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## A STUDY OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN MAHARATNA PUBLIC SECTOR ENTERPRISES OF INDIA

**DR. MOHD TAQI**  
**POST DOCTORAL FELLOW**  
**DEPARTMENT OF COMMERCE**  
**ALIGARH MUSLIM UNIVERSITY**  
**ALIGARH**

**DR. MOHD AJMAL**  
**ASST. PROFESSOR**  
**DEPARTMENT OF COMMERCE**  
**ALIGARH MUSLIM UNIVERSITY**  
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### ABSTRACT

*Corporate Social Responsibility (CSR) is an area of concern and an important activity across the business world. It can be defined as commitment of a company to operate in an economically, socially and environmentally sustainable manner while recognizing the interests of its stakeholders. Through CSR, the organizations serve the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities, environment and in all aspects of their operations. The thrust of CSR in public sector is on inclusive growth, sustainable development and capacity building with due attention on the socio-economic needs of the neglected and marginalized sections of the society. The objective of the study is to analyze the Corporate Social Responsibility (CSR) activities carried out by Maharatna Public Sector Enterprises in India. The study is based on secondary data taken from the annual reports of Maharatna companies from 2010-11 to 2014-15. Variables considered for the study are: profit after tax, funds allocated for CSR activities, funds utilized in CSR activities and funds unutilized in order to determine the exact performance of CSR activities and its impact on profitability of public sector Maharatna companies of India. The results indicate that Maharatna companies are making efforts in the CSR areas but still there is requirement for more emphasis on CSR. It is also observed that few companies not even meet the regulatory requirements. The public sector companies have shown the highest contribution in CSR activities.*

### KEYWORDS

public sector, maharatna companies, corporate social responsibility, funds allocate, funds utilise.

### INTRODUCTION

Corporate social responsibility (CSR) is the commitment of a company to operate in an economically, socially and environmentally sustainable manner while recognizing the interests of its stakeholders. It refers as operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has from business (Sinha et al, 2012). In the present era of globalization, corporate social responsibility has become an increasingly important activity for businesses. Large corporations serving as global providers have progressively recognized the benefits of CSR programs at various locations across the globe. Most of the companies are involved in CSR practices for making prestige and creating value in the society. Many corporate houses use CSR as a competitive strategy to stay and compete in the market. In India, nearly all leading corporate houses are involved in different types of CSR activities like in education, health, livelihood creation, social development and empowerment of women and other weaker sections of the society (Mukherjee et al, 2014).

Public sector enterprises play a crucial role in the development of our economy. Government set up PSEs to build the industrial capacity and generate employment along with improved socio-economic condition of the country. The central government establishes Central Public Sector Enterprises (CPSEs) under the Department of Public Enterprise, Ministry of Heavy Industries & Public Enterprise which are governed by the guidelines issued by Department of Public Enterprise. New Guidelines on CSR and Sustainability for CPSEs came into effect on April 1, 2013. In India, the concept of CSR is governed by clause 135 of the Companies Act 2013, which was passed by both houses of the Parliament and had received the assent of the President of India on August 29, 2013. The CSR provision within the Act is applicable to all companies having an annual turnover of Rs. 1000 crore and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and more. The new rules enforced from the fiscal year 2014-15, also require companies to set up a CSR committee consisting of their board members having at least one independent director. The act encourages companies to spend at least 2 per cent of their average net profit in the previous three years on CSR activities. Only the CSR activities undertaken in India will be considered. The activities meant exclusively for employees and their families will not qualify under these guidelines and the public sector units like Maharatna, Navratna, Miniratna etc have to perform mandatory CSR activities.

As per new guidelines, it is obligatory for CPSEs to disclose their various CSR initiatives and performance to stakeholders. The CPSEs would have to utilize and spend the entire amount earmarked for CSR or would have to disclose the reasons for not utilizing the full amount. Further, if the CPSEs are unable to spend the earmarked amount for CSR in a particular year, they would have to spend the amount in the next two financial years, failing which, it would be transferred to Sustainability Fund. In the revised guidelines, the thrust of CSR and sustainability is clearly on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions and upliftment of marginalized and under privileged sections of the society. The revised guidelines give a clear, unequivocal message that CPSEs are expected to act in a socially responsible manner at all times.

The present study is organized as follows: First section deals with the introductory background of the study. Section two summarizes the concept of CSR and review of previous empirical studies. Section three specifies the methodology used in the study. Section four is concerned with analysis and interpretation of data. The last section focuses upon concluding remarks along with limitations of the study.

### CORPORATE SOCIAL RESPONSIBILITIES: THE CONCEPT

Corporate social responsibility (CSR) is the way by which corporation achieves balance among its economic, social, and environmental responsibilities in its operations so as to address the expectations of shareholders and other stakeholders. CSR is the responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society considering the expectations of stakeholders; in compliance with applicable law and consistent with international norms of behavior; and is also integrated throughout the organization (ISO, 2007).

CSR may be defined as the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve their quality of life (Namita et al, 2012). Corporate social responsibility is a concept whereby organization considers the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as the environment (Harish, 2012). Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally.

As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs at various locations (Dipak et al, n.d.).

In India, CSR is known from ancient times as social duty or charity which through different ages is changing its nature in broader aspect. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800. CSR is recognized as an important function contributing to accelerate the process of overall development of a nation. India being the second most populous country in the world, and home to the largest number of people in need of basic amenities, calls for more intensive efforts as part of such initiatives in the healthcare space of the nation. Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. The evolution of CSR in India can be divided into four phases.

CSR motivated by charity and philanthropy: It was characterized by the inclination of industrial families of the 19<sup>th</sup> century such as Tata, Godrej, Modi, Birla, Singhania towards economic as well as social considerations. CSR for India’s social development: The second phase started with the independence movement where the industrialists were influenced by Mahatma Gandhi for socio-economic development of the nation. During this phase schools, colleges, training centers etc, were set up by various companies. CSR under the paradigm of the mixed economy: the labor and environment laws were introduced in an independent India. The CSR activities were mainly taken by the Public Sector Undertakings (PSUs). CSR at the interface between philanthropic and business approaches: the fourth phase which is still in existence, started in 1980. Indians started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy.

Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted to religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they were simply trying to buy community goodwill. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society (Sarkar et al, 2015). Today, corporate social responsibility is quite familiar to business world. The thrust of CSR in public sector is on inclusive growth, sustainable development and capacity building with due attention to the socio economic needs of the neglected and marginalized sections of the society.

**CORPORATE SOCIAL RESPONSIBILITIES: THE GOVERNMENT PERSPECTIVES**

India’s new Companies Act 2013 (Companies Act) has introduced several provisions which have changed the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies use resources such as raw materials, human resources etc from the society and by performing CSR activities they are giving something in return to the society. Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into effect from 1 April 2014. Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India (Anchula et al, 2015).

**CORPORATE SOCIAL RESPONSIBILITY: FINANCIAL COMPONENTS**

Every year, each CPSE with the approval of its Board of Directors shall make a budgetary allocation for CSR and Sustainability activities/projects for the year. The budgetary allocation will be based on the profitability of the company. More specifically, it will be determined by the Profit after Tax of the company in the previous year and Range of Budgetary allocation for CSR and Sustainability activities (as % of PAT in previous year)

TABLE 1

Less than Rs. 100 Crore	3% - 5%
Rs. 100 crore to Rs. 500 crore	2% - 3%
Rs. 500 crore and above	1% - 2%

Source: Department of Public Enterprises, Guidelines on CSR and Sustainability for CPSEs

With the enactment of new companies act, CPSEs need not to follow the above budgetary allocation. Now they have to spend 2 per cent of net profit under section 135 of Companies Act, 2013 (Rath, 2016). Each CPSE should have a Board level committee headed by either the Chairman and Managing Director, or an Independent Director, to oversee the implementation of the CSR and Sustainability policies of the Company and to assist the Board of Directors in formulating the adequate and suitable policies and strategies to undertake the CSR and Sustainability agenda of the company in the desired direction. Now as per the new law, CSR committee is to be formed to formulate CSR policy and monitor its implementation (Rajsekar et al, 2015).

**BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY**

Corporate social responsibility is a manner in which companies show their concern about the welfare of the society, environment and company itself. The benefits of CSR practices are presented in table 2.

TABLE 2: BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY

Company	Public	Environment
<ul style="list-style-type: none"> <li>Improved financial performance;</li> <li>Lower operating cost;</li> <li>Enhanced brand image and reputation;</li> <li>Increased sales and customer loyalty;</li> <li>Greater productivity and quality;</li> <li>More ability to attract and retain employees;</li> <li>Reduced regulatory oversight;</li> <li>Access to capital;</li> <li>Workforce diversity; Product safety and decreased liability</li> </ul>	<ul style="list-style-type: none"> <li>Charitable contributions;</li> <li>Employees volunteer programme</li> <li>Corporate involvement in community education, employment and homelessness programme</li> <li>Product safety and quality</li> </ul>	<ul style="list-style-type: none"> <li>Greater material recyclability;</li> <li>better product durability and functionality;</li> <li>Greater use of renewable resources;</li> <li>Integration of environmental management tools into business plans, including life-cycle assessment and costing,</li> <li>environmental management standards and eco-labeling</li> </ul>

Source: Asemah et al, 2013

**PUBLIC SECTOR MAHARATNA COMPANIES OF INDIA: A BRIEF PROFILE**

Public sector plays a vital role in economic and social development of the nation. The present study is primarily concerned with the corporate social responsibility practices followed by the public sector Maharatna companies of India. The brief profiles of Public Sector Maharatna Companies are presented in table 3.

TABLE 3: PUBLIC SECTOR MAHARATNA COMPANIES

Company	Established	Headquarter	Products
SAIL	1954	New Delhi	Steel, Flat steel products, long products, wire products.
GAIL	1984	New Delhi	Natural gas, petrochemical, liquid hydrocarbons, gas transmission, city gas distribution, E&P, tele-communication, electricity generation
NTPC	1975	New Delhi	Electrical power and natural gas
ONGC	1956	Dehradun	Petroleum, natural gas and other petrochemicals
IOC	1959	New Delhi	Fuels, Lubricants, Petrochemicals
BHEL	1964	New Delhi	Gas and Steam, Turbines Boilers, Electric Motors, Generators, Heat Exchangers, Pumps, Switchgears, Sensors, Automation and Control systems, power electronics, transmission system
CIL	1975	Kolkata	Coal, Bituminous

Source: Different reports of Public Sector Maharatna Companies

**CSR PRACTICES BY PUBLIC SECTOR MAHARATNA COMPANIES OF INDIA**

Public sector companies are much aware about the corporate social responsibility activities and they are working on this issue since long. Now, the government has made CSR practices mandatory. The areas where the public sector Maharatna companies are working is being highlighted in table 4.

TABLE 4: TARGETED AREAS UNDER CSR PRACTICES BY MAHARATNA COMPANIES

SAIL	GAIL	NTPC	ONGC	IOC	BHEL	CIL
Medical & Healthcare; -Education, Livelihood Generation; - Empowering under-privileged sections of the society -Rural Development	Nutrition, Health, Sanitation, Drinking Water projects; - Education Initiatives; - Livelihood Generation and Skill development initiatives; - Rural Development; - Women Empowerment initiatives; - Care of the elderly and differently abled; - Environment centric initiatives	-Education - Women Empowerment - Health Care - Entrepreneurship Development - Infrastructure Development - Care for Differently Abled - Water Management - Environment Protection - Promotion of Artisans - Promoting Sports	Promoting Education; - Promoting Gender Equality; - empowering women; - setting up homes and hostels for women and orphans; - setting up old age homes; - ecological balance; - protection of Flora and Fauna; - Animal Welfare; - Conservation of Natural Resources	-Clean Drinking Water; - Health & Medical Care; - Expansion of Education; - Rural Development; -Women empowerment initiatives	-Environment Protection & Energy Conservation; - Adoption of ITI' sand Setting up of Skill Development Institutes; - Vocational Training - Education & Promotion of Talents - Adoption of Villages and Community Development; - Disaster/Calamity Management; - Health Management; - Infrastructure Development;	Installation/Repairing of Hand Pumps; -Digging/renovation of Wells/Ponds/ Dam etc.; - Water Supply through pipelines; - Construction/Renovation and repair of Community; - Centre/building, Construction/repair of Roads/Culverts; - Organising Medical Camps; - Organising Sports and Cultural Activities

Source: Annual reports of public sector Maharatna companies

**RESEARCH PROBLEM**

Indian Public sector companies contribute nominal part of their profits towards corporate social responsibility practices. The Companies Act 2013 clearly states that certain class of companies have to spend at least 2 per cent of their three year average annual net profit towards CSR activities. In this perspective, the following study is undertaken to find out CSR budget, allocation of funds, utilisation of funds and unutilized amount by the Indian Public Sector Maharatna companies.

**LITERATURE REVIEW**

Harish, N. (2012), studied corporate social responsibility practices in Indian companies focusing on reducing income inequalities in India. The study is also concerned about the practices followed by Indian companies and approaches adopted for CSR as business practice. The risk components and opportunities relating to CSR practices in India are also addressed. Anchula et al (2015), examined the CSR practices in PSU of Maharatna through the fund allocated and utilized before and after the Companies Act 2013. The variables used for the analysis were fund allocated and funds utilized for CSR practices by Maharatna. It was revealed that Maharatna enterprises were unable to spend their CSR budget, the utilized amount was only 50 per cent of the allocated amount. The study concluded that Maharatna enterprises were not taking much CSR initiatives as they didn't receive any support from the government. Gautam et al (2010) in their paper studied corporate social responsibility practices of top 500 companies in India. They discussed various definitions and descriptions of CSR and elaborated upon development of CSR in India. The study examined how India's top 500 companies view and conduct their CSR and identified key CSR practices. The study was exploratory in nature and content analysis technique was used to assess CSR practices of companies operating in India. Rajasekar et al (2015), studied the evolution of corporate social responsibility in India and developments in this sphere. They analysed the amount spent by Maharatna public sector undertakings as part of CSR. Seven public sector Maharatna companies were considered for funds utilisation in CSR activities. They discussed the new requirements of mandatory expenditure of 2 per cent of average net profit of immediately 3 preceding financial years and made a brief analysis of the amount spent by the public sector undertakings in the Maharatna category for the financial year 2011-14. It was concluded that CSR utilized funds by Maharatna public sector enterprises show that even though these companies are engaged in the extensive CSR activities before it is made mandatory the amount they spent fell short of the mandatorily prescribed limit giving ample room and resources for these Maharatna PSEs to enlarge their CSR activities and act as a catalyst for inclusive growth agenda of the Government. Mukherjee et al (2014) discussed the corporate social responsibility practices by central public sector enterprises with the sample of two major companies i.e. North Eastern Electric Power Corporation Limited and National Hydroelectric Power Corporation limited. The study concluded that both the companies were entrusted with highest number of projects for constructing big dams in north east India and their operational impact over the society and the natural environment. Sahu (2014) examined CSR activities of Maharatna companies in India. The main emphasis of the study was to generate information about CSR activities undertaken by seven Maharatna public sector undertakings in India. He assessed the commonality of CSR actions of the Maharatna companies on socio-economic development of the society.

**RESEARCH GAP**

Several studies have been conducted on corporate social responsibility across the world. The researcher does not found any study on corporate social responsibility available on CSR funds utilization and its impact on performance of the company. The present study is primarily concerned with funds allocation and its utilization for CSR practices by the companies and the impact of utilized funds on profitability of the company at specified period of time.

**OBJECTIVES OF THE STUDY**

1. To discuss CSR practices adopted by Public Sector Maharatna companies of India.
2. To study the existing CSR practices by Maharatna companies in terms of:
  - Funds allocation
  - Funds Utilization
3. To measure the impact of CSR practices on the profitability of Maharatna companies.

**HYPOTHESES OF THE STUDY**

The main hypotheses of the study are as follows:

- H<sub>01</sub>: There is no significant difference in fund utilization for CSR activities among Maharatna companies.  
 H<sub>02</sub>: There is no significant impact of utilized funds on net profit among Maharatna companies.

**METHODOLOGY OF THE STUDY**

The present study is purely based on secondary sources of information derived from various journals, books, newspapers along with the published annual reports of selected public sector enterprises of India.

**NATURE OF STUDY**

The study is exploratory in nature which depends upon the workings and operations of Selected Maharatna companies of Indian Public Sector and their corporate social responsibilities practices for socio-legal environment and other aspects.

**SAMPLE OF THE STUDY**

The Maharatna Companies have been taken as sample for the purpose of study which are as follows:

- Bharat Heavy Electricals Limited (BHEL)
- Coal India Limited (CIL)
- Gas Authority of India Limited (GAIL).
- Indian Oil Corporation Limited (IOCL)
- National Thermal Power Corporation (NTPC) Limited.
- Oil & Natural Gas Corporation (ONGC) Limited.
- Steel Authority of India Limited (SAIL)

**NATURE AND SOURCES OF DATA**

Secondary data is used for the analysis which has been taken from the Published Annual Reports of Public Sector Companies. Various Journals, Magazines, Newspapers as well as internet have been used for the collection of data regarding corporate social responsibility.

**TENURE OF THE STUDY**

The present study deals with the disbursement of funds by Maharatna Companies of Indian Public Sector for a period of five years ranging from 2010-11 to 2014-15.

**VARIABLES OF THE STUDY**

Profit after Tax, Funds Allocated for CSR activities, Funds Utilized for CSR activities, Funds Unutilized and funds utilized as percentage of net profit.

**TOOLS USED**

Descriptive Statistics, Correlation and Ordinary Least Square Regression Model have been used along with tabular and graphical presentation of data.

**DATA ANALYSIS AND INTERPRETATION**

The present study is concerned with CSR activities measured by five variables chosen for the analysis. The tabular and graphical presentation of profit after tax, funds allocated, funds utilized and funds unutilized are as follows:

**TABLE 5: PROFIT AFTER TAX IN PUBLIC SECTOR MAHARATNA COMPANIES (Rs. in crore)**

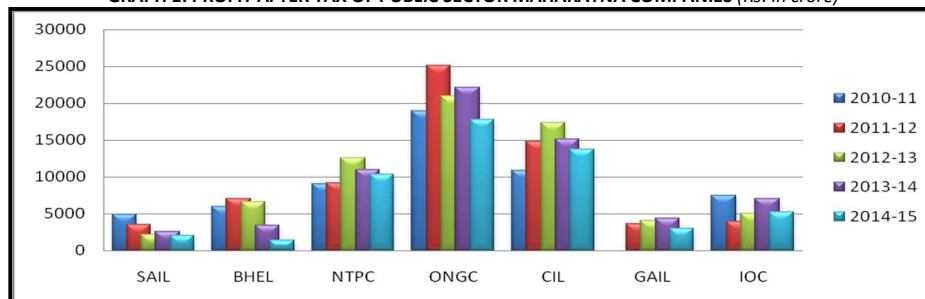
Year	SAIL	BHEL	NTPC	ONGC	CIL	GAIL	IOC
2010-11	4905	6011	9103	18924	10867	3561	7445
2011-12	3543	7040	9224	25123	14788	3654	3955
2012-13	2170	6615	12619	20926	17356	4022	5005
2013-14	2616	3460	10974	22095	15112	4375	7019
2014-15	2093	1419	10291	17733	13727	3039	5273

Source: Annual Reports of Maharatna companies from 2010-11 to 2014-15

The above table presents the profitability position of Public Sector Maharatna companies of India from 2010-11 to 2014-15. The profit of SAIL was Rs. 4905 crore in 2010-11 which declined steeply during the study period and stood at Rs. 2093 crore in 2014-15. BHEL has also experienced mixed trend of profit during the study period. It was fluctuating during the first half of the study period and later declined to reach its lowest i.e. Rs. 1419 crore in 2014-15. NTPC has a fluctuating cum increasing trend of profit during the study period. The profit of ONGC was Rs. 18924 crore in 2010-11 which increased next year but fluctuated in later part of the study period. The profit after tax of CIL was Rs. 10867 crore in 2010-11 which showed a mixed trend during the study period and finally reached to Rs. 13727 crore in 2014-15.

GAIL displayed a slow increase in profit throughout the study period except in 2014-15 when it turned down to Rs. 3039 crore. The profit of IOC was Rs. 7445 crore in 2010-11 which declined in later part of the study period and finally stood at Rs. 5273 crore in 2014-15.

**GRAPH 1: PROFIT AFTER TAX OF PUBLIC SECTOR MAHARATNA COMPANIES (Rs. in crore)**



Source: Annual Reports of Public Sector Maharatna Companies

Graph 1 provides the details of earnings after tax by public sector Maharatna companies from 2010-11 to 2014-15. From the graphical presentation, it is evident that earning performance of the companies did not vary to large extent during the study period. ONGC has earned higher net profit as compared to other companies.

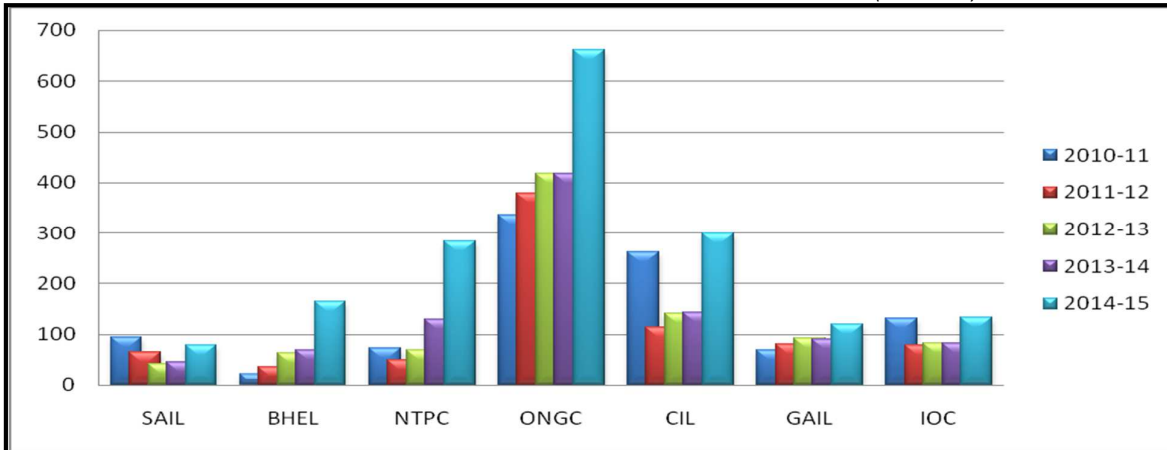
TABLE 6: FUNDS ALLOCATED FOR CSR ACTIVITIES BY MAHARATNA PUBLIC SECTOR ENTERPRISES (Rs. in crore)

Year	SAIL	BHEL	NTPC	ONGC	CIL	GAIL	IOC
2010-11	94.00	21.55	72.37	335.35	262.28	69.54	131.11
2011-12	64.00	36.47	49.44	378.48	113.03	80.95	78.47
2012-13	42.00	63.00	69.24	418.5	140.13	92.00	82.88
2013-14	44.87	69.2	128.35	418.5	142.16	91.00	81.91
2014-15	78.00	165.00	283.48	660.61	298.10	118.67	133.40

Source: Annual Reports of Maharatna companies from 2010-11 to 2014-15

The above table shows the funds assigned for CSR activities by Public Sector Maharatna companies. In the year 2010-11 SAIL, allocated Rs. 94 crore for CSR activities which declined in the next two years and stood at Rs. 42 crore in 2012-13. A slight increase was seen in 2013-14 and the allocated amount further increased to Rs. 78 crore in 2014-15. BHEL recorded an increasing trend in allocating funds for CSR activities. The amount allocated by NTPC has also increased throughout the study period except in 2011-12 when it declined to Rs. 49.44 crore. ONGC has allocated a huge amount for CSR activities, depicting an increasing trend all over the study period but in 2012-13 and 2013-14 where the allocated funds did not change. CIL, GAIL and IOC have shown a fluctuating trend throughout with the highest allocation of funds in 2014-15.

GRAPH 2: FUNDS ALLOCATED FOR CSR PRACTICES BY MAHARATNA COMPANIES (Rs. in crore)



Source: Annual Reports of Public Sector Maharatna Companies from 2010-11 to 2014-15

Graph 2 shows funds allocated for CSR activities by Maharatna companies during the study period. The funds allocated for CSR activities by all the companies was Rs. 100 crore approximately except ONGC which has spent a large amount on CSR activities during the entire study period.

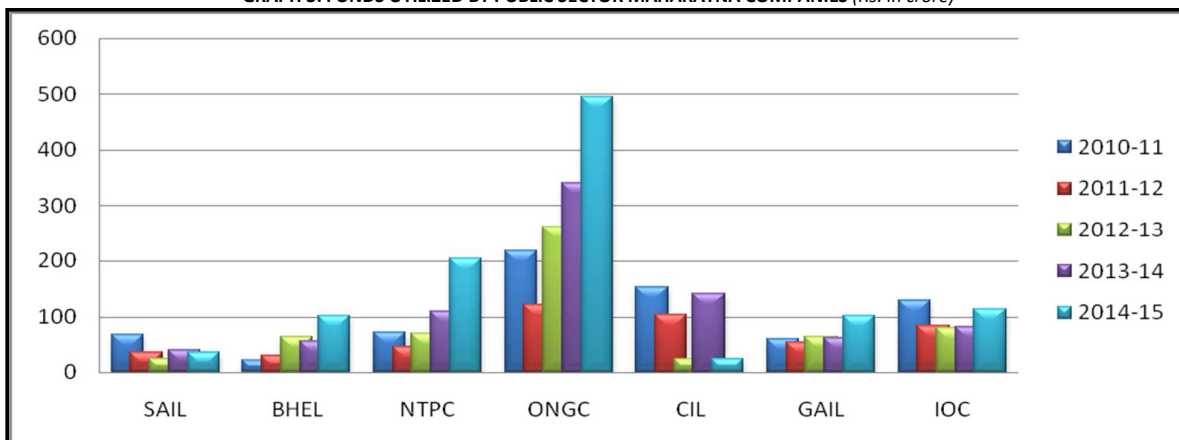
TABLE 7: FUNDS UTILIZED IN CSR PRACTICES BY MAHARATNA PUBLIC SECTOR ENTERPRISES (Rs. in crore)

Year	SAIL	BHEL	NTPC	ONGC	CIL	GAIL	IOC
2010-11	68.27	21.55	72.21	219.03	152.33	59.90	128.41
2011-12	35.52	30.05	45.52	121.08	104.12	54.43	82.73
2012-13	24.81	63.00	69.24	261.57	23.73	64.65	78.97
2013-14	40.00	56.7	109.77	341.3	141.70	62.57	81.91
2014-15	35.04	102.06	205.18	495.23	24.04	102.06	113.79

Source: Annual Reports of Maharatna companies from 2010-11 to 2014-15

The above table highlights the funds utilized for CSR activities by Maharatna companies. Out of the total allocated funds of Rs. 94 crore, SAIL utilized Rs. 68.27 crore in 2010-11. Most of the allocated funds have been utilized in 2013-14. BHEL utilized the whole amount of allocated funds in 2010-11 and 2012-13. NTPC also exhibits the same pattern with almost full utilization of funds in 2010-11 and full utilization for CSR in 2012-13. ONGC has not utilized much of its funds for CSR activities whereas, CIL shows a fluctuating trend. GAIL has utilized most of the funds allocated for CSR activities in a quite stable pattern. IOC has displayed a better trend in utilization of funds but in 2014-15 only Rs. 113.79 crore were utilized. It is observed that IOC has made better utilization of funds in comparison to other Maharatna companies.

GRAPH 3: FUNDS UTILIZED BY PUBLIC SECTOR MAHARATNA COMPANIES (Rs. in crore)



Source: Annual Reports of Public Sector Maharatna Companies from 2010-11 to 2014-15



Graph 3 shows funds utilized by the public sector Maharatna companies from 2010-11 to 2014-15. All the companies have a fluctuating trend of CSR funds utilization during the study period. ONGC is the single company among Maharatna which utilized maximum amount on CSR practices.

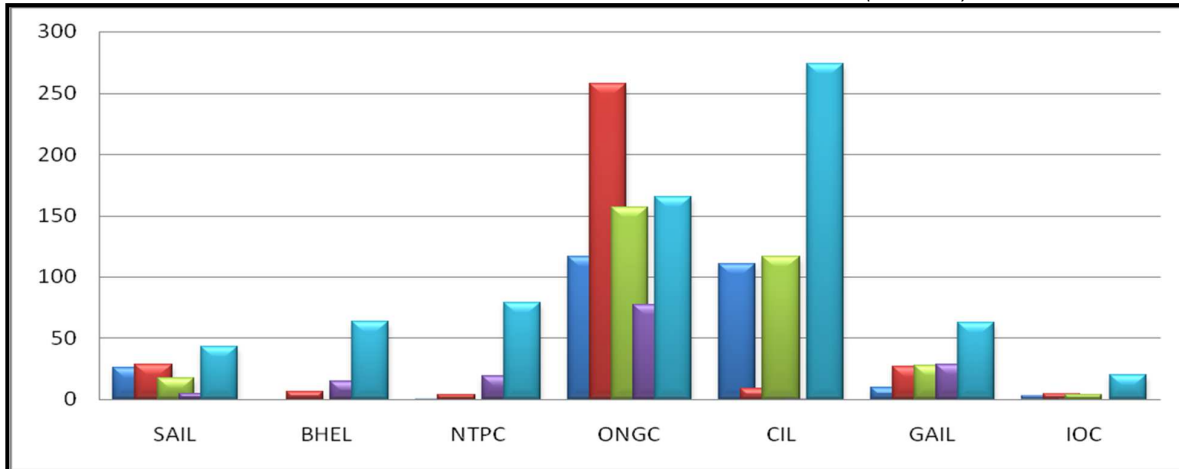
**TABLE 8: FUNDS UNUTILIZED IN CSR PRACTICES BY MAHARATNA PUBLIC SECTOR ENTERPRISES (Rs. in crore)**

Year	SAIL	BHEL	NTPC	ONGC	CIL	GAIL	IOC
2010-11	25.73	0	0.16	116.32	109.95	9.64	2.7
2011-12	28.48	6.42	3.92	257.4	8.91	26.52	4.26
2012-13	17.19	0	0	156.93	116.4	27.35	3.91
2013-14	4.87	14.5	18.58	77.2	0.46	28.43	0
2014-15	42.96	62.94	78.3	165.38	274.06	62.39	19.61

Source: Annual Reports of Maharatna companies from 2010-11 to 2014-15

Table 8 presents the amount of unutilized funds in CSR activities by Maharatna companies from 2010-11 to 2014-15. SAIL had Rs. 25.73 crore in 2010-11 as unutilized funds which fluctuated and increased to Rs. 42.96 crore in 2014-15. In 2012-13, BHEL and NTPC have no unutilized funds and the situation is almost same in 2010-11 too. As compared to other companies, ONGC has the highest amount of unutilized funds throughout the study period. CIL shows a fluctuating trend with least unutilized funds in 2013-14. IOC seems to be better with very little unutilized funds. The unutilized funds in all the companies remained highest in 2014-15 and ONGC had maintained Rs. 257.4 crore in 2011-12 which was the highest unutilized amount among the Maharatna companies.

**GRAPH 4: FUNDS UNUTILIZED BY PUBLIC SECTOR MAHARATNA COMPANIES (Rs. in crore)**



Source: Annual Reports of Public Sector Maharatna companies from 2010-11 to 2014-15

Graph 4 reveals the position of funds unutilized by public sector Maharatna companies from 2010-11 to 2014-15. ONGC and CIL have not spent enough funds on CSR activities during the study period as shown in the graph whereas IOC has made the best utilisation of funds.

**AMOUNT SPENT ON CSR ACTIVITIES AS A PERCENTAGE OF NET PROFIT BY PUBLIC SECTOR MAHARATNA COMPANIES**

Considering the mandatory requirement of spending i.e. 2 per cent of the average net profit of the preceding 3 financial years for CSR activities by profit making companies, a brief analysis of the amount spent on CSR activities by the Maharatna Public Sector Undertakings as percentage of their net profit for the past 3 years is given here as follows:

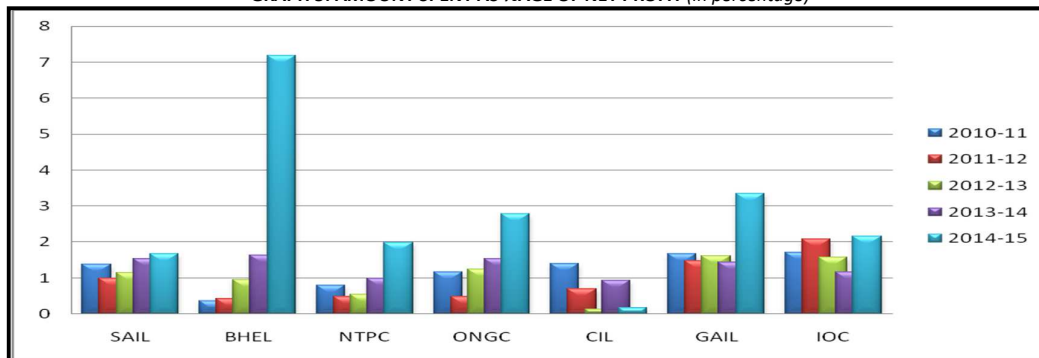
**TABLE 9: AMOUNT SPENT BY MAHARATNA COMPANIES AS PERCENTAGE OF NET PROFIT (in percentage)**

Year	SAIL	BHEL	NTPC	ONGC	CIL	GAIL	IOC
2010-11	1.39	0.36	0.79	1.16	1.40	1.68	1.72
2011-12	1.00	0.43	0.49	0.48	0.70	1.48	2.09
2012-13	1.14	0.95	0.55	1.25	0.14	1.61	1.58
2013-14	1.53	1.64	1.00	1.54	0.94	1.43	1.17
2014-15	1.67	7.19	1.99	2.79	0.18	3.35	2.16

Source: Annual Reports of Maharatna companies from 2010-11 to 2014-15

The above table presents the amount spent by public sector Maharatna companies from 2010-11 to 2014-15. The amount spent by SAIL was approximately 1.5 per cent during the study period while the performance of BHEL was not good in initial years of the study period but in 2014-15, 7.19 per cent of net profit was spent on CSR activities. The amount spent as a percentage of net profit remained highest in 2014-15 in all the Maharatna companies except CIL where it was at peak in 2010-11 and decreased in later part of the study period. GAIL spent approximately more than 1.5 per cent of net profit on CSR activities during the entire study period.

**GRAPH 5: AMOUNT SPENT AS %AGE OF NET PROFIT (in percentage)**



Source: Annual Reports of Public Sector Maharatna companies from 2010-11 to 2014-15

Graph 6 shows the amount spent as percentage of net profit by the public sector Maharatna companies during the study period. It can be seen that SAIL has spent more than 1 per cent funds of net profit while BHEL has spent more than 7 per cent of net profit on CSR activities. GAIL and IOC have used more than 2 per cent of net profit during the study period.

**DATA ANALYSIS AND INTERPRETATION**

The present study is primarily concerned with the issue of Corporate Social Responsibility practices by Public Sector Maharatna companies of India. The secondary data considered for the study consists of selected variables collected for the five year period from 2010-11 to 2014-15. The analysis and interpretation is based on the following hypotheses:

**H<sub>01</sub>: There is no significant difference in fund utilization for CSR activities among Maharatna companies.**

To understand the changes in funds utilized across public sector Maharatna companies the following analysis is carried out to identify the mean percentage of variation in funds utilization in different companies during the study period. The null hypothesis (H<sub>0</sub>) assumed that there is no significant difference in CSR funds utilization across Maharatna companies. The mean values of percentage change of various bank branches have been compared between more than two groups by using one way ANOVA. The following tables show the results of mean differences of CSR fund utilisation among Maharatna companies of Indian public sector with the help of SPSS.

**TABLE 10: DESCRIPTIVE STATISTICS**

Company	N	Mean	Std. Deviation	Minimum	Maximum
SAIL	5	40.73	16.370	24.81	68.27
BHEL	5	54.67	31.711	21.55	102.06
NTPC	5	100.38	62.937	45.52	205.18
ONGC	5	287.64	140.626	121.08	495.23
CIL	5	89.18	62.242	23.73	152.33
GAIL	5	68.72	19.026	54.43	102.06
IOC	5	97.16	22.499	78.97	128.41

Source: Calculated from table 7

The above table shows the statistical description of fund utilization for CSR activities by public sector Maharatna companies from 2010-11 to 2014-15. SAIL and BHEL utilized Rs. 40.73 and Rs. 54.67 crore respectively on CSR practices during the study period. ONGC spent maximum amount of Rs. 287.64 crore on CSR practices among Maharatna companies while NTPC is the second largest company which utilized Rs. 100.38 crore on CSR practices.

To understand the change in fund utilisation for CSR activities among Maharatna companies following analysis is carried out. In order to identify the variation in fund utilisation among different Maharatna companies following null hypothesis (H<sub>0</sub>) is formulated, i.e. there is no significant difference in fund utilization in CSR activities among Maharatna companies. The mean values of percentage change in fund utilisation have been compared between different Maharatna companies by using one way ANOVA. The following table shows the result of mean differences of fund utilisation of different Maharatna companies with the help of SPSS.

**TABLE 11: TEST OF HOMOGENEITY OF VARIANCES**

Test of Homogeneity of Variances				
Levene Statistic	F-value	4.482	p-value	.003
ANOVA				
F-Statistic	F-value	8.170	p-value	.000
Robust Test of Homogeneity of Variances				
Welch Test	F value	4.813	p-value	.010
Brown Forsythe test	F value	8.170	p-value	.004

Source: Calculated from table 7

As it has been clearly seen from table 11 that the P value of F test in ANOVA is 0.003 which is less than alpha 0.05 which shows statistically significant differences in the mean percentage of fund utilisation among different Maharatna companies and thus null hypothesis is rejected. It reveals that the funds utilized by Maharatna companies in CSR activities differ significantly and according to their profit position. To test the homogeneity of variances i.e. the Levene statistic, the null hypothesis is assumed that there is no significant difference between variance of population. The results of Levene test shows the p-value 0.039 which is statistically significant with the alpha 0.05 thereby rejecting the null hypothesis. Here the principle of homogeneity is violated and thus Brown Forsythe test and Welch test has been used accordingly regarding the equal variances in the sample. Levene test is used to find the homogeneity of data and significance value lesser than 0.05 shows heterogeneity of the data and significance value greater than 0.05 shows homogeneity in the data. The results of Levene test shows that the data is heterogeneous i.e. p-value is less than 0.05. From the analysis it has been observed that Maharatna companies are more or less working satisfactorily in their CSR activities during the study period and a significant difference exist in fund utilization for CSR activities among Maharatna companies.

**H<sub>02</sub>: There is no significant impact of utilized funds on net profit among Maharatna companies.**

To find the impact of utilized funds on net profit among Maharatna companies, Ordinary least-squares (OLS) regression is used. In OLS regression, to find the relationship between a dependent variable (response variable) and independent variables (explanatory variables), following linear equation is used:

$$Y = \alpha + \beta X + e$$

Where

Y = dependent variable

X = independent variable

α = intercept (value of Y when X is equal to zero)

β = regression coefficient (change in Y that is associated with a unit change in X).

In this study,

Y = Net Profit (NP)

X = Fund Utilization (FU)

Therefore, equation will be

$$NP = \alpha + \beta FU + e$$

For this study, 5 years (2011-2015) data of total utilized funds by each Maharatna company is taken from the annual reports from 2010-11 to 2014-15. To find the impact of fund utilization in CSR practices on net profit, OLS regression model is used and results are shown in the table below:



TABLE 12: IMPACT OF FUND UTILIZATION ON NET PROFIT

Variables	Coefficient	Std. Error	t-Statistic	P-value
Funds Utilized	39.36	9.21	4.27	0.00
C	4878.94	1318.16	3.70	0.00
R-squared	0.35			
Adjusted R-squared	0.33			
F-statistic	18.26			
P-value (F-statistic)	0.00			

Source: Calculations are made on the basis of data given in annual reports of public sector Maharatna companies

In the above table, the value of F-statistic is 18.26 which is significant at 1 per cent level as the P-value is less than .01, this shows that the funds utilised for CSR practices is one of the factor of increasing Net profit of the 7 public sector companies and the  $R^2$  value of 0.35 also shows that this model explains the 35 per cent of variation in the dependent variable due to independent variable. The above mentioned results provide that as more and more funds are utilised in CSR practises, more will be the impact on net profit of the firms.

The coefficient values of fund utilized shows that there is a positive relationship between the funds utilised and net profit. The CSR fund allotment is quite minimal i.e. around 2 per cent of the total profit and the percentage of utilized funds are even less. It shows that there are other factors too affecting the profitability of the firm and this is the reason due to which the value of R square is 0.35 which is quite low.

## CONCLUDING REMARKS AND SUGGESTIONS

Companies all over the world are increasingly realizing their stake in the society and engaging themselves in various social and environmental activities. Corporate social responsibility is an evolving concept that incorporates a wide range of internal and external policies and practices extending from the workplace into the community, the environment and beyond.

From the above analysis, it may be concluded that Maharatna companies are working satisfactorily in CSR activities. They are involved more or less in same kind of CSR activities as they follow the guidelines issued by Department of Public Enterprise which streamlines CSR activities of CPSEs. As per recently passed company law, CSR is mandatory for companies as per criteria set for that and it has now become an integral part of Corporate Governance. As per Section 135 of Companies Act, 2013, companies have to spend 2 per cent of the average net profit made during the three immediately preceding financial years, in pursuance of its CSR Policy. CSR Committee should be formed to formulate and recommend CSR policy to the Board, amount to be spent and to monitor the CSR policy from time to time.

The analysis of the funds spent by the Maharatna companies viz-a-viz the average net profit, the criteria of spending 2 per cent of the net profit for CSR activities is being done in order to examine the CSR practices. However, considering the higher amount of profit some companies are registered during the years under study. The amount spent for CSR activities and the extent of activities undertaken are notable. The Maharatna PSU's being profit making and large in size, the mandatory allocation of 2 per cent of the net profit will substantially increase the corpus size for CSR spending from its current level.

The study of CSR activities by Maharatna PSEs show that even though these companies are engaged in extensive CSR activities, the amount they spent fell short of the mandatorily prescribed limit giving ample room and resources for these Maharatna PSEs to enlarge their CSR activities and act as a catalyst for inclusive growth agenda of the Government. The Government can further encourage the CSR activities by giving appropriate tax break and other financial incentives for the CSR expenditure which is not currently available and also increase the recognition for CSR activities as these would definitely give a greater momentum to the initiatives undertaken by the Government to promote CSR.

CSR activities under taken by Maharatna include environmental protection, women empowerment, village up-liftmen, health care, education, job creation and assistance during natural calamities. Among these activities, Maharatna enterprises have given top priority to environmental protection. Only half of the amount is utilized for CSR practice from the total allocated amount to Maharatna. Among the seven Maharatna enterprises, IOC, SAIL, GAIL and NTPC enterprises have utilized more than 50 per cent of the allocated amount.

From the above analysis, it is suggested that if the amount of funds allocated to CSR activities of Maharatna Companies is found to be remains unutilized, the amounts should be carried forward for the next years to make productive utilisation in CSR activities only. Maharatna Companies need to choose best projects to implement CSR activities and priorities should be given to support the backward districts and simple spending for the sake of utilization of funds allocated for CSR activities should not be done. Some kind of financial incentives should be given to these Maharatna Companies so that they can feel motivated and undertake more and more CSR activities. Maharatna should be given some kind of recognition such as award to accelerate the level of their CSR activities. Further, Maharatna Companies feel CSR expenditure should be liable for a tax deduction, which would act as a major incentive for carrying out CSR projects. As per latest figures, companies are spending between 1 to 2 percent for CSR activity e.g. SAIL (1.34 per cent), BHEL (2.11 per cent), NTPC (0.96 per cent), ONGC (1.44 per cent), CIL (0.67 per cent), GAIL (1.91 per cent) and IOC (1.74 per cent) etc.

The new mandate will not affect the companies which are already involved in CSR as their business activity and spending between 1.5 to 2 percent. They will only have to spend some more on CSR to reach the level of 2 percent. It will awake the companies which are doing minimal or no CSR activity. Many are of the opinion that CSR should be voluntary but at the other hand, some experts opined that CSR must be a mandatory affair as companies are affecting their stakeholders and not taking enough care of them. Mandatory CSR policy suggested by the new Companies Act 2013 is a very good step towards sustainable development.

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