

IMPACT OF CSR DELIBERATION FOR SUSTAINABILITY AND SPENDING PATTERNS BY INDIAN COMPANIES

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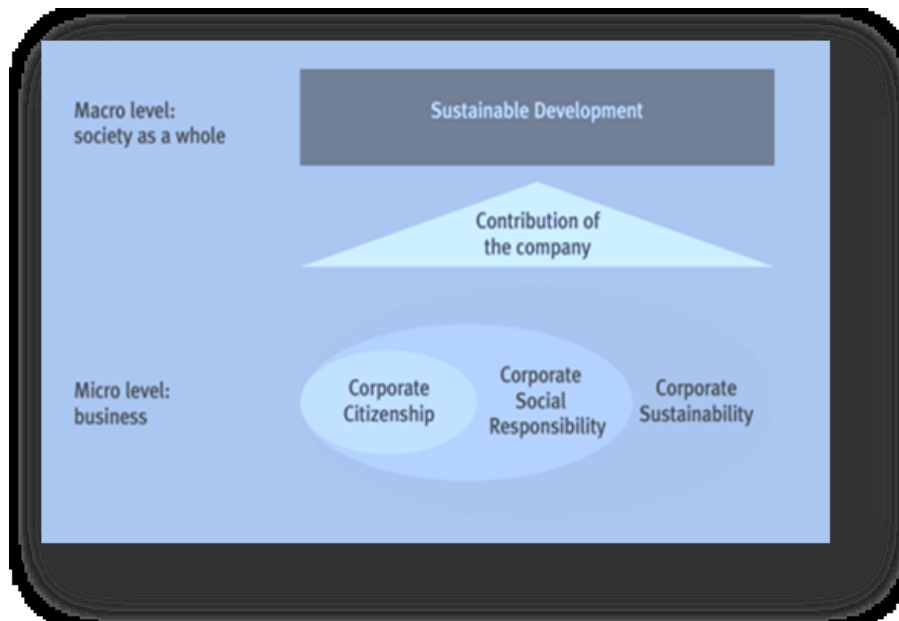
Abstract: Corporate Social Responsibility and sustainability are two faces of a coin, CSR is an importance invisible activity all big business houses and corporate taking up for the betterment of the society and their own sustainability. CSR is applicable in a society for all business, but it is imperative in a developing country like India, where the availability of resources is limited for fulfilling the ever growing desires of the diversified society. CSR interventions have been making enduring changes in the lives of the underprivileged and making CSR a successful process. India is the first country in the world to have made CSR mandatory by constituting it in the Companies Act (VII Schedule) April 2014. As a result various CSR projects are carried out throughout the country. Now, the question is how do these business houses and corporate allocate their CSR funds, How do they spend their CSR funds, what are the bases on which these funds are devised and do they follow any strategic approaches in organizing these funds. This article emphasizes on answering the above questions through a conceptual research on the past studies and Governmental publications. Furthermore the study concludes with the implications of CSR in India and a model for organizing CSR which is used by companies is conferred.

Keywords: Corporate social responsibility, strategic approaches, organizing funds, spending patterns, corporate.

Introduction

The term “Corporate Social Responsibility” started gaining momentum in the 1960s and is used arbitrarily by several to cover lawful and ethical responsibility more closely interpreted. In fact, CSR refers to a business practice that involves participating in initiatives that benefit society ([www.csrtimes.com/...](http://www.csrtimes.com/)).

Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-directive incorporated into a business representation.



CSR strategy functions as an integral, self-governing mechanism whereby businesses observe and ensure their adherence to law, moral values, and global norms. Businesses take up the accountability for the impact of their activities on the atmosphere, patrons, workers, societies, stakeholders and all other associates of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality.

"CSR has to become a part of the business strategy itself especially since it is the Boards of the Corporation that are now getting involved in CSR initiatives. Ultimately, CSR should be a win-win proposition for both Business and the cause of social development. But the final decision on what type of engagement to undertake belongs only to the Board and the company's CSR committee" – Sibani Swain Economic Advisor, Ministry of corporate affairs – GOI ([economictimes.indiatimes.com/...](http://economictimes.indiatimes.com/)).

1. Literature review

Idowu and Towler (2004) in their study describe that the effect of the explosion in Bhopal of 1984 is still being felt by the unfortunate residents nearly 20 years after the event. Union Carbide, on the other hand is still paying the legal costs of the incident until the present moment. It has been pointed out that the realization of CSR objectives is dependent on the perspectives of business managers who are instrumental in the implementation of CSR practices in organizations (Idowu, and Towler, 2004).

Inglehart and Wetzel (2005) describe that consistent with cultural modernization theory predictions that post materialist values concerned environmental protection are more prevalent in advanced industrialized societies (Inglehart, and Wetzel, 2005).

Engle (2007) has led an investigation titled "Corporate Social Responsibility in Host nations: A Perspective From American Managers", which looks at the impression of 56 US-based senior worldwide business officials with respect to the significance of multinational companies' association in the change of host nations' human rights, neediness, instruction, medicinal services and condition. The aftereffects of this investigation propose that every one of the five zones are viewed as imperative, with the ecological duties of MNCs being seen as the most vital of these five regions (Amity Journal of Corporate Governance, 2016).

Harish Kumar (2012) in his exploration article entitled "CSR Returned to" has tossed lights on four distinct methodologies of organizations towards CSR viz; Good Governance, Ruinous CSR, Optional CSR, and Illusion CSR. He additionally endeavored to feature contention against the CSR and the CSR driver. The specialist additionally discovered eight factors that drive the CSR activities. They are Philanthropic Attitude, Governmental Actions, Environmental Concern, Ethical Consumerism, Crises and Calamities, Globalization and Market compel, Social Awareness and Education, furthermore, Social Expectation (Harish Kumar, 2012).

2. Research gap and research question

Corporate Social Responsibility is an activity that is mandatory on all Indian Companies who exceed the prescribed capital/net profits as per schedule VII of the companies' act 2013. The researchers have stressed on CSR objectives and realization of its importance in changing today's dynamic world, they also discuss n post materialist values concerned to environmental protection and it imperative and ecological duties of MNC and some of the researcher have discussed on methodologies and factors influencing CSR.

As there is the need to address the need and how the companies organize their CSR funds and factors influencing the framing of their strategic approaches in spending the allocated CSR Funds and this is will addressed in this study.

The research questions were that are the companies focusing on delivering the funds to the right causes? Is the spending patterns of funds will Increase mere their sustainability and accountability? Is there environmental and ecological impact through CSR spending in Indian Companies?

3. Objectives of the study

- To study the theoretical and conceptual background of Corporate Social Responsibility.
- To examine the corporate funding and spending for CSR in India in the year 2017.
- To discuss the model of organizing CSR funds by the companies in India.
- To analysis environmental and ecological impacts through CSR spend by Indian Co's.

4. Data Collection

Secondary data was used as a source for further observations and discussions on the topic. Government reports are analyzed and conclusions are derived from the same.

5. Observations

Observations were made about the pattern of CSR fund allocation and spending by selected Indian Companies through the secondary data.

6. Data Analysis

Secondary Data obtained from selected companies was taken for analysis of the areas on which CSR funds are spent by them and their pattern observed.

Objective:1. Conceptual background of corporate social responsibility

Evolution of CSR

CSR is anything but another idea in India. Some expansive corporate like Tata gathering, Birla gathering and Indian Oil Corporation have been occupied with network change programs. Through gifts and philanthropy programs they have been doing their bit for society. The essential target of CSR those days was to boost company's generosity and notoriety. Corporate philanthropy was the term utilized for CSR wherein conventions, culture, religions and family esteems firmly influenced corporate generosity.

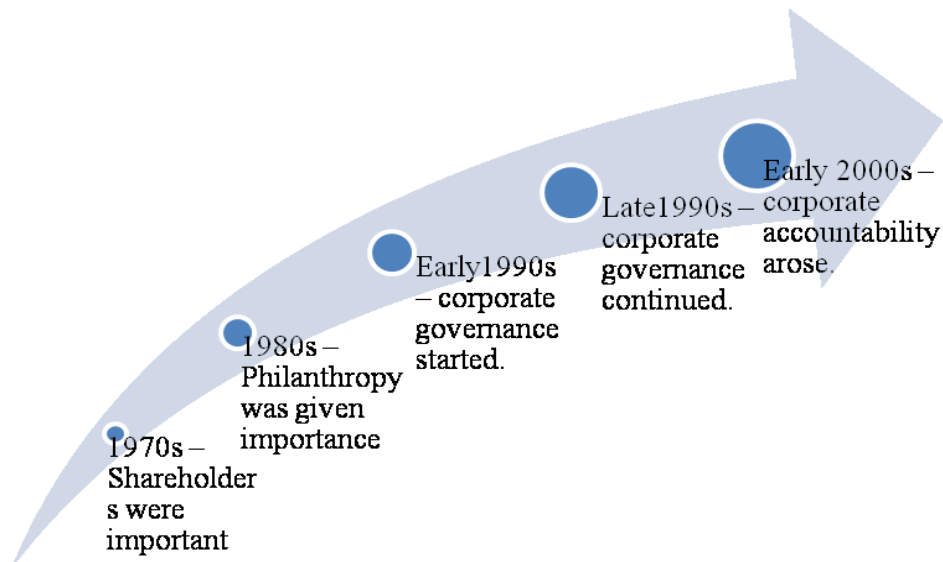


Figure 1. Evolution of CSR.

India has one of the most extravagant customs of CSR. Indian business people guessed, set clear destinations and direct and report their execution in a straightforward way. However, CSR has not yet gotten broad acknowledgment. Lately, Indian organizations are starting to understand that CSR isn't simply one more aberrant cost, however is fundamental in the present situation to shield them against rivalry, to ensure their altruism and notoriety and to stay focused (Tanuja Nair, 493-499).

Legal Framework

Schedule VII Of The Companies Act		
Net Worth	Annual Turnover	Net Profit
US\$73 Million (Rs 4.96 Billion) Or More	US\$146 Million (Rs 9.92 Billion)	US\$732,654 (Rs 50 Million) Or More
2 Percent Of Average Net Profits Of Three Years Towards CSR		

India is the principal nation on the globe to make corporate social obligation (CSR) obligatory, after a change to The Company Act, 2013 in April 2014. Organizations can put their benefits in regions, for example, instruction, destitution, sexual orientation fairness, and appetite.

In the draft Companies Bill, 2009, the CSR statement was deliberate, however it was required for organizations to reveal their CSR spending to investors. It is additionally obligatory that organization sheets ought to have no less than one female part.

CSR has been characterized under the CSR rules, which incorporates however isn't restricted to:

- Projects identified with exercises indicated in the Schedule.
- Projects identified with exercises taken by the organization board as prescribed by the CSR Committee, gave those exercises cover things recorded in the Schedule.

Benefits of CSR

Stronger money related execution and gainfulness through productive activities





Improved relations with the speculation network and better access to capital

Enhanced representative relations that yield better outcomes regarding enlistment, inspiration,

Retention, learning and advancement, and efficiency

Stronger associations with networks and upgraded permit to work

Examples Of CSR In India

Company name	CSR – Theme Areas	CSR-Financials		
	<ul style="list-style-type: none"> Varisthajana Swasthya Sewa Abhiyan (2014-2015) ONGC Computer centre Project Uthkarsh – livelihood project in Sibsagar ONGC NSTFDC – Hathkargha Prashikshan ONGC Hospital ONGC- Eastern swamp deer conservation Projects 	Year	2015	2016
			2016	2017
		Actual CSR	419.06Cr	525.90Cr
		Prescribed CSR	593.70Cr	535.66Cr
		Estimated Prescribed CSR Budget FY 2017 - 2018: INR 502.46Cr		
	<ul style="list-style-type: none"> Eradication Hunger, Poverty, Malnutrition Preventive Healthcare, Water and Sanitation Education, Employability and Livelihoods Enhancement Environmental Sustainability Heritage conservation, Promoting Art, Craft and Culture, Public Libraries Promoting national and rural sports, Paralympic, Olympic sports Contribution to Central Government Fund 	Year	2015	2016
			2016	2017
		Actual CSR	651.60Cr	659.20Cr
		Prescribed CSR	557.80Cr	620.41Cr
		Estimated Prescribed CSR Budget FY 2017 - 2018: INR 708.41 Cr		
	<ul style="list-style-type: none"> KC Mahindra Education Trust Nisvartha Foundation Tomorrows Foundation Katha Meljol Teach to Lead Shri Aurobindo Society Magic Bus India Foundation Pratham Education Foundation Isha Education 	Year	2015	2016
			2016	2017
		Actual CSR	127.28Cr	305.42Cr
		Prescribed CSR	248.00Cr	304.00Cr
		Estimated Prescribed CSR Budget FY 2017 - 2018: INR 374.04Cr		
	<ul style="list-style-type: none"> Eradication Hunger, Poverty, Malnutrition Preventive Healthcare, Water and Sanitation Education, Employability and Livelihoods Enhancement Gender, Equality and Women Empowerment, Senior Citizens Care Environmental Sustainability Heritage conservation, Promoting Art, Craft and Culture, Public Libraries Armed Forces Veteran Welfare Rural Development 	Year	2015	2016
			2016	2017
		Actual CSR	202.30Cr	289.44Cr
		Prescribed CSR	256.01Cr	287.42Cr
		Estimated Prescribed CSR Budget FY 2017-2018: INR 355.58 Cr		

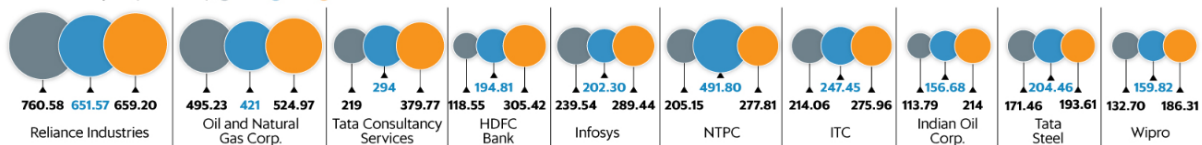
Objective 2. To examine the corporate funding and spending for CSR in India in the year 2017

FY 2015-2016 witnessed a 28 percent growth in CSR spending in comparison to the previous year. Listed companies in India spent US\$1.23 billion (Rs 83.45 billion) in various programs ranging from educational programs, skill development, social welfare, healthcare, and environment conservation. The Prime Minister’s Relief Fund saw an increase of 418 percent to US\$103 million (Rs 7.01 billion) in comparison to US\$24.5 million (Rs 1.68 billion) in 2014-15. The education sector received the maximum funding of US\$300 million (Rs 20.42 billion) followed by healthcare at US\$240.88 million (Rs 16.38 billion), while programs such as child mortality, maternal health, gender equality, and social projects saw negligible spend (Corporate Social Responsibility...).

TOP 10 COMPANIES IN CSR SPENDING

Reliance Industries and ONGC continue to be No. 1 and No. 2, respectively, for the third year in a row, while HDFC Bank enters the top five.

Total amount spent (in Rs crore) ● FY15 ● FY16 ● FY17



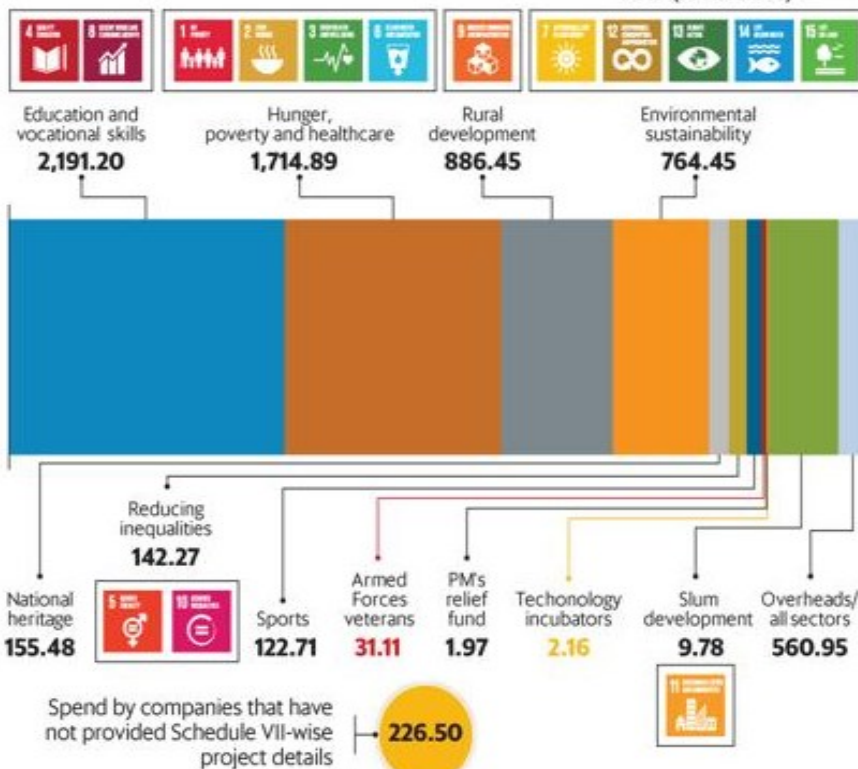
The spends of the top 92 NSE-listed companies by market capitalization in FY17 were compared with the FY16 and FY15 spends of the same set of companies. The former may not necessarily have been in the top 100 in FY15 or FY16. Eicher has not disclosed its CSR spend in FY 2014-15, and hence is assumed to be nil. Five companies (Idea, Eicher, PNB, Interglobe and HDFC Bank) have either not disclosed or partly disclosed their project-level details and are hence not considered for Schedule VII and state-wise analyses

DIRECTING THE FLOW OF CASH

Out of the 11 Schedule VII activities, education and skilling, and hunger, poverty and healthcare remain on top, though the former activity has displaced the latter as the most favoured in FY17 as opposed to FY16.

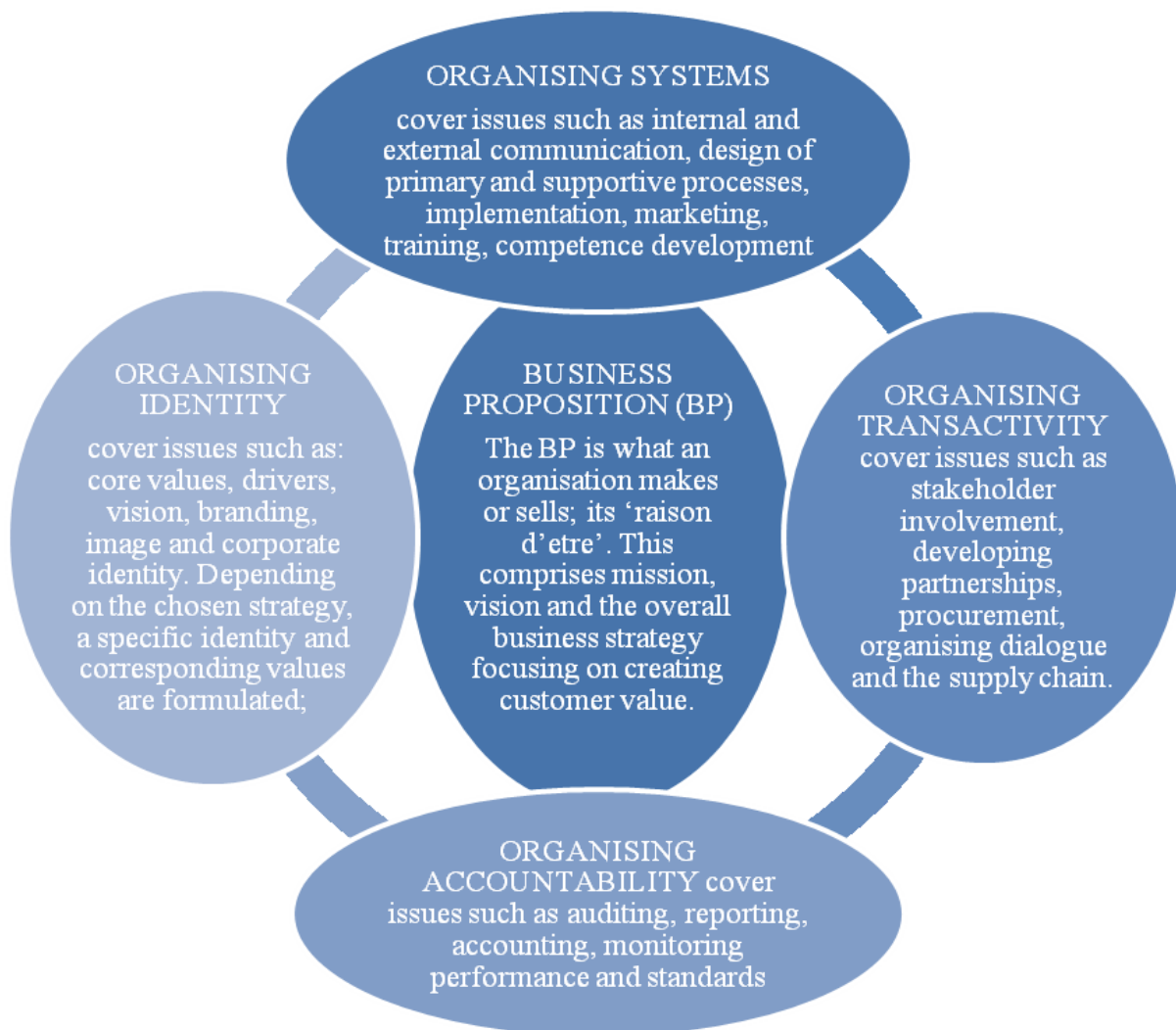
Schedule VII focus areas

Total budget expenditure FY17 (in Rs crore) **SDG***



In terms of absolute spending, Reliance Industries spent the most followed by the government-owned National Thermal Power Corporation (NTPC) and Oil & Natural Gas (ONGC). Projects implemented through foundations have gone up from 99 in FY 2015 to 153 in FY 2016, with an increasing number of companies setting up their own foundations rather than working with existing non-profits to have more control over their CSR spending. 2017 CSR spends further rose with corporate firms aligning their initiatives with new government programs such as Swachh Bharat (Clean India) and Digital India, in addition to education and healthcare, to foster inclusive growth.

Objective 3. To discuss the model of organizing CSR funds by the companies in India



The best CSR designs guarantee that while associations agree to enactment, their speculations likewise regard the development and improvement of underestimated networks and nature. CSR ought to likewise be economical – including exercises that an association can maintain without adversely influencing their business objectives ([www.ioew.de/...](http://www.ioew.de/)).

Methodology of corporate social responsibility

CSR is the practice of assessing an organization's impact on society and evaluating their responsibilities. It begins with an evaluation of the following aspects of each business:

- a) Customers.
- b) Suppliers.
- c) Environment.
- d) Communities.
- e) Employees.

The most effective CSR plans ensure that while organizations comply with legislation, their investments also respect the growth and development of marginalized communities and the environment. CSR should also be sustainable – involving activities that an organization can uphold without negatively affecting their business goals.

Organizing CSR

The CSR points of view are for the most part alluded to as the 'triple main concern' and are generally utilized in the contemporary CSR banter. 'Planet' alludes to maintainability, 'individuals' to a changing social duty and 'benefit' to the business results. Propelled in the mid 1990's by John Elkington this typology has increased far reaching acknowledgment and in that capacity has been of awesome help in bringing and situating CSR up in associations. 10 years down the line, semantically and also thoughtfully, it appears as though the 'triple main concern' has filled its need. Best case scenario, it prompts a delicate exercise in careful control proposing some sort of ideal between the p's.

As listed in the table companies follows different thematic areas in spending their CSR funds, a right strategic approach has to be followed by the organizations to fulfill the needs of the society as well as individual goals. A general model of organizing CSR was developed by the University of South Africa (UNISA) (Management Models...). This model explains the interrelationship between the aspects of CSR.

7. Data analysis

The secondary data on analysis highlights the emphasis of the selected Indian companies taken up for study on two major areas i.e. on Education and Healthcare in spending their CSR funds. Other sectors like Rural development, Slum development, Technology Development, Sports, Women Empowerment etc. are comparatively getting lesser allocation of funds. Even though Education & Health sector are the major societal concerning issues, it seems there is an imbalance of addressing the issues which are concerning the society.

8. Conclusion

Corporate sectors in India have been very sensible in taking up CSR activities and coordinating them into their business forms. It has turned out to be dynamically anticipated in the Indian corporate setting since associations have perceived that other than developing their organizations, it is likewise essential to shape dependable and supportable organizations with the network on the loose.

Organizations presently have particular divisions and groups that create particular arrangements, techniques, and objectives for their CSR projects and set separate spending plans to help them. More often than not, these projects depend on all around characterized social convictions or are precisely lined up with the organizations' business space. Though lot of work being taken up by the Indian companies in bringing a change in the lives of people through their CSR activities, there still remains a lot more work to be done in terms of compliance and demonstrating the effectiveness of such spending.

9. Contribution of the study

The current study emphasizes on answering the above questions through a conceptual research on the past studies and Governmental publications. Moreover, the current study deals with the implications of CSR in India and a model for organizing CSR which is used by companies is conferred. Practically, the current study contributed in verifying the role and importance of CSR in imparting implications of CSR in India and its importance in public sector. The findings of the current study would also be useful for the selected companies in identifying effective and efficient ways to build long lasting relationship with customers and gain a sustainable competitive advantage.

10. Limitations/future perspectives

The current study was restricted to selected companies. Adding more companies with different verticals may get some different results. Similarly, by adding more dimensions and areas of CSR can be a valuable addition for future research work. Trust used as a mediator in the current study, however can be investigated as a moderator. The data was collected from the secondary source only, however, observing management point of view through primary study would bring some new insights to the findings and may be considered for future research.

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