

# A STUDY ON THE CSR SPENDING BY THE LEADING COMPANIES IN INDIA AFTER THE NEW COMPANIES ACT

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[Corporate Social responsibility means doing social welfare voluntarily by companies. It includes charitable and philanthropic activities. India has a long tradition of CSR activities amongst poor people. This descriptive paper examines the compliance of the provisions for CSR activities in the companies Act 2013 by the Indian companies. This paper also seeks to explore the thematic pattern of CSR spending by the Indian companies. This study found that almost all big companies have spent more than 2% of the average profit of previous three years as per companies Act. It also found that big companies have given more thrust on education and healthcare. More and more projects should be taken on environment, rural and community development, promotion of sports, protection of heritage, art and culture to ensure overall growth of an economy.

**Keywords:** *Corporate Social Responsibility, Companies Act 2013, Pattern of CSR expenditure*]

## Introduction

Corporate Social Responsibility is not new in India. It has a long standing history in charitable and philanthropic activities. In the beginning of 19<sup>th</sup> century, few family-based businessmen practiced CSR activities by setting up of Inn on the road side, providing drinking water to the travellers, giving donation for setting up of temple, hospital, educational institution and helping poor people. During freedom movement, CSR activities became formative.

Mahatma Gandhi urged rich businessmen and industrialists to contribute their wealth for the welfare of poor and marginalised people in the society. His concept of trusteeship helped socio economic growth. He also motivated industrialists to set up trust for college and research institute. The trust was also involved in social reform like rural development, education and empowerment of women.

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The post independence period was characterised by the emergence of Public Sector Undertaking (PSU) to ensure equal distribution of wealth in society. Introduction of licencing and taxation policy, restriction on the private sector undertakings resulted in corporate malpractices which necessitated suitable legislation on corporate governance, labour and environmental issues. The success rate of PSU was not satisfactory. As a result, there was a natural shift from PSU to Private Sector Undertaking. Then Private Sector was actively involved in socio-economic development. But different restrictions resulted in limited CSR activities. This situation was continued till the end of 80s.

In 90s, after the globalisation and liberalisation of Indian economy, licencing system and other restrictions have been lifted. As a result, there has been an exponential growth in CSR activities. The growth in CSR activities has been accelerated by the pro-active role of government. The government has come out with different CSR guidelines with the object to make CSR mandatory for all corporate sectors.

#### **Initiatives Towards Legislation for CSR**

To make corporate sectors more responsible to the society, the Ministry of Corporate Affairs (MCA) has brought in CSR-Voluntary Guidelines in 2009. These guidelines instructed the companies to include CSR activities in their regular business operations. The MCA again released National Voluntary Guidelines on Social, Environmental and Economic

Responsibility of business. In these guidelines, every company was required to formulate a CSR policy and to allocate specific amount in the budget for CSR activities as well as to disclose their performance in annual report. In 2011, the MCA again issued National voluntary Guidelines on Economic, Social and Environmental Responsibility which specified comprehensive principles to be adopted by the companies as a part of their business policy. In December 2012, SEBI made it mandatory to issue the Business Responsibility Report or Sustainability Report along with the annual report by the top 100 companies in Bombay Stock Exchange and National Stock Exchange. Then the Companies Act 2013 was passed and came into force from 1<sup>st</sup> April 2014. This Act made the CSR activities compulsory for the companies having annual turnover of Rs 1000 cr or more or net worth of Rs 500 cr or more or net profit of Rs 5 cr or more in any year. The companies fulfilling these criteria must spend 2% of their average profit of three years just preceding the financial year and must be spent on those activities as specified in schedule VII of Sec 135 of the said ACT. Now CSR has become mandatory for all companies in India.

#### **Importance of CSR Activities**

Corporate Social Responsive activities has become an important issue in the corporate world due to the following reasons -

- a. CSR helps in developing better relationship between companies and its stakeholders

- b. It ensures continuous improvement innovation in the products, processes and operations.
- c. Socially responsive companies can attract best industry talent from the market.
- d. CSR activities provide additional motivation to the employees.
- e. It can mitigate different managerial risks as a result of its effective corporate governance framework.
- f. CSR is effective in achieving better financial performance of companies.
- g. It increases brand value of companies which in turn, results in the increase of competitive advantage in the market.
- h. CSR enhances the ability of management to meet stakeholders' expectation in the better ways.

### Literature Review

After globalisation and liberalisation of Indian economy, the companies have understood the usefulness of corporate social initiatives and the investment in CSR activities has been increased exponentially. The companies adopting CSR policy have come forward to disclose the information about their social performance. However, few studies have been conducted on CSR spending by Indian companies in the present decade. We have reviewed some of them here as under.

**Rai, Shachi (2013)** made a study to analyse the trends of CSR expenditure by the Indian firms with reference to The Companies Act 2013 She tried to examine

the relationship between CSR expenditure and Profit of the Indian firms and to highlight the effect of firm's size on this relationship. The study period was 2009 to 2013. The study found significant effect of industry on CSR expenditure of a company. The size of the firm affects the relationship between profitability and CSR expenditure.

**Mishra R K, Sing P, Sarkar S (2013)** made an explanatory study with 8 public sector Oil and Gas companies in India. The purpose of this study was to elaborate CSR practices by Indian Oil and Gas companies and the need of CSE spending in environmental sustainability and social upliftment. The paper was based on secondary data collected from annual report of companies. The paper found that CSR is important in developing economic growth and sustainability.

**Taneja S D (2016)** In this descriptive study, the author described the legal process through which CSR has become mandatory in India and the provision on CSR spending has been described. The paper found that all the companies did not fulfil the spending criteria of 2% of PAT on CSR. The author also found no significant difference in expenditure before and after the regulatory requirements of Section 135 of the Indian Companies Act 2013.

**Mukherjee A, Bird R (2016)** investigated the drivers and barriers of CSR expenditure and the attitude of companies towards CSR activities. The paper also examined the impact of making CSR spending mandatory with a sample

of 223 Indian companies. They found that the attitude of companies to CSR spending largely vary with age, size and type of ownership. The making of CSR spending mandatory for large companies did not reveal the forecasted increase in the level of spending because avoided by many companies for whom it is mandatory, reduced their level of expenditure. The Indian Government amended the legislation to specify more positively direction of expenditure and may have to further amend it to encourage increased spending on CSR activities.

Umakanth V (2018) made a descriptive study in which the author described the background of incorporating CSR activities in the Companies Act 2013. He stated that India is one of the earliest countries to spend at least 2% of the average profit of last three years on specified CSR activities. This paper also analyses the merits and demerits of CSR obligations through regulation and the manner in which CSR is being implemented in India to equate CSR with corporate philanthropy. This paper offered a critique of the Indian approach and gave suggestion for the future

Das A V, Mukherjee S (2018) conducted a study to examine CSR spending pattern with Indian petroleum companies for the period 2009-10 to 2014-15. This paper found that CSR spending has been increased. After 2009-10 but before 2013-14, very few petroleum companies spent on CSR. After the Companies Act, the reporting on CSR activities by petroleum companies has been made compulsory in the annual report.

Bergman et al (2019) made a descriptive study to highlight the necessity of business-society nexus in a developing and progressive society and this nexus has been recognised in the companies Act. They explained the advantages and disadvantages of companies Act 2013. Among a large number of provisions for and against the companies Act, they found some arguments extolling its advantage in one text but concurrently appeared as disadvantage in another text. This paradox is unable to satisfy stakeholders' expectations. The study also revealed how the advantages and disadvantages are frequently connected with multiple stakeholder including government, business and society. The authors named Indian CSR as political CSR.

Abhilasha N, Tyagi M (2019) conducted a study to examine the effectiveness of companies Act 2013 with respect to CSR and its importance on financial performance with a sample of 10 Indian companies. Financial performance was measured by PBT, ROCE, ROE and ROA. CSR data was collected from sustainability report for the period 2014 to 2017. The result shows that almost all the companies have contributed 2% of profit on CSR activities required by the Act. They also found significant positive effect of CSR on financial performance. The trend of contribution of all select companies has been increasing which indicates the success of CSR spending as per companies Act 2013.

### **Objective of the Study**

This descriptive study has the following objectives

1) To examine whether the leading Indian companies comply with the criteria of CSR as specified in companies Act 2013

2) To explore the pattern of CSR spending by the companies in the social and environmental perspective.

### Methodology

**a) Sample Size:** Our sample is consisted of 10 leading companies in CSR spending listed in Bombay Stoke Exchange (BSE). The reason for selecting these companies is that the companies affect the Indian business world to a large extent.

**b) Study Period:** we have considered data

and information for the year 2014 to 2017 i.e.the period after the amendment of companies Act. This Act made CSR spending compulsory for all Indian companies..

**c) Data Source :** This descriptive paper is based on secondary data collected from sustainability report, annual report, financial statement of companies as available in their website and popular journal. We have considered the CSR spending as the performance of the companies. Necessary data and information are presented below for analysis

**Table 1: CSR Spending (Rs in Crore) of 10 Leading Companies in India from 2014 to 2017**

Name	Year	Average Profit	Target CSR	Actual CSR	% of Actual CSR
1. Reliance Industries	2014	21984.0	439.7	711.7	161.9
	2015	26687.0	533.7	760.6	142.5
	2016	27846.0	556.9	651.6	117.0
	2017	30948.0	618.9	659.2	105.5
2. ITC	2014	8785.2	175.7	106.6	60.7
	2015	9607.7	192.2	214.1	111.4
	2016	9844.7	246.8	247.5	100.3
	2017	10200.9	204.1	275.9	135.3
3. TATA Steel	2014	6412.0	128.2	212.7	165.9
	2015	8412.8	168.3	171.5	101.9
	2016	7518	150.4	213.2	141.8
	2017	5789.8	115.8	193.6	169.8
4. ONGC	2014	22714.5	459.3	341.3	74.3
	2015	20251.0	660.6	495.2	74.9
	2016	29685.0	593.7	419.1	70.6
	2017	26783.0	535.7	525.9	98.2

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Name	Year	Average Profit	Target CSR	Actual CSR	% of Actual CSR
5. Mahindra & Mahindra	2014	3758.4	75.3	22.7	43.0
	2015	4168.9	83.4	83.2	99.8
	2016	4247.4	84.9	84.9	100.0
	2017	3955.7	79.1	83.6	105.6
6. TATA Motor	2014	1496.6	29.9	17.3	57.9
	2015	1425.0	28.5	18.6	65.4
	2016	2034.0	40.7	20.6	50.6
	2017	2337.0	46.7	25.9	55.5
7. Ultra Tech Cement	2014	2144.5	42.9	48.0	112
	2015	3076.0	61.5	44.5	72.3
	2016	2827.0	56.5	50.9	90.0
	2017	2688.0	53.4	54.2	101.5
8. TATA Power	2014	954.1	19.1	15.3	80.0
	2015	1491.7	29.8	31.3	105.0
	2016	1414.74	28.3	29.0	102.8
	2017	1092.0	21.8	22.8	104.3
9. BPCL	2014	2678.5	53.6	34.4	64.2
	2015	3800.5	76.0	33.9	44.7
	2016	5629.9	112.6	95.7	85.0
	2017	7957.1	218.2	90.8	41.6
10. SAIL	2014	2000.0	40.0	12.9	32.5
	2015	3900.0	78.0	35.1	44.9
	2016	2860.0	57.2	76.2	133.1
	2017	2565.0	51.3	29.1	56.6

Source: Collected, calculated and compiled by the researchers.

### Analysis and Findings

From the table, we find that Reliance Industries and Tata Steel have duly complied with the requirements of Sec 135 of the Companies Act 2013. ITC Ltd, Mahindra & Mahindra and Tata power could not spend the required amount in the first year but in the later years, they could spend more than the target amount on CSR initiatives. Ultra Tech Cement Ltd could achieve the target amount in the first and last year of the study period but failed to comply with the requirements of Sec 135 of the Act. Steel Authority of India Ltd could spend more than the required amount on CSR only in 2015-16 but failed to spend the target amount on CSR in other three years. On the other hand, ONGC, BPCL and Tata motor could not comply with the requirements of Sec 135 of the Companies Act 2013.

We also find that the PSUs were failed to

spend the required amount as per the companies Act due to incurring losses in the study period. But the Private Sector Undertakings were able to spend more than the target amount on CSR activities indicating good financial performance in all the years of the study period.

### The Thematic Pattern of CSR Spending

We have analysed the thematic pattern of CSR Spending of the companies separately as follows.

**Reliance Industries:** Reliance Industries has identified six thrust areas that aim at the economic growth and social welfare. These areas are education, healthcare, sanitation and drinking water, environmental sustainability, promotion of sports and protection of heritage, art and culture. Sector wise CSR spending by Reliance Industries during the year 2014 to 2017 are as under.

**Table 2: Sectorwise CSR Spending (Rs. in Crore) by Reliance Industries Ltd from 2014 to 2017**

Sl.No.	Name of the Sector	2014	2015	2016	2017
1	Education	79.5	18.2	215.2	226.5
2	Health Care, Sanitation and Drinking water	416.69	606.8	314.1	266.9
3	Rural and Infrastructure Development	165.72	126.9	102.9	137.5
4	Environmental Sustainability	2.5	3.8	1.5	3.2
5	Promotion of sports	3.5	3.7	9	6.7
6	protection of heritage, art & culture and others	43.81	1.18	8.9	18.4
	Total	711.72	760.58	651.6	659.2

Source: Collected, calculated and compiled by the researchers.

**ITC:** The focus area of CSR activities by ITC are education, healthcare, women empowerment, vocational training, skill development and enhancing employability, ensuring environmental sustainability and protecting Indian art, culture and music. In 2014-15, sector wise CSR spending (as percentage) by ITC was in education 31%, health and sanitation 27%, environmental sustainability 10%, rural and infrastructural development 10% and others 22%.

**Mahindra & Mahindra:** CSR initiatives by Mahindra & Mahindra are education, rural development, environmental sustainability, employment, vocational training, skill development, healthcare, sanitation, promotion of sports, protection of art and culture; running old-

age home, day-care centre and removing gender inequality. Sector wise CSR spending in 2019-17 was education Rs 38.45 cr, rural and infrastructural development Rs 22.96 cr, environmental sustainability Rs 5.20cr, gender equality, old-age home and day-care centre Rs 0.85cr employment, training and skill development Rs 5.57 cr.

**Tata Steel:** The Company's CSR activities focuses on education and livelihood, healthcare and drinking water, protection of environment, rural and community development, promotion of sports, protection of art and culture, support to charity, NGOs and Government agencies. Sector wise CSR spending of Tata Steel for the year 2016 and 2017 was as under.

**Table 3: Sectorwise CSR Spending (Rs. in Crore) by Tata Steel Ltd for the Year 2016 and 2017**

Sl No.	Name of the Sector	2016	2017
1	Education	29.93	73.79
2	Health Care, Sanitation and Drinking water	104.44	68.14
3	Livelihood and employability.	27.3	20.39
4	Environmental Sustainability	3.27	2.9
5	Promotion of sports	5.99	3.37
6	protection of heritagr, art & culture and others	3.36	3.89
7	Rural and community development	18.43	11.91
8	Others	18.52	9.22
	Total	213.24	193.61

Source: Collected, calculated and compiled by the researchers.

**Ultra Tech Cement:** CSR activities undertaken by Ultra Tech Cement are education, healthcare, women

empowerment, sustainable livelihood, infrastructure development and social welfare. The company proposes CSR



projects in consultation with stakeholders and beneficiaries but these are implemented directly by the company.

**Tata power:** CSR has become an integral part of power generation companies. As such Tata Power has six thrust areas of CSR activities. These are education

(including primary education), healthcare and drinking water, livelihood and employability, social capital and infrastructure development and inclusive growth. CSR expenditure made on different sectors in 2016 and 2017 were as under.

**Table 4: Sectorwise CSR Spending (Rs. in Crore) by Tata Power Ltd in the Year 2016 and 2017**

Sl No.	Name of the Sector	2016	2017
1	Education	29.93	73.79
2	Health Care, Sanitation and Drinking water	104.44	68.14
3	Livelihood and employability.	27.3	20.39
4	Environmental Sustainability	3.27	2.9
5	Promotion of sports	5.99	3.37
6	protection of heritage, art & culture and others	3.36	3.89
7	Rural and community development	18.43	11.91
8	Others	18.52	9.22
	Total	213.24	193.61

*Source: Collected, calculated and compiled by the researchers.*

**ONGC:** The focus areas of CSR activities by ONGC includes education including vocational training and skill development, rural and infrastructural development, healthcare, sanitation and drinking water, protection of environment, ecological conservation, setting up of old-age home, hostel for women and orphan children, promotion of sports and protection of heritage art and culture. In 2016-17, ONGS spent Rs 157.50 cr in education, vocational training and skill development, Rs 162.75 cr in healthcare, removal of hunger and poverty, Rs 110.75

cr in rural development and Rs 94.5 cr in environmental sustainability.

**Tata Motor:** The Company's CSR activities are primarily in the areas of healthcare and sanitation, education including skill development among youth, environment protection and conservation of natural resources, promotion of sports and protection of national heritage, art and culture. Projects on various activities are designed in consultation with stakeholders and beneficiaries but are implemented directly by the company.

**SAIL:** CSR programs undertaken by SAIL during 4 years from 2014 to 2017 are education including skill development and employability, healthcare, water supply and sanitation, promotion of sports and protection of art and culture. The company spent 1.71% of PAT (Rs 29.05 cr) in spite of incurring loss during 2016-17.

**Bharat Petroleum:** The focus areas of CSR by BPCL are providing quality education (including primary and secondary education), vocational training and skill development, water conservation including health and hygiene and rural development. BPCL spent on education including vocational training and skill development Rs 26.76 cr, removal of hunger, poverty and health care Rs 23.29 cr, rural and infrastructural development Rs 20.07 and environmental sustainability Rs 20.72 in 2016-17.

### Conclusions and Suggestions

CSR was charitable, philanthropic and voluntary in nature for many years in India. After the amendment of Companies Act 2013, CSR has become mandatory and included in the purview of the Act. As per Section 135 of the Act, all companies are not required to comply with the provisions of Section 135 of the Act. Only those companies satisfying the basic requirements of the Act are required to spend 2% of the average profit of the previous three years on CSR activities. As a result, investment in CSR activities has been increased significantly.

Private Sector Companies like Reliance Industries, ITC Ltd, Tata Steel, Tata

Power, Mahindra and Mahindra, Ultra Tech Cement have spent more than the required amount as specified in the ACT. But Public Sector Companies and few Private Sector Companies could not spend the specific amount on CSR due to incurring losses. However, the situation regarding CSR initiative by the Indian companies has been significantly changed than that was before the amendment of the Companies Act.

The concept of CSR has the potentiality to bring about a revolution in the development of an economy. With the increase in fiscal deficit and insufficient social welfare projects by the government, CSR seeks to address the basic issues of the people and society. After the new Companies Act, almost all the companies have come forward with many projects and welfare schemes for the development of community and society.

The pattern of CSR expenditure by all Indian companies are same and as per the activities as specified in Schedule VII of sec 135 of the Sid Act. Most of the big companies have given more emphasis on education and healthcare, and a lion's share of the allocated sum has been spent on these two activities. In order to ensure overall growth of an economy, more and more projects should be take on rural and community development, protection of environment, national heritage, art and culture and promotion of sports. A balanced distribution of allocated amount for CSR among projects of all sectors can only lead to economic development of a country.

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