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CORPORATE SOCIAL RESPONSIBILITY

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INTRODUCTION

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent in accounting and display „public reporting‟ due to pressures from various stakeholders. It is possible for companies to behave in the „desired‟ ethical and responsible manner towards consumers, employees, communities, stakeholders and environment. They have started incorporating their CSR initiative in their annual reports.

CSR is a container concept which encompasses many different ecological, social and economic issues. In order to give a more specific interpretation to the concept of CSR a platform of Dutch NGOs has composed a so-called CSR Frame of Reference. Aim of this framework is to give companies a coherent overview of what NGOs define as CSR. The Frame of Reference is mainly based on international treaties, guidelines and instruments enjoying broad international support that are relevant for business, such as human rights, labour rights, environmental protection, consumer protection, socio- economic development, corruption and other aspects of CSR. It also includes some fundamental operational aspects of CSR like supply chain responsibility, stakeholder involvement, transparency and reporting and independent verification

The corporate sector has a pivotal role to play in ensuring private investment flows to those rural areas that have been left out of the development process so far and also to work for sustainable development of rural areas in general.

Over the past few years, as a consequence of rising globalization and pressing ecological issues, the perception of the role of corporates in the broder social context within which it operates, has been altered. Corporates considers them as an integral part of society and accordingly act in a social responsible way that goes beyond economic performance (KPMG and ASSOCHAM, 2008). As a result of this shift from purely profit to profit with social responsibility, many corporates are endorsing the term „Corporate Social Responsibility (CSR)‟. It is essentially a concept whereby companies decide voluntarily to contribute to the society to make it better and environmentally cleaner (European Commission, 2001). Generally, CSR is understood as “the commitment of business to contribute to sustainable economic development by working with employers, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for development. A widely quoted definition by the World Business Council for Sustainable Development state that “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, 1999). Thus, the meaning of CSR has two fold. On one hand, it exhibits the ethical behavior that an organization exhibits towards its internal and external stakeholders. On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates. CSR is regarded as vehicle through

which companies give something back to the society. It involves providing innovative solutions to societal and environmental challenges. But the challenge for development professional and business community is to identify CSR priorities and the areas of interventions which are meaningful in the context of rural development sector.

Therefore, there is a need to study and understand how corporate enterprises are using CSR initiatives and what is the impact of CSR actions on socio-economic development of people in rural areas. Divided into four sections, the present paper shall review literature related to CSR practices of corporate enterprises in section one? Section two describes the present study which includes objectives, methodology and limitations of the study. Section three discusses important results and section four concludes the study.

ABOUT THE STUDY

In an effort to understand the answers to the above questions, the present study was undertaken in 14 public and private Indian companies.

Objectives of the Study

The main objectives of the study were:

1. To study and understand the CSR initiatives being taken by selected public and private Indian companies for rural development;
2. To examine the corporates‟ approach to work and their mode of action for implementation for CSR initiatives;
3. To assess the impacts of CSR actions on socioeconomic development of rural population in India.

Methodology

To study the above objectives, 14 public and private Indian companies/firms have been selected. While selecting these companies, efforts were made to select them from a variety sectors to get a comprehensive picture. Thus, the selected companies were from different industrial sectors like pharmaceuticals (Dr. Reddy‟s Lab, Lupin India), metals (Vedanta Aluminum Ltd, Tata Steel, Steel Authority of India Limited (SAIL), financial institution (ICICI Bank), Chemicals and fertilizer (Ambuja Cement Ltd), InfoTech (Satyam Computer), consumer durable (Coca-Cola India Inc), power (NTPC), Oil and Petroleum (Indian Oil and Bharat Petroleum), manufacturing company (Asian Paints). The methodology of the present study relied on the web based research, review of print literature 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.

Limitations

The main limitation of this paper is that this study has only focused on a small sample of Indian companies. Secondly, information collected from print literature, websites of these companies and no primary data were collected directly from the stakeholders through interviews or surveys.

RESULTS AND DISCUSSION

The CSR Policies and initiatives

The study shows that all surveyed companies present themselves as having CSR policies and practices. A substantial number of companies reflect their CSR philosophy or social, environmental and ethical objectives in mission statements, vision documents, organizational policy and plans. However, even though surveyed companies have CSR policies and objectives but no link was observed between companies‟ agenda and the Millennium Development Goals (MDG). Table- 1 shows number of companies taking CSR initiatives for rural development in India. It is interesting to note from the Table-1 that education takes the top priority of the companies surveyed, followed by health and livelihood. About 50 percent of surveyed companies take CSR initiatives in the area of infrastructure and 57 percent in environment which includes planting of trees, awareness generation on environmental issues etc. It is also astonishing to note that even though the Central and State government has separate departments for education and health, these two issues is often prioritized under the CSR banner of both public and private companies in India. The details of various CSR initiatives undertaken by the companies are presented in Table-2.

The Corporates' Approach to Work and Modes of Action

So far as CSR approach adopted by the companies is concerned, it is observed that most of the companies have adopted CSR approach into their overall business strategy. Therefore, they have been successful in achieving the objectives of both business and social development. Their approach to work is not mainly relief, welfare and service delivery but it is sustainable development oriented, which have long term benefits. Vedanta Aluminum Ltd., Tata Steel, Dr. Reddy‟s Labs, Lupin India, Ambuja Cement Ltd., Bharat Petroleum, SAIL believes in promoting human and social sustainable development through poverty alleviation by building capacity of rural people. An example in this regard is Lupin India Ltd, which has started a project for providing sustainable development in 154 villages across, Rajasthan. The scheme instead of providing for piecemeal assistance that does not lead to effective alleviation of poverty or adequate development is designed as holistic action plan that includes an agricultural income generation scheme, land cultivation and fruit plantation programmes, fodder preservation schemes, sericulture and water recycling programmes, establishment of medical and educational centers, adult literacy programs and credit schemes. On the other hand Aditya Birla Group, Asian Paints believe in the trusteeship concept of management and

the CSR approach to work is still welfare oriented. CSR interventions by IT companies are philanthropic in nature, contributing in the form of financial assistance, assets and facilities. The study reveals that companies implement CSR programs with respect to rural development through four types of institutions which are given as below:

1. CSR activities implemented directly by the company through its own;
(i) CSR division,
(ii) Human Resource Department
(iii) Local management of manufacturing unit;
2. CSR activities implemented through a foundation;
3. CSR activities implemented through partnership with NGOs, academic institutions, international agencies;

4. CSR activities implemented through partnership with Government.

The study shows that out of 14 companies surveyed, two companies implemented their CSR initiatives directly through dedicated CSR divisions which are responsible for planning and implementation of such activities. For another two companies, CSR initiatives are implemented through local management of manufacturing unit and Human Resource Department (HRD). Many companies like Tata Steel, Lupin India, NTPC, Dr.Reddy‟s Labs, Satyam Computers, Ambuja Cement Ltd, have set up dedicated foundations for implementation of CSR initiatives for rural development. Most of these foundations encourage participation of local communities while planning and implementation of their CSR activities. It is also interesting to note that such foundations implement their programmes in partnership with government departments, a good example of Private- Public Partnership (PPP).For example, Dr. Reddy‟s foundation is working in partnership with the rural development department of the Government of India (GoI).Similarly Satyam Foundation is also working with the Government of Andhra Pradesh (GoAP).

The study also reveals that four companies who have or do not have their foundations but partner with Non- Governmental Organizations (NGOs) for implementation of CSR initiatives. In such an arrangement, the company provides finance, infrastructure, whereas the NGO provides grassroots level support for implementation of CSR activities. An example in this regard is Bharat Petroleum which as tied up with Gramin Social Welfare Society & Community Action for Rural Development in Tamilnadu,Vivekananda Girjana Kalyan Kendra in Bhubaneswar(Orissa), Kalyan Vikas Kendra & Sevavrata & Divyayana in Jharkhand,G.P.Tin UP & Rajasthan, Sevavrata in West Bengal, to deliver social welfare services at grass root level.

The Impact of CSR Programs on Rural Poor

The impact of CSR programs reflected by a sample of 14 prominent companies in India were classified under five areas: livelihood, health, education, environment and infrastructure.

Livelihood: The Grameen-LABS Programme is a programme being implemented by Dr.Reddy‟s Foundation in partnership with the Rural Development Department; Government of India (GoI).It aims to provide 35,000 livelihoods to rural youth in the age of 18-25 years in 7 States of India. The results of livelihood programmes supported by Bharat Petroleum show that the SHG group members are earning a steady income of INR 2000 per

month and members of the banana plantations and poultry are earning an additional income of INR 7000 to 8000 per annum.

Health: The study shows that many companies organize a number of health camps to create health awareness and sensitize people on health related issues like: immunization, blood donation, water purification tablets, distributing condoms etc. Till 2007-08, SAIL has conducted 267 health camps benefiting more than 4.5 lakh people. In Lanjigarh (Orissa) Vedanta Aluminum Ltd covered 53 villages with 32,000 villagers by providing free medicines, treatment and referral services through its mobile health units. Tata Steel Family Initiatives Foundation (TSFIF) established „Lifeline Express‟ hospital on wheels which has helped over 50,000 patients in Jharkhand, Orissa and Chhatisgarh.

Education: Aditya Birla Group provided education to 62, 000 children living in proximity to the plants by running 26 formal schools. SAIL supports around 138 schools in the peripheral areas of SAIL‟s plants/ units in the country where more than 80, 000 children receive education (Kumar, 2008). Asian Paints set up of the "Shree Gattu Vidyalaya", a school catering to 25, 000 children from class I to X, has helped rural children gain access to formal schooling. Similarly, Satyam Computers have developed 170 modern schools benefiting 40, 000 rural children. The schools into „Smiles Project‟ supported by Coca Cola India Inc. has been launched and completed in 20 schools impacting the lives of around 10,000 children.

Environment: For sustainable management and development of natural resources, many companies have been working for tree plantation, watershed management, waste management, wind firm etc. For example, SAIL has planted 13.5 million trees in and around SAIL plants / mines so far. Watershed development programme of Ambuja Cement Ltd. covered 9, 000 ha in the last four years. Sustainable water management remains the top priority of Coca Cola India Inc. So far, the company‟s water initiatives have improved the lives of more than 1, 40, 000 people and spread awareness about the crucial importance of water conservation among millions people.

Infrastructure: Out of 14 companies surveyed only six companies are providing different infrastructural facilities like construction or development of roads, electricity, water facility, sanitation, school, health centre, community centre, etc. Lupin Human Welfare and Research Foundation‟s "Apna Gaon Apna Kam" scheme covered 38,000 villages in Rajasthan and almost all villages have school buildings, drinking water, ponds,.link roads, community centres, and electricity. SAIL has been involved in the construction and repair of 33 km of pucca roads per year, thereby providing nearby two lakh people across 435 villages access to modern infrastructure facilities every year. In Andhra Pradesh, in partnership with Hyderabad Urban Development Agency, local village communities and NGOs, Coca- Cola India has helped 16,000 villagers of „Saroor Nayar‟ restore existing "Check Dam" water catchment areas.

CONCLUSION AND RECOMMENDATIONS

The conclusion of this study is that social responsibility is regarded as an important business issue of Indian companies irrespective of size, sector, business goal, location of the company. Because Indian companies are realizing that without socio-economic development of the local communities, there can be no stability and sustainability for doing business so as to compete with the global market. The study shows that all surveyed companies present themselves as having CSR policy and practices. Most of the companies which design and implement CSR initiatives in the vicinity of their works cover entire community. A wide range of CSR initiatives ranging from income generation activities for livelihood, health check- up camps, mobile health services, education, adult literacy, agricultural development, provision of drinking water, management and development of natural resources, infrastructure facilities being carried out by these companies. Though the approach to work is generally shifting from philanthropic to welfare and sustainable development but no link was observed between the company‟s CSR agenda and Millennium Development Goals. Many companies promote and implement CSR initiatives through Human Resource Department, foundation or in

partnership with NGOs, but do not have full-fledged CSR department. CSR initiatives being implemented by the Indian companies for rural development have a positive impact in overall development of society and their business. However, following points must be considered to continue on sustained basis for the betterment of both the people at large and the business.

1. The company must align the CSR goals with the national goals set up under the Millennium Development Goals (MDG).
2. The company should have a dedicated CSR division with well trained, qualified and experienced Sociology, Rural Development and Development Studies and management background for better planning, implementation and evaluation of CSR initiatives.
3. CSR programmes being implemented by Indian companies 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.
4. Social audit should be conducted by an external agency to assess the CSR performance of the company.
5. 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.
6. A annual report on Corporate Social Responsibility should be prepared to highlight the company‟s commitment for sustainable community development.

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