

Private Verses Public Corporate Social Responsibility in India

Prof. B. Ramesh,

Faculty of Commerce, Goa University, Former
Dean & HOD, Goa University, Former
President - Indian Commerce Association &
Indian Accounting Association, Goa, India.

Ms. Savia Mendes,

Research Scholar Goa University,
M.Com, M.Phil, Associate.
Professor, Dep. of Commerce,
M.E.S. College of Arts & Commerce,
Zuarinagar, Goa, India.

ABSTRACT

The paper examines the preparedness of mandatory Corporate Social Responsibility (CSR) on businesses between the private and public companies in India. With the implementation of Companies Act 2013, section 135 companies must spend 2% of their Net profit on CSR with effect from first April 2014. The paper examines the CSR spending pattern of the private and public companies for the year 2016. The findings indicate that the private companies are spending more than public companies.

Keywords: Schedule VII, Private, public, spending.

INTRODUCTION:

Corporate Social Responsibility (CSR) is not new to India. In India, old business houses such as Tata, Bata, Godrej, and Birla have been doing Philanthropic activities since pre-independence time. Today with the Companies Act 2013 it is no longer a voluntary Act but has been made mandatory with effect from 1st April 2014. This Act has incorporated section 135 which includes mandatory Corporate Social Responsibility for a particular class of companies in India. The companies covered under this law will have to form their CSR committee from among the board members. This Committee will have to frame CSR policies and announce, execute and monitor their CSR activities. The paper examines the CSR spending pattern of the private and public companies for the year 2016. The findings indicate that the private companies are spending more than public companies.

LITERATURE REVIEW:

Bhattacharyya and Chaturvedi (2012) stated that mandatory CSR would affect the business's plans and companies who have already engaged in these areas will get a high foundation or bond with the society. Sunita and Rajbir (2013) found that environment dimension emerged as an essential factor which means that a company's product should be eco-trendily, reduce pollution and waste management. The economic dimension emerged as the least important factor, which suggests that the companies should not presume that CSR is a costly concept or that CSR policies would have an adverse impact on the company's economic performance. Bhan (2014) reveals that the government should clarify on tax breaks to companies on mandatory CSR spends if the industry is to partner in development. He feels that the tax implications of mandatory CSR spending have many faults. Hema and Datkhile (2014) assume that companies have an excellent opportunity to return to society under the Companies Act 2013. However, the present provisions are creating more confusion. Hence it will be a burden on the companies. So it is better for Government to set up a voluntary regulatory. Singh and Verma (2014) Corporate Social Responsibility (CSR) earlier applied to corporate philanthropy and has been in practice in India since ages. However, philanthropy in globalized and modern India does not solve the purpose in quantity and quality. With the induction of new Company act 2013, India became the first country in the world to have legislation for mandatory CSR spending. Hence, the gap between poor and rich will reduce.

Thukral and Pahuja (2015) this paper studies whether TCS, Aditya Birla NUVA, and Reliance foundation. Here the companies fail to realize that CSR has a broad scope and restricting in education alone is not enough. Carroll (2015) describes the golden year of CSR regardless of how it was mounted, the future of CSR is always relevant to consider. One way to examine the future of CSR and its related concepts is to think about three distinct future scenarios that could play out over the coming decade. Gloomy scenario- disappear Hopeful scenario- growing commitment and progress, Probable scenario- focus and rule business. Rossow (2015) quotes that India's development needs are immense. The country has a host of the world's most prominent social problems, often at massive scale. The new corporate social responsibility terms included in the Companies Act 2013 will increase the level of CSR giving in India.

Highlights of New Company Act 2013(Section 135): Corporate Social Responsibility:

- All the businesses with a turnover of Rs. 1,000 crore and more – or a net worth of Rs.500 crore and more or net profit of Rs.5 crore and more – will have to spend at least two percent of their three-year average net profit every year on CSR activities, and report the reason for spending or non-expenditure Section 135(1).
- The institutional coverage is Indian Companies and foreign companies operating in India.
- The activities undertaken by conducting CSR can be carried out through a registered society or trust/ NGO or a Section 8 Company or company self under the Companies Act. However, the implementing partner should have three years track record.
- Nature of expenditure incurred on specified activities that are carried out in India will qualify as CSR expenditure. Expenses incurred in undertaking an ordinary course of business will not form a part of the CSR spending. Any investment incurred in providing such training up to a ceiling of five percent in one financial year is sanctioned under the CSR budget.
- Companies need to spend CSR money in project mode with pre-defined indicators, budget, duration,etc. It is mandatory for businesses to disclose their CSR Policy, programs/projects undertaken and amount spent in their report and the CSR Rules provide for a separate format. The report containing details of such activities and CSR policies have to be made available on the company's website for informational purposes.

The Activities which may be Included by Businesses in their CSR Policies According to Schedule VII:

- ✓ eradicating extreme hunger and poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- ✓ promotion of education; including special education and employment enhancing vocation skills especially among children, woman, elderly and the differently abled and livelihood enhancement projects;
- ✓ promoting gender equality and empowering women; setting up homes and hostels for women and orphans, setting up of old age homes, day care centers, and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- ✓ ensuring environmental sustainability ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining the quality of soil, air, and water;
- ✓ protection of national heritage, art, and culture including restoration of buildings and sites of historical importance and works of art; setting up of public libraries; promotion and development of traditional arts and handicrafts;
- ✓ measures for the benefit of armed forces veterans, war widows, and their dependents;
- ✓ training to promote rural sports, nationally recognized sports, and Paralympic sports and Olympic sports;
- ✓ contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women;
- ✓ contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- ✓ rural development projects;
- ✓ Slum development.
- ✓ Swach Bharat Abhiyan (PWC 2014)

The literature review does not make any appropriate remark on mandatory CSR spending trend. Thus this study will add a new dimension to the CSR in India.

THE OBJECTIVE OF THE STUDY:

To make a comparative analysis of corporate social responsibility among different sectors.

RESEARCH HYPOTHESIS:

For Objective:

H1: There is significant impact of Corporate Social Responsibility among public sector and private sectors.

METHODOLOGY:

This study entirely relies on the secondary data collected from various sources. A sample of one hundred companies has been taken for the study, of this private companies was 68 and public companies 32 in number. The financial year of which the Corporate Social Responsibility figures were noted was 2013-2014. A T-test has been used to test the hypothesis with spss software

Relevance:

This study will aid businesses to project where they stand and implement appropriate action to comply with the Act. This study will also help the lawmakers to take necessary measures against companies who do not adhere to the Act.

Results:

The hypothesis 'Private sector companies were spending significantly higher than public sector companies' was tested by conducting the independent samples t test. Statistical Package for Social Sciences (SPSS) used to furnish the results. The outcome of the analysis is given in the tables below:

Table 1: Means and standard deviations of Corporate Social Responsibility in private and public sectors

Sector	Mean	Standard deviation
Private	9.07	5.89
Public	6.31	4.35

Table 2: Independent samples t test for Corporate Social Responsibility in private and public sectors

Sector	n=100	df	t	p
Private	68	98	2.36*	0.01
Public	32			

p<0.05*

Table 3: Companies in private sector

Sr No.	Company
1	ABB India Ltd
2	ACC Ltd
3	Adani Enterprises Ltd
4	Aditya Birla Nuvo Ltd
5	Alok Industries
6	Apollo Tyres Ltd
7	Asian Paints Ltd
8	Axis Bank Ltd
9	Bajaj Auto Ltd
10	Bharti Airtel Ltd
11	Bharti Infratel Ltd
12	CG Power and Industrial Solutions Ltd
13	Cisco Systems (India) Pvt. Ltd
14	Coca-Cola India Pvt. Ltd
15	Cummins India Ltd
16	DLF Ltd
17	Dr. Reddy's Laboratories Ltd

Sr No.	Company
18	Essar Oil Ltd
19	Federal Bank Ltd.
20	Future Enterprises Ltd
21	Genpact India Ltd
22	Glenmark Pharmaceuticals Ltd
23	GMR Infrastructure Ltd
24	Grasim Industries Ltd
25	HCL Technologies Ltd
26	HDFC Bank Ltd
27	Hero MotoCorp Ltd
28	Hindalco Industries Ltd
29	Hindustan Unilever Ltd
30	ICICI Bank
31	Idea Cellular Ltd
32	Infosys Ltd
33	ING Vysya Bank Ltd
34	Jaiprakash Associates Ltd
35	Jet Airways (India) Ltd
36	Jindal Stainless Ltd
37	Jindal Steel & Power Ltd
38	JSW Steel Ltd
39	Karur Vysya Bank Ltd.
40	Kotak Mahindra Bank Ltd
41	Larsen & Toubro Ltd
42	Mahindra & Mahindra Ltd
43	Maruti Suzuki Ltd
44	Max Financial Services Ltd
45	Motherson Sumi Systems Ltd
46	Muthoot Finance Ltd
47	Persistent Systems Ltd.
48	Petronet LNG Ltd
49	Punj Lloyd Ltd
50	Ranbaxy Laboratories Ltd
51	Reliance Communications Ltd
52	Reliance Industrial Ltd
53	Reliance Infrastructure Ltd
54	Sanofi India Ltd
55	Siemens Ltd
56	Suzion Energy Ltd
57	Tata Chemicals Ltd.
58	Tata Communications Ltd
59	Tata Consultancy Services Ltd
60	Tata Motors Ltd
61	Tata Power company Ltd
62	Tata Steel Ltd.
63	Ultra Tech Cement Ltd
64	Vedanta Ltd.
65	Videocon Industries Ltd
66	Welspun Corp Ltd
67	Wipro Ltd
68	YES Bank Ltd

Table 4: Companies in public sector

Sr. No.	Company
1	Allahabad Bank
2	Andhra Bank
3	Bank of Baroda
4	Bank of India
5	Bank of Maharashtra
6	Bharat Heavy Electricals Ltd
7	Bharat Petroleum Corporation Ltd
8	Cairn India Ltd
9	Canara Bank
10	Central Bank of India
11	Chennai Petroleum Corporation Ltd
12	Coal India Ltd
13	Corporation Bank
14	GAIL (Indian) Ltd
15	Hindustan Petroleum Corporation Ltd
16	Hindustan Zinc Ltd
17	Indian Bank
18	Indian Oil Corporation Ltd
19	Indian Overseas Bank
20	Mangalore Refinery And Petrochemicals Ltd.
21	NMDC Ltd
22	NTPC Ltd
23	Oil And Natural Gas Corporation Ltd
24	Oil India Ltd
25	Power Finance Corporation Ltd
26	Power Grid Corp. of India Ltd
27	Punjab National Bank
28	Rural Electrification Corporation Ltd
29	State Bank of India
30	Steel Authority of India (SAIL) Ltd
31	UCO Bank
32	Union Bank of India

As can be seen from Table 2, it was noted that the sample size of private companies (n=68) was higher than the public companies (n=32). The financial year of which the Corporate Social Responsibility figures were noted was 2013-2014. Table 3 and table 4 show the list of companies in private and public sector respectively. The hypothesis that 'Private sector companies were spending significantly higher than public sector companies' was confirmed. An independent samples t test was conducted to compare the means of Corporate Social Responsibility in private and public sector. The mean of Corporate Social Responsibility of companies in private sector (M= 9.07, SD= 5.89) was found to be significantly higher than the mean of Corporate Social Responsibility of companies in public sector (M= 6.31, SD= 4.35). The results of the independent samples t test were expressed as $t(98) = 2.36, p = 0.01$ (one-tailed). The results showed that private sector companies were spending significantly higher than public sector companies. This was contrary to the research conducted by Wankahde (2014) which stated that there is no significant difference in the Corporate Social Responsibility amount spent by the public sector companies and private sector companies. Shankar and Panda (2015) found in their study that public sector companies are outperforming those in the private sector that is also in conformity with Torbjorn Tagesson et al (2009). Majmudar et al (2016) found that the average CSR spent per company in rupee terms is much higher for public companies (Rs 51 crores) than it is for private companies (Rs. 28 crores). The results of this research can be attributed to differing policies of the private and public companies, and the varied size of the various companies.

CONCLUSION:

It is mandatory for companies to carry out CSR activities. The present study indicates that out of the sample taken of the one hundred companies, the private sector companies performed better towards CSR as compared to the public-sector companies. We find that public companies were far behind the private sector in CSR spending. The implementation rate is high from the private sector companies. The hypothesis that 'Private sector companies were spending significantly higher than public sector companies' was confirmed. The public companies need to introspect on their CSR spending. The public sector companies need to take appropriate action to implement CSR. If companies contravene the Act, the firm is liable to punishment with fine of minimum Rupees twenty-five thousand or more. Besides, imprisonment of businesses' personnel who is at fault for three years Arora and Sikawar (2016). Arora and Sikawar (2016). There is a need for government support and intervention to make CSR effective in the public sector.

REFERENCES:

- Anupam Singh and Dr. Priyanka Verma (2014). CSR@ 2%: A New Model of Corporate Social Responsibility in India, *International Journal of Academic Research in Business and Social Sciences*, ISSN: 2222-6990
- Archie B Carroll, (2015). CSR- The centerpiece of competing and complementing framework, *organizational dynamics*, Elsevier.
- Arora Rajat and Sikawar Deepshikha (2016). 100 Companies get government Notice on CSR Spend, *The Economic Times* 16 July.
- Bhan Indu (2014). Clear the air on CSR, *The Financial Express* 19 February.
- Bhattacharyya and Chaturvedi (2012). article entitled *CSR looks set to emerge as an independent stream with measurable output*, on India CSR site
- Hema Deogharkar and Santosh Datkhile (2014). Implication of CSR under companies act 2013, *AIMRJRMT*, Volume 3.
- Nanjunda, D. (2016). A Quick Look At New Companies Act 2013 Act Focusing Corporate Social Responsibility. *Sankalpa*, 6(2), 75.
- Nishith Desai Associates: New Rules For Corporate Social (n.d.). Retrieved from <http://www.nishithdesai.com/information/research-and-articles/nda-hotline/nda-hotline-single-view/article/new-rules-for-corporate-social-responsibility-in-india>
- Richard Rossow, (2015). CSR in India, how companies Act may augment regional disparities, *A report of the CSIS*.
- Sapna Thukral and Surbhi Pahuja (2015). Corporate Social Responsibility: A Norm to Follow or an Ethical Conduct, *Journal of Business Management and Information Systems*, Vol. 2.
- Sunita Pachal and Rajbir Singh (2013). A study on Stakeholders Perspective Regarding the CSR Model for Indian Organisations: some critical issues, Prabandhan: *Indian Journal of Management*.
- Tk Interactive Pvt. Ltd. Tki. (n.d.). Retrieved from <http://tkinteractive.com/wp-content/uploads/2016/03/tsr-csr-policy-2016.pdf>
