

LAGGING BEHIND TO REACH RESPONSIBILITY ALLOCATIONS: A REVIEW OF RECEIVING END

G.V. Satya Sekhar*, Sankar Mukherjee**

Abstract *CSR often takes the form of philanthropy among Indian corporate firms, but this does not necessarily mean that there is little potential for implementing CSR in any corporate business practices in India.*

This paper is intended to examine the invisible insights of CSR activities and corporate sector initiatives in India. It was found that most of the corporate entities are not spending their allocated budget amount towards CSR activity. In this paper it was observed that nearly 40 percent of allotted fund is not spent by the corporate giants in India. With an exception to few companies, most of them are lagging behind to reach the budgeted allocations during 2008-2013. Further, respondents' opinion on CSR spending patterns is also elicited.

Keyword: *Corporate Social Responsibility, Spending Pattern, Private Sector, and Public Sector*

INTRODUCTION

Corporate Social Responsibility (CSR) has been on the agenda of almost big Indian corporations engaged in CSR activities. If any corporate entity chooses to do business with Indian companies with poor social and environmental standards, it can attract negative attention from media, customers, investors, employees, and the authorities. CSR often takes the form of philanthropy among Indian corporate firms, but this does not necessarily mean that there is little potential for implementing CSR in any corporate business practices in India.

In the results published by Human Development Index 2011, it was found that India ranks at the lower end, at 134 of 187 countries. This study reveals that more than 30 percent of the Indian population is illiterate and more than one third of the population lives on less than a dollar and a quarter a day. In this context, implementation of the CSR should remain main agenda of the all corporate entities. This paper is an attempt to examine present status as well as a small sample survey to elicit opinion on corporate spending with reference to CSR activities.

Several major CSR initiatives have been launched in India since the mid-1990s. Among the first is the voluntary code of corporate governance, "Desirable Corporate Governance: A Code", established in April 1998, by the Confederation of Indian Industry (CII). In a global CSR study undertaken in 7 countries (viz. India, South Korea, Thailand, Singapore,

Malaysia, The Philippines and Indonesia) by the U.K. based International Centre for CSR in 2003, India has been ranked second in the list. National Foundation for Corporate Governance (NFCG) is a body which promotes CSR and raises the standards of corporate governance practices in India. The Ministry of Corporate Affairs has released the second version of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities in line with the Global Compact Network India. The following are few examples of corporate initiatives relating to CSR.

REVIEW OF LITERATURE

Howard Bowen's (1953) study mentions about CSR, which is relating to the obligations of businessmen to follow policies to make decisions. Frederick's (1986) study reveals that social responsibilities in the final analysis imply a public stance toward society's resources used for broad social ends. Gray's (1995) study explain about how the companies are expanding their boundaries from the country of their origin to the evolving markets in the developing countries which have been sometimes referred to as emerging markets. The current trend of globalisation has brought a realisation among the firms that in order to compete effectively in a competitive environment; they need clearly defined business practices with a sound focus on the public interest in the markets.

Reynard and Forstater (2002) mentioned that the social reporting and social audits are examples of how firms can

*Assistant Professor, Department of Finance, GITAM Institute of Management, GITAM University, Visakhapatnam, India.

Email-id: gudimetlavss@yahoo.com

** Assistant Professor, School of Mangement Studies, GITAM University, Bengaluru Campus, Bengaluru, Karnataka, India.

assess their social performance. Companies are beginning to realise the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes.

Sahoo and Nayak (2008) have stated that in the present economy, the industries are open to rigorous environmental policies, as the banking sector is one of the most important stake holders in the industrial sector. Further, environmental impact might affect the quality of assets and also rate of return of banks in the long-run. Thus, the banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems.

Oana Branzei (2010), in his case study, finds interesting facts relating to Tata Group. Bihari and Pradhan (2011) have attempted to map the corporate social responsibility practices of the Indian banking and found that CSR have positive relationship with the performance of the bank.

Jorge A. Arevalo et al. (2011) examined the various issues relating to CSR practices in Indian firms. The study finds that CSR approach that is most favoured by Indian firms is the stakeholders approach and the moral motive followed by profit motive is important driver for Indian firms to pursue CSR. The findings indicate that the obstacles in the way of implementing CSR are lack of resources followed by implementation related difficulties.

Shruti Gupta's (2011) study revealed about the CSR perception, a comparative study of consumers in India and USA, and she revealed that a sizeable part of US consumers were unaware of companies which spend for the CSR. It was found that both the countries viz India and USA, have a positive level of CSR practices built-in in their business firms. Foo Nin Ho et al. (2012) conducted a study to examine national culture and environment on corporate entities.

Nagib Salem Bayoud et al. (2012) made an exploratory study to examine the relationship between Corporate Social Responsibility Disclosure (CSRSD) and employee commitment in Libya. The study concluded that the greater part of employees opined that as CSRSD related to employee and employee activities will have a direct relationship to the employee commitment towards their company. Dr. Satish Kumar (2012) studied about CSR activities taken up by 30 BSE listed Companies. It was observed that CSR initiatives of the companies under study are independent of the level of revenue, type of ownership and the type of public and private sector.

A THEORETICAL PERSPECTIVE ON CSR PRACTICING MODELS

1. **Cause-related marketing:** This is a sales-driven, promotional technique that is centered on boosting profits and enhancing brand image and publicity. A company might donate a portion of each purchase made by its customers during a specific period of time to the non-profit entity.
2. **Creation of ancillary units:** Companies can initiate ancillary units for a variety of purposes. The main aim here is to: set up units to hire needy people to provide them with livelihood; train people according to company values.
3. **Volunteerism:** Business firms have a vast resource in the form of its employees who have knowledge, skills which when shared and contributed to other can help them in various fields to build their ability and enhance their skills in a variety of fields.
4. **Micro-credit:** This is the providing of loans to establish micro businesses in order to induce self-sufficiency and sustainable development.
5. **Stakeholder involvement:** Under this model interested consumers can make donation through their company. Online donation is made through a web site inviting a donation directly through mail for a cause.
6. **Philanthropy:** This is the most conventional form of CSR, which many organizations still involved in. It is aimed at providing support in cash or kind through grants, donations, charities, etc.
7. **Understanding social dimension:** There are five ways in which corporations can bring positive energy in to our economy and our society, which are mentioned below:
 1. Including all those who work for them in sustaining their industry and businesses, whether directly or indirectly, as their own people; making sure that they have access to basic economic services.
 2. Recognizing work as central to the company's social responsibility. Productive work is central to the lives of the poor.
 3. Investing in those local initiatives that have the potential to grow, such as micro-finance initiatives, R&D, or marketing initiatives.
 4. Helping build the capacity of the working poor and their groups to enter global markets, by sharing marketable skills and knowledge with them.
 5. Contributing to their physical wellbeing by ensuring that they have some social security to help them during times of illness, old age and during other crisis in their lives.

Table 1: Budget Allocation and Utilization for CSR Activities 2007-2008

Name of the sector/company	Allocation (Rs. In lakhs)	Actual expenditure (Rs. in lakhs)	Unutilized amount (Rs. in lakhs)	Percentage of unutilized amount over allocation
Oil and Natural Gas Sector				
Bongaigaon Refinery & Petrochemicals Limited	135.00	109.15	25.85	19.15
Numaligarh Refinery Limited	543.25	349.84	193.41	35.60
Balmer Lawrie & Company Limited	36.00	34.50	1.5	4.17
Biecco Liwrie Limited	1.00	0.46	0.54	54.00
Bharat Petroleum Corporation Limited	903.00	566.00	337.00	37.32
Hindustan Petroleum Corporation Limited	124.45	84	40.45	32.50
Mangalore Refinery Project Limited	250	151.16	98.84	39.54
Oil India Limited	1717.00	642.07	1074.93	62.61
GAIL (India) Limited	1751.26	1666.07	85.19	4.86
Indian Oil Corporation Limited	5952.51	5426.72	525.79	8.83
Total	11413.47	9029.97	2383.50	
Power Sector				
Nuclear Power Corporation of India Limited	279.00	170.89	108.11	38.75
NHPC Limited	200.00	96.05	103.95	51.98
Narmada Hydro Development Corporation Limited	55.00	40.49	14.51	26.38
NTPC Limited	1401.00	759.00	642.00	45.82
NTPC-SAIL Power Company(P) Limited	74.87	46.12	28.75	38.40
Power Grid Corporation Limited	45.00	37.50	7.50	16.67
Total	2054.87	1150.05	904.82	
Coal Sector				
South Eastern Coalfields Limited	858.45	732.98	125.47	14.62
Western Coalfields Limited	439.07	351.46	87.61	19.95
Bharat Coking Coal Limited	240.00	*185.78	54.22	22.59
Central Coalfields Limited	500.00	*385.28	114.72	22.94
Mahanadi Coalfields Limited	1832.88	*1832.88	0.00	0
Eastern Coalfields Limited	200.00	*387.68	-	-
North Eastern Coalfields Limited	0.00	*14.91	-	-
Northern Coalfields Limited	250.00	*441.33	-	-
Total	4320.40	4332.30	382.02	
Grand Total	17788.74	14512.32	3670.34	

UNSPENDING PATTERN AMONG PUBLIC VS PRIVATE SECTOR

The public sector in India was set up with the objective of achieving inclusive growth aimed at ensuring equity and justice to the overall society. Consequently, CPSEs have been pioneers in implementing Corporate Social Responsibility (CSR) initiatives towards community growth and development while achieving their commercial mandate. Table 1 indicates the status of budget allocation and utilization for CSR activities during 2007-2008 in

various public and private sector organizations. It can be observed that nearly 50 per cent of amount is not utilized during the year 2007-08.

Table 2 indicates that the blue-chip Central Public Sector Enterprises like Coal India, Indian Oil Corporation, ONGC and SAIL have not fully utilized their funds allocated for undertaking corporate social responsibility (CSR) projects in 2011-12. Of the five Maharatna PSUs, four of them—Coal India, Indian Oil Corporation, ONGC and SAIL—have not fully used funds earmarked for CSR in the last fiscal. During 2011-12, CIL earmarked an amount of Rs 553 crore

Table 2: Budget Allocation and Utilization for CSR Activities 2011-12

Companies	CSR Allocation (Rs. crore)	CSR Funds utilized amount (Rs. in Crore)	Percentage of utilized amount over allocation
1. PFCL	13.2	19.4	146.3
2. HAL	5	5.8	116
3. NLC	13	14.1	108.4
4. NMDC	80.1	86.7	108.2
5. NTPC	46	49.3	107.3
6. REC	12.9	13	100.8
7. BPCL	7.7	7.7	100
8. SJVNL	7.8	7.8	100
9. OIL	51.9	50.2	96.7
10. SAIL	64	61.3	95.7
11. PGCIL	27	24.9	92.2
12. IOC	95.6	82.7	86.5
13. GAIL	82.8	54.4	65.8
14. NHPC	21.7	9.6	44.4
15. ONGC	378.5	121.1	32
16. CIL	553.3	77.3	14
17. NPCIL	21.5	1.8	8.4
18. BHEL	30.1	1.8	6

but spent merely Rs 77 crore while ONGC allocated Rs 378 crore and utilized only Rs 121 crore. Indian Oil Corporation allocated about Rs 96 crore and used only Rs 83 crore and SAIL allocation was Rs 64 crore and utilized amount was Rs 61 crore, for carrying out CSR activities. However, NTPC exceeded the limit of allocated amount for carrying out CSR activities in the last fiscal. The company had earmarked Rs 45 crore and spent Rs 49 crore. As regard to 16 Navratna PSUs, 4 of them-BHEL, GAIL, Hindustan Petroleum and RINL-have not fully utilised the allocated amount for carrying out such projects. Further, those companies earning a profit of Rs 500 crore and above, CSR spending should be between 0.5 to 2 percent of their net profit.

Table 3 indicates spending pattern towards corporate social responsibility in the steel sector in India. It was observed that in the year 2010-2011, the two corporate giants SAIL and RINL could able to spent only 76%. However, by the end of October, 2012, RINL could able to spent almost 96% of the amount allotted towards CSR activities, whereas SAIL could able to spent only 43 percent of its allotted budget. Thus a lot

of efforts are required to reach its objective.

PEOPLES' PERCEPTION ON CORPORATE SPENDING ON CSR

A small survey¹ is conducted to elicit opinion on corporate spending pattern with reference to CSR activities in India. The result were categorised into i) Age based (Table 4), ii) Gender based (Table 5), iii) Family Income based (Table 6), iv) Education level (Table 7), and v) Profession of respondents (Table 8).

After going through the ANOVA –two factor analysis, it was observed that a high degree of variance found in the various categories like: age group of 25-35, male, income-group of Rs.2-4 lakhs, post graduate and private sector people compared to the other groups of in each category. A less degree of variance found in the group of people having age above 45, female, income group of less than 2 lakhs, non-

¹ Here some part of the results were used for analysis and survey conducted as a part of thesis work by Sankar Mukharjee, for the award of M.Phil., GITAM University, Visakahapatnam.

RESPONDENTS' SURVEY

Corporate participation in CSR should be increased and strengthened

Table 4: AGE GROUP

	AGE	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Group Total
	25-35	3	2	15	95	94	209
	35-45	3	5	15	53	32	108
	>45	1	4	17	48	33	103
Group Total		7	11	47	196	159	420

SUMMARY	Count	Sum	Average	Variance		
Row 1	5	209	41.8	2340.7		
Row 2	5	108	21.6	439.8		
Row 3	5	103	20.6	394.3		
Column 1	3	7	2.333333	1.333333		
Column 2	3	11	3.666667	2.333333		
Column 3	3	47	15.66667	1.333333		
Column 4	3	196	65.33333	666.3333		
Column 5	3	159	53	1261		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	1430.8	2	715.4	2.351485	0.157304	4.458970108
Columns	10265.3333	4	2566.333	8.435411	0.005712	3.837853355
Error	2433.86667	8	304.2333			
Total	14130	14				

Table 5: Gender Group

	GENDER	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Group Total
	MALE	3	5	21	96	103	229
	FEMALE	4	6	26	99	56	191
Group Total	7	47	195	159	420		

Anova: Two-Factor Without Replication						
SUMMARY	Count	Sum	Average	Variance		
Row 1	5	228	45.6	2475.8		
Row 2	5	191	38.2	1592.2		
Column 1	2	7	3.5	0.5		
Column 2	2	11	5.5	0.5		
Column 3	2	47	23.5	12.5		
Column 4	2	195	97.5	4.5		
Column 5	2	159	79.5	1104.5		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	136.9	1	136.9	0.555601	0.497454	7.708647
Columns	15286.4	4	3821.6	15.50974	0.010562	6.388233
Error	985.6	4	246.4			
Total	16408.9	9				

Table 6: Family Income Group

	FAMILY INCOME	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	TOTAL
	< 2 LAKHS	1	2	4	19	17	43
	2-4LAKHS	3	4	23	89	84	203
	4 LAKHS & ABOVE	3	5	20	88	58	174
	3						
Group Total	7	11	47	196	159	420	

Anova: Two-Factor Without Replication						
SUMMARY	Count	Sum	Average	Variance		
Row 1	5	43	8.6	75.3		
Row 2	5	203	40.6	1822.3		
Row 3	5	174	34.8	1371.7		
Column 1	3	7	2.333333	1.333333		
Column 2	3	11	3.666667	2.333333		
Column 3	3	47	15.66667	104.3333		
Column 4	3	196	65.33333	1610.333		
Column 5	3	159	53	1141		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	2906.8	2	1453.4	4.135047	0.058452	4.45897
Columns	10265.33	4	2566.333	7.301437	0.008849	3.837853
Error	2811.867	8	351.4833			
Total	15984	14				

Table 7: Educated People

	EUCATION	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Group Total
	GRADUATE	4	1	13	55	41	114
	POST GRADUATE	1	3	20	90	97	211
	PROFESSIONALS		1	7	41	13	67
	OTHERS	1	2	7	10	8	28
Group Total	7	11	47	196	159	420	

Anova: Two-Factor Without Replication				
SUMMARY	Count	Sum	Average	Variance
Row 1	5	114	22.8	573.2
Row 2	5	211	42.2	2253.7
Row 3	5	67	13.4	256.8
Row 4	5	28	5.6	15.3
Column 1	4	7	1.75	2.25
Column 2	4	11	2.75	2.916667
Column 3	4	47	11.75	38.25
Column 4	4	196	49	1100.667
Column 5	4	159	39.75	1667.583

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	3738	3	1246	3.183308	0.063083	3.490295
Columns	7699	4	1924.75	4.917394	0.013989	3.259167
Error	4697	12	391.4167			
Total	16134	19				

Table 8: Professional People

	PROFESSION	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Group Total
	PRIVATE	1	2	9	63	48	123
	PUBLIC	3	4	16	54	45	122
	ENTREPRENEURSHIP	2	3	6	24	31	66
	OTHERS	1	2	16	55	35	109
	Group Total	7	11	47	196	159	420
Anova: Two-Factor Without Replication							
SUMMARY	Count	Sum	Average	Variance			
Row 1	5	123	24.6	833.3			
Row 2	5	122	24.4	561.3			
Row 3	5	66	13.2	178.7			
Row 4	5	109	21.8	533.7			
Column 1	4	7	1.75	0.916667			
Column 2	4	11	2.75	0.916667			
Column 3	4	47	11.75	25.58333			
Column 4	4	196	49	294			
Column 5	4	159	39.75	64.91667			
ANOVA							
Source of Variation	SS	df	MS	F	P-value	F crit	
Rows	430	3	143.3333	2.359396	0.122879	3.490295	
Columns	7699	4	1924.75	31.68313	2.71E-06	3.259167	
Error	729	12	60.75				
Total	8858	19					

educated and entrepreneurs in their respective categories. Most of the respondents (nearly 80 percent) opined that present spending on CSR by corporate India should be increased and strengthened.

CONCLUSION

This study is intended to examine the invisible insights of CSR activities and corporate sector's initiatives in India. It was found that most of the corporate entities are not spending their allocated budget amount towards CSR activity. In this

paper it was observed that nearly 40 percent of allotted fund is not spent by the corporate giants in India. With an exception to few companies, most of them are lagging behind to reach the budgeted allocations during 2008-2013. After going through the ANOVA –two factor analysis of respondents' opinion on CSR spending patterns, it was observed that a high degree of variance found in the various categories like: age group of 25-35, male, income-group of Rs.2-4 lakhs, post graduate and private sector people compared to the other groups of in each category.

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