ABSTRACT

There are currently lots of problems in the world such as poverty, climate change, human rights violation and many diseases. In order to construct or to develop a sustainable society, we need companies in the world to be socially responsible corporates. Many companies are either willing or called upon in playing a positive role as regard to social problems, thus to contribute to sustainable development. In India, after the introduction of the Companies Act, 2013, and mandatory application of CSR rules for certain class of companies; there has been a tremendous growth in the contribution made by the corporate sector in the form of corporate social responsibility. This paper is an attempt to make a comparative analysis of CSR activities undertaken by Indian Private and Public sector companies in North-eastern part of the country. The study conducted on the basis of data collected from annual reports of two private sector and two public sector companies found that the north-eastern states have constantly been neglected by corporate sector with regard to their CSR spending. The contribution of the public sector companies in the region was comparatively better than that of private sector companies; yet as compared to other parts of the country it was unsatisfactory.

Keywords: sustainable development, corporate social responsibility

INTRODUCTION

There are currently lots of problems in the world such as poverty, climate change, human rights violation and many diseases. In order to construct or to develop a sustainable society, we need companies in the world to be socially responsible corporates. Many companies are either willing or called upon in playing a positive role as regard to social problems, thus to contribute to sustainable development. Given the business impacts and multinational enterprises activities as well as their global influence in their home and host countries on society, community and environment, a relevant question arises: who is affected and who gain as a consequence of companies business decisions? According to Friedman (1970), companies only responsibility is towards their shareholders to make profits, thus to increase their wealth. Conversely, Freeman (1984) underlined that companies purpose should regard the interest of all its stakeholders, to meet their requirements and serve them. Nowadays, many companies are trying to get involved in the social needs of the community where they operate as well as environmental protection. Accordingly, the idea is companies to have responsibility not only to make profit but also to help in solving some societal problems which include social and environmental issues, is known under the name of corporate social responsibility. CSR is beyond compliance and approaching a social cause (Rodriguez et al. 2006); is not about sacrificing profits in the social interest (Reinhardt et al. 2008). CSR refers to companies’ business decisions makers to base their decisions not
only to be economically profitable and law abiding but also to be ethical and socially supportive. CSR is about imbibing ethical business practices and the dictum of social good into corporate strategy, culture and day to day decision making to match with the stakeholders’ needs.

Sustainable Development

The potential contribution of CSR towards sustainable development can be understood clearly from the speech given by then UN Secretary- General Kofi Annan at an event organised by Business Action for Sustainable Development who remarked And more and more we are realizing that it is only by mobilizing the corporate sector that we can make significant progress. The corporate sector has the finances, the technology and the management to make this happen’ (quoted by Wade, 2005, p. 186). During last few decades the concept of sustainable development has established itself as an important concept not only at global level but also at corporate level. Normally it is presumed that the concept of sustainable development originated from Brundtland Report ‘Our Common Future’ by the United Nations World Commission on Environment and Development of 1987. In the report, sustainable development is defined as “development which meets the needs of the present without compromising the ability of future generations to meet their own needs” (UNWCED 1987).

Sustainable development includes three areas: economic growth, ecological balance and social progress. Though all these three concepts are important but until now the more attention was given to first two whereas social progress remained somewhat neglected, but now more emphasis is placed on social part. In recent years, growing social concerns like poverty, social inequality, corruption etc. and environmental concerns like carbon emissions, ozone layer depletion, water and noise pollution, have created a pressure on business for a more systematic treatment of sustainability reporting. Stakeholders want government to play an active role in promoting sustainability reporting.

CSR in India

India is a country of myriad contradictions. On the one hand, it has grown to be one of the largest economies in the world, and an increasingly important player in the emerging global order, on the other hand, it is still home to the largest number of people living in absolute poverty (even if the proportion of poor people has decreased) and the largest number of undernourished children. What emerges is a picture of uneven distribution of the benefits of growth which many believe, is the root cause of social unrest.

Companies too have been the target of those perturbed by this uneven development and as a result, their contributions to society are under severe scrutiny. With increasing awareness of this gap between the haves and the have-nots, this scrutiny will only increase over time and societal expectations will be on the rise. Many companies have been quick to sense this development, and have responded proactively while others have done so only when pushed.

India has the world’s richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. CSR in India has evolved through different phases, like community engagement, socially responsible production and socially responsible employee relations. In India, CSR got its legal backing by virtue of Section 135 of companies Act 2013. Section 135 of the companies Act is from financial year 2014. As per the Act, companies having a net worth of INR 500 crore (Cr.) or more, or a turnover of INR 1000 Cr. or more, or a net profit of INR 5 Cr. or more in a given financial year are required to spend 2 per cent of their profits on CSR programmes. The activities which can be undertaken by a company under CSR activities have been specified under Schedule VII of the Act. The activities that can be undertaken by a company to fulfil its CSR obligations include eradicating hunger, poverty and malnutrition, promoting preventive healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, animal welfare, protection of national heritage and art and culture, measures for the benefit of armed forces
veterans, war widows and their dependents, training to promote rural, nationally recognized, Paralympic or Olympic sports, contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC, ST, OBCs, minorities and women, contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects.

OBJECTIVES OF THE STUDY

The main objective of the study is to make a comparative study of CSR activities undertaken by the public and private sector companies towards sustainable development of north-east India.

Research Questions:

Based on the above objective following research questions have been developed

1. Whether the north-eastern states are being adequately considered by companies in respect of CSR activities?

2. Which areas have been considered by companies for CSR spending in the north eastern region?

REVIEW OF LITERATURE

Shah et al (2010) has taken a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that company has taken a lot of initiatives in order to serve the society.

Mohanty, Bibhu Parshed (2012) found that corporate houses took CSR as a medium fulfilment of profit greed of corporate houses. Further the article explored that companies today invests in a lot of areas like child labour, ground water, food, education, employment etc. but nobody is aware about the essential need of world’s poor. The article suggested that profit earning is a natural fact of companies but CSR is beyond the natural and statutory obligation of the companies. At last it was concluded in the article that sustainable development is the development of society as well as the company in a balanced way.

Bansal, Harbajan et al (2012) analysed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas and Cipla. The paper considered the nature and areas of society in which the companies are investing. By considering all those areas it was concluded in the paper that today companies are not working only to earn profit but also have realized the importance of being social friendly. So, on the basis of the paper it can be said that social responsibility has now started taking a turn in the new direction.

Rakesh Vanya, (2015) advocated that one of the major setback of the Companies Act, 2013 is the polarization and concentration of CSR resources only in the specific and particular areas which discourages investments in any additional areas which need resources. The study also advocated that Schedule VIII influences the decision making process by the committees as it seems to restrict the freedom to think innovatively as to how investments can be made with regard to CSR so as to ensure wholesome development and growth of the society at large. The limited geographical focus as provided under section 135(2) is another issue since it may subvert the idea of inclusive development in the society.
KPMG, (2016) revealed that after mandatory application of CSR rules by virtue of section 135 of the Companies Act, 2013, the CSR activities and amount spent on such activities in India has increased tremendously. For instance, in 2014-15 financial year, the total of CSR expenses amounted to INR 6,800 crore and in 2015-16, the same amount was INR 8300 crore thereby reflecting an increase of INR 1500 crore in absolute terms. As per the said report, most of the CSR expenditures spent by companies are on activities targeted at promoting education, vocational skills and livelihood enhancement, eradicating hunger, poverty & health Career etc. However, the geographical pattern of CSR spending has not been even and north-east India has been constantly neglected by the companies with regard to CSR projects

**RESEARCH METHODOLOGY**

The present study is descriptive in nature. The data for the study have been collected mainly from annual reports of the companies taken for study. Other sources of data include various journals, newspapers, magazines and books etc. Moreover, information published in the various websites including the official websites of ministry of corporate affairs and the ICAI relating to various accounting and reporting issues in India have been used extensively for the study.

Four companies have been selected as sample for the present study using purposive sampling technique. Out of the four companies, ONGC and IOCL are two companies from public sector whereas RIL and Tata Steel represent private sector Indian companies. Data for the present study have been collected from annual reports of these companies for two years i.e. for the financial year 2014-15 and 2015-16 to analyse the CSR activities undertaken by the companies in north-eastern part of India after the implementation of the Companies Act, 2013.

**ANALYSIS AND DISCUSSION**

***Figure 1 Status of the Companies with regard to CSR spending***

![Status of the Companies with regard to CSR spending](image)

Source: Annual reports 2014-15 and 2015-16

During the financial year 2014-15, except ONGC, all other companies spent more than prescribed limit of their expenditures. Prescribed limit of CSR expenditure calculated on the basis of average net profits of last three years were 454 crores for ONGC but it failed to spend the same as the actual CSR expenditure amounted to 216 crores only. However, all other three companies spent more than what they required under law. IOCL spent 114 crores, RIL spent 761 crores, and Tata Steel spent 171 crores as against their prescribed limit of 107 crores, 533 crores and 168 crores respectively.

During the financial year 2015-16, the CSR spending was even better. All the four companies spent more than what they required under law. ONGC spent 421 crores, IOCL spent 157 crores, RIL spent 1412 crores and Tata Steel spent 204 crores as against their prescribed limit of 405 crores, 115 crores, 558 crores and 204 crores respectively.
Figure 2 CSR spending in Seven North-Eastern States during 2014-15

Source: Annual reports 2014-15

The above figure shows that, during 2014-15 apart from IOCL, all other three companies failed to pay attention towards north-eastern part of the country with regard to CSR spending. Only 3.88% of total CSR spending of ONGC were directed towards North-eastern states. Reliance spent only 1.64% of its total CSR expenditures in north-eastern states whereas Tata Steel did not spend a single penny in north-eastern region during the year. The amount spent by IOCL in north-eastern states is comparatively better than others. It spent 19.29% of its total expenditures for betterment of the seven states region.
During 2015-16, the situation was even worse. During the year, out of the total CSR expenditures of the four companies i.e.2194 crores, only 21.14 crores were spent in the north-eastern region. Interestingly, Tata Steel did not spend a single rupee as CSR expenditure in the region for the second consecutive year.

Of the total CSR expenditures in the region, majority shares were received by Assam followed by Tripura and Arunachal Pradesh in both the financial years. While Nagaland and Meghalaya received some negligible share, Manipur and Mizoram did not receive a single rupee from all these companies during the two financial years.

![Figure 5 Areas Covered for CSR expenditure during 2014-15](source)

![Figure 6 Areas Covered for CSR expenditure during 2015-16](source)

During the financial year 2014-15, the main importance was given to health sector which received around 53% of total CSR expenditures followed by education sector with 37% share of total expenditures in the region. All other three areas received almost similar percentage ranging between 2%-3% of total CSR expenditures received by the region.

During financial year 2015-16, education sector received maximum weightage with 52.80%, followed by health sector with 25.48%. Like 2014-15, all other three sectors received more or less same weightage also during the year 2015-16.
It was disheartening to note that all the four companies did not pay any attention towards environmental issues during both the financial years. Apart from contributing to Swachh vidyalaya Abhiyan, no companies took any special measures to address environmental issues.

FINDINGS AND CONCLUSION

During the course of the study, it was found that five states namely Maharashtra, Gujarat, Andhra Pradesh, Rajasthan and Tamil Nadu account for well over one-quarter of all CSR spending whereas all north-eastern states (except Assam to a certain extent) remained at the bottom of the list with regard to CSR spending by companies. The findings were even worse for the north-eastern region when the CSR spending of private sector companies were considered.

CSR can act as an important tool for sustainable development by contributing towards eradication of poverty and hunger, promoting education and skills, providing better healthcare facilities, ensuring social justice and equality and by conservation of environment. In India, after the passing of new Companies Act, 2013 and by virtue of section 135 of this act, certain class of companies have been compelled to contribute as CSR. Consequently, the amount of CSR spending has increased tremendously. However, it is disheartening to note that some of the Indian states have been receiving large share of such spending whereas some others have not been considered suitable for the purpose. North-eastern part of India, which is traditionally considered as backward, is at the bottom of the list of receiver of such spending. Though, comparing to private companies, public sector companies showed some better results yet it was not satisfactory when considered as a whole. Though, the companies act does not contain any mandatory provision for spending in a certain area yet the list of activities for CSR contained in schedule VII provides enough scope for companies to come forward and pay attention to the relatively backward regions of the country.

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