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# **Corporate Social Responsibility Act of India: An Analysis of Firm Compliance**

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**Abstract:** To engage large corporations in achieving the social development agenda in India, the government recently enacted the Companies Act, 2013 that mandates a minimum spending on corporate social responsibility (CSR) initiatives on April 1, 2014. This makes India the first country in the world that makes it mandatory for large firms (defined in terms of net profits, net worth or turnover) to set aside 2% of their average net profit for socially responsible expenditures. Although the Indian Act has been termed as mandatory, there are no penalties for non-compliance. In the absence of any sanctions from the government, would the firms still comply with the Act? This paper aims at providing an assessment of the response by firms to this Act. It examines the extent to which the CSR Act has led firms to comply and increase the share of profits being spent on CSR, and the extent to which implementation of the CSR Act over the financial year 2014-2015 has contributed additional funds towards the social development of the country. It also examines if this Act has resulted in crowding out of other charitable activities undertaken by the Indian firms. Our results suggest that the Act has been effective in inducing Indian firms to increase their spending on CSR initiatives. Yet, many firms are not yet complying with the Act. We also find some evidence of crowding out of other philanthropic activities.

## **Corporate Social Responsibility Act of India: An Analysis of Firm Compliance**

There has been a growing shift in the role that corporations are expected to play in achieving sustainable development goals of countries that goes beyond the early views that the sole responsibility of the firm is to increase profits for its shareholders (Friedman, 1970). The UN's Sustainable Development Goals highlighted the challenges of achieving economic prosperity, social inclusion and environmental sustainability; these challenges cannot be met by governments alone. Corporations have large resources, knowledge and capacity to contribute to sustainable development and there is increasing expectation of proactive socially responsible behavior from them. Socially responsible management has typically been defined as private firms doing more than required by applicable laws and regulations governing the environment, worker safety and health and investments in the communities in which they operate. These efforts are typically voluntary and contribute to the environmental quality and social development agenda of society. While, altruism, personal environmental values and attitudes of managers may lead some firms to make their business more socially responsible (e.g., Benabou and Tirole, 2010; Nakamura *et al.*, 2001; Ervin et al., 2012) such efforts need to be in the self-interest of firms to be adopted widely and be sustainable in the long run.

CSR refers to any business practices that benefit society, including efforts to reduce the firm's environmental footprint, philanthropic activities and charitable donations, and ethical labor practices. Carroll (1991) define CSR as the economic, legal, moral, and philanthropic actions of firms that influence the quality of life of relevant stakeholders.

CSR has been considered a moral responsibility for firms and referred to as -- 'management's obligation to set policies, make decisions and follow courses of action beyond the requirements of the law that are desirable in terms of the values and objectives of society' (Mosley et al. 1996). Others believe the firm has an obligation "to use its resources

in ways to benefit society, through committed participation as a member of society at large independent of direct gains of the company' (Kok et al. 2001) and to "protect and improve both the welfare of society as a whole and the interest of organizations," (Davis and Blomstrom 1975, p. 6). Some go even further and believe that "a corporation should be held accountable for any of its actions that affect people, their communities, and their environment' (Post et al.1996).

There is a large literature demonstrating that companies are making these decisions strategically because it is in their self-interest to do so as it can increase long run profits (Baron 2001). Firms are increasingly viewing pro-active efforts at demonstrating corporate social responsibility (CSR) as an opportunity not simply to minimize regulatory compliance costs, but also to control risks, lower operating costs, respond to stakeholders, gain market share, and improve competitive advantage (Nakao *et al.*, 2007). Case studies suggest that many firms are indeed finding that it is profitable to integrate sustainability into their business strategy (Esty & Winston, 2006).

This recognition of the value of CSR in developed countries has emerged largely as a response to regulatory and market pressures in these countries. Growing awareness among consumers and investors of the societal and financial risks of exploitative labor practices, poor environmental management practices, hazardous working conditions, leaks and accidents as well as tightening pollution standards and right-to-know regulations are motivating responsible management practices by firms (Baron, 2001; Brekke & Nyborg, 2004; Ervin et al., 2012; Khanna & Speir, 2013; McWilliams & Siegel, 2001; Bansal and Gangopadhyay, 2003).<sup>1</sup>

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<sup>1</sup> A 2013 Cone Communications/Echo Global Corporate Social Responsibility study that tracks global attitudes, perceptions and behaviors related to CSR finds that 96% of global consumers have a positive image of companies that engage in CSR, 94% are more likely to trust these companies, and 93% would be more loyal to companies that engage in CSR. Also, 91% of global consumers are likely to switch brands to ones associated with a good cause given comparable quality and prices. Available at <http://www.conecomm.com/global-csr-study>

However, the benefits of a proactive socially responsible strategy are less clear in developing countries, where regulations may be lacking or poorly enforced and social pressures to comply and be responsible are weak (Blackman, 2010). Compliance with environmental regulations is not the norm and the infrastructure and political will for enforcement is lacking. Consumers are less organized or less willing to pay higher prices for products produced by socially responsible firms and capital markets are influenced by economic returns, and investment in CSR is likely to be viewed as a non-productive cost and regulatory capture is a reality (Earnhart, Khanna, & Lyon, 2014). Weak environmental regulations have also led to concerns that developing countries could become pollution havens for multinational corporations (MNCs) and that this could create further incentives for developing countries to race to the bottom by weakening environmental standards and enforcement to create incentives for MNCs to locate there.

To engage large corporations in achieving the social development agenda in India, the government recently enacted the Companies Act, 2013, Section 135 (referred to as the CSR Act hereafter) that mandates a minimum spending on corporate social responsibility (CSR) initiatives on April 1, 2014. This makes India the first country in the world that makes it mandatory for large firms (defined in terms of net profits, net worth or turnover) to set aside at least 2% of their average net profit made during the three immediately preceding years for socially responsible expenditures.

The purpose of this paper is to provide an early assessment of the response by firms to the CSR Act. It examines (a) whether the Act has led more firms to spend on CSR activities (b) the extent to which firms have increased their spending on CSR and also increased the share of profits being spent on CSR activities (d) the extent of compliance with the Act (e) if the compliance with the CSR Act has resulted in crowding out of firms' other charitable donations. We undertake this analysis by examining reported data by firms over the period

2010-2015 to compare CSR expenditures before and after the CSR Act as well as across large and small firms at a point in time. We use data from the ProwessIQ database for the period 2010-2015. Prowess IQ is the largest available firm level time series data set on financial variables of Indian firms. This database is a product of Centre for Monitoring Indian Economy Pvt Ltd (CMIE). It includes all companies traded on the National Stock Exchange and the Bombay Stock Exchange, thousands of unlisted public limited companies and hundreds of private limited companies. The database is built from Annual Reports, quarterly financial statements, Stock Exchange feeds and other reliable sources.

### **Background about the CSR Act in India**

The CSR Act requires every company with a net worth of Rupees 500 crores, or a turnover or Rupees 1000 crores or a net profit of Rupees 5 crore or more during any financial year to constitute a CSR Committee of the Board of Directors that will recommend to the Board a CSR policy for the company as well as the amount of expenditures to be undertaken on CSR and monitor the implementation of this policy. The company is required to disclose its CSR Policy in its annual report and on the company's website. Firms may undertake such expenditures directly or through Trusts, Societies, or Section 8 companies operating in India, which are not set up by the company itself.

The CSR Act, 2013, grew out of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Businesses released by the Ministry of Corporate Affairs in 2011 that promoted responsible business practices. While the recent Act enshrines responsible corporate governance into law, it remains a voluntary guideline in that there is no formal penalty for non-compliance. If a company fails to spend at least 2% of its average net profit on CSR activities, its Board is required to provide an explanation for not spending that amount in its annual report and on its website. The CSR Act is effective from 1st

April, 2014 (i.e., firms are required to report CSR for the financial year 2014 -15 onwards), and the first year's data after the implementation of the regulation is now available.

CSR activities can broadly be divided into two types: (a) those that are inward focused towards more responsible management within the organization and serve to further its internal interests such as employee welfare by reducing workplace accidents and risks, providing on the job-training, energy conservation, voluntary pollution reduction and waste management that reduces its liabilities and risks and (b) those that are outward focused and geared towards benefiting third parties such as the local community or society at large by improving environmental quality for them (planting trees, providing sanitary facilities in rural areas, establishing schools and worker training facilities). Thus CSR embodies voluntary efforts by firms to contribute to the environmental quality and social development goals of society. CSR initiatives can be undertaken for both philanthropic reasons and take the form of charity or because rational, profit maximizing corporations expect tangible or non-tangible benefits that outweigh the costs of these initiatives. CSR activities that comply with the requirements of the CSR Act in India need to be outward focused. This can create incentives for firms to switch expenditures from other philanthropic activities towards activities that comply with the CSR Act and not increase total expenditures on CSR. We examine if this is the case for the sample of firms studied here.

## **2. Data**

For the analysis we have used company level data from ProwessIQ data base. Since data for a company may not be available for all the years, we have used an unbalanced panel for all the companies in the data base for the years 2010 – 2015. Table 1 provides the number of companies reporting data for the sample years. We term a firm as “Eligible” if it is required by law to spend on CSR because it meets any of the three criteria mentioned above. Eligibility is a dummy equal to 1 for a facility with profits > 5 crore and/or networth > 500 crores and /or



sales > 1000 crores. The firms that do not meet any of these criterion are termed as Non-eligible. Summary statistics of firms in the data set in year 2015 are reported in Table 2. CSR expenditures are proxied by expenditures reported as ‘community and social expenditures’ in Prowess dataset. It can be seen that eligible firms are larger firms in terms of sales, net worth and profits. These firms have larger expenditure on CSR as well as donations. While 47% of the eligible firms are reporting CSR expenditures, less than 1% are doing so in the non-eligible group. Eligible firms are more likely to be in the public sector (government owned), listed on the stock market and part of a corporate group<sup>2</sup>.

### **3. Methodology**

We estimate five difference-in-difference models to examine the impact of the CSR Act on CSR expenditures in 2015 relative to those before. These models differ in the dependent variable. The first examines if the CSR regulation led more firms to start reporting CSR expenditures in their annual reports. The dependent variable in this case is a dummy variable equal to 1 if a firm is reporting CSR and 0 otherwise. We estimate this model using a Probit model. The second regression examines the effect of the CSR Act on the level of CSR expenditure of firms. The third regression examines the effect of the CSR Act on the ratio of CSR expenditures to profits before tax. The fourth regression examines the effect of the CSR Act on whether or not firms undertake voluntary donations and the level of voluntary donations. With each of these dependent variables we estimate the

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<sup>2</sup> A firm is said to have a group affiliation if it belongs to a corporate group. A corporate group is a collection of parent and subsidiary corporations that function as a single economic entity through a common source of control.

$$\begin{aligned}
CSR_{it} &= \alpha eligible_{it} + \delta eligible_{it} * year_{2015} + \gamma X_{it} + \beta year_t \\
&\quad + \mu_i + \varepsilon_{it} \\
CSR_{it} &= \alpha eligible_{it} + \delta eligible_{it} * year_{2015} + \tau profit_{it} + \phi profit_{it} \\
&\quad * eligible * year_{2015} + \gamma X_{it} + year_t + \mu_i + \varepsilon_{it} \\
\frac{CSR_{it}}{Profit} &= \alpha eligible_{it} + \delta eligible_{it} * year_{2015} + \gamma X_{it} + \beta year_t \\
&\quad + \mu_i + \varepsilon_{it} \\
Donations_{it} &= \alpha eligible_{it} + \delta eligible_{it} * year_{2015} + \tau profit_{it} \\
&\quad + \phi profit_{it} * eligible * year_{2015} + \gamma X_{it} + year_t + \mu_i + \varepsilon_{it}
\end{aligned}$$

The vector  $X$  includes explanatory variables such as sales, profits, network, ownership, etc. The models also include time fixed effects and facility fixed effects.

#### 4. Results

The first set of results are reported in Table 3. We have used difference in difference methodology for these results. Columns 2 and 3 of Table 3 report results of Probit analysis. The dependent variable is a binary variable that takes value 1 if a firm reports CSR expenditure and 0 if a firm does not do so. The explanatory variables include an interaction term, *Eligible\*2015*, which is the interaction of the dummy variables *Eligible* and *year 2015*. It captures the change in the behavior of eligible firms in year 2015, the year of regulation, as compared to the previous years. The other covariates include average profit, sales and network. Average profit refers to average profit of three immediately preceding years. Table 4 reports the corresponding marginal effects. The results demonstrate that on average, eligible firms are more likely to report CSR expenditure as compared to non-eligible firms. Further, the difference between this reporting is likely to be higher in year 2015 as compared to previous years. On average, the difference in probability of reporting CSR expenditure by eligible and

non-eligible firms is higher by 0.25 in 2015. Also firms obtaining higher average profit and having higher net worth are more likely to report CSR expenditures.

We next analyze how did the Act affect CSR expenditure of firms. Columns 4-6 of Table 3 report results from a fixed effects panel data model with robust standard errors. The dependent variable in these models is level of CSR expenditure. The explanatory variables include another interaction term, which is *Eligible\*Average Profit \*2015* which is an interaction of Eligible dummy, dummy for year 2015 and average profit of three immediately preceding years. It captures how the CSR to (average) profit ratio for the eligible firms in 2015 differs from the non-eligible firms and the previous years

Model 3 in Table 3 is a simple difference in difference specification with eligible dummy, interaction of eligible dummy and year 2015, year fixed effects and firm fixed effects. Model 4 also includes average profit and the interaction of average profit with eligible dummy and year 2015. It attempts to capture how does CSR expenditure of the eligible firms in year 2015 varies with profits. Model 5 includes sales and net worth as well. The results are robust across different model specifications. The coefficients of both interaction terms are positive and highly statistically significant. On average, an eligible firm spent between 12-13 million Rs more on CSR than non-eligible firm as compared to the difference between eligible and non-eligible firms prior to the CSR Act. Eligible firms spent about 0.4% more of their average profits on CSR expenditure in 2015 as compared to previous years. The coefficients of the other covariates such as average profit, sales and net worth are not statistically significant.

Firm characteristics that are time invariant cannot be included in fixed effects regressions. To examine the influence of firm characteristics on their CSR expenditure, we regress firm fixed

effects derived from all the model specifications in Table 3 (Model 1 – Model 5) on firm characteristics such as whether it is a public or private firm, does it belong to a group of companies or whether it is listed on stock market and report results in Table 4.

Again the results are robust across all the 5 specifications. The results suggest that on average, a public sector firm, a firm that belongs to a group of companies and a firm that is listed on stock market is more likely to report CSR expenditure as well as is likely to spend more on CSR. On average, a public sector firm spends Rs 11 million more on CSR activities. Similarly, a firm that belongs to a corporate group, and a firm that is listed on the stock market is likely to spend Rs 1 million and Rs 2 million, more on CSR activities, respectively.

Since the Act requires eligible firms to spend 2% of their average profits on CSR activities, we analyze if the CSR Act affected CSR to profit ratio of the firms. We adopt the same difference in difference methodology as above but now the dependent variable is CSR to profit ratio. An advantage of this specification is that it takes care of any potential endogeneity between CSR and profits. We use three variations of CSR to profit ratio, one, (CSR/profit before tax), second, (CSR/ three year average profit before tax), and third, (CSR/average profit of three immediately preceding years). Table 6 reports the results. The coefficient of the interaction term between eligible dummy and year 2015 is positive and statistically significant in Model 1, Model 2 and Model 4. The results demonstrate that the CSR Act had a positive and statistically significant effect on CSR to profit before tax ratio as well as CSR to average profit of last three years ratio. As per model 4, due to the CSR Act the CSR to profit ratio increased by 0.5%. However, the results pertaining to CSR to average profit of preceding three years are not statistically significant.

We now examine compliance with the Act. The Act requires eligible firms to spend 2% of their profits on CSR expenditure. We predict estimated CSR/profit ratio from model 2 in Table 6, and check for how many eligible firms this ratio is 2% or above. Only 18.2% of the eligible firms in 2015 complied with the Act, i.e., predicted CSR to profit ratio is 2% or more. Further on average, eligible firms spent 1.5% of their profits on CSR activities.

Another research question of this paper is to test for crowding out of other charitable activities due to the CSR Act. Before the implementation of the law, many firms were engaged in charitable activities and were contributing to society through voluntary donations. In the new Act, donations are no longer considered as a part of the CSR expenditure of the firms. It is possible that firms increased their CSR expenditure by a decrease in donations. We conduct the same difference in difference analysis for all the five specifications as in Table 3 by taking donations as the dependent variable. The results are reported in Table 7. The coefficient of the eligibility dummy is positive and highly statistically significant in Models 1 and 2, suggesting that eligible firms are more likely to contribute to donations. Model 5 suggests that they are also likely to be contributing more to donations. More interestingly, we do find that the coefficient of the interaction term to be negative and statistically significant at 17% in Model 5 where we control for profits, sales and net worth. Thus there is weak evidence that on average, the Act resulted in a reduction of donations by Rs 5-9 million by the eligible firms in year 2015.

### **Robustness checks:**

We tried several robustness checks. We first tried to check if the interaction term with other year dummies are also positive and significant. For years 2011-2013, interaction of year dummy with eligibility dummy is negative and statistically significant. For the year 2014, it

is positive but statistically insignificant. Another way of checking robustness, was to drop year 2014, and then check the results. The results remain qualitatively similar, and the effect of CSR regulation on CSR expenditure is stronger, it is about 14 million Rs.

## **5. Conclusions**

India has recently introduced a law that mandates large firms to spend 2% of their average profits on CSR. That makes India the first country in the world to make CSR expenditure mandatory. This Act can be one of the ways to engage large corporations in achieving social development agenda of the country. The law has potential to generate additional resources for the society but its success depends on firms complying with the Act. The law does not specify any penalties for the firms who do not comply. In the absence of any sanctions from the government, do firms have incentives to comply? This paper attempts to examine if the CSR Act affected firm behavior.

Our results suggest that the Act has been effective in inducing Indian firms to increase their spending on CSR initiatives. The Act resulted in more firms reporting CSR expenditures and also in increasing CSR expenditures of the firms. Firms that come under the purview of the Act are also spending a greater percentage of their profits on CSR. Public sector firms, firms belonging to a corporate group and firms listed on stock market are likely to spend more on CSR activities. Yet, many firms are not yet complying with the Act. Less than 20% of the firms complied with the law in the first year of implementation, i.e., 2014-15.

We also examined if the Act lead firms to simply shift expenditures from other philanthropic activities that do not count towards compliance with the CSR Act towards activities that do. We find weak evidence that the Act resulted in reducing eligible firms' contribution towards

donations in 2015 suggesting that the Act did crowd out other charitable activities of the firms.

In terms of resources generated, the Act has a huge potential but for its success the amount should be effectively used. CSR projects should be developed with local community involvement. Efforts of firms acting in isolation or individually may fail unless there is a coordinated effort which is sustained over a long term and is part of a larger vision.

This was the first year of implementation. How firms respond to the new regulation in the long run needs to be investigated in future.

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**Table 1: year wise # of firms in the data set**

Year	Number of Companies in the data base
2010	22505
2011	20760
2012	18418
2013	16053
2014	14602
2015	9132

**Table 2: Summary Statistics of Firms in 2015**

	Eligible		Non-eligible	
	# Obs	Mean	# Obs	Mean
Firms	2725		6411	
Private Sector	2725	0.90	6411	0.98
Group	2725	0.46	6411	0.36
Listed	2725	0.54	6411	0.43
Profit Before Tax (in billion Rs)	2721	2.51	6411	-0.090
Sales (in billion Rs)	2383	0.26	4077	0.704
Networth (in billion Rs)	2723	18.60	6400	0.124
CSR (in billion Rs)	1266	0.041	196	0.002
Donations (in billion Rs)	962	0.022	644	0.001

**Table 3: Effect of CSR Act on CSR reporting and CSR Expenditure**

	(1) Model 1 Panel Data Probit: Dependent Variable is a discrete variable for CSR	(2) Model 2	(3) Model 3 Panel Data Fixed Effects Model: variable is level of CSR expenditure	(4) Model 4	(5) Model 5
VARIABLES Units: Billion Rs	CSR Dummy	CSR Dummy	CSR expenditures	CSR expenditures	CSR expenditures
Eligible	1.706*** (0.058)	1.533*** (0.066)	-0.001*** (0.000)	-0.0002** (0.000)	-0.001** (0.000)
Eligible *2015	1.430*** (0.087)	1.382*** (0.096)	0.013*** (0.002)	0.004*** (0.002)	0.004* (0.002)
2011.year	0.037 (0.063)	0.028 (0.071)	-0.000 (0.000)	-0.0004* (0.000)	-0.001** (0.000)
2012.year	0.259*** (0.063)	0.274*** (0.070)	-0.001* (0.000)	-0.001** (0.000)	-0.001** (0.001)
2013.year	0.458*** (0.063)	0.453*** (0.070)	-0.000 (0.000)	-0.000 (0.000)	-0.001 (0.001)
2014.year	2.321*** (0.067)	2.399*** (0.077)	0.000 (0.001)	0.000 (0.000)	-0.001 (0.001)
2015.year	1.959*** (0.088)	2.065*** (0.105)	-0.000 (0.000)	-0.000 (0.000)	-0.001 (0.001)
Average Profit <sup>3</sup>		0.026*** (0.006)		0.000 (0.001)	-0.001 (0.002)
Sales		0.000 (0.000)			0.000 (0.000)
Networth		0.002* (0.001)			0.000 (0.000)
Average Profit*Eligible *2015				0.004*** (0.001)	0.004*** (0.001)
Constant	-6.326*** (0.138)	-6.127*** (0.139)	0.002*** (0.000)	0.002*** (0.001)	0.002 (0.001)
Observations	101,470	68,145	101,470	95,052	68,145
R-squared			0.004	0.068	0.073
Number of firms	27,326	19,284	27,326	26,053	19,284

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

<sup>3</sup> “Average profit” is average of firm’s preceding three years profit

**Table 4: Marginal effects in Probit Analysis**

	(1)	(2)
VARIABLES	Model 1	Model 2
Units: Billion Rs	CSR	CSR
	Dummy	Dummy
Eligible	0.081*** (0.002)	0.078*** (0.002)
Eligible*2015	0.202*** (0.008)	0.246*** (0.010)
Average Profit		0.001*** (0.000)
Sales		0.000 (0.000)
Networth		0.000 (0.000)
Observations	101,470	68,145

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 5: Effect of Firm Characteristics on CSR Fixed Effects**

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4	(5) Model 5
Units: Billion Rs					
Private Firm	-0.906*** (0.021)	-0.966*** (0.026)	-0.0002*** (0.000)	-0.003*** (0.000)	-0.011*** (0.000)
Firm Belonging to a Group	0.406*** (0.009)	0.477*** (0.011)	0.0002*** (0.000)	0.0005*** (0.000)	0.001*** (0.000)
Listed Firm	0.555*** (0.009)	0.561*** (0.011)	0.0003*** (0.000)	0.001*** (0.000)	0.002*** (0.000)
Constant	-4.649*** (0.020)	-4.305*** (0.025)	0.002*** (0.000)	0.004*** (0.000)	0.011*** (0.000)
Observations	101,552	68,145	101,552	95,079	68,145
R-squared	0.071	0.077	0.005	0.007	0.023

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 6: Effect of CSR Act on CSR to Profit Ratio**

VARIABLES Units: Billion Rs	(1) Model 1 CSR/profit before tax	(2) Model 2 CSR/Prof it before tax	(3) Model 3 CSR/three year average profit before tax	(4) Model 4 CSR/three year average profit before tax	(5) Model 5 CSR/precedin g three year average profit before tax	(6) Model 6 CSR/precedi ng three year average profit before tax
Eligible	0.012 (0.013)	-0.001 (0.001)	0.000 (0.003)	0.000 (0.000)	-159.701 (160.837)	0.030 (0.030)
Eligible* 2015	0.035* (0.021)	0.015*** (0.004)	-0.013 (0.017)	0.005** (0.002)	1,639.736 (1,639.803)	-0.246 (0.257)
2011.year	-0.000 (0.002)	0.002** (0.001)	0.001 (0.002)	0.003* (0.001)	46.806 (46.850)	-0.002 (0.001)
2012.year	-0.001 (0.005)	0.001 (0.001)	-0.005 (0.004)	-0.000 (0.001)	2,537.470 (2,537.556)	0.001 (0.003)
2013.year	-0.008 (0.006)	0.000 (0.001)	-0.001 (0.001)	-0.000 (0.002)	-66.295 (66.421)	-0.002 (0.002)
2014.year	-0.003 (0.003)	0.001 (0.001)	-0.003* (0.002)	-0.002 (0.002)	-201.972 (202.068)	0.045 (0.048)
2015.year	-0.004* (0.002)	0.000 (0.001)	-0.001 (0.002)	0.002 (0.001)	-1,152.707 (1,152.676)	0.013 (0.017)
Sales		-0.000 (0.000)		0.000 (0.000)		-0.000 (0.000)
Networth		0.000 (0.000)		-0.000 (0.000)		0.001 (0.001)
Constant	-0.005 (0.003)	-0.000 (0.001)	0.000 (0.002)	-0.000 (0.001)	102.879 (334.393)	0.004 (0.010)
Observations	96,100	68,995	97,748	69,735	92,231	66,956
R-squared	0.000	0.001	0.000	0.000	0.000	0.000
Number of Firms	26,407	19,254	26,407	19,314	25,278	18,915

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 7: Effect of CSR Act on Voluntary Donations**

	(1)	(2)	(3)	(4)	(5)
VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5
Units: Billion Rs	Donation Dummy	Donation Dummy	Donations (in billion Rs )	Donations (in billion Rs)	Donations (in billion Rs)
eligibilityDummy	1.129*** (0.033)	1.013*** (0.036)	0.000 (0.000)	0.001 (0.001)	0.0004* (0.000)
Eligibility Dummy * 2015	0.111* (0.064)	0.105 (0.071)	0.002 (0.002)	-0.005 (0.004)	-0.009 (0.007)
2011.year	0.153*** (0.027)	0.139*** (0.030)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)
2012.year	0.301*** (0.028)	0.279*** (0.032)	0.000 (0.000)	0.000 (0.000)	-0.001 (0.001)
2013.year	0.350*** (0.029)	0.314*** (0.033)	0.000 (0.000)	0.000 (0.000)	-0.002 (0.001)
2014.year	0.304*** (0.030)	0.267*** (0.034)	0.001 (0.000)	0.000 (0.000)	-0.002 (0.001)
2015.year	0.156*** (0.045)	0.120** (0.052)	0.000 (0.000)	0.000 (0.000)	-0.001 (0.001)
Average Profit		0.021*** (0.007)		0.001 (0.001)	-0.003 (0.002)
Sales		0.001* (0.000)			0.000 (0.000)
Networth		0.001 (0.002)			0.001 (0.001)
Average Profit*Eligibility Dummy *2015				0.003 (0.002)	0.002 (0.002)
Constant	-4.092*** (0.030)	-3.333*** (0.036)	0.001*** (0.000)	0.001 (0.000)	-0.002 (0.003)
Observations	101,470	68,145	101,470	95,052	68,145
R-squared			0.000	0.073	0.204
Number of Firms	27,326	19,284	27,326	26,053	19,284

Standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1