



EMPIRICAL STUDY ON EQUITY IN CSR SPENDING: WITH SPECIAL REFERENCE TO INDIA

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ABSTRACT

The most vital element or issue governing the recent major discussions on Corporate Social Responsibility practices of Indian corporate are variation in various aspects of CSR spending. The social responsibility of every element of the society is important. The combination of fulfilment of responsibilities by individual parts creates social wellbeing at large. The poor performance in terms of fulfilment of social or environmental obligations by any section of the society has a far reaching and trickle down impact on other sections. The business world is not an exception to this. With the increase of expanse of corporate in the every sector of the country, it's become really important how efficiently the CSR spending is being undertaken by them; both in terms of absolute figure and evenness in spending. CSR is becoming a most important factor for corporate in maintaining social license to operate. Researchers here are concerned about the evenness in CSR spending among various states, zones and among various activities. Researchers have conducted ANOVAs: Single Factor, parametric test to fulfill research objectives. Significant variation has been observed in respect of various aspects of CSR spending. Researchers tried to put logical conclusions and recommendations in explaining the test results and in solving the present problems in the concerned area of research respectively.

KEY WORDS: *Corporate Social Responsibility Practices, Social License, Social Wellbeing, Trickle Down Impact.*

JEL Classification: *C12, C88, Y10.*

BACKGROUND

A company being a legal entity, is a part of our community; having some responsibilities to community. Thus, corporate social responsibility is its natural response to society.

Companies are run by the people, for the people and of the people. In all operations and activities of a company there should be aim of achieving sustainable development in social and environmental dimensions simultaneously with economical dimension. Management should consider the social effects as well as economic effects in its decision. It implies recognition and understanding of the aspirations of the society and determination to contribute to its achievement. In real sense, the shareholders of a company have not all the rights that true owners would have. They want the company to be run. If Managers steer company in a socially beneficial manner, it must run progressively long way. The avoiding of social responsibilities on the part of many corporate houses in the country has become a practice. The social and environmental degradation has been occurred both due to the avoidance of social responsibilities by the business, apart from destroying the societal resources. With the

passage of time this issue is becoming very much prominent to researchers; as it is directly linked to social welfare. Extensive and in-depth empirical study regarding various aspects governing CSR spending is very much time relevant now.

REVIEW OF LITERATURE

Muthusamy, A. & Negi, R. (2019). The study focuses on how different companies of Tamil Nadu are discharging their social and environmental obligations through CSR spending and how far it is up to the mark in various respects. It also focuses on pattern of CSR spending. It has been observed that companies are taking CSR as a issue not restricted to just legal obligations. Companies are spending for CSR activities under wide purposes as social and philanthropic responsibilities. Still government supervision is required to ensure that CSR spending are done for desired purposes without any wastage. Shyam, S. (2016). Study has objectified the understanding regarding concept and pattern of CSR spending prevailing in the country, apart from understanding the changes in CSR spending pattern, the policies governing CSR issues and major challenges faced in ensuring desired CSR spending in



the country. The study also looks into the role of SMEs in CSR spending initiatives. The research concludes the unparalleled linkage between CSR and sustainable existence for corporate. The idea and spending regarding CSR has long been understood and recognized by Indian corporate as unavoidable social obligation. In realising the true objectives of CSR, there is a need for cooperation from all the stakeholders. Bholra, K. & Malhotra, R. (2014). Researchers here focus on the need of legal regulations in the form of ethical principles in ensuring the foolproof adherence of social and environmental obligations by the businesses through CSR spending in India. It also broadly identified the rules and regulations required here. The study has taken special reference of several Indian IT companies for fulfilling the study objectives. It has been observed that though there are many companies in the country take CSR as a philanthropic duty. Still regulatory interventions are required in achieving better societal impacts from CSR. Metaxas, T. & Tsavdaridou, M. (2014). How different European companies have fulfilled their social and environmental obligations through various CSR activities undertaken are studied in a comparative way. This also reveals how different companies under consideration are tackling their environmental concern through CSR based green management. It has been found that different European companies fulfil their environmental concerns by undertaking different types of CSR activities. Some companies are really pioneer in developing various environment and social problem solving mechanisms, as a part of the CSR initiatives. Fulfilling of social and environmental obligations are responsible for bettering organizations' strategic position and employee morale and loyalty.

RESEARCH GAP

Based on the above detailed review of literature the researchers have found that literature contains no specific research work regarding variation of CSR Spending among different purposes and areas in India that are undertaken and formally reported by companies operating in India. Considering this as a major research gap with huge social significance; the researchers has identified several set of questions as research objectives in fulfilling this research Gap.

OBJECTIVES OF THE STUDY

1. To see whether there is any uneven distribution of CSR spending undertaken in various states of India.
2. To see whether there is any uneven distribution of CSR spending undertaken in various zones of India.

3. To see whether there is any uneven distribution of CSR spending undertaken for different activities in India.

RESEARCH QUESTIONS

1. Whether average CSR spending in different states vary significantly?
2. Whether average CSR spending in different zones vary significantly?
3. Whether average CSR spending for different activities vary significantly?

RESEARCH HYPOTHESES

1. H₀₁: There is no significant variation in average CSR spending being undertaken among different states.
2. H₀₂: There is no significant variation in average CSR spending being undertaken among different zones.
3. H₀₃: There is no significant variation in average CSR spending being undertaken for different activities.

METHODOLOGY FOLLOWED-

1. The CSR expenditure incurred in top 10 states of India as per population (as per census 2011) for three years from 2014-15 to 2016-17 are being presented and then by the application of single factor ANOVA it has been statistically proved whether average CSR spending among these states significantly differs or not.
2. Average CSR expenditure incurred in different zones of the country for three years from 2014-15 to 2016-17 has been computed considering states falls under it and then by the application of single factor ANOVA it has been statistically proved whether average CSR spending in different zones of the country statistically differs or not. Only states are considered for this purpose. States Existed as on 03.04.2018 has been considered.
3. 12 activities has been considered for which CSR spending are done and three years data regarding it from 2014-15 to 2016-17 has been considered and then by the application of single factor ANOVA it has been statistically proved whether average CSR spending for 13 different activities statistically differs or not.

The parametric test has been done. Due to the nature of the data and due to very small sample size it has been assumed that data has normal distribution and parametric tests are more concrete than non-parametric tests in testing the hypothesis.



PRESENTATION OF DATA AND ANALYSIS

GEOGRAPHICAL DISTRIBUTION OF TOTAL CSR EXPENDITURES IN TOP 10 STATES AS REPORTED FROM FY:- 2014-15 to 2016-2017 (In Rs. Crores), Table -1

Rank	States	2014-15	2015-16	2016-17
1	Uttar Pradesh	138.64	406.93	120.34
2	Maharashtra	1,372.34	1,810.45	702.37
3	Bihar	36.20	108.15	36.90
4	West Bengal	178.61	399.89	121.12
5	Madhya Pradesh	137.15	178.94	213.48
6	Tamil Nadu	498.89	597.60	202.53
7	Rajasthan	271.36	472.46	84.99
8	Karnataka	382.79	730.64	202.71
9	Gujarat	296.53	550.98	152.04
10	Andhra Pradesh	403.91	1,220.54	101.69

Source: GOVERNMENT OF INDIA MINISTRY OF CORPORATE AFFAIRS, RAJYA SABHA UNSTARRED QUESTION NO. 4031 ANSWERED ON TUESDAY, THE 3rd APRIL, 2018, FAKE DEVELOPMENT WORK UNDER CSR, QUESTION.

H₀₁: There is no significant variation in average CSR spending among different states.

Analysis

Whether average CSR spending in different states vary statistically significantly or not is being tested through the following test.

Table -2

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Uttar Pradesh	3	665.91	221.97	25741.3737		
Maharashtra	3	3885.16	1295.053	311440.2432		
Bihar	3	181.25	60.41667	1708.975833		
West Bengal	3	699.62	233.2067	21663.77523		
Madhya Pradesh	3	529.57	176.5233	1460.947433		
Tamil Nadu	3	1299.02	433.0067	42275.53643		
Rajasthan	3	828.81	276.27	37551.3313		
Karnataka	3	1316.14	438.7133	72023.08563		
Gujarat	3	999.55	333.1833	40795.88103		
Andhra Pradesh	3	1726.14	575.38	335007.8013		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3236467.622	9	359607.5	4.042037	0.004457799	2.392814
Within Groups	1779337.902	20	88966.9			
Total	5015805.525	29				

Source: Computed through MS Word 2007.

Decision

It has been observed from the above table-2 that calculated value of F (= 4.042037) is higher than critical or tabulated value of F (=2.392814) at 5 % level of significance, with a P-value of

0.004457799(P<.05). Hence the Null Hypothesis is being rejected at 95% level of confidence and there lies significant differences among mean CSR spending undertaken in the top 10 states of India. The Null Hypothesis is also rejected at 1 % level of



significance ($P < .01$). Maharashtra has the highest average allocation (1295.053), followed by Andhra Pradesh (575.38), Karnataka (438.7133), Tamil Nadu

(433.0067), Gujarat (333.1833), Rajasthan (276.27), West Bengal (233.2067), Uttar Pradesh (221.97), Madhya Pradesh (176.5233) and Bihar (60.41667).

CSR SPENDING IN DIFFERENT ZONES OF THE COUNTRY AS REPORTED FROM FY:- 2014-15 to 2016-2017 (In Rs. Crores), Table -3

Sl. No.	Zones	2014-15	2015-16	2016-17
1	North	110.276	211.916	50.286
2	South	288.956	585.32	124.486
3	East	135.0425	307	93.4225
4	West	565.16	797.23	288.32
5	Central	126.1675	223.3975	94.8525
6	North East	19.19	22.94	7.50

Source: Computed by author based on data provided by GOVERNMENT OF INDIA MINISTRY OF CORPORATE AFFAIRS, RAJYA SABHA UNSTARRED QUESTION NO. 4031 ANSWERED ON TUESDAY, THE 3rd APRIL, 2018, FAKE DEVELOPMENT WORK UNDER CSR, QUESTION.

H₀₂: There is no significant variation in average CSR spending among different zones.

Analysis

Whether average CSR spending among different zones in India vary statistically significantly or not is being tested through the following test.

Table -4

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
North	3	372.478	124.1593333	6675.624433		
South	3	998.762	332.9206667	54541.66283		
East	3	535.465	178.4883333	12819.49245		
West	3	1650.71	550.2366667	64914.37643		
Central	3	444.4175	148.1391667	4493.019858		
North East	3	49.63	16.54333333	64.85203333		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	537358.9944	5	107471.7989	4.49331169	0.015368861	3.105875
Within Groups	287018.0561	12	23918.17134			
Total	824377.0505	17				

Source: Computed through MS Word 2007.

Decision

It has been observed from the above table-2 that calculated value of F (= 4.49331169) is higher than critical or tabulated value of F (=3.105875) at 5 % level of significance, with a P-value of 0.015368861 ($P < .05$). Hence the Null Hypothesis is being rejected at 95% level of confidence and there

lies significant differences among mean CSR spending undertaken in the 6 zones of India. The Null Hypothesis is accepted at 1 % level of significance ($P > .01$). West zone has the highest average receipts (550.2366667), followed by South (332.9206667), East (178.4883333), Central (148.1391667), North (124.1593333) and North East (16.5433333).



TOTAL ACTIVITY WISE DISTRIBUTION OF CSR EXPENDITURES AS REPORTED FROM FY:- 2014-15 to 2016-2017 (In Rs. Crores), Table-5

Sl. No.	Activities	2014-15	2015-16	2016-17
1	Health/ Eradicating Hunger/ Poverty and malnutrition/ Safe drinking water/ Sanitation	2,382.27	4330.21	1201.37
2	Education/Differently Abled/ Livelihood	3,021.47	4,689.81	1,605.05
3	Rural development	1,031.02	1,327.57	628.56
4	Environment, Animal Welfare, Conservation Of Resources	812.31	901.80	306.68
5	Swachh Bharat Kosh	94.52	323.24	89.35
6	Any Other Funds	272.58	322.63	137.70
7	Gender equality/Women empowerment/Old age homes/Reducing inequalities	172.63	331.50	122.60
8	Prime Minister's National Relief Fund	211.04	206.08	109.81
9	Encouraging Sports	53.36	134.76	51.73
10	Heritage Art and Culture	113.62	114.90	49.64
11	Slum Area Development	101.07	13.60	1.97
12	Clean Ganga Fund	4.64	32.52	22.97

Source: GOVERNMENT OF INDIA MINISTRY OF CORPORATE AFFAIRS, RAJYA SABHA UNSTARRED QUESTION NO. 4031 ANSWERED ON TUESDAY, THE 3rd APRIL, 2018, FAKE DEVELOPMENT WORK UNDER CSR, QUESTION.

H₀₃: There is no significant variation in average CSR spending among different activities for which CSR expenditures are done.

Analysis

Whether average CSR spending for different activities vary statistically significantly or not is being tested through the following test.

Table -6

Anova: Single Factor				
SUMMARY				
Groups	Count	Sum	Average	Variance
Health/ Eradicating Hunger/ Poverty and malnutrition/ Safe drinking water/ Sanitation	3	7913.85	2637.95	2496439
Education/Differently Abled/ Livelihood	3	9316.33	3105.443	2384225
Rural development	3	2987.15	995.7167	123088.5
Environment, Animal Welfare, Conservation Of Resources	3	2020.79	673.5967	102973
Swachh Bharat Kosh	3	507.11	169.0367	17840.68
Any Other Funds	3	732.91	244.3033	9149.454
Gender equality/Women empowerment/Old age homes/Reducing inequalities	3	626.73	208.91	11896.98
Prime Minister's National Relief Fund	3	526.93	175.6433	3256.671
Encouraging Sports	3	239.85	79.95	2253.766
Heritage Art and Culture	3	278.16	92.72	1392.324
Slum Area Development	3	116.64	38.88	2934.511
Clean Ganga Fund	3	60.13	20.04333	200.7476



ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	36864532.49	11	3351321	7.800345	0.0000	2.216308646
Within Groups	10311300.92	24	429637.5			
Total	47175833.42	35				

Source: Computed through MS Word 2007.

Decision

It has been observed from the above table-2 that calculated value of F (=7.800345) is higher than critical or tabulated value of F (= 2.216308646) at 5 % level of significance, with a P-value of 0.0000 (P<.05). Hence the Null Hypothesis is being rejected at 95% level of confidence and there lies significant differences among mean CSR spending undertaken for various activities in India. The Null Hypothesis is also rejected at 1 % level of significance (P<.01). Education/Differently Abled/ Livelihood has the highest average spending being undertaken for it (3105.443), followed by Health/ Eradicating Hunger/ Poverty and malnutrition/ Safe drinking water/ Sanitation (2637.95), Rural development (2987.15), Environment, Animal Welfare, Conservation Of Resources (673.5967), Any Other Funds (244.3033), Gender equality/Women empowerment/Old age homes/Reducing inequalities (208.91), Prime Minister's National Relief Fund (175.6433), Swachh Bharat Kosh (169.0367), Heritage Art and Culture (92.72) Encouraging Sports (79.95), Slum Area Development (38.88), and Clean Ganga Fund (20.04333) .

CONCLUSION

Based on the above analysis following conclusions have been drawn by the researchers to explain the results logically.

1. It has been observed that the states like Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and Gujarat received much higher amount under CSR spending than states like Uttar Pradesh, Madhya Pradesh and Bihar mainly; because it has been observed that the states which have higher concentration of the business and industries received experienced much more developmental works under CSR schemes of individual enterprises than states having lower concentration of trade and businesses. So it can be inferred that companies are basically undertaking CSR spending in the vicinity of the places of its operations. This behavioural approach can be attributed to the

2. The analysis shows that Western and Southern zone of the country has received more amount than Northern and North Eastern zone of the country under expenditure for CSR. The same reason as above can be attributed for this uneven distribution in the received of CSR expenditures by the various zones of the country. The Western and Southern zone of the country is comparatively economically developed due concentration of more gainful economic actives in form of business and trades located there. Whereas Northern and North Eastern zone of the country is comparatively economically weaker due to less concentration of gainful economic actives in form of business and trades there.
3. The study reveals there lays significant variation in CSR spending being undertaken among different activities. Highest spending are done for educational development, health related matters, in fulfilling basic social needs, environmental development and for rural development. Whereas spending for art, culture and heritage protection and for development of sports and sports infrastructure is the most neglected area. India being a developing country with a large scale population lying under Below Poverty Level, the areas which are directly comes under the ambit of social and economic welfare for unprivileged sections get the most importance both on the part of governments and companies, hence those areas received maximum allocation under CSR expenditure. Among the other areas environment is most important in terms of CSR receipts as environmental degradation is directly related to poverty and health impairment. Areas which are not contributing highly in fulfilling basic economic and social needs are always neglected.



RECOMMENDATIONS

Based on above detailed analysis and conclusions following recommendations are drawn to give a set of measures for countering the loopholes for uneven distribution of spending.

1. The government should mandate specific rules and regulations for ensuring logical distribution of CSR expenditures among different states. The government should not promote CSR spending by different companies in the place of its operation or in the place of its market. A centralized CSR fund pulling and allocation system should be developed for more even distribution of the expenditures based on state based needs and population.
2. There is also some need of alleviating the unevenness in purpose for which CSR expenditures are done. The government here also need to take legal initiatives in mandating the percentage of total spending to be spent for different purpose and for doing it feasibly centralized CSR fund pulling and allocation system should be developed. Especially allocation under the head of Gender equality/Women empowerment and Encouraging Sports need to be increased, as the country's performance is very poor in these two aspects.

LIMITATIONS AND FUTURE RESEARCH SCOPES

The study has been conducted by the researchers based on secondary data and small amount data is being analyzed by the application of basic statistical tool. Future research can be conducted by collecting primary data and more sophisticated statistical tool can be utilized in gathering more in-depth knowledge about actual picture of CSR spending in the country. Company and sector specific secondary data can be collected to gain knowledge on company or sector specific performance in regard to CSR rules adhering and also in finding out the success of present laws.

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