

CSR Practices By Indian Companies: A Review Of Literature

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Abstract - The last half decade has witnessed a remarkable resurgence of attention among practitioners and scholars to understanding the ability of corporate social responsibility (CSR) to address many problems. While significant advances have been made, assessing the forms, types and impacts on intended objectives is impeded by the conflation of distinct phenomena, which has created misunderstandings about why firms support CSR, and the implications of this support, or lack thereof, for the potential effectiveness of innovative policy options. Despite a dramatic increase in CSR research in recent years, little is known about how and why companies invest in some CSR practices but not others, or how such choices are affected by the cultural, socioeconomic, and competitive contexts in which companies operate. Business operations affect the well-being of people and the environment around the globe, making it vital to understand how companies manage and communicate their CSR practices to stakeholders.

Key words: CSR, Environment, Socioeconomic, Companies, Effectiveness, Stakeholders.

I. INTRODUCTION

Companies Act, 2013 has been made corporate social responsibility mandatory in India. Central public sector enterprises of India have played a key role regarding corporate social responsibility for the development of the nation, in which, they have published a set of separate guidelines for central public sector undertakings on 12 April, 2013. It has been observed that the findings have been divided into three groups across the globe, that is, corporate social responsibility has either a positive impact or a negative impact or no impact on firms' financial performance. Researchers surveyed a good amount of research work and literature carried out in the area of corporate social responsibility and impact on financial performance. There are some of the reviews of the studies which had been previously undertaken in the field of CSR. The aim of present study is to examine the extent of applicability of CSR practices by Indian companies with the help of previous studies and to suggest some new directions for research.

Objectives of the study

This review is done to address the following objectives:

1. To study the prevailing status of corporate social responsibility practices by Indian companies.
2. To review the existing literature of corporate social responsibility.
3. To suggest some less focused areas of corporate social responsibility for further research

II. RESEARCH METHODOLOGY

The present study is descriptive in nature which reviews the work of different researchers in the context of corporate social responsibility with reference to the Indian companies. This paper uses secondary data. The period of study is eight years i.e. from 2008 to 2015. Purposive sampling techniques has been used to select the companies and related literatures i.e. three years after and five years before enactment of the Companies Act, 2013.

Significance of the study

Through this study an attempt has been made to explore the views of different researchers on CSR practices by Indian companies. This study will help in finding new areas and aspects of CSR on which less or no work has been done. It will also put light on new aspects for further research.

III. REVIEW OF LITERATURE

Athma and Yarragorla (2015) ¹ investigated the major differences between CPSE Guidelines and Sec. 135 of Company Act 2013 along with the impact of CSR as per Sec.135 of new Company Act 2013 on Maharatna Companies for the period from 2011-14. They concluded that CSR liability of Maharatna companies is more or less equal as per both CPSE Guideline and Sec. 135 of company act 2013 and CSR provision of Sec.135 is more flexible than CPSE Guideline regarding CSR.

Yadav and Gupta (2015) ² aimed at see the influence of CSR activities on financial performance of 5 private companies in India such as Tata Steel, RIL, Mahindra &

Mahindra, Infosys and Larsen & Toubro for the year 2010-14. They have taken return on net worth, profit before tax and EPS as the financial performance indicators. CSR has an insignificant relationship with return on net worth but it was a positive relationship with EPS of these companies by using regression analysis and ANOVA.

Bhunia and Das (2015)³ studied CSR activities of seven Maharatna companies to examine to what extent CSR influences the financial performance of these Maharatna companies in India for the period of 2004-13. They adopted correlation, simple regression and multiple regressions to test the causality of CSR on firm's profitability. The researcher observed that only Gas Authority of India Limited had a positive impact of CSR on profitability but the rest of the companies had a negative impact on its profitability.

Das and Bhunia (2015)⁴ observed the impact of Corporate Social Responsibility on financial performance indicators of sixteen Nabaratna companies in India for the period of 2010-14. The correlation result showed that all the financial performance indicators, viz. liquidity, financial leverage, fund size, firm's size, net profit margin and ROS had a insignificant positive relationships with CSR but only ROA was negatively related to Corporate Social Responsibility. The multiple regression result revealed that CSR affected the fund size and firms' size but profitability indicators of these companies were not influenced by CSR and concluded that CSR did not have any effect on financial performance indicators except fund size and firm's size.

Vijay and Divya (2014)⁵ studied the various Corporate Social Responsibility activities done by Indian commercial banks and wanted to know customer satisfaction as a part of CSR and also examined the influence of Corporate Social Responsibility on Indian commercial banks in pre and post-period of banking activity in respect of Corporate Social Responsibility implementation for the period of 2000-01 to 2012-13. They adopted descriptive statistics analysis, trend coefficient and chow test to conduct the study. They concluded that commercial banks were providing a good level of customer satisfaction as the Corporate Social Responsibility was a concerned and the performance level of these banks increases as due to implementation of Corporate Social Responsibility. They suggested disclosing the amount of Corporate Social Responsibility expenditure in their annual reports.

Laura (2014)⁶ studied the CSR practices of two Maharatna companies, viz. Steel Authority of India Limited (SAIL) and National Thermal Power Corporation (NTPC) and one Miniratna company, viz. Airport Authority of India (AAI) on socio economic development of rural people and concluded that those CSR activities done for rural development had a positive impact on overall development of society and business.

Sankar (2014)⁷ observed that the various research papers relating to the relationship between Corporate Social Responsibility initiatives of various organisations and their financial performance. The finding showed a mixed relationship between Corporate Social Responsibility and financial performance. On the basis of prior study, the author concluded that Corporate Social Responsibility had a positive relationship with financial performance of firms.

Kumar and Reddy (2014)⁸ studied the practices of CSR in SAIL, they concluded that SAIL did not have the CSR policy to carry out CSR activities properly and the unspent amount of CSR budget was reallocated to different plants and units of SAIL rather than to carry on this remaining amount of CSR budget to next year.

Gupta and Arora (2014)⁹ executed by Public Sector Enterprises in India with considering 5 Maharatna companies and 2 Navaratna companies for the study and concluded that more or less all Maharatna and Navaratna companies do same type of CSR practices and they are doing a very good job regarding CSR. They recommended that collective effort of Government and private players surly achieve the desire level of CSR activities in companies for the better improvement of society.

Omweno Nyameyio Enock & Kundan Basavaraji, (2013)¹⁰ CSR has been assuming greater importance in the corporate world in 21th century. Indian Government has drafted guidelines for CSR practices, which of late proposed companies to contribute a percentage share towards that cause (CSR). This study compares the CSR activities of Tata Company and ITC Company on different areas i.e. environmental friendliness, social accountability, employee's safety, human rights promotion and healthcare etc. The study also focuses on the reporting methods used by these companies. From this study, it is observed that all the two big private companies of the country are directly engaged in social responsibility in various areas, from innovation in agriculture & education to saving the environment. It is concluded that environment, education, community involvement and health care activities practiced as CSR by both companies.

Moharna (2013)¹¹ examined the CSR activities of public sector banks namely Allahabad bank, Andhra bank, Bank of Baroda, State Bank of India and UCO Bank. The study revealed the most of the banks are doing CSR activities in the area of rural development, education, community welfare, women and children. The author concluded that these banks were not doing CSR practices in a satisfactory manner.

Singh et al (2013)¹² worked on CSR activities and CSR reporting practices as well as present status of CSR practices in public sector banks and private sector banks. By selecting SBI, PNB from public sector banks and HDFC Bank, ICICI Bank from private sector banks the researcher observed that most of banks, whether public or private,

were doing CSR activities, but not disclosing the amount spending on CSR activities in their website. They suggested that RBI should distinguish between banks in respect of Corporate Social Responsibility practices and fix a certain percentage to be spend by bank and also set up a committee to monitor on banks activities toward CSR.

Govindrajan and Amilan (2013)¹³ examined the impact of CSR initiatives on financial performance as well as market performance of oil and gas industry in India from the year 2007 to 2010. They have taken a sample of 12 companies from oil and gas industry by using one way ANOVA, Chi-square, Karl Pearson's correlation, regression and descriptive statistics to conduct their research. The researcher concluded that CSR had a positive effect on financial performance as well as market performance of oil and gas industry in India.

Krishnan (2012)¹⁴ examined the inter-relationship between CSR and financial and non financial performance of 500 BSE (Bombay Stock Exchange) listed companies for the year 2008-11 by using statistical tools like frequencies and percentile, Pearson coefficient correlation, one sample t-test, Cronbach's Alpha in the research. They concluded that CSR had a positive influence on financial and non financial performance of 500 BSE (Bombay Stock Exchange) listed companies.

Bhunia (2012)¹⁵ investigated the relationship between CSR and firm's financial performance of the firms listed in Sensex of Bombay stock exchange for the period from 2008 to 2011 by using descriptive statistics and regression statistics of Hausman test model. The researcher found a positive relationship between CSR and financial performance. The author pointed out that the positive effect of CSR on firm's financial performance has been reduced by the financial crisis in 2008.

Bhupender & Vikas Kumar Joshiya (2012)¹⁶ studied Corporate Social Responsibility status, challenges of CSR, and policies for CSR in India. The concept of CSR is now expanded which include both economic and social interests. Companies have become more transparent in accounting and display public reporting due to pressures from various stakeholders and found many positive outcomes can arise when businesses adopt a policy of social responsibility.

Saxena & Kohli (2012)¹⁷ examined the relationship between CSR rating and Corporate Sustainability in the Indian banking Sector from the annual reports from 2006 to 2011 by using secondary data. Researcher analysed with the help of statistical tools like correlation and regression analysis to find the outcome. The data analysis proved that there is no significant link between CSR and financial performance defined in terms of profit after tax (PAT) and earnings per share (EPS). So this study helped to sensitize the managers of banking industry to penetrate into deeper levels to understand before initiating and investing in the CSR initiatives.

Das and Halder (2011)¹⁸ studied the CSR activities of Oil and Natural Gas Corporation limited (ONGC) and its effect on socio-economic development of rural population in Assam. They have seen that ONGC has a great value and trust among the rural people where all the ONGC projects have been carried out. ONGC has done its social activities in every sphere like infrastructure of buildings, creating employment through training and education, market accessibility needs, improving health, empowering the weaker section of the people.

Basu K, Palazzo G (2008)¹⁹ investigated CSR platforms in India and established that the CSR platforms are typically used with stakeholder attitudes to both the form and content of those platforms and also presented the fact that the selected Indian corporations pursued a primarily generous platform with a focus on community development projects, as predicted by previous studies. It also indicated, however, that Indian consumers may not value philanthropic CSR as highly as other CSR initiatives.

IV. RESEARCH GAP

The above study monitors the diverse allied literature in India along with the findings and suggestions made by diverse researchers on the topic of how financial performances are affected by the corporate social responsibility. The primary findings were that most of these studies exposed positive impact of CSR on financial performance; some studies revealed a negative relationship between them and a few exhibited a mixed result. The study also demonstrated that a few studies pointed toward a positive impact of CSR on financial performance but their relationships had been found to be insignificant. The results of these studies varied due to various reasons, i.e., types of data, variables, statistical techniques, etc. At that moment it is noticeable that there is no study about the impact of corporate social responsibility on firms' financial performance of Indian Steel Industries.

V. CONCLUSION

This paper is a collection of research on corporate social responsibility with reference to Indian companies. It is observed that CSR has great importance for an entity but it is highly significant for Indian companies as they are the backbone of our economy. Most of the studies reviewed in this paper are focused on the conceptual framework. But it has been observed that none of the studies have taken into consideration all facets of corporate social responsibility to study their impact on financial performance and on stakeholders. Further research can be done by taking all aspects of corporate social responsibility practices.

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