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## *CSR in IT Sector: An Analysis of Top 4 IT Companies in India*

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*Abstract: India is a developing economy. Here, CSR plays an important role in organizations as it has emerged as a benchmark for judging corporate excellence. Corporate Social Responsibility is not a new concept in India. The concept of CSR was developed so that organizations must fulfill their obligation towards the needs of the society as business is a part of the society. In the IT Sector, the concept of CSR has developed because firms now believe that business and society are interwoven rather than being distinct. The select companies were TCS, Wipro, Infosys and Tech Mahindra. This paper attempts to find out the intent of such activities undertaken by the top 4 IT companies in India, and has analyzed the relationship of CSR with Earning per Share, Profit after taxes & the effect of CSR on Share Price per Share. The study reveals that in the year 2015 the spending on CSR activities has increased in all the companies as compared to the previous year and the CSR spending has a positive impact on the earnings of the company.*

*Keywords: Brand Image; CSR; I T Sector; Philanthropy; Social Responsibility.*

### I. INTRODUCTION

In India, CSR has its roots from the Vedic Age known for donations for charity, social duty which throughout ages, keeps on changing as per the changing needs of the society. Government has also been playing a very important role to incorporate the sense of social responsibility making it mandatory for certain organizations to spend a certain amount of profit in areas which benefits the society. Companies those are unable to do so have to give reasons for falling short.

The much awaited Companies Bill has received President's assent on 29th August, 2013 and from 1st April, 2014 it has become legally binding on companies to be "socially responsible". The entities which are covered under this act have any of these requirements:

- Net worth of rupees five hundred crore or more
- Turnover of rupees one thousand crore or more
- A Net profit of rupees five crore or more; during any financial year

Section 135 of the new Companies Act 2013, reads with the CSR Rules makes it mandatory for companies, meeting the above criteria, to set aside 2% of the average net profits of the company made during the three immediately preceding financial years promoting socially beneficial activities and projects in India.

It has been seen that the companies taken for this study comes in the ambit of the above mentioned guidelines, therefore it is mandatory for them to allocate a budget of 2% of their average net profits of made during the three immediately preceding financial years on the CSR initiatives. It was found that all of them have been spending the said amount in the year.

According to Infosys founder, Narayan Murthy, “social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment.”

Citizens should be given social satisfaction from corporate by giving something back to the society, mainly in the form of Corporate Social Responsibility. Corporate Social Responsibility has drastically changed the concept of conventional philanthropy i.e. doings by big corporate houses for their immediate employees and their families. Nowadays, corporate are deeply involved in the growth and development of the society and the country as a whole. And, this is something known as ethical behaviour of the company towards their society and citizens as well. As a result, businesses now enjoy benefits like lower tax rates, reduced regulatory interventions, faster approvals, highly motivated workforce, customer loyalty, risk mitigation, enhanced brand image, value-based supplier network and favourable public opinion about company. Therefore, this paper analyses these business benefits specifically in the context of cases from Indian IT sector, especially the top 4 IT companies of India namely Infosys, Tech Mahindra, TCS and Wipro. The paper also throws light on theory of corporate social responsibility (CSR) and the various activities undertaken by these 4 IT companies. According to the Companies Act, 2013 firms should spend 2% of their Total Net Profits as a part of their CSR activity. So, in today’s world organizations are doing something beyond their regular profit maximization and market value maximization objectives. Corporate Social Responsibility is divided into various areas like environment, economic and social concerns, which is beneficial to the society and in turn to the organizations. The aim of this research paper is, therefore, to explain the importance of Corporate Social Responsibility in business firms with special reference to Indian IT sector.



Figure 1: Model of CSR in India

S. No.	TARGETED CAUSES	Company Name			
		INFOSYS	TECH MAHINDRA	TCS	WIPRO
1	Promoting educational and vocational skills	✓	✓	✓	✓
2	Promoting Healthcare, Sanitation and Safe drinking water	✓	✓	✓	✓
3	Ensuring Environmental Sustainability	✓	✓	✓	✓
4	Promoting Gender Equality and Women Empowerment	✓	-	✓	✓
5	Rural Development	✓	-	✓	✓
6	Eradicating Hunger, Poverty and Malnutrition	✓	✓	✓	✓
7	Contribution to PM's National Relief Fund, other funds	✓	✓	✓	✓
8	Funding Tech Incubators in Govt academic institutes	-	✓	✓	-

9	Supporting armed forces, veterans, war widows	✓	-	✓	-
10	Promoting National Heritage, Art and Culture	✓	-	✓	-

Table 1: CSR Activities in the Top four IT companies

This table shows the various CSR activities undertaken by the top 4 IT companies of India namely Infosys, Tech Mahindra, TCS and Wipro. These activities are the main target causes of the 4 IT companies. From the table, it is seen that TCS is highly engaged in all the activities towards this noble cause.

## II. LITERATURE REVIEW

1) (Jayati Sarkar and Subrata Sarkar, 2015) This paper analysed the potential implications of mandated CSR under the recently enacted Companies Act, 2013 in India on firm incentives, likely responses of corporates that come under the ambit of the law, implications for resource availability and delivery of social goods, and the prospects and challenges of implementing mandated CSR. Insights into these issues were drawn by empirically examining the voluntary CSR behavior of a sample of 500 large companies listed on the Bombay Stock Exchange for the period 2003-2011 that predates the new regulation. The paper argued that notwithstanding the potential economic costs that may accompany mandated CSR, the provisions of the new Act were designed thoughtfully to balance the objectives of the corporation and its shareholders on the one hand and that of the society and its stakeholders on the other. However, addressing the challenges of implementation successfully would determine how far the objectives of the new regulations were met.

2) (Richa Gautam and Anju Singh, 2010) The purpose of this study was to explore the various definitions and descriptions of Corporate Social Responsibility (CSR); elaborate upon the development of CSR in India; The authors also studied and reviewed the deployment of current CSR practices in India. This paper examined how India's top 500 companies viewed, and conducted their CSR, identified key CSR practices and mapped these against Global Reporting Initiative standards.

3) (Mr.Uvais.M, Ms.Hafeefa Cholasserri, 2013): This paper focused on the finding & reviews of the dimensions of CSR and challenges faced by its activities in India. An attempt was made in this paper to comprehend and gain insight into behavior or attitude of companies towards various aspects of social contribution and to light through the various dimensions of corporate social responsibility headed by each organization especially, Reliance, Tata and Infosys.

4) (Ioannis Ioannou George Serafeim, 2014): The authors explored the impact of corporate social responsibility (CSR) ratings on sell-side analysts' assessments of firms' future financial performance. They suggested that when analysts perceived CSR as an agency cost, due to the prevalence of agency logic, they produced pessimistic recommendations for firms with high CSR ratings. Moreover, they theorized that over time, the emergence of a stakeholder focus, and the gradual weakening of the agency logic, shifted the analysts' perceptions of CSR ratings and resulted in increasingly less pessimistic recommendations. Using a large sample of publicly traded US firms over 15 years, they confirmed that in the early 1990s, analysts issued more pessimistic recommendations for firms with high CSR ratings. However, in subsequent years up to 2007, analysts progressively assessed these firms less pessimistically, and eventually they assessed them optimistically. Furthermore, they found that more experienced analysts and higher-status brokerage houses were the first to shift the relation between CSR ratings and investment recommendation optimism. They found no significant link between firms' CSR ratings and analysts' forecast errors, indicating that learning was unlikely to account for the observed shifts in recommendations. They discuss implications for both for future research and practice.

## III. OBJECTIVE OF THE STUDY

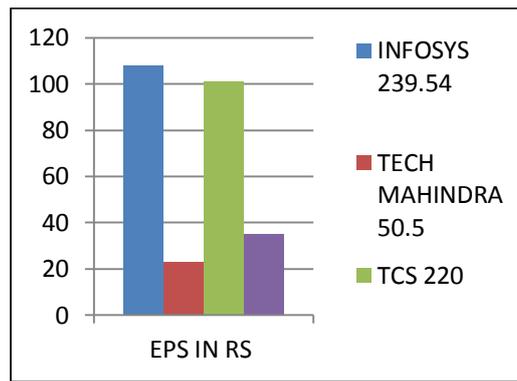
1. To study the CSR activities in the Top 4 IT sector companies in India
2. To analyze the impact of CSR initiatives on the profitability of the firm

3. To analyze the relationship of CSR with Earning per Share, Profit After Taxes and the effect of CSR on Share Price per Share.
4. To analyze the Intra-firm trend of CSR activities conducted in the years 2014-15 with year 2013-14.

#### IV. RESEARCH METHODOLOGY

To fulfill the above objectives of the study, we have analyzed the relationship of CSR with Earning per Share, Profit after taxes & the effect of CSR on Share Price per Share by taking the values and data from the respective Annual Reports of the companies for the FY 2014-2015 and 2014-2013, which are available on the company's website.

#### V. DATA ANALYSIS AND INTERPRETATION

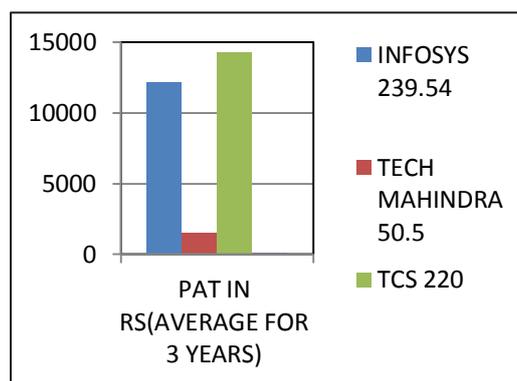


**Figure 2:** The figure analyses the relation between CSR and EPS (in Rs) in the year 2014-15 for Infosys, Tech Mahindra, TCS, Wipro.

**Interpretation:** It is found that Infosys has spent Rs.239.54 crore on social activities and the company has earned EPS of Rs.108.25 whereas, Tech Mahindra contributed sum of Rs. 50.5 crore on the social development activities earning an EPS of Rs.22.96.

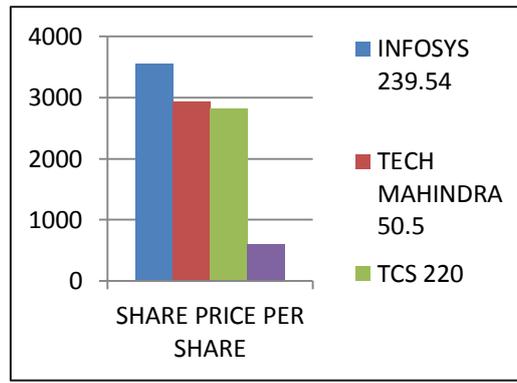
Similarly, TCS contributed Rs.220 crore and has gained an EPS of Rs.101.35. However, Wipro contributed amount of Rs.132.7 crore and has earned an EPS of 35.18.

The difference in CSR spending is due to the difference in the net profit earned in the past three years.



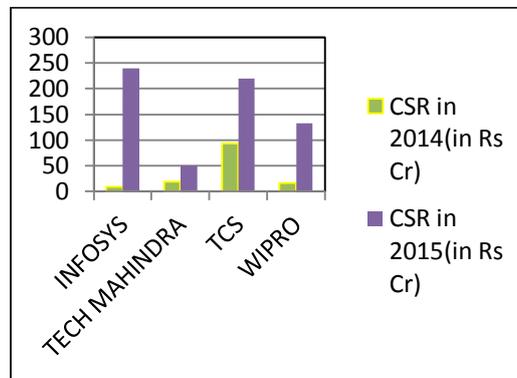
**Figure 3:** The figure analyses the relation between CSR and PAT (average for 3 years) for Infosys, Tech Mahindra, TCS, and Wipro.

**Interpretation:** The study has revealed that Infosys spent Rs. 239.54 crore out of the average profits amounting to Rs.12133 crore whereas; Tech Mahindra contributed Rs. 50.5 crore out of Rs. 1544 crore. Similarly, TCS average profits stands at Rs.14250 crore out of which amount spent for CSR was Rs.220 crore. WIPRO has earned profits of Rs.1283 crore and has spent Rs.132.7 crore on social development activities.



**Figure 4:** The figure analyses the relation between CSR and Share Price (per share) for Infosys, Tech Mahindra, TCS, and Wipro.

**Interpretation:** It has been seen that Infosys share price was Rs. 3549 per share against CSR of Rs.239.54 crore, Tech Mahindra share price stands at Rs.2943 per share at CSR spending of Rs.50.5 crore. TCS per share price was 2812.1 crore at CSR spending of Rs.220 crore and Wipro contributed Rs.132.7 crore and its share price stands at Rs.603.58.



**Figure 5:** The figure compares the CSR spending for Infosys, Tech Mahindra, TCS, Wipro in the year 2014-15 with the preceding year 2013-14

**Interpretation:** After analysing, it has been found that Infosys contribution has increased from Rs.9 crore to Rs.239.54 crore, whereby Tech Mahindra spent Rs.50.5 crore as compared to Rs.18.62 crore in the past year. Similarly, TCS spent amount of Rs.220 crore as compared to Rs.93.6 crore and Wipro has increased the CSR budget from Rs. 16 crore to Rs.132.7 crore.

## VI. FINDINGS

- 1) It has been found that CSR activities has a positive impact on the earnings capacity of the company, helps in increasing goodwill, brand image and increasing market share price.
- 2) In all the top 4 companies the amount contributed for CSR initiatives has considerably increased from the past year.
- 3) EPS is directly proportional to CSR spending of the firm
- 4) All the 4 IT companies has spent around 2% of the amount of their Profits (after taxes).
- 5) The study reveals that in the year 2015 the spending on CSR activities has increased in all the companies as compared to the previous year and the CSR spending has a positive impact on the earnings of the company.

## VII. CONCLUSION

Corporate sustainability is an endless process and impacts our society, corporations, and educational institutions. Organizations have started to realize the importance of CSR and are initiating numerous steps towards it and have substantially

involved towards social responsibilities. Presently, the company's are performing their services more effectively as compared with the past and also performing the CSR activities in many areas. The thrust areas in which these companies are undertaking the CSR initiatives are Social Development, Environment and Culture, Women Empowerment, Health and Safety and Community Welfare.

When looked into the annual reports of various companies' website it was found the CSR activities have a positive impact on the earnings of the company and a positive impact on the market price per share.

However, the present study primarily focus on select IT sector companies but it has been seen that the IT sector in India has seen considerable growth in terms of CSR practices which is further increasing the customer satisfaction and loyalty among customers.

#### ACKNOWLEDGEMENT

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Secondly, we would also want to extend our appreciation to those who could not be mentioned here but well played their role for their inspiration.

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#### TABLES:

COMPANY NAME	CSR (In Cr) FY 2014-2015	EPS (In Rs)
	X	Y1
INFOSYS	239.54	108.25
TECH MAHINDRA	50.5	22.96
TCS	220	101.35
WIPRO	132.7	35.18

**Table 2:**

COMPANY NAME	CSR (In Cr) FY 2014-2015	PAT In Rs (Average for 3 years)
	X	Y2
INFOSYS	239.54	12133
TECH MAHINDRA	50.5	1544
TCS	220	14250
WIPRO	132.7	1283

**Table 3:**

COMPANY NAME	CSR (In Cr) FY 2014-2015	SHARE PRICE PER SHARE
	X	Y3
INFOSYS	239.54	3549
TECH MAHINDRA	50.5	2943
TCS	220	2812.1
WIPRO	132.7	603.58

**Table 4:**

COMPANY NAME	CSR (In Cr) FY 2013-2014	CSR (In Cr) FY 2014-2015
INFOSYS	9	239.54
TECH MAHINDRA	18.62	50.5
TCS	93.6	220
WIPRO	16	132.7

**Table 5:****AUTHOR(S) PROFILE**

**Deeksha Suneja**, is Assistant Professor in Jagannath International Management School (JIMS), Kalkaji, with teaching experience of 2 years. Deeksha is an alumnus of Hansraj College, University of Delhi. After completing her B.COM (H) from this college, she did M.COM from Department of Commerce, Delhi School of Economics, University of Delhi.



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