

CSR & sustainable development: an analysis of CSR practices in India

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Abstract

Objectives: Analyze the trend and pattern of CSR in India, to check whether they fit in the line of sustainability goals of the nation.

Methods/Statistical analysis: This study explores the role of CSR in attaining sustainable development with the help of basic statistical analysis such as trend lines, figures and diagrams. The CSR data provided by the Ministry of Corporate Affairs, Government of India and Annual Reports of the Companies are employed to draw necessary inferences. The technique of hierarchical clustering has been exploited to study the similarity between the CSR expenditure in different sectors. The study focuses on major contributory companies to the CSR in India.

Findings: The effort of CSR in India shows both ups and downs over the study period 2012-16. Though there is a varying trend in CSR in India, they are not increasing or decreasing drastically. It is also evident that the CSR in India has been flourishing, as the number of companies who spend more than ₹100 crores or ₹50 crores and their CSR contribution have increased considerably over one year, marking a positive. Majority of the Indian corporate assign the lion share of their CSR towards health and sanitation sector followed by agriculture and rural development, and education. Noticeably, sustainability is one among the least bothered categories of CSR expenditure of these firms.

Application/Improvements: Though the CSR potential in the country has been increasing, the orientation or concerns of CSR is not bothered about the sustainability and environment.

Keywords: CSR, India, Development, Sustainability, Corporate

1. Introduction

In recent global economy and corporate context, the term sustainability has begun to replace the term corporate social responsibility (CSR) as it has become an increasingly significant element in modern business. CSR has been put on the global agenda since there is wide spread concerns about environmental degradation and social inequality. The concept of CSR can be traced back to the institutional features of developed 'Western' economies, such as the United States and Western Europe. Consequently, CSR has been practiced by companies in a very large manner in those nations. For instance, Most of the large private universities in such nations were setup as a part of CSR activities undertaken by large corporate. Slowly this trend is spreading to India like developing countries as well. The recently established Azim Premji University (2010-11) in Bangalore is one of such effort made by Azim Premji Foundation, the social responsibility and philanthropy wing of Indian business tycoon Azim Hashim Premji. Similarly, a number of corporate contribute towards the development of societies in which they operate their business. However, defining CSR is a complicated phenomenon.

According to United Nations, CSR can be defined as "the overall contribution of business to sustainable development". The UN Sustainable Development Innovation Briefs (2007) state that "defining corporate social responsibility in more detail than this remains a vexed issue. In practice views differ based on two factors. First, the extent to which importance is placed on the centrality of the 'financial business case' for responsible business behavior in defining the scope of CSR practices — i.e. the extent to which tangible benefits to companies must be demonstrable. Secondly, the extent to which government is seen to have a role in framing the agenda — and how. A minimum standard for CSR might be that businesses fulfill their legal obligations or, if laws or enforcement are lacking, that they 'do no harm'.

A median approach goes beyond compliance, calling for businesses to do their best, where a 'business case' can be made, to contribute positively to sustainable development by addressing their social and environmental impacts, and potentially also through social or community investments. A maximum standard points toward the active alignment of internal business goals with externally set societal goals (those that support sustainable development)" [1,2]. Even though the concept of CSR is old, India made it mandatory backing by virtue of Section 135 of companies Act during 2013 only. So far the corporate social responsibility had been voluntary for the business world and the efforts were mostly concentrated on community development and alleviation of environmental pollution. However, the efforts of the Indian Business society were not poor in this regard, if we look at the annual reports and records of the companies. However Indian firms have started allocating funds for CSR activities specifically with the implementation of the Act in 2012-13 [3]. In addition, the Securities and Exchange Board of India (SEBI) made it compulsory to include business responsibility report as a part of their annual report for the top 100 companies during the same year [4]. Hence the year 2012-13 marks a turning point in the CSR history of India. Following this context, this study explores the role of CSR in attaining sustainable development with the help of suitable statistical and mathematical analysis. The CSR data provided by the Ministry of Corporate Affairs, Government of India and Annual Reports of the Companies are well employed to draw necessary inferences. The study focuses on major contributory companies to the CSR in India and analyzes the pattern of their CSR expenditure to check whether they fit in the line of sustainability goals of the nation.

Majority of the studies and research on CSR comes from western nations [5] and their subject matter is about companies as well as non-governmental organizations (NGOs) and other agencies, which perhaps include the United Nations and the World Bank [6-8]. The CSR norms and standards have usually been designed in developed countries. They do it for both companies in developed countries or for multinational companies (MNCs) operating in developing countries and this phenomenon may have slowed down development of local CSR approaches in which the wings of MNCs operate [9]. In addition, CSR developments in developing countries remain unexplored in any manner [10,11]. Irrespective of this fact, even the modern studies go primarily behind MNC subsidiaries roll out CSR practices [12,13], hence summarily neglects CSR efforts of how local companies in their local environments. Much in the same way, the role of the State and MNC subsidiaries in local companies' adoption of CSR practices also remains largely unexplored [14-15].

As a result, CSR studies in Indian context are also rare to find. In [16] have studied on the connection between CSR and sustainable development and commented that CSR is capable of ensuring a more balanced, harmonious and welfare oriented developmental approach in India. However there has been limited success in achieving the goals of CSR in India, may be because it was the wake of CSR in India legally. In [17] states that notwithstanding the potential economic costs that may accompany mandated CSR, the provisions of the new CSR Act are designed thoughtfully to balance the objectives of the corporation and its shareholders on the one hand and that of the society and its stakeholders on the other hand. However, the success or failures of these objectives are subject to addressing the challenges of implementation successfully. In [18] analyzed the trend of corporate social responsibility expenditure by firms in India, especially in the wake of the new Companies Act, 2013 and observed that the concept of CSR has the potential to bring a revolution in the development of the Indian economy. CSR seeks to address the problems of society in a cost-effective manner in an economy with rising fiscal deficit and leakages in the welfare schemes, as the CSR concept has the potential to generate ₹20,000-25,000 crores every year, which can give a boost to investment in human and physical capital.

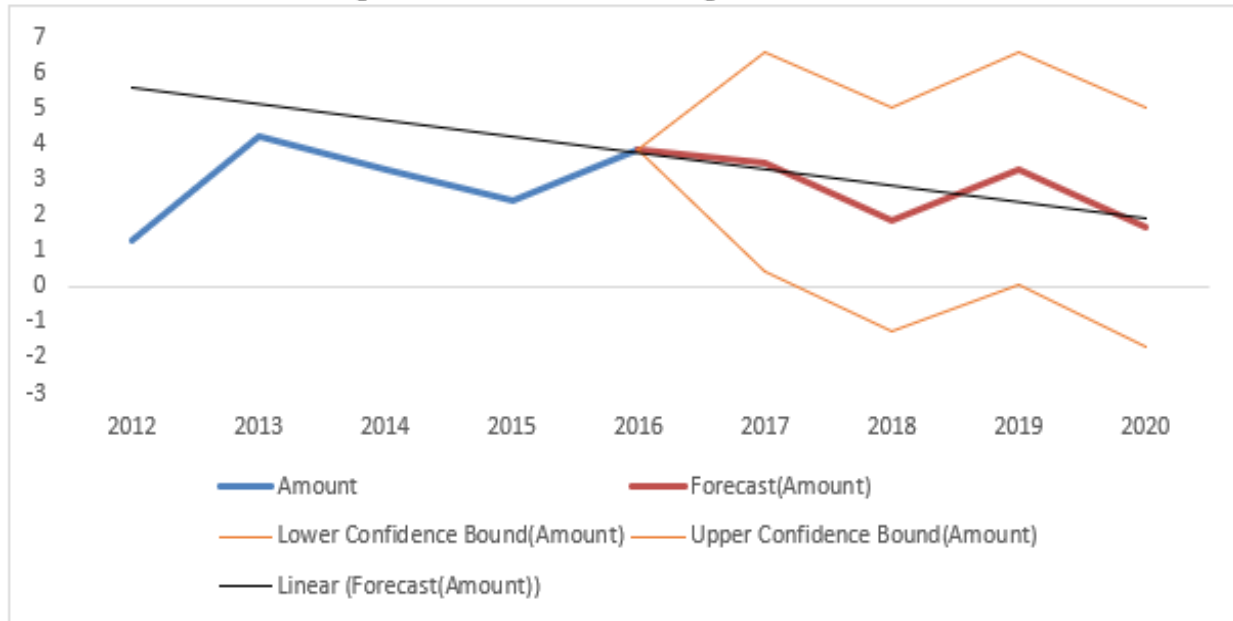
2. Materials and Methods

The study is primarily based on secondary data. The CSR data provided by the Ministry of Corporate Affairs, Government of India and Annual Reports of the Companies are the major sources of data. Suitable statistical analysis such as trend lines, figures and diagrams have been used with the help of 'R Program' to draw conclusions of the study. The study focuses on major contributory companies to the CSR in India and analyzes the pattern of their CSR expenditure.

3. Results and Discussion

The trend shows its ups and downs alternatively for the years 2012-16 and then the forecast up to 2020. In the 2013, when CSR made mandatory, CSR expenditure mark a hike from 2012 and then slowly decreased for next two years and slowly went up during 2016. It is evident that there is stability in the trend of CSR expenditure in India so far and the trend will remain for the immediate future which provides a lot for the needy to rely on CSR further. Figure 1 and 2 shows that the CSR in India has been flourishing in different ways. The number of companies who spend more than ₹100 crores has increased from 16 companies in 2014-15 to 20 companies in 2015-16 marking an industry nourishment as well social responsibility of such firms.

Figure 1. Trend of CSR expenditure in India

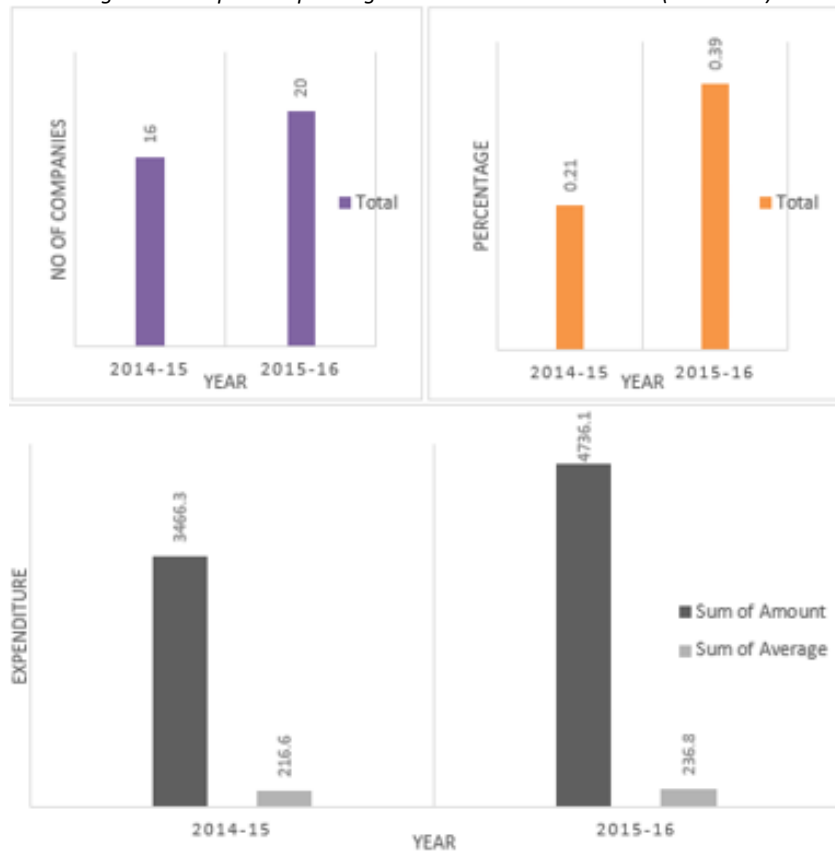


Source: Authors' calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

However, the total number of companies for the year 2014-15 was 5000 and for the year 2015-16 was 7000, proving the growth of corporate sector in India. Following the fact and fashion, percentage share of CSR has also increased from 0.21% in 2014-15 to 0.39% in 2015-16, which is almost double of the previous year. Naturally, the average CSR expenditure has jumped from ₹3466 crore in 2014-15 to ₹4736 crore in 2015-16, which is a average hike of ₹1270 crore for just one year gap. Hence it can be perceived that the sample drawn from the Indian corporate shows a positive trend of, giving rays of hope that the growth of corporate in the country will really feed the needs of poor sectors and people in the country.

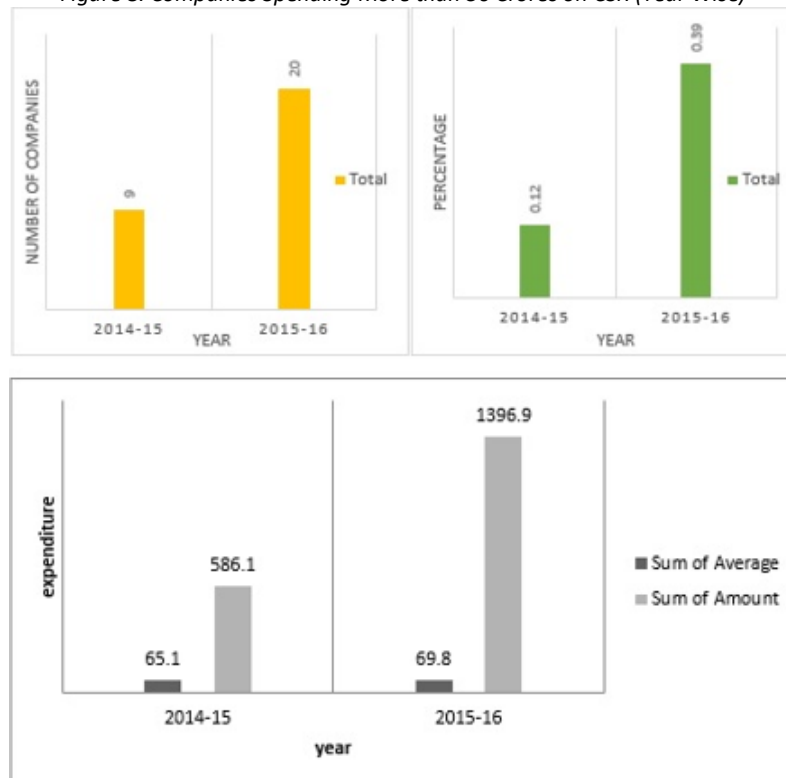
Figure 2 has been made for the companies who are spending more than 50 crores on account of CSR as shown in the Figure 3. The growth of CSR activities in this category of corporate are much faster the previous one. The number of companies who spend more than ₹50 crores has increased from 9 companies in 2014-15 to 20 companies in 2015-16 marking a two fold increase in the number CSR firms. Again, the total number has also increased from 5000 (2014-15) to 7000 (2015-16), establishing the growth of corporate sector in India. Much interestingly, percentage share of CSR has also increased from 0.12% in 2014-15 to 0.39% in 2015-16, which is a threefold increase against the two fold increase in case of companies with CSR of 100 crores and above. The average expenditure of these category companies has also risen by ₹810 crores over a year, which is more than a two fold increase, beating the increase in case of companies with CSR of 100 crores and above.

Figure 2. Companies Spending More than 100 Crore on CSR (Year Wise)



Source: Authors' calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

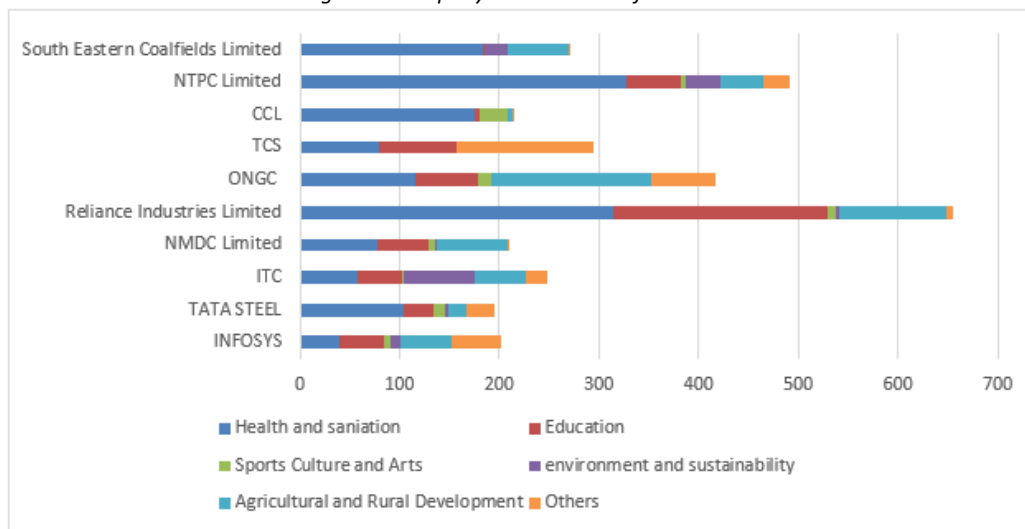
Figure 3. Companies Spending More than 50 Crores on CSR (Year Wise)



Source: Authors' calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

The Figure 4 describes the pattern of CSR of top 10 corporate in India for the year 2015-16. Most of the corporate assign the lion share of their CSR towards health and sanitation sector. The TCS, ONGC and INFOSYS are exempted from this, in which INFOSYS is having negligible gap between health and sanitation and agriculture and rural development. Agricultural and rural development is the second most concern of CSR of all of the companies except CCL and Reliance Industries. Following agriculture and rural development, education is the next most popular CSR concern of the companies. Noticeably, environment and sustainability as well as sports and culture are the least bothered categories of CSR expenditure of these firms.

Figure 4. Company Wise Pattern of CSR

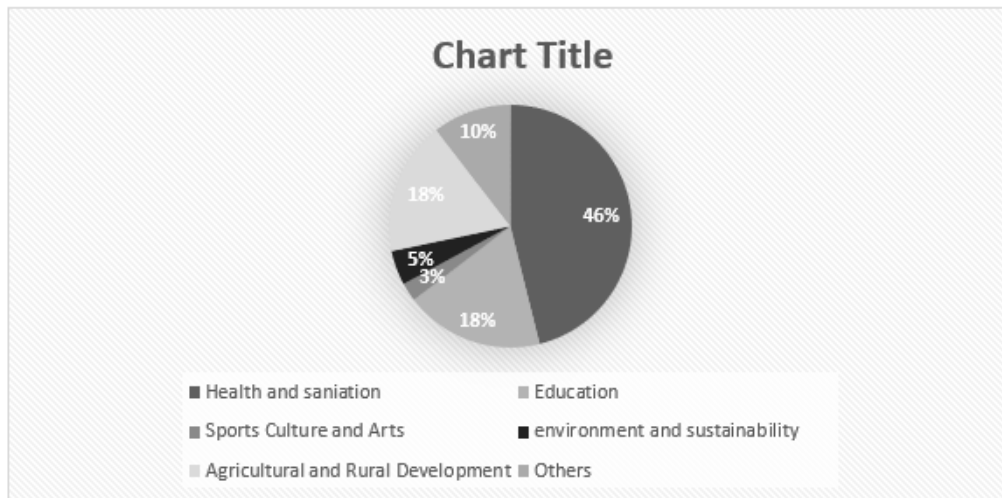


Source: Authors' calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

Therefore it can be concluded that the health and sanitation come on top priority while spending from CSR followed by agri-rural development and education. While admitting that the pattern and priority is good for the improvement of mankind, the sustainability part and concerns of environment is largely neglected. The priority sectors of the Indian CSR are actually the sectors assisted by various government policies and funding too. Health, education and agri-rural development are traditionally the concerns of any government in the post independent India. Hence the CSR concentration need not be on the same line, since the environmental and sustainability concerns are never been addressed by any of the government schemes seriously. The notion of sustainable development and environmental protection must certainly be the subject of CSR because the firms exploit or degrade the nature most. Hence the government usually does not take any initiation to rectify or compensate it and if the corporate too do the same again, then the improvements that we have out of the growth will not be sustainable and it will surely be on cost of some disasters. Again it is noteworthy that in most of these companies, CSR expenditure on sports and culture exceeds the CSR on environment and sustainability. On what ground can we justify this? Of course the culture, heritage and sports have to be flourished in the country, but not prior to sustainability and environmental concerns. Because the sport and cultural aspects of the nation is already been cared under different schemes and institutions, including tourism industry. In fact, the same tourism industry has done nothing towards sustainability matters, rather over exploiting the natural resources and heritage.

The distribution of CSR expenditure in India in total is (Figure 5) also going in line with the company wise priorities (for the year 2015-16). The total CSR has also indicating that 46% of the total CSR in India is going on account of health and sanitation. Similar to the majority of individual company patterns, agri-rural development and education are the next popular sectors of Indian CSR expenditure (18%). Noticeably, only 5% of the total CSR expenditure in India goes on environment and sustainability concerns and a mere 3% goes on sports and culture part. These two sectors fall even behind the 'others' category in the list, marking the least preference for sustainability, environment and culture.

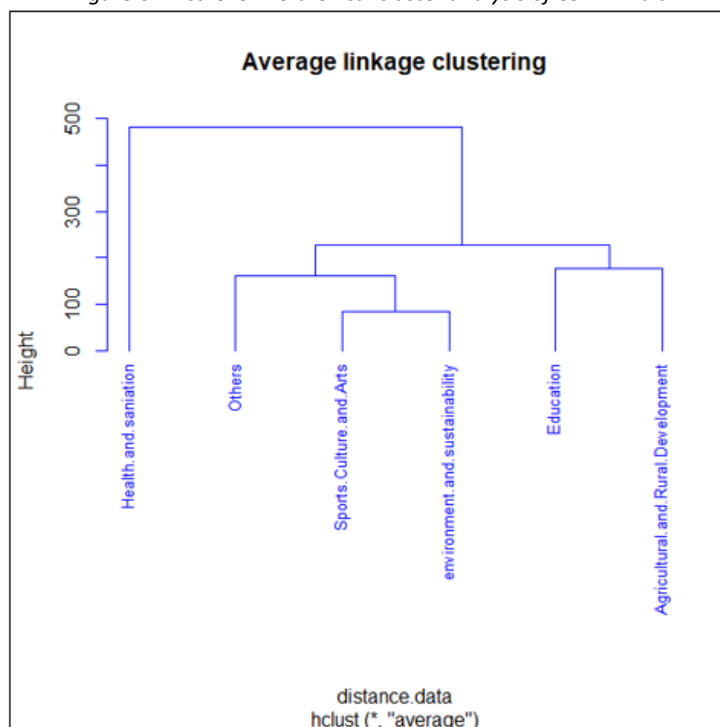
Figure 5. Distribution of CSR in India



Source: Authors' calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

A hierarchical cluster analysis has been applied on the CSR expenditure of the top 10 companies in the year 2015-16. The sectors considered here are 'Education', 'Agricultural and rural development', 'Sports, culture and arts', 'Environment and sustainability' and 'Others'. From the above dendrogram we can explore a different as well as interesting aspect of the CSR expenditure. It is being observed that 'Sports, culture and arts' and 'Environment and sustainability' have similarity between them with respect to the expenditure. Similarly, we find that 'Education' and 'Agricultural and rural development' similarity. Finally, we see that 'Health and sanitation' bears no similarity with the other sector as shown in Figure 6. Now, another problem arises when one tries to choose the appropriate clusters using the above sectors. In other words, one may be keen to know the appropriate member(s) of a specific cluster. However, it is the job of the analyst that he has to specify the number of clusters he/she wishes to have. For this case let's choose 3. If we go for 3 clusters, we can see the members of the three clusters.

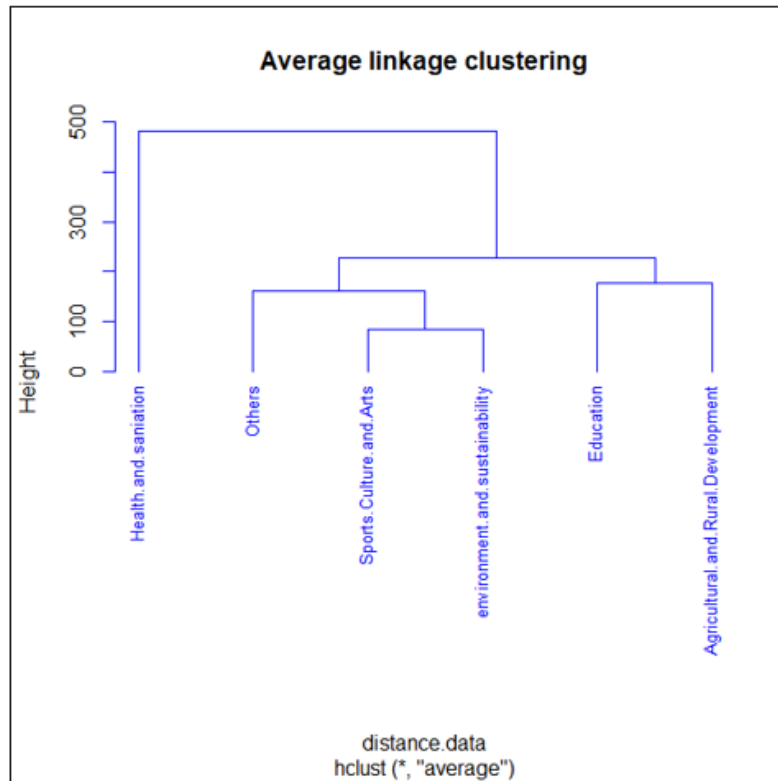
Figure 6. First level hierarchical cluster analysis of CSR in India



Source: Authors' calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

From the above image, we see that ‘Health and sanitation’ alone forms a cluster. Again, ‘Environment and sustainability’ and ‘Sports, culture and arts’ and ‘others’ forms another cluster and finally, ‘Education’ and ‘Agricultural and rural development’ form the third one as shown in Figure 7.

Figure 7. Second level hierarchical cluster analysis of CSR in India



Source: Authors’ calculation by using CSR data given by the Ministry of Corporate Affairs, Government of India

4. Conclusion

The effort of CSR in India backed by the 2013 Act shows alternative up and downs trend for the years 2012-16. Though there are slight such changes, they are not increasing or decreasing drastically. Further it is evident that the CSR in India has been flourishing, as the number of companies who spend more than ₹100 crores or ₹50 crores and their CSR contribution have increased considerably over one year, marking a positive which gives rays of hope that the growth of corporate in the country will really feed the needs of poor sectors and people in the country. Majority of the Indian corporate assign the lion share of their CSR towards health and sanitation sector followed by agriculture and rural development, and education. Noticeably, environment and sustainability as well as sports and culture are the least bothered categories of CSR expenditure of these firms. Again it is noteworthy that in most of these companies, CSR expenditure on sports and culture exceeds the CSR on environment and sustainability. The least preference for sustainability, environment and culture while spending on CSR are proved when we take the whole CSR of the total industry. It is being observed that ‘Sports, culture and arts’ and ‘Environment and sustainability’ have similarity between them with respect to the CSR expenditure. Similarly, we find that ‘Education’ and ‘Agricultural and rural development’ similar tie-up. And ‘Health and sanitation’ bears no similarity with the other sector. This pattern firmly exists even when analyzed for next level clustering. To conclude, it is hopeful that the CSR potential in the country has been increasing and the legal regulations in this regard have brought them to an accountable manner. However, the orientation or concerns of CSR is not bothered about the sustainability and environment. Indian CSR is still taking a circle around health and educational infrastructure of the country, forgetting the fact that the industry is already too late to address the global sustainability concerns and goals.

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