

A Study of Corporate Social Responsibility Activities Undertaken by Consumer Goods (White Goods) Industry in India

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ABSTRACT:

Profit Maximization is most important objective of any business organisation. But these days social responsibility of business is gaining importance. So profit maximisation cannot be the sole objective. The public at large wants business units to take constructive steps towards addressing various social problems. Government has also taken certain steps in the same direction. Since April, 2014 selected business units shall compulsorily spend 2% of their last three year's average Net Profit on prescribed developmental works. Such duty of the business organisation towards society is known as corporate social responsibility. This research paper attempts to understand the Government Mandate on CSR and to study the impact of this mandate on the CSR activities undertaken by all the Consumer Goods (White Goods) Industries listed on BSE in India for three consecutive financial years starting with 2014-15. White Goods refers to heavy consumer durables like Air Conditioners, Washing Machines, Refrigerators, etc.

KEYWORDS: *corporate social responsibility, CSR spending, CSR Reporting, White Goods*

INTRODUCTION

“Business has a responsibility beyond its basic responsibility to its shareholders; a responsibility to a broader constituency that includes its key stakeholders: customers, employee, NGOs, government - the people of the communities in which it operates.” Courtney Pratt, Former CEO Toronto Hydro.

Business and society share a symbiotic relationship. Any business enterprise utilizes the resources and generates its revenue from the society. In return it is expected that these enterprises should recognize the needs of society and help it to reach the required improvement. It is the need of the hour for the business organizations to realize their role in execution of social responsibility activities to enhance their existence and stature in the society.

Before 1st April 2014, corporate social responsibility (CSR) activities were left to own will of the enterprise. CSR was undertaken then also but the amount spent on these activities was not disclosed. The government realized the importance of compulsory observation and disclosure of CSR activities by the enterprises. It was made mandatory for the selected enterprises to compulsorily set aside a part of their profits for social development.

India has a golden history enriched with philanthropy of magnanimous towards the needy. This shows that the concept of CSR; The Tata Iron and Steel Company is the pioneer in the area of corporate social reporting in India. It undertakes social audit and shows it along with its annual report.

LITERATURE REVIEW

R H Gray (1987) define Social accounting is the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large

Crowther (2000) defines social accounting as "an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behavior, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques."

Anupam Sharma et al (2012) attempts to comprehend the position, growth and steps taken by Indian enterprises related to CSR policy framing and execution. He found that inspite of transformational CSR initiatives a lot still needs to be done.

Omweno Nyameyio Enock et al (2013) studied the proposed guidelines for CSR practices drafted by Indian Government. Study compared the CSR activities of Tata Company and ITC Company on different areas i.e. environmental friendliness, social accountability, employee's safety, human rights promotion and healthcare etc. It found that environment, education, community involvement and health care activities practiced as CSR by both companies.

Ritika Gupta (2014) observed that changes made in new companies bill has made CSR activities more challenging. Every company will be in a grip of government in terms of its CSR expenses.

Sridhar K. (2015) focuses on the fundamentals of CSR and specifically the CSR activities being carried out by Wipro Company. He found that Wipro has lend its helping had in various spheres of the problems in the society.

RESEARCH METHODOLOGY

OBJECTIVES

1. To study the various guidelines for CSR practices in the new Companies Act in India
2. To compare the key CSR practices being practiced by selected companies.
3. To analyze the distribution of CSR spending within the specified activity areas prescribed under Schedule VII of the Companies Act 2013
4. To compare and analyze CSR policies adopted by different business units
5. To find out the most widely focused and most ignored specified CSR activity.
6. To find out the business unit with the best CSR practices

RESEARCH DESIGN

Descriptive research design is followed.

POPULATION OF THE STUDY

All the companies segmented into different sectors listed on the NSE which fit the criteria laid down under the Companies' Act for compulsory comprise of the population of the study.

SAMPLE SIZE

Consumer Goods (White Goods) Industries are selected. Total of 7 companies are listed in this sector on NSE:

1. Whirlpool Corporation

2. Symphony Limited
3. Blue Star Limited
4. Johnson Controls – Hitachi Air Conditioning Limited
5. IFB Industries Limited
6. LEEL Electricals Limited
7. Fedders Electrics & Engineering Limited

TYPE OF DATA & DATA COLLECTION

Secondary Data taken from Annual Reports of the Company are used.

TOOLS AND TECHNIQUES OF ANALYSIS

1. Theoretical study of all the Annual Reports of the selected enterprises is done to find out regarding the social accounting practices adopted by them.
2. Social Reporting Index(SRI) is computed using the formula:

$$\text{SRI} = \frac{\text{Total Score of Individual Enterprise}}{\text{Maximum obtainable score by the Enterprise}}$$

The calculation will be based on social accounting i.e. enterprises reporting on different CSR Activities. Scores will be given to the enterprises in the following manner:

Reporting on the base = 1 and Not reporting on the base = 0

Following bases of social accounting are identified in line with the Government specifications:

- 1) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and including contribution to Swachh Bharat Kosh
 - 2) Promoting education, including special education and employment enhancing vocation skills
 - 3) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers
 - 4) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources
 - 5) Protection of national heritage, art and culture & handicrafts
 - 6) Measures for the benefit of armed forces veterans, war widows and their dependents.
 - 7) Training to promote sports
 - 8) Contribution to the Prime Minister's National Relief Fund
 - 9) Contributions or funds provided to technology incubators located within academic institutions
 - 10) Rural development projects
 - 11) Slum area development
 - 12) Others
3. Analysis of amount of CSR spending and its effect on SRI of the Company is done.
 4. Analysis of major areas in which the enterprises have spent in their CSR activities.
 5. Analysis of activity wise spending of each business unit is also attempted.
 6. Analysis of total amount prescribed to be spent on CSR by the enterprises and the amount actually spent by them.

LIMITATIONS OF THE STUDY

1. Only NSE-listed white goods companies are selected.
2. Analysis is undertaken on the basis of three year's data.
3. Secondary data is used for the purpose of analysis.

RECENT AMENDMENT IN THE COMPANIES ACT AND STATUTORY PROVISION RELATED TO CSR

With effect from 1st April 2014, it was made mandatory by the government to spend 2 per cent of their past three-year average annual net profit for the social development in each financial year under Section 135 and Schedule VII of the Companies Act, 2013. It relates to CSR and is notified by the ministry of corporate affairs (MCA), as part of the new Companies Act.

The norms are applicable to companies with a net profit of Rs 5 crore net profit or turnover of Rs 1,000 crore or net worth of Rs 500 crore. The provisions apply to any company incorporated in India, regardless of whether it is domestic or a subsidiary of a foreign company. The act prescribes List of 11 activities are prescribed which include poverty reduction, education, health, environmental sustainability, gender equality, vocational skills development etc. Enterprises can select any of the above areas for contribution. Computation of net profit for section 135 is as per section 198 of the Companies Act, 2013 which primarily is Net Profit before Tax.

DATA ANALYSIS & INTERPRETATION

CALCULATION & ANALYSIS OF SRI

Financial Year: 2014-15

Table-1

Sr. No.	Name of the Company	Number of areas dealt	SRI
1	Whirlpool Corporation	2	0.17
2	Symphony Limited	0	0
3	Blue Star Limited	0	0
4	Johnson Controls – Hitachi Air Conditioning Limited	1	0.08
5	IFB Industries Limited	2	0.17
6	LEEL Electricals Limited	3	0.25
7	Fedders Electrics & Engineering Limited	4	0.33

Financial Year: 2015-16

Table-2

Sr. No.	Name of the Company	Number of areas dealt	SRI
1	Whirlpool Corporation	3	0.25
2	Symphony Limited	0	0
3	Blue Star Limited	3	0.25
4	Johnson Controls – Hitachi Air Conditioning Limited	0	0
5	IFB Industries Limited	1	0.08
6	LEEL Electricals Limited	1	0.08
7	Fedders Electrics & Engineering Limited	1	0.08

Financial Year: 2016-17**Table-3**

Sr. No.	Name of the Company	Number of areas dealt	SRI
1	Whirlpool Corporation	3	0.25
2	Symphony Limited	3	0.25
3	Blue Star Limited	2	0.17
4	Johnson Controls – Hitachi Air Conditioning Limited	2	0.17
5	IFB Industries Limited	1	0.08
6	LEEL Electricals Limited	3	0.25
7	Fedders Electrics & Engineering Limited	1	0.08

- From the above calculation, we can comment that none of the above companies have diversified funds on CSR spending in all the focus areas. On the contrary they have concentrated only on very few areas.
- In FY 2014-15 CSR Policy of Fedders Electrics & Engineering Limited and LEEL Electricals Limited relatively covers a wider extent of activities.
- In FY 2015-16 CSR Policy of Whirlpool Corporation and Blue Star Limited relatively covers maximum no. of activities.
- In FY 2016-17 CSR Policy of Whirlpool Corporation, Symphony Limited and LEEL Electricals Limited is comparatively better.
- The focus areas are identified by the Government for the overall national development. So the companies should focus on investing in maximum areas also rather than limiting to a few. However, only on the basis of SRI, the extent of CSR activities cannot be known.

ANALYSIS OF CSR SPENDING AND SRI IN EACH COMPANY

(Amount in Lacs)

Financial Year: 2014-15**Table-4**

Sr. No.	Name of the Company	Amount of CSR spending	SRI
1	Whirlpool Corporation	356.14	0.17
2	Symphony Limited	0.00	0
3	Blue Star Limited	0.00	0
4	Johnson Controls – Hitachi Air Conditioning Limited	16.07	0.08
5	IFB Industries Limited	4.69	0.17
6	LEEL Electricals Limited	1.36	0.25
7	Fedders Electrics & Engineering Limited	57.9	0.33

Correlation Coefficient using Karl Pearson's Method comes to **0.20** which is weakly positive and it is least in all three financial years. It shows that an enterprise might have spent a very huge amount on CSR but it may have a lower SRI if the amount spent is only on one or two of the activities. Similarly it is to be understood that a higher SRI will not mean more amount of

CSR spending. The Company with highest CSR spending is Whirlpool Corporation but its corresponding SRI score is only 0.17. Similarly Fedders Electrics & Engineering Limited scores highest SRI is, but its CSR spending is only Rs. 57.90 lacs.

Financial Year:2015-16**Table-5**

Sr. No.	Name of the Company	Amount of CSR spending	SRI
1	Whirlpool Corporation	435.93	0.25
2	Symphony Limited	0.00	0
3	Blue Star Limited	118.56	0.25
4	Johnson Controls – Hitachi Air Conditioning Limited	0.00	0
5	IFB Industries Limited	8.64	0.08
6	LEEL Electricals Limited	34.00	0.08
7	Fedders Electrics & Engineering Limited	8.00	0.08

Correlation Coefficient using Karl Pearson's Method comes to **0.78** that is strongly positive and maximum in all the three years. It shows that company with maximum CSR spending will have high SRI. Same reflected by the above table. Companies with highest CSR spending have concentrated on more no. of focus areas like Whirlpool Corporation and Blue Star Limited and vice versa shown by IFB Industries Limited and Fedders Electrics & Engineering Limited.

Financial Year:2016-17**Table-6**

Sr. No.	Name of the Company	Amount of CSR spending	SRI
1	Whirlpool Corporation	560.00	0.25
2	Symphony Limited	205.50	0.25
3	Blue Star Limited	172.55	0.17
4	Johnson Controls – Hitachi Air Conditioning Limited	39.86	0.17
5	IFB Industries Limited	28.23	0.08
6	LEEL Electricals Limited	136.00	0.25
7	Fedders Electrics & Engineering Limited	33.00	0.08

Correlation Coefficient using Karl Pearson's Method comes to **0.66** which is strongly positive but less strong as compared to FY 2015-16. The Companies with low CSR spending are IFB Industries Limited and Fedders Electrics & Engineering Limited with lowest SRI score of 0.08. Similarly business units with highest CSR Spending are Whirlpool Corporation and Symphony Limited and the corresponding SRI score is also highest. Blue Star Limited is an exception here.

ANALYSIS OF MOST WIDELY COVERED AND MOST IGNORED CSR ACTIVITY**Table-7**

Sr. No.	Activities prescribed in Schedule VII, Section 135 of the Companies Act, 2013	Number of companies that reported spending under this activity FY2014-15	Number of companies that reported spending under this activity FY2015-16	Number of companies that reported spending under this activity FY2016-17
1	Eradicating hunger, poverty & promoting health care and sanitation	4	2	5
2	Promoting Education	4	5	7
3	Promoting Gender Equality, Women Empowerment	0	0	1
4	Sustaining Environment & Clean Ganga Project	0	0	1
5	Protection of national heritage, arts & culture	0	0	0
6	Measures for benefit of armed forces	0	0	0
7	Promotion of Sports	0	0	0
8	Contribution to PM Relief Fund	0	0	0
9	Contributions for technology incubators	0	0	0
10	Rural Development projects	2	1	1
11	Slum Area Development	0	0	0
12	Others	2	1	0

From the above table, it is evident that all the selected business units have undertaken CSR activities in the field of promoting Education at least once in three financial years making it the most widely covered area. Apart from this major thrust area also includes Eradicating hunger, poverty & promoting health care and sanitation.

Rural Development projects are focused by at least one company once in all three years. Only once in three years, one enterprise has contributed towards measures for CSR activities in relation to Promoting Gender Equality, Women Empowerment, and Sustaining Environment & Clean Ganga Project.

None the selected units have reported CSR activities in the areas of Contribution to Protection of national heritage, arts & culture ,PM Relief Fund, Measures for benefit of armed forces, Promotion of Sports Contributions for technology incubators and Slum Area Development in any year, making them most ignored areas.

Overall the enterprises have concentrated on activities prescribed in Schedule VII, Section 135 of the Companies Act, 2013 in their CSR Projects.

ANALYSIS OF ACTIVITY WISE CSR SPENDING OF THE SELECTED UNITS

(Amount in lacs)

Table-8

Name of the company	No. of activity as specified in Table-7*						Total	Ratio of enterprises contribution to total contribution (in %)
	1	2	3	4	10	12		
Whirlpool Corporation	15.84	1208.09	0	0	68.31	0	1292.24	56.84
Symphony Limited	205.00	0.25	0.25	0	0	0	205.50	9.04
Blue Star Limited	86.52	174.31	0	0	0	16.28	277.11	12.19
Johnson Controls – Hitachi Air Conditioning Limited	50.65	2.12	0	0	0	0	52.77	2.32
IFB Industries Limited	3.09	38.47	0	0	0	0	41.56	1.83
LEEL Electricals Limited	68.75	235.75	0	0.50	0	0.50	305.50	13.44
Fedders Electrics & Engineering Limited	0.90	97.50	0	0	0.10	0.40	98.90	4.35
Total	430.75	1756.49	0.25	0.50	68.41	17.18	2273.58	100
Ratio of Sector wise contribution to total contribution (in %)	18.95	77.26	0.000 1	0.000 2	3.01	0.76	100	

Total of Rs. 2273.58 lacs are spent on CSR activities in selected years by the selected enterprises in various focus areas identified in this regard. Maximum amount is spent towards the area of Education & Skills Development i.e. Rs.1756.49 lacs. Second area where most funds were diverted is Healthcare & Sanitation amounting to 430.75 lacs. Very less amount has been spent in the other areas as shown in the table. Nil amounts spent on activities missing in the table-8. More than half of total contribution has been made by Whirlpool Corporation amounting to Rs.1292.24. For better understanding, selected information is presented in percentage form also.

Note: If a company has spent certain amount focusing two activities together, then the same amount is divided equally under both heads.

***No amount has been spent by any of the companies in activity No. 5,6,7,8,9,11. So not shown in Table-8**

ANALYSIS OF TOTAL AMOUNT REQUIRED TO BE SPENT ON CSR BY THE BUSINESS UNITS AND THE AMOUNT ACTUALLY SPENT BY THEM

(Amount in Lacs)

Table-9

Name of the Company	FY 2014-15			FY 2015-16			FY 2016-17		
	Amount prescribed to be spent as per the law	Amount actually spent on CSR Activities	Percentage of spent to prescribed amount	Amount prescribed to be spent as per the law	Amount actually spent on CSR Activities	Percentage of spent to prescribed amount	Amount prescribed to be spent as per the law	Amount actually spent on CSR Activities	Percentage of spent to prescribed amount
Whirlpool Corporation	359.56	356.17	99.06	435.93	435.93	100	560	560	100
Symphony Limited	202	0	0	253	0	0	300.40	205.5	68.41
Blue Star Limited	26	0	0	134	118.56	88.48	167.64	172.55	102.93
Johnson Controls – Hitachi Air Conditioning Limited	57.56	16.07	27.92	90.72	0	0	123.97	39.86	32.17
IFB Industries Limited	72.44	9.69	13.38	84.26	8.64	10.25	78.76	28.23	35.84
LEEL Electricals Limited	139	125	89.93	172	34	19.77	207	136.5	65.94
Fedders Electrics & Engineering Limited	120	58	48.34	93	8	8.60	115	33	28.70

From the above table it can be concluded that only Whirlpool Corporation has spent the amount prescribed by the law on its CSR Activities. Symphony Limited, Blue Star Limited, Johnson Controls – Hitachi Air Conditioning Limited did not contribute a single penny at least in one of the selected years. On the other hand Blue Star Limited is the only company which has contributed more than the prescribed amount.

CONCLUSION

“Corporate social responsibility is measured in terms of businesses improving conditions for their employees, shareholders, communities, and environment. But moral responsibility goes further, reflecting the need for corporations to address fundamental ethical issues such as inclusion, dignity, and equality.” -Klaus Schwab

This paper reflects the quote above. From the analysis and interpretations, following points can be concluded:

1. All the business units have followed the rules and regulations as regards to CSR Reporting in their Annual Report.
2. All the companies have given a detailed report in prescribed format on CSR Amount Spent towards each of the specified activities.
3. Major focus is given to the areas of providing Promoting Education & Skills Development and Healthcare & Sanitation.
4. Protection of national heritage, arts & culture ,PM Relief Fund, Measures for benefit of armed forces, Promotion of Sports Contributions for technology incubators and Slum Area Development are the most ignored areas
5. On the basis of SRI, Whirlpool Corporation is the best.
6. Also on the basis of Amount Spent, Whirlpool Corporation in best contributing almost 100 percent of the prescribed amount.
7. Symphony Limited has spent nil amount in first two years.
8. Amount of CSR spending and SRI are positively co-related in all years.
9. IFB Industries Ltd has the least amount on CSR activities.
10. Overall the amount spent on CSR activities by most of the companies is below the prescribed amount.

CRITICAL OBSERVATION & SUGGESTION

“Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success.” – William Clay Ford Jr. Executive Chairman, Ford Motor Company.

The actual facts and figures shows a contradicting picture where most of the companies of this sector have not shown whole-hearted interest in spending on the nation’s development.

1. There is absence of a common format of reporting of CSR Expenditure. Fixed Format must be prescribed.
2. Huge amount is being spent on CSR Activities. Because of the mandate, the amount to be spent in future years would definitely increase. At present we do not have any provision for Social Audit or Audit of CSR activities. There is a necessity of CSR Audit so that the claims made by the Company for its CSR can be cross checked and verified.
3. Even after implementation of a compulsory mandate, most of the companies are not spending the prescribed amount. Certain strict actions are required to improve the situation.

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