



Corporate Social Responsibility: A Study of CSR Performance of Indian Companies

Dr. Umed Singh

Associate Professor of Commerce

Banwari Lal Jindal Suiwala College, Tosham

E-mail: drumedsinghpahal@gmail.com

Abstract:

The purpose of the present study is to examine whether Indian companies are discharging their responsibility towards the society or not. Under this study, five companies were randomly selected and their annual reports and financial statements were analyzed in quantitative and qualitative manner. The collected data of five companies were analyzed with the help of ratio analysis and other statistical tools and techniques.

Key Words: CSR, Indian Companies, and Society

Introduction

In ancient, business houses focused on earnings only through producing and selling of products to the customers. They did not pay their attention as business is a socio economic activity. They never thought about the responsibility of a business towards the society. Business units use social and natural resources in their production and other activities and society has to sacrifice for this. Now-a-days, changes have been seen on global level. General public, government, customers, investors and other stakeholders of the business have awakened now. The stakeholders of the business want to know how business units compensate for the use of social resources. In Indian scenario, government, Central Board of Direct Tax (CBDT) have issued various guidelines time to time for the companies to discharge their responsibility towards the society.

Central Board of Direct Taxes (CBDT) in India also motivates the corporate sector to fulfill its CSR by giving some relaxations and deductions in tax liabilities under the Income Tax Act, 1961. These are:

- 1) Deduction of expenditure on scientific research u/s 35, 35(1)(i), 35(1)(ii), 35(1)(iii), 35(1)(iv), 35(1)(v),
- 2) Admissibility of expenditure on eligible project or scheme (Social-welfare) u/s 35AC
- 3) Payment to rural development fund u/s 35CCA
- 4) Insurance premium for the health of employees u/s 36(ib)
- 5) Expenditure on family planning u/s 41(4A)
- 6) Deduction in respect of donations to certain funds, charitable institutions, etc. u/s 80G
- 7) Deduction in respect of certain donations for scientific research or rural development u/s 80GGA

Review of Literature

Das (2009) examined the contribution center and state government in social sector development. He also tried to demonstrate the strong sense of corporate social responsibility (CSR) models in an Indian perspective. After analyzing the data researchers concluded that the social sector remained a neglected area as, despite a rise in their revenue earnings, the states are perennially in financial distress due to more than proportionate increase in expenditure. In this study the researchers also highlighted the poor allocation for education, ineffective doctor-patient ratio, heavy interest payments/servicing debt and lessor governmental efforts to initiate the CSR as a most effective tool. Narwal and Singh (2013) explored different areas of CSR covered by the various companies. This study consisted of 38 companies including 18 Indian



companies and 20 MNCs of different countries working in India across various industries. The researchers found that there was a little difference in CSR practices of Indian companies and MNCs and that was in terms of importance/focused areas of CSR.

Objective of the Study

- To study the trends of CSR performed by the Indian companies
- To study the CSR performed by Indian companies in qualitative manner

Research Methodology

Research Design

The present study has been conducted to know how Indian companies discharge their social responsibility towards the society, thus, a descriptive-cum-analytical research design has been used.

Sample: five companies (BHEL, Tata Motors, Bajaj Auto, Tech Mahindra and NTPC) were selected by using accidental sampling techniques.

Data:the information regarding the present study has been collected through annual reports and financial statements of the companies.

Analytical Tools

Ratios

To study the trends of the CSR performed by the selected companies towards the employee and government the year wise Employee Benefits to Total Revenue ratios and Total Tax Liability to Profit before Tax were calculated.

$$\text{Employee Benefits to Total Revenue Ratio} = \frac{\text{Employee Benefits}}{\text{Total Revenue}} * 100$$

Here,

- Employee Benefits: The benefits given the company to the employee,
- Total Revenue : Total revenue includes revenue from operations, dividend and other income.

Total Tax Liability

$$\text{Total Tax Liability to Profit before Tax} = \frac{\text{Total Tax Liability}}{\text{Profit before Tax}} * 100$$

Here,

- Total Tax Liability: it includes current tax and deferred tax liability.

Analysis and Explanation

Table-1Year Wise Employee Benefits to Total Revenue Ratios

(%)

Year	Companies				
	BHEL	Tata Motors Ltd.	Bajaj Auto Ltd.	Tech Mahindra Ltd.	NTPC
2017-18	10.76	----	2.05	42.55	4.76
2018-19	18.95	4.9	1.52	42.25	4.74
2019-20	12.47	4.75	2.58	38.30	5.90
2020-21	11.09	4.9	2.68	35.19	5.98
2021-22	11.61	6.05	3.07	33.04	6.44

Source: Self-calculated



Table-1 presents description of the CSR performed by the Indian companies. The table shows Indian companies distribute their revenue over their employees and Table-2 presents how Indian companies contribute in the form of tax liability to the government. BHEL's Employee Benefits to Total Revenue ratios imply that its highest contribution to the employee benefits (18.95%) was in the financial year 2018-19 and the lowest contribution (10.76%) was in the year financial year 2017-18 and its contribution in the financial year 2022-22 was 11.61%. Tata Motors' Employee Benefits to Total Revenue ratios imply that its highest contribution to the employee benefits (6.05%) was in the financial year 2021-22 and the lowest contribution (4.75%) was in the year financial year 2019-20. Bajaj Auto's Employee Benefits to Total Revenue ratios imply that its highest contribution to the employee benefits (3.07%) was in the financial year 2021-22 and the lowest contribution (1.52%) was in the year financial year 2018-19 (as indicated by Table-1). Tech Mahindra's Employee Benefits to Total Revenue ratios imply that its highest contribution to the employee benefits (42.55%) was in the financial year 2017-18 and the lowest contribution (33.04%) was in the year financial year 2021-22 (as indicated by Table-1). NTPC's Employee Benefits to Total Revenue ratios imply that its highest contribution to the employee benefits (6.44%) was in the financial year 2021-22 and the lowest contribution (4.74%) was in the year financial year 2018-19 (as indicated by Table-1).

Table-2 Year Wise Total Tax Liability to Profit before Tax Ratios

Year	Companies (%)				
	BHEL	Tata Motors Ltd.	Bajaj Auto Ltd.	Tech Mahindra Ltd.	NTPC
2017-18	35.28	1.23	31.48	2.78	5.84
2018-19	34.59	26.31	29.34	2.27	4.97
2019-20	33.25	17.51	23.18	2.15	4.57
2011-12	31.66	7.36	25.38	2.89	5.44
2021-22	29.86	72.53 (Credit)	28.65	2.41	5.67

Source: Self-calculated

BHEL's Total Tax Liability to Profit before Tax ratios for the various financial years imply that its highest contribution (35.28%) in the form of tax liability to the government was in the financial year 2017-18 and the lowest contribution (29.86%) was in the year financial year 2021-22. Tata Motors' Total Tax Liability to Profit before Tax ratios for the various financial years imply that its highest contribution (26.31%) in the form of tax liability to the government was in the financial year 2018-19 and the lowest contribution (1.23%) was in the year financial year 2017-18. An amount of RS.126.88 crore (tax) was credited in profit and loss account during the year 2021-22. Bajaj Auto's Total Tax Liability to Profit before Tax ratios for the various financial years imply that its highest contribution (31.48%) in the form of tax liability to the government was in the financial year 2017-18 and the lowest contribution (23.18%) was in the year financial year 2019-20 (as indicated by Table-2). Tech Mahindra's Total Tax Liability to Profit before Tax ratios for various financial years imply that its highest contribution (2.89%) in the form of tax liability to the government was in the financial year 2020-21 and the lowest contribution (2.15%) was in the year financial year 2019-20 (as indicated by Table-2). NTPC's Total Tax Liability to Profit before Tax ratios for various financial years imply that its highest contribution (5.84%) in the form of tax liability to the government was in the financial year 2017-18 the lowest contribution (4.57%) was in the year financial year 2019-20 (as indicated by Table-2).



Analysis in Qualitative Manner

Tech Mahindra

Tech Mahindra Foundation (TMF) was instituted in 2007 as a section 25 non-profit making company. TMF is focused on the areas of Education, Vocational Training and Disability. This company commits itself to a vision of a more equitable and inclusive India and value of good corporate governance, ethical practices and dignity of the individual.

BHEL

BHEL is performing its CSR activities in many areas, these are adoption of villages, organizing free medical camps/supporting charitable dispensaries, schools for the underprivileged and handicapped children, providing aid during disasters/natural calamities, rain water harvesting, plantation of millions of trees, energy saving, and ect.

Tata Motors

Tata Motors discharging its CSR in ways given here:

- 1) Scholarships for higher studies,
- 2) Preventive health services,
- 3) Potable water solution with support from the Sumant Moogaonkar
- 4) Development Foundation are provided to villages,
- 5) Donation to NGOs for various social programmes, and other.

BAJAJ

Kamalnayan Bajaj School- Chinchwad commenced in 1976,
Kamalnayan Bajaj Hospital- Aurangabad established in 1990,

NTPC

- 1) Access to water, road and electricity,
- 2) Education,
- 3) Sanitation and public health
- 4) Community centers

Findings

The major findings are as:

- All the selected companies are engaged in discharging their responsibilities towards the society.
- Tech Mahindra Ltd. is giving more employee benefits than all other selected companies under the study.

Suggestions

Business entities are performing their CSR activities in many ways but their expenditure on CSR activities not given in financial statements in numerals. The companies should provide data related to CSR activities in quantitative form so that stakeholders may get more information.

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