

CSR MANDATORY PROVISIONS - A STUDY OF PERCEPTIONS OF SUGAR UNITS IN BELAGAVI DISTRICT

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1. **Abstract:** CSR provisions under new Companies Act are mandatory in nature¹. Under section 135 of the Companies Act 2013 a variety of the compliances are necessary². The present paper deals with four such mandatory aspects and makes an attempt to ascertain sugar industry opinion about those mandatory aspects. The paper concludes that respondent sugar units in the study area are in disagreement with mandatory aspects viz 2% profit as CSR expenditure, Schedule VII activities, penalty for non-reporting of CSR activities and disclosure of CSR activities in company's website.

2. **Introduction:** CSR refers the way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate³. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues⁴.

In the present day business scenario, the concept of Corporate Social Responsibility (CSR) has become an inevitable priority for business leaders' agenda across the world⁵. Business organizations embedded the CSR practices in different means such as Corporate Citizenship, Social Responsibility, Business Social Responsibility, Social Responsible Investment and the like⁶. It has become an inevitable pressure on firms in India as CSR practices have obtained legal sanctity through clause 134 and 135 of the Companies Act, 2013⁷. In this juncture, it is inevitable to address the realistic role of Companies Act, 2013 with respect to the CSR practices of firms in India⁸. The researchers have made an attempt to ascertain sugar industry opinion about those mandatory aspects.

3. **Objectives:** The main objectives of the study are;

- i) To ascertain the opinion of respondent sugar units about their agreement towards mandatory expenditure of 2% of profit for CSR purposes.
- ii) To ascertain the opinion of respondent sugar units about their agreement towards Schedule VII activities of Companies Act 2013
- iii) To ascertain the agreement of respondent sugar units towards penalty for non-reporting of CSR activities of the company.
- iv) To ascertain disclosure of CSR activities by the respondent sugar units in their company's website.
- v) To arrive at the conclusion

4. **Methodology:** The paper is based on the primary information gathered from 20 sample sugar units operating in Belagavi District. The sample units exclude co-operative units as CSR provisions are not applicable to co-operative units. The information gathered is arranged in the form of tables and graphs.

5. **The Study:** The researchers have collected the primary information from 20 sample sugar units operating in Belagavi District of Karnataka. The information pertains to mandatory conditions laid out under the Companies Act 2013 in relation to CSR activities. The information gathered towards the mandatory nature of these aspects are presented in the study and the same is analysed.

Respondents opinion about threshold 2% of profit to be spent for CSR purpose:

As per section 135 of the Companies Act, every company should incur the CSR expenditure of at least 2% of last three-years’ average profit when companies come under the provisions of section 135. The respondents were asked to express their view on a five point Likert Scale (ranging from ‘Strongly Agreed, Agreed, Neutral, Disagreed and Strongly Disagreed’) with regard to the specific mandatory issue on spending at least 2% of last three years ’average profit for CSR. Their opinion is presented in Table No.1.

Table No.1
Respondents Opinion about 2% of Profit

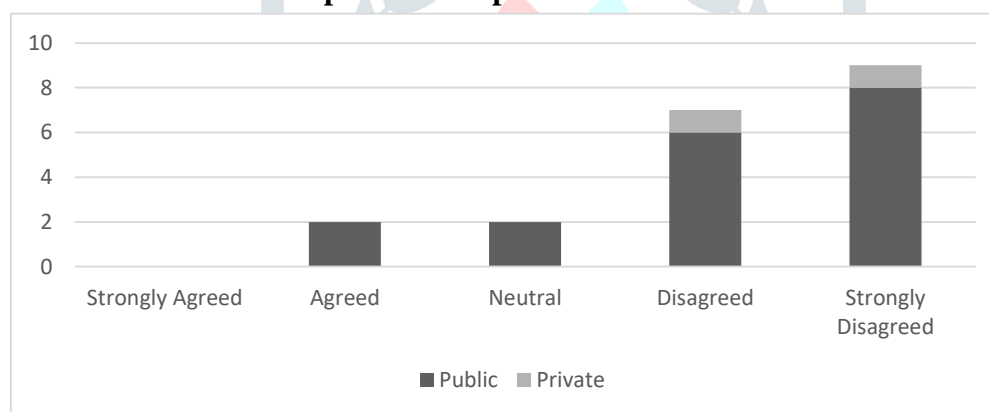
Type of Sugar Unit	Response					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Public	00 (0)	02 (10)	02 (10)	06 (30)	08 (40)	18 (90)
Private	00 (0)	00 (0)	00 (0)	01 (5)	01 (5)	02 (10)
Total	00 (0)	02 (10)	02 (10)	07 (35)	09 (45)	20 (100)

Sources: Field Survey.

*Note: Figures in parenthesis are percentage to the total.

The Table-No.1 shows that majority of the respondents are ‘Strongly Disagree’ (45%) and are ‘Disagree’35% about the mandatory 2% of profit to be spent for CSR activities. No respondent belongs to ‘Strongly Agree’ category

Respondents’ Opinion about 2% of Profit



Sources: Based on Table No.-1.

Respondents ‘Opinion about Schedule VII Activities:

Companies Act.2013 mandated all the companies to undertake CSR activities as per Schedule VII. The question was asked to the respondents whether sugar units accepted Scheduled VII activities or not. Opinion of sample sugar units is illustrated in Table No.2;

Table No.2
respondents ‘Opinion About Schedule VII Activities

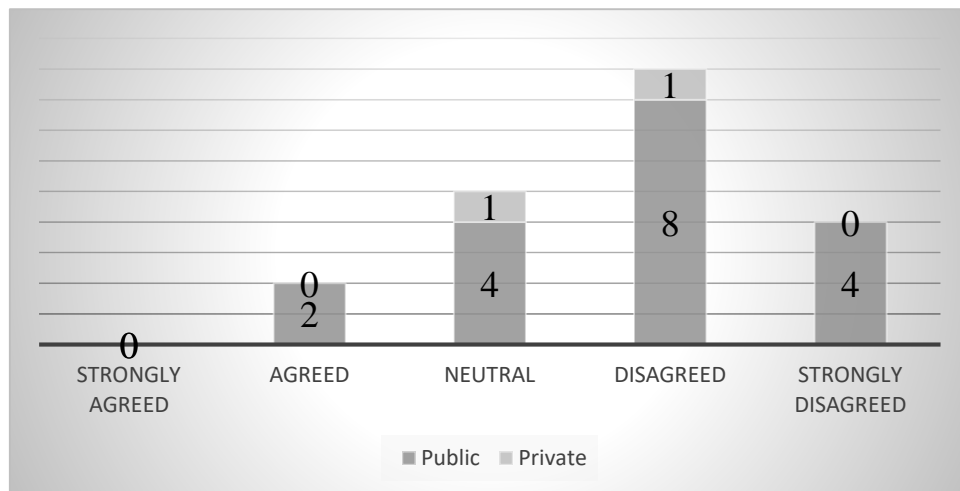
Type of Sugar Unit	Response					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Public	0 (0)	2 (10)	4 (20)	8 (40)	4 (20)	18 (90)
Private	0 (0)	0 (0)	1 (5)	1 (5)	0 (0)	02 (10)
Total	0 (0)	2 (10)	5 (25)	9 (45)	4 (20)	20 (100)

Sources: Field Survey.

***Note:** Figures in parenthesis are percentage to the total.

The Table No.2 exhibits that majority (65%) of the respondents’ sugar units have not accepted the Schedule VII activities listed under the Companies Act 2013

Acceptance of Schedule VII Activities



Sources: Based on Table No.2

Respondents’ Opinion about Non reporting of CSR Activities:

As per the new companies Act, there is a provision that the companies have to pay the penalty for non-reporting of CSR activities. The respondents were asked to express their opinion about penalty for non-reporting of CSR activities. Opinion of sample sugar units is illustrated in Table No.3;

Table No.3

Respondents’ Opinion About Non reporting of CSR

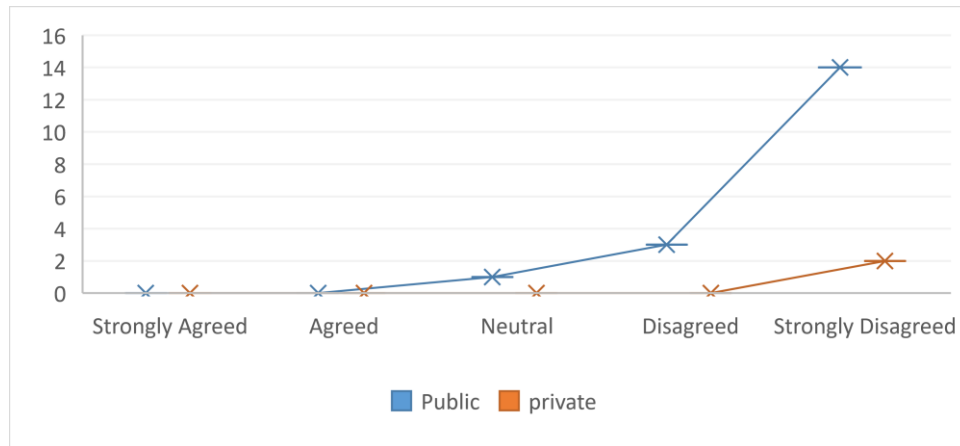
Type of Sugar Unit	Response					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Public	00 (0)	0 (0)	01 (5)	03 (15)	14 (70)	18 (90)
Private	00 (0)	00 (0)	00 (0)	0 (0)	02 (10)	02 (10)
Total	00 (0)	0 (0)	01 (5)	03 (15)	16 (80)	20 (100)

Sources: Field Survey.

***Note:** Figures in parenthesis are percentage to the total.

The table reveals that, 80 per cent of the participants ‘Strongly Disagreed’ and 15 percent of the participants ‘Disagreed’ about opinion of penalty on non-reporting of CSR activities. While, 5 percent of the participants were ‘Neutral’. It is to noted that not a single respondent agreed to the panel provision for non-reporting of CSR activities.

Respondents' Opinion About Non reporting of CSR



Sources: Based on above Table No.3

Respondents' Opinion About Disclosing CSR Activities in Website:

As per the Companies Act 2013, every company should disclose its undertaken CSR activities in its website as per CSR Rules 2014. By taking this view, the question was asked to the respondents whether undertaken CSR activities were disclosed in their corporate website. The respondent's opinion is given as follows;

Table No.4
Disclosing CSR Activities in Website

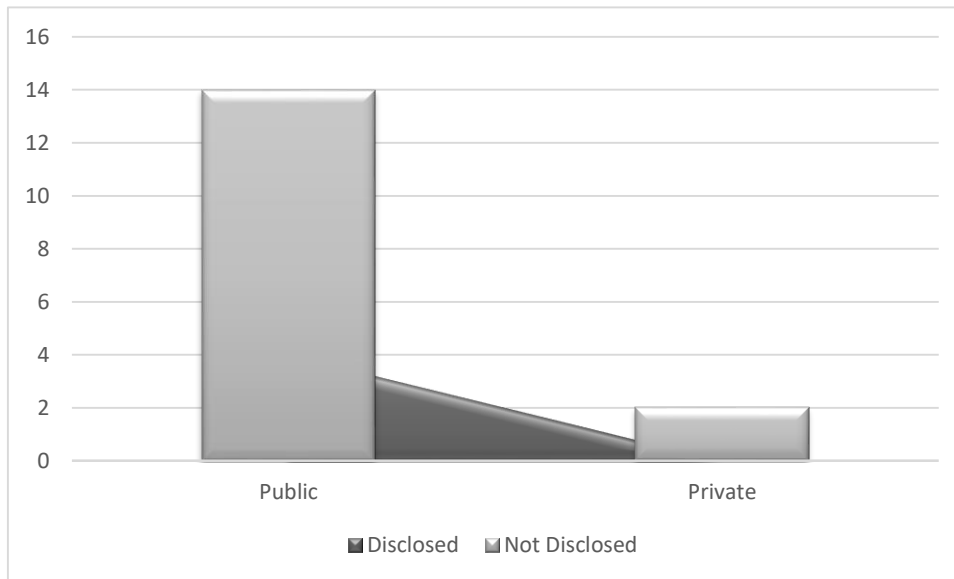
Type of Unit	Respondent's Opinion		Total
	Disclosed	Not Disclosed	
Public	4 (20)	14 (70)	18 (90)
Private	0 (0)	2 (10)	2 (10)
Total	4 (20)	16 (80)	20 (100)

Source: Field Study

Note: Figures in parenthesis are percentage to the total.

The Table No.4 shows that majority of the respondents (80%) have 'Not Disclosed' CSR activities. Only 20% of respondents compiled the provisions. It is meant that the most of the sample sugar units in Belagavi District did not follow the Companies Act Provision of 135 dealing with disclosing CSR activities in corporate website.

Disclosing CSR Activities in Website



Sources: Based on Table No.4

6. Conclusion: The study reveals that majority of sample sugar units are in disagreement with the mandatory CSR provisions cited in the study while the disagreement towards spending 2% of profit for CSR purpose is 80%, in case of schedule VII activities it is 65%, in case of penalty for non-reporting CSR activities it is 95%. And in relation to disclosure of CSR activities in company's website it is 80%. Based on these findings, it can be concluded that sugar units in Belagavi District are not happy with the mandatory aspects covered under section 135 of the Companies Act 2013 dealing with CSR activities.

7. References:

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