Corporate Social Responsibility - A Case Study of Select PSU’s Role in Rural Development

Dr. Jitender Loura, Assistant Director, DGCA, Govt. of India

"What responsibility to society can business people be reasonably be expected to assure." Bowen

ABSTRACT

The obligation of the industry and big corporate houses towards the society are being fulfilled in one form or the other since the time these industries existed. In India, the corporate giants like Birla and Tata were practicing Social Responsibility in the form of donations and charity before formally accepting the CSR nomenclature. This paper examines how Public Sector Undertakings (PSUs) view and Conduct CSR, identifies key CSR practices and maps these against Global Reporting Initiative Standards. This paper attempts to explore Corporate Social Responsibility practices in PSU’s in the context of rural development. The methodology of this study is based on Secondary data derived from internet-based research, review of literature and visit to Airports Authority of India (AAI), A Miniratna - Category -1 PSU, to witness CSR practices. For the purpose of analysis, CSR initiatives for rural development were classified under five areas: livelihood, health, education, environment and infrastructure.

The paper concludes that social responsibility is regarded as an important business issue of Indian public sector companies irrespective of turnover, sector and goal. The CSR actions, thus may have positive impact on the development of rural community as well as on PSU’s business.

Key Words:
Corporate Social Responsibility (CSR), Public Sector Undertakings (PSUs), Stakeholders

1. INTRODUCTION

The doctrine of social responsibility means an entity, whether it is government, Private Corporation or Public Organization, having a responsibility towards the society in which they live and where they operate their businesses or carry out administration. The concept of Corporate Social Responsibility (CSR) includes the openness and transparency of the companies as well as taking into consideration the will and expectations of their stakeholders. CSR which is synonymous to corporate conscience, corporate citizenship, social performance or sustainable responsible business etc. is a form of corporate self regulation integrated into a business model. CSR policy functions as a built-in, self regulating mechanism whereby a business house monitors and ensures its active compliance with the law, ethical standards and international norms.

The Corporate social Responsibility was perhaps used for the first time in 1953 when Bowen raised the basic question "What responsibility to society can business people be reasonably be expected to assure." The term CSR came into common use in the late 1960s and early 1970s after many Multinational corporations (MNCs) formed the term stakeholder, meaning those on whom an organization’s activities have an impact.

2. LITERATURE REVIEW

The concept of CSR originated in the 1950’s in the USA but it became prevalent in early 1970s. At that time US had lots of social problems like poverty, unemployment. Consequently a huge fall in the prices of Dollar was witnessed. CSR became a matter of utmost importance for diverse groups demanding change in the business. During the 1980s to 2000, corporations recognized and started accepting a responsibility towards society. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders - including shareholders, employees, customers, environment and society. The term stakeholder means all those on whom an organization's performance and activities have some impact either directly or indirectly. This term was used to describe corporate owners beyond shareholders as a result of a book titled Strategic management: a stakeholder approach by R. Edward Freeman in the year 1984.

Bowen (1953) CSR is the obligation of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society.

Frederick (1960) Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of people.

Davis (1960) argued that social responsibility is a nebulous idea but should be seen in a managerial context. He asserted that some socially responsible business
decisions can be justified by a long, complicated process of reasoning as having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook.

Khan and Atkinson (1987) conducted a comparative study on the managerial attitudes to social responsibility in India and Britain. The study shows that most of the Indian executives agreed CSR as relevant to business and felt that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state.

Wood (1991) CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm’s social performance, which can be assessed by how a firm manages its social relationships, its social impact and the outcomes of its CSR policies and actions.

Belal (2001) CSR has been viewed as developed countries’ phenomena. As such a large body of literature on CSR practices has merged in the context of developed countries. However, literature on the theory and practices on CSR in the developing countries remains scant.

Bajpai (2001) an ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income, standards and socio-economic status.

CSM (2001) in a survey brought forward the perception of companies towards various parameters of CSR. The various dimensions of CSR valued by companies are national wealth, employment, environment and social programme including health and literacy.

The EU green paper (2001) identifies two main dimensions of companies implementing CSR, an internal dimension relating to practices internal to the company and an external dimension involving stakeholders.

A survey by TERI-Europe and ORG-MARG (2001) in several cities in India revealed that more than 60% of the people felt that the companies should be held responsible for bringing down the gap between rich and poor, reducing human rights abuses, solving social problems and increasing economic stabilitys.

Surveys like ‘Corporate involvement in social development in India’ by Partners In Change (PIC), Altered Image: the 2001 State of Corporate Responsibility in India Poll by Tata Energy Research Institute (TERI), Corporate Social Responsibility: Perceptions of Indian Business by Centre for Social Market (CSM), and ‘Corporate Social Responsibility Survey, 2002, India presented jointly by the British Council, UNDP, Confederation of Indian Industries and Price Water house Coopers have also highlighted the emerging Indian participations in the CSR process. The findings of these surveys reveal that philanthropy is the most significant driver of CSR, followed by image building, employee morale and ethics respectively.

Goyder (2003) argues: Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, govt. and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose.

Centre for social markets (2003) conducted a study in which it was found that social responsibility is seen to be an important business issue within the sample firms, irrespective of firm size, age, sector, location, purpose or legal status.

Conway, (2003) A study on iron ore mining industry in Goa shows that many large mining companies have their own initiatives towards environmental and social development. However, a structured CSR policy and planning is missing especially among the small and medium players in the industry.

Arora and Puranik (2004) reviewed contemporary CSR trends in India concluding that the corporate sector in India benefitted immensely from liberalization and privatization process, its transition from philanthropic to its impressive financial growth.

Chapple and Moon (2005) in a survey of CSR reporting in Asia found that nearly three quarters of large companies in India present themselves as having CSR policies and practices.

Dutta and Durgamohan (2009) found that education takes the first place followed by health and social cause.

The above findings of different scholars at different points of time entail that they have rightly observed and underscore the CSR practices and performance of companies in India. But little attention have been paid on this aspect that do the companies consider rural people as stakeholders? If yes, what CSR initiatives being taken for rural development? How the Corporate entities implement development programmes as a part of their business strategy? Finally, what is the impact of CSR programs on socio-economic development of rural population in India?
3. OBJECTIVES OF THE STUDY

The present study was undertaken in two Maharatna and one Miniratna PSU, with the following objectives:

- To study and understand the CSR initiatives being taken by selected public sector undertakings (PSUs) for rural development;
- To assess the impacts of CSR actions on socio-economic development of rural population.

4. RESEARCH METHODOLOGY

To study the above objectives, three public sector undertakings (PSUs) (two Maharatna and one Miniratna) have been selected. The selected companies were from different industrial sectors like:

- Aviation - Airports Authority of India (AAI),
- Steel - Steel Authority of India Limited (SAIL),
- Power - National Thermal Power Corporation (NTPC).

The methodology of the present study was to analyze the secondary data obtained from web-based research, review of print literature, etc. to understand CSR practice within the context of rural development in India. For the purpose of analysis, CSR initiatives for rural development were classified under five areas: livelihood, health, education, environment and infrastructure.

5. LIMITATIONS

The main limitation of this paper is that firstly it focused on a small sample of Public Sector Undertakings (PSUs). Secondly, information collected mainly from secondary sources i.e. print literature, websites of these companies and visiting one of the PSU, namely AAI. No primary data was collected directly from the stakeholders.

6. RESULTS & DISCUSSION

A. CSR Policies and initiatives

The study shows that all surveyed PSUs were having CSR policies and practices. All surveyed PSUs reflect their CSR philosophy or social, environmental and ethical objectives in mission statements. From the interpretation of data, it can be concluded that education takes the top priority of the PSUs surveyed, followed by health and livelihood.

The study shows that out of three PSUs surveyed, one PSU implemented its CSR initiatives directly through dedicated CSR division which is responsible for planning and implementation of such activities. For another PSU, CSR initiatives are implemented through local management of manufacturing unit and Human Resource Department (HRD). NTPC have set up a dedicated foundation for implementation of CSR initiatives for rural development. This foundation encourages participation of local communities while planning and implementation of their CSR activities.

B. Impact of CSR Programs on Rural Poor

The impact of CSR programs reflected by a sample of three public sector undertakings were classified under five areas: livelihood, health, education, environment and infrastructure.

Livelihood:

AAI have started a six months skills development programme “AASHA” in 2012 for unemployed women living in ‘Sanganer’ area near Jaipur Airport. The programme trains 180 women in 16 baths on cutting and tailoring, soft toys making and tie and dye. SAIL is constantly working to identify various areas where training and help to the communities can be imparted so as to make them self sustaining units that can generate incomes for themselves. During the last three years, SAIL has provided vocational training to around 44,000 people in and around SAIL Plants/units.

NTPC takes up Vocational Training programmes like Web page designing, Computer training, Motor rewinding, Driving, General Electrical, Mobile Repairing, Cutting, Tailoring, Stitching, Designing, Beautician, Embroidery, Food Preservation/Processing etc. Skill up gradation programs for women, to promote self-employment, include tailoring and providing sewing machines. All these activities have benefitted around 3,000 individuals during 2011-12.

Health:

The study shows that all the surveyed PSUs organize a number of health camps to create health awareness and sensitize people on health related issues. AAI organizes health camp every quarterly catering medical facilities to a large number of people.

SAIL organized more than 3850 camps in 2009-10, benefitting over 2.32 Lakh people. Over the years, SAIL has established 54 primary health centers, 12 reproductive & child health (RCH) centers, 17 hospitals and 7 super-specialty hospitals to provide modern health care to more than 30.60 million people.

NTPC provides subsidized medical facilities to surrounding community at project/ station hospitals, provides support for three specialized Eye Centres at Bhubaneswar Eye Hospital, directly observes treatment cum designated microscopy centre (DOTs cum DMC) with Mobile ambulance facilities run by 12 NTPC hospitals through NTPC Foundation under Revised National Tuberculosis Control Programme (RNTCP) registering about 23000 patients and providing treatment to more than 2400 patients. In addition stations regularly take up activities like Mobile Health Clinics, Health Camps, Family Planning Programs, De-addiction camps/
Programs, Health related infrastructure in neighborhood villages, benefitting over 2,00,000 persons during 2011-12

**Education:**

AAI has undertaken establishment of a computer training centre to facilitate basic computer skills for the children and to provide infotainment for senior citizens of Ayudhyam for a total cost of Rs. 7,10,000/-. AAI undertook construction of roofing, compound wall and toilet facility in the open fish market at Perunelli Junction near Trivandrum Airport. Airports Authority of India under their Corporate Social Responsibility Programme constructed 2 km long c.c footpath from Gurung Turning to Dikling Senior Secondary School.

SAIL has established about 146 schools in its steel townships to impart modern education to more than 69,000 children. Besides, the company provides assistance in the form of construction of additional rooms/boundary walls/toilets, provision of stationery/sports items, etc., to over 286 schools with around 14,000 students. Consequently, in terms of completion of primary education (up to class 5), SAIL-managed schools have the distinction of having a survival rate of 93.12% and 90% in secondary education.

NTPC earmarks 15%-20% of CSR-CD budget for education. NTPC runs 48 schools at stations out of which 23 schools are predominantly for nearby community benefitting about 20,000 such students.

**Environment:** For sustainable management and development of natural resources, many companies have been working for tree plantation, watershed management, waste management, wind farms etc.

AAI, became the first PSU in India to establish a Paper Recycling Unit to support the cause G.R.O.W. (Government Recycled Office Waste). AAI Paper recycling Unit has produced approx. 158 tons of paper valuing Rs.1, 44, 00,000/- till November, 2013. AAI constructed waste management facility and biogas plant to produce electricity for fan and lights facility in the open fish market at Perunelli Junction near Trivandrum Airport.

SAIL restored 200 acres of degraded land through afforestation at Purnapani flux mines of SAIL in Orissa by planting saplings which includes horticulture species, forest species and a variety of grasses. Pisciculture has been done in the abandoned quarries at Purnapani and 300,000 fish lings have been released in the quarry waters. Further 30,000 saplings of 50 different species have been planted in this season and another 5 lakh fish lings have been released in the quarry water. Plantation of 10,000 saplings in 10 acres of degraded land has been planned. Out of that, plantation of 4,000 saplings has been completed at Barsua Iron Ore Mines. Medicinal plantation of amla has been undertaken in Chhattisgarh region recently.

NTPC’s one of the CSR Objectives is to lead the sector in Environment Protection.

**Infrastructure:** Out of the PSUs surveyed only two PSUs are providing different infrastructural facilities like construction or development of roads, electricity, water facility, sanitation, school, health centre etc. on a war footing level and AAI’s role is marginal.
The PSUs must align the CSR goals with the national goals set up under the Millennium Development Goals.

The PSUs should have a dedicated CSR division with well-trained, qualified, and experienced professionals from social science i.e., Social Work, Sociology, Rural Development and Development Studies and management background for better planning, implementation, and evaluation of CSR initiatives.

CSR programmes being implemented by Indian PSUs should be based on the felt-need of the local people so that their participation in the programme can be enhanced. Moreover, it is necessary to create jobs and economic activity in rural community with a view to uplift the masses.

Social audit should be conducted by an external agency to assess the CSR performance of PSUs.

Government can encourage economic players to consider ethical, social and environmental criteria. Government should play the role of motivator, enabler, facilitator rather than director of corporate social responsibility.

REFERENCES


