

ABSTRACT

Corporate Social Responsibility has recently gained much attention of corporations and Governments across the globe. Though Corporate philanthropy is not a new idea for Indian corporate sector, mandatory CSR received mixed reactions. The Companies Act 2013, introduced the mandatory CSR clause for the Indian corporate sector. According to the provisions of the Section 135, companies with certain turnover and profitability are required to spend 2% of the Net Profit for the past three years on CSR. The CSR provisions of the Act would be applicable to companies with an annual turnover of INR 1,000 crore and more, or a net worth of INR 500 crore and more, or a net profit of INR 5 crore and more. However, many companies in India were engaged in CSR initiatives even before the enactment of this section. CSR spending by big companies involve them in huge outlay on various projects.

The present research aims to study whether such spending on CSR would have any financial impact on the profitability of the selected private sector companies listed on NSE in India. The final sample of 25 companies was selected from the Nifty 100 companies with specific criterion for inclusion and exclusion. Study of financial impact was done using regression analysis and an attempt was made to find out whether there had been any impact of CSR spending on the profitability (as represented by ROA, ROE, EPS and PAT) of the selected companies. This analysis was individually done for all the 25 selected companies. The financial analysis also includes the comparison of CSR spending by the sample companies as against the total CSR spending in India as reported by the CSR portal of Ministry of Corporate Affairs. Further, the analysis also looks into the various focus areas in which the CSR funds of the selected companies are diverted. This would help in identifying the key areas which are prioritized by the Indian corporate sector. The study further tries to find out the impact of composite CSR spending in Health, Rural Transformation and Education sector on the composite PAT of the selected companies.

Another objective of the research is to study the societal impact of the CSR spending of the private sector companies in India. Despite its broader implications, in this study understanding of the term societal impact is limited to the increase in outreach, facilities and beneficiaries of various CSR initiatives. Keeping this in mind, five companies with good CSR reporting practices, structured projects and programmes, and a long tradition of CSR have been selected and the social impact of their CSR spending is analysed. The analysis of societal impact is done by representing data in the form of tables and charts coupled with descriptive analysis.

The financial analysis, however, gives mixed results. While some companies exhibit strong positive relationship between CSR spending and the representative variables of profitability,

few display negative relationship. Out of the 25 sample companies, in case of more than 50% companies the model does not show any significant impact of CSR spending on their profitability. The study of societal impact gives a clear picture regarding the increase in outreach of various programmes of the selected companies. The study of various impact assessment reports and data reported by the companies point towards the fact that the CSR initiatives of companies have a very positive impact on the society.