

**Corporate Social Responsibility: Is CSR an Expenditure or Investment for Corporates?**

**Dr. B. Madhu Bala,**

Assoc. Professor,  
Aurora PG College, Ramanthapur,  
Hyderabad-500013

**Abstract**

Corporate Social Responsibility has no single specific definition. However, it may be generally defined as a contribution from the corporate houses out of their profit to the welfare and development of the society. Infosys, WIPRO, TATA, have become a kind of role model in CSR activities in India. Also some multinational companies are spending more than 15-20% of their profit for social service. Thus, the actions of firms that contribute to social welfare, beyond what is required for profit maximization, are classified as Corporate Social Responsibility (CSR). Previously, in India, it was voluntary for the organizations to take steps for betterment of the society. They had the obligation only to comply with government rules and regulation related to protection of environment. But with New Companies Act 2013, CSR has become compulsory rather than voluntary activity for corporate businesses. Successful partnership among Government, NGO's and Corporate businesses will put Indian economy on a faster development track. However, corporate sector is already carrying heavy burden of both direct and indirect taxes. If businesses invest in CSR, do they get anything in return from society? The present paper discusses and investigates what benefits do CSR activities plough back to businesses.

**Keywords:** Corporate Social Responsibility, New Companies Act 2013, profit maximization, social welfare and NGOs.

**Introduction**

Corporate Social Responsibility (CSR) is referred to as the business responsibility and an organization's actions on environmental, social, ethical and economic issues of its surroundings. According to Lord Holme and Richard Watts, "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". The acceptance of CSR by business scholars and practitioners has a spotted history. While scholars debated the legitimacy of CSR, consumers and investors developed clear preferences for socially responsible firms. Big corporations, in large part, responded positively, making CSR an important element of strategic management. The development of CSR from its controversial beginning to its current acceptance as a legitimate business function is outlined along with a discussion of the role of corporate social performance, socially responsible investing, and global corporate citizenship.

Corporate Social Responsibility (CSR) is a duty of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit, corporates should take initiative for welfare of the society. They should perform their activities in such a manner that they preserve environment. According to New Companies Act, 2013 the following is the criteria for companies to comply with Corporate Social Responsibility norms. Companies having Net worth of Rs. 500 Crores or more OR having Turnover of Rs. 1000 Crores or more OR Net Profit of Rs. 5 Crores or more should constitute a CSR committee of Board. The Board shall consist of minimum three directors, out of which one shall be independent director. The committee shall formulate and recommend CSR Policy which indicates company's activity as specified in Schedule VII and also amount recommend for the same. At least 2% of the average net profit of the immediately preceding three financial years of the company shall be used for spending in accordance with the CSR Policy.

According to the approach “Comply or Explain”, Board should explain the reason for not spending such amount if it fails to do so. The company shall give preference to its local area from where it operates, for CSR activities.

The firms businesses of the 21st century have no choice but to CSR implementation. Companies have the capacity to make a considerable difference in the society by taking extensive initiatives. The Inclusive growth helps in development of economy and rising employment productive opportunities. During the current situation, it is complicated for a single body to bring transformation as the scale is huge.

### **Literature Review**

According to Bob Johnstone (2008), many companies are integrating corporate social responsibility with their core business making it difficult for them to separate and quantify. For example, most of the multinational companies like Unilever are investing in education and training which will benefit them in the form of well educated workforce. However, some companies are investing in CSR activities focused on reduction in waste and increase in energy efficiency. This has made a significant positive impact on the company’s bottomline. For example, P&G, invested on developing a new detergent that could be used in cold water and launched it in the US market in 2005. This was highly profitable for the company. An increase in cold-water usage benefited both consumers and the business. An analysis by company revealed that the largest use of energy was in heating water to wash clothes. Addressing that was a business opportunity as well as an environmental opportunity for P&G.

Devaraja Nayaka & Dr. Nanjunda, in their paper titled “CSR: A Case Study of Aditya Birla Group,” attempted to to reveal conceptual approaches and practical function of Corporate Social Responsibility (CSR) in Adithya Birla Group-india. The Group runs 45 schools, the company is doing work in Adult education, formal and non-formal education, Scholarships for girl students, technical education for boys and merit scholarships, Distance education, Girl student education, Computer education facility and Digital literacy awareness program sector. Group runs 18 hospitals, pulse polio programs, mobile clinic’s -doctor's office visits, cleft lips, multi-specialty and general medical camps, child health care and reproductive, mid-day meal projects, supplementary nutrition, Sanitation, Safe drinking water, community hospitals, household toilets, TB awareness, HIV / AIDS, cancer and prevention camps, Blood donation camps Responsible parenting. The group also provides support to Self-Help Groups (SHGs)-Micro-finance to the farmers and women, Incorporated agriculture development, Integrated livestock activity, Watershed management, Micro-enterprise development, Vocational training and Skill development throughout Aditya Birla Technology Park. The group conducted medical camps in rural areas periodically. More than 41,112 villagers were medically checked and those troubled treated for their illness. From 26 schools 2,359 students benefited from health check up units. At eye camps conducted 2,414 cataract performed operations and 1,179 people were supplied with spectacles for better eye sight. Aditya Cement (Chittor) is honoured to be first Industry in that area to successfully completed each year 4,065 surgery at Mega Eye Surgery Camps oranged by company. 176 patients detected with tuberculosis were taken treatment and cured.

Utkarsh Majmudar, Namrata Rana and Neeti Sanan in their paper titled India’s top companies for CSR and Sustainability 2015 sought to uncover key indicators of CSR and Sustainability. While the amount of money spent on CSR is a common indicator of CSR performance. Yet it is not enough. Most large firms in India and Internationally have been focusing on developing sustainable business practices and reducing environmental impact of their activities. These activities include reduction in emissions to diminish the impact of climate change, waste and water management and a move

towards renewable sources of energy. This is particularly important now since India has committed a 35% reduction in emissions by 2030. The journey towards business transformation has begun for many of India's top companies. It was no surprise to see Mahindra, several Tata companies, and L&T in the top 10 list. Today, while many senior managers admit that they are still struggling to make the business case for long-term investments in sustainability and CSR, there are others who have taken the lead and are setting the pace for responsible growth.

### **The Companies and their CSR activities**

**Mahindra & Mahindra:** The company believes that education is the key to solving the nation's many social problems. Hence, it designed its CSR policy to focus on eradicating poverty and malnutrition, empowerment of women, promotion of art and culture, initiatives for armed forces and war widows, sports, contribution towards funds aimed at SCs/STs and other marginalised sections, technology incubation, and rural and slum area development projects. Mahindra's CSR programs seek to benefit girls, youth and farmers. In 2014-15, M&M's spent more than Rs 2,000 million (Rs 83.24 crore) in CSR activities. KC Mahindra foundation has educated more than 1 lakh children from disadvantaged sections of society and trained 14000 girls in vocational courses who were placed in various organizations with decent salaries. M&M sponsors the Lifeline Express trains that take medical treatment to far flung communities. Through Project Hariyali, the company has planted 7.9 million trees till date, including four million trees in the tribal belt of Araku Valley.

**Infosys:** The company spent Rs.9 crore on CSR activities in fiscal year 2013-14 and increased it by 26 times to Rs.239.5 crore in 2014-15. It allocates most of its CSR budget to education, healthcare and addressing malnutrition problems in collaboration with 30 non-governmental organizations (NGOs). The company ensured effective utilization of funds by channelizing them to large-scale institutions. For example, Infosys granted Rs.36.8 crore to Akshaya Patra Foundation, an NGO that feeds poor schoolchildren. Also it gave Rs.21.2 crore and Rs.33.2 crore, to institutions like the Indian Institute of Science and Chennai Mathematical Institute respectively.

**Wipro:** For Wipro, 2% of the average PBT for the financial years 2013-14, 2014-15 and 2015-16 amounts to 1,560 Million. However, Wipro spent 1,598.22 Million (about Rs.4 crore extra) on CSR activities in 2015-16. Through Wipro Cares, the employee supported trust of Wipro, the program reached out to more than 65000 children in seven states. The projects cover disadvantaged children of migrant labourers, from tribal communities, urban slums or street children. Wipro is helping delivery of good quality primary health care services to underserved communities covering more than 30000 people in 59 villages across Nagaland and Maharashtra. Wipro initiated a program in 2014 that focuses on providing social, nutritional and health security to nearly 2000 workers in the informal sector in Bangalore's waste management space. The program also provides a comprehensive skills upgradation program for about 200 such workers.

**ITC:** ITC spent 90 lakhs on CSR activities. ITC's Women's Empowerment Programme, creates supplementary incomes for rural women. It seeks to ensure social dignity and economic independence to rural women through micro-enterprises and self-employment. The programme supports 1,682 operational Self Help Groups (SHG) with 20,230 members having cumulative savings of Rs 3.52 crores. Most of these women are self-employed engaged in micro enterprises. Additionally, 3,800 poor women are meaningfully engaged through the agarbatti rolling programme, currently operational in the states of Bihar, Uttar Pradesh, Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Maharashtra. ITC also initiated Watershed Development Programme. It promotes local management of water resources by facilitating community-based participation in planning and executing watershed projects. The total area covered by ITC under the watershed programme cumulatively stands at 149,000

hectares. ITC signed three new MoUs with the Government of Maharashtra for Satara district and the Government of Madhya Pradesh for Sehore district to implement the Government’s Integrated Watershed Management

**TCS:** TCS spent Rs.220 crore in 2014-15 up from the Rs.93.6 crore it spent in 2013-14. The company has announced its plans to spend Rs.100 crore over the next few years to build toilets for girls in schools under the Swachh Bharat Abhiyaan. Advanced Computer Training Center (ACTC) In an effort to promote employability among individuals with visual impairment, the Company has created a programme that offers IT-enabled vocational courses that are in sync with the industry requirements, personality development and training in corporate etiquette. This unique programme aims at bridging the gap between computer skills of persons who are visually impaired and those required by IT/ITES. TCS is also working to deploy a sustainable model to improve Education, Healthcare and Environment and promote Economic Empowerment in rural areas across India.

**Objectives**

The objectives of this study are:

1. To study the corporate social responsibility practices of leading companies in India and abroad.
2. To study whether companies can derive any benefits by investing in CSR activities
3. To identify what needs to be done more by corporate companies to derive mutual benefits from CSR activities

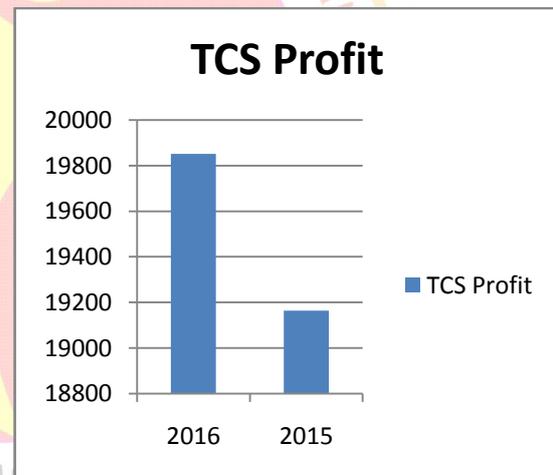
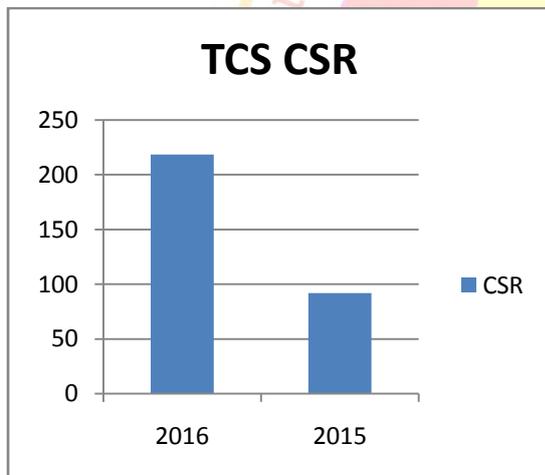
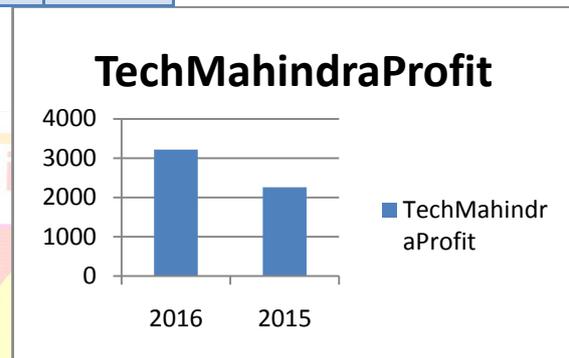
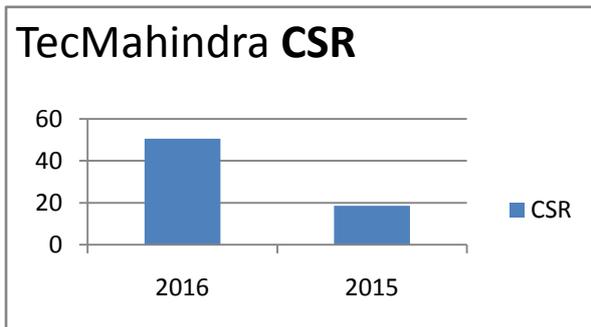
**Research Methodology**

A sample of five companies is taken and data is collected about profits for five years and spending on philanthropic activities. Using pearson correlation correlation coefficient is calculated between CSR spending and profits.

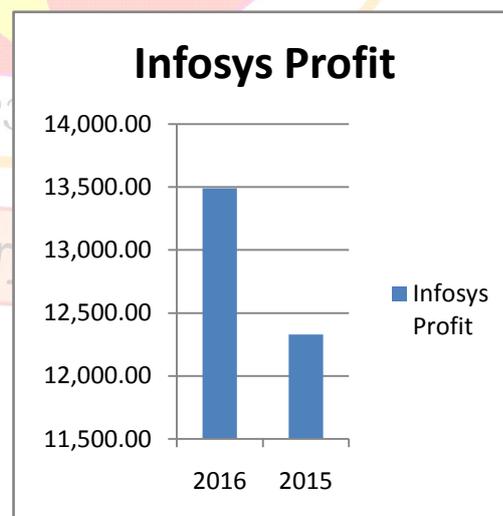
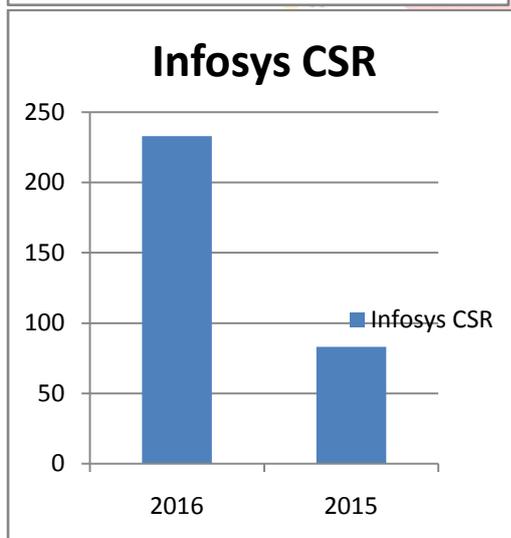
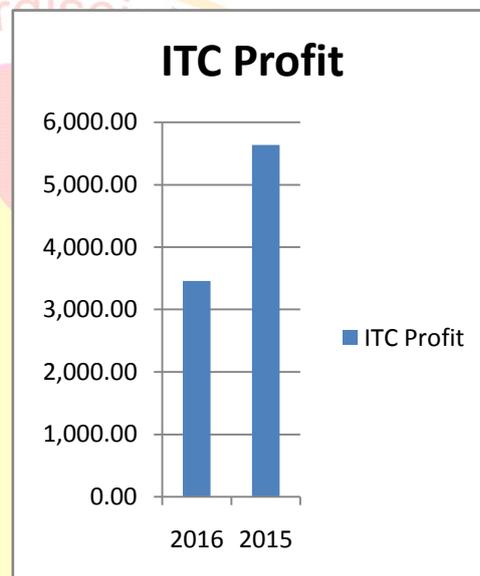
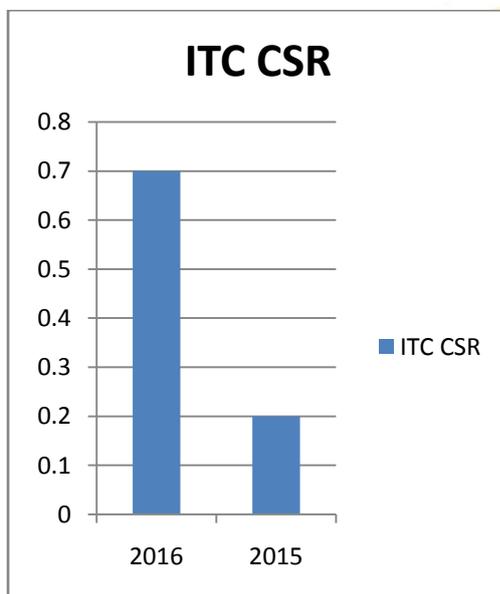
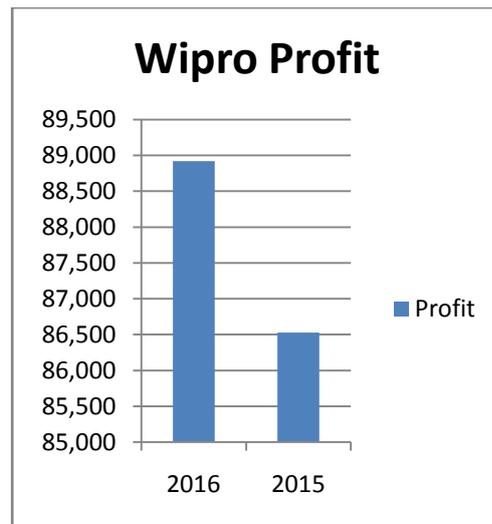
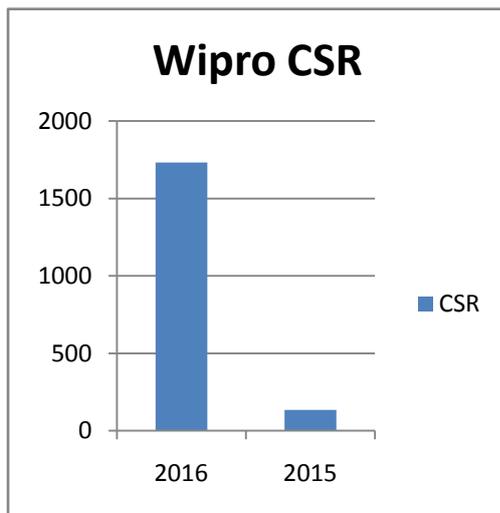
**Data Analysis And Interpretation**

	Tec Mahindra	
	2016	2015
<b>CSR</b>	50.5	18.6
<b>Profit</b>	3220	2256.2
	TCS	
	2016	2015
<b>CSR</b>	218.42	91.98
<b>Profit</b>	19852	19163.87
	Wipro	
	2016	2015
<b>CSR</b>	1731.64	133.42
<b>Profit</b>	88,922	86,528
	ITC	

	2016	2015
<b>CSR</b>	0.7	0.2
<b>Profit</b>	3,456.93	5,638
<b>Infosys</b>		
	2016	2015
<b>CSR</b>	233	83
<b>Profit</b>	13,491.00	12329



www.aiirjournal.com



Descriptive Statistics						
		Statistic	Bootstrap <sup>a</sup>			
			Bias	Std. Error	95% Confidence Interval	
		Lower			Upper	
VAR0000 1	Mean	94.8750	.7473	37.1650	34.5500	176.4400
	Std. Deviation	87.67129	-16.90036	30.15073	15.95000	106.95323
	N	4	0	0	4	4
VAR0000 2	Mean	11123.0175	.3566	4049.9891	2738.1000	19507.9350
	Std. Deviation	9694.13195	-1672.68968	2784.03980	344.06500	9964.25481
	N	4	0	0	4	4

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Correlations						
		VAR00001	VAR00002			
VAR00001	Pearson Correlation	1	.817			
	Sig. (1-tailed)		.092			
	N	10	10			
	Bootstrap <sup>d</sup>	Bias	0 <sup>e</sup>	.084 <sup>e</sup>		
		Std. Error	0 <sup>e</sup>	.115 <sup>e</sup>		
		95% Confidence Interval	Lower	1 <sup>e</sup>	.607 <sup>e</sup>	
Upper	1 <sup>e</sup>		1.000 <sup>e</sup>			
VAR00002	Pearson Correlation	.817	1			
	Sig. (1-tailed)	.092				
	N	4	4			
	Bootstrap <sup>d</sup>	Bias	.084 <sup>e</sup>	0 <sup>e</sup>		
		Std. Error	.115 <sup>e</sup>	0 <sup>e</sup>		
		95% Confidence Interval	Lower	.607 <sup>e</sup>	1 <sup>e</sup>	
Upper	1.000 <sup>e</sup>		1 <sup>e</sup>			
**. Correlation is significant at the 0.01 level (1-tailed).						
*. Correlation is significant at the 0.05 level (1-tailed).						
c. Cannot be computed because at least one of the variables is constant.						
d. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples						
e. Based on 990 samples						

**Findings**

1. Most companies spent on education, skill development and healthcare as a part of CSR activities.
2. Though Infosys was the spender, it spent highest Rs.3 crore less than its actual budget for CSR because of technical snags in implementing projects.

3. TCS also spent Rs.66 crore less than the actual budgeted amount for CSR activities because its projects are spread across multiple years
4. Wipro spent Rs 4 crore extra than its budgeted amount for CSR activities.
5. Mahindra & Mahindra (Tech Mahindra) also spent Rs 20 crores more than the mandatory CSR spending required by law.
6. Most companies are going through a learning curve in CSR activities and are spending on traditional models they know will work.

### **Suggestions**

1. The companies need to identify the problems that cannot be addressed by government and NGOs alone like controlling environmental pollution levels, bridging gap between education and employable skills of young people, etc.
2. There is a lot of scope for innovation and trying new things in CSR activities. Companies should come forward to experiment with new models of CSR projects.
3. Companies that have common interest in addressing a social problem should come together and partner in implementing CSR projects.
4. Companies should not merely donate funds to NGOs but take active interest in ensuring that their funds are being used effectively in addressing social problems.

### **Limitations**

1. Only five companies are studied
2. CSR is still a new concept to people and companies in India
3. It may be too early to expect price conscious Indian customers to show their appreciation to Companies implementing CSR projects through more purchases.

### **Conclusion**

There is high positive correlation between CSR spending and profitability. Therefore, companies should seek to spend more on philanthropic activities. This creates good will among the citizens for the company and they develop positive attitude towards its products and services. They will give first preference to the products and services of companies contributing to CSR activities. Thus, the companies can achieve the sustainable success from economic, social and environment perspective in the long term future by implementing corporate social responsibility. In particular, environmental initiatives, like energy consumption, waste reduction etc., and social initiatives, e.g. care for the employee's safety and health etc., can help company improve its financial performance.

### **Bibliography**

1. Bob Johnstone (2008), "Corporate Citizenship: Profiting from Sustainable Business" The Economist, 1-24.
2. Majmudar, U., Namrata Rana, N. and Neeti (2015), India's top companies for CSR and Sustainability 2015, Paper 2015, IIMU Udaipur. Accessed on February 12 2016, [www.responsiblefuture.com](http://www.responsiblefuture.com).
3. Devaraja Nayaka & Dr. Nanjunda (2014), CSR: A Case Study of Aditya Birla Group, Samjodhana-Journal of Management Research, 3(1), 176-187.