

# SOCIETAL INITIATIVES - A STUDY OF LEGAL COMPLIANCE OF CSR BY SELECTED MAHARATNA COMPANIES OF INDIA

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## Abstract

The main purpose of this study is to know the CSR compliance obeyed by public sector enterprises in India. The data have been gathered from annual reports of the chosen five Maharatna Companies of India. The data of average profit prescribed CSR, and amount spent on CSR of company-wise have been tabulated and analyzed using descriptive statistics and ANOVA. The study has been found that GAIL has maintained consistency in the amount spent for CSR, while the other selected Maharatna companies showing high variance during the period of study. Amongst these five, PGC has shown a tremendous increasing trend while the rest are showing decline or fluctuation in the amount spent on social and environmental wellbeing. This study also found that excess amount over and above mandatory requirement has been spent by SAIL, GAIL, and NTPC while BHEL and PGC show deficit in the amount spent which shows that still, these two companies haven't spent full amount as per Companies Act for CSR.

**Keywords:** Corporate Social Responsibility (CSR), Societal Initiatives, Maharatna companies, mandatory requirements, and the amount spent.

## 1. INTRODUCTION

Corporate Social Responsibility (CSR) is what businesses are giving back to society. They enjoy the utilization of natural resources like land, water, and environmental harm, biodiversity, etc. CSR is that the collective responsibility of companies to revive an honest atmosphere to the health of society. While profit maximization is that the primary objective of the company sector, CSR activities are likely to counterpoint the environment (Shanmugam & D S, 2019). The idea of CSR isn't a contemporary concept; it began many centuries ago. In ancient India, kings made contributions to the expansion of society. for instance, King Harshavardhan, who ruled North India during the Sixth Century, maybe an ideal (Shanmugam & D S, 2019). The essence of the societal interventions may eventually depend upon the firm's perceptions of certain structural constraints and perceptions of the link between the firm and also the firm's future competitive advantages and identity as a "responsible firm. Societal initiatives can have dramatically different impacts on a society looking at the number of resources committed to the project and its integration with the project (Dalwadi & Sharma, 2019). The CSR scenario is evolving rapidly in India. The creation of the new companies act of 2013 and also the stipulation of the latest guidelines by SEBI gave the operations of the CSR and its reporting a brand new facelift by making it compulsory instead of voluntary.

(Parliament, 2013) Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

- (i) Eradicating extreme hunger and poverty;
- (ii) Promotion of education;
- (iii) Promoting gender equality and empowering women;
- (iv) Reducing child mortality and improving maternal health;
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria, and other diseases;
- (vi) Ensuring environmental sustainability;
- (vii) Employment enhancing vocational skills;
- (viii) Social business projects;
- (ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of

the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and  
(x) Such other matters as may be prescribed.

## 2. REVIEW OF LITERATURE

**Kapoor & Saluja (2014)** claimed that the idea of Corporate Social Responsibility (CSR) has not been new in India. It originated from the Vedic period when history in India was not recorded. The Kings had a duty to society at that time and the merchants demonstrated their business duty by building places of worship, education, inns, and wells. They discussed the fact that, over the last four decades, corporate social responsibility has been developed and conceptualized in several ways following a process.

**Sarkar & Sarkar (2015)** analyzed the potential implications for firm rewards of mandated CSR under the Companies Act 2013 in India, the likely responses of law enforcement firms, the consequences for the availability of services and the distribution of social goods, and the prospects and challenges for the implementation of mandated CSR. The voluntary CSR activities of a sample of 500 large companies listed on the Bombay Stock Exchange for the period 2003-2011, predating the new legislation, were evaluated empirically. They submitted that the provisions of the new act are carefully structured to balance the corporate goals and its members, on the one hand, and the corporation and its stakeholders' goals, on the other, with the potential economic costs which will follow the mandated CSR. However, the effective overcoming of implementing issues will assess the level of achievement of the objectives of the new regulations.

**Mukherjee & Bird (2016)** examined drivers and impediments to the expenditure of CSR; it evaluated the attitude of Indian companies to CSR activities and the impact of mandatory CSR expenditure. They analyzed 223 companies and found that companies' attitudes to CSR expenditure vary widely in terms of age, scale, and ownership. They also discovered that the requirement to make CSR costs compulsory to large companies did not lead to the expected expenditure rise because it was avoided by many companies that were compulsory, and their expenditures decreased with the large number for which it was not compulsory.

**Venugopal & Krishnan (2018)** analyzed the impression of the employees and beneficiaries on the major issues which the Bank considers should be addressed on a priority basis in CSR initiatives. They found that the employee's employments of Differently Abled was regarded as the one with the highest priority and that the beneficiaries considered promotion of education, child welfare, and female employment as the three most important issues.

**Dalwadi & Sharma (2019)** concluded that during this study period the growth in the social initiative has reached a low peak, while the amounts spent on social initiatives between districts have been unequal, while businesses focus more on education and health in the limited districts. It also noticed that the establishment of underdeveloped and developing state regions should be worked together by companies and the government.

## 3. OBJECTIVES OF THE STUDY

1. To study the CSR practices of selected Maharatna companies of India
2. To analyse whether the chosen Maharatna companies comply with the Companies Act. 2013 concerning the sums spent on CSR purposes.

## 4. METHODOLOGY OF THE STUDY

The main objective of the study is to know the CSR compliance by public enterprises. Through the purposive sampling method total of five Maharatna companies have been selected and a descriptive research design has been used to meet the objective. The data have been collected from secondary sources from the annual reports of the respective company for the period ranging from 2014-15 to 2018-19.

Mainly the data of average profit, CSR prescribed, and the actual amount spent on CSR has been tabulated for better understanding. The collected data has been analyzed using descriptive statistics and ANOVA. This study is constrained to a specific time and specific place. It can be possible that the result may differ from time and place. There is a certain limitation of the methods and tools used in this study; the same applies to this study.

### Hypothesis

#### Null Hypothesis

**H<sub>0</sub>:** All the selected companies have an equal amount spent on corporate social responsibility during the study period

**H<sub>0</sub>:** All the selected companies have an equal surplus or deficit amount spent compared to legal requirements

#### Alternative Hypothesis

**H<sub>1</sub>:** All the selected companies have unequal amount spent on corporate social responsibility during the study period

H<sub>1</sub>: All the selected companies have an unequal surplus or deficit amount spent compared to legal requirements

## 5. DATA ANALYSIS & INTERPRETATION

**Table No: 5.1: Amount of profit and spent on CSR purpose**

BHARAT HEAVY ELECTRICALS LIMITED (BHEL) (₹ in crore)				
Year	Average profit (Considered profit before tax of last three years)	Prescribed CSR expenditure (2% of the average profit) (a)	Actual amount spent (b)	Unspent(-)/Overspent(+) (in rupees) (b-a)
2014-'15	8,222.33	164.45	102.06	(62.39)
2015-'16	5,501.63	110.03	66.20	(43.83)
2016-'17	1,874.21	37.48	26.78	(10.7)
2017-'18	517.58	10.35	7.36	(2.99)
2018-'19	333.29	6.67	16.01	9.34
<b>Total</b>	<b>16,449.04</b>	<b>328.981</b>	<b>218.41</b>	<b>(110.571)</b>
Mean	3,289.808	65.796	43.682	(22.114)
S.D.	3,451.525	69.031	39.641	29.913
C.V	104.92%	104.92%	90.75%	(135.27)%

Source: - Annual Report

The table above shows the details on BHEL's Corporate Social Responsibility which provides financial performance statistics to provide more useful and comprehensible data for the period from 2014-15 to 2018-19. The table shows that the Organization spent less on CSR than the four years required. However, in the fifth year, this number magically transformed into optimistic, which evidently is the only indication of the real picture of annual fluctuations in the whole year, and also indicates the company's intentions. Notwithstanding the year-by-Year data juggling mentioned above, the statistical average five-year assessment remained substantially negative for the Company's CSR Committee, which needs severe introspection.

**Table No: 5.2: Amount of profit and spent on CSR purpose**

STEEL AUTHORITY OF INDIA LIMITED (SAIL) (₹ in crore)				
Year	Average profit (Considered profit before tax of last three years)	Prescribed CSR expenditure (2% of the average profit) (a)	Actual amount spent (b)	Unspent(-)/Overspent(+) (in rupees) (b-a)
2014-'15	3872	78	35.04	(42.96)
2015-'16	2859.9	57.20	76.16	18.962
2016-'17	( 605.47)	0	29.05	29.05
2017-'18	(3,278.28)	0	25.70	25.7
2018-'19	(4,145.20)	0	31.18	31.18
<b>Total</b>	<b>(1,297.05)</b>	<b>135.20</b>	<b>197.13</b>	<b>61.93</b>
Mean	(259.41)	27.040	39.426	12.386
S.D.	3,575.309	37.749	20.813	31.283
C.V	(1378.25)%	139.61%	52.79%	252.56%

Source: - Annual Report

The above table shows the data on corporate social responsibility conducted by SAIL Company, which provides a statistical overview of financial results to make the data more relevant and understandable during the period 2014-2015 to 2018-19. From the table above, we can see that in 2014-15, the organization spent less on CSR than prescribed and more on CSR than prescribed in 2015-16. The company has suffered losses over the last three years: there was no legal requirement to spend the CSR number, but the company has spent on CSR, which reflects the company's concern for society.

**Table No: 5.3: Amount of profit and spent on CSR purpose**

GAS AUTHORITY OF INDIA LIMITED (GAIL) (₹ in crore)				
Year	Average profit (Considered profit before tax of last three years)	Prescribed CSR expenditure (2% of the average profit) (a)	Actual amount spent (b)	Unspent(-)/Overspent(+) (in rupees) (b-a)
2014-'15	5,933.37	118.6	118.06	(0.54)
2015-'16	5,117.05	102.34	160.56	58.22
2016-'17	4,074	81.48	123.58	42.1
2017-'18	3,483.50	69.67	91.65	21.98
2018-'19	4,360.64	87.21	119.29	32.08
<b>Total</b>	<b>22,968.56</b>	<b>459.3712</b>	<b>613.14</b>	<b>153.7688</b>
Mean	4,593.712	91.86	122.628	30.768
S.D.	952.045	19.017	24.655	22.029
C.V	20.72%	20.70%	20.11%	71.60%

Source: - Annual Report

The table above displays the data carried out by GAIL Company during the period from 2014-15 to 2018-19 relating to corporate social responsibility. The above table indicates that the organization has spent more than the prescribed amount on CSR last year, which illustrates the company's awareness about social responsibility.

**Table No.5.4: Amount of profit and spent on CSR purpose**

NATIONAL THERMAL POWER CORPORATION (NTPC) (₹ in crore)				
Year	Average profit (Considered profit before tax of last three years)	Prescribed CSR expenditure (2% of the average profit) (a)	Actual Amount spent (b)	Unspent(-)/Overspent(+) (in rupees) (b-a)
2014-'15	14,173.78	283.48	205.18	(78.3)
2015-'16	13,567.43	271.35	491.80	220.45
2016-'17	11,392.68	227.85	277.81	49.96
2017-'18	11,037.30	220.75	241.54	20.79
2018-'19	11,850.34	237.01	285.46	48.45
<b>Total</b>	<b>62,021.53</b>	<b>1,240.44</b>	<b>1,501.79</b>	<b>261.35</b>
Mean	12,404.31	248.09	300.36	52.27
S.D.	1,385.899	27.719	111.690	107.638
C.V	11.17%	11.17%	37.19%	205.93%

Source: - Annual Report

The table above illustrates that the business invested a lot less on CSR than prescribed in 2014-15, but subsequently made excellent advances and spent more on CSR than the remainder of the year between 2015-16 and 2018-19. In general, the Company has spent more on CSR than necessary, which demonstrates the organization's emphasis on social responsibility.

**Table No.5.5: Amount of profit and spent on CSR purpose**

POWER GRID CORPORATION (PGC) (₹ in crore)				
Year	Average profit (Considered profit before tax of last three years)	Prescribed CSR expenditure (2% of the average profit) (a)	Actual amount spent (b)	Unspent(-)/Overspent(+) (in rupees) (b-a)
2014-'15	5,525.53	110.51	47.42	(63.09)
2015-'16	6,089.71	121.79	115.78	(6.01)
2016-'17	6,779	135.58	147.27	11.69
2017-'18	7,896.81	157.94	157.99	0.05
2018-'19	9,336.05	186.72	195.52	8.8
<b>Total</b>	<b>27,730.29</b>	<b>712.54</b>	<b>663.98</b>	<b>(48.56)</b>
Mean	6,932.573	142.508	132.796	(9.712)
S.D.	1,682.307	30.389	55.581	30.655
C.V	24.27%	21.32%	41.85%	(315.64)%

Source: - Annual Report

From the above table, it can be seen that in the first year the company has spent less than half of the prescribed amount on CSR while the CSR spend for the rest of the years hovers around the prescribed figure. All in all the

five-year average spent remains on the downside suggesting the pessimistic approach of the company towards Corporate Social Practice over the given duration.

**Table No: 5.6 Amount spent on CSR by companies**

Amount Spent (₹ in crore)					
Year	BHARAT HEAVY ELECTRICALS LIMITED (BHEL)	STEEL AUTHORITY OF INDIA LIMITED (SAIL)	GAS AUTHORITY OF INDIA LIMITED (GAIL)	NATIONAL THERMAL POWER CORPORATION (NTPC)	POWER GRID CORPORATION (PGC)
2014-'15	102.06	35.04	118.06	205.18	47.42
2015-'16	66.20	76.16	160.56	491.80	115.78
2016-'17	26.78	29.05	123.58	277.81	147.27
2017-'18	7.36	25.70	91.65	241.54	157.99
2018-'19	16.01	31.18	119.29	285.46	195.52
<b>Total</b>	<b>218.41</b>	<b>197.13</b>	<b>613.14</b>	<b>1,501.79</b>	<b>663.98</b>
<b>Mean</b>	43.682	39.426	122.628	300.36	132.796
<b>S.D.</b>	39.641	20.813	24.655	111.690	55.581
<b>C.V</b>	90.75%	52.79%	20.11%	37.19%	41.85%

The above table shows the actual amount spent on corporate social responsibility by selected Maharatna companies from 2014-'15 to 2018-'19. The above table also presents the mean, standard deviation, and coefficients of variance to understand the overall amount spend and pattern of data. It is evident from the above table that NTPC has spent the highest amount of ₹ 1,501.79 crores and Steel Authority of India Limited has spent the lowest amount of ₹ 197.13 crores towards its corporate social responsibility quota out of all the selected companies under study.

The above information additionally demonstrates that from 2014-15 to 2018-19 the sum spent on corporate social responsibility has decreased in BHEL (102.06 crores to 16.01 crores) and SAIL (35.04 crores to 31.18 crores); which shows a decrease in the profitability of the company and consequently a reduction in the amount spent for CSR by these companies. The GAIL, NTPC, and PGC have shown growth in CSR compared to 2014-15 to 2018-19, and amongst them; PGC has been the highest growing company. The amount spent by PGC indicates a continuously increasing trend during the period of study. The co-efficient of variance indicates that GAIL has maintained consistency in the amount spent for CSR, while the other selected Maharatna companies showing high variance during the period of study. Amongst these five, PGC has shown a tremendous increasing trend while the rest are showing decline or fluctuation in the amount spent on social and environmental wellbeing.

**Table No:5.7: ANOVA Analysis**

**Dependent Variable: Actual Amount Spent in Crores**

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	223568.862 <sup>a</sup>	4	55892.215	15.375	.000	.755
Intercept	408180.432	1	408180.432	112.283	.000	.849
Company	223568.862	4	55892.215	15.375	.000	.755
Error	72705.780	20	3635.289			
Total	704455.074	25				
Corrected Total	296274.642	24				

a. R Squared = .755 (Adjusted R Squared = .706)

**H<sub>0</sub>:** All the selected companies have an equal amount spent on corporate social responsibility during the study period

**H<sub>1</sub>:** All the selected companies have unequal amount spent on corporate social responsibility during the study period



- Here p-value is 0.000 which indicates that the amount spent by companies for corporate social responsibility is unequal, which means there is a significant difference between the amounts spent by companies for corporate social responsibility.

**Table No: 5.8: Variance**

Unspent(-)/Overspent(+) (₹ in crore)					
Year	BHARAT HEAVY ELECTRICALS LIMITED (BHEL)	STEEL AUTHORITY OF INDIA LIMITED (SAIL)	GAS AUTHORITY OF INDIA LIMITED (GAIL)	NATIONAL THERMAL POWER CORPORATION (NTPC)	POWER GRID CORPORATION (PGC)
2014-'15	(62.39)	(42.96)	(0.54)	(78.3)	(63.09)
2015-'16	(43.83)	18.962	58.22	220.45	(6.01)
2016-'17	(10.7)	29.05	42.1	49.96	11.69
2017-'18	(2.99)	25.7	21.98	20.79	0.05
2018-'19	9.34	31.18	32.08	48.45	8.8
<b>Total</b>	<b>(110.571)</b>	<b>61.93</b>	<b>153.7688</b>	<b>261.35</b>	<b>(48.56)</b>
<b>Mean</b>	<b>(22.114)</b>	<b>12.386</b>	<b>30.768</b>	<b>52.27</b>	<b>(9.712)</b>
<b>S.D.</b>	<b>29.913</b>	<b>31.283</b>	<b>22.029</b>	<b>107.638</b>	<b>30.655</b>
<b>C.V</b>	<b>(135.27)%</b>	<b>252.56%</b>	<b>71.60%</b>	<b>205.93%</b>	<b>(315.64)%</b>

The above table exhibits unspent(-) or overspent(+) between the prescribed mandatory amount to spend as per law and the actual amount spent by companies as a corporate social responsibility of all selected five Maharatna companies during the period of study from 2014-15 to 2018-19. The above table indicates that in the initial year 2014-15 none of the selected companies is fulfilling the mandatory requirements of corporate social responsibility but after that overall increasing trend can be seen from the data, In the year 2018-19 all the selected Maharatna companies have spent excess amount than the mandatory requirement for that particular year, which may be because companies require some time to adopt the new policies as CSR made mandatory in the Companies Act, 2013.

The above table also indicates that excess amount over mandatory requirement has been spent by SAIL, GAIL, and NTPC while BHEL and PGC show deficit in the amount spent which shows that still, these two companies haven't spent full amount as per Companies Act for CSR. This shows that BHEL and PGC have failed to fulfill companies act's mandatory requirements that may be because of lacking proper management and structure of CSR committee in the organization; it shows companies are not taking CSR as much seriously and less conscious about social and environmental well-being. It is possible that companies did not spend the amount of corporate social responsibility due to certain financial reasons or goals and these companies may have planned that they will spend the rest of the CSR amount in the coming years.

**Table No:5.9 ANOVA Analysis**

Dependent Variable: Actual amount is excess or in the deficit of legal requirements

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	18385.568 <sup>a</sup>	4	4596.392	1.538	.229	.235
Intercept	3918.560	1	3918.560	1.311	.266	.062
Company	18385.568	4	4596.392	1.538	.229	.235
Error	59774.927	20	2988.746			
Total	82079.055	25				
Corrected Total	78160.495	24				

a. R Squared = .235 (Adjusted R Squared = .082)

**H<sub>0</sub>**: All the selected companies have an equal surplus or deficit amount spent compared to legal requirements

**H<sub>1</sub>**: All the selected companies have an unequal surplus or deficit amount spent compared to legal requirements

- Here p-value is 0.229 that indicates that the equal surplus or deficit amount spent compared to legal requirements, which means there is no significant difference between companies in following legal requirements of corporate social responsibility amount spending as per companies act.

## 6. CONCLUSION

The study found that GAIL has maintained consistency in the amount spent for CSR, while the other selected Maharatna companies showing high variance during the period of study. Amongst these five, PGC has shown a tremendous increasing trend while the rest are showing decline or fluctuation in the amount spent on social and environmental wellbeing.

This study also found that excess amount over and above mandatory requirement has been spent by SAIL, GAIL, and NTPC while BHEL and PGC show deficit in the amount spent which shows that still, these two companies haven't spent full amount as per Companies Act for CSR.

It can be concluded that the selected public sector companies are participating in the CSR activities and investing in the CSR program for the wellbeing of society and the environment but these companies are not meeting the CSR compliance because of a lack of resources.

However, the unspent amount will carry forward by them and they will invest the same in the CSR programs in the coming years. This study can be further extended by considering more companies and comparing the private and public sectors' CSR practices and compliance with the law.

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