

A COMPARATIVE STUDY ON THE CSR ACTIVITIES OF MANUFACTURING AND SERVICE SECTOR COMPANIES

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ABSTRACT

A Corporate Sector is an integral part of the society consisting of industries and firms. Their operations affect the various stakeholders of the society. The achievement is depends on the society. These industries and firms needs the inputs from the society and their outputs (goods & services) are also consumed by the society. This leads the industries towards the betterment of the society. These considerations of industries and firms can be termed as "Corporate Social Responsibility". CSR is becoming an important activity to companies in India. The Govt. of India issued a number of guidelines for CSR practices time to time. In order to streamline the CSR practices, the Govt. of India made CSR as mandatory for companies under the companies act, 2013. As per the companies act 2013, profitable companies will have to spend at least 2 % of their average net profit over the preceding three financial year on CSR activities. Through the present study researcher has drawn a comparison of CSR practices of select Manufacturing Sector Companies and Service Sector Companies. This paper also examines whether any improvement in CSR spending by companies after the amendment of company law in 2013.

KEYWORDS: CSR, CSR Spending, Manufacturing Companies, Service Companies.

Introduction

Corporate Social Responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders [1]. In other words it can be said that CSR is an ethical behavior of organizations, in which they consider the interests of society by taking liability for the impact of their activities environment as well as various groups of society such as customers, employees, shareholders, suppliers, communities and other stakeholders. Globally, business organizations are under pressure to demonstrate themselves as responsible entities in front of society. Even in India, many business organizations have accepted their duties towards society. These business organizations are investing huge amount on the various welfare activities for the people of the society. It has seen that these activities not being prescriptive in nature. As a result, the Ministry of Corporate Affairs, Govt. of India introducing the CSR as mandatory for certain category of corporate houses.

Importance of the Study

In India, CSR initiatives are taken by many companies. These companies are related to various sectors i.e. construction, manufacturing and service sector etc. As we know that economic actions of manufacturing sector companies are more effect the environment than service sector companies. It has seen that companies which affect environment directly are more aware towards Corporate Social Responsibility. In this study the researcher has tried to focus the CSR contribution of both manufacturing and service sector companies.

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Review of Literature

'Information And Technology Sector- A Champion In Corporate Social Responsibility (CSR): Myth or Reality' study undertaken by Tewari, R. (2010) [2] has taken five sectors into consideration- cement, steel, oil and banking along with IT. The researcher found that the IT sector is involved the most in the CSR initiatives.

'Corporate Social Responsibility Practices in India: A Study of Top 500 Companies' Study undertaken by Guatam, R. & Singh, A. (2013) [3] has focused how India's top 500 companies view and conduct CSR. The Researchers found that many companies are making taken gestures towards CSR and only a few companies have a structured and planned approach.

'A comparative study of CSR practices in India before and after 2013' study undertaken by P.V.S., S. (2017) [4] have tried to examine whether any improvement is ensured in the commitment of the Corporate towards its social responsibility after amending Company Law in 2013. He has found that the situation is not thoroughly improved even after the amendment of Companies Act 2013. The researcher has also found that the companies are not able to completely spend 2% of their net profits for CSR.

Objectives of the Study

The study is carried out with the following objectives-

- To find out CSR practices of selected manufacturing sector companies and service sector companies
- to compare the CSR spending of manufacturing sector companies with service sector companies

Data Base & Methodology

The present study is both descriptive and analytical in nature. For the purpose of this study, 10 large scale companies basically covering only Private Sector Companies in India which belong to manufacturing sector (Automobiles & Steel) and service sector (IT., Banking & Telecommunication) have been selected. The data will be examined for the last ten financial years that is from 2007-08 to 2016-17.

The selected manufacturing sector companies are: Tata Steel Ltd., JSW Steel Ltd., Maruti Suzuki India Ltd., Mahindra & Mahindra Ltd., Tata Motors Ltd. The selected service sector companies are: Infosys Ltd., Wipro Ltd., Tata Consultancy Service Ltd., HDFC Bank Ltd., and Reliance Communication Ltd. The data used are secondary in nature and these include Annual Reports of both selected manufacturing sector and service sector companies, Business Responsibility Reports of both selected manufacturing sector and service sector companies, articles published in journals and PhD thesis etc.

Result and Discussion

- **CSR spending of the Companies for the last 3 years**

Tata Steel Ltd.

Table1

Year	Average PAT for last 3 years (₹in cr)	Actual CSR spent (₹in cr)	% of actual CSR spent	2% CSR requirements (₹in cr)	Difference of CSR spent (₹in cr)	% of difference In CSR
2014-15	8412.82	171.46	2.03	168.26	3.20	0.03
2015-16	7518	204	2.71	150	54	0.71
2016-17	5789.77	193.61	3.34	115.80	77.81	1.34

Source: Annual reports and Business Responsibility Reports of selected company

Table shows the amount spent by Tata Steel Ltd. towards CSR for the last 3 years. In the year 2014-15, the company spent Rs 171.46 cr as against the required as Rs 168.26 cr as per the Companies Act. In the year 2015-16 the amount CSR spent by the company increased from Rs 171.46 cr to Rs 204 cr as well as they spent more than the mandatory requirement. In the year 2016-17, the company spent 1.34 % more than the 2% requirement of CSR as per Companies Act 2013, even though their average net profit for three last 3 years decreased from Rs 7518 cr to 5789.77 cr.

JSW Steel Ltd.**Table 2**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% CSR requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	2143.09	43.39	2.02	42.86	0.52	0.02
2015-16	2561.15	51.36	2.00	51.22	0.14	0.00
2016-17	1837.65	42.94	2.34	36.75	6.19	0.34

Source: Annual reports and Business Responsibility Reports of selected company

Table 2 shows the amount spent by JSW Steel Ltd. for the last 3 years. In the year 2014-15, the company spent Rs 43.39 cr as against the required as Rs 42.86 cr as per the Company Act. In the year 2015-16, company fully spent the 2 % CSR required as per the companies Act. In the year 2016-17, the amount of CSR spent by the company decreased from Rs 51.36 cr to 42.94 cr, but they spent 0.34 % more than the 2% requirement of CSR as per Companies Act 2013.

Maruti Suzuki India Ltd.**Table 3**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% CSR requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	2505.30	37.25	1.48	50.11	12.86	0.51
2015-16	3269.10	65.40	2.00	65.40	0.00	-
2016-17	4462.20	89.45	2.00	89.24	0.21	-

Source: Annual reports and Business Responsibility Reports of selected company

Table 3 shows the amount spent by maruti Suzuki Ltd. towards CSR for the last 3 years. In the year 2014-15, company spent Rs 37.25 cr towards CSR even though the mandatory requirement was Rs 50.11 cr. In the year 2015- 16, company fully spent the 2 % CSR requirement as per the Company Act. In the year 2016-17 the amount of CSR spent by the company increased from Rs 65.40 cr to Rs 89.45 cr as well as they spent mandatory requirement of CSR.

Mahindra & Mahindra Ltd.**Table 4**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	4151.74	83.24	2.00	83.03	0.21	0.00
2015-16	4247.45	85.90	2.02	84.95	0.95	0.02
2016-17	4165.21	83.57	2.00	83.30	0.27	0.00

Source: Annual reports and Business Responsibility Reports of selected company

Table 4 shows the amount spent by Mahindra & Mahindra Ltd. for the last 3 years. In the year 2014-15 Company spent fully spent the 2 % CSR requirement as per the Company Act. In the 2015-16 the amount of CSR spent by the company increased from Rs 83.24 cr to 85.90 cr even though the mandatory requirement was only Rs 84.95 cr. In the year 2016-17, the percentage of CSR spent decreased for 2.02 % to 2% but they fulfil the mandatory requirement of CSR.

Tata Motors Ltd.**Table 5**

Year	Average PAT for last 3 years (₹ in cr.)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	180.40	18.62	-	N/A	-	-
2015-16	2034	20.57	-	N/A	-	-
2016-17	2337	25.94	-	N/A	-	-

Source: Annual reports and Business Responsibility Reports of selected company

Table 5 shows the amount spent by Tata Motors Ltd. towards CSR for the last 3 years. The company increased loss in the last three financial years, still in the following years 2014-15, 2015-16 and 2016-17 the amount of CSR increased to Rs 18.62 cr to Rs 20.57 cr and 25.94 cr. respectively even though there is a steady increase in net loss. In other words, the company spent more than the prescribed CSR budget in last three financial years.

Infosys Ltd.**Table 6**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	12133	239.54	1.97	243	3.46	0.02
2015-16	12800	202.30	1.58	256.01	53.71	0.41
2016-17	14371	289.44	2.01	287.42	2.02	0.01

Source: Annual reports and Business Responsibility Reports of selected company

Table 6 shows the amount spent by Infosys Ltd. towards CSR for the last 3 years. In the year 2014-15 Company spent Rs 239.54 cr towards CSR activities even though the mandatory requirement was Rs 243 cr. In the year 2015-16, the actual CSR spent by the company decreased to Rs 202.30 cr. In the year 2016-17, the amount of CSR spent by the company is more than the mandatory requirement. In other words, the company spent 0.01 % more than the 2 % requirement of CSR as per Companies Act 2013.

Wipro Ltd.**Table 7**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% CSR requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	6415.4	132.70	2.06	128.30	4.4	0.06
2015-16	7800.2	159.80	2.04	156.00	3.8	0.04
2016-17	6415.4	186.30	2.90	176.40	9.9	0.15

Source: Annual reports and Business Responsibility Reports of selected company

Table 7 shows the amount spent by Wipro Ltd. towards CSR for the last 3 years. In the year 2014-15, the company spent Rs 132.70 cr as against the required Rs 128.30 cr as per the Company Act. In the year 2015-16 the actual percentage of CSR spent decreased from 2.06 % to 2.04 %, but they fulfilled the 2 % CSR requirement as per the Companies Act. In the year 2016-17 the amount of CSR spent by the company increased from Rs 159.80 cr to Rs 186.3 cr even though their average net profit for the last 3 year decreased from Rs 7800.2 cr to 6415.4 cr.

Tata Consultancy Service Ltd.**Table 8**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% CSR requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	14,250	219	1.54	285	64.82	0.45
2015-16	17,994	294	1.63	360	66	0.36
2016-17	22,275	380	1.70	446	66	0.30

Source: Annual reports and Business Responsibility Reports of selected company

Table 8 shows the amount spent by Tata consultancy Service Ltd. towards CSR for the last 3 years. In the year 2014-15 company spent Rs 220.18 cr towards CSR even though the mandatory requirement was 285 cr. In the year 2015-16 the actual CSR spent by the company increased to Rs 294 cr, but they could not fulfil the mandatory requirement as per the Company Act. In the year 2016-17, the actual percentage of CSR spent increased from 1.63 % to 1.70 %, but still there is a difference of .30 % to meet the mandatory requirement as per the company act.

HDFC Bank Ltd.**Table 9**

Year	Average PAT for last 3 years (₹ in cr)	Actual CSR spent (₹ in cr)	% of Actual CSR spent	2% CSR requirements (₹ in cr)	Difference of CSR spent (₹ in cr)	% of difference In CSR
2014-15	9856.35	118.55	1.20	197.13	78.58	0.80
2015-16	12385	194.81	1.57	248	53.19	0.43
2016-17	15200	305.42	2.00	304	1.42	0.00

Source: Annual Reports and Business Responsibility Reports of Selected Company

Table 9 shows the amount spent by HDFC Bank Ltd. towards CSR for the last 3 years. In the year 2014-15 bank spent Rs 118.55 cr towards CSR even though the mandatory requirement was Rs

197.13 cr. In the year 2015-16, the actual CSR spent by the bank increased to Rs 194.81 cr, but they could not fulfil 2 % requirement of CSR as per the Companies Act. In the year 2016-17 the amount of CSR spent by the bank increased from Rs 194.81 cr to Rs 305.42 cr even though the mandatory requirement was only Rs 304 cr. In other words, the bank spent Rs 1.42 cr more than the mandatory requirement of CSR as per Companies Act 2013.

Reliance Communication Ltd.

Table10

Year	Average PAT for last 3 years (in cr)	Actual CSR spent (in cr)	% of actual CSR spent	2% requirements (in cr)	Difference of CSR spent (in cr)	% of difference In CSR
2014-15	2204	-	-	N/A	-	-
2015-16	1517	-	-	N/A	-	-
2016-17	2207	-	-	N/A	-	-

Source: Annual Reports and Business Responsibility Reports of Selected Company

Table 10 shows the amount spent by Reliance communication Ltd. towards CSR for the last 3 years. The Company incurred loss in last three financial years and company's prescribed CSR liability for the years was null.

• **Percentage of CSR Contribution by Manufacturing and Service Sector Companies**

Table 11

Sector	Name of the Companies	Year		
		2014-15	2015-16	2016-17
Manufacturing Sector	Tata Steel Ltd.	2.03	2.71	3.34
	JSW Steel Ltd.	2.02	2.00	2.34
	Maruti Suzuki India Ltd.	1.48	2.00	2.00
	Mahindra & Mahindra Ltd.	2.00	2.02	2.00
	Tata Motors Ltd.	-	-	-
Service Sector	Infosys Ltd.	1.97	1.58	2.01
	Wipro Ltd.	2.06	2.04	2.90
	Tata Consultancy Service Ltd.	1.54	1.63	1.70
	HDFC Bank Ltd.	1.20	1.57	2.00
	Reliance Communication Ltd.	-	-	-

Source: Annual Reports and Business Responsibility Reports of Selected Company

The above table 11 shows the comparison of percentage contribution of selected manufacturing sector and service sector companies towards CSR. Almost all the manufacturing sector companies except Tata Motors Ltd. met the mandatory requirement of CSR. Out o 5 manufacturing sector companies, 3 companies i.e. JSW Steel Ltd., Mahindra & Mahindra Ltd. and Tata Steel spent more than 2 % requirement of CSR as per Companies Act 2013. And Maruti Suzuki India Ltd. met the mandatory requirement of CSR at least in the financial year 2015-16 and 2016-17. As discussed earlier, the Tata motors Ltd. incurred loss in the last three financial years; still the company has spent for CSR activities in these years.

The Table 11 also reveals that out of 5 service sector companies, only one Company i.e. Wipro Ltd. spent more than 2 % requirement of CSR in all the three financial years. Whereas, Tata Consultancy Service Ltd. could not meet the required criteria of 2 % in any of the year but HDFC Bank Ltd. and Infosys Ltd. company met the mandatory requirement of CSR at least in the financial year 2016-17. As discussed earlier, the Reliance Communication Ltd. incurred loss in the last three financial years and company was not liable for CSR in that year. The above stated table also shows that the percentage of CSR contribution of select service sector companies are lesser than the select manufacturing sector companies during the financial year 2014-15, 2015-16 and 2016-17. Through this, it can be inferred that the manufacturing sector companies are more conscious on CSR practices than the service sector companies after the compulsion of CSR as per the provision of the Company Act, 2013.

Conclusion

CSR is unavoidable business practice which cannot be ignored by any company. The study reveals that most of the selected companies, no doubt are undertaking significant CSR initiatives. The study found that, both Manufacturing and Service Sector Companies contribute somewhat percentage of their profit to fulfil the CSR objectives. When compared with Service Sector Companies, Manufacturing Sector Companies played better role in discharging their social responsibility. The limitation in the study was able to cover only Indian companies which are basically covering only Private sector companies in India.

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