual reports of the 10 companies) (Annual Report of selected companies, 2020-21)

Company Name	Spending in different Focus Areas in INR (Crores)													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
RELIANCE INDUSTRIES LIMITED	256	452	110	49		53					2			922
TATA CONSULTANCY SERVICES LIMITED	16	16			1	268	351					22		674
TATA SONS PRIVATE LIMITED	56.17	124.45	105.16	1.7	4.51	241.75	5	1.82		5.0219	0.24	0		545.83
HDFC BANK LIMITED	111.23	84.41	407.74	1.25					7.21	6.9	7.84	7.84	0.49	634.91
OIL AND NATURAL GAS CORPORATION LIMITED	41.58	55.028		0.5		300	111.2		1.549			21.15	0.471	531.46
INDIAN OIL CORPORATION LIMITED	76.84	95.33	32.7	3.77	11.44	225						15.31	0.01	460.40
NTPC LIMITED	278.75	62.96	31.94	1.74	0.03		0.04		33.41		10			418.87
INFOSYS LTD.	111.5	48.15	8.62		5	37.29	23.15	3.87	43.17		81.07			361.82
ITC LIMITED	62.15	28.39	39.63		3.81	100	54.31		43.74		3.4			335.43
WIPRO LIMITED	62.8	112.65	0.65	0	6.8	25	0	0	39.09			0		246.99
Total	1073	1079.37	736.44	57.96	32.59	1250	544.7	5.69	168.2	11.922	104.55	66.3	0.971	5131.7

The above table 2 indicates that Reliance industries is the highest spender in case of Education, while NTPC has been the highest contributor to the health initiatives' Bank Ltd has given highest priority to Rural development projects and in case of sports Reliance Industries is the highest spender. Culture, Art and Heritage has received highest spending from IOCL and ONGC has contributed highest amount in case of Covid -19 response. TCS Ltd has been the highest contributor towards various funds dedicated for the Schedule VII activities. Infosys Ltd has contributed highest to the benefit of Armed forces veteran and was widows. In case of environmental sustainability Infosys Ltd and ITC limited have made highest contribution. Technology incubators have received highest funding from HDFC bank Ltd. during the year. The Health and Education area have received contribution from all the selected companies while funds to benefit armed forces veteran and was widows and promotion of technology incubators are the area which have received attention of only two companies.

The table 3 provides the information of spending in different focus area by all the 10 companies together during 2020-21 and the percentage is plotted in the figure 2. The study of both, the table and figure indicate that spending on Covid -19 response and donation to prime minister relief fund has received top priority by the 10 companies with highest spending of INR 1250 crores (24%) during 2020-21. Education is the next preferred sector for spending CSR funds for the 10 selected companies followed by Health and Rural development projects. The focus area of education has received CSR spending of about INR 1079 crores (21%) and the area of health has received spending of INR 1073.368 crores (20.9%). The total spending by the companies on rural development projects comes to INR 736.44 crores (14.35%). Various funds for the activities mentioned in schedule VII have also received a significant amount of INR 544.7 crores (10.61%).

Table 3 Total CSR spending in various focus areas by the 10 companies together for the year 2020-21 (Source: Data from Annual CSR reports)

Focus Area	Focus area wise Total CSR spending of all the selected companies in INR (Crores)	% of the total CSR Spending by all selected companies
Health	1073.02	20.91
Education	1079.368	21.03
Rural Development Projects	736.44	14.35
Promoting Sports	57.96	1.13
Protecting Culture Art and Heritage	32.59	0.64
Covid Response	1250	24.36
Donation to other funds engaged in activities as in Schedule VII	544.7	10.61
Armed force veteran	5.69	0.11
Environment Sustainability	168.2	3.28
Promoting Technology Incubators	11.922	0.23
Others	104.55	2.04
Administrative Overheads	66.3	1.29
Impact Assessment Expenses	0.971	0.02
Total	5131.7	100



Figure 2 focus area wise percentage CSR spending.

According to the National CSR portal during 2020-21 total 8633 companies have reported spending on CSR initiatives of a total amount of INR 20360 crores. The sample companies of this study a have collectively contributed INR 5131.7 crores during 2020-21 i.e., 25 percent of the total reported CSR spending is by the 10 selected companies.

Similarly, out of the total CSR spending of INR 5131.7 during the year 2020-21 an amount of INR 3721.38 i.e., 72.5 % is contributed by 7 non-government public companies while an amount of INR 1410.32 i.e., 27.5 % of amount has been contributed by three government companies.

7. CONCLUSION

The analysis indicates that both government and non-government companies have made considerable contribution to the total CSR spending in the country during the year 2020-21. However, the contribution of private sector companies is far ahead as compared to the three government companies in the sample. Though during 2020-21 covid response has been the top priority, the most favourite focus area for all the companies has been education and health sector.

Many areas like promoting technology incubators, welfare of armed forces and women empowerment have been seriously neglected by the top 10 CSR spending companies in India as reported by the national CSR portal. The mandatory CSR clause was enacted with a vision of corporate partnership in nation building. While seven years have passed, we have along way to go and much is expected from the corporate sector of India, as developmental issues of a vast country like India can be addressed effectively not only by governmental efforts but with the help of governmental efforts supplemented by corporate assistance.

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