



## Corporate Social Responsibility for Community or Business: Incidence from Odisha

### KEYWORDS

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**ABSTRACT** In the recent years business operations by different companies, mostly Multi National Companies (MNCs) and Private Companies (PCs) are being closely observed by the Social Activist Groups (SAGs), Non Government Organizations (NGOs) and Media, which has made pressure on companies to closely monitor the social and environmental implications of their business operations. This research paper tries to make an analysis of the motives behind Corporate Social Responsibility (CSR) expenditure of some selected companies of Odisha, based on both primary data collected through personal discussion and secondary data. Whether the expenditure incurred by these companies on CSR activities has some social interests or other hidden business interests. Is it a demand driven function or supply driven function? Does the social issues on which CSR focuses is really the need of the community or it is proposed by the companies or somebody else, may be the government, local administration, people representatives, non government organizations and leaders of the political parties in power. What constitute periphery of a business and who will identify it. These are some issues which need to be addressed and require further studies. This study also put a light on the functioning of the Rehabilitation Peripheral Development Advisory Committee (RPDAC) constituted by the Government Odisha to monitor the Rehabilitation, Resettlement and CSR activities.

### Introduction:

In the recent years business operations by different companies, mostly Multi National Companies (MNCs) and Private Companies (PCs) are being closely observed by the Social Activist Groups (SAGs), Non Government Organizations (NGOs) and Media. Instances of judicial interventions in the case of Vedanta Aluminum Limited (VAL) and POSCO India Limited have attracted public attentions on the functioning of these companies. International SAGs have also questioned on some environmental issues related to VAL. Thus, it has made a pressure on companies to closely monitor the social and environmental implications of their business operations, which has given birth to the concept of Corporate Social Responsibility (CSR). (Dey, 2012) Though CSR is not new to the modern corporate world, it was after the economic reforms of 1991 in India, which has given momentum to industry's role towards local community dwelling in the periphery areas, where business is carried out. Rapid industrialization and development of professionalism in the post globalization era has attracted public attentions, which has forced different companies to give a professional approach to CSR and include it as a management function of the business along with other functions such as production, finance, human resource etc.

People are the best assets of an organisation which includes both employee and community living surrounding the industries. Community, like other stakeholders such as investors, employee, suppliers and government is also equally important stakeholder of the business. Conducive community is an integral part of the company to carry out the business operations peacefully and the only aim of CSR is to make and maintain the community industry friendly and work for their sustainability, livelihood and development.

Odisha, a mineral rich state in the recent years has attracted attentions of corporate houses and MNCs due to its flexible industrial policy and industrious attitude of the state government in power since last 13 years. Investment by South Korea's steel giant POSCO, world's fourth largest steel producer, is considered as largest Foreign Direct Investment (FDI) in Jajpur district of Odisha. Present study is an attempt to analyze the CSR functions of the companies as in Table No-1 and

its impacts on the socio economic development of the area.

**Table No-1**

	Name of Companies	Location	Business	Net Profit FY-2010-2011
P U B L I C	Mahanadi Coalfields Limited(MCL-CIL)	Burla	Coal	2609.31 Cr
	National Aluminum Company Limited(NALCO)	Angul	Aluminum	1069.30 Cr
	Rourkela Steel Plant(RSP-SAIL)	Rourkela	Steel	4905 Cr
	National Thermal Power Corporation Limited(NTPC)	Talcher	Power	2947.01 Cr
	Orissa Power Generation Corporation Limited(OPGC)	Banaharpali	Power	115.04 Cr
P R I V A T E	ACC Limited(ACC)	Bargarh	Cement	1325.26 Cr
	Tata Refractories Limited(TRL)	Belpahar	Refractories	43.69 Cr
	POSCO India Private Limited (POSCO)	Bhubanewar	Steel	----
	Vedanta Aluminum Limited(VAL)	Jharsuguda	Aluminum	US\$ 386 million
	Bhushan Steel & Power Limited(BSPL)	Thelkoli	Steel	Rs.438 Cr

### New Approach of CSR:

CSR initiatives in India are now taken by many companies. An effective CSR policy must fulfill all the expectations of community from the business operations as well as the interests of all the stakeholders. It intends to integrate the social and environmental concerns in business operations voluntarily, through certain activities for the socio economic development of the people and area. This includes welfare programmes (health, education, drinking water), assets creation/development projects (construction of roads, schools, community centers, tube wells, plantations), income generation activities (promoting small business, self help groups, organizing local clubs & mahila mandals) etc. CSR is the process of managing the cost and benefits of business activity to both internal (workers, shareholders, investors) and external (institutions of public governance, community members,

civil society groups, other enterprises) stakeholder. (Sharma, 2011) In common language CSR means, the ways companies incorporate social, environmental and economic concerns into their values, culture, decision making process, strategies and operations in a transparent and accountable manner and thereby establish better practices within the company, create wealth and improve society. (Khan, 2010)

But the new approach of CSR considers community as stakeholders of the business like others and CSR policy should be designed in such a manner that, their interests from business is fulfilled. This consider financing for CSR is equally important as allocating funds for other business functions like maintenance, human resource and employee welfare etc. The voluntary concept of CSR is now becoming a statutory concept for corporate. This become more prominent after the guidelines of Department of Public Enterprises (DPE), that all the Central Public Sector Undertakings (CPSUs) must spend a specific percent of their net profit on CSR activities in a particular year. DPE has instructed all CPSUs earning net profit of less than 100 Crore, 100 Crore to 500 Crore and more than 500 Crore to spend 3% to 5%, 2% to 3% and 0.5% to 2% of the net profit on CSR respectively. This has also forced all the PCs and MNCs to keep aside a specified percent of their profit for CSR in their annual budget.

#### Defining Periphery:

What constitute periphery of a company varies from companies to companies. Generally periphery refers to the surrounding area or boundary area of the industry where business is carried out and all the CSR activities should be targeted for the socio economic development of people living in that area. Some companies consider periphery as surrounding villages, some define it as all the villages or town with a radius of 5 or 10 or 15 kilometers of industry, some consider the entire district as periphery area where as other consider the neighboring districts. But it is strange to know that some companies have made it as their policy that, certain percentage of CSR budget should be spent in local area (surrounding villages) and a lion share will be spent anywhere in the state. For them periphery includes the entire state. As per policy of NALCO, 0.5% of its net profit was embarked for CSR expenditure, which was doubled to 1% from 2002-2003 (supposed to be 2% as per DPE guidelines). They have reserve 40% of their CSR fund for Damanjodi area (Mines & Refinery), 40% for Angul area (Smelter & Power) and rest 10% for other area. In 2009-2010 out of 138.73 Cr CSR fund, 27.66 Cr was spent at non periphery (other) area which cannot be termed as CSR work under any situations. Some of these work includes, installation of electronic traffic signaling system at Balasore (5.48 lakhs), assistance for making a film on 'Paik War' to N.K. Institute of Development Studies, Cuttack (5 lakhs), 12 number of Tata Sumo as PCR (Police Control Room) van, 10 to Police Commissioner, Bhubaneswar (52 lakhs) and 2 to Superintendent of Police, Puri (10 lakhs) and installation of close circuit televisions at Lingaraj Temple, Bhubaneswar (4.5 lakhs). It is very much required that CSR fund must be spent for the socio economic development of the people residing in surrounding area the industry for which, periphery should be clearly defined, it should not be the entire state or whole district or surrounding districts under any circumstance.

#### CSR- Demand Driven or Supply Driven:

The study reveals that, most of the expenditure incurred on CSR functions is supply driven. As because CSR fund is available, developmental and welfare activities are carried out, which is not always need/demand based. However TRL & ACC have conducted a survey in their periphery area and designed their CSR policy accordingly. Sustainable Community Development Project (SCDP) promoted by ACC with co-operation of Mahashakti Foundation of Kalahandi, is started after conducting a demand analysis under the leadership of Tata Institute of Social Sciences (TISS), Mumbai is professional approach where 1096 households of Sauntamal, Badmal

and Dungri villages of Ambabhona block of Bargarh district are benefitted. Promotion of 'Grain Bank' among farmers of this area was their real need. Similar approaches are also adopted by TRL in building of community centers and plantation projects. Hospital with 100 beds and facilities of Intensive Care Units (ICUs) was a long pending demand of the people of Sundergarh district before the state government of Odisha, which is going to be materialized with CSR fund of NTPC, by modernizing of District Head Quarter Hospital of Sundergarh is a good example of demand driven CSR.

In the case of other companies CSR projects prepared by the companies as per their convenience and interests of other peoples from politics, civil service or government, where community has no role and CSR activities were carried out like others company sponsorship programmes. DPE guidelines have also encouraged the corporate to allocate more funds for the supply driven CSR functions. Companies must think about this. Before allocating funds for a CSR functions, demand/need of the community and people must be accessed by adopting some scientific approach under the supervision of an expert or professional organisation. Guidelines for such demand analysis by DPE will act as catalyst to make CSR functions more demand driven.

#### Events based CSR- Short Term Popularity:

Events based CSR by VAL & BSPL in and around Jharsuguda district and Bhubaneswar is meant for gaining short term eye catching popularity is often seems as a political events and used as a platform by political leaders in power for public recognition. Their CSR expenditure often limited to health camps, celebration of 26th January, 15th August and Gandhi Jayanti at schools and clubs and it seems as if a festival or celebration. Every year of VAL sponsors a series of football and cricket tournaments and athletics events both at district and state level in name of Vedanta Cup or any other name and these events are celebrated as festivals. Celebrities from different fields were also invited and hugely paid. All these expenditure are booked under CSR head. Similarly health camps, construction of roads, schools, temples and renovation of ponds etc; were undertaken by BSPL under CSR. It is strange to know that construction and maintenance work of guest houses and bachelor accommodations is considered as CSR function by BSPL. Corporate must not confined their CSR activities only in events. They must allocate fund for some long term benefit of the people in the periphery area.

#### CSR for Social Development or Business Development:

The study reveals that some time CSR activities are undertaken in the periphery with the intentions of business development or to pacify the aggrieved public or displaced families. Proposal of investment of more than 5 crore by BSPL on water supply project is an example of such investment, which aims to get the clearance from Lapanga Gram Panchayat for laying water pipe under the reserve forest of Lapanga village. Initially the project was started in 2004-2005 with an impressive inauguration by a political leader in power with an expenditure of 6-8 lakhs from CSR fund and as soon as clearance was accorded by Gram Panchayat, the project was stopped. Construction of roads, renovation of schools, construction of temples and street lighting and water supply works are carried out by OPGC in their periphery villages is intended to pacify the displaced families. However CSR work undertaken by RSP, NTPC and MCL are executed in their periphery villages with an intention of socio economic development of the people in that area. All the CSR activities of NTPC are based on Project Affected Person (PAP) approach and 15-20% of its CSR budget is for education only. Using CSR fund as a strategy for business development will develop a bad industrial culture, which needs to be discouraged.

#### Community Participation in CSR:

Any CSR work without community participation will give an indication to public that the CSR work is the functions of the company, carried out for its own benefits, where they have

no role to play. Welfare or development activities carried out by these companies in their respective area fail to involve the community. In most cases CSR work is undertaken in the villages with the help of village clubs, local leaders, panchyati-raj representatives and with the help of a company employee belonging to that particular village. Such trends of executing CSR lacks community participations is the main barrier to the socio economic development of the area and should be avoided. However, POSCO's plan to encourage community participations in their periphery area with its agency, POSCO-TJ Park Foundation is a good indication.

#### **Functioning of Rehabilitation Peripheral Development Advisory Committee (RPDAC):**

As per the Orissa Resettlement and Rehabilitation Policy-2006, in every district, RPDAC are constituted under the Chairmanship of Commissioner (Revenue) where in, concern District Magistrate is member convener comprises of repre-

sentatives of companies, voluntary organizations, Members of Parliaments and State Assembly, to look after the rehabilitation and periphery development work. The study reveals that RPDAC's work is interpreted in a very narrow sense and limited to only sanction of compensations to displaced families. Discussions relating to periphery development are not a subject of concern for RPDAC, if some discussions or decisions in relation to periphery development take place in the meeting, it became advisory in nature and hardly takes place.

#### **Conclusion:**

CSR now is not voluntary is a policy matter needs to target only people residing in the periphery area and are directly affected, socially or economically by the business operations. Its use as an instrument for business development or for gaining any political favor may be discouraged. It will create a bad trend in society and defame the corporate value and ethics.

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