

# Effect of Corporate Social Responsibility on Public Ltd Company Special NTPC

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**Abstract – Corporate social responsibility (CSR) is a buzzword worldwide. In today's globalized world, one of the great challenges faced by firms is integration of CSR in business. Stakeholders require a lot more from companies than merely pursuing growth and profitability. CSR has come a long way in India and other emerging markets. From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. This paper focuses on the concept of CSR, its dimensions and relevance in emerging markets with special reference to India.**

**The concept of Corporate Social Responsibility (CSR) is not new in India. It emerged from the 'Vedic period' when history was not recorded in India. In that period. Kings had an obligation towards society and merchants displayed their own business responsibility by building places of worship, education, inns and wells. Corporate Social Responsibility has been defined and conceptualized in several ways during the past four centuries following a process of analysis, debate and scholarly confrontation around the theme. The concept 'Corporate Social Responsibility' (CSR) refers to 'soft', voluntary self-regulation adopted by firms to improve aspects of the company, this can relate to labour, environmental and human rights issues.**

**Key Words: CSR, Sustainability, Financial Performance, Public Ltd.**

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## 1. INTRODUCTION

Organizations and businesses have a enormous task in today's complicated and vibrant setting and need to prosper effectively. Of course, if an organization does not have the strategy and strength to respond to the needs or demands of different elements of society as a whole, a success story cannot be developed. The freedoms and concerns of multiple stakeholders are therefore essential for the organizations. Stakeholders shall be described as "any community or person who may influence the accomplishment of organisational goals or who may be influenced by them" (Freeman, 1984). So an organization not only addresses inventors or workers ' concerns and freedoms, it also meets foreigners ' requirements.

There must also be protection of the interests of other external stakeholders such as clients, vendors, regulators, unions, rivals, local groups and overall audience. This applies to the different stakeholder organizations, which rightly trust the company to meet their demands responsibly. Ronald R. Sims (2003) describes this as "Shareholder accounts for suitable profits from their assets," staff want broad job satisfaction, clients want quality products / services for which they charge, providers pursue

reliable purchasers, state requires compliance with legislation, rivals want quality products services. Sims (2003) explains: Local communities want the business to be a responsible citizen and the overall population hopes that the business will live better.

This becomes an enormous obligation which a company must bear and fulfill in attempt to be subject to both consistent and an inclusive development. Thus this notion of the exhaustive accountability of an organization provides birth to the concept and word "CSR." In various situations, CSR has distinct meanings. For some it implies accountable enterprise, for other personal charitable projects, for other enterprise economic opportunities. There have therefore been several methods to define CSR. "CSR as a dedication to enhance the community's well-being through discretionary financial practice and contribution of financial assets," says Kotler and Nancy (2005). CSR was also described as "activities which seem to promote certain social goods, beyond the concerns of the company and what is needed by law." Although some people at first thought that a company's sole obligation was to maximize profit for its investors, it quickly became clear that the economic benefit must be achieved. be within the legal framework of the country of operation of the

company (Moiescu, 2013). In an effort to identify CSR, we may take this notion as the (moral) duty of businesses, both in present times and in future, to safeguard and enhance the status of culture by cultural measures that provide the different stakeholders concerned with a reasonable and sustainable results. The primary aim of an enterprise is to create profit and collect equity is usually recognized. This can only be accomplished through fairness and respect for the law and community to which it belongs. companies companies managers should be aware that only by contributing to sustainable development would have future successful business. There were not always recognized the desire to examine the personal efficiency of a company and many discussions took place. Academicians and country professionals have battled for centuries to attempt to define the notion of social responsibility widely recognized, but so far they have not yet achieved it. Dahlsrud (2008) points out that there is still some uncertainty over how to define CSR, amid countless attempts to establish a straightforward and unbiased concept of CSR. There is no single generally agreed description of the notion after several centuries of CSR studies. (Freeman *et al.*, 2010), many authors characterizing the concept as being broad and complex (Mohr, Webb and Harris, 2001). Matten and Moon (2008) emphasize the fact that there is plenty of cross-national evidence that CSR varies in terms of its underlying meanings, and that despite a vast and growing body of literature on CSR and on related concepts, defining CSR is not easy. According to Angelidis and Ibrahim, (1993), corporate social responsibility is "corporate social actions whose purpose is to satisfy social needs". Lerner and Fryxell(1988) suggest that CSR describes the extent to which organizational outcomes are consistent with societal values and expectations. Four problems are listed in Mintzberg (1983). One is that CSR is rhetoric rather than practice.

### 1.1 Need for Corporate Social Responsibility

Besides the United Nations focusing on Corporate Social Responsibility in recent summits (e.g. the Global Compact, launched in 2000), national leaders also have called for a greater social responsibility to be shouldered by business (Maignan 2001). Researchers have investigated various Corporate Social Responsibility impacts, for example, the link between Corporate Social Responsibility and financial performance (e.g. Pava and Krausz 1996). Marketplace polls (e.g. Dawkins, 2004) reported that, the public expects business to contribute more to society than economic considerations, reflected through their purchase behavior. In spite of this increased attention, the lack of empirical data about consumers' responses to Corporate Social Responsibility has limited the understanding of the Corporate Social Responsibility -consumer relationship.

The Responsible Competitiveness Index (RCI), from the British non-profit organization, AccountAbility, and Brazilian business school, Fundação Dom Cabral, looks at how countries are performing in their efforts to promote responsible business practices. Their 2007 index looks at 108 countries covering over 96% of global GDP, with geographical representation on all five continents.

Corporate Social Responsibility has also become a high profile public issue. According to the findings of an extensive global survey, two-thirds of people would like companies to contribute to social goals beyond shareholder wealth (EnviroNics International 1999).

### 1.2 Benefits of CSR

Businesses have now noticed that CSR is a significant way to differentiate an organisation from its rivals. Certain advantages of CSR are:

#### 1.3 Benefits to the Company:

1. Improved financial performance
2. Lower operating costs
3. Product safety and decreased liability
4. Workforce diversity
5. Access to capital
6. Reduced regulatory oversight
7. More ability to attract and retain employees
8. Greater productivity and quality
9. Increased sales and customer loyalty
10. Enhanced brand image and reputation

#### 1.4 Benefits to the Community and the General Public

1. Corporate involvement in community education, employment and homelessness programmes
2. Product Safety and quality
3. Charitable contributions
4. Employee volunteer programmes

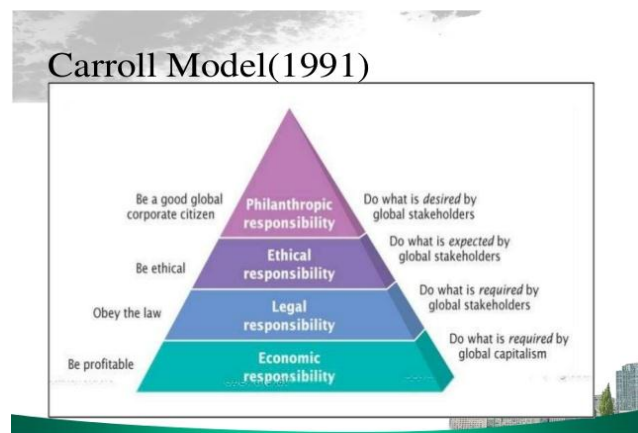
#### 1.5 Environmental Benefits

1. Greater material recyclability

2. Greater use of renewable resources
3. Better product durability and functionality
4. Integration of environmental management tools into business plans.

## 1.6 Models of CSR

### Carroll's Model



**Figure 1.1 - Carroll's Model of CSR**

In 1979 Carroll suggested a CSR pyramid that incorporates four layers of social responsibility that businesses expect to carry out. Carroll also identified four kinds of social commitments, including financial, legal, ethical and charitable, which businesses have to fulfill to achieve viable growth. This was also addressed in the earlier chapter. Carroll's four-level pyramid created the key social responsibility model. Carroll's design was used widely by countless commentators (Aupperle 1984, Aupperle, Carroll and Hatfield 1985, Clarkson 1995) and empirical scientists (Wartick and Cochran 1985, Wood 1991).

Some study scientists have set some constraints on the four part system of Carroll, which says that the matrix design is awkward and inadequate, "one leads to the conclusion that the field at the bottom of the tower, that is charitable,"

## 2. LITERATURE REVIEW

**Sumona Ghosh (2015)** The study aims to explore the establishment of a pattern of participation of corporate social responsibility (CSR) activities amongst private sector companies as reflected in the respective company documents in the public domain, taking absolute profit as the parameter. The study showed that the most preferred CSR activities were education, health and environment. Drinking water and sanitation and urban upliftment were the least preferred activities. Significant correlation was observed with respect to various CSR activities that the companies were responsive to. Companies belonging to the manufacturing sector and the diversified sector have shown the highest

responsiveness towards such activities. Companies have attached the highest importance to the following CSR activities: education, environment, health, rural upliftment and others.

**Shubhashis Gangopadhyay (2014)** The theoretical literature and empirical studies on CSR have systematically shown that CSR plays a significant role as an important part of a company's competitive strategy. Companies can compete by lowering prices without reducing the quality of the product, or by improving the quality without any significant increases in its price. Firms use their social activities as a signal to win over consumers who stay loyal to them and employees who prefer to work for them. However, such signalling works as a competitive strategy only if participation in such activities is voluntary

**Azim et al (2009)** tried an empirical inquiry into the corporate social reporting procedures of Bangladesh registered firms, where corporate social reporting is a voluntary disclosure matter. Analysis of the quarterly accounts released in 2007 disclosed that personal disclosures were produced by only 15.45 percent of listed companies. Analysis of a broad variety of sectors showed that banking Companies maintain the best position in terms of CSR; three-fourths of all disclosures are specific qualitative accounts without any evidence, more than one-half of the disclosures are in the document of the director and the mean number of disclosures is less than third a paragraph.

In 56 of its businesses in Libya, Pratten and Mashat (2009) researched financial personal transparency to determine if the Western capitalist model or its own separate features arising from impacts of the Islamic and socialist setting in which it works were being pursued. The findings proposed that Libya's emphasis on CSR transparency differed from that observed in the south.

**Ahmed, Islam, and Hasan (2012)** Empirically examined corporate social responsibility and profitability linkage in Bangladesh's banking sector, revealing that in all cases of utter comparisons between the Return on Assets (ROA), Earnings per Share (EPS) and the Price / Earnings (P / E) ratio, CSR banks were found to outperform Non-CSR banks. Two-tailed trials, however, discovered no substantial proof to demonstrate that CSR stores outperform non-CSR banks.

**Anees, M. (2012)** The amount of CSR projects of businesses mentioned on NSE Nifty and the partnership CSR projects with profitability, sort of property and form of sector have been studied empirically. The research disclosed that the surveyed firms' CSR projects are autonomous of their profit rate, property form, and sector form. Furthermore, the research found that elevated or

very high levels of CSR projects are almost non-existent in India, whereas the amount of CSR projects of private sector manufacturing companies with profitability below 5000 crores is mild or small.

**Angappan (2014)** A perceptual research was performed to examine the impact of CSR on the economic results of Chennai-based stock broking companies. The research used modeling method for structural equation to evaluate the effect of CSR on staff appeal and preservation, client allegiance, prestige and access to resources, and the influence of these factors on the company's economic results. The research discovered a important effect of CSR on credibility, appeal and maintenance of employees, and a mild effect on customer loyalty and equity availability. The advantages of attracting and retaining CSR employees, client allegiance, credibility and access to assets have a beneficial effect on the stock broking firm's economic results.

**Iqbal et. al., (2012)** Reviewed the 2010 and 2011 connection between corporate economic results, market share price and financial leverage of 156 businesses on the Karachi Stock Exchange (KSE) in the garment, chemical and smoking sectors. Researchers discovered that CSP has no impact on economic results, a adverse impact on the share's market value, and no relation to the company's debt / equity behavior.

### 3. COMPANIES ACT, 2013

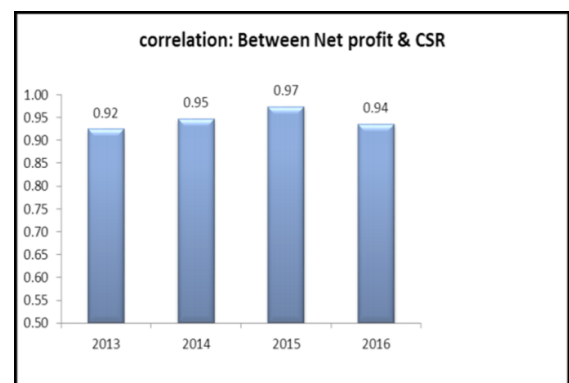
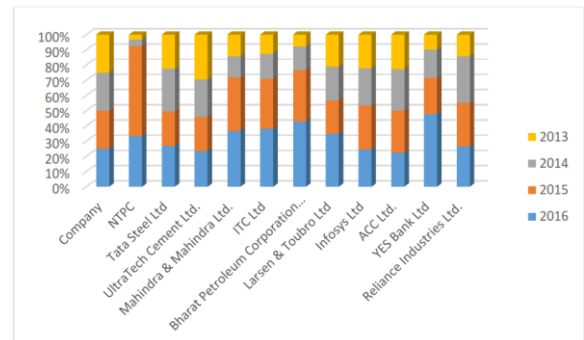
The Companies Act, 2013 aims to match the worldwide best practices with corporate governance and regulatory practices in India. On August 30, 2013, the Companies Act was enacted. The Ministry of Corporate Affairs has notified 326 articles out of 470 parts of the 2013 Companies Act that was passed in August 2013 while the rest 144 parts have yet to be notified.

The Parliament enacted the Companies Act, 2013, obtained the President of India's permission on August 29, 2013. The law consolidates and amends the company law. On 30 August 2013, the Companies Act, 2013 was implemented. Some of the law's regulations were enacted by a notice released on September 12th; 2013 and some have yet to be notified. It is worth mentioning that the 1956 Companies Act regulations are still in effect.

## 4. RESULTS AND DISCUSSION

**Table 4: CSR Expenditure of selected 11 companies (Rs.in crores)**

Company	2016	2015	2014	2013
NTPC	277	491.80	35.48	27.05
Tata Steel Ltd	204	171.46	212	170.76
UltraTech Cement Ltd.	46.27	44.46	48.56	58.39
Mahindra & Mahindra Ltd.	85.9	83.24	32.69	33.52
ITC Ltd	247.5	214.06	106.63	82.34
Bharat Petroleum Corporation Ltd.	95.59	76.01	34.38	17.88
Larsen & Toubro Ltd	120	76.54	76.5	73.16
Infosys Ltd	202	239.54	203.88	182.32
ACC Ltd.	22.27	27.9	27.45	22.76
YES Bank Ltd	31.48	15.64	12.29	6.5
Reliance Industries Ltd.	652	712	761	351



**Graph 1: shows the correlation between net profit & CSR.**

### 4.2 Areas of CSR Activities

- Education & skill development
- Swachh Vidhyalya Abhiyaan
- Health care & Sanitation
- Rural Development
- Protection of National Culture and Heritage
- Capacity Building
- Women Empowerment
- Roads & Infrastructure strengthening



- Providing Drinking Water
- Art & Culture and Sports
- Biodiversity, Tree Plantation
- Waste management
- Environmental Studies
- Promotion of Renewable Energy
- Water management

Preference for CSR & Sustainability activities is given to local areas around Company's operations, ensuring that majority CSR funds are spent for activities in local areas. However, considering Inclusive Growth & Environment Sustainability and to supplement Government effort, activities are taken up anywhere in the country. During the year, more than 400 villages and more than 360 schools have been benefited by NTPC's various CSR initiatives at different locations.

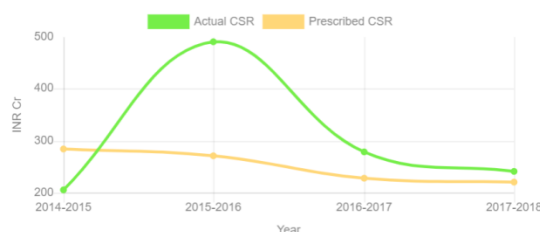
NTPC's CSR initiatives have touched the lives of around 10 lakhs people in one or the other way, residing at remote locations. During the year, special thrust has been given to the "Clean Water and Sanitation". With an objective to provide adequate and equitable drinking water & sanitation and hygiene to the people around NTPC operations and to end open defecation through construction of individual, cluster and community toilets enabling a Clean, safe, healthy, livable and sustainable city.

During the Year, another major initiative of NTPC are Provision for income generation opportunities through vocational training, skill up gradation and income generation programs. NTPC has adopted 18 ITI's and is setting up 8 new ITI's. NTPC has signed MoU with NSDC for skill development of 30000 youth over a period of 5 years spread in 12 states. It is providing vocational training to the village youth and had taken livestock developments and crop management. Projects to enhance income generation of the village community.

NTPC, being a member of Global Compact Network, India, confirms its involvement in various CSR activities in line with 10 Global Compact principles and shares its experience with the representatives of the world through Communication on Progress (COP). It submits COP to United Nations Global Compact on regular basis.

*(Report based on Annual Report, 2016-17, NTPC Limited)*

Year	2017-2018	2016-2017	2015-2016
Actual CSR	241.54 Cr	277.81 Cr	491.80 Cr
Prescribed CSR	220.75 Cr	227.85 Cr	271.35 Cr



Interpretation There is a strong positive correlation exist between the total asset and CSR in 2013 & 2014 as shown in graph 2. But in 2015 and 2016 the correlation is moderate week between the Total assets and CSR (graph. 2) due to the political and economic condition prevailed in the economy. Karl Pearson Correlations t-test The table 5 shows the positive correlation between CSR & net income of the companies and CSR & total assets of four year data of 10 selected Indian companies.

One-way anova: To test above hypotheses, one-way ANOVA is used to compare the effect of CSR on financial performance.

years	Net profit & CSR			Total Assets & CSR		
	r	t-test	p-value	r	t-test	p-value
2013	0.92	6.84	0.000	0.80	3.71	0.005
2014	0.95	8.36	0.000	0.90	5.86	0.000
2015	0.97	12.12	0.000	0.87	5.00	0.001
2016	0.94	7.49	0.000	0.86	4.84	0.001

## 5. CONCLUSION

The first responsibility to society is to operate at a profit, and only slightly less important is the necessity for growth. The business is the wealth-creating and wealth-producing organ of the society. Management must maintain its wealth-producing resource intact by making adequate profits to offset the risk of economic activity. And it must beside increase the wealth-producing capacity of these resources and with them the wealth of society.

Ethics play an importance role in social responsibility. The business organizations must have ethical responsibility as they are doing business, including production, management, and services and so on. Without ethics, it would be danger to the human. Ethics is simply the rules that say what is right and wrong, as defined by a particular reference group or individual.

The social responsibility is very importance to both society and business organizations. Although there

are some arguments for and against social responsibility, even more of the organizations would take action on social responsibility. Many of the advantages being social responsibility was created, some of that was already discuss on previous pages. Believed that, the best interest of business organizations is social responsibilities, that would be benefit in the long run of company, can be earn more profit, and benefit to the human and the environment.

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