

# Divulge Nature Of Corporate Social Responsibility (CSR) Leading Towards The Trust In Confidentiality Of The Companies In The Context Of The Indian Companies

Anganjyoti Basumatary<sup>1\*</sup>, Dr. Samsuddin Ahmed<sup>2</sup>

<sup>1\*</sup>,<sup>2</sup> Research Scholar:Gauhati University, Jalukbari – 7181014, Guwahati, Assam

Milanpur, Near Sonapur College Gate,Sonapur – 782402, Dist. Kamrup(M), Assam, IndiaPh. No. - +917002666134

Email - anganjyotibasumatary@gmail.com

**Citation:** Anganjyoti Basumatary et al (2024), Divulge Nature Of Corporate Social Responsibility (CSR) Leading Towards The Trust In Confidentiality Of The Companies In The Context Of The Indian Companies", *Educational Administration: Theory and Practice*, 3(4), 1510-1515, Doi: 10.53555/kuev.v30i1.2675

## ARTICLE INFO

## ABSTRACT

The research paper provides an insight into the ideologies of the Indian Companies, both public sector as well as private sector regarding Corporate Social Responsibility (CSR). The research paper will help the companies to identify the nature of the CSR projects and whether they provide info regarding the internal affairs of the companies. The companies are not obligated to provide with their annual CSR reports to the general public unless they fall under the norms of section 135 of the Indian Companies Act (Corporate Social Responsibility) Rules, 2014.

Some companies might still hesitate to the disclosure of their annual CSR reports due to their lack of trust but this paper will provide with the necessary info. regarding the subject matter. The CSR initiatives undertaken are always easily available but the annual reports of the CSR projects do provide with information to a certain extent. Hence, in order to determine to what extent, the info. revealed after their expenditure on CSR initiatives will be clarified through this research paper.

**Keywords:** CSR, initiatives, disclosure, information.

## Introduction

### About CSR:

CSR (Corporate Social Responsibility) has been always been an integral part of the companies. It not only allowed the companies to gain more profits but also in other grounds has helped the society to grow more and more as much as possible. With the changes occurring in CSR from time to time the definitions as well as the models of CSR has been changing with the core concept of sustainable development in mind. The most popular models followed include:

1. The Pyramidal Structure Approach
2. The Generations
3. The Practices

The companies whether Indian or of other nation have to always follow the Sustainable Development Goals which have been given below:

### Goals:

Goal 1. End poverty in all its forms everywhere.

Goal 2. Zero Hunger.

Goal 3. Ensure healthy lives and promote well-being for all at all ages.

Goal 4. Quality Education.

Goal 5. Achieve Gender Equality and empower all women and girls.

Goal 6. Ensure access to water and sanitation for all.

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy.

Goal 8. Promote inclusive and sustainable economic growth, employment and decent work for all.

Goal 9. Build resilient infrastructure, promote sustainable industrialization and foster innovation.

Goal 10. Reduce inequality within and among countries.

Goal 11. Make cities inclusive, safe, resilient and sustainable.

Goal 12. Ensure sustainable consumption and production patterns.

Goal 13. Take urgent action to combat climate change and its impacts.

Goal 14. Conserve and sustainably use the oceans, seas and marine resources.

Goal 15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

Goal 16. Promote just, peaceful and inclusive societies.

Goal 17. Revitalize the global partnership for sustainable development.

### **CSR and companies:**

There has always been a debate about the nature of CSR. Various Corporations are still reluctant to provide their details regarding their gains and losses openly to everyone. From their point of view, it is a small peak into their confidential matters. But although they don't want to, they are bound to, due to the law instilled by the Indian Govt.

CSR has to be followed by all the companies who have an annual turnover of Rupees 1000 Cr. or more. This has been established in accordance with section 135 of the Companies Act, 2014. Although, the law is unavoidable but it is liquid in nature with very less rigidity. The companies are only required to provide their info. regarding the CSR activities performed by the company with the financial year showing their overall profit and the balance carried forward to the next financial year.

The real essence of the CSR practices performed by the companies does not imply to the amount of profit gained or losses incurred via the companies throughout the financial year but the degree to which they have contributed to the society.

The everchanging nature of CSR has led to the definition of CSR gradually change from time to time. Models, definitions all seem to change which has led the Indian Companies Act, 2013 to provide with its own definition i.e.:

As per Companies (Corporate Social Responsibility) Rules, 2014, "Corporate Social Responsibility (CSR) means and includes but is not limited to: -

- i. Projects or programs relating to activities specified in Schedule VII to the ACT;
- ii. Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

The CSR expenditures incurred under the Companies Act, 2013 are not deductible under section 37(1) of the Income Tax Act, 1961. But if these expenses are in an alignment with the other provisions of the Income Tax Act, 1961 (i.e., section 35(1)(ii), section 35AC.), the companies will be able to bring in more efficiency in their tax planning.

### **Objectives of the study:**

The objectives of the current research have been provided with hereunder:

1. To study the annual CSR reports of three companies, both of public sector as well as private sector, each, operating within India for the last 3 years.

Parameters:

- The amount of profit of the companies directed towards the purpose of its CSR projects.
- The changes in the pattern of CSR year wise in the companies.

2. To determine whether the reports provided along with the CSR reports bring with itself the internal affairs of the company.

Parameters:

- The amount of information related to disclosure of information in its CSR reports.

### **Rationale of the Study:**

Due to the increasing study on the study of the social impacts of a company's actions have generated a new field of study which is namely CSR. The companies were not obligated towards the society as they need not feel it but as time passed the companies actions have started highly impacting the society which has led to a social responsibility of the companies. Full disclosure regarding the CSR reports of the companies has been made mandatory by the Indian Government still which has made a semi confidential information leakage of its profits and losses. This paper will shed a light towards the information provided by the companies through its annual CSR reports and help in determining the external and internal affairs leakage through the reports.

**Statement of the Problem:**

The problem has aroused and has been always there regarding the companies' true ideologies regarding the exposure of their CSR initiatives to the general public. As per bound by the Indian Companies Act, 1914, the companies which have a turnover of 1000 crores are under a legal obligation to provide the general public regarding their CSR companies initiatives both general as well as public sector. Although, it is used as a flaunt by few companies attract to more customers and some with genuine social interaction but there are some who are not fully inclined to the plan of their complete disclosure of the CSR projects undertaken as it shows the profit, loss incurred via the company although these CSR activities are with genuinely for the benefit of the society.

**Literature Review:**

The Review of Literature has been done conducted with the help of various books and journals on Corporate Social Responsibility which has helped in identifying the requirements for the study and formulating objectives according to it.

Bag Sudin, Omrane Amina (2020) in their paper, "Corporate Social Responsibility and its Overall Effects on Financial Performance: Empirical Evidence from Indian Companies" have found that in order to make a better financial performance and impact on the society, the integration of CSR practices in the long-term business strategy of a company is essential.

McWilliams A, Siegel D. (2001) in their paper, "Corporate social responsibility: A theory of the firm perspective" were of the view that CSR is the internal as well as the external responsibility of the firm for engaging in societal activities which goes beyond the laws and interests of the firm.

Khoury G, Rostami J, Turnbull JP. (2008) in their paper, "Corporate Social Responsibility: Turning Words into Action" stated that CSR establishes a relationship between a company and all of its stakeholders including customers, employees, communities, investors, government, suppliers and competitors. According to them, the major social Corporate Social Responsibility consists of community service, the improvement of relationship with employees, job creation, environmental protection and financial returns.

Brown TJ, Dacin PA. (1997) in their paper, "The company and the product: corporate associations and consumer product responses" studied two types of corporate associations, one is corporate ability associations and the other being CSR associations. They show that different corporate associations impact various strategic positioning, and a growing number of firms begin to focus their attention on strategies that can display CSR, such as the efforts made by a firm towards environment protection, employee diversity enhancement and engagement in the community and sponsoring of cultural activities. The results from their research point out that the CSR association can indirectly affect consumers' product evaluation through their assessment of the firm.

Wen SB, Fang Y. (2008) in their paper, "Empirical study on the relationship between corporate social responsibility and financial performance--analysis on panel data from stakeholder perspective" carried out a study on the relationship between CSR and financial performance of companies based on the data collected from 46 publicly listed companies in China from 2003 to 2007. They measured CSR as per the capital varieties which included responsibilities towards stakeholders of financial capital, human resources capital, social capital and ecological capital.

Bora P.P. (2020), in his thesis entitled, "Corporate Social Responsibility of Tea Industry in Assam with special reference to Lakhimpur District" states that welfare activities in Assam Tea Industry have been prevailing before the advent of CSR was made mandatory by State Authorities and Sole Proprietorship Tea Firms face greater difficulty to implement CSR initiatives in comparison to Partnership Tea Firms. They never provided with the annual reports of their CSR activities but now it has become mandatory due to the Indian Companies Act, 2013

Xie PH, Zhou ZC. (2009) in their paper, "Empirical study on the relationship between corporate social responsibility and consumer purchase intention in China" researched on the impact of CSR on consumer purchase intention. They used five dimensions to measure CSR: the protection of consumer rights and interests, involvement in philanthropy and charitable donation, environment protection, and concern for employee interests.

Kumbhar S.A. (2014), in his thesis entitled, "Corporate social responsibility as a sustainable measure by large enterprise" mainly focuses on environmental protection, work culture, and employee protection as a part of CSR policy in Pune an area of Maharashtra state of India. It has been found that CSR plays a vital role in an organisation for operations management.

Pandya Prashant (2019), in his thesis entitled, “A Comparative Study of Corporate Social Responsibility of selected public sector banks and private sector banks with special reference to Gujarat State” has found that both public and private sector banks follow the standard CSR norms and provide support to MSMEs, agriculture, education and encourage social community welfare in Gujarat.

Lawande Naval Ulhas (2013), in his thesis entitled, “A Study of Corporate Social Responsibility and its influence on employee commitment in organisations” states that the key to a sustainable success is to engage the employees and factors such as economic responsibility and legal responsibility have a great influence on the employees of the organisation.

Dahlsrud A. (2008) in his paper, “How corporate social responsibility is defined: an analysis of 37 definitions” conducts extensive analysis on 37 definitions of CSR from 1980 to 2003, and groups the definitions on CSR into five dimensions which included: the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the voluntariness dimension. Here, the definitions on CSR have been categorized into two outlooks based on previous studies: the stakeholder outlook and the social outlook.

Mohr LA, Webb DJ, Harris KE. (2001) their paper, “Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behaviour” have found through interviews with customers of a metropolis that certain consumers behave in a socially responsible way, as they are of the view that their purchase decisions influence both their families and themselves as well as affect the environment. Therefore, these consumers do take into account a firm’s social activities while considering purchase related decisions.

Kwatra Pratigya, in her thesis entitled, “An Assessment of Corporate Social Performance of Indian Multinational Manufacturing Companies” has used process approach and input-output approach to know the corporate social performance of the Indian manufacturing companies and found that Corporate Social Perception of the employees is practically lower in comparison to the Corporate Social Perception of the CSR.

Jin Young Shn, Moosup Jung, Kyung-il Khoe, Myung-Su Chaen their paper entitled, “Effects of government involvement in corporate social responsibility: An analysis of the Indian Companies Act, 2013.” Have found that making CSR mandatory has not had any negative impact on the business operations of the companies since, they had already been performing CSR before it was legally mandatory but they were not publicised by due to their own reasons.

Kale C.S. (2008), in his thesis entitled, “A study of corporate practices- strategies, corporate governess and social responsibility in selected organizations in India” performed research on CSR activities which have been undertaken by the industries in Manufacturing Sector and Tertiary Sector. Some Companies even perform CSR related activities with the help of Non-Governmental Organisations.

### **Research Gap:**

The above studies do not take into the considerations of a company regarding the changes that have been brought Indian Companies Act (Corporate Social Responsibility) Rules, 2014, through for their study. Although, there has been studies performed from time to time, the considerations that the Indian companies take in order to order to implement their CSR annual reports. Hence, this study will give a fresh look towards this topic.

Although researches have been conducted pan India regarding the CSR activities of the companies, there has not been research conducted on the issues relating to the matter how the companies see the decision of the Indian Companies Act, 2013 regarding CSR

### **Research Methodology:**

In order to conduct the research 6 Indian Companies have been undertaken. Out of these 6 companies 3 are private sector companies and 3 are public sector companies. The private sector companies include K. R. Mangalam World School, Pepperfry and K V Computer Home Private Limited.

The public sector companies include Indian Oil Corporation Limited, Life Insurance Corporation of India Limited and. Oil India Ltd. The CSR annual reports of both the public sector as well as private sector have been taken into account by the researcher for the 5 annual years from 2016 – 2017 to 2020 – 2021. The annual CSR reports show the various aspects of their CSR initiatives. The annual CSR reports of these companies have been used to determine the profit and loss incurred by the companies and the reports have been used to quantify and find the quality of the CSR services provided by the companies from time to time.

The researcher has conducted a thorough research on the changes that have occurred in these companies within the given 5 years. The CSR projects which a company undertake reflect their CSR initiative goals. The CSR

projects will help to determine whether the CSR projects undertaken are still within the CSR initiatives they have taken or have deterred from it.

### **Findings and Recommendations:**

From the research which has been conducted by the researcher there have been various findings:

#### **For Objective 1:**

1. Every year the companies both public and private sector include 2% of their net profit as CSR projects carried out throughout the year.
2. The CSR projects that the companies take changes from year to year.
3. These changes are so as to meet the requirements of their CSR initiatives.

#### **For Objective 2:**

1. The 2% expenditure from the net profits of the company which are used to project the CSR activities they perform in annually allows one to easily calculate the net profit the company has attained from it.
2. The amount which has been carried forward also discloses the profit balance.
3. The CSR reports of public sector enterprises are vaster in comparison to the private sector enterprises

### **Recommendations:**

1. All the companies do not provide their CSR reports clearly in their annual CSR reports which makes it hard to determine their activities.
2. The changes in CSR activities should always reflect the images of their CSR initiatives.
3. CSR should always include only those activities which are sustainable in nature and in actual benefactory for the society.

### **Conclusion:**

From the study it has been found that only the 2% of expenditure from the net profits by the companies which fall under section 135 of the Indian Companies (Corporate Social Responsibility) Act, 2014 for CSR annually. This does not affect the disclosure of any internal or external affairs of the company. The companies should not be of wary of any kind of internal disclosure which might lead to any leakage of company information. This goes not only for the public sector companies but also for the private sector companies.

### **References:**

1. Pandya Prashant (2019): A Comparative Study of Corporate Social Responsibility of selected public sector banks and private sector banks with special reference to Gujarat State.
2. Sheehy Benedict: Defining CSR: Problems and Solutions [J] Business Ethics. DOI 10.1007/s10551-014-2281-x.
3. Brown TJ, Dacin PA.: The company and the product: corporate associations and consumer product responses [J]. The Journal of Marketing. 1997:68-84.
4. Dahlsrud A.: How corporate social responsibility is defined: an analysis of 37 definitions [J]. Corporate Social Responsibility and Environmental Management. 2008, 15(1):1-13.
5. Kumbhar S.A.: Corporate social responsibility as a sustainable measure by large enterprise.
6. Kale C.S.: A study of corporate practices- strategies, corporate governess and social responsibility in selected organizations in India.
7. Kwatra Pratigya: An Assessment of Corporate Social Performance of Indian Multinational Manufacturing Companies.
8. Lawande Naval Ulhas (2013): A Study of Corporate Social Responsibility and its influence on employee commitment in organisations.
9. Bora P.P. (2020): Corporate Social Responsibility of Tea Industry in Assam with special reference to Lakhimpur District.
10. Dutta Pranjal Pratim (2008): Corporate Social Responsibility in oil sector a study on selected entities in Assam.
11. zussain Ahsanul(2020): Corporate Social Responsibility CSR of Oil India Limited in Assam A Diagnostic Study
12. Khoury G, Rostami J, Turnbull JP. Corporate Social Responsibility: Turning Words into Action [M]. Ottawa: Conference Board of Canada, 1999.
13. Kotler P. Marketing Management: Analysis Planning Implementation and Control (7th edition) [M] Englewood Cliffs, NJ: Prentice Hall, 1991.
14. McWilliams A, Siegel D. Corporate social responsibility: A theory of the firm perspective [J]. Academy of Management Review. 2001, 26(1):117-27.

15. Wen SB, Fang Y. Empirical study on the relationship between corporate social responsibility and financial performance--analysis on panel data from stakeholder perspective [J]. *China Industrial Economics*. 2008(10):150-9.
16. Xie PH, Zhou ZC. Empirical study on the relationship between corporate social responsibility and consumer purchase intention in China [J]. *NanKan Business Review*. 2009, 12(1):64-70.
17. Bag Sudin, Omrane Amina (2020) in their paper: Corporate Social Responsibility and its Overall Effects on Financial Performance: Empirical Evidence from Indian Companies. *Journal of African Business*, DOI: 10.1080/15228916.2020.1826884.
18. Jin Young Shn, Moosup Jung, Kyung-il Khoe, Myung-Su Chae: Effects of government involvement in corporate social responsibility: An analysis of the Indian Companies Act, 2013. *Emerging Markets Finance and Trade* 51 (2), 377-390,2015.
19. Aczel, Sounderpandian, Saravanan, Joshi: *Complete Business Statistics*
20. Padmalochan Hazarika: *Essential Statistics for Economics and Business Studies*
21. C R Kothari, Gaurav Garg: *Research Methodology*
22. Dr. A. Karim: *Corporate Social Responsibility*
23. CA Kamal Garg: *Corporate Social Responsibility*
24. Nirbhay Lumde: *Corporate Social Responsibility in India A Practitioner's Perspective*
25. <https://iocl.com/>
26. <https://www.oil-india.com/>
27. <https://shodhganga.inflibnet.ac.in>
28. <https://www.csr.gov.in/>
29. <https://licindia.in>
30. <https://www.pepperfry.com>
31. <https://krmangalam.com>
32. <https://kvch.in>