



A Study of Corporate Social Responsibility Accounting of Companies in Pune

Dr. J. P. Bhosale¹

Abstract

Sec 135 of the companies Act, 2013 has made it mandatory for companies fulfilling certain criteria, to implement and report CSR policies. Rules framed thereunder and notifications issued from time to time has provided extensive guidelines on the activities to be undertaken by the companies and the reporting of the same in the Annual Report of the company.

During the Covid 19 pandemic, CSR has played crucial role with corporate and individual undertaking Corporate Social Responsibility activities beyond minimum spending laid down by legislation. Corporates stood along with Government to strengthen economically and socially during such crisis. It enhances the reputation perhaps create strong brand value for the company. The companies Act 2013 provides certain guidelines on reporting of CSR initiatives however reporting of such activities and accounting of it so as to inform stakeholders is equally important. This paper aimed to know accounting practices undertaken and implemented by IT companies in Pune with respect to Corporate Social Responsibility. This study is based on secondary data available from Annual Reports of the companies and other information available on this matter.

Key Words: CSR, Annual Reports, Legislation, Accounting of CSR

Introduction

Corporate Social Responsibility means various social activities carried out by medium to big sized corporate houses, businesses and MNCs for the benefit of under-privileged sections of society. Corporate social responsibility is firms' efforts to surpass compliance by voluntarily

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engaging in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. Corporate social responsibility entails the allocation of resources and actions that are part of the business model that help address social issues indirectly, mitigating negative externalities and promoting positive externalities. Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line-Approach”), while at the same time addressing the expectations of shareholders and stakeholders. India is the only country which has regulated and mandated CSR activities to be undertaken by certain categories of companies. In the present times, the ambit of CSR activities has grown manifold and is playing an important part in achieving the sustainable development goals and private-public partnership in nation building. CSR has also played a very important role in supporting the social and economic development of the country during the Covid-19 pandemic. For shareholders to know the spending of company on CSR activities and projects it is required to conduct accounting of CSR. Institute of Chartered Accountants of India has laid down certain guidelines on accounting of CSR activities. ICAI took initiative to provide detailed guidance on the accounting aspects of CSR spends and its presentation in the Financial Statement. The CSR Activities are carried out by companies in any of the following three ways:

- By making contribution to funds specified in Schedule VII of the Companies Act 2013
- Through a registered society/ trust/ section 8 company (erstwhile section 25)
- On their own account

Following are the methods of CSR accounting.

1. When CSR activities are undertaken through a company/ trust/ society by making contributions to funds specified in Schedule VII of the Companies Act 2013: The amount spent would be recognized as an expense for the year to be charged to the statement of profit and loss.
2. When CSR activities are undertaken through registered society/ trust/ section 8 company: A company can do its CSR activities through a registered trust, or a society, or a company established under section 8 of the Act. The expenditure

incurred in this case is also treated as an expense for the year and charged to the statement of profit and loss.

3. When CSR activities are undertaken on their own: When companies undertake CSR activities on their own we need to check the nature of expenditure i.e., whether the expenditure is of revenue nature or capital nature.

What activities should be included by companies in their Corporate Social Responsibility?

- Encouraging education under poor sections of society
- Promoting gender equality
- Promoting women empowerment
- Eradicating extreme hunger and poverty
- 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 Prime Minister's National Relief Fund

Accounting treatment of activities undertaken under CSR

Accounting Treatment of Income Earned from CSR Projects while Undertaking CSR Activities: When the companies are undertaking CSR activities or programmes then it is necessary to determine whether any surplus created from the activity or not. If there is a surplus then it should not be the part of the profit of the business of the company. Since the surplus from the CSR activities is not related to direct business then it does not form the part of the surplus of the business so it should be considered as the liability of the business. Hence it should be the charge to the statement of profit or loss of the company. It is noted that the surplus amount of CSR activities should not consider while calculating 2% of the amount to be spent

Accounting for the Shortage of Funds when the Company Spends Excess for CSR: When the company is not in a position to spend the specified amount for CSR then it has to disclose the reasons for the same. In some cases the company is having a shortage of funds to

spend money for CSR then it is not allowed to make the provisions for the same. But for the contractual liabilities companies are allowed to make the provisions. In some specific cases if the company spent more than the prescribed limit that is 2% of net profit then the excess amount spent is cannot be carried forward to the future years. The guidance note on accounting for CSR initiatives by Indian companies are for maintaining the uniformity and transparency in CSR reporting in India. Uniformity can be achieved in the Indian context only. To achieve harmonization at the international level it is necessary to move forward to adopt international social reporting standards issued by IIRC (International Integrated Reporting Council), GRI (Global Reporting Initiatives) etc., if the companies follow these standards absolutely it will be benefits to both companies and other various stakeholders because it helps to bring uniformity in CSR reporting in global context.

Objectives:

1. To explore CSR activities undertaken by companies in Pune
2. To analyse reporting and accounting of CSR activities by IT companies in Pune.
3. To study perception of stakeholders towards CSR activities done by company

Research Methodology:

The study is based on secondary data. The data is collected from various journals, company's website and annual reports. The study focuses on activities undertaken by four big companies in Pune i.e. Forbes Marshall, Mercedes Benz, Tata Consultancy services and Sterlite Technologies Ltd.

Literature Review

Omwen et al., (2013) analyzed that big companies take initiative at large scale in performing CSR activities in various areas from innovation in agriculture & education to saving the environment. It is concluded that environment, education, community involvement and health care activities practiced as CSR by various companies.

Bhupender & Vikas (2012) studied about transparency of companies in CSR accounting. They found that, companies have become more transparent in accounting and display due to pressures from various stakeholders. In this research paper CSR status, challenges of CSR, policies for CSR in India are studied. The concept of CSR is now firmly rooted in the global business agenda.

Gupta, S. (2011) analysed the involvement of Indian and US corporate organisations in undertaking CSR initiatives as part of the sustainable developmental contribution of their business. By the detailed analysis, it is concluded that both in the US and India there is a positive involvement of countries in undertaking CSR activities.

Sweta Singh (2010) Analyzed the trend of CSR in all its complexity and look forward to the potential impact and major concerns related to it. This paper includes various approaches, combined analysis of central documents and publications on CSR with analysis of articles related to CSR. It throws further insights into the prevalent trends of CSR in various corporate in India.

Gautam and Anju Singh (2010) analyzed the various definitions and descriptions of Corporate Social Responsibility; elaborate upon the development of CSR in India; study the theoretical concept explained by various researchers and study the deployment of current CSR practices in India. This paper examines how India's top 500 companies view and conduct their CSR, identifies key CSR practices and maps these against Global Reporting Initiative Standards

Lev, Petrovits, and Radhakrishnan (2010) show that increases in charitable giving are positively associated with future revenue growth for consumer product companies. However, the inverse is not true—current increases in revenue are not associated with growth in future charitable giving. This indicates that charitable giving is likely to result in future sales growth, as opposed to the idea that firms with successful sales necessarily become generous givers.

Turban and Greening (1997) point out that potential employees perceive companies with strong community ties as being more attractive in terms of employment opportunities.

Wilson and Hicks (2010) report that employees have higher job satisfaction at firms with more firm-sponsored volunteer experiences, as these provided opportunities to develop their leadership skills. The Committee Encouraging Corporate Philanthropy (CECP, 2010) documents that high-tech firms are the largest contributors to higher education because they are the most likely to demand knowledgeable workers.

Werbel and Wortman (2000) observe that firms are more likely to use charitable giving as a mechanism to repair damaged re-putations

Following are the CSR activities undertaken by Pune based companies in Maharashtra

1. Jeewan Jyoti Women Empowerment Programme by Sterlite Technologies Ltd:

This program is undertaken to empower underprivileged women in rural area with equal learning opportunities and professional training courses in areas such as nursing, tailoring, beauty culture and computers among others; but also ensuring their holistic development by making them self-sufficient, feel respected in their families and have a part in the decision making process. The programme is run at Ambavane, Taluka Velhe which is 50 KM away from Pune.

2. Life Skills Programme by Forbes-Marshall

Forbes Marshall has undertaken CSR initiative to provide life skills to teenage girls and improve mother-child wellbeing among women. The CSR program is undertaken in three tiers as follows:

- a) The empowerment of unmarried adolescent girls through life skill education, improve their cognitive and practical skills and increase their self-esteem and self-efficacy.
- b) The second part of the CSR programme is focused on the protection of young married women from adverse consequences of early marriage through increased information and access to sexual and reproductive health (SRH), utilisation of maternity services during pregnancy, and an increase in institutional deliveries and family-planning methods for spacing between children.
- c) The third part focuses on attitudinal change among young men to reduce domestic violence and gender inequality..

3. Biodiversity Project by Mercedes-Benz

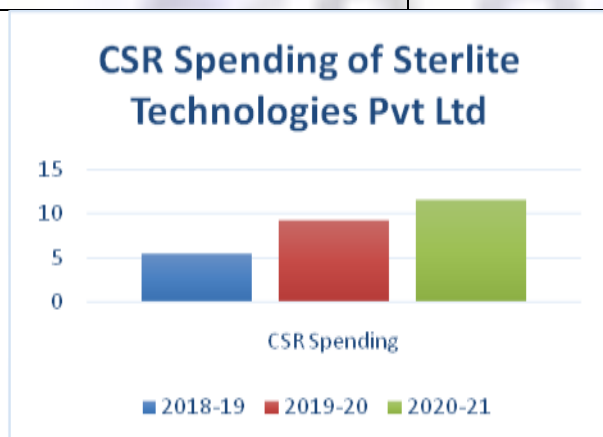
The CSR project by luxury car maker Mercedes-Benz aims to address habitat degradation at the fringes of Bhimashankar Wildlife Sanctuary, which is a part of the Western Ghats of India. Large scale human interventions such as slash and burn farming practice, developmental activities such as roads, flat-land agriculture and illegal tree felling for the commercial purpose have resulted in a loss of tree cover at a substantial level. Due to the loss of tree cover, there has been a large-scale loosening of soil rendering, and the area is prone to landslides and natural disasters.

4. Covid 19 frontline worker support activities by TCS

The CSR program undertaken to support frontline health workers like Ambulance Drivers, Doctors, Nurses, Police men etc. TCS has helped directly and indirectly to deceased families during Covid 19. Not only this, TCS has also actively undertaken other programs in healthcare, cancer awareness, education etc.

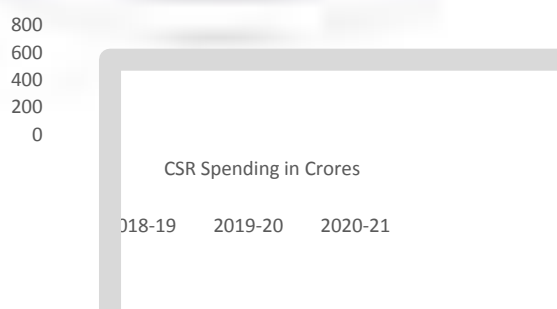
Data Analysis and Interpretation

Year and Spending	2019	2020	2021
Sterlite Technologies	5.48 Cr	9.20 Cr	11.60 Cr
Tata Consultancy Services	434 Cr	602 Cr	674 Cr
Forbes Marshall	52.09 Lakhs	56 Lakhs	18.84 Lakhs
Mercedes Benz	4.71 Cr	2.32 Cr	82.45 Lakhs



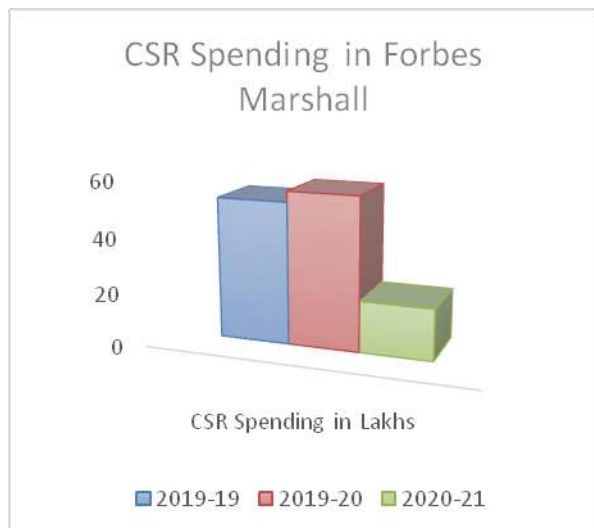
It is observed that, CSR spending of Sterlite Technologies is increasing year by year. The company has won various prizes and awards for undertaking and successfully implementing CSR programs. The company run CSR programs for empowerment of

CSR Spending of TCS

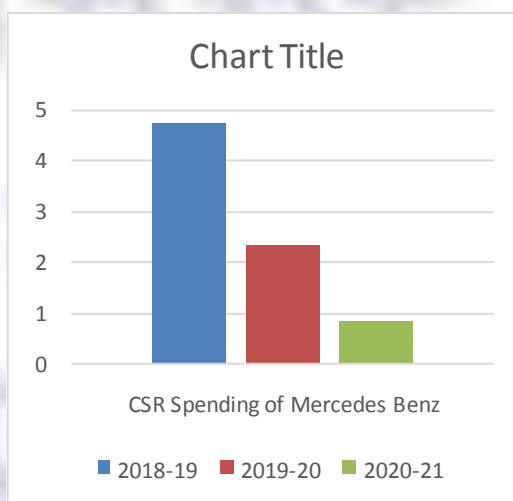


underprivileged rural women.

A study revealed that, CSR spending of TCS has increased substantially from 2019 to 2021. The addition of 240 crores have been seen in the CSR spending during the study.



After conducting study, it is understood that, CSR spending of Forbes Marshall is deviating. There is slight increase in CSR spending in the year 2019-20 whereas, CSR spending has been decreased dramatically in the year 2020-21 the reason may be happening



of CoVID 19 Pandemic It is found that CSR spending of Mercedes Benz is decreasing year by year. Covid 19 Pandemic, decrease in demand of automobiles etc may be the reasons behind it.

Findings and Conclusions

1. It is observed that, Maharashtra is the only state in India, where CSR spending by companies is more than 1000 crores. It is reported as highest CSR spending state in India. The reason behind this recognition is great number of industries incorporated in Maharashtra

2. It is found that, CSR spending of IT companies is increased year by year however, automobile companies could not match with other peers of the industries. It is understood that, due COVID 19 pandemic revenues of automobile companies have reduced drastically and therefore, it resulted in less spending in CSR post 2020.
3. The companies are conducting CSR audit and details of expenditure on CSR activities is regularly informed to stakeholders through Annual Financial Reports every year.
4. Researcher also observed, social image of business is enhanced due to CSR activities conducted by companies and it reflects in revenues of the business organisations.
5. Among all CSR activities, spending on Health care, Women Empowerment, Education and Swacch Bharat (Sanitation) is substantially high.
6. Share of unlisted companies in CSR spending is quite high as compared to listed companies.

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