

EFFECT OF CSR IN ODISHA

¹Dr. Sandeep Kumar Patnaik, ²Abhijeet Patra

¹H.O.D. Dept. of Commerce, B.B. College, Baiganbadia, Mayurbhanj, Odisha, India

²Research Scholar, North Orissa University Takhatpur, Baripada, Odisha, India

Abstract: Over the last years an increasing number of companies worldwide started promoting their Corporate Social Responsibility or CSR strategies because the customers, the public and the investors expect them to act sustainable as well as responsible. In most cases CSR is a result of variety of social, environmental and economic pressures. Hence Corporate Social Responsibility has become more relevant today than ever before. This article analysis the meaning of CSR as long as it's effects in Odisha and an attempt to examine the various policies adopted by top Corporate sectors and their role to eliminate the various problem such as poverty, hunger, environmental sustainability, unemployment, gender inequality and protection of national and provincial heritage, art and culture. Under this background, this study reflects the comparative analysis of some major corporate houses like BPSL, MCL, NALCO, TATA and VEDANTA towards CSR expenditure in different districts of Odisha. Among the districts, the maximum CSR spend was in Angul followed by Jajpur and Sundergarh. This article also gives an insight of the recent policy change in respect of CSR with introduction of mandatory Provision - Section 135 on CSR in Companies Act 2013.

Keywords: Corporate Social Responsibility, Environment, Economic, Role Policy and Effect.

1. INTRODUCTION

A business enterprise derives several benefits from the society directly or indirectly, which must therefore; require the enterprise to compensate to the society as well. Corporate social responsibility (CSR) is a process to integrate, social, environmental, ethical, and consumer concerns into business operation. Today, corporate social responsibility has become a vital element of corporate world and it is recognized not only as a necessity to the sustainability of business operation but also for developing the society where they operate. CSR means that the whole corporate world comes forward and takes responsibility towards the benefit of the society. It is represented by the contribution undertaken by companies to society through its business activities and its social investment. This is also to connect the concept of sustainable development to the company's level. At present the degradation of environment and the environment hazards like global warming, evils in factory system and increase in pollution due to various activities of the companies are increasing day by day. So there is a need to keep a check on these activities for the benefit of the society. Therefore it is important for all companies to strive together and adopt CSR standards to make the society better than before.

IMPORTANCE OF CSR:

CSR plays a major role in developing the economy of a country. It can be defined as the way in which a country manages various business entities to produce an impact on the society. Companies with high CSR standards are able to demonstrate their responsibilities to the stake holders, employees, customers and the general public at large. CSR is a process in which all companies come together as one and take part in the welfare of the society. Many organizations conduct campaigns to create awareness among corporate, civic bodies and government bodies about the importance of corporate social responsibility. By this it can attract staff there by reducing employee turnover and cost of recruitment.

What is the importance of corporate responsibility?

The answer lies in the two things:

- 1) Organizations understanding their role in developing a society and
- 2) Awareness among business houses, corporate bodies, and the people. Versatile profitable and dynamic businesses are the driving forces that build the economy of the country. We must remember that the growth of a country purely depends the growth of the society and vice-versa.

CSR IN THE LIGHT OF COMPANIES ACT, 2013:

India is a developing economy where CSR is to play an important role in the organization. The concept of 'Corporate Social Responsibility' has been recognized for the first time through the companies act, 2013. Section 135 of this act deals with CSR and the schedule vii of the new lists out the CSR activities which may be undertaken by the companies.

According to section 135(1) of the Companies act 2013, every company having net worth of `500 crore or more or turnover of `1000 crore or more or a net profit of `5 crore or more during any financial year shall constitute a "CSR committee" of the board consisting of 3 or more directors, out of which atleast one director shall be an independent director. This committee shall be accountable for undertaking the CSR activities.

According to the schedule VII of the companies act, 2013, following activities may be included in the CSR policy:

- Eradicating extreme hunger and poverty.
- Promotion of education.
- Promotion gender equality and empowering women.
- Reducing child mortality and improving material health.
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.
- Ensuring environmental sustainability.
- Employment enhancing vocational skills.
- Social business projects.
- Contribution to the prime minister national fund or any other fund set up by the central government or the state government for the social-economic development and relief and funds for the welfare of the Schedule caste (SC), Schedule tribe (ST), OBC, minorities and women etc.

Schedule VII also states that the Govt. may include such other matters as may be prescribed under the said schedule. With the enactment of the company's act 2013, companies would be required to spend at least 2 percent of their net profits on CSR activities and avail appropriate benefits or deductions available under the income tax act, 1961.

It is notable that a company qualifying for CSR activities under sec. 135 of the new companies act 2013 will have to explain if it fails to spend prescribed amount and also fails to specify the reasons for not spending the amount in its Board report, shall be punishable with a fine not less than `50,000 but which may extend to `25,00,000.

CSR- ISSUES & CHALLENGES:

Corporate social responsibility is a form of corporate self-regulator integrated into a business model. CSR policy has to function as a self regulatory mechanism whereby a corporate can monitor and ensure it's active compliance with the spirit of the law as per ethical standards and international norms. It aims to clinch responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors and community at large.

In India top ten corporate houses like TATA, WIPRO, BAJAJ LTD., COAL INDIA, RELIANCE INDUSTRIES, ITC GROUP OCL LTD, BIRLA GROUP, VEDANTA & NALCO are practicing the principle of social responsibility before CSR become a popular basis for domestic as well as multinational companies. In spite of having such good glorious achievements in Odisha CSR is still in budding stage. A lack of understanding, inadequate trained personnel, inefficient policy are some obstacles to reach the effectiveness of CSR programmes. Large number of corporate sectors are also undertaking these activities superficially and promoting highlighting the activities in Odisha.

The concept of Corporate Social Responsibility has gained prominence from all sides, organization must realize that government alone will not be able to succeed its endeavour to uplift the people of the downtrodden Society. Taking into this consideration the scope of CSR has to be widened at a faster rate to reduce the gap between rich and poor.

OBJECTIVES OF STUDY:

- To study the concept of CSR.
- To study the role of CSR for the social environment.
- To review the initiative of major corporate houses towards CSR in Odisha.
- To find out how CSR is serving as a determinant of corporate success.

DATA SOURCES:

The data is purely secondary in nature and the knowledge has been obtained only through various articles available on websites of BPSL, MCL, NALCO, TATA AND VEDANTA.

There is no scope of collecting the primary data in any form as the topic is theoretical in nature and does not include any kind of questionnaire to be filled.

RESEARCH METHODOLOGY:

The study is based on secondary data taken from annual report of some major corporate houses of Odisha. An attempt had been made to find out the significance of CSR practices of these selected corporate houses in this study and a descriptive research design has been adopted to measure the impact of CSR in various dimensions and loyalty.

LIMITATIONS:

The study is limited to only five corporate houses of Odisha. Due to unavailability of adequate data of some other corporates, my study is limited to only five corporate houses, As the sample size considered for the study was very small, its result cannot be generalized to other corporate houses.

2. CSR POLICY ADOPTED BY SOME CORPORATE SECTOR UNDER MY STUDY

BPSL'S CSR POLICY:

Bhushan Power & Steel limited (BPSL) is a fully integrated 3.5 million TPA Greenfield steel and power plant in Odisha. Being a responsible industrial house of a developing country we can control, minimize the concentration of pollution, conserve the natural resources, waste water management, plantation and greenbelt development etc.

The company adopts three R's principle- Recycle, Reduce and Reuse for managing waste. The company has implemented environmental management system ISO 14001:2004 to improve environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantages and trust of stakeholders.

The company has taken a conscious decision to concentrate its CSR efforts around the Odisha since Odisha has the lowest per capita income and GDP when compared to the other plant locations namely Chandigarh, Punjab and west Bengal. For FY 2014-15, the company has identified the following area to focus on Rural Development, Education, Water, Environment & Ecology Preventive Health and Women Empowerment.

According to section 135 of the Companies Act, 2013 the company has prepared CSR policy document on the basis of particulars being laid down under CSR Rules 2014. The CSR policy, among other things, provides details on how the CSR budget would be utilized during FY 2014-15 and what will be the mechanisms to monitor the progress of the activities undertaken during the year.

As per budget estimate of BPSL for the FY 2014-15, the company planned to spend ₹120 lakhs especially on rural development, education, programmes for eradication of poverty, maintaining ecological balance, and women empowerment in its peripheral areas.

MCL'S CSR POLICY:

The Mines of Mahanadi Coal Limited (MCL) and its HQ are located in 4 Districts of Odisha and relatively in isolated areas with little contact to the outside society. Mining of coal has profound impact on the people living in and around the areas where the mines are established. The socio-economic condition of the original inhabitants and indigenous communities are required to be changed. Hence, the primary beneficiaries of CSR should be land owners, Protected Area Permit (PAP) and those staying within the radius of 25 kms of the Project. Poor and needy section of the society living in different parts of Odisha should be second beneficiaries. The objectives of CSR policy of MCL is to supplement the role of the Government in enhancing welfare measures of the society based on immediate and long term social and environmental consequences of their activities.

The CSR has been framed after incorporating the features of the Companies Act, 2013 and as per notification issued by Ministry of Corporate Affairs, Govt. of India on 27.2.2014 as well as Department of Public Enterprise (DPE) Guidelines and covers the following:-

- a) Welfare measures for the society at large, to ensure the poorer section of the society derived the maximum benefits.
- b) Contribution to the society at large by way of social and cultural development, imparting education, training and social awareness specially with regard to the economically backward class for their development and generation for income to avoid any liability of employment.
- c) Protection and safeguard of environment and maintaining ecological balance.

During FY 2014-15 MCL had expended `6130.19 lakhs in Jharsuguda, Sundargarh, Angul and Sambalpur districts to fulfill its social responsibility. The expenditure are generally made for promotion of education, eradication of poverty, empowerment of women encouragement sports and rural development.

NALCO'S CSR POLICY:

National Aluminum Company Limited (NALCO) has been taking up Corporate Social Responsibility (CSR) activities since inception. Evolutions of CSR activities of the company are enumerated below:-

- (i) The board of directors approved (in its 125th meeting held on 10-09-1998) 0.5 percent of Net profit of previous financial year to be spent for Peripheral Development activities in the subsequent year.
- (ii) The 0.5 percent was increased to 1 percent during the year 2002 by the Board in its 173rd meeting held on 25-11-2002.
- (iii) The Peripheral Development activities at M&R Complex & S&P Complex are being implemented through Govt. of Odisha constituted "The Rehabilitation and Periphery Development Advisory Committee" (RPDAC) under the Chairmanship of the concerned Revenue Divisional Commissioner.
- (iv) 40 percent each of the total sanctioned amount for Peripheral Development activities was being spent at S&P Complex and M&R Complex and 20 percent was being retained for corporate level activities.

Since the amount being so Peripheral Development activities through RPDAC was not giving the desired result, the Board of Directors approved (in its 241st meeting held on 19-03-2010) established NALCO Foundation' by allocating 1 percent of the net profit of the previous financial year for CSR activities to be spent through NALCO Foundation in the subsequent Year.

The Board of Directors in its 275th meeting held on 30-07-2014, approved the amendment to the Trust Deed to enable NALCO Foundation to take up CSR activities in the line with various application statutes like Companies Act, MMDR Act etc. and rules made there under, RPDAC sponsored projects and DPE guidelines as amended from time to time.

In addition to taking up CSR/Peripheral Development activities through RPDAC/NALCO Foundation, the company has also been taking up CSR activities like providing educational facilities to Peripheral villagers at Angul and Damanjodi in Saraswati Vidya Mandir/Delhi Public Schools, funded by NALCO, contribution to Prime Minister's National Relief Fund, contribution to Chief Minister's Relief Fund, organizing medical camps etc.

To fulfill the Corporate Social Responsibility, NALCO expended `1909.85 lakhs during FY 2014-15 in Koraput, Angul, Khurda, Sambalpur and Bhubaneswar. It also donated `400 lakhs to prime minister's relief fund for the victims of Jammu and Kashmir.

TATA STEEL CSR POLICY:

After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens, pointed that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could use their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures. The community development and social welfare program of the premier Tata company, Tata Iron and Steel Company was started the concepts of "Social Responsibility".

Tata Steel's vision is "to be a global benchmark in value creation and corporate citizenship". The company has always endeavored to conduct its business responsibly, mindful of its social accountability, respecting applicable laws and with regard for human dignity. The company's long term CSR objective is "to improve quality of life of the life of the communities we serve globally through long term value creation for all stakeholders", which is in alignment with the Tata Group Core Purpose.

The company shall allocate at least two percent of its average net profits before taxes of the preceding three years, towards CSR activities to sustain and improve a healthy and prosperous environment and to improve the quality of life of the communities it serves. The company may also utilize its products and services as suitable for its CSR activities. Any surpluses arising out of CSR projects or programmes or activities shall be re-deployed back into CSR activities and will not form a part of the business profits of the company. The company shall positively and influence its employees and partners in fostering a sense of social commitment for their stakeholders.

In 2014-15, TATA expended `5961 lakhs being second topmost company after MCL contributing towards sustainable development mainly in Keonjhar, Jajpur, Ganjam, Sundargarh, Dhenkanal, Cuttack, Balangir and Balasore districts of Odisha. Major sector in which the CSR project covered are health and drinking water, education, livelihood, environment, ethnicity, sports and rural & urban infrastructure development. The company undertaken the activities either directly or in collaboration with the following delivery arms: Tata steel rural development Society (TSRDS), Tribal Cultural Society (TCS), Tata Steel Skill Development Society (TSSDS) and Tata Steel Family Initiative Foundation (TSFIF).

VAL'S CSR POLICY:

Vedanta Aluminum Limited (VAL) is a socially responsible corporate that aspires to transform the lives of people surrounding its plant site. VAL firmly believes in making the local people a participant in the growth process of the organization and works as a facilitator of socio-economic transformation of rural parts of Odisha. Its aim is to provide development opportunities to local communities in a culturally appropriate manner in consultation and co-operation with primary beneficiaries, local government authorities and other stakeholders as may be appropriate.

The main area where CSR programs implemented or taken into account are Poverty, Sports, Health & Safety, Alleviation Programs especially integrated rural development which impact overall socio-economic growth and empowerment of peoples. As per recommendation of the CSR committees of the company the activities may be modified from time to time.

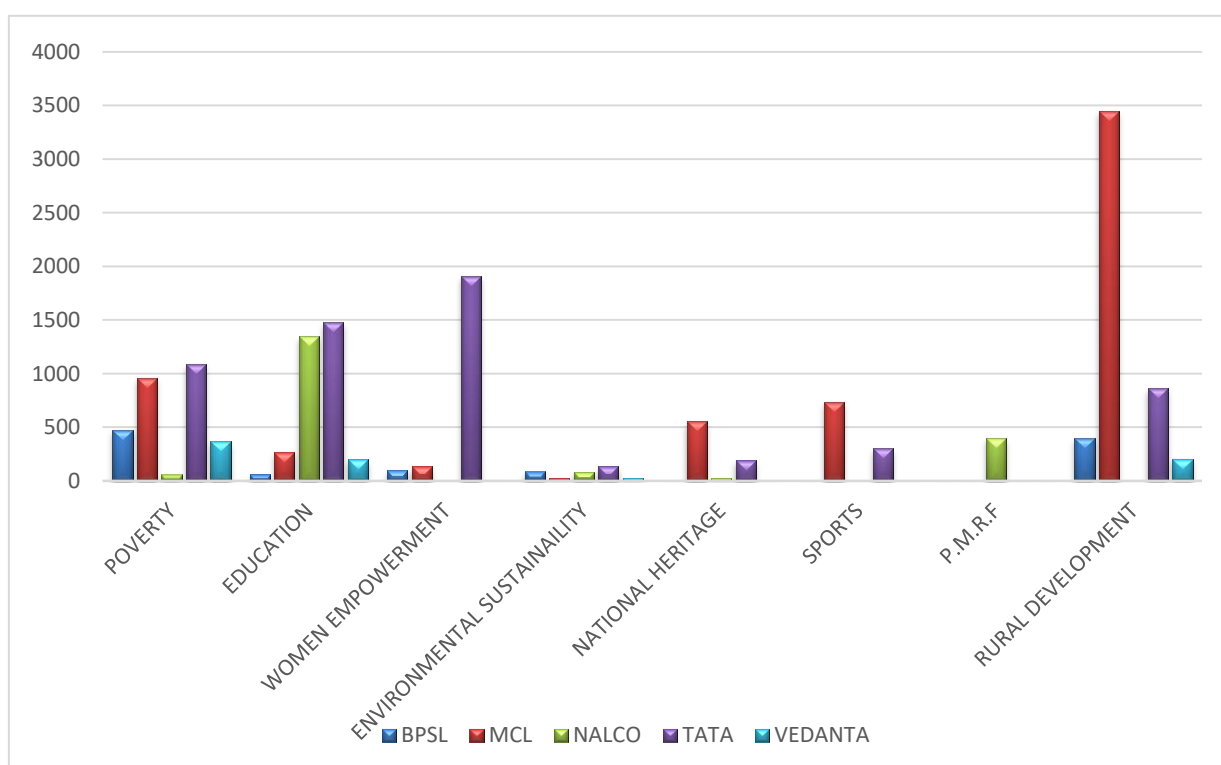
Vedanta expended `805.11 lakhs during FY 2014-15 towards its social responsibility in Jharsuguda, Kalahandi, Raygada and Kesinga district of Odisha. Major portion of expenditure are made for eradication of poverty, promotion of education and rural development.

The expenditure made by BPSL, MCL, NALCO, TATA and VEDANTA during the FY 2014-15 to accomplish their social responsibility are tabled in a comparative statement followed by a graph as follows.

COMPARATIVE BUDGETED & EXPENDITURED AMOUNT UNDER CSR SCHEME OF SOME OF THE IMPORTANT CORPORATES OF ODISHA DURING FY 2014-15

(Amount in lakhs)

SI No.	Activities Under Schedule VII	BPSL	MCL	NALCO	TATA	VEDANTA	Total
		Amt.	Amt.	Amt.	Amt.	Amt.	Amt.
1	Eradication of Poverty	475	960.28	56.74	1088.78	366.40	2947.20
2	Promoting Education	60	270.18	1344.83	1475	198.48	3348.49
3	Promoting Gender Equality & Woman Empowerment	100	135.97	Nil	1910.67	4.01	2150.65
4	Environmental Sustainability and Ecological Balance	85	26.40	83.00	137	29.06	360.46
5	National Heritage	Nil	554.86	25.28	189.33	Nil	769.47
6	Measures for the Benefit of Armed Forces	Nil	Nil	Nil	Nil	Nil	Nil
7	Sports	Nil	734.39	Nil	299.51	2.05	1035.95
8	Prime Minister Relief Fund	Nil	Nil	400	Nil	Nil	400
9	Contribution to Technology Incubators	Nil	Nil	Nil	Nil	Nil	Nil
10	Rural Development	400	3448.11	Nil	860.71	205.11	4913.93
11	Total	1120	6130.19	1909.85	5961	805.11	15926.15



(Source - Data collected from published annual report)

3. INFERENCE

The above comparative table and graph indicates that the expenditure made by five Corporates in various activities in different area of Odisha are different according to their profit earnings during the FY 2014-15. The CSR report shows in Odisha 287 companies expended `34412 lakhs in total during 2014-15 but these five companies spend `15926.15 lakhs towards CSR in their respective catchment areas out of which MCL expended `6130.19 lakhs, TATA expended `5961 lakhs, NALCO expended `1909.85, BPSL expended `1120 lakhs and VEDANTA `805.11 lakhs during 2014-15 to fulfill the corporate social responsibility.

It is found that out of the total expenditure of `890.46 towards eradication of poverty in the periphery area TATA expended highest amount followed by MCL, BPSL, VEDANTA and NALCO. The amount which is expended by TATA towards this program is more than total expenditure made by MCL, BPSL, VEDANTA and NALCO. For promoting education in the state TATA expended `1475 lakhs followed by NALCO `1344.83 lakhs, MCL `270.18, VEDANTA `198.48 lakhs and BPSL `60 lakhs. Corporates are also come forward to empower women to find a rightful place in nation building regarding this motto a total of `2150.71 lakhs are expended in this regard out of this TATA's contribution is highest among other corporate houses in the state. To take care of flora and fauna, creating a beautiful and salubrious environment corporates are expended `360.46 lakhs to maintain ecological balance. Rural development is one of major concern for the sustainable development of the state. So these five corporates are also expended in total `4913.93 lakhs for the development of rural sectors, especially where the raw materials are available and their plants are established. Now a day's Community sports is one of the key strategies used to empower youth which helps to identify the talent among the rural communities. In sports only three companies have expended out of which MCL expended `734.39 lakhs followed by TATA `299.51 lakhs and VEDANTA `2.05 lakhs. NALCO as one of the Navratna Company contributed `400 lakhs to the PM'S relief fund for the rehabilitation of the victims of Jammu and Kashmir.

4. MAJOR FINDINGS

Due to globalization the companies of Odisha are facing various challenges from the different corners. To safeguard their interests they develop the CSR policies differently according to their select area. The study shows that all surveyed companies present themselves as having CSR policies and practices. However there is no link observed between company's agenda and goals. Local people's participation in social sector development is very negligible which needs to be popularize extensively. Corporates are expended their budget estimate according to their mission and vision to get tax relaxation as per Income Tax Act 1961, ignoring the requirement of local public in the periphery area. Likewise some corporate are not expended their CSR budget proportionately as per norms under schedule VII. The study reveals that the philosophy of CSR is yet to be taken a dynamic strategy. In all the corporates, the employees involvement is negligible which needs to be enhanced through awareness programs. The governance of CSR is also ineffective to protect the public property and natural resources of Odisha. As ecological balance is one of the major field for sustainable development, there no so remarkable progress in this field.

5. CONCLUSION

Government cannot alone tackle the challenges of globalization. Hence contribution of corporate sector is essential to face the challenges and to create opportunities for future. The legal provisions of CSR policy should be effectively employed to restore ethical business practices and transparency in corporate of Odisha. If as per provision two percent of its average annual profits could not be spend in full in any financial year, the unutilized amount should be carry forward to the next financial year for the greater interest of the society. Corporate houses should involve the local peoples for effective implementation of CSR activities for the greater interest of the society and the company.

REFERENCES

- [1] Satapathy, R., Das, B., & Das, S. K. (2013). Consumers' Perception towards Corporate Social Responsibility: An Empirical Study in North Odisha. *Training & Development Journal*, 4(2), 175-183.
- [2] Chakraborty, A. (2015). Environmental Sustainability & CSR in Mining Industry-Focusing On Odisha. *Browser Download This Paper*.

- [3] Singh, P., Choudhury, A., Behera, B. C., & Choudhury, A. K. (2015). Corporate social responsibility for sustainable development of coal mines in Odisha. *ZENITH International Journal of Business Economics & Management Research*, 5(11), 29-38.
- [4] Ali, I., Rehman, K. U., Ali, S. I., Yousaf, J., & Zia, M. (2010). Corporate social responsibility influences, employee commitment and organizational performance. *African journal of Business management*, 4(13), 2796.
- [5] Tripathy, S. K., & Rath, N. (2011). Practice of corporate social responsibility in NALCO and the perceptions of employees and the public: A case study. *South Asian Journal of Management*, 18(4), 44.
- [6] Sahoo, D. R. judicial approach of corporate social responsibility in changing the status of women: a case study of 'Vedanta' in Jharsuguda district in the state of Odisha.
- [7] Sharma, S., Sharma, J., & Devi, A. (2011). Corporate social responsibility: the key role of human resources management. *Human Resource Management: Issues, Challenges and Opportunities*, 9.
- [8] Krishnan, S. H., Sharma, R., Dash, P. S., Haldar, S. K., & Biswas, B. (2006). Use of waste plastics in Coke making at Tata steel. *Iron making & steelmaking*, 33(4), 288-292.
- [9] Priya, V. (2013). CORPORATE SOCIAL RESPONSIBILITY ISSUES & CHALLENGES IN INDIA.
- [10] Jenkins, R. (2005). Globalization, corporate social responsibility and poverty. *International affairs*, 81(3), 525-540.