A Comparative Study of CSR Activities Pre and Post Enactment of Companies Act 2013

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Abstract: The responsibilities of corporations are described consisting of three concentric circles. (a) Inner Circle: Clear cut, basic responsibilities for the efficient execution of the economic function, products, jobs and economic growth. (b) Intermediate Circle: Encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities. (c) The Outer Circle: Newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. For bringing back and maintaining the general balance in the economic and social arena it is evident to think deeply and act wisely about CSR. Every business house owes some responsibility towards the society, nation and world in general which provide it with all human, material and natural resources. Considering the long run growth and sustainable development following the norms of CSR, devising new policies and effective implementation is inevitable to bring and sustain a balance between corporate world and society, present generation and upcoming generation, man and nature. As far as the John Energy Limited is concerned, it has gone a long way in fulfilling its duty and responsibility towards the society and the nation.

Keywords: economic growth, society, responsibility, welfare

1. Introduction

Corporate Social Responsibility is predominantly considered as a western phenomenon due to strong institutions, standards, and appeal systems which are weak in developing countries of Asia, Chapple and Moon, (2005). CSR is a process with the aim to embrace responsibility for the company's actions and to encourage a positive impact through its activities concerning the environment, consumers, employees, communities and stakeholders. The purpose of CSR is to make corporate business activity and corporate culture sustainable in three aspects: economic, social and environmental. Corporate social responsibility (CSR) has become an increasing concern of business managers as companies are evaluated not only on financial, but also on social performance. Corporate Social Responsibility is the continuing commitment by business to behave accordingly to the business ethics and contribute to the economic development, while improving the quality of life of the workforce and their families as well as local community and society at large.

According to the Green Paper of the European Commission, CSR is defined as “the voluntary integration of social and environmental concerns in their business operations and in their interaction with their stakeholders and to fully comply with applicable legal obligations, but also to go beyond and invest more in environmental human capital”.

Environics International, (2001) a 20-country public opinion survey found that India is the last in the level of CSR demanded from companies in any country. Financial Times (2014) reported that the Fortune 500 companies have spent more than $15 billion on CSR, and the publication indicates that this spending has come in various forms, which include: donating free drugs (Johnson & Johnson), giving free software (Oracle), investing in educational Programs in developing countries (Prudential) or creating a more productive work environment for various minority groups (Chicago Fed).

According to Simen & Ndao, (2013), CSR is the expression in microeconomics for Sustainable Development which seeks to reconcile socio-economic development with respect to the environment, considering the latter as a precious patrimony to bequeath to future generations.

According to independent reports, the private sector’s combined charitable spend jumped from an estimated 33.67 bn rupees in 2013 to around 250 bn rupees after the law’s enactment.

According to Gujral, “One of the biggest challenges for the corporate sector is finding credible partners and good projects that they can support. So, what’s happening is that the bigger charities that are better known are being flooded with money”.

To whom CSR is applicable:

The companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee” with effect from 1st April, 2014. Section 135(5) mandates 2 percent of the Average net profit during the three immediately preceding financial years.

The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and...
Companies (Corporate Social Responsibility Policy) Rules 2014:

1. Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water;
2. Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently unable & livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes & hostels for women & orphans, setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups;
4. Reducing child mortality and improving maternal health by providing good hospital facilities and low-cost medicines;
5. Providing with hospital and dispensary facilities with more focus on clean and good sanitation so as to combat human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
6. Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water;
7. Employment enhancing vocational skills
8. Protection of national heritage, art & culture including restoration of buildings & sites of historical importance & works of art; setting up public libraries; promotion & development of traditional arts & handicrafts;
9. Measures for the benefit of armed forces veterans, war widows & their dependents;
10. Training to promote rural sports, nationally recognized sports, sports & Olympic sports;
11. Contribution to the Prime Minister ‘s National Relief Fund or any other fund set up by the Central Government for socio-economic development & relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women;
12. Contributions or funds provided to technology incubators located within academic institutions, which are approved by the Central Government;
13. Rural development projects, etc.
14. Slum area development.

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2. Literature Review

There are several studies has been undertaken by many researchers on Corporate Social Responsibility. Different researchers have studied different aspects of CSR in various fields.

**Creyer & Ross, (1997)**[1] found that consumers take into consideration firms' CSR activities when making purchase decisions, noting that doing so may either increase their purchase intention or make them willing to pay higher prices for the firms’ products and services. Bhattacharya & Sen, (2004); Pen Schoen Berland, (2010) also revealed the same in their study.

**Nasreen & Anjum (2016)**[2] investigated that organizations are investing time, money and effort in CSR activities such as education, health, vocational training, and environmental sustainability. The path is filled with certain leaps which cannot be ignored. Having an open communication with the locals, showing willingness for the development of society, positive attitude and professional approach can be helpful in overcoming the major block of proper implementation.

**Guyder (2003)**[3] argued that Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, govt. and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose.

**Aksak et al. (2016)**[4] studied that corporate reputation researchers have proposed that CSR engagement can benefit corporations by creating intangible assets. The positive relationships between CSR and employee commitment, retention and attracting new employees also have been observed in empirical studies. Kim & Park, (2011); Sen, Bhattacharya, Korschun,(2006).

**Garvy & Newell (2005)**[5] found that accountability for CSR activities is one grey area of business given the fact that though it is mandatory for a corporation to declare and follow Social responsibilities, there are no rules and regulations that it needs to compulsorily abide by; therefore, making it necessary to have stringent assessment due to the various factors that affect dissemination of good CSR practices.

**Kotler and Lee (2005)**[6] argued that companies participate in CSR in order to look better, feel better, do better and live longer. They explain that by participating in CSR the company will look good in the view of potential customers, business colleagues, investors and in the media etcetera.

**Kaur & Tondon (2016)**[7] believed that organizations must realize that government alone will not be able to get success in its endeavor to uplift the down trodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept- CSR. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

3. Background of the selected company

**John Energy Limited** is a leading Indian company catering to the upstream and mid-stream Oil and Gas Industry, established in 1987. With its rich experience of close to more than 25 years today, the company enjoys a respectable name in Onshore Drilling, Work- over and completion services, Natural Gas compression and conditioning services contractor in India, having a rig fleet of 30 rigs, comprising of Drilling, 15 works- over rigs, Multiple Gas compression packages and Gas conditioning equipment. The journey
started from manufacturing and the company soon transitioned to becoming an integrated service provider for Oil and Gas market and is today ISO 9001/ ISO 14001/OHSAS 18001 certified with a well incorporated management.

The company holds quiet a share in its own area of work and has now expanded its operations in emerging Geo markets like CIS countries and west and North Africa. The International competitiveness on quality and customer satisfaction of John Energy is backed successfully by the fact that John Energy is an approved vendor with the Kuwait Oil Company for Drilling and Work- over services. It is also in the advanced stage of pre-qualification with other GCC Operators, the company is all set to enter the GCC market.

John Energy boasts of a vast resource pool comprising of Rig building and refurbishment base, central stores and a world class training facility. To top the resources are the highly dedicated and technically qualified 1400+ professional who are proud to be part of the John Energy team. The company is working constantly towards its business aim to leverage its technical and safety leadership that it has cultivated through decades of project execution in the Oil and Gas industry to enhance the efficiencies of our customer’s drilling projects.

3.1 Corporate Social Responsibility at John Energy Limited:

John Energy Limited is endeavoring to fulfill the aspiration of the society through contribution to the CSR activities. John Energy Limited contributed Corporate Social Responsibility through donations, financial contributions, and sponsorship and by participating in various such activities. As a part of Company’s CSR initiative, company has acquired ISO 14001 for Environment & OHSAS 18001 for Occupational Health Safety & Assessment Series. John Energy has been always thoughtful about its Social Responsibilities. Company believes that the growth of any business remains incomplete without social escalation. Company has chosen to commit themselves for giving back to society and the environment. Company instigated many programs in order to enrich people in and around their workplace.

3.2 Contribution of John Energy Limited in CSR before enactment of the Companies Act, 2013:

1. In the year 2011- 12, paid donation expense to Rotary Club of Mehsana Milk City, to Shree Nagrik Kelavani Mandal, etc.
2. In the year 2012- 13, Paid donation for district sainik welfare and resettlement office, Paid donation for Western India Provisional Conference of Free Methodist Church, Paid cash for Durga Puja, etc
3. In the year 2013- 14, paid donation to various charitable trusts such as Shri jivdaya Jan kalian Parivar Trust, Shree muthappan seva Samiti, Shree Audichya Pragati mandal, etc.

3.3 Contribution of John Energy Limited in CSR after enactment of the Companies Act, 2013:

1. In the year 2014– 15, Swachhata Shibir has been organized. In that Shibir, 250 toilets has been constructed in rural area, 74 widows were given household support and distributed nutrition kit to 74 children.
2. In the year 2015- 16, Divyam Empowerment Program has been organized. In that program, 42 handicapped were given advertising tricycle for their livelihood and 3 scooters to college going handicapped students.
3. Organized eye checkup and cataract surgery for needy and poor. During year total 4256 patient’s eyes were checked and 506 cataract operations were performed.
4. In the year 2016- 17, Nutrition Kit Distribution Program for TB patient has been organized by the company. 540 nutrition kits were distributed to TB patients.

5. Research Methodology

5.1 Objectives:

1. To understand the concept and scope of corporate social responsibility and getting an insight in CSR practices in the light of the case study of the John Energy Ltd.
2. To promote CSR activities in order to have a sustainable development of the society.
3. To make comparison between pre and post ways of doing CSR by the company.
4. To measure the contribution of the company for the welfare of the society, after enactment of the Companies Act, 2013.

5.2 Sources of data:

Secondary data inclusive of quantitative and qualitative data collected from various sources including books, research papers, newspapers, magazines, and websites is used for the purpose of study. Researcher personally visits John Energy Limited Company for data collection and met with Human Resource Manager and Company Secretary for detail information about company regarding CSR contribution.

6. Data analysis

6.1 Table showing Average Profit, Prescribed CSR and Actual CSR of John Energy Limited Company

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (Previous 3 Years Average) (In Rupees)</th>
<th>Prescribed CSR (In Rupees)</th>
<th>Actual CSR (In Rupees)</th>
<th>Difference(In Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>248,736,039</td>
<td>NA</td>
<td>96,922</td>
<td>NA</td>
</tr>
<tr>
<td>2012-13</td>
<td>273,905,608</td>
<td>NA</td>
<td>636,575</td>
<td>NA</td>
</tr>
<tr>
<td>2013-14</td>
<td>454,167,437</td>
<td>NA</td>
<td>759,772</td>
<td>NA</td>
</tr>
<tr>
<td>2014-15</td>
<td>681,963,548</td>
<td>13,639,270</td>
<td>669,000</td>
<td>12,970,271</td>
</tr>
<tr>
<td>2015-16</td>
<td>619,718,940</td>
<td>12,394,378</td>
<td>2,484,800</td>
<td>9,909,578</td>
</tr>
<tr>
<td>2016-17</td>
<td>557,584,361</td>
<td>11,151,687</td>
<td>2,900,000</td>
<td>8,251,687</td>
</tr>
</tbody>
</table>

Table 2: Analysis of Profit and CSR activities
6.2 Data Analysis

Generally, as revenue increases expense also increase. But in this study, there is no straight relation between revenue and income, as there is continuous change in CSR percentage.

In the year 2012-13, average profit is 273,905,608 and actual CSR contribution is 556.79% which shows that as profit increases contribution in CSR also increased. In 2013-14 profit increased by 180261829 but CSR ratio decreased. In the year 2014-15, average profit was 681,963,548 and CSR contribution is -11.95%. In 2015-16, company’s profit was 619,718,940 and contribution in CSR was 271.42% which shows that, in 2015-16 CSR amount has been increased to a great extent as compare to 2014-15. In 2015-16 company’s profit has been reduced by 62244608 still CSR contribution increased which again revealed that, there is no relation between profit of the company and contributing in CSR. In the year 2016-17, average profit was 557,584,361 and CSR percentage is 6.71% which means that there is no link between average profit and CSR ratios because there is continuous fluctuation in profit and CSR ratios.

7. Findings, Suggestions and Conclusion

7.1 Findings:

1. By comparing pre and post CSR activities, we come to know that, before enactment of the Companies Act, 2013, companies were donating in various charitable trusts, rotary clubs etc. But now, company is contributing as per focus areas notified under Section 135 of the Companies Act 2013.

2. Before enactment of the Companies Act, 2013, companies were contributing to the society but it was unplanned and in an unorganized manner. But after enactment of the Companies Act, 2013, companies contribute in more systematic, organized and planned manner.

3. Company is unable to contribute 2% of its average profit in CSR.

4. Company’s major focused areas are eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation to the people of the society.

5. As business is an integral part of the social system it has to care for varied needs of the society.

6. Business which is resourceful has a special responsibility to the society.

7. Social involvement of business would enhance a harmonious and healthy relationship between the society and business seeking mutual benefit for the both.

8. Social involvement may create a better public image and goodwill for the company which further becomes instrumental in attracting customers, efficient personnel and investors.

7.2 Suggestions:

1. The Human Resource department should be entrusted with the responsibility of measuring and evaluating in CSR activities.

2. Periodic review of the CSR activities should be conducted by every business entity so as to identify the pitfalls and the areas left out.

3. Innovation should essentially be a matter of concern; be it searching the untouched areas and scope of CSR or the formulation of CSR strategy or the implementation thereof.

4. NGOs should be encouraged to act in collaboration for the CSR activities under different schemes and projects as they play a crucial role in the upliftment of the masses.

7.3 Conclusion:

Every business house owes some responsibility towards the society, nation and world in general which provide it with all human, material and natural resources. Considering the long run growth and sustainable development following the norms of CSR, devising new policies and effective implementation is inevitable to bring and sustain a balance between corporate world and society, present generation and upcoming generation, man and nature.

References


[8] www.johnenergy.com

Author Profile

Komal Raval received the B. Com degree from Pune University in Cost and Work Accounting, M. Com degree from Indira Gandhi National Open University in Commerce, B.Ed. degree from S. P. University in Commerce in the year 2009, 2011 and 2011, respectively. She had received Master of Philosophy degree in Commerce from Hemchandracharya North Gujarat University in 2015. She is now working as Assistant Professor (HPP) at S D School of Commerce, Gujarat University and also pursuing Ph.D. from S D School of Commerce, Gujarat University.