

ANALYSIS OF CSR PRACTICES OF TOP 30 INDIAN COMPANIES

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ABSTRACT

The aim of the current study is to empirically analyse the CSR practices of 30 top Indian companies listed on the Bombay Stock Exchange during 2020–21. The CSR spending of these companies is then compared with the previous year, with reference to the periods before and during COVID-19. Thereafter, the Wilcoxon rank test is used to compare the difference between the legislated percentage of average net profit and the amount actually spent on CSR activities. It is found that the majority of the Indian companies (17 out of the 30) sampled companies spent more than the legislated percentage required under the Companies Act, 2013, and a significant rise in CSR spending is observed after the COVID period.

KEYWORDS: Corporate Social Responsibility (CSR); India; Net profits; COVID 19

1. INTRODUCTION

Corporate social responsibility (CSR) entails all policies and practices undertaken by corporations with an aim to have a positive influence on the whole society including other pro-social objectives, in addition to maximizing profits. Thus, CSR ensures to achieve commercial success while considering ethical values, people communities and natural environment (Joshi et al., 2013). Throughout the world, India is the first country which legislate to undertake CSR activities mandatory, following amendment in Companies Act, 2013. Business houses are required to invest their profits in areas such as education, poverty reduction, gender equality, hunger as part of any CSR compliance. Any Indian company which have net worth at least Rs. 500 crores or a turnover of at least ₹1,000 crore, or an average net profit of at least ₹5 crore during the last three financial years, is required to spend **2% of its average net profit** on CSR activities. To check the actual status of CSR spendings of Indian corporate sector, the present study analyzes CSR spendings of sampled top 30 Indian companies from BSE before and during COVID-19 period. Thereafter, Wilcoxon rank test is used to compare the difference between legislative percent of the average net profit and the amount actually spent on CSR activities.

Following the introduction section, Section 2 describes the existing literature Section 3 explains the research methodology Section 4 explains empirical findings. Section 5 concludes the results.

2. LITERATURE REVIEW

Srivastava (2013) examined the relation between CSR and environmental sustainability of 100 Indian companies. The study concluded that while many companies had proper CSR policy, appropriate CSR departments and their CSR Director/Manager and CEO are strategically implementing the policy. The study revealed that allocated budget for CSR initiatives was not more than 5%. Moreover, budget allocation in unlisted companies

depended upon Board's decision. The study depicted that reducing CO2 emissions and negative effects on air water and soil were the major concerns for companies, followed by other initiatives such as developing environmentally conscious projects.

Joshi, Sidhu and Kansal (2013) examined CSR reporting by the BSE TEC Sector in Indian economy with content analysis of annual reports of sampled companies. It was observed that greater attention was provided to issues of human resources than ethical issues. It was also discovered that qualitative disclosures dominated CSR disclosures made by the sample companies particularly reporting on ethical issues. Notes to the accounts were source for voluntary disclosures in the annual reports.

Sharma and Shankar (2014) made analysis of Corporate Social Responsibility Accounting and Disclosure Practices in India to judge the social accounting framework of 100 CNX Indian companies. The study used primary and secondary data. For primary data, target audience was 200 respondents from Punjab and Delhi/NCR region. It was found that no separate CSR report was prepared by companies. In 2006-07, only 2/3rd of companies in CNX 100 Index were reporting about their CSR initiatives. The number of companies giving such information rose to almost 95% in 2010-11. It was also revealed that education, healthcare, community welfare, environment and rural development were the most popular CSR activities.

Kundu (2014) reviewed the conception of CSR and changing scenario of non profit reporting of selected companies. It was observed that Annual reports of selected companies explained corporate social responsibility initiatives and various foundations established by them to execute socially responsible activities. Sampled companies also published sustainability reports as per Triple Bottom Line Reporting on economic, social and environmental reporting dimensions.

Kumar and Kidwai (2018), studied CSR Disclosure of top 100 Indian companies from ET 2014 companies listed and found that more than 90 % of the companies have adequate or above adequate level of transparency in various CSR disclosures and degree of transparency varied across major five industrial areas.

Sharma (2018) studied the CSR practices of PSUs in India and found that there had been a considerable positive change after the implementation of the Company Act. A drastic increase in the budget allocation and expenditure for CSR initiatives was observed. PSUs allocated 50% of the total amount towards Swachh Bharat Abhiyan without explicitly stating the exact initiatives the amount was spent on under that scheme. PSUs were lethargic in implementing CSR but they still donated heavy amounts to government agencies in the name of development rather than implementing it.

Kumar (2018) conducted research to identify CSR practices in Indian tour operation industry and observed that travel companies have allocated funds to execute CSR practices in their individual capacity. However, in comparison to other sectors' companies, contribution to tour operations companies towards CSR activities is less.

Borhade (2019) made study of corporate sector and found that before 2014, only the total amount of CSR spending or the budgeted figure was disclosed in Director's report forming part of the enterprises' annual report and only a brief outline of the activities was published and the amount spent after each activity is not specifically given. However, after 2014, all the public enterprises followed the new rules pertaining to disclosure of CSR activities but the format in which the account was given was not uniform. New mandatory provisions affected the disclosure pattern of CSR activities and CSR spending and the quality of

disclosure also enhanced.

Singh (2019) conducted a study with an objective to find major issues and challenges in the implementation of CSR in India and to analyse the CSR policies, practices and activities of Indian corporate entities. The study revealed that one of the legislative rules followed by every sampled company was the formation of CSR. Variations in CSR implementation was explained by the all the factors of issues and challenges of CSR. The two factors more significant were the absence of government support and issue related to a human resource for predicting CSR Implementation

From above literature, following hypotheses are developed:

H₀₁: There is a significant difference between the two percent of the average net profit of sampled Indian companies and the amount actually spent on CSR activities by these companies.

H₀₂: There is a significant difference between the amount spend by these enterprises before and during COVID-19.

3. RESEARCH METHODOLOGY

3.1 Sample of the Study: Top 30 Indian companies has been taken from BSE index - BSE S&P SENSEX on the basis of their market capitalisation. Secondary data has been collected from the annual reports of these companies available on their respective website. The data has been collected regarding their CSR policies and practices.

3.2 Time Period: Data of top 30 Indian companies regarding funds contributed towards CSR activities is collected for two years, i.e., 2019-2020 and 2020-2021 for comparison purpose.

3.3 Statistical techniques: we use descriptive tools for graphical representation of data. Furthermore, on the basis of normality of data 'Wilcoxon rank test' which is a non-parametric test, is used to check whether there exists a significant difference between 2 % of average net profit and the actual amount spent by these companies during the F.Y 2020-21 compared to 2019-2020.

4. EMPIRICAL FINDINGS

4.1 Descriptive Statistics

Table 1 displays the name of 30 sampled companies (based on their average net profit and market capitalisation) with their industry classification and weight in whole sample. Following table represents that reliance industries Ltd. Is leading company among sampled companies, followed by HDFC bank Ltd. And Infosys Ltd. However, NTPC Ltd., Bajaj Auto Ltd. And ONGC got negligible weight among sampled companies.

Table 4.1: Sample of study

S.NO	NAME	INDUSTRY	WEIGHT
1	Reliance Industries Ltd	Integrated oil and gas industry	11.99%
2	HDFC Bank Ltd	Banks	11.84%
3	Infosys Ltd	Computer and software consultancy	9.06%
4	Housing Development Finance Corporation Ltd	Financing of Housing	8.30%

5	ICICI Bank Ltd	Banks	7.37%
6	Tata Consultancy Services Ltd	Computer and software consultancy	5.76%
7	Kotak Mahindra Bank Ltd	Banks	4.88%
8	Hindustan Unilever Ltd	Personalised products	3.75%
9	ITC Ltd	FMCG	3.49%
10	AXIS Bank Ltd	Banking	3.35%
11	Larsen and Toubro Ltd	Engineering	3.13%
12	Bajaj Finance Ltd	Finance	2.63%
13	State Bank of India Ltd	Banking	2.59%
14	Bharti Airtel Ltd	Telecom	2.31%
15	Asian Paints Ltd	Paint	1.97%
16	HCL Technologies Ltd	Software	1.89%
17	Maruti Suzuki India Ltd	Auto	1.72%
18	Mahindra and Mahindra Ltd	Auto	1.48%
19	UltraTech Cement Ltd	Cement	1.40%
20	Sun Pharmaceutical Industries Ltd	Pharma	1.16%
21	Tech Mahindra Ltd	Software	1.11%
22	Titan Company Ltd	Consumer Durable	1.11%
23	Nestle India Ltd	Food, Beverages	1.07%
24	Bajaj Finserv	Finance	1.04%
25	IndusInd Bank Ltd	Banking	1.03%
26	Powergrid	Power	1.03%
27	Tata Steel Ltd	Steel	1.01%
28	NTPC Ltd	Power	0.94%
29	Bajaj Auto Ltd	Auto	0.86%
30	ONGC	Exploration and Production	0.7%

Table 4.2: Comparison of CSR practices of top 30 Indian companies on the basis of Average Net Profits

Rank (2020-2021)	Name of the company	Industry	CSR (Amount spent during 2020-21)	Rank (2019-2020)	Difference in ranks
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1	Reliance Industries Ltd	Integrated oil and gas industry	922	1	0
2	HDFC Bank Ltd	Banks	634.91	3	-1
3	Infosys Ltd	Computer and software consultancy	325.32	7	-4
4	Housing Development Finance Corporation Ltd	Financing of Housing	628.95	4	0
5	ICICI Bank Ltd	Banks	200.5	11	-6
6	Tata Consultancy Services Ltd	Computer and software consultancy	674	2	4
7	Kotak Mahindra Bank Ltd	Banks	79.4	24	-17
8	Hindustan Unilever Ltd	Personalized products	165.08	13	-5
9	ITC Ltd	FMCG	281	8	1
10	AXIS Bank Ltd	Banking	90.93	23	-13
11	Larsen and Toubro Ltd	Engineering	150.07	14	-3
12	Bajaj Finance Ltd	Finance	107.07	19	-7
13	State Bank of India Ltd	Banking	144.88	15	-2
14	Bharti Airtel Ltd	Telecom	8.61	29	-15
15	Asian Paints	Paint	62.98	25	-10

	Ltd				
16	HCL Technologies Ltd	Software	195.15	12	4
17	Maruti Suzuki India Ltd	Auto	140.94	16	1
18	Mahindra and Mahindra Ltd	Auto	92.78	21	-3
19	UltraTech Cement Ltd	Cement	120.68	18	1
20	Sun Pharmaceutical Industries Ltd	Pharma	26.95	28	-8
21	Tech Mahindra Ltd	Software	105	20	1
22	Titan Company Ltd	Consumer Durable	37.55	27	-5
23	Nestle India Ltd	Food, Beverages	53.4	26	-3
24	Bajaj Finserv	Finance	0.7	30	-6
25	IndusInd Bank Ltd	Banking	94.72	22	3
26	POWER GRID	Power	240.48	9	17
27	Tata Steel Ltd	Steel	221.98	10	17
28	NTPC Ltd	Power	418.87	6	22
29	Bajaj Auto Ltd	Auto	128.25	17	12
30	ONGC	Exploration and Production	553.07	5	25

In the above table, top 30 BSE companies with highest market capitalisation during the year 2020- 21 have been taken and they are given ranks according to their market capitalisation.

These companies are then ranked on the basis of their contribution towards CSR activities during the year 2020-21 by taking into account the amount spent by them during that year. Our analysis reveals that there exists a difference in the ranks of these companies on the basis of market capitalisation and their contribution towards CSR.

Out of 30 companies, 16 companies have got a negative rank which include HDFC Bank Ltd, Infosys Ltd, ICICI Bank Ltd, Kotak Mahindra Bank Ltd, HUL, Axis Bank Ltd, Bajaj Finance Ltd, State Bank of India, Bharti Airtel Ltd, Asian Paints Ltd, Titan Ltd etc and 12 companies have got a positive rank which include TCS, ITC Ltd, HCL Technologies Ltd, Powergrid, Tata Steel Ltd, NTPC, ONGC and Bajaj Auto Ltd etc. There are 2 companies whose rank as per their market cap is same as per their CSR spending i.e Reliance Industries Ltd and HDFC Ltd.

It is also revealed that the companies which have got positive rank are mostly public sector undertakings. ONGC which is a public sector undertaking has got last rank in the list of top 30 BSE companies is given 5th rank on the basis of its CSR contribution and NTPC having 28th rank in list of BSE has got 6th rank in the field of CSR. On the other hand there are companies like Kotak Mahindra Bank Ltd and Axis Bank Ltd which are having 7th and 10th rank on the basis of their weightage in SENSEX have been given 24th and 23rd rank on the basis of their CSR spending.

Thus, it can be concluded that there exists a difference between the ranks of these companies on basis of market cap and their CSR while there are some exceptional cases too like Reliance Industries and HDFC which have same rank where Reliance Industries Ltd got 1st rank both in the list of SENSEX as well in the list of CSR spending also.

Top 3 companies which are contributing highest towards CSR are:

1. Reliance Industries Ltd
2. Tata Consultancy Services Ltd
3. HDFC Bank Ltd

Companies that make least CSR spending are :

1. Bajaj Finserv Ltd
2. Bharti Airtel Ltd
3. Sun Pharmaceuticals Ltd.

Table 4.3: Comparison of CSR practices of top 30 Indian companies on the basis of Average Net Profit

Name of the company	Average net profit as per section 135(5) of Companies Act 2013	2% of average net profit as per section 135(5)	CSR amount spent during f 2020-21 (cr)	Excess amount spent during the year	Excess amount (% of prescribed amount)
Reliance Industries Ltd	44196	884	922	38	4.29
HDFC	31393	627.86	634.91	7.05	1.12

Bank Ltd					
Infosys Ltd	18620	372.39	325.32	-47.07	-12.63
Housing Developm ent Finance Corporatio n Ltd	31427	628.54	628.95	0.41	0.065
ICICI Bank Ltd	9226	184.53	200.5	15.97	8.65
Tata Consultan cy Services Ltd	33153	663	674	11	1.659
Kotak Mahindra Bank Ltd	7113.74	142.27	79.4	-62.87	-44.19
Hindustan Unilever Ltd	8087	161.7	165.08	3.38	2.09
ITC Ltd	14037.36	280.74	281	0.26	0.09
AXIS Bank Ltd	4532.7	90.65	90.93	0.28	0.309
Reliance Industries Ltd	44196	884	922	38	4.29
HDFC Bank Ltd	31393	627.86	634.91	7.05	1.12
Infosys Ltd	18620	372.39	325.32	-47.07	-12.63
Housing Development Finance Corporation Ltd	31427	628.54	628.95	0.41	0.065
ICICI Bank Ltd	9226	184.53	200.5	15.97	8.65
Tata Consultancy Services Ltd	33153	663	674	11	1.659
Kotak Mahindra Bank Ltd	7113.74	142.27	79.4	-62.87	-44.19
Larsen and Toubro Ltd	7278	145.56	150.07	4.51	3.0985
Bajaj Finance Ltd	5327.4	106.55	107.07	0.52	0.488
State Bank	14488	289.76	144.88	- 144.88	-50

of India Ltd					
Bharti Airtel Ltd	-9300.2	0	8.61	8.61	-
Asian Paints Ltd	3147.5	62.95	62.98	0.03	0.0476
HCL Technologies Ltd	9700	194	195.15	1.15	0.592
Maruti Suzuki India Ltd	7045	140.9	140.94	0.04	0.0283
Mahindra and Mahindra Ltd	5627.86	92.26	92.78	0.52	0.563
UltraTech Cement Ltd	3686	73.72	120.68	46.96	63.7
Sun Pharmaceutical Industries Ltd	649.06	12.98	26.95	13.97	107.62
Tech Mahindra Ltd	5222.3	104.44	105	0.56	0.535
Titan Company Ltd	1862.85	37.26	37.55	0.29	0.778
Nestle India Ltd	2637.6	52.75	53.4	0.65	1.23
Bajaj Finserv	35.12	0.7	0.7	0	0
IndusInd Bank Ltd	6011.3	120.23	94.72	-25.51	-21.217
POWERGRID	11689.51	233.79	240.48	6.69	2.86
Tata Steel Ltd	9492.35	189.85	221.98	32.13	16.923
NTPC Ltd	13928.41	278.57	418.87	140.3	50.364
Bajaj Auto Ltd	6345.63	126.91	128.25	1.34	1.0558
ONGC	26938.6	538.77	553.07	14.3	2.654
TOTAL	333598.09	6837.6	6906.22	68.59	1.003

From above table, we can conclude that there are 25 companies which are spending amount on CSR activities in excess of the prescribed limit i.e., 2% of the average net profit of preceding 3 years. Even in the list of top 30 BSE companies there are still some companies like INFOSYS LTD, KOTAK MAHINDRA BANK LTD, INDUSIND BANK LTD etc.

Which are not been able to spend even 2% of the average profits.

Exceptional case is of Bharti Airtel Ltd whose Average net profit for previous years is (9300.2) crores indicating that it has suffered a loss and its prescribed limit for CSR is 0 but still that company has made a contribution in the field of CSR by spending Rs 8.61 crores. Moreover, 10 companies have spent excess amount on CSR even less than 1% of the actual limit. HDFC Ltd, ITC Ltd, Bajaj Finance Ltd, Asian Paints Ltd, HCL Tech Ltd, Titan Ltd etc. NTP, UltraTech Ltd and Pharma Ltd are the companies which are spending the highest excess amount expressed as a percentage of the prescribed limit i.e., Sun Pharma Ltd has spent 107% more than the actual limit and NTPC has spent 50% more than the prescribed limit and Ultratech Ltd spent 63.7% excess amount towards CSR. Overall, it can be concluded that top 30 SENSEX companies have spent 1% excess amount of the actual limit towards CSR in India.

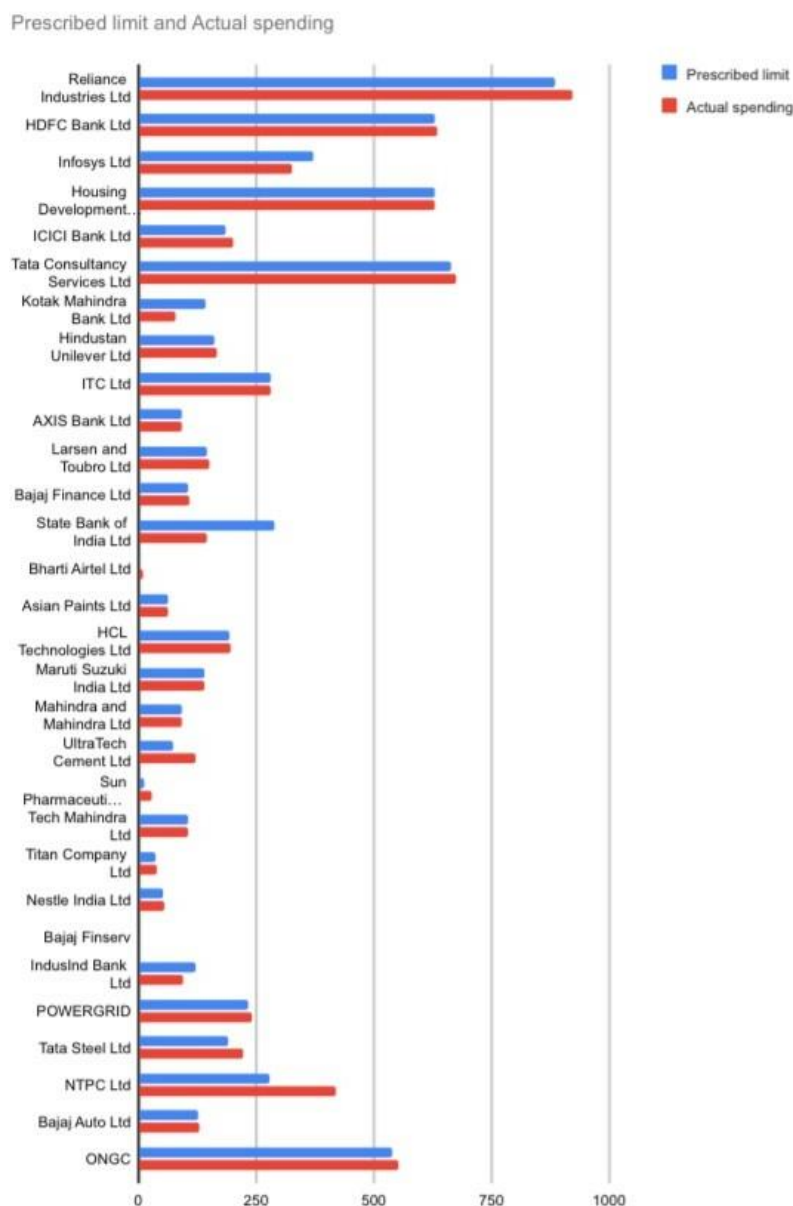
Table 4.4: Comparison of CSR practices of Indian Companies

S. no	Name of the company	Amount spent on CSR activities (2019-20)	Amount spent on CSR activities (2020-21)	Excess amount spent
1	Reliance Industries Ltd	908.71	922	13.29
2	HDFC Bank Ltd	535	634.91	99.91
3	Infosys Ltd	359.94	325.32	-34.62
4	Housing Development Finance Corporation Ltd	211.77	628.95	417.18
5	ICICI Bank Ltd	134.35	200.5	66.15
6	Tata Consultancy Services Ltd	602	674	72
7	Kotak Mahindra Bank Ltd	85.19	79.4	-5.79
8	Hindustan Unilever Ltd	143.74	165.08	21.34
9	ITC Ltd	326.49	281	-45.49
10	AXIS Bank Ltd	100.96	90.93	-10.03
11	Larsen and Toubro Ltd	145.29	150.07	4.78
12	Bajaj Finance Ltd	82.19	107.07	24.88
13	State Bank of India Ltd	27.47	144.88	117.41

14	Bharti Airtel Ltd	31.85	8.61	-23.24
15	Asian Paints Ltd	76.64	62.98	-13.66
16	HCL Technologies Ltd	176.29	195.15	18.86
17	Maruti Suzuki India Ltd	168.2	140.94	-27.26
18	Mahindra and Mahindra Ltd	126.6	92.78	-33.82
19	UltraTech Cement Ltd	124.51	120.68	-3.83
20	Sun Pharmaceutical Industries Ltd	4.37	26.95	22.58
21	Tech Mahindra Ltd	118.11	105	-13.11
22	Titan Company Ltd	30.99	37.55	6.56
23	Nestle India Ltd	46.42	53.4	6.98
24	Bajaj Finserv	1.2	0.7	-0.5
25	IndusInd Bank Ltd	108.15	94.72	-13.43
26	Power Grid	346.2	240.48	-105.72
27	Tata Steel Ltd	192.99	221.98	28.99
28	NTPC Ltd	304.92	418.87	113.95
29	Bajaj Auto Ltd	119.44	128.25	8.81
30	ONGC	582.08	553.07	-29.01
	TOTAL	6222.06	6906.22	684.16

The above table represents the amount spent by top 30 SENSEX companies before COVID-19 i.e., for the F.Y 2019-20 and during COVID-19 i.e. for the F.Y 2020-21. It is evident from the table that out of 30 companies, 17 companies are making excess contribution during the stress period of COVID-19. These companies include Reliance, HDFC, TCS, Tata Steel, Bajaj Auto, NTPC, Nestle etc. 56.56% of total 30 companies are spending excess amount during COVID. However, 13 enterprises are spending less amount during that period in comparison to 2019-20. They include POWERGRID, Bharti Airtel, ITC, Maruti Suzuki, Mahindra and Mahindra etc.

Figure 1: Bar graph representing the relation between the prescribed limit as per Companies Act 2013 and the actual amount spent by the top 30 Indian Companies (for the year ending 31.3.2021):



RESULTS OF WILCOXON RANK SUM TEST

From Shapiro test, it is found that data is not normal. Therefore, to test whether there is a significant difference between the two percent of the average net profit of sampled companies and the amount actually spent on CSR activities by these companies. Wilcoxon signed rank test is applied. Table depicts that p value is 0.0145 and significant (less than 0.05 level). Thus we, reject the null hypothesis and state there exists significant difference between the prescribed limit i.e. 2% of the average net profit of preceding 3 years and the actual contribution of sampled enterprises during the year 2020-21.

Table 4.5: Empirical finding

Wilcoxon W	Degree of freedom	Statistic	P value
	29	48.0	0.0145

5.CONCLUSION

Companies Act, 2013 has laid down the provisions for CSR, it has become mandatory on the part of companies meeting the specified criteria to contribute a certain percentage of profits towards CSR for a given list of objectives. The present study is conducted to analyze the impact of CSR provisions on Companies and analyzing whether the companies are complying with these provisions. For this purpose, data has been collected for top 30 Indian companies (as per BSE SENSEX) for the year 2020-21. it is empirically concluded that there is no significant difference between the amount actually prescribed as per Section 135(5) of the Companies Act 2013 and the amount which has been spent by these enterprises for the purpose of CSR during 2020-21.

Most of the companies have fulfilled the criteria and spend the required amount for CSR activities but still there exists a small proportion of companies which are still not able to meet the criteria completely which is a hindrance for the overall economic growth of the country as well as it also indicates that there are some loopholes present in the implementation of these provisions. It indicates that there is an urgent need to bring some changes in the provisions and strict compliance of these provisions should be ensured. Also during COVID-19, many companies (17 out of 30) have made excess contribution towards CSR. But this is still a low proportion as these 30 companies are the top companies of India and they are expected to come forward and contribute for the economy especially during this stress period. Overall, found that there is no significant difference between the amount spend by these enterprises before and during COVID-19.

Limitations of current Study

This research study is limited to top 30 Indian Companies based on market capitalisation from the BSE for the year 2020-21. Moreover, there may be Slight variations in the respect of the secondary data, which is obtained from different websites which may be overlooked in the analysis of the data and analysis of CSR fund spent activities has been done only for 2 years i.e. 2019-20 and 2020-21.

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