

RESEARCH ARTICLE

Financial and Corporate Social Responsibility Performance of Top Eight Indian Companies: An Empirical Study

Sawant Pravin D^{1*}, Patil MR²

¹Dept. of Commerce, Goa University- Goa, India.

²DM's College of arts, science and commerce Assagao Goa, India.

Abstract

The term Corporate Social Responsibility has been gaining an astounding support at the global level recently. At present, the world over, there is an increasing awareness about Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non Financial Reporting (NFR). In this paper author have highlighted the CSR practices in Indian companies, financial institutions, different case studies and key findings of the study and a few conclusions. In the present study an effort has made to know the status of CSR and strategies adopted for CSR in the Indian companies. Total Eight Companies including one financial institutions were selected which are Top Indian Companies which are listed in the Top 500 Companies in the World as per Forbes and fortune 500 as well. Data are collected from the secondary sources most particularly from concerned company's Annual Report, web sites, newsletters and other secondary sources. The study covers the time period 2009-10 to 2013-14. The purpose of the present paper is to study the level of CSR initiatives taken by the Indian companies and its influence on the performance of the companies. In the present study CSR Activities have been classified into Health, Women Welfare & Livelihood, Skill Enhancements, Education, Sports, Disaster Management, Others. The coefficient of determination has also been tested by regression analysis and the authors found that there is a relationship between Net profits of the company with that of CSR Spending at 0.05 levels.

Keywords: *Corporate social responsibility, Sustainable development, CSR strategy, Financial performance.*

Introduction

Corporate social responsibility is to improve the quality of human life by enabling people to do more, feel better and live longer. Through CSR, business makes a valuable contribution to society by developing and improving people's lives. Companies philosophy is to target support to selected programs that are innovative, sustainable and which produce tangible results. With the help of CSR, companies are linked closely to the communities in which they operate- locally, nationally or globally.

Today, it is believed that CSR is not the sole responsibility of the government but corporate both private and public play a rightful role in enriching the downtrodden of the society.

Corporate Social Responsibility in India

CSR in India has gone beyond merely charity

and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. Many companies are coming forward to serve the community.

Review of Literature

Survey was conducted jointly by Confederation of Indian Industry (CII), UNDP, British Council and Price Water & House Coopers (PWC) in 2002, which reported that all most all the companies under the study, recognize the importance of CSR and believed that the passive philanthropy was no longer sufficient. Another most important aspect of CSR, according to the report, is that it provides an opportunity to improve relationships with local communities.

According to Hopkins [1], CSR is concerned with treating the internal and external stakeholders of the firm ethically or in a socially responsible manner and the wider aim of corporate social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders.

Md. Abdul Rouf [2] conducted an exploratory study and examined the relationship between corporate attributes and firm-specific factors and corporate social responsibility disclosures.

Duygu Turker [3] analyzed the impacts of CSR on Social Identity Theory and concluded that CSR to social and non-social stakeholders, Employees and Customers were the significant predictors of organizational commitment.

Sanjay Prathan, Akilesh Ranjan [4], explored CSR practices in the context of Rural development and used content analysis through thematic areas and concluded that CSR is an important business issue on Indian companies irrespective of Size, sector and business goal. Therefore, CSR actions have positive impact not only on development of rural community but in their business.

Richa Gautam [5] examined CSR practices of companies operating in India and maps against GRI standards and used content analysis technique to Access and concluded that all activities undertaken in the name of CSR are mainly philanthropy or an extension of philanthropy.

Objective of the Study

Following are the main objectives of the study:

- To study the nature and extent of CSR initiatives and their disclosure levels of the selected Companies in India.
- To examine the Relationship between Net Profit of the companies and CSR Spending of the selected companies in India.

- To determine the type of CSR activities undertaken by select Indian companies in relation to CSR spending.

Hypothesis

In this case author assumed following hypotheses:

H0-There is no relationship between net profit of the company and the CSR spending

H1- There is relationship between net profit of the company and the CSR spending

Research Methodology

This study is purely based on secondary data. The information contained in this paper has been gathered through company's Annual Reports, company website, web and by referring different books and Journals.

What Counts as CSR

The Companies Bill, 2013 incorporates a provision of CSR under Clause 135 which states that every company having net worth Rs. 500 crore or more, or a turnover of Rs. 1000 crore or more or a net profit of rupees five crore or more during any financial year, shall constitute a CSR Committee of the Board consisting of three or more Directors, including at least one Independent Director, company would spend at least 2 per cent of its average net profits of the previous three years on specified CSR activities. According to Schedule-VII of Companies Bill, 2012 the following activities can be included by companies in their CSR Policies:-

- Eliminating hunger and poverty;
- Advancement of education;
- Women empowerment;
- Improving maternal health;
- Environmental sustainability;
- Employment enhancing vocational skills;
- Social business projects;

The study of top eight companies and their contribution towards CSR has given the following result.

Table 1: Top Indian companies showing annual revenues, and their rankings as per fortune 500 companies

Company	Ranking in 2014	Ranking in 2013	Annual revenue(in (\$bn)	Ranking in 2012	Annual revenue (in \$bn)	Ranking in 2011
Indian Oil Corp	96	88	85.5	83	86.0	98
Reliance Industries	114	107	74.7	99	76.1	134
Bharat Petroleum	242	229	44.8	225	44.5	272
Hindustan Petroleum	284	260	39.9	267	38.8	336
State Bank of India	303	298	36.9	285	36.9	292

Tata Motors	287	316	34.7	314	34.5	359
ONGC	424	369	30.9	357	30.7	361
Tata Steel	486	471	24.8	401	27.7	370

Table 2: CSR spending of top eight companies in the year 2012 and 2013. Rs. in Crores

Company	Revenue 2013	Revenue 2012	Avg.PAT	2% of PAT	Actual Spend
Indian Oil Corp	500973	442459	7783	156	83
Reliance Industries	444021	368571	21138	423	288
Bharat Petroleum	267718	233315	1438	29	8
Hindustan Petroleum	236797	195891	1118	22	27
State Bank of India	226944	147197	13056	261	71
Tata Motors	236502	170678	8437	169	15
ONGC	182084	151121	23660	473	121
Tata Steel	149663	135976	3895	78	146

Table 3: The 'Forbes Global 2000' list of the biggest and most powerful public companies worldwide has been topped by Indian companies in the 2013 list are: Indian companies in the 2013 list*Rs.in \$ Billions*

Company	Rank (2013)	Sales (2013) \$ B	Profit (2013) \$ B	Assets (2013) \$ B	Market value (2013) \$ B
Indian Oil Corp	350	70.8	0.8	43.2	14.2
Reliance Industries	121	70.3	3.9	64.2	50.4
Bharat Petroleum	1112	36.7	0.2	15.3	5.4
Hindustan Petroleum	1217	32.6	0	16.8	1.9
State Bank of India	136	35.1	3	359.1	28.1
Tata Motors	334	32.6	2.7	27.6	15.9
ONGC	155	28.9	5.5	52.1	50.5
Tata Steel	590	26.1	1	28.8	6.4

Table 4: Net Profit of 2009-10, 2010-11, and 2011-12 and CSR Commitment CSR Spending in 2012-13

Name of the company	Net Profit 11/12 (in Crores)	Rank	Net Profit 10/11 (in Crores)	Rank	Net Profit 09/10 (in Crores)	CSR Commitment	CSR Spending in 12-13 INR Crores
Indian Oil Corp	3953	22	7444	991	10219	144.11	80.08
Reliance Industries	20040	2	20286	18	16236	377.08	357.05
Bharat Petroleum	1311	57	1547	46	1538	29.31	17.88
Hindustan Petroleum	911	83	1539	47	1301	25.01	27.00
State Bank of India	11707	3	8265	5	9166	194.25	123.27
Tata Motors	1244	59	1812	8	2240	35.31	19.14
ONGC	25123	1	18926	2	16768	405.45	261.58
Tata Steel	6523	10	6861	28	5047	122.87	170.59

To Validate The Result:

Model 1: OLS, using observations 1-8

Dependent variable: CSR Spending in

Table 5:

			<i>p-value</i>
const		0.52625	
NetProfit_11_12		0.28237	
NetProfit_10_11		0.01193	**
NetProfit_09_10		0.04811	**
Mean dependent var	132.0737	R-squared	0.973926
Sum squared resid	2828.648	Adjusted R-squared	0.954370
P-value(F)	0.000161		

The R Square in the above Model is 0.9739 which shows that 97% of the variance is explained by this Model. The Net Profit of 2010-11 is Significant at 0.05 with *B* coefficient of 0.0346937.

Also The Net Profit of 2009-10 is significant at 0.05 with *B* coefficient of -0.0165019. However The Net Profit of 2011-12 is not significant. The P value of the *F* test is 0.000161 which is less

than 0.05, hence we can conclude by saying Net Profit and CSR Spending. that there is significant relationship between

Table 6: The CSR Activities undertaken by select Top Indian Companies Which are Listed in Top 500 Companies in Forbes and the Fortune 500.

CSR Amount: In crores		CSR Strategy:	Domain							
2011-12	2012-13		Health	Women Welfare & Livelihood	Education	Skill Enhancements	Sports	Disaster Management	Others	
83	80.08	Water, health, Education	Mobile health care	School of Nursing	Education Scholarship	Vocational Training	Sports Scholarship	aid and relief	grant to BPL	

Table 7: Reliance industries Ltd

CSR Amount: In crores		CSR Strategy:	Domain							
2011-12	2012-13		Health	Women Welfare & Livelihood	Education	Skill Enhancements	Sports			
288	357.05	Economic & Social development	Medical Centres	Welfare of rural women and youth	network of 12 schools	water harvesting			Rs 17 million for 5 NGOs	

Table 8: Bharat Petroleum Corporation Limited

CSR Amount: In crores		CSR Strategy	Domain							
2011-12	2012-13		Community development	Health	Women Welfare & Livelihood	Education	Skill Enhancements			
8	17.88	Education, Environment, Empowerment	Village adoption	Medical camps	Training to women	Digital Literacy and Life Skills	'Project Kudumbashree', assisting SC/ST			

Table 9: Hindustan petroleum corporation limited

CSR Amount: In crores		CSR Strategy	Domain							
2011-12	2012-13		Community development	Health	Environment	Education				
26.54	27	Community	Capacity building	Navjyot.	Solar charging	Computer awareness-	"Unnati			

Table 10: State bank of india

CSR Amount: In crores		CSR Strategy:	Domain							
2011-12	2012-13		Health	Women Welfare & Livelihood	Education	Environment				
	123.37	Relief Fund	Medical vans.	Installed solar lamps	51 school buses/vans.	Green Channel Counter, Green Remit Card				

Table 11: TATA Motors

CSR Amount: In crores		CSR Strategy	Domain							
2011-12	2012-13		Health	Education	Skill Enhancements	Environment				
15	19.14	Education, healthcare, environment	Free corrective surgery	Girls' Middle School	Grihini Social Welfare	Recycle				

Table 12: ONGC

CSR Amount: In crores		CSR Strategy	Domain							
2011-12	2012-13		Health	Women Welfare & Livelihood	Education	Skill Enhancements	Environment			
121	261.58	Sustainable and inclusive growth	Services to the Doorsteps	Project Utkarsh	GICEIT Computer Centre	Empowering the women tribal	Harit Moksha			

Table 13: Tata steel limited

CSR Amount: In crores		CSR Strategy:	Domain				
2011-12	2012-13		Health	Women Welfare & Livelihood	Education	Skill Enhancements	Environment
	170.59	Community	Preventive, primitive and curative health care	Project MANSI	Education scholarships	Research opportunities 304 students	An LCA project initiated

Conclusion and Findings

It is believed that CSR is not the sole responsibility of the government; corporate both private and public play a legitimate role in uplifting the downtrodden of the society. It has been figured out that Indian companies are actively involved in social activities.

Profit really Matters, it plays a vital role in contributing towards CSR. More the profit more will be the CSR contribution. Companies can engage its activities in rural

areas where the need arises. By adopting an effective approach to CSR, a business can increase its ability to attract committed workforce and can prevent loss of customers and shareholders.

Thus, CSR activities should, as far as possible, be linked and integrated with the corporate strategies of the business concern. CSR should not be seen as a compulsion, but should be undertaken for creating measurable value for the society [6,12].

References

- Hopkins, Michael: The Planetary Bargain: Corporate Social Responsibility Matters. UK: Earthscan, 2003.
- Abdullah SN, Mohamed NR, Mokhtar MZ, Board independence, Ownership and CSR of Malaysian Large Firms" cited from <http://www.wbiconpro.com>.
- Duyog Turker (2008) How CSR Influences Organizational Commitment", Journal of Business Ethics, Vol-89,
- Sanjay Prathan and Akhilesh Ranjan (2010) CSR in rural development sector: Evidences from India", School of Doctoral Studies (European Union) Journal.
- Richa Gautam and Anju Singh (2010) CSR Practices in India: A study of top 500 Companies, Global Business and Management Research; An International Journal, Vol.2; No.1.
- Annual Reports of Banking Institutions, 2009-10, 2010-11, and 2011-12.
- CSR Practices In Maharatna Companies of India Management Essay.
- Chandniaswal, Poojarani Analysis of Corporate Social Responsibility of Selected Indian Companies International Journal of Business and Management Invention www.ijbmi.org
- CSR Report Card: Where Companies Stand - Forbes India Magazine dated 18.3.2013
- Govindarajan VL, Amilan S, 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 Volume 6, Issue 5, November 2013
- Ramesh RS, Goel Puneeta (2012) Study And Measurement Of Corporate Social Responsibility -An Indian Prespective International Journal of Multidisciplinary Research Vol.2 Issue 6.
- Data Sources Ace Equity; CSRidentity.com; company annual reports.