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A Comparative Study of Corporate Social Responsibility Practices of Selected Public and Private Sector Companies in India

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Abstract

Purpose: Corporate Social Responsibility (CSR) is a continuing commitment of business towards society for economic development & for improving the quality of life of the workforce & their families as well as of local community. CSR is treated as a vehicle through which companies give something back to the society. This paper is an attempt to explore CSR initiative of selected public & private sector companies in India.

Design/Methodology: For this purpose 20 companies (10 from public sector & 10 from private sector) are selected from different sectors i.e. Oil & gas, power & electricity, chemicals & fertilizers, heavy electrical & engineering, metals & mining. Data has been collected from websites, annual reports, sustainability reports & Business Responsibility Reports of selected companies. Appropriate statistical tools (Mean, S.D, Rank, T-test etc.) have been used.

Findings: The findings of this study provide an insight about the CSR practices and fund utilisation by selected companies on the basis of parameters given by Ministry of Corporate Affairs India. All these companies are focusing well in relation to CSR initiatives but a few companies are spending as per norms.

Research Limitations: Main limitation of this study is that it is based only on the one year data i.e. 2012-13 given in annual reports, sustainability reports and Business Responsibility Reports of selected companies.

Keyword: Corporate Social Responsibility (CSR), Sustainable development, Sustainability.

Introduction

Corporate Social Responsibility (CSR) is a continuing commitment of business towards society for economic development & improving the quality of life of the workforce & their families as well as of local community. CSR no longer represents a burden, but instead it is seen as a means of enhancing reputation and trustworthiness among stakeholders. CSR is treated as a vehicle through which companies give something back to the society. Every business firm has to work within the society by using its resources like material, money, man and skills. Society also provides market to the business to sell its goods. Business depends on society for survival, sustenance & reassurance. Society & environment benefits the business firm so it is the responsibility of the firm to use its resources in a sustainable manner so that future generation can avail the benefits of the natural resources.

European Commission described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.”

Over the past few years, as a result of rising globalisation and environmental issues, the perception of the role of corporates in the broader social context within which it operates, has been altered. Corporates consider themselves as an integral part of society and accordingly act in a social responsible manner that goes beyond economic performance (**KPMG and ASSOCHAM, 2008**)

In India, many firms (whether public or private) are doing CSR practices to meet various needs of society and contributing for socio-economic development of the society. In this paper, companies are taken

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from different sectors i.e. crude oil and gas refining, power and electricity, chemicals and fertilizers, heavy electrical and engineering and mining and metals. Different sectors have different level of impact on environment as their requirements and business activities are different. All these industries contribute significantly to the economic stability and development of the nation. Everyone has expectation towards these industries whether it is government, society, NGOs and community etc.so these companies are taking various CSR initiatives towards society and environment. The present paper is an attempt to disclose the CSR & Sustainable development practices of selected public & private companies in the Indian context. This paper is divided into 4 sections:

- First section consists of literature review,
- Second section includes objectives; research methodology & limitation of the study,
- Third section comprises analysis & results and
- Fourth section has conclusion of this study.

Literature Review

Corporate Social Responsibility in evolved with the establishment of business houses. A wealth of literature review has been published over the years on CSR practices & sustainability.

Corporate Social Responsibility secretariat Lok Sabha (2013)¹ provides National voluntary guidelines 2009 for corporate social responsibility, core elements of CSR policy of a company, Implementation guidance, Provision for CSR in Company Bill, 2012, activities according to schedule 7th of Companies Bill, 2012 and guidelines on CSR for public enterprises.

Research paper by **Shu Zhou, XiaohongQuan, William Jiang(2012)**² summarizes the current status of China's CSR and sustainable development for capturing the type and effectiveness of Chinese companies' initiatives in the area.

Study by **Anupamsharma& Ravi Kiran (2012)**³ focuses on the CSR initiatives of different companies of India mainly focus on education, healthcare and environment.

Research by **Jean Hugé& Tom Waas (2011)**⁴ provides the conceptual understanding of CSR & its motivators which engage firms in CSR. This study analyses the function of govt. in fostering CSR with focus on Flanders' small & medium enterprises.

Study of **Daniela Ebner&Dr. Rupert J. Baumgartner (2006)**⁵ proposed a framework which shows the relationship between CSR and sustainable development. Clusters have been identified which intend to clarify whether CSR correlates with the social dimension of SD as defined by Brundtland and the model of the triple-bottom-line; whether CSR represents SD on a corporate level; whether SD and CSR are used synonymously; or whether articles exist which focus especially on the social dimension of SD but do not use terms such as CSR.

Study by **Thomas Loew, Kathrin Ankele, Sabine Braun, Jens Clausen (2004)**⁶ examines the issues related to CSR in relation to Germany. This study shows the nature of relationship between CSR

and Sustainable management and concludes that whether the development of the CSR process creates the new responsibilities for business organisations.

Objectives Of The Study

- To study the Corporate Social Responsibility initiatives of selected public and private sector companies.
- To know about the amount spend on CSR activities by selected companies.
- To make comparative analysis of different CSR activities of selected public and private sector companies.

Research Methodology

Sample selection:

Sample is taken from public and private sector companies from different areas i.e. crude oil & gas refining, power and electricity, chemicals & fertilizers, metals & mining, heavy engineering. The selection was made on the following grounds:

- All these companies are listed in BSE and NSE.
- These companies are having a huge market share in the Indian Economy.
- These are taking CSR and Sustainability development initiatives.

List of companies

S.No.	Sector/ industry/ area	Name of companies			
		Public sector companies		Private sector companies	
1.	Crude oil and gas refining	Indian Oil Corporation Ltd.(IOCL)	Hindustan Petroleum Corp. Ltd.(HPCL)	Reliance Industries Ltd.(RIL)	Essar oil Ltd.(EOL)
2.	Power and electricity	National Thermal Power Corporation Ltd.(NTPC)	Power Grid Corporation of India Ltd.(PGCIL)	Tata Power Ltd.(TPL)	Reliance Power Ltd.(RPL)
3.	Mining & metals	Steel Authority of India Ltd. (SAIL)	Coal India Ltd. (CIL)	Tata Steel Ltd. (TSL)	Hindalco Industries Ltd. (HIL)
4.	Heavy electrical & engineering	Bharat Heavy Electrical Ltd. (BHEL)	Hindustan Aeronautics Ltd. (HAL)	Larsen & Toubro Ltd. (L&T)	Crompton Greaves Ltd. (CG)
5.	Chemicals and fertilizers	National Fertilizers Ltd.(NFL)	Rastriya Chemicals & Fertilizers Ltd.(RCFL)	Chambal Fertilizers & Chemicals Ltd. (CFCL)	Tata Chemicals Ltd. (TCL)

Source of Data

The study is based on secondary data. Data is collected from annual reports, sustainability reports and business responsibility reports of the selected companies and websites.

Period of Study

The data has been examined for the one financial year i.e. 2012-13.

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Analysis of Data

To achieve objectives researcher has prepared a checklist, in which 68 items have been included. These 68 items are grouped into 11 parameters given by Ministry of Corporate Affairs and schedule VII of companies' bill 2012. These parameters are follows:

- ❖ Eradicating extreme hunger & poverty (4)
- ❖ Promotion of education (14)
- ❖ Promote gender equality & empower women (3)
- ❖ Reduce child mortality& improving maternal health (6)
- ❖ Combating HIV/AIDS, Malaria & other diseases (6)
- ❖ Ensure environment sustainability(20)
- ❖ Empowerment of communities(4)
- ❖ Upliftment of the marginalised & underprivileged sections of the society (4)
- ❖ Social business projects/ Infrastructure development (4)
- ❖ Contribution to PM Relief Fund or any other fund of central & state govt. (1)
- ❖ Relief & assistance in the event of a natural disaster (2)

Hypothesis testing:

H₁: Private sector companies are doing better CSR activities than public sector companies.

Limitations of the study:

Main limitation of this study is that it is based only on the one year data i.e. 2012-13 given in annual reports and sustainability reports of selected companies.

Analysis and Results

In this study analysis has been done on the basis of (1) CSR expenditure (2) CSR initiatives of selected public and private sectors companies. These initiatives are based on the perimeters given by Ministry of Corporate Affairs and schedule VII of companies' bill 2012. There are 11 main activities for Corporate Social Responsibility which has been subdivided into 68 activities in total. After the detailed study of CSR activities of all the companies, a check list is prepared in which "1" is given for contributing in the activity and "0" otherwise. The score of each company is totalled. Mean and S.D. for each main activity is calculated for public and private sector companies separately which has become the base for comparison.

Ranks are given to the companies, according to the % of funds out of profit used for CSR expenditure, for both public and private sector companies separately.

Table1. Showing CSR expenditure of Public sector companies

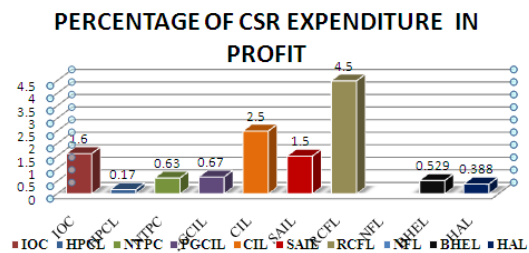
S. No	Public sector company	Expenditure (Rs. In cr.)	CSR expenditure as % of profit after tax	Rank
1.	Indian Oil Corporation	78.97	1.6%	3
2.	Hindustan Petroleum Corporation Ltd.	27.93	0.17%	9

3.	National Thermal Power Corporation Ltd	79.538	0.63%	6
4.	Power Grid Corporation of India Ltd.	21.75	0.67%	5
5.	Coal India Ltd.	595.74	2.5%	2
6.	Steel Authority of India	32.56	1.5%	4
7.	Rastriya Chemicals and Fertilizers Ltd.	12.86	4.5%	1
8.	National Fertilizers Ltd.	1.47	*	*
9.	Bharat Heavy Electricals Ltd.	63.00	0.529%	7
10.	Hindustan Aeronautics Ltd	11.64	0.388%	8

Source: Data compiled from Annual Reports and Business responsibility reports of companies for F.Y. 2012-13

Note: *% and rank is not calculated due to loss of Rs.170.73 cr.

Chart 1. Percentage of Csr Expenditure in Profit of Private Sector Companies



From the above table no. 1 and chart no. 1, ranks have been given on the basis of CSR expenditure percentage. On the basis of expenditure percentage 1st rank has been given to RCFL as it has earned less than other companies but has utilised more funds for CSR activities. It has spent 4.5% of its profit after tax on CSR activities. CIL has spent Rs. 595.74cr.for CSR activities which is 2.5% of its profit and ranked as 2nd. IOC has spent Rs.78.97cr. which is 1.6% of its profit and ranked as 3rd and so on. HPCL has spent Rs.27.93cr. which is 0.17% of its profit and ranked as 9th. On the basis of amount spent Coal India Ltd. is spending huge amount on CSR activities in comparison to all other companies.

Table2.

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Showing CSR expenditure of Private sector companies

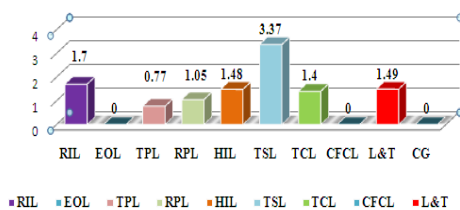
S.No.	Private sector company	Expenditure (Rs. in cr.)	CSR expenditure as % of profit after tax	Rank
1.	Reliance Industries Ltd.	357.051	1.7%	2
2.	Essar Oil Ltd.	3.948	*	
3.	Tata Power Ltd.	7.88	0.77%	7
4.	Reliance Power Ltd.	10.70	1.05%	6
5.	Hindalco Industries Ltd.	29.79	1.48%	4
6.	Tata Steel Ltd.	170.56	3.37%	1
7.	Tata Chemicals Ltd.	56.456	1.4%	5
8.	Chambal Fertilizers and Chemicals Ltd.	0.203	-----	
9.	Larsen and Toubro Ltd.	73.168	1.49%	3
10.	Crompton and Greaves Ltd.	**	-----	

Source: Data compiled from Annual Reports and Business responsibility reports of companies for F.Y. 2012-13

Note:-*not calculated due to loss of Rs.1180.44 cr. And **amount for CSR expenditure is not disclosed.

Chart 2.Percentage Of CSR Expenditure In Profit Of Private Sector Companies

PERCENTAGE OF CSR EXPENDITURE IN PROFIT



From the above table no. 2 and chart no. 2, ranks have been given on the basis of CSR expenditure %. On the basis of expenditure percentage 1st rank has been given to TSL as it has earned less than RIL but has utilised more % of profit for CSR activities. It has spent 3.37% of its profit after tax. RIL has spent Rs.357.051cr. for CSR activities which is 1.7% of its profit and ranked as 2nd. L & T has spent Rs.73.168cr. which is 1.49% of its profit and

ranked as 3rd and so on. On the basis of amount spent Reliance Industries Ltd. is spending huge amount on CSR activities in comparison to all other companies.

S.no.	CSR and SD activities	Public Companies		Private Companies	
		Mean	SD	Mean	SD
1.	Eradicating extreme hunger & poverty (4)	2.2	0.4	2.5	0.5
2.	Promotion of education (14)	8.7	2.23	9.1	1.22
3.	Promote gender equality & empower women (3)	1.3	0.45	2	0.89
4.	Reduce child mortality & improving maternal health (6)	3.2	0.40	4.2	0.87
5.	Combating HIV/AIDS, Malaria & other diseases (6)	3.6	0.66	4	0.89
6.	Ensure environment sustainability(20)	12.9	1.14	14.1	1.04
7.	Empowerment of communities(4)	2.3	0.64	3.1	0.83
8.	Upliftment of the marginalised & underprivileged sections of the society (4)	3.7	0.46	3.9	0.3
9.	Social business projects/ Infrastructure development (4)	3.3	1.19	3.5	0.92
10.	Contribution to PM Relief Fund or any other fund of central & state govt. (1)	0.6	0.49	0.6	0.49
11.	Relief & assistance in the event of a natural disaster (2)	0.9	0.7	0.8	0.87
Average		3.88	0.79	4.34	0.80

Source: completed from annual reports and sustainability reports

As shown in the above table, private sector companies have more mean for 1st to 9th activities than public sector companies. It means that private sector companies are contributing their CSR funds in many activities in comparison to public sector companies. For 10th activity, both sectors have same mean (0.6) which implies that both are contributing equally in this activity. For 11th activity, public sector companies have more mean value(0.9) than private

sector companies. On the basis of average of all activities, private sector companies are having more average (4.34) than public sector companies' average(3.88).

The highest mean is in the environmental sustainable activities which indicate that companies are contributing more in environment sustainability. But it may be due to enforcement of various environmental laws upon these companies. After emphasising upon environment sustainability, companies are investing more in promotion of education.

Testing of Hypothesis:

H₁: Private sector companies are doing better CSR activities than public sector companies.

Table 4. Showing the independent sample t-test between public and private sector companies based on CSR & Sustainable Development Activities

	Public	Private	(calculated value)	P-value	Finding (P<0.05 or P>0.05)	H ₁ (Accept / reject)
Mean	3.88	4.34	0.77	0.05	P>0.05	Accept

As the calculated value of test is 0.77 which is more than 0.05 so hypothesis is accepted. It means that there is a significant difference between CSR practices of public and private sector companies. Private sector companies are better in relation to CSR and SD activities.

Conclusion

Conclusion of the study is that all companies have taken CSR and SD initiatives. Some companies have their own foundations while some are contributing with the help of government and NGOs. Companies are contributing in education promotion, healthcare, infrastructure development and environment conservation. Private sector companies are investing in more CSR Activities but, it doesn't mean that they are investing more funds. It may be possible that limited funds have been used in various activities while large amount of funds have been used in limited activities. Nowadays, selected companies have taken great efforts to achieve business goals with social responsibility. As per the changing market scenario, companies should contribute more for the upliftment of the Indian society. Indian economy is in a developing stage and there are many backward regions and underprivileged people which need a support in real sense with relation to health, education and livelihood, Spread more awareness about sustainability so that our planet would become better to live in.

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