ABSTRACT

INTRODUCTION:

The corporate social responsibility (CSR) movement began as a response to advocacy for corporations to play a role in ameliorating social problems due to their economic power and overarching presence in daily life. Now, the movement is transitioning from its reliance on purely voluntary activity to the greater use of laws. India has gone one step further than other countries. India’s new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc. from the society. By performing the task of CSR activities, the companies are giving something back to the society. Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Policy) Rules, 2014Social Responsibility (CRS Rules) which has come into effect from 1 April 2014. In order to streamline the philanthropic activities and ensure more accountability and transparency, the government of India made it mandatory for companies to undertake CSR activities under the Companies Act, 2013. The concept of CSR is defined in clause 135 of the Act, and it is applicable to companies which have an annual turnover of ₹1,000 crore or more, or a net worth of ₹500 crore or more, or a net profit of ₹5 crore or more. In order to assess the effectiveness of this unique experiment in mandating CSR spending and disclosure, the researcher has tried to study the problem and challenges which the companies are facing, who comes in the range of Govt. regulations in respect of CSR, have to face due to this new law and what impact has been noticed after such amendment.

SIGNIFICANCE OF THE STUDY

CSR plays an important role in overall growth and development of economy. In the present study the CSR activities performed by various companies on sector wise is to be discussed in an elaborated manner. All the sectors, in the economy, did not perform well in all the periods. Therefore, evaluating the performance of selected sectors, under different companies, will be
discussed in this study. Through the study, the selected companies may increase their way of spending of CSR amount by better utilization of resources to maximize benefits to the society. The impact of CSR spending in different sectors/areas will be analyzed to further improvement and effective utilization of CSR funds. Through this study, the companies may allocate utilize and measure the impact of CSR spending in an effective way. Therefore, this study has been undertaken to identify the role of CSR and its vibration in different aspect of the society.

OBJECTIVES OF THE STUDY:

1- To study the employees’ perception on new CSR amendment in the Companies Act, 2013.
2- To study the problems and challenges faced by the companies in implementing new law of CSR.
3- To study impact of CSR on for different aspects:
   3.1- Impact of CSR on Social Aspect
   3.2- Impact of CSR on Economic Aspect
   3.3- Impact of CSR on Environment Aspect
   3.4- Impact of CSR on Company Aspect
4- To analyze the impact of CSR on the financial performance of the companies in both the sectors

RESEARCH METHODOLOGY

The study focuses on the employees’ perception on the New Company Law of CSR. For this purpose, the study is confined to two different sectors i.e. Manufacturing Sector and Service Sector. Further, the study focuses on measuring the impact of CSR on various grounds. The study is confined to see the impact and implementation of CSR only after the new provision in the Companies Act, 2013. The period of the study is from year 2016 to year 2018. The scheme of chapter is; Introduction, Review of Literature and Research Methodology, Legal Regulatory Framework of CSR, Data Analysis and Interpretation and Findings, Conclusion and Suggestions. The study consists of both Primary and Secondary Data. The primary data has been collected from employees of the companies using structured questionnaire through survey method and the secondary data has been collected from companies annual reports, government reports, research papers, websites as well as journals. The employees have been selected on the basis of Convenience Sampling technique. The total sample consists of 300
comprising 150 from the employees working in manufacturing sector and 150 from service sector. The statistical used for the fulfilling the objectives has been mentioned in the table below.

**Table 1: Objective wise Analysis Techniques used**

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<tr>
<th>S.No.</th>
<th>Objectives</th>
<th>Analysis Techniques Used</th>
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<td>1-</td>
<td>To analyze Demographic comparison between two sectors</td>
<td>Chi-Square Analysis</td>
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<td>2-</td>
<td>To study the employees’ perception on New CSR amendment in the Companies Act, 2013.</td>
<td>Independent Sample T-Test</td>
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<td>3-</td>
<td>To study the problems and challenges faced by the companies in implementing new law of CSR.</td>
<td>Descriptive Statistics</td>
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<td>4-</td>
<td>To study impact of CSR on different aspects viz; social, economic, environment.</td>
<td>Exploratory Factor Analysis and Confirmatory Factor Analysis</td>
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<tr>
<td>5-</td>
<td>To study the impact of CSR initiatives taken by the companies on their financial performance</td>
<td>Linear Regression Analysis</td>
</tr>
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</table>

**HYPOTHESES:**

\( H_0 \): There is no significant difference in the perception of employees between manufacturing sector and service sector on Corporate Social Responsibility

\( H_0 \): There is no significant difference in the perception of employees working between Manufacturing sector and service sector on new CSR amendments of in New Companies Act, 2013

\( H_0 \): There is no difference in the perception of employees between Manufacturing sector and service sector on the problems and challenges faced by their respective companies in the implementation of new guidelines made by Government of India in the New Companies Act, 2013,

\( H_0 \): There is no impact of CSR on various disciplines (areas) under the study

\( H_0 \): There is no significant impact of CSR on the financial performance of the companies between manufacturing sector and service sector.
MAJOR FINDINGS:

1- In case of awareness of corporate social responsibility is concerned, it is found that the employees working in different sectors in India have basic awareness of CSR as only one variable out of five has found the p-value below 0.05 rest all the variables have its p-values above 0.05 which shows that the null hypothesis is accepted and the it is inferred that there is no significant difference in the perception of employees on the awareness of the term “corporate social responsibility” working in both the sectors.

2- The awareness of employees about the CSR initiatives taken by the companies in which they are working, it is found that all the variables were above 0.05 (level of significance) so, the null hypotheses were accepted and it is concluded that there is no significant difference in the perception of employees working in different two sectors regarding the awareness of CSR initiatives.

3- To find the awareness of employees about the new amendment under clause 135 of the New Companies Act, 2013 made by Ministry of Corporate Affairs, GOI, it has been found that five out of eight variables have shown the values above 5% level of significance as their p-values are above 0.05. By this it can be concluded that there is no significant difference in the perception of employees of both the sectors.

4- While studying problems and challenges of the companies in implementing new CSR guidelines, it is found that 55% of the employees working in manufacturing sector and same percentage of employees working in service sector have agreed that they have been facing structural challenges, whereas there are approximately 63% employees working in manufacturing sector and 51.13% employees working in service sector agreed that their companies are facing strategic challenges.

5- In case of external challenges, it is found that almost 60% employees working in manufacturing sector and the same percentage of employees working in service sector have agreed that they have been facing challenges related to society while implementing CSR policy, whereas, 53.87% employees working in manufacturing sector disagreed that they are not facing any kind of legal challenges in implementation of CSR policy and 50% employees working in services sector
disagreed that their company is facing any kind of economic challenges while implementation of CSR policy.

6- The study has identified four major factors of impact of CSR i.e. social impact, economic impact, environmental impact and company impact which are prevalent due to CSR initiatives taken by the companies in India. Out of these four factors social impact has evolved as the most important factor as its total variance explained is 24.897 per cent, which highlights that there is great impact of CSR activities performed by the companies on the society.

7- The Cronbach’s Alpha values for different statement in different factors has been checked for reliability measurement and it has been found that all the four factors has composite reliability greater than 0.07 for all the latent variables.

8- By applying the linear regression analysis it was found that CSR has impact mainly on the Profit after Tax of any company whether it belongs to manufacturing sector or service sector. This has been proved by observing the p-value of PAT both in manufacturing sector and service sector as it is 0.02 and .000 respectively which is significant.

9- In financial performance out of seven variables only two have shown their p-values below 0.05 (level of significance) rest five have been observed insignificant in both manufacturing sector and service sector in relation to analyzing the impact of CSR on the financial performance of the company, and it is concluded that there is no direct impact of CSR on the financial performance of any company.

CONCLUSION AND SUGGESTIONS:

The past many decades have seen an intensifying stress on corporations to be involved in CSR. Most of the corporations opine CSR as a cost burden, while few have managed to use CSR in a strategic way to acquire public support for their existence in the national and global markets. Whatever the case may be, CSR helps corporations to prolong their competitive advantage by means of social contributions. CSR has come to be an integral element of planning to acquire and maintain the competitive advantage while competing with the international companies. Traditionally, this has been the responsibility of the government, but
since public delivery of goods and services has been riddled with corruption and bureaucratic inefficiency and the welfare schemes are plugged with leakages, CSR is being seen as an alternative to governmental provision of merit goods. CSR will increase availability of funds for welfare activities and may lead to delivery of goods and services to the people in a cost-effective manner. The clause on environmental sustainability will help in bringing down pollution and emission of greenhouse gases and will help in compliance with international norms and regulations. Therefore, the clause on CSR is a step towards achieving social and environmental sustainability, which will benefit society in future. On the international front, CSR has been accepted as an important concept for image building and for the successful conduction of the business. But in India, it has to be taken up on a more serious note than a mere tax benefiting activity. The amount projected to be spent on CSR activities should be fixed by government. Social and environmental development programs must be taken up by various companies as a part of this activity.

Companies can take up various issues happening in the society and work on that under CSR. Ideally, the companies should not and cannot work on CSR activities alone, if cooperation and contribution from employees is absent. Stakeholders should be encouraged to contribute in the promotion of CSR activities. Conferences, seminars, workshops and training sessions should be conducted by various companies in order to spread knowledge and awareness in this sector. It is also important to review the existing policies which are being laid by various companies and implementation must also be put in that way so that the desired result could be achieved.

Development of new civil society organizations with a social purpose is called for. Such organizations will be dependent primarily on corporate rather than donor money, and be focused on particular issues, such as sanitation, clean water, child and maternal health and so on. Law makers have a responsibility to create the enabling conditions for such organizations to form and thrive, which draws us to our last point. The CSR clause in the Indian Companies Bill is unique, and the first for a big economy. Critics might see it as a 2 percent tax, but that will be the case only if we miss this golden opportunity to set a new model for how businesses can make a real contribution to society's critical problems.