

CORPORATE SOCIAL RESPONSIBILITY IN INDIA BASED ON NSE NIFTY COMPANIES

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ABSTRACT

It is important to understand how and why companies adopt corporate social responsibility. The aim of this paper is to examine empirically the relationship of CSR initiatives of selected Indian companies with the level of their profitability, their ownership status and type of their business activities- service or manufacturing. For this purpose NSE Nifty listed 50 companies were taken and the data relating to the CSR initiatives of these companies were taken from the secondary source. The relevant data have been analysed with the application of Chi Square test. The findings revealed that the CSR initiatives are independent of all the companies' profitability level, their ownership status and the type of their business activities i.e., service or manufacturing. Majority of companies are those which are at moderate or low level of CSR initiatives, belong to the private sector, are from manufacturing industry and have a level of profitability below Rs. 5000 crores.

Key words: CSR initiatives, Corporate Social Responsibility, profitability.

Introduction

With increasing global awareness about environmental, social and ethical issues corporate social responsibility is now believed to be an integral part of corporate sector in every country. A number of researches have been conducted in order to know about the benefits of CSR accruing to the company assuming CSR. Still it is believed in many countries including India that CSR is a means of window dressing and does not help the growth and profitability of business. In addition, many companies believe that CSR improves the image and helps in long term sustainability of the business.

Literature Review

Christoph Lattemann et al. (2009), in their study examined why business firms in China in spite of having a higher level of economic growth, communicate less about CSR than those of firms in India. They underwent the factors relating to country, industry and firms in order to know the intensity of communicating CSR and concluded that Indian firms communicate CSR more due to a more rule based rather than relation based governance environment.

Sanjay Pradhan, Akhilesh Ranjan (2010) attempt to explore CSR practices for rural development. Review of selected private and public companies CSR practices revealed that CSR actions have positive impact on rural community and business development both.

Supriti Mishra, Damodar S. (2010) empirically examined CSR impact on financial and non financial performance of Indian firms and concluded that listed firms show responsible business practices and better financial performance in comparison to non listed firms. Findings suggested that responsible business practices towards primary stakeholders could be profitable for Indian firms.

Jorge A. Arevalo et al. (2011) investigate the approach, drivers and barriers for implementing CSR practices in Indian firms. The study finds that CSR approach that is most favored 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 (2011) empirically examined CSR perception comparatively between Consumers in India and USA. Findings revealed that a substantial part of US consumers were unaware of CSR initiative companies. It was concluded that both the countries have a positive level of CSR practices incorporated in their business firms.

Foo Nin Ho et al. (2012) conducted empirical test to examine national culture and geographic environment on business firms. Results showed that Hofstede's cultural dimensions were closely associated with Corporate Social Performance (CSP) and European companies are found to outperform to those of other countries under consideration in CSP.

Nagib Salem Bayoud et al. (2012) made an exploratory study to examine the relationship between Corporate Social Responsibility Disclosure (CSR D) and employee commitment in the selected business firms of Libya. The study concluded that the majority of employees interviewed were of the opinion that as CSR D related to employee and employee activities increase employee commitment towards their company also increase.

Dr. Satish Kumar (2012) explored CSR initiatives by 30 BSE listed Companies. The study concluded 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.

Objectives of the Study

The objectives of present study are:

1. To know about the level of corporate social responsibility initiatives in India relating to 50 standard companies listed at NSE popularly known as NSE Nifty Companies.
2. To know whether corporate social responsibility initiatives are associated with three important aspects of the sampled companies viz., profitability, type of ownership- private or public and type of industry – manufacturing or service.

Research Hypotheses

Chi square test, a non parametric statistical research tool has been used to analyze the relevant informational data. In order to statistically test the findings of the study the following hypotheses were developed:

H1: The levels of CSR initiatives are independent of the levels of profit of the companies.

H2: The levels of CSR initiatives of the companies are independent of the type of their ownership- private/public.

H3: The levels of CSR initiatives of the companies are independent of the type of their industry-manufacturing/service.

Scope of the Study

A sample size of 50 companies has been selected for this study. These 50 companies are those listed at National Stock Exchange and popularly known as NSE Nifty 50 Companies. These companies are from diverse industrial sector having a diverse ownership status. All of the 50 companies are reputed and have a very high market capitalization.

Data collection and analytical tool

The required data for the present study have been collected from the websites of respective companies, website of National Stock Exchange and from the annual reports of the companies. The CSR related information about CSR initiatives of 50 companies sampled for the research purpose, have been taken from the website of an NGO Karamyog. These initiatives are categorised as- Very High-5, High-4, Moderate-3, Low-2, Very Low-1 and Zero Level-0. The Chi Square test of independence has been used to process and analyze the data with the help of SPSS.

Findings:

CSR initiatives and the profits of the companies

In order to statistically test whether the CSR initiatives depend on the quantum of profits (Profits before Tax) of the company, the following hypotheses were developed:

H0: CSR initiatives are independent of the quantum of profits of the company.

H1: CSR initiatives are dependent of the quantum of profits of the company.

The primary data was put to hypothesis testing process by applying Chi Square test using SPSS. The test statistics are presented in the tables under annexures 2, 3 and 4.

Result:

The p value (sig.) for this case is .174 which is greater than $\alpha = 0.05$, level of significance, therefore, the null hypothesis is accepted and the alternate hypothesis is rejected.

Thus it can be statistically concluded that with 95% confidence level there exists no relationship between the level of CSR initiatives of the companies and their level of profits.

CSR initiatives and the ownership of the companies i.e., public or private sector.

In order to statistically test whether the CSR initiatives depend on the type of the ownership of the company, the following hypotheses were developed:

H0: CSR initiatives are independent of the type of the ownership of the company.

H1: CSR initiatives are dependent of the type of the ownership of the company.

The primary data was put to hypothesis testing process by applying Chi Square test using SPSS. The test statistics are presented in Annexure 3 of Table 2A, 2B and 2C.

Result:

The p value (sig.) for this case is .206 which is greater than alpha = 0.5, level of significance, therefore, the null hypothesis is accepted and the alternate hypothesis is rejected.

Thus it can be statistically concluded that with 95% confidence level there exists no relationship between the level of CSR initiatives of the companies and their ownership status – private/public.

CSR initiatives and the Type of the industry i.e., manufacturing or service

In order to statistically test whether the CSR initiatives depend on type of the industry – manufacturing or service, the following hypotheses were developed:

H0: CSR initiatives are independent of the quantum of profits of the company.

H1: CSR initiatives are dependent of the quantum of profits of the company.

The primary data was put to hypothesis testing process by applying Chi Square test using SPSS. The test statistics are presented in Annexure 4 of Table 3A, 3B and 3C.

Result:

The p value (sig.) for this case is .844 which is greater than alpha = 0.5, level of significance, therefore, the null hypothesis is accepted and the alternate hypothesis is rejected.

Thus it can be statistically concluded that with 95% confidence level there exists no relationship between the level of CSR initiatives of the companies and their type of the industry – manufacturing or service.

Limitations of study

The weakness of the study can be pointed out on the basis of the following points:

1. This research is based on secondary data collected from the websites of respective companies, the website of National Stock Exchange and the website of an NGO www.Karmayog.com.
2. The sample size is small i.e., 50 companies and the sample of companies constitutes heterogeneous companies. No specific industry has been focused.

Benefits of study and scope for further research

The results of the study are beneficial for all the industrial houses in general and NGO/other business units which are socially oriented in particular. Simultaneously, other stakeholders such as investors, customers, tax authorities and corporate governance authorities are likely to be benefitted. The results in short, show the social face of the sampled companies and the interested parties as per their objectives can see this social face.

There is a further scope for conducting the research industry wise and by taking larger sample size. The results of such study can be customized for serving the interest of some specific group.

Conclusion

Although hypothesis no. 1 is accepted proving that CSR initiatives are independent of the profits of the sampled companies, a careful look at the analysis in Table 1B of Annexure 2 reveals that the majority of companies (57%) in the sample have low or moderate CSR initiatives and belong to the level of annual Profit Before Tax (PBT) below Rs. 5000 crores.

Hypothesis no. 2 is accepted proving that CSR initiatives are independent of the type of ownership of the sampled companies, a careful look at the analysis in Table 2B of Annexure 3 reveals that the majority of companies (61%) having low or moderate CSR initiatives belong to private sector only.

Hypothesis no. 3 is accepted proving that CSR initiatives are independent of the type of industry of the sampled companies, a careful look at the analysis in Table 3B of Annexure 4 reveals that the majority of companies (62%) in the sample having a low or moderate CSR initiatives belong to the manufacturing industry.

Finally, it can be concluded that although CSR initiatives of the sampled companies are independent of their level of profits, type of ownership and type of industry; the majority of companies are at moderate or low level of CSR initiatives belong to the private sector, manufacturing industry and have a level of profitability below Rs. 5000 crores. High or Very High Level of CSR initiatives are almost nonexistent. Public Sector Companies role in CSR initiatives is insignificant.

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Annexure 1

Table -1A
 NSE Nifty Listed 50 Companies (As on 31-03-2012)

1.	ACC Limited
2.	Ambuja Cements
3.	Axis Bank
4.	Bajaj Auto
5.	Bharat Heavy Electricals Limited
6.	Bharat Petroleum
7.	Bharti Airtel
8.	Cairn India
9.	Cipla
10.	Coal India
11.	DLF Limited
12.	Dr. Reddy's Laboratories
13.	GAIL
14.	Grasim Industries
15.	HCL Technologies
16.	HDFC Bank
17.	Hero MotoCorp
18.	Hindalco Industries
19.	Hindustan Unilever
20.	Housing Development Finance Corporation
21.	ITC Limited
22.	ICICI Bank
23.	Infosys
24.	Infrastructure Development Finance Co.
25.	Jaiprakash Associates
26.	Jindal Steel and Power
27.	Kotak Mahindra Bank
28.	Larsen & Toubro
29.	Mahindra & Mahindra Limited
30.	Maruti Suzuki
31.	NTPC Limited
32.	Oil and Natural Gas Corporation

33.	<u>Power Grid Corporation of India</u>
34.	<u>Punjab National Bank</u>
35.	<u>Ranbaxy Laboratories</u>
36.	<u>Reliance Communications</u>
37.	<u>Reliance Industries</u>
38.	<u>Reliance Infrastructure</u>
39.	<u>Reliance Power</u>
40.	<u>Sesa Goa</u>
41.	<u>Siemens</u>
42.	<u>State Bank of India</u>
43.	<u>Steel Authority of India</u>
44.	<u>Sterlite Industries</u>
45.	<u>Sun Pharmaceutical</u>
46.	<u>Tata Consultancy Services</u>
47.	<u>Tata Motors</u>
48.	<u>Tata Power</u>
49.	<u>Tata Steel</u>
50.	<u>Wipro</u>

Annexure 2

Table-2A

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
CSR Rating 2010 * Profit Before Tax (Rs. in Crores)	47	94.0%	3	6.0%	50	100.0%

Table-2B

CSR Rating 2010 * Profit Before Tax (Rs. in Crores) Crosstabulation

			Profit Before Tax (Rs. in Crores)			Total
			Below 5000	5,000 to 10,000	Above 10,000	
CSR Rating 2010	Zero level	Count	2	0	0	2
		Expected Count	1.4	.3	.3	2.0
	very low	Count	1	1	1	3
		Expected Count	2.1	.5	.4	3.0
	Low	Count	14	2	3	19
		Expected Count	13.3	3.2	2.4	19.0
	Moderate	Count	13	1	2	16
		Expected Count	11.2	2.7	2.0	16.0
	High	Count	3	4	0	7
		Expected Count	4.9	1.2	.9	7.0
Total	Count	33	8	6	47	
	Expected Count	33.0	8.0	6.0	47.0	

Table-2C

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.161 ^a	8	.106
Likelihood Ratio	12.327	8	.137
Linear-by-Linear Association	.002	1	.964
N of Valid Cases	47		

a. 13 cells (86.7%) have expected count less than 5. The minimum expected count is .26.

Annexure 3

Table-3A

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
CSR Rating 2010 * Type of ownership	47	94.0%	3	6.0%	50	100.0%

Table-3B

CSR Rating 2010 * Type of ownership Crosstabulation

			Type of ownership		Total
			Private	Public	
CSR 2010	Zero Level	Count	2	0	2
		Expected Count	1.7	.3	2.0
	very low	Count	2	1	3
		Expected Count	2.5	.5	3.0
	low	Count	14	6	20
		Expected Count	16.6	3.4	20.0
	moderate	Count	15	1	16
		Expected Count	13.3	2.7	16.0
	high	Count	6	0	6
		Expected Count	5.0	1.0	6.0
Total	Count	39	8	47	
	Expected Count	39.0	8.0	47.0	

Table-3C

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.906 ^a	4	.206
Likelihood Ratio	7.150	4	.128
Linear-by-Linear Association	2.127	1	.145
N of Valid Cases	47		

a. 8 cells (80.0%) have expected count less than 5. The minimum expected count is .34.

Annexure 4

Table-4A

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
CSR Rating 2010 *	47	94.0%	3	6.0%	50	100.0%
Type of Industry						

Table-4B

CSR Rating 2010 * Type of Industry Crosstabulation

			Type of Industry		Total
			Manufacturing	Service	
CSR Rating 2010	Zero Level	Count	2	0	2
		Expected Count	1.6	.4	2.0
	very low	Count	2	1	3
		Expected Count	2.4	.6	3.0
	low	Count	16	4	20
		Expected Count	15.7	4.3	20.0
	moderate	Count	13	3	16
		Expected Count	12.6	3.4	16.0
	high	Count	4	2	6
		Expected Count	4.7	1.3	6.0
Total	Count	37	10	47	
	Expected Count	37.0	10.0	47.0	

Table-4C

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.402 ^a	4	.844
Likelihood Ratio	1.738	4	.784
Linear-by-Linear Association	.329	1	.566
N of Valid Cases	47		

a. 8 cells (80.0%) have expected count less than 5. The minimum expected count is .43.