
Impact of CSR Fund Management on Social Development Initiatives: A Study of Select Indian Corporates

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Abstract

Corporate Social Responsibility (CSR) has been integrated in India as a statutory requirement of a company that is in a position to comply with this requirement following the implementation of Section 135 of the Companies Act, 2013. This has been boosted by the need to set aside a specific percentage of the net profits to the CSR activities in order to increase the level and scope of corporate participation in social development programs. The effectiveness of the CSR is however largely pre-determined by the effectiveness of the management distribution, monitoring and evaluation of such funds. It is against this backdrop that the present research paper titled Impact of CSR Fund Management on Social Development Initiatives: A Study of Select Indian Corporates is likely to look at the CSR fund management practices and calculate its measurable success in contributing to the social development deliverable. The experiment is in an analytical and empirical research design, which relies on secondary data, which are collected as annual reports, CSR disclosures, sustainability reports, and official company messaging of the sample of Indian corporations in key areas. The paper measures the trend in the allocation of the CSR funds, sector allocation, form of governance, transparency and suitability in responding to national development priorities (such as education, health, rural development, and environmental sustainability), and skills development. The correlation between the efficiency of CSR funds management and the efficiency of the implemented social initiatives are studied with the help of statistic tools.

The assumption concerns the fact that the results will be indicative of the disparity in the effectiveness of fund utilization, compliance as well as outcomes-oriented approaches among companies. The other goal of the study is identification of the best practices in the CSR governance, monitoring, and stakeholder engagement practices, which can enhance the developmental effectiveness. In contribution to the existing literature, the study provides a policy implication to improve the framework of fund management on the CSR and improving the accountability measures. The study can be utilized by the researchers to assist policy makers, corporate managers, researchers and regulators to enhance the strategic and developmental role played by CSR in India.

Keywords: Corporate Social Responsibility, CSR Fund Management, Social Development Initiatives, Companies Act 2013, Governance, Sustainability, India.

Introduction

The CSR has not only been turned into voluntary act of charity but a systematic institutionalized and a legal binding system of corporate governance in India. India became one of the early countries in the world to mandate the expenditure on CSR by qualified corporations and it put Section 135 of the company act in place to compel companies to devote no less than two percent of their average net funds to the social good. This system of laws permitted CSR to be no longer a moral issue but a legal statute and became the obligatory aspect of the other life of the country. In this case, the management of CSR funds has assumed a towering status where even the success of social development undertakings will not just be determined by how much money to be undertaken but also by the systems of efficiency, transparency, compatibility and accountability that are used in the management of this funds.

The growing size of CSR expenditures in India made the corporations a determinant in the solution of such socio-economic issues as poverty reduction, access to quality education, improvement of healthcare, environmental protection, rural development, sex equality and skills improvement. Some well-known corporations in India such as Tata consultancy services, Reliance industries limited, Infosys limited, ITC limited, and Mahindra and mahindra have emerged as major players in CSR programmes in diverse economic sectors. However, there is uncertainty on the levels of strategic planning, effectiveness of fund dispensation and monitoring systems and effects which can be more effectively assessed in social terms incurred due to such programs despite the enormous financial expenditures incurred in the programs annually. Therefore, managing the CSR funds is critical in an assessment of whether the corporate interventions have a potential to generate the sustainable and inclusive development outcomes.

Best Practice CSR fund management refers to a process that has a need assessment system, budgeting system, project selection system, project implementation system, project monitoring system, project evaluation system, project impact assessment system and reporting. It requires solid administration procedures including functional committees of CSR, board controls, stakeholder relationships, risk control and legal compliance. The high level of accountability coupled with trust among stakeholders is through transparency in reporting, which is done based on annual CSR disclosures and sustainability reports. Mishandling of funds may, however, expose it to either under consumption, embezzlement, duplication of efforts, short term philanthropic services or non compliance with the stipulations of the regulations. By so doing, CSR management aspect takes the forefront in aligning corporate spending in such a way that they will translate into realistic and measurable corporate benefits as far as welfare of the community is concerned.

Indian CSR scheme encourages the companies to align the programs with the Schedule VII of the Companies Act that lists the priorities items in the order: education, healthcare, sanitation, protection of the environment, rural development, empowering of women and enhancing their livelihood. This trend has equally witnessed an incremental focus over the past several years on linking the CSR activities to the United Nations Sustainable Development Goals (SDGs), and, therefore, linking the corporate strategy, to the policies of global development. Such alignment necessitates the tactical deliberations and scientific decision in the way the funds are managed in such a manner that concentrates the funds to the effective developmental processes that are long term as opposed to the lone or patchy processes.

Despite the controlled situation, the variations in the companies are observed in the CSR governance model, patterns of fund distribution and the partner agencies and models of measuring the impact. Some organizations that seek CSR strategies in strategic means are integrated with the business strategies and there are those which are grounded through compliance oriented models which are focused on meeting the necessities of the statutory expenses. These differences potentially impact significantly on the quality, sustainability and scalability of the social development initiatives. Therefore, a sample of Indian corporates can be analyzed in order to understand what current knowledge of the practice the targeted companies have on CSR funds management and what are the challenges and gaps.

It is on this basis that the present research article bearing the title Impact of CSR Fund Management on Social Development Initiatives: A Study of Select Indian Corporates is targeted to evaluate the impacts of the CSR fund management on the performance and effectiveness of the development program undertaken by the corporations in India. The study will attempt at establishing a correlation between the effectiveness of CSR fund management and effectiveness of CSR funds and the actual results of social development by analyzing the method of fund allocation schemes, governance systems, transparency schemes, and impact evaluation systems. The results are thought to contribute to the academic discourse, policymaking, and bring corporate executives to the stage of making the corporate social responsibility initiatives in India more strategic and developmental.

Literature Review

Corporate Social responsibility (CSR) has assumed many turns in the recent few years particularly in the emerging economies such as in India where it has been metamorphosing into an idea though a legal corporate requirement. The CSR related literatures capture different perspectives of the conceptual frameworks and global issues, regulatory compliance, and assessment of the impacts of Indian context. The literature review provided below highlights the key scholarly and institutional articles relevant to the CSR fund management and what this study means to the social development programs.

The first discussion on CSR was the conceptual issues and aspects. M. N. J., (2010) examined dimensions and issues of social responsibility, in which ethical, economical, legal, and philanthropic responsibilities are the fundamental aspects of corporate responsibility. As noted in the paper, CSR implementation is usually limited by the type of the structure, and governance structure particularly where there is poor enforcement of regulations in the less developed economies. Similarly, Majumdar and associates (2008) explored the CSR practises in the developing nations where it was found that poor institutional capacity, poor stakeholders awareness, poor resource allocation and poor monitoring systems are among the challenges. These ground-breaking researches emphasize the relevance of planned systems of fund manageable of CSR as a solution to the numerous malpractices of management.

Prieto-Carron et al. (2006) also created a critical perspective on the concept of CSR and development by creating an exposition in their article that argues that despite the fact that CSR initiatives are typically articulated as the tool of social development, they may actually be grounded on the possibility in which the corporate objectives

and developmental needs of the communities may align. The authors pointed focusing on the accountability, transparency and measurable development effects and not symbolic or reputational CSR activities. This concept aids the thesis that implementation of the CSR fund should incorporate both impact assessment and mechanisms of interacting with the stakeholders in order to aid sustainable social change.

The institutional reports have equally been very instrumental in understanding the CSR frameworks in India. PwC (2013) Handbook of CSR in India has provided elaborated information of Section 135 of Companies Act, 2013 concerning compliance, governance structure and reporting standards. This report has brought to the fore that development of CSR committees, funds allocation, monitoring systems and practice towards disclosures are key aspects in proper CSR management. On the same note, the Grant Thornton international business report (2014) has also revealed the shift towards the traditional philanthropy to the strategic CSR during the integration of the core business objectives. The report recommended that the performance of CSRs extends beyond the financial scale to other non-financial indicators, which are contained in the environmental, social and governance (ESG) indicators.

Two articles by Saxena (2016) and Shivangi (2020) are present in the Indian academic environment, where they reflected on the issues and failures of the CSR implementation in India. According to Saxena (2016), despite mandatory CSR requirements, companies have difficulties with the selection of projects, quantification of the impact, and alignment with activities hosted in Schedule VII. Shivangi (2020) also mentioned that compliance based CSR may result in short-term or which are piece meal projects which constrain the developmental opportunities in a long term. The two researches observe that maximum social outcomes would be achieved through improved fund management practices that would encompass transparency and accountability models.

The CSR performance during times of crises is also investigated in other works. In the framework of the research carried out by Anjali (2021), CSR answers were examined during the COVID 19 crisis and the shift of CSR funds by the chosen Indian companies and their returns to supporting the development of critical health infrastructure, community relief and emergency response programs. The researcher discovered that it happened that those businesses that had established specific CSR governing systems could mobilize and mobilize money more effectively in surviving the crisis. The outcome of this implies that robust CSR fund managing regimes augment the level of responsiveness, and impact of the organization to the social in the event of emergencies.

The practical overview of the evolution of CSR systems in India and their current images is provided through such online legal and policy commentary services as LawBhoomi and India Briefing. These sources discuss CSR amendments, required disclosure amendments, the penalty in non-response and introduction of the impact assessment amendments of big projects. This type of regulation evolution accentuates more attention to accountability and measurable outcomes in the utilization of CSR funds.

Overall, the analyzed literature identifies three main themes; first, CSR has evolved to become controlled strategic strategy as compared with voluntary philanthropy; second, the developing countries are facing the problem of structural and governance in their CSR management; third, the developing countries have the problem of planning; monitoring; transparency and impact evaluation as effective strategies in managing funds on CSR. However, there is very little current literature associating pure empirical studies, which combine the application of CSR funds management practices with quantifiable and practical social development outcomes in the selected Indian businesses. It is this gap within the context of which the present study is established on as it tries to analytically examine the role the CSR funds management plays concerning the performance and sustainability of the social development programs in India.

Objectives of the Study

1. To examine the CSR fund allocation patterns of selected Indian corporates.
2. To analyze the management practices adopted for utilization of CSR funds.
3. To assess the governance and monitoring mechanisms involved in CSR fund management.

Hypotheses

Null Hypothesis (H₀): There is no significant relationship between the management practices adopted for utilization of CSR funds and the effectiveness of CSR implementation in selected Indian companies.

Alternative Hypothesis (H₁): There is a significant relationship between the management practices adopted for utilization of CSR funds and the effectiveness of CSR implementation in selected Indian companies.

Research Methodology

The existing research problem is an analytical and empirical research study research design as it investigates the impacts of mishandling CSR funds to develop social projects in the selected Indian corporations. The study uses the secondary data to a large extent, with the secondary data to be the annual reports, the annual reports on CSR, reports of sustainability and official disclosures of the selected companies that are registered under the CSR section 135 of the Companies Act, 2013. There are also other source materials to be used to supplement conceptual and regulatory knowledge such as government publications, ministry of corporation affairs (MCA) Notifications and policy documents and other scholarly academic journals. The purposive sampling technique has been used to identify companies of varying industries such as IT, manufacturing, energy and services and compares them and as well as represents them. The period of study which will be employed is recent financial years in order to be able to capture the current financial fund management of CSR and regulatory amendments. The quantitative data that have been analyzed via descriptive statistics that involved the CSR expenditure, allocation and distribution by sector and the efficiency of available funds have involved percentages, averages, growth rate and comparison. Inferential statistical test, i.e. correlation analysis has been applied to determine the relationship between the management practices in CSR funds and the performance of the result of social development where necessary. The research also involves the qualitative analysis of the mechanism of governance, monitoring mechanism, level of compliance, and transition of transparency through research. The findings are presented in the context of the stipulated requirements and principles of sustainability to draw the meaningful conclusion and offer policy suggests that can enhance the CSR fund management practice in India.

Table: Descriptive Statistics of CSR Fund Management Practices and CSR Implementation Effectiveness

Variables	N	Mean	Standard Deviation	Minimum	Maximum
CSR Planning and Budgeting Efficiency	50	3.85	0.62	2.40	4.90
Monitoring and Evaluation Mechanism	50	3.72	0.58	2.60	4.80
Transparency and Disclosure Practices	50	3.90	0.55	2.80	4.95
Governance and CSR Committee Effectiveness	50	3.78	0.60	2.50	4.85
Stakeholder Engagement in CSR Activities	50	3.69	0.64	2.30	4.75
Overall CSR Fund Utilization Efficiency	50	3.81	0.57	2.70	4.88
Effectiveness of CSR Implementation (Social Impact Score)	50	3.88	0.59	2.60	4.92

The descriptive statistical analysis has revealed that the selected companies in India possess a relatively high level of institutional management practice in the utilization of the CSR funds. The mean of the significant variables, such as the efficiency of planning and budgeting, monitoring and evaluating systems, transparency and disclosure strategies, the effectiveness of the governance, and the stakeholder engagement are between 3.69 and 3.90 using a five-point scale. These principles suggest that most businesses have adopted systematic business plans in the management of the CSR expenditure. Among the variables, the mean score of transparency and disclosure practices is the highest, which implies that the banks adhere to the standards of reporting and compliance with the requirements of the statutory disclosure. This is a sign of the heightened emphasis on accountability and reporting to the people going on under Companies Act, 2013.

The standard deviation (0.55 to 0.64) indicates that there is a moderate level of external consistency of CSR management practices within the selected companies. The disparity is very minimal that means that most firms follow the same pattern of governance structures and fund management mechanisms that may be regulated by regulatory standards and best practice designs in the industry. The overall effectiveness of the CSR fund utilisation is with the score of 3.81 because in such a manner, companies have been highly successful in their implementation and provision of funds as per the mentioned framework and timelines.

The average score of 3.88 does not impress significantly more than the overall fund management average, meaning that the CSR has an average efficiency in the implementation by its means. The implication of this is that the planned management activities positively affect the enhanced developmental outputs, which is delivery of improved education, healthcare, environment and development of community. The strong correlation of the two variables which are the efficiency of fund management and the effectiveness of implementing CSR indicates that the relationship between the two variables is likely to be positive.

Overall, descriptive analysis is an initial evidence to the support of the alternative hypothesis that says that there is a strong relationship between the practices of management implemented to utilize CSR fund and the efficacy of implementing CSR. The above trends may not yet be said to be causal established descriptive statistics but the higher governance, monitoring and transparency system established by the company have a stronger and better CSR effects. Additional inferential statistics would improve on the validation of this relationship.

Correlations

	CSR Fund Management Practices	CSR Implementation Effectiveness
CSR Fund Management Practices	1.000	.642**
		.000
	50	50
CSR Implementation Effectiveness	.642**	1.000
	.000	
	50	50

The Pearson Correlation was performed and aimed to assess the correlation between the CSR fund management practices and the CSR implementation effectiveness of the chosen Indian companies. The results indicate that the correlation coefficient (r) between the two variables occurs as 0.642 and this will indicate that the two variables are strongly correlated in the positive sense. This implies that the superior the management practices on the Funds CSR in quality and effectiveness such as systematic planning, transparent allocation, effective monitoring, governance oversight and stakeholder engagement the more successful the CSR implementation would be.

The level of significance of 0.000 is below the standard level of 0.05 level of significance and thus the relationship experienced is statistically significant relationship and not the relationship due to mere random variability. As a result, null hypothesis (H₀) that the management practices in CSR funds are not significantly related to the effectiveness of implementation of CSR is rejected and instead alternative hypothesis (H₁) is accepted.

The quality of the correlation shows that the successful arrangement and organization of the strategic and organized funds is a critical determinant in determining the effectiveness and the impacts of the CSR programs. Companies that demonstrate a robust system of governance, their legit monitoring and evaluation system, and clear disclosure practices will most likely have superior social development outcomes. It was concluded that the efficiency and accountability of the managers play an important role in maximising the developmental contribution of the expenditures on CSR. By and large, the analysis demonstrates that a right management of CSR funds can be of vital element in increased implementation and measurable social impact on the selected Indian corporates.

Overall Conclusion

The present paper titled Impact of CSR Fund Management on Social Development Initiatives A Study of Select Indian Corporates has discussed the relationship between management practices adopted in the application of CSR fund and efficiency of CSR initiatives. The case with India and the requirements of the Acts of the mandatory CSR of the companies within the framework of the Companies Act, 2013 is now more active regarding the engagement of the companies to the process of the social development; however, the results the CSR activities can attain are preconditioned to a significant extent by the structure of the such investments.

An analysis of the selected Indian firms demonstrates that most of the corporates have developed systematic CSR governance, including presence of CSR committees, policy of distributions, disclosure monitoring and disclosure practices, system. The results of the descriptive statistics indicate that the mean score of planning, transparency, governance effectiveness, and fund utilization efficiency is rather high which means that the companies cease to be engaged in the compliance-genuine CSR, but rather more prophetic and responsible models. The average dispersion of the answers is also consistent in that the management practice of CSR is equally applied across the samples of companies involved.

The Pearson correlation analysis revealed that there is a positive and strong relationship between the CSR fund management practices and the effectiveness of the CSR implementation that is statistically significant. The findings validate a fact that superior planning, budgetary, monitoring, transparency, and involvement of

stakeholders add a lot more value to the quality and impacts of the social development programs. Systematic and performance based fund management practices have enabled the companies to achieve measurable outcomes in the education and medical, environmental management, sanitation development, and empowering the communities.

As it is stated in the research, it is not only the amount of the expenditure that does determine the effectiveness of CSR but rather its quality of the governance and the efficiency of running the management instead. Proper alignment of CSR activities to community stipulations, legal provisions and sustainability ethos will ensure payoffs of development in the long term. Conversely, poor monitoring systems, lack of impact judgment and compliance driven solutions may limit transformational possibilities of CSR practices.

In conclusion, the study develops that strategic CSR funds management is highly critical in enhancing the improved social development in India. Efficiency can be further improved by making efforts to improve accountability processes and adopt data based impact assessment models and by co-lodging CSR with sustainable development goals. Policy makers, business executives and scholars can find this research useful in enhancing the strategic intent of the CSR as an agent of inclusive and sustainable development in India.

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