

ROLE OF CSR IN INCLUSIVE DEVELOPMENT: A STUDY OF MAHARATNA COMPANIES IN INDIA

Dr Rajesh B Lahane
Professor & Head
Department of Commerce,
Deogiri College, Aurangabad,
lahanerb777@rediffmail.com
9420765327

Dr. Bhausahab N.Shinde
Assistant Professor
Department of Commerce,
Deogiri College, Aurangabad,
bhausahabshinde06@gmail.com
9096579051

Abstract:

Corporate Social Responsibility (CSR) is an emerging concept for Indian companies. It encompasses the principles of charity or philanthropy and the realisation that a company has social dependence and should give back to society in some form. On the other hand, corporate Sustainability refers to the attempt of companies to survive and succeed in a competitive environment while ensuring minimal or no destruction to the environment, in doing so, practising economic management at all levels of the organisation. The two may seem synonymous but vary greatly and yet can go hand in hand in the context of a business organisation.

In the 21st century, the phrase "inclusive development" first appeared, and it has since been used in several academic and policy texts. However, its origins can be found in various ideas from several academic fields. We define inclusive development as focusing on social well-being and protecting the ecosystem services of nature through redefining political priorities, especially in the context of the Anthropocene. At the same time, some see inclusive development as only combining social aspects with economic growth through political approaches. This phrase might link various academic fields together. This article covers the scholarly and policy literature on the concept of "inclusive development" and provides a methodology for assessing how various academic fields approach the concept.

Keywords: Corporate Social Responsibility, Sustainability, Corporate Sustainability, Sec. 135 of the Companies Act, 2013, Maharatna Companies, Inclusive Development

Introduction:

The genesis of this convergence of CSR and Sustainability is noticeable in the preface to the recent amendments relating to the Corporate Social Responsibility clause within the Companies Act, 2013, which talks about stakeholders and integrating it with the social, environmental and economic objectives, all of which constitute the idea of a triple bottom line approach. It is also acknowledged in the Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises issued by the DPE (Department of Public Enterprises) in April 2013. The guidelines state:

“Since corporate social responsibility and sustainability are so closely entwined, it can be said that corporate social responsibility and sustainability is a company’s commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.”

Purpose of the Study:

The objective of the study is to analyse the concepts of CSR and Inclusive Development and to understand the legislation governing CSR in India along with the amount of expenditure undertaken by the companies on CSR and the share spent on Inclusive Development from the total CSR spend and to suggest measures to improve and inculcate more expenditure on inclusive development in the country. Data has been collected from CSR reports submitted by companies for this study. The study relates to the five years from 2016-17 to 2020-21.

Process of Inclusive Development:

The inclusive development process is threefold: social, economic and political.

i) Social Inclusion: A broad social inclusion framework can address various social policy concerns, such as economic inequality, skill gaps, educational disparities, health disparities, housing affordability, and work-life balance. Social inclusion encourages residents of communities to participate more actively. Policy fragmentation in many areas of inclusion and exclusion creates a significant obstacle to comprehension.

ii) Economic Inclusion: In recent years, scholars have realised the connection between a productive economy and a society that values relationship, participation, and cohesion, as well as the combined effects of these factors on people's well-being. According to them, an inclusive economy enhances people's well-being by influencing policy to guarantee numerous chances for participation in society and the economy.

iii) Political Inclusion: In recent years, scholars have come to understand the connection between a productive economy and a society that values connection, participation, and cohesion, as well as the combined effects of these factors on people's well-being. According to them, an inclusive economy enhances people's well-being by influencing policy to guarantee numerous chances for participation in society and the economy. Quotas and caste bases in political parties are the two main channels for political inclusion.

History of Corporate Social Responsibility in India:

The concept of Corporate Social Responsibility in India has evolved along with the evolution of the Indian economy and the nature of activities carried out along with the structure of governance that ruled the country. From the 1850s, when the British ruled India, until 1914, India was in the infancy stage of Industrialisation. In 1991, when the New Economic Policy was launched, popularly known as the LPG Policy, corporations received more freedom from the

government and hence resorted to family-owned trusts; partnerships between private and public sectors rose for Corporate Social Responsibility, and NGOs flourished under the provisions of the erstwhile Companies Act, 1956 due to lack of mandatory provisions governing Corporate Social Responsibility activities. In 2013, when the new Companies Act came into force, a condition in the form of Section 135 required an expenditure of 2% of the average net profits of the immediate past three financial years by companies satisfying specific criteria. It was supported by the Companies (Corporate Social Responsibility Policy) Rule, 2014 and Schedule VII, which laid down the areas where a company could engage for compliance with Sec.135.

Objectives of The Study :

Following are the important objectives of the present study which covers the 11 Maharatna companies.

1. To analyse the concepts of CSR and Inclusive Development.
2. To review Corporate Social Responsibility Expenditure of all PSUs in India on inclusive development
3. To study the trends of CSR spending of Maharatna companies during 2016-17 to 2020-21
4. To determine impact of CSR expenditure of Maharatna Companies on inclusive Development

Corporate Social Responsibility Activities:

As per the provisions of the Companies Act 2013, CSR activities can be undertaken as per the outline given in Schedule VII. However, the schedule is not exhaustive and hence cannot be limited and therefore leaves scope for the companies to spend on any other activities which may directly or indirectly satisfy the nature of the activities laid down. However, specifications of other laws or legislations may mandate cannot be utilised to comply with these provisions. As per Schedule VII, the following activities can be undertaken for CSR:

Eradicating extreme hunger and poverty; Promotion of education; Promoting gender equality and empowering women; Reducing child mortality and improving maternal health; Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases; Ensuring environmental Sustainability; Employment enhancing vocational skills; Social business projects; contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and such other matters as may be prescribed. As can be seen that the point given above clearly spells inclusive development as a good activity for CSR expenditure under the provisions of the Companies Act 2013.

Analysis of CSR Expenditure in India:

As part of the CSR Reporting Framework established under the Companies Act 2013, the companies required to comply with the CSR provisions are mandated to report the areas in which expenditure is planned or incurred by the companies. During the five-year study, PSUs have spent Rs. 20,487.40 crores on CSR activities all over India.

Table 1: CSR Expenditure of all PSUs in India (in Rs. Crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21	Total
CSR Spend	3,296.03	3,650.48	4,215.00	5,270.19	4,055.70	20,487.40

The Maharatna Companies have spent Rs. 10,815.07 crores on CSR projects during the same period starting from 2016-17 to 2020-21. This amounts to 52.79% of PSU spending during the five years. It shows that Maharatna companies constitute a majority of the PSUs accountable for contributing to CSR activities in India under the regulations of the Companies Act 2013.

Table 02: CSR spending of Maharatna companies during 2016-17 to 2020-21

Sr. No.	Name of the Maharatna Company	2020-21	2019-20	2018-19	2017-18	2016-17	Total
1	National Thermal Power Corporation (NTPC)	418.87	304.92	285.46	241.54	277.81	1528.6
2	Oil and Natural Gas Corporation (ONGC)	538.77	582.35	586.85	503.44	535.67	2747.08
3	Steel Authority of India Limited (SAIL)	47.18	27.56	31.18	25.7	29.04	160.66
4	Bharat Heavy Electricals Limited (BHEL)	20.18	35.11	16.01	7.36	37.48	116.14
5	Indian Oil Corporation Limited (IOCL)	342	518.49	468.15	331.01	217.1	1876.75
6	Hindustan Petroleum Corporation Limited (HPCL)	129.97	182.24	159.81	156.87	107.9	736.79
7	Coal India Limited (CIL)	95.4	172.31	27.53	24.31	13.64	333.19
8	Gas Authority of India Limited (GAIL)	146.95	122.73	119.3	91.65	72.38	553.01
9	Bharat Petroleum Corporation Limited (BPCL)	136.25	345.55	178.19	165.98	77.44	903.41
10	Power Grid Corporation of India	240.48	346.21	195.51	157.99	147.27	1087.46

	(POWERGRID)						
11	Power Finance Corporation	187.84	97.15	100.5	118.18	268.31	771.98
	Total	2303.89	2734.62	2168.49	1824.03	1784.04	10815.07

As per the regulations, 2% of the average of the past three years' profits is prescribed as the CSR spending for the companies. Therefore, it is essential to identify the amount that the Maharatna companies successfully spend out of the prescribed amount to understand their ability to plan and manage CSR activities. The utilisation of the funds ranges from 48% to more than 2000% in the chosen sample of Maharatna companies during the five years. This is due to various factors, such as the occurrence of losses in a few corporations and the long-term belief of the corporations to engage in activities that will benefit society voluntarily, allowing them to plan and coordinate their CSR spending to be well-managed and independent of the CSR regulations.

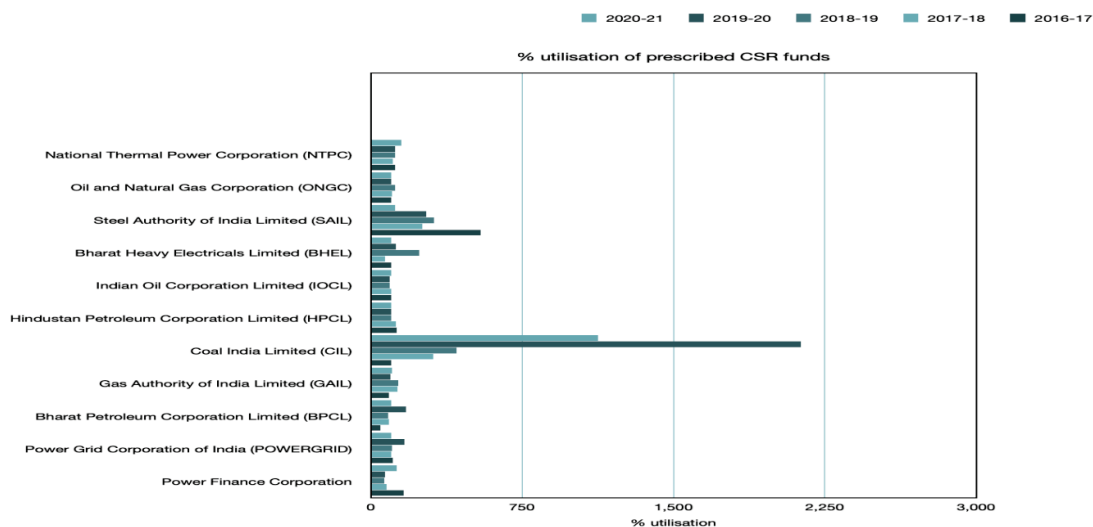


Figure 1: Utilisation of the prescribed CSR by the Maharatna companies

Maharatna companies being Public listed undertakings of the government, have been the target of the voluntary CSR guidelines issued by the Department of Public Enterprises in 2009. Most of them even reported their CSR projects as part of the International reporting standard of giving a Sustainability Report before introducing any guidelines in India. This gave them more exposure to the various practices that could be undertaken and permitted them to take greater control of their management and approval of CSR projects.

Inclusive Development:

The 17 Sustainable Development Goals (SDGs) adopted by the United Nations form the basis of the areas in which CSR activities are permitted to be undertaken as per the regulations of the Companies Act 2013. There are 10 SDGs aligned to achieve rural development. SDG 1 calls for no Poverty, SDG 2 for Zero Hunger, SDG 3 for Good Health and Well-being, SDG 4

calls for Quality Education, SDG 5 calls for Gender Equality, SDG 6 for Clean Water and Sanitation, SDG 7 for Affordable and Clean Energy, SDG 9 for Industry, Innovation and Infrastructure, SDG 10 for Reduced Inequalities and SDG 15 for life on land. All these are part of the 2030 Agenda for Rural Development.

Table 3: CSR Expenditure of all PSUs in India on inclusive development (in Rs. Crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21	TOTAL
CSR Spend	3240.76	2874.98	3092.71	4397.83	3184.75	16791.03

Taking guidance from the SDGs mentioned above, Corporations in India have spent significantly on inclusive development. In the five years, Rs. 10,129.2 Crores was spent on this goal by the PSUs in India engaged in CSR activities. This accounted for nearly 60.33% of the total CSR expenditure incurred by the PSUs during the study period.

Table 04: CSR expenditure of Maharatna Companies on Inclusive Development (in Rs. Crore)

Name of the Maharatna Company	2020-21	2019-20	2018-19	2017-18	2016-17	Total
National Thermal Power Corporation (NTPC)	418.84	302.56	284.61	226.97	276.99	1509.97
Oil and Natural Gas Corporation (ONGC)	531.46	582.04	586.85	482.07	504.91	2687.33
Steel Authority of India Limited (SAIL)	44.81	22.8	25.01	23.78	0	116.4
Bharat Heavy Electricals Limited (BHEL)	4.67	35.1	16.01	7.36	26.78	89.92
Indian Oil Corporation Limited (IOCL)	213.99	331.01	468.15	518.49	445.09	1976.73
Hindustan Petroleum Corporation Limited (HPCL)	141.69	182.24	159.81	156.87	108.11	748.72
Coal India Limited (CIL)	95.4	172.31	27.53	24.33	129.38	448.95
Gas Authority of India Limited (GAIL)	146.99	122.73	119.3	91.05	72.38	552.45
Bharat Petroleum Corporation Limited (BPCL)	59.02	345.55	178.19	165.98	77.44	826.18

Power Grid Corporation of India (POWERGRID)	0	0	195.47	157.97	147.33	500.77
Power Finance Corporation	187.84	97.15	100.5	118.18	168.11	671.78
Total	1844.71	2193.49	2161.43	1973.05	1956.52	10129.2

The Maharatna Companies, on the other hand, have managed to spend Rs. 10,129.2 Crores during the five years of activities leading to inclusive development. This accounts for almost 86.53% of the total PSU spending on the same category of activities. This shows that the contribution of the Maharatna companies is significant and shows their recognition of the need to spend on development to remove the disparities in a developing economy like India.

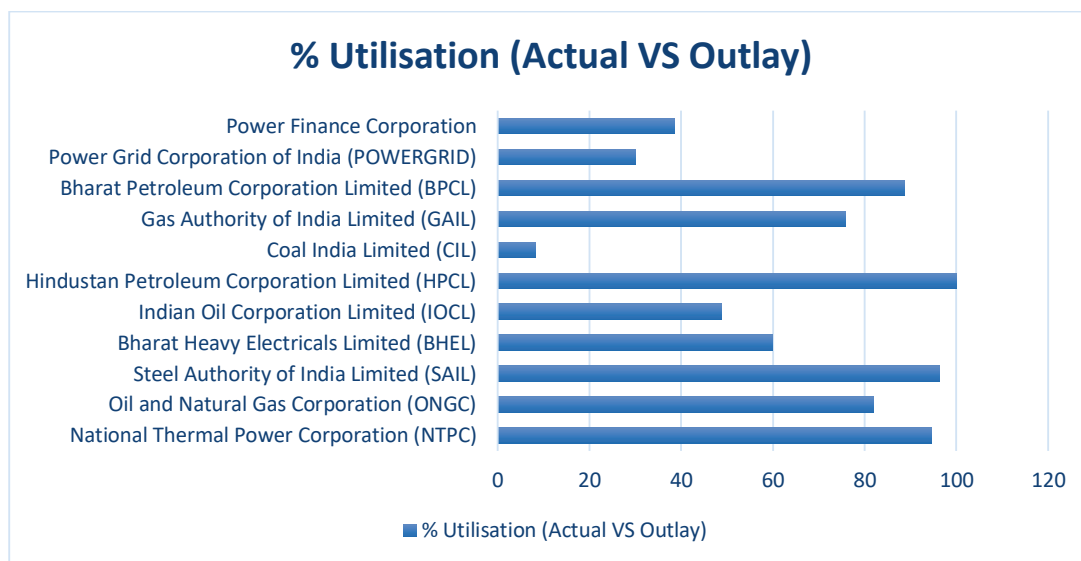


Figure 2: Comparison of Actual Expenditure with Projected outlays for CSR projects undertaken by Maharatna companies for Rural Development

As visible in the Figure above, in comparing the actual expenditure on inclusive development, Maharatna companies have been able to spend only 39.89% of the total projected outlay on these activities.

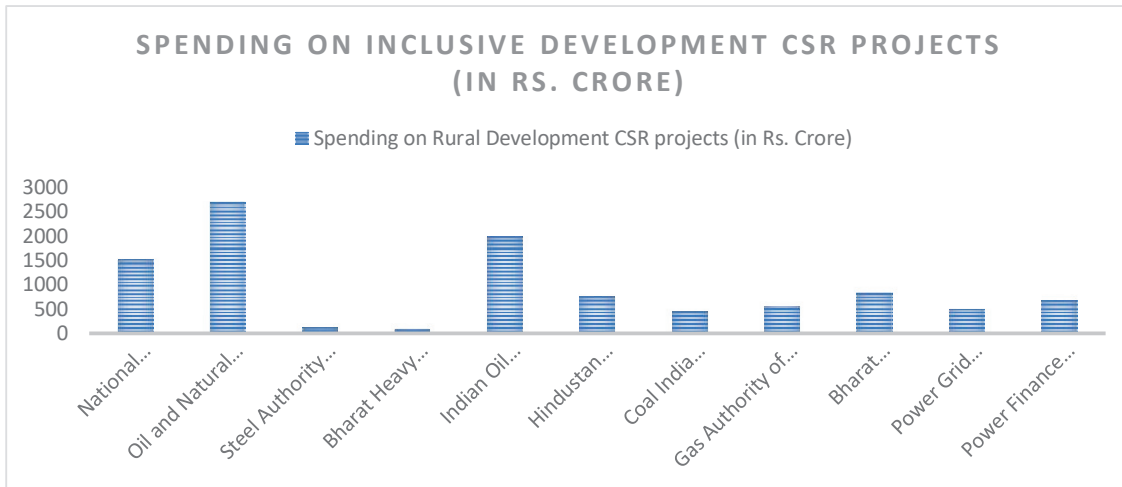


Figure 3: Actual aggregate spending on Inclusive Development projects

The contribution of the Maharatna companies is significant. It shows their recognition of the need to spend on development to remove the disparities in a developing economy like India.

Major Projects of Maharatna Companies for inclusive development and their impact assessment:

1. GAIL: 'Unnati' is a rural development initiative undertaken by GAIL focused on ensuring the availability of essential amenities to the rural population. They have another project called 'Neer Nidhi', integrated watershed management and livelihood project in the Guna district of Madhya Pradesh with Infrastructure development activities affecting 1.5 lakh people. GAIL has also installed 750 solar streetlights in the country's remotest villages. In addition, GAIL has taken up a CSR project to ensure access to and knowledge of constitutional safeguards for scheduled tribes in the Chhindwara and Indore districts, Madhya Pradesh.

2. NTPC: Through the NTPC Foundation, NTPC has created Directly Observed Treatment cum Designated Microscopy Centre (DOTs cum DMC) with mobile ambulances operated in 11 hospitals under the Revised National Tuberculosis Control Programme (RNTCP) covering a 25-30km area of the villages around the NTPC stations. Around 4,000 cases are treated per year at these DOTs cum DMC. It has also established a Disability Rehabilitation Centre (DRC), which has helped around 2,900 people with approximately 9,300 surgical corrections and other aids in 2020-21. NTPC has also spent Rs. 28 lakhs to install solar lights in Uttar Pradesh.

3. Indian Oil: A Unique initiative, zero energy-based vegetable cellars, will significantly improve the livelihood of farmers of Nang Village near Leh in Jammu & Kashmir. Twenty-three cellars were constructed, which do not require electricity and are based on simple technology, making them easy to maintain and low cost. As a result, the farmers' income has increased by 30% as these cellars prevent the deterioration of the vegetables allowing them to fetch better prices in the market.

4. ONGC: ONGC CSR Footprints in Villages of Arunachal Pradesh: For the development of the rural infrastructure of Arunachal Pradesh, ONGC intervened in the field of education,

health care and community development. Funding was extended to construct a B Ed College at Nirjuli and a girls' hostel at Naharlagun. Financial assistance was provided for Ambulance and X-Ray machines to upgrade the healthcare infrastructure of two rural community health centres in the Papum Pare district.

5. SAIL: Seventy-nine villages from 8 states across the country have been selected as 'Model Steel Villages' to provide comprehensive development. Activities undertaken include health & medical services, education, infrastructure, sanitation, livelihood generation etc.

6. POWERGRID: "Improving Rural Livelihoods through Integrated Watershed Management" project was completed at about 12,500 Hectares of arid land in two semi-arid Districts, namely Kurnool, AP & Vijayapura, Karnataka, at the cost of about ₹18 crores which created net water storage capacity of about 95,000 m³ resulting in conservation of about 1,45,000 m³ of surface runoff water. The groundwater table has also increased. Crop productivity has increased by 10-40%. This project has benefitted more than 10,000 farmers with an additional income ranging between ₹10,000 to ₹50,000 / year/household. This project bagged the "National CSR Award 2018" declared by the Ministry of Corporate Affairs, Govt of India in "Corporate Awards for Excellence in CSR". After the tremendous success of the above project, POWERGRID is replicating a similar project in five villages of Kalahandi District in Odisha (at the cost of ₹ four crores). Along with this, Rural Infrastructural projects like the Construction of Community Centres, open sheds, roads, culverts, drains, drinking water systems, the development of ponds, etc., in various parts of the country, primarily in and around POWERGRID's areas of operations, have been executed.

7. HPCL: Lighting a Billion Lives (LaBL) is an initiative of HPCL that aims to set up solar charging stations in 3 villages of Madhya Pradesh which does not have sufficient energy resources. The stations will include 50 solar lanterns and charging panels. In addition, it will lease the lanterns at an affordable fee by using a locally trained entrepreneur to run the station.

Conclusion:

- The Maharatna companies account for more than half (around 52%) of the total CSR expenditure reported by the PSUs during the study period. While comparing the same with all the companies in the ambit of the CSR regulations, the spending of Maharatna companies is approximately 11% which is highly significant.
- The expenditure of the Maharatna companies on Inclusive Development amounts to Rs. 10,129.2 Crores. The trend, however, cannot be defined due to the change in the pattern of CSR expenditure as a direct result of the COVID-19 pandemic. Nevertheless, the aggregate spending on the activity amounts to 60.33% of the total expenditure by all PSUs on the said activity. At the same time, comparing the same with all the companies that have submitted the CSR reports, the expense forms approximately 20% of the aggregate—suggesting that Maharatna companies are at the forefront in engaging in activities directed towards inclusive development.
- It can be observed that the spending on inclusive development has dramatically declined in the year 2020-21 as a result of the COVID-19 pandemic, where CSR funds were redirected towards improving health care or providing medical and healthcare equipment

to society. Another reason that can be pinpointed is the change in CSR regulations allowing a carry forward of excess expenditure as a set-off for future periods.

- Inclusive Development is an activity that comprises multiple aspects and subsumes the other permitted activities such as the alleviation of poverty, removal of hunger, development of sports, reduction of gender inequality, etc. This, at times, causes the non-reporting of the activity in the developmental activity section of the CSR Report in Annexure-VII. Hence it becomes difficult to identify whether a particular project has affected inclusive development.

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