

An analysis of CSR expenditure of NSE listed companies

¹Singla Nisha & ²Dr. Arora R.S.

¹Assistant Professor, USAM, Punjabi University, Patiala (India)

²Professor, Dept. of Commerce, Punjabi University, Patiala (India)

ARTICLE DETAILS

Article History

Published Online: 10 November 2018

Keywords

CSR, CSR expenditure, Companies Act 2013, NSE

Corresponding Author

Email: nishasingla.90[at]gmail.com

ABSTRACT

Corporate Social Responsibility has become an important aspect of business with the implementation of New Companies Act, 2013. The Act has made it mandatory for the specified companies to spend at least 2 per cent of their Average Net profit (ANP) of preceding three years on CSR activities. Fulfilling social responsibility is no more an option for companies but an obligation which must be fulfilled. The present study attempts to analyze CSR expenditure of NSE listed companies. Annual Reports of companies have been studied for the year 2016-17 for the purpose of the study. The study found diverse pattern of CSR expenditure of selected companies.

1. Introduction

CSR refers to responsibility of business towards the society in which it is operating. The business is not just accountable to handful of shareholders but its responsibility extends beyond the narrow group of shareholders to all stakeholders. Corporate social responsibility is doing good of the society. In the earlier times, it was considered as a philanthropic activity. Over the years, it has gained momentum and has been recognized as an important activity, absence of which might put the existence of business at stake. Companies have started understanding the crucial importance of corporate social responsibility in the success of business and have started incorporating corporate social responsibility in its business policy. The implementation of Companies Act 2013 has introduced new dimensions to this concept. It has made it mandatory for the companies having net worth of more than Rs.500 crore or turnover of more than Rs.1000 crore or net profits of more than Rs. 5 crore to spend atleast 2 per cent of average net profits of preceding three years on CSR activities defined in the Act. In case companies don't spend requisite amount on CSR activities, they have to give reasons for not doing so. Further, companies have been required to form CSR committee which consists of at least three directors one of which must be an independent director. Companies Act, 2013 has laid the format of Report on CSR activities which forms a part of annual report. Sec 135 of the Act enlisted the activities in which CSR expenditure has to be incurred. Further, Companies Amendment Rules, 2014 have brought an extensive list of activities which are to be covered under CSR. The present study attempts to measure CSR expenditure in the light of Companies Amendment Rules, 2014.

2. Review of literature

Kaur and Arora (2012) examined the social disclosure practices of 19 public and 23 private sector companies of BSE 500 index based on annual reports from 2003-04 to 2010-11. The researcher constructed the social disclosure index of 9 items namely donation and charities, women empowerment, health care initiatives, recreational activities, anti-pollution measures, waste management, relief operations, education and infrastructure development. The study found that public

sector companies made more disclosures as compared to private sector companies.

Govindarajan and Amilan (2013) studied level of CSR initiatives of 12 listed companies of Oil and Gas industry. Further, the researchers examined linkage between Corporate Social Performance (CSP) score and financial parameters (Total assets, Net worth, EPS, Profit before tax, Debts and Market capitalisation). The study found significant positive linkage of CSP score with financial performance and stock market performance (market capitalization).

Sethi (2013) in her research paper studied the corporate social disclosure practices of 79 Indian banks (22 private, 21 public and 36 foreign) based on annual reports for the year 2009-10. The researcher constructed the index of 27 items based on six themes namely environmental policy, codes, reporting and system, financial products, society, diversity and human resource and customer care. The study found voluntary and moderate level of CSR disclosures by Indian banks.

Andrikopoulos et al. (2014) investigated online CSR reporting practices of 93 companies listed on Euronext stock exchange for the year 2009-10. The researchers also examined association between corporate characteristics (size, profitability, leverage and market to book ratio) and CSR disclosures. The study found maximum disclosures in ethics category. Business ethics were highest disclosed items followed by investors relation. Banks showed highest CSR disclosures. Further, it was found that size and leverage had significant positive association with CSR disclosures.

Veena and Kumar (2014) analyzed CSR expenditure of 30 BSE listed companies from 2001-2012. The study was based on secondary data. The study found that CSR expenditure of companies was lesser than one per cent of profit for the selected period.

Waller and Lanis (2014) analyzed annual reports of six top advertising companies of global advertising industry to examine corporate social disclosures for the year 2004. The study found that European companies made more detailed

disclosures than Japanese companies while no disclosures were found in case of U.S. companies. The variation was found due to voluntary nature of CSR disclosures.

Mukherjee and Bird (2016) investigated the drivers and barriers of CSR. Further, attitude of corporate toward CSR was examined. The data was collected using questionnaire from 223 corporations. The study found that inadequate free cash flows and lack of human resources to manage the expenditure were barriers for CSR. The main drivers of CSR were concern for CSR and desire to improve company's image and its relationship with government. Further, it was found that attitude of corporate towards CSR spending varied with age, size and type of ownership.

Sharma and Vanapriya (2016) studied CSR expenditure of BSE listed companies in India for the year 2014-15. The study covers twenty five companies belonging to five industries namely Energy and Material, Industrial and Consumer, Consumer staple and Health care, Financials and IT and Telecommunication and Media. It was found that TCS spent highest on CSR activities while Kotak Mahindra Bank spent lowest on CSR activities.

Murali et al. (2017) analyzed CSR expenditure of NSE listed companies for two years 2014-15 to 2015-16. The study was based on secondary data. The data found that Reliance Industries Ltd spent highest amount on CSR expenditure in both the years. The lowest spending on CSR expenditure was reported by Motocorp in 2014-15 and Eicher Motors Ltd. in 2016-17. Health and Sanitation and education were highest reported item in 2014-15 and 2015-16 respectively. The least disclosed item was Contribution to Prime Minister Relief Fund in 2014-15 and Contribution to technology incubators in 2015-16.

Sai (2017) compared CSR practices of top 500 companies before and after 2013. The comparison was made on GRI social aspects. The study found increase in disclosure after 2013 compared to before 2013. However, 26 per cent of total companies had not spent mandatory percentage of two per cent of average net profit on CSR.

3. Objectives of the study

- 3.1. To compare CSR expenditure of selected companies against prescribed CSR expenditure as per Companies Act, 2013.
- 3.2. To examine pattern of CSR expenditure of selected industries.

4. Research Methodology

The study aims to compare actual CSR expenditure of companies with the prescribed expenditure as per Companies Act, 2013. Further, pattern of CSR expenditure has been observed for different industries. NSE Nifty index consisting of 50 companies has been selected for the purpose of the study. Companies belonging to banking, insurance and service sector have been excluded and finally 28 companies have been selected for the study. The selected companies belong to six industries namely consumer goods, automobiles, metals, pharmaceuticals, energy and cement & construction. The study has been conducted for the year 2016-17 and is based on secondary data. An index has been prepared covering items enlisted in companies Rules, 2014. The data has been analyzed using graphs and tables.

5. Analysis of Data

5.1 Companies wise CSR expenditure analysis

Table 1 shows that company wise actual CSR spending and prescribed CSR expenditure of selected companies in the year 2016-17. It has been observed that Tata Steel (3.34%) spent highest percentage of profit on CSR followed by Power Grid (2.73%). Lupin (0.59%) and Cipla (1.69%) recorded lowest spending of profits on CSR. It is evident that 14 companies have spent more than prescribed expenditure of 2 per cent. Four companies have spent less than prescribed percentage of profit on CSR. Further, eight companies have spent exactly prescribed percentage of 2 per cent on CSR activities. Interestingly, two companies namely Tata Motors and Sun Pharma. Both the companies have showed CSR expenditure of 25.89 crores and 2.4 crores respectively though both of these companies reported negative Average Net Profit during the year.

Table 1
Company wise analysis of CSR expenditure

Name of Company	Actual amount spent (in Rs. crores)	Actual expenditure as Percentage of ANP	Amount to be spent (2% of ANP) as per Act (in Rs. crores)	Difference (in Rs. crores)
Asian Paints	46.51	2	46.51	0
HUL	103.88	2.04	101.71	2.17
ITC	275.96	2.01	275.27	0.69
Titan	18.02	2	18.02	0
Eicher Motors Ltd	18.01	2	18.01	0
Hero Motocorp	85.14	2.41	70.62	14.52
Mahindra & Mahindra	89.57	2.15	83.3	6.27
Bajaj auto Ltd.	94.98	2	94.98	0
Maruti Suzuki	89.45	2	89.45	0
Tata motors	25.89	NIL	NIL	NIL
Coal india	129.25	2.03	127.24	2.01
Hindalco	28.25	2.69	21	7.25

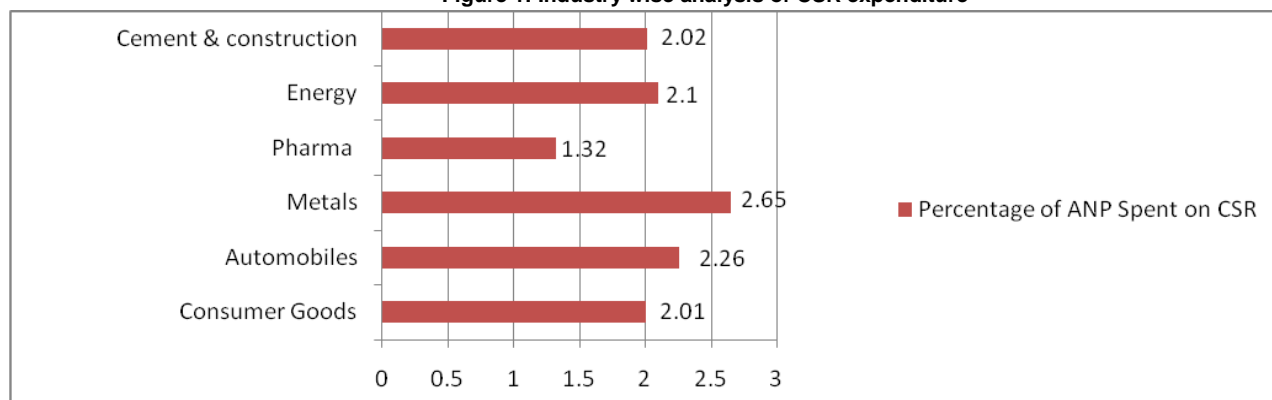
Tata steel	193.61	3.34	115.8	77.81
Cipla	28.25	1.69	33.38	-5.13
Dr Reddy	42.5	2.1	40.5	2
Lupin	19.68	0.59	66.25	-46.57
Sun Pharma	2.4	NIL	NIL	NIL
ONGC	525.9	1.96	535.66	-9.76
NTPC	221.85	2	221.85	0
RIL	649.26	2.09	620.41	28.85
Power Grid	184.908	2.73	135.58	49.328
BPCL	90.37	2	90.37	0
IOCL	213.99	1.97	217.1	-3.11
GAIL	92.16	2.26	81.47	10.69
HPCL	108.11	2.61	82.9	25.21
Ultratech	54.15	2.03	53.36	0.79
Grasim	18.06	2	18.06	0
L&T	100.68	2.03	98.97	1.71

Source: Annual Reports of companies for year 2016-17.

Figure 1 shows the industry wise spending on CSR activities against prescribed CSR expenditure. It has been observed that five industries namely Consumer goods (2.01%), Automobiles (2.26%), Metals (2.65%), Energy (2.10%) and Cement & Construction (2.02%) spent more than prescribed

expenditure of two per cent of Average Net Profit while Pharmaceuticals industry (1.32%) spent less than prescribed expenditure of 2 per cent. The highest spending was recorded in case of metal industry followed by automobiles.

Figure 1: Industry wise analysis of CSR expenditure



5.2 Pattern of CSR expenditure

Table 2
Pattern of CSR expenditure of different industries

CSR Activities ----->	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11
Consumer Goods	33.46	30.32	3.4	22.22	0.64	0	0.03	0	0.23	9.7	0
Automobiles	11.37	53.78	10.3	11.07	0.51	0.32	0.16	0	0.06	10.37	2.06
Metals	29.99	31.67	0.58	4.4	1.11	0	13.32	0	0	6.56	12.38
Pharmaceuticals	28.09	48.82	0	0.1	0	0	0	17.56	0	0.73	4.69
Energy	27.12	28.33	4.22	10.67	4.99	0	2.15	1.33	0	14.8	6.41
Cement & Construction	15.75	46.77	1.82	5.6	4.2	0	0	0	0	22.58	3.27

List of Activities as per Companies' Rules, 2014

A1: Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.

A2: Promoting education, including special education and employment skills especially among children, women,

elderly and differently able and livelihood enhancement projects.

A3: Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centre and such other facilities for senior citizens and measures for reducing

inequalities faced by socially and economically backward groups

A4: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.

A5: Protection of national heritage, art and culture including restoration of buildings and sites of historical and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts.

A6: Measures for benefit of armed forces veterans, war widows and their dependents.

A7: Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports.

A8: Contribution to Prime Minister Relief Fund or any other fund set up by Central government for socio economic development and relief and welfare of scheduled castes, scheduled tribes, other backward classes, minorities and women.

A9: Contribution or funds provided to technology incubators located within academic institutions which are approved by central government.

A10: Rural development projects

A11: Others

5.2.1 Consumer Goods

Table 2 depicts that consumer goods industry spent highest percentage on CSR activities under the head 'Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water' (33.46%) followed by 'Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects' (30.32%). However, lowest spending was observed in case of item relating to sports. Further, no expenditure has been incurred on two items namely 'Contribution to Prime Minister Relief Fund or any other fund set up by Central government for socio economic development and relief and welfare of scheduled castes, scheduled tribes, other backward classes, minorities and women' and 'Measures for benefit of armed forces veterans, war widows and their dependents'.

5.2.2 Automobiles

It is evident from Table 2 that automobile industry spent more than 50 per cent of its total expenditure on item namely 'Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly and differently able and livelihood enhancement projects'. However, lowest spending was observed in case of item namely 'Contribution of funds provided to technology incubators located within academic

institution approved by central government'. The industry doesn't spent on item 'Contribution to Prime Minister Relief Fund or any other fund set up by central government for socio economic development and relief and welfare of scheduled caste, tribe, other backward classes, minorities and women'.

5.2.3 Metals

Table 2 reveals that metal industry had highest spending on an item namely 'Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects' (31.67%) followed by 'Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water' (29.99%). The lowest spending was observed in case of item 'Promoting gender equality including special education and employment enhancing vocation skills especially among children'. However, no spending was made on items namely 'Measures for benefit of armed forces veterans, war widows and their dependents', 'Contribution to Prime Minister Relief Fund or any other fund set up by central government for socio economic development and relief and welfare of scheduled castes, tribes, other backward classes, minorities and women' and 'Contribution or funds provided to technology incubators located within academic institutions approved by central government'.

5.2.4 Pharmaceuticals

Table 2 depicts that pharmaceutical industry spent nearly 50 per cent of its expenditure on 'Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects'(48.82%). The lowest expenditure was incurred on 'Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water' (0.10%). However, no spending was done on items namely 'Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups', 'Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up 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, Paralympics sports and Olympic sports'.

5.2.5 Energy

It has been observed that energy industry spent highest percentage on 'Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly and differently able and livelihood enhancement projects' (28.33%). The lowest spending was reported in case of item namely 'Contribution to Prime Minister Relief Fund or any other fund set up by central

government for socio economic development and relief and welfare of scheduled caste, tribes, other backward classes, minorities and women' (1.33%). However, no spending was done on two items namely 'Measures for benefit of armed forces veterans, war widows and their dependents' and 'Contribution or funds provided to technology incubators located within academic institution approved by central government'.

5.2.6 Cement and Construction

Table 2 reveals that cement and construction industry spent highest amount on 'Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects' (46.77%). The lowest spending was observed in case of items 'Promoting gender equality, empowering women, setting up old age homes, day care centre and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups' (1.82%). No spending was done on items namely 'Measures for benefit of armed forces veterans, war widows and their dependents', 'Training to promote rural sports, nationally recognized sports, Paralympics and Olympic sports', 'Contribution to Prime Minister Relief fund or any other fund set up by central government for socio economic development and relief and welfare of scheduled caste, tribes, other backward classes, minorities and women' and 'Contribution or funds provided to

technology incubators located within academic institutions approved by central government'.

6. Conclusion

It has been observed that there is variation in CSR expenditure of different companies.. Out of selected companies fourteen companies spent more than prescribed amount on CSR activities, four companies spent less than prescribed amount on CSR and eight companies spent exactly prescribed percentage of ANP on CSR. Tata steel spent highest percentage of profit on CSR while Lupin spent lowest on CSR activities. Further, metal industry showed highest spending on CSR activities while pharmaceuticals industry reported lowest percentage of profit spending on CSR activities. Looking at the pattern of expenditure, it has been observed that health and education are highly spend areas in case of selected industries which shows that industries have given high priority to these areas which are very important for development of nation.

7. Scope for further research

The present study analyzed the CSR expenditure of twenty eight companies only. Future studies can be undertaken covering more companies to have more comprehensive analysis of CSR expenditure of companies. Further, study can be undertaken for longer time period and trends on CSR expenditure of different companies can be studied.

References

1. Andrikopoulos, A., Samitas, A., & Bekiaris, M. (2014), Corporate social responsibility reporting in financial institutions: Evidence from Euronext, *Research in International Business and Finance*, 32, pp. 27-35.
2. Govindarajan, A. L., & Amilan, S. (2013), A Study on linkage between Corporate Social Responsibility Initiatives with Financial Performances: Analysis from Oil and Gas Products Industry in India, *Pacific Business Review International*, Vol. 6, Issue 5, November 2013, pp.81 to 93.
3. Kaur, N. & Arora, R. S. (2012), "Social Responsibility Disclosure Practices- A Comparative Study of Public and Private Sector Companies in India", *Emerging Paradigms in Business Ethics*, Mata Gujri College, Fatehgarh Sahib, pp. 1-5.
4. Mukherjee, A., & Bird, R. (2016). Analysis of mandatory CSR expenditure in India: A survey. *International Journal of Corporate Governance*, 7(1), 32. doi:10.1504/ijcg.2016.077982.
5. Murali, S., Dash, & V. A. (2017). An analysis of CSR expenditure by Indian firms post Companies Act 2013. *IJARIE*, 3(3), 2834-2849.
6. Sethi, P. (2013), "Social Reporting By Indian Banks and Foreign Banks- A Comparative Analysis", *IOSR Journal of Business and Management*, Vol. 15, No. 3, pp. 45-53.
7. Sai, P. (2017). A comparative study of CSR practices in India before and after 2013. *ASIAN JOURNAL OF MANAGEMENT RESEARCH*, 7(3), 242-255.
8. Sharma, A. & Vanapriya B. (2016), An analytical study on CSR expenditure of BSE listed companies in India, *International Journal of Human Resource & Industrial Research*, 3(5), 64-78.
9. Verma, A. & Kumar, C. (2014), An Analysis of CSR Expenditure by Indian Companies, *Indian Journal of Corporate Governance*, 7(2), 82-94.
10. Waller, D. S. & Lanis, R. (2014), "Corporate social responsibility (CSR) disclosure of advertising agencies: An exploratory analysis of six holding companies' annual reports", *Journal of Advertising*, Vol.38, No.1, pp.109-122.
11. Annual Report of selected companies