

Does CSR Spending Really Matters – A Case Study of 250 BSE Listed Companies

*Dr. Nilmani Tripathi ** Dr. Vidhi

*Assistant Professor, Amity College of commerce, AMITY University

** HOD, Amity College of commerce, AMITY University
Bhargava

Abstract:-There is a great debate over CSR spending by the organizations. Today organizations have to cater the needs of present generation without hampering the security of resources for the future generation. Every organization is now closely watched regarding its operations and its impact on the society and environment. Corporations are expected to demonstrate inclusion of socio – environmental concerns in business operations and in interaction with the society. All though different studies had established relationship between CSR spending and financial performance of the organization, we do not find any positive relationship between the CSR and profits of the organization. Maybe these companies are not reporting their profits intelligently enough or have been facing some contingent times due to which negative correlation is appearing in the study. Furthermore the study shows there is no significant difference between the change in profits of companies spending more than prescribed limit and the companies spending less than the prescribed limit.

Keywords: CSR, Mandatory limit of CSR, CSR Spending

I. INTRODUCTION

There is a great debate over CSR spending by the organizations. Today organizations have to cater the needs of present generation without hampering the security of resources for the future generation. Every organization is now closely watched regarding its operations and its impact on the society and environment. Corporations are expected to demonstrate inclusion of socio – environmental concerns in business operations and in interaction with the society.

In addition, a paradigm shift has occurred in how corporate must present themselves in the eyes of the global investors. The quality of association with the investors in today's time largely defines the progress and sustainability of the firm and this is directly related to CSR activities. Firms have different strategies to deal with the connection of business essentials, natural environment and the societal needs. Organizations can actually be placed on a developmental scale with respect to the degree to which they are blending/ clubbing social responsibility tactics into their strategy and operations worldwide. At one end of the scale are organizations that do not at all acknowledge the social needs. At the other end of the scale are those organizations that plan their actions as to meaningfully impact the eco-socio-ecological levels, hence subsequent in a socially responsible organization beyond the traditional boundaries. Most firms lie in between.

CSR is often discussed on universal grounds. The numerous codes, principles, rules, regulations, policies, standards, mandates attempt to universalize CSR initiatives. However, the success of CSR initiatives (in favour of the organization) is very contextual. Similar initiatives could be good in one country & inappropriate in another, beneficial for one sector and not for other sectors in spite of the fact, the mandate suggest similar CSR initiatives for all organizations. The recent ruling of companies Act via amendments also suggests the same.

The Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into effect from April 1, 2014 says that, "every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend

at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities." That means organizations are now forced to spend on CSR activities. Now the question arises whether these spending will benefit the organizations or not? The paper tries to find out the answer of this question.

II. OBJECTIVE OF THE STUDY

- To find out CSR spending pattern of Indian Companies.
- To find out the relationship between CSR spending and profits of companies.

III. HYPOTHESIS OF STUDY

To achieve the above objective the following hypothesis is developed

- H₀: *There is no significant difference in percentage change in profit of companies that are spending more than the prescribed limit of CSR spending vs. companies spending less than the prescribed limit of CSR.*
- H_a: *There is significant difference in percentage change in profit of companies that are spending more than the prescribed limit of CSR spending vs. companies spending less than the prescribed limit of CSR.*

IV. SOURCE OF DATA:

The study is based on 250 BSE listed companies survey made by India CSR outlook report 2015. The survey had classified these 250 companies in two categories i.e. top 13 sectors, which includes 8 steel companies, 7 power generation and distribution companies, 24 pharmaceuticals companies, 8 personal care companies, 10 oil drilling exploration, refineries, 8 infrastructure companies, 24 finance companies, 8 diversified companies, 15 computer hardware and software companies, 7 chemicals companies, 7 cement companies, 12 banks (Pvt. sector), 8 automobiles & auto ancillaries and others 104

V. LIMITATIONS OF STUDY

1. The study is based on the secondary data available in India CSR Outlook Report 2015.
2. The sample size of study is 45 i.e. fifteen top companies of each category selected on the basis of percentage spending on CSR.
3. The study tries to establish relationship between CSR and profits. However there are other factors also which are responsible for change in profits.

VI. ANALYSIS AND FINDINGS

The analysis and findings of the study is divided in two sections

SECTION-I: Quantum of CSR spending and break up of CSR spent by the companies

Prescribed CSR spending for 2014-15 was 7040 crore rupees while the actual CSR spending in 2014-15 was 5563 crore rupees. It was 79% of prescribed limit. For 2015-16 the prescribed limit is 8016 crore rupees which are 13.8% more than the previous year prescribed limit. The analysis shows that out of the total 250 companies 78 companies (31%) spent more than the prescribed limit, 33 companies (13%) spent exactly as prescribed, 50 companies (20%) spent between 66% to 99% of prescribed limit, 43 companies (17%) spent between 33% to 66% of prescribed limit, 39 companies (16%) spent between 0.1% to 33% of prescribed limit and 7 companies(3%) does not spent any money on CSR activities.

The top 10 companies by actual CSR spending includes reliance industries, oil & Natural Gas Corp, Infosys, Tata Consultancy services, NTPC, National Mineral Development corporation Tata Steel, ICICI Bank Wipro. These 10 companies together spent 2783 crore during 2014-15. However, out of these 10 companies only 3 companies spent more than the prescribed limit (ITC, Tata steel and

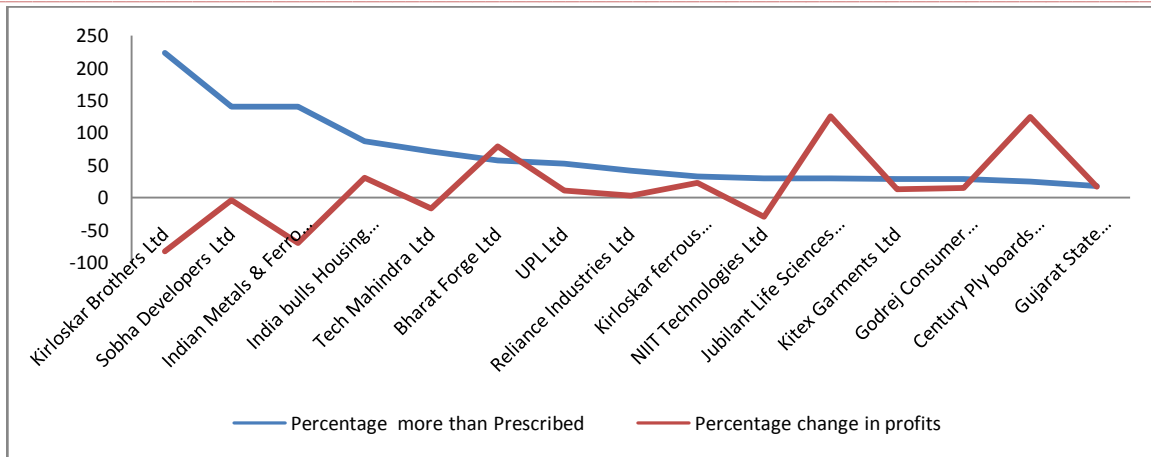
Wipro).The sector wise analysis shows that auto and auto ancillaries, banking and finance and pharmaceuticals are spending only 60 to 63 % of their prescribed limit of CSR. While, Oil, drilling and refineries and computer sector are spending around 90% of prescribed limit. Health care and education remains the favorites sector for CSR spending by the companies as together these two sector account for 61% of CSR amount spent. The total no of companies investing money in these two sectors was more than 215.

SECTION – II: Relationship analysis between CSR spending and profits.From the total 250 companies, the top 15 companies spending more than prescribed limit, top 15 companies spending equal to prescribed limit and bottom 15 companies spending less than prescribed limit are analyzed in the following section.

Companies Spending More Than Prescribed Limit: The analysis shows for the company’s like- Kirloskar Brothers Ltd, Sobha Developers Ltd, Indian Metals & Ferro Alloys, Tech Mahindra Ltd. and NIIT Technologies Ltd. the CSR spending had resulted into decrease in profits. In some cases the profits had decreased by more than 65% than the previous year. However, for the companies like - India bulls Housing Finance Ltd, Bharat Forge Ltd., UPL Ltd Reliance Industries Ltd, Kirloskar ferrous Industries Ltd, Jubilant Life Sciences Ltd, Kitex Garments Ltd., Godrej Consumer Products Ltd., Century Ply boards India Ltd. and Gujarat State Fertilizers & Chemicals Ltd. the CSR spending had resulted into growth in profits too. Even for certain companies it had resulted into more than 100 percent growth in profits. The correlation analysis of CSR spending with profits shows that the companies spending more than the prescribed limit of CSR had a negative correlation (-0.184) between percentage more of CSR spending and percentage growth in profit.

Table 1: Companies spending more than prescribed limit

Company Name	Prescribed limit of CSR Spending (Cr)	Actual CSR spending (Cr)	% more than Prescribed	2015 profit (Cr)	2014 profit (Cr)	% change in profits
Kirloskar Brothers Ltd	1.39	4.5	223.74	8.49	47.69	-82.20
Sobha Developers Ltd	5.97	14.4	141.21	199.09	206.54	-3.61
Indian Metals & Ferro Alloys	1.68	4.05	141.07	11.98	39.12	-69.38
India bulls Housing Finance Ltd	23.2	43.5	87.50	1,978.23	1,510.00	31.01
Tech Mahindra Ltd	30.88	53.21	72.31	2,256.20	2,685.50	-15.99
Bharat Forge Ltd	7.12	11.23	57.72	718.98	399.93	79.78
UPL Ltd	6.93	10.62	53.25	463.33	415.73	11.45
Reliance Industries Ltd	532.96	760.58	42.71	22,719	21,984	3.34
Kirloskar ferrous Industries Ltd	1.22	1.63	33.61	49.28	39.84	23.69
NIIT Technologies Ltd	3.63	4.72	30.03	147.59	208.41	-29.18
Jubilant Life Sciences Ltd	1.2	1.56	30.00	205.11	0.82	125.84
Kitex Garments Ltd	1.14	1.48	29.82	112.09	98.52	13.77
Godrej Consumer Products Ltd	12.41	16.08	29.57	654.45	564.84	15.86
Century Ply boards India Ltd	1.24	1.56	25.81	150.82	66.94	125.31
Gujarat State Fertilizers & Chemicals Ltd.	15.92	18.89	18.66	400.51	342.17	17.05



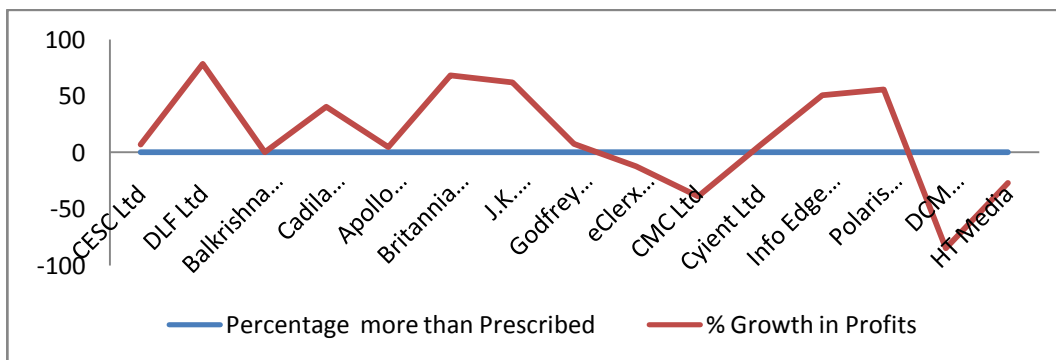
Companies Spending Equal To Prescribed Limit

Companies which are spending equal to the mandatory requirement also reflect the same pattern as those spending more than the prescribed limit of CSR. Here companies' like- Cyient Ltd, Info Edge (India) Ltd, CESC Ltd, DLF Ltd, Balkrishna Industries Ltd, Cadila Healthcare Ltd,

Apollo Hospitals Enterprise Ltd, Britannia Industries Ltd., J.K. Cement Ltd. and Godfrey Phillips India Ltd. had a positive impact of CSR spending on their profits. But companies' like- eClerx Services Ltd., HT Media, DCM Shriram Ltd. and CMC Ltd. had negative impact of CSR spending.

Table 2: Companies spending more than prescribed limit

Company Name	Prescribed limit of CSR Spending (Cr)	Actual CSR spending (Cr)	% more than Prescribed	2015 profit (Cr)	2014 profit (Cr)	% Growth in Profits
CESC Ltd	15.16	15.16	0.00	697.72	651.89	7.03
DLF Ltd	12.82	12.82	0.00	940.08	526.84	78.44
Balkrishna Industries Ltd	11.01	11.01	0.00	488.81	488.37	0.09
Cadila Healthcare Ltd	10.8	10.8	0.00	1,271.10	903.6	40.67
Apollo Hospitals Enterprise Ltd	7.77	7.77	0.00	346.6	330.72	4.80
Britannia Industries Ltd.	7.35	7.35	0.00	622.41	369.83	68.30
J.K. Cement Ltd.	5.15	5.15	0.00	156.92	97.03	61.72
Godfrey Phillips India Ltd	4.99	4.99	0.00	183.08	170.64	7.29
eClerx Services Ltd	4.63	4.63	0.00	215.77	246.51	-12.47
CMC Ltd	4.18	4.18	0.00	197.78	323.61	-38.88
Cyient Ltd	3.55	3.55	0.00	271.16	254.91	6.37
Info Edge (India) Ltd	3.38	3.38	0.00	193.86	128.49	50.88
Polaris Financial Tech. Ltd	3.31	3.31	0.00	130.72	83.97	55.67
DCM Shriram Ltd	3.19	3.19	0.00	4.38	29	-84.90
HT Media	2.72	2.72	0.00	113.66	155.64	-26.97

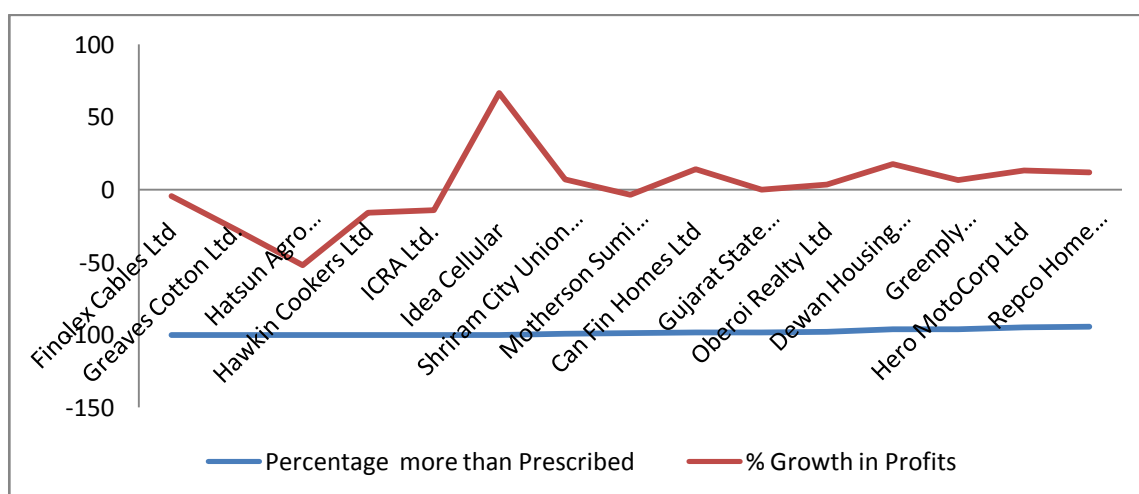


Companies Spending Less Than Prescribed Limit

Top fifteen companies which had not spend as per the prescribed limit of CSR shows again the same mixed result. For some companies like- Finolex Cables Ltd, Greaves Cotton Ltd., Hatsun Agro Products Ltd., Hawkin Cookers Ltd., ICRA Ltd., Motherson Sumi Systems Ltd and Gujarat State Petronet Ltd the profits had decreased as compared to last year. However, for companies like Idea Cellular,

Shriram City Union Finance Ltd., Can Fin Homes Ltd., Oberoi Realty Ltd., Dewan Housing Finance Corp Ltd., Green ply Industries Ltd., Hero MotoCorp and Repco Home Finance Ltd. the profits had increased after CSR spending. Here again the correlation analysis showed a negative relation (-0.28) between percentage CSR spending and percentage growth in profits.

Company Name	Prescribed limit of CSR Spending (` Cr)	Actual CSR spending (` Cr)	% more than Prescribed	2015 profit (` Cr)	2014 profit (` Cr)	% Growth in Profits
Finolex Cables Ltd	3.03	0	-100.0	198.66	207.68	-4.34
Greaves Cotton Ltd.	3.8	0	-100.0	81.53	113.09	-27.91
Hatsun Agro Products Ltd	1.14	0	-100.0	39.16	81.69	-52.06
Hawkin Cookers Ltd	1.01	0	-100.0	32.12	38.28	-16.09
ICRA Ltd.	1.23	0	-100.0	50.42	58.73	-14.15
Idea Cellular	31.5	0	-100.0	2,809.84	1,689.31	66.33
Shriram City Union Finance Ltd.	13.13	0.09	-99.3	558.06	521.14	7.08
Motherson Sumi Systems Ltd	11.7	0.15	-98.7	514.9	535.1	-3.77
Can Fin Homes Ltd	1.62	0.03	-98.1	86.24	75.71	13.91
Gujarat State Petronet Ltd	14.96	0.28	-98.1	928.02	928.88	-0.09
Oberoi Realty Ltd	6.96	0.15	-97.8	304.77	295.12	3.27
Dewan Housing Finance Corp Ltd	11.58	0.45	-96.1	621.29	529	17.45
Greenply Industries Ltd.	2.43	0.1	-95.9	121.82	114.47	6.42
Hero MotoCorp Ltd	44.04	2.37	-94.6	2,385.64	2,109.08	13.11
Repco Home Finance Ltd	2.24	0.13	-94.2	123.08	110.1	11.79



To find out whether there is any difference between companies spending more than prescribed limit on CSR and those spending less than the limit in their change in profits t-test is used with null hypothesis "there is no significant difference in change in profits of companies spending more than the prescribed limit on CSR and the companies spending less than the prescribed limit on CSR". The results

shows P(T<=t) one-tail is 0.19 which is less than the tabled value 1.73. Therefore null hypothesis is accepted and alternate hypothesis i.e. there is significant difference in percentage change in profit of companies spending more than the prescribed limit of CSR spending and companies spending less than the prescribed limit of CSR is rejected.

VII. CONCLUSION:-

The 250 sample companies have implemented 2784 projects in 2014-15 for their CSR spending. All though the prescribed limit of CSR of these companies is almost half of the estimated CSR budget, yet most of the companies are unable to spend tis prescribed budget. The major portion of these companies CSR budget was allotted to health and education. All though different studies had established relationship between CSR spending and financial performance of the organization, we do not find any positive relationship between the CSR and profits of the organization. Maybe these companies are not reporting their profits intelligently enough or have been facing some contingent times due to which negative correlation is appearing in the study. Furthermore the study shows there is no significant difference between the change in profits of companies spending more than prescribed limit and the companies spending less than the prescribed limit.

VIII. REFERENCES:

- [1]. India CSR outlook report 2015 accessed ngobox.org/.../**India%20CSR%20Outlook%20Report**.
- [2]. Joyner, B. E., & Payne, D. (2002). Evolution and implementation: A study of values, business ethics, and corporate social responsibility. *Journal of Business Ethics*, 41(4), 297-311.
- [3]. Joyner, BE & Payne, D 2002, 'Evolution and Implementation: a study of values, business ethics and corporate social responsibility', *Journal of Business Ethics*, vol. 41, pp. 297-311.
- [4]. Lucas, T, Wollin, A & Lafferty, G 2001, 'Achieving social responsibility through corporate strategy: a matter of governance', *Governance and Capable Responsibility in the New Millennium*, Canberra.
- [5]. McWilliams, A., Donald S. Siegel, et al. (2005). "Corporate Social Responsibility: Strategic implications." Working Papers in Economics (0506).
- [6]. Solomon, R. C. (1992). Corporate roles, personal virtues: An Aristotlean approach to business ethics. *Business Ethics Quarterly*, 2(3), 317-339.
- [7]. Sweeney, J 2006, 'How to measure corporate social responsibility', *Eureka Street*, vol. 16, no. 6. Retrieved July 18, 2006, from
- [8]. Szwajkowski E, Figlewicz RE. 1999. Evaluating corporate performance: a comparison of the Fortune reputation survey and the Socrates social rating database. *Journal of Managerial Issues*: 137-154.
- [9]. Walton, C. C. (1967). *Corporate social responsibilities*. Belmont, CA: Wadsworth
- [10]. Wheeler, D., Colbert, B., & Freeman, R. E. (2003). Focusing on value: Reconciling corporate social responsibility: Sustainability and a stakeholder approach in a network world. *Journal of General Management*, 28(3), 1-28.
- [11]. Wheeler, D., Colbert, B., & Freeman, R. E. (2003). Focusing on value: Reconciling corporate social responsibility: Sustainability and a stakeholder approach in a network world. *Journal of General Management*, 28(3), 1-28.