



## RESEARCH ARTICLE

### A STUDY OF CSR SPENDING PATTERN OF SENSEX COMPANIES IN INDIA

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#### ABSTRACT

There has been an immense focus on the topic of Corporate Social responsibility (CSR) in the recent times. Last decade saw a paradigm shift in the manner in which business operations are undertaken. Big industrial families often engaged in philanthropic activities contributing huge amounts for social, educational and community purposes. However, such donations did not belong to the shareholders but were often from personal savings. The inclusion of section 135 in Companies Act 2013 made it mandatory for companies to spend 2% of their net profits on CSR activities. It also lays down that the companies must explain the reasons if they fail to fulfill this requirement. Thus, mere disclosure of reasons for not spending the profits on CSR activities would amount to compliance of the provisions of law. The paper examines the pattern of CSR spending of 30 companies constituting the S&P BSE SENSEX index on CSR activities for years 2014-15 and 2015-16 and tries to reveal how they fared in their CSR initiatives.

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#### INTRODUCTION

Gone are the days when profit maximization was the only dominant goal for the business. Today, the organizations are focusing on the motto of "profit with service" to secure social and economic goals and optimize long term profits. A business firm is no longer considered the sole prerogative of its owners rather it is the concern of all its stakeholders. Companies are realizing that they are trustees of the resources of the society and are expected to return them manifold. When companies act as global citizens and local neighbors of the world, it becomes imperative for them to present a conscious image to the world. Initially, corporate social responsibility in India was considered as the moral duty of the corporates done voluntarily to meet demands of the society and present a socially responsible behaviour. Over the years, organizations have started considering CSR as a part of management and progressively realized the numerous benefits associated with it. According to United Nations Industrial Development organization (UNIDO), corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line- Approach), while at the

same time addressing the expectations of shareholders and stakeholders. CSR is the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society (Bowen, 1953). It is corporate self- regulation merged with the business. In simple words, corporate social responsibility refers to company's sense of responsibility towards its stakeholders. CSR is a philosophy which looks at long term interest of the company by fulfilling their responsibility towards the society. In 2013, corporate social responsibility was enshrined into law with Companies Act 2013. Section 135 of Companies Act 2013 requires every company having net worth of rupees five hundred crores or more, or turnover of rupees one thousand crores or more or net profit of rupees five crores or more during any financial year to constitute a corporate social responsibility committee that shall ensure that the company spends in every financial year at least 2 % of its average net profits of the company made during three immediately preceding financial years in pursuance of its corporate social responsibility Policy. Thus, CSR spending has been made mandatory for the companies. Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be

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incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

However, The law also says that if company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non-compliance so that there are no penal provisions are attracted by it. A disclosure of the reasons for not spending the amount prescribed will amount for compliance of the law.

### Objective

The objective of this research paper is to prepare a scorecard of the Sensex companies of the amount spent by them for the

financial years 2014-2015 and 2015-16. The research paper analyses the CSR reports of 30 Sensex companies for the two years to analyze if the companies were complying with law in its true spirit and fulfilling the minimum requirement of 2% of net profits on CSR activities.

### Research Methodology

The research paper is a descriptive study that provides a scorecard of Sensex companies for their CSR expenditure. The quantitative data regarding the CSR spending was collected from the annual reports of 30 companies for the financial years 2014-15 and 2015-16. A comparison of CSR spending of companies for the two years was made to analyze their pattern of CSR activities.

### Data collection and analysis

#### Scorecard of CSR activities of Sensex Companies (2014-15)

No.	Name of the company	Average Net profits for last 3 financial years	Prescribed CSR expenditure 2% of Net profits	Amount Spent	Amount unspent	% amount spent	Sector in which CSR activities are covered
1.	Adani Ports and Special Economic Zones	1790	35.79	35.90	Nil	2.005%	Primary Education, Community Health, Sustainable Livelihood Development and Rural Infrastructure Development
2.	Asian Paints Ltd	1,493.73	29.87	19.01	10.86	1.272%	Water, health, education, vocational skill development
3.	Axis bank Ltd	6,688.67	133.77	123.22	10.55	1.842%	Education, environment, sanitation, skill development, natural resource conservation
4.	Bajaj Auto Ltd	4,316.49	86.33	42.91	43.42	0.994%	health, education, environment conservation, infrastructure and community development
5.	Bharat Heavy Electricals Ltd	8222.33	165	102.06	62.94	1.241%	and response to natural calamities Health, education, skill development, drinking water, sanitation, capacity building, rural development, livelihood, environment sustainability, day care centre, disaster relief, culture and sport promotion, protection of natural heritage
6.	Bharti Airtel Ltd	69,98.6	140	41.1	98.9	0.587%	education, Rural Sanitation Programme Health services and awareness, Child welfare programmes, Disaster relief initiatives, Community development programme, Environmental initiatives and awareness, Employability and entrepreneurship
7.	Cipla Ltd India	1743.21	34.86	13.43	21.43	0.770%	Health, sanitation, education, environment, capacity building, livelihood, community development, women empowerment
8.	Coal India Ltd	1202.12	24.04	24.72	Nil	2.056%	Health, skill development, water supply, infrastructure, education, social empowerment
9.	Dr. Reddy's Laboratory Ltd	1830.78	36.61	29.21	7.4	1.595%	Livelihood, education, health care, capacity building, environmental sustainability, disaster response
10.	Gail India Ltd	5933.37	118.67	41.36	77.31	0.687%	Vocational skill, empowerment, sanitation livelihood, education
11.	HDFC Bank Ltd	9,856.35	197.13	118.55	78.58	1.202%	Education, livelihood, empowerment, vocational training, rural development
12.	Hero Motocorp Ltd	2202	44.04	2.41	41.63	0.109%	Safety, education, sanitation, ecological
13.	Hindustan Unilever Ltd	3990.93	79.82	82.35	Nil	2.06%	Water, sanitation, environment, livelihood health
14.	Housing development finance Corp	6,130.73	122.61	49.18	73.43	0.802%	Child welfare programme, community development, environment, health, sanitation, sports, education, support for differently abled, environment
15.	ICICI Bank LTD	169.22	3.39	3.39	Nil	2.00%	Relief and welfare, skill development, health care, education, financial inclusion, capacity building

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16.	Infosys	12133	243	239.54	3.46	1.974%	Health care education, rural development, destitute care, art and culture
17.	ITC Ltd	10,646.11	212.92	214.06	Nil	2.010%	Health, sanitation, education, sports, empowerment, agriculture development
18.	Larsen Turbo	5,310.29	106.21	76.54	29.67	1.441%	Water, sanitation, health, education, skill development
19.	Lupin Ltd	1981.7	39.63	12.58	27.05	0.634%	Social and economic development, health
20.	Mahindra and Mahindra Ltd	1554	30.88	53.21	Nil	3.424%	Employability, education
21.	Marti Suzuki India Ltd	2,505.30	50.11	37.25	12.86	1.486%	Sanitation, water, education, rural development, employment, vocational skills
22.	NTPC Ltd	14173.78	283.48	205.18	78.30	1.448%	Education, health, sanitation, sports, social infrastructure, capacity building
23.	Oil and Natural Gas Corporation Ltd	33030	660.61	495.23	165.38	1.5%	Health, education, women development, entrepreneurship, water, sports, infrastructure, culture, initiatives for physically and mentally challenged
24.	Reliance Industries Ltd	26648	532.96	761	Nil	2.85%	Health, education, community development, disaster relief, environment
25.	State Bank of India	NA	NA	115.80	NA	NA	Education, health, sanitation, disaster relief, livelihood creation,
26.	Sun Pharmaceutical Industries Ltd	loss	NA	4.67	NA	NA	Health, education, rural development,
27.	Tata Consultancy Services Ltd	14,250	285	219	66	1.53%	Education, eradicating poverty, environment, women development, disaster relief
28.	Tata Motors Ltd	loss	NA	18.62	NA	NA	Water, infrastructure, health, employability, skill development
29.	Tata Steel Ltd	8,412.82	168.26	171.46	Nil	2.038%	Eradicating poverty, healthcare, drinking water, sanitation, education, livelihood, environment
30.	Wipro Ltd	6415.4	128.3	132.7	Nil	2.068%	Community healthcare, education, biodiversity, energy, waste management, rural livelihood, sustainability, environment

### Scorecard of CSR activities of Sensex Companies (2015-16)

No.	Name of the company	Average Net profits for last 3 financial years	Prescribed CSR expenditure 2% of Net profits	Amount Spent	Amount unspent	% amount spent	Broad Sectors in which CSR activities are covered
1.	Adani Ports and Special Economic Zones	2020.17	40.40	40.81	Nil	2.020%	Education, healthcare, rural infrastructure development, sports, health, community development
2.	Asian Paints Ltd	1687.55	33.75	34.44	Nil	2.045%	Water Recharge, health, education, vocational skill development
3.	Axis bank Ltd	8131.54	163.03	137.41	25.62	1.68%	Education, environment, sanitation, skill development, natural resource conservation
4.	Bajaj Auto Ltd	4323.05	86.46	86.72	Nil	2.005%	health, education, environment conservation, infrastructure and community development and response to natural calamities, empowering women, animal welfare
5.	Bharti Airtel Ltd	9450	189	42.15	146.85	0.44%	Education, Rural Sanitation Programme Health services and awareness, Child welfare programmes, Disaster relief initiatives, Community development programme, Environmental initiatives and awareness, Employability and entrepreneurship
6.	Cipla Ltd India	1789.89	35.80	20.48	15.32	1.144%	Health, sanitation, Education, Skill advancement, community development, disaster management, environment sustainability
7.	Coal India Ltd	984.59	19.69	19.69	Nil	2%	Health care, social empowerment, Water and sanitation, education, sports promotion, rural development, environment, ecological conservation, skill development, national security,
8.	Dr. Reddy's Laboratory Ltd	2094	41.88	41.20	0.68	1.96%	Education, livelihood, health, environment, leadership building, rural development, capacity building
9.	Gail India Ltd	5117.05	102.34	162.56	Nil	3.14%	Skill development, livelihood enhancement, education, rural development, healthcare, sanitation, restoration of historical buildings, conservation of natural resources, promotion of sports
10.	HDFC Bank Ltd	12385	248	194.81	53.19	1.57%	Promotion of education, vocational training, environment, eradicating poverty, healthcare

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11.	Hero Motocorp Ltd	2909.05	58.18	65	Nil	2.23%	Tree plantation, education, health care, environment sustainability, road safety, community development, PM Relief Fund
12.	Hindustan Unilever Ltd	4597	91.94	92.12	Nil	2.003%	Healthcare, eradicating hunger and poverty, promoting education, gender equality, rural development, environmental sustainability
13.	Housing development finance Corp	6962.95	139.26	85.70	53.56	1.23%	Child welfare, water sanitation, support for differently-abled, Rural upliftment, urban community welfare, environment conservation, art and culture
14.	ICICI Bank LTD	10605	212	172	40	1.62%	Promotion of education, employment, livelihood, skill enhancement, eradicating poverty, healthcare, rural development
15.	Infosys	12800	256.01	202.30	53.71	1.58%	Rural development, healthcare, destitute care, rehabilitation, art and culture, hunger eradication, sustainability
16.	ITC Ltd	12338.22	246.76	247.5	Nil	2.005%	Health, sanitation, education, eradicating poverty, women empowerment, environment sustainability, protection of national heritage, agriculture development
17.	Larsen Toubro	5073	101.46	119.90	Nil	2.36%	Education, health, skill building, community development, environment, support for persons with disabilities
18.	Lupin Ltd	2707.26	54.15	20.51	33.64	0.75%	Social and economic development, health and education
19.	Mahindra and Mahindra Ltd	188.63	3.77	2.45	1.32	1.30%	Education, Environment, rural development.
20.	Marti Suzuki India Ltd	3269.10	65.4	78.46	Nil	2.4%	Sanitation, drinking water, rural development, employment and vocational skills
21.	NTPC Ltd	13567.43	349.65	491.8	Nil	3.62%	Health, sanitation, environment, drinking water, sports, capacity building, rural development, protection of national heritage, education and skill development
22.	Oil and Natural Gas Corporation Ltd	29684.8	593.7	421	172.7	1.41%	Rural development, sanitation, healthcare, education, skill development, art and culture, promotion of sports, Preservation of heritage, environment sustainability
23.	Power Grid Corp of India Ltd	6090	121.8	115.79	6.01	1.9%	Drinking water, environment sustainability, art and culture, rural development, education, health and sanitation, sports, skill development, protection of national heritage
24.	Reliance Industries Ltd	27889	557.78	651.57	Nil	2.336%	Rural development, environment sustainability, eradicating hunger and poverty, healthcare, education, sports,
25.	State Bank of India	NA	NA	143.92	NA	NA	Health, education, livelihood, disaster relief, environment protection, skill development, supporting persons with disabilities
26.	Sun Pharmaceutical Industries Ltd	losses	NA	11.654	NA	NA	Health, drinking water, environment sustainability, rural development, disaster relief
27.	Tata Consultancy Services Ltd	17994	360	294	66	1.63%	Promoting education, eradicating poverty and hunger, environmental sustainability, protection of national heritage, disaster management
28.	Tata Motors Ltd	Losses	NA	20.57	NA	NA	Education, environmental sustainability, eradicating hunger and poverty, skill development
29.	Tata Steel Ltd	7518	150	204	Nil	2.71%	Healthcare, drinking water, education, livelihood, protection of national heritage, sports, rural and urban infrastructure development
30.	Wipro Ltd	7800.2	156	159.8	Nil	2.048%	Community healthcare, education, disaster relief, rural livelihood, environment sustainability

### Comparison

No.	Company	Amount spent 2014-15	% 2014-15	Amount spent 2015-16	% 2015-16
1.	Adani Ports and Special Economic Zones	35.90	2.005%	40.81	2.020%
2.	Asian Paints Ltd	19.10	1.272%	34.44	2.045%
3.	Axis bank Ltd	123.22	1.842%	137.41	1.68%
4.	Bajaj Auto Ltd	42.91	0.994%	86.72	2.005%
5.	Bharat Heavy Electricals Ltd	102.06	1.241%	66.2	1.20%
6.	Bharti Airtel Ltd	41.1	0.587%	42.15	0.44%
7.	Cipla Ltd India	13.43	0.770%	20.48	1.144%
8.	Coal India Ltd	24.72	2.056%	19.69	2%
9.	Dr. Reddy's Laboratory Ltd	29.21	1.595%	41.20	1.96%
10.	Gail India Ltd	41.36	0.687%	162.56	3.14%
11.	HDFC Bank Ltd	118.55	1.202%	194.81	1.57%
12.	Hero Motocorp Ltd	2.41	0.109%	65	2.23%
13.	Hindustan Unilever Ltd	82.35	2.06%	92.12	2.003%
14.	Housing development finance Corp	49.18	0.802%	85.70	1.23%
15.	ICICI Bank LTD	3.39	2%	172	1.62%

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16.	Infosys	239.54	1.974%	202.30	1.58%
17.	ITC Ltd	214.06	2.010%	247.5	2.005%
18.	Larsen Toubro	76.54	1.441%	119.90	2.36%
19.	Lupin Ltd	12.58	0.634%	20.51	0.75%
20.	Mahindra and Mahindra Ltd	53.21	3.424%	2.45	1.30%
21.	Marti Suzuki India Ltd	37.25	1.486%	78.46	2.4%
23.	Oil and Natural Gas Corporation Ltd	495.23	1.5%	421	1.41%
24.	Reliance Industries Ltd	761	2.85%	651.57	2.336%
25.	State Bank of India	115.80	NA	143.92	NA
26.	Sun Pharmaceutical Industries Ltd	4.67	NA	11.654	NA
27.	Tata Consultancy Services Ltd	219	1.53%	294	1.63%
28.	Tata Motors Ltd	NA	NA	20.57	NA
29.	Tata Steel Ltd	171.46	2.038%	204	2.71%
30.	Wipro Ltd	132.7	2.068%	159.8	2.048%

## Analysis

After collecting the data of the amount spent by the 30 Sensex Companies on the CSR activities for the financial years 2014-15 and 2015-16 and understanding their CSR initiatives, the following observations are made:

- Sensex companies are estimated to have spent 3485.82 crores and 4,380.31 crores collectively on CSR activities for the financial year ending 2015 and 2016 respectively. Although, the funds spent on CSR activities have increased after inclusion of Sec 135 of Companies Act 2013, most of the companies failed to spend minimum requirement of 2% in 2014-15. In the second year of the inclusion of Sec135, many companies which failed to meet the 2% requirement in the initial year increased their CSR spending and complied with law.
- In 2014-15, only 9 companies have met the minimum of 2% of the average net profit to be spent on CSR activities namely Adani Ports and Special economic zone, Coal India Ltd, Hindustan Unilever Ltd, ITC Ltd, ICICI Ltd, Mahindra and Mahindra Ltd, Reliance Industries Ltd, Tata Steel Ltd, Wipro Ltd. In 2015-16, the number increased to 14 when seven companies namely Asian Paints Ltd, Bajaj Auto Ltd, Gail India Ltd, Hero Motocorp Ltd, Maruti Suzuki Ltd, Larsen and Toubro, NTPC Ltd joined the list but two companies i.e. Mahindra and Mahindra Ltd and ICICI Ltd failed to meet the requirement in the second year.
- Corporate giant Reliance Industries Ltd spent the maximum amount in absolute terms 761 crores and 651.57 crores in 2015 and 2016 respectively. Mahindra and Mahindra Ltd spent nearly 3.424% of the average net profits on CSR in 2015 and NTPC Ltd spent 3.62% in 2016 which is much more than minimum threshold of 2% as required under law.
- Sun Pharmaceutical Industries Ltd and Tata motors Ltd had incurred losses in both the years and therefore had no obligation to spend on CSR under the law. However, these companies still chose to spend voluntarily on CSR activities and contributed nearly 16.32 crores and 39.19 crores respectively in both the years.
- State Bank of India does not come under the purview of Companies Act 2013 and is not required to spend on CSR activities under Sec 135 but it voluntarily chose to spend nearly 260 crores in both the years.
- 18 companies in 2014-15 and 13 companies in 2015-16 could not meet the minimum spending requirement on CSR. Quite a few, public sector companies missed the mark.
- 11 Companies failed to comply with law in both the years viz Axis bank Ltd, Bharat heavy electrical Ltd, Bharti Airtel Ltd, Cipla Ltd, Dr. Reddy's Laboratory Ltd, HDFC Bank Ltd, Housing Development Finance Corporation, Infosys, Lupin Ltd, ONGC, Tata Consultancy Services.
- The worst performer among Sensex companies in 2014-15, Hero Moto Corp that only spent 0.109% of its average net profit i.e. 2.41 crores and failed to spend 41.63 crores in 2014-15 made a mark this year. Hero Moto Corp increased its CSR spending to 65 crores and spent much more than the 2% requirement in 2015-16.
- Gail India Ltd also increased its CSR spending from 0.687% to 3.14% of average net profits in the second year.
- Companies expressed their commitment towards Corporate Social Responsibility and tried to defend their failure to spend 2% by expressing that funds have been earmarked for CSR activities and would be carried forward for the next year.
- Many companies expressed that they used the first year to focus on long term CSR activities. Although, big companies have a long history with implementing CSR activities but now companies are focusing on having a more structured approach and increase their level of engagement for social welfare activities.
- Many companies failed to meet the minimum requirement in the first year as they wanted to evaluate the various areas where they would undertake their CSR policy and activities in future. Delay in formulating CSR policies has been cited as a reason for non – compliance of the law.
- It was observed that most of the companies are working on the CSR activities that are linked to their business activities and in the geographies they operate.
- The major areas for CSR spending of the companies were education, health, livelihood, sanitation and drinking water facilities.
- Programmes for reducing social and economic inequalities, promoting women empowerment, disaster relief were also among the popular CSR projects were significant funds were spent by companies.

## Conclusion

Section 135 of companies Act 2013 makes it mandatory for some companies to spend 2% of their average net profits on CSR activities. The first two years of the Companies Act 2013 showed a drastic increase in the CSR spending of the Sensex companies but surprisingly 18 companies and 13 companies failed to fulfill the minimum requirement of 2% in 2014-15 and 2015-16 respectively. The companies did not provide

specific reasons for their failure to meet the requirement but mentioned that they understand their responsibility towards the society and have earmarked the funds to be spent next year. The comparison for the two years reveals that companies have increased their commitment towards CSR projects when 14 companies increased the percentage of profits to be spent on CSR activities. With coming years, the picture shall be clear if companies are actually complying with the law in its true spirit by devoting 2% of their average net profits of past 3 years on CSR. Also, the quality of the CSR projects undertaken needs to be analyzed to make sure the benefits are actually reaped by the society.

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