

Csr practices in
maharatna
companies of india
management essay



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The term Corporate Social Responsibility has been gaining an astounding resurgence at the global level recently. CSR relates to the commitment of a company towards the society and the environment within which it operates and managing the business process in a way to produce an overall positive impact on the society. CSR enhances the concept of corporate responsibilities from a limited number of consumers and shareholders, to the stakeholders (employees, community, suppliers and shareholders). Today, it is believed that CSR is not the sole responsibility of the government; corporate both private and public play a legitimate role in uplifting the downtrodden of the society. Central Public Sector Enterprises have to compulsorily fulfill their social responsibilities as per the guidelines issued by Government of India from time to time. Over the years, most of the Maharatna companies have consciously and extensively promoted corporate social activities such as providing employment to the weaker and underprivileged sections of the society, providing assistance to social and cultural activities beneficial to employees and associated sections of the community, education, healthcare, environmental protection, women empowerment and participating in or contributing to the causes and activities dealing with natural disasters. These activities have helped these companies to win the trust and confidence of the people. Today CSR is treated as a well thought out and well planned management strategy to exert a positive impact on society and environment through sustained efforts. The present paper highlights some important CSR initiatives undertaken by Maharatna Companies especially ONGC, NTPC and CIL and helps to analyze their contribution to the social development of the country.

Keywords: Corporate Social Responsibility, Central Public Sector Enterprises, Maharatna Companies

Introduction

Concept of CSR

The term Corporate Social Responsibility has been gaining an astounding resurgence at the global level recently. CSR relates to the commitment of a company towards the society and the environment within which it operates and managing the business process in a way to produce an overall positive impact on the society. The growing concerns for sustainable development, pollution control, and stewardship of natural resources, globalization, empowered consumers, communication boom and tougher competition are certain reasons that have heightened the inclination towards integration of CSR principles in the corporate activities. CSR expands the activities of a business entity from a limited number of consumers and shareholders, to the entire globe or the stakeholders (employees, community, suppliers, environmental groups and government). Of late, the term has also been linked up with Triple Bottom Line Reporting (TBL) which essentially measures the performance of an enterprise against economic, social and environmental indicators. The concept of Triple Bottom Line introduced by Elkington in 1997 demands that a company's responsibility lies with stakeholders rather than shareholders. Accordingly, the business entity should be used as a vehicle for coordinating stakeholder interests rather than just maximizing shareholder profit.

Public Sector Undertakings and Maharatna Companies

The government-owned corporations where majority (51% or more) of the paid up share capital is held by central government or by any state government or partly by the central governments and partly by one or more state governments are termed as Public Sector Undertakings (PSUs) in India. Post independence, India was backward and underdeveloped - basically an agrarian economy with weak industrial base, high rate of unemployment, low level of savings and investment, lack of trained manpower and near absence of infrastructural facilities. Indian economy needed a big push. Hence, the roadmap for Public Sector was developed as an instrument for self-reliant economic growth and to overcome economic and social backwardness. The country adopted the planned economic development policies, which envisaged the development of PSUs.

The Department of Public Enterprises confers the status of Maharatna, Navratna, Miniratna to various Central Public Sector Enterprises (CPSEs). These prestigious titles provide them greater autonomy to compete in the global market and freedom to take strategic decisions in key areas of investment and mergers and acquisitions.

To be eligible for the grant of the Maharatna status, the company should have an average turnover of over Rs 20, 000 crore (Earlier it was Rs. 25, 000 crore), average annual net worth of more than Rs 10, 000 crore (Earlier it was Rs. 15, 000 crore) and average annual net profit of over Rs 2, 500 crore (Earlier it was Rs. 5, 000 crore) during the last three years. The Maharatna firms are also free to decide on investments up to 15% of their net worth in a project, limited to an absolute ceiling of Rs 5, 000 crore.

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Objectives of Study

Today CSR is treated as a well thought out and well planned management strategy to exert a positive impact on society and environment through sustained efforts. The present paper highlights some important CSR initiatives undertaken by Maharatna Companies especially ONGC, NTPC and CIL and helps to analyze their contribution to the social development of the country.

Research Methodology

The research design employed for the study is of descriptive type. This research design is adopted to have greater accuracy and in depth analysis of the research study. Available secondary data such as different news articles, web etc. is extensively used for the study.

CSR guidelines for Central Public Sector Enterprises and Maharatna Companies

The Committee on Public Undertakings (1993-94) in its 24th Report on ' Social Responsibilities and Public Accountability of Public Undertakings' has recommended a number of measures that form the base for making the guidelines on CSR for CPSEs and Maharatna Companies. The committee has brought out that the Government believes in making PSEs growth oriented and technically dynamic by giving greater powers to the boards so that PSEs could function professionally. Thus, the focus is on generating surpluses for self-sustaining growth. PSEs generally undertake certain amount of non-commercial responsibilities, which are incorporated in the MOA while

fulfilling their commercial objectives. All PSEs cannot be treated on an equal footing for undertaking various types of social activities. It is the responsibility of each PSE to identify and implement social responsibilities keeping in view its financial ability to sustain such activities and its operating environment.

The Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises have issued comprehensive guidelines on Corporate Social Responsibility (CSR) for Central Public Sector Enterprises (CPSEs) in April 2010. As per these guidelines:

CPSEs have to, through a board resolution, create mandatorily a CSR budget as a specified percentage of net profit of the previous year.

Expenditure range for CSR in a Financial year is 3-5% of the net profit of previous year in case of CPSEs having profit less than Rs. 100 crores; 2-3% (subject to minimum of Rs. 3 crores) in case the profit ranges from 100 crores to Rs. 500 crores and 0.5-2% in case of CPSEs having a net profit of more than Rs. 500 crores in the previous year.

Loss making companies are not mandated to earmark specific funds for CSR activities.

The CSR budget has to be fixed for each financial year and funds will be non-lapsable.

CPSEs are free to choose CSR activities within the framework of DPE guidelines, with the approval of their boards.

The CSR projects may be undertaken as far as possible in the periphery, where a company carries out its commercial activities. Where this is not possible, the CPSEs may choose to locate CSR projects anywhere in the country.

CSR activities are to be implemented by specialist agencies such as NGOs, institutes, academic organizations, trusts, missions etc.; and these activities are not to be conducted by CPSE employees / staff.

Implementation of these guidelines in the CPSEs will be monitored by the respective

Ministries/Departments concerned with CPSEs on regular basis.

Minister of heavy industries and public enterprises also stated that PSEs may lose their Maharatna, Navratna and Mini-Ratna status, if they fail to comply with the CSR guidelines in a time bound manner. The ministry will also monitor the CSR spending by PSEs as per the issued guidelines and will pull up the PSEs concerned in case of their failure.

Public sector units' apex body SCOPE (Standing Conference of Public Enterprises) has emphasized the need to have social audits of CSR spendings of PSUs. Such checks are required so that the CSR funds are not directed to those who do not have remarkable credibility.

CSR Initiatives at ONGC

Oil and Natural Gas Corporation Ltd. is the No. 2nd Exploration & Production company in the world and is amongst the top 5 Energy companies in Asia,

and 21st in the overall listing of global energy companies (Platt's Top 250) Global Energy Company Ranking 2012. ONGC was given the coveted status of "Maharatna" Central Public Sector Enterprise (CPSE) on 16 November, 2010 by the Government of India. ONGC has been a pioneer in corporate social responsibility practices. It has been actively involved in the following operations:

International pursuits: In an endeavour to spread smiles in Africa ONGC has undertaken many significant activities such as operating village clinics in concessional area, providing 1500 artificial limbs to the amputees, medicines and ambulance services, undertaking farming of about 4000 acres of land to popularize modern methods of farming in Sudan. ONGC has committed nearly \$2.45 million for the development of that country.

Health Care: ONGC has provided 'Alisha Washer' which is used for conducting pathological tests of thalassemia patients to the Thalassemia Society of India, Kolkata which will benefit about 1800 Thalassemia affected patients every year. In 2006, in association with the Rotary club, ONGC distributed artificial limbs to the affected people of Karaikal in Puduchery. Moreover ONGC is supporting Rotary club in carrying out a project 'Rotaplast' aimed for corrective surgery for cleft lip palates. It is also providing support to polio eradication programme through various NGOs and is also organizing regular medical camps in remote villages in project areas.

Water Supply: In 2005, ONGC launched the project 'Saraswati' in west Rajasthan for exploring deep underground water resources in the desert/drought prone areas.

Education: ONGC launched several CSR Projects during 2010-11 such as GICIET-Computer Education Project with Bharatiya Vidya Bhavan for setting up of five computer centers for unemployed youth, HEAT with Haemophilia Federation of India to transform lives of 1000 children with Haemophilia through education, ' Varishthjan Swasthya Sewa Abhiyan' with Help Age India for destitute aged persons, TERI-ONGC " Soldiers of the Earth" project aiming towards a greener future, " Amulya Dharohar" for conservation of four monuments at Sivasagar Assam, ' Ashadeep' for education of girl child of economically weaker sections of society. Providing financial assistance to Anganwadis, Tamanna special school for computer centre for disabled children, Braille machines for blind students, vocational educational centers for women in southern India etc are some other initiatives made in this area.

Entrepreneurship: For promoting entrepreneurship, the company is supporting the ' Bunkar Vikas Sansthan' for helping poor weavers in Madhya Pradesh. ' Gram Sarv Utthan' with SEED (Society for Educational welfare and Economic Development) focusing on adult education and vocational training to community youth, Project ' Yuva Samridhi' for helping cooperative self help groups in Assam, Shramik Vikas Sansthan and Adivasi Jagruti Abhiyan for tribals of Gujrat are certain other CSR initiatives of ONGC. Programs for empowerment and development of women employees including program on gender sensitization were also organized during the year.

Social and Communal Help: In India the company has joined hands with ' Shraddha' an NGO for helping the road side destitutes. In 2007, ONGC has supported a project by Transparency International India, New Delhi which has covered all 31 states and union territories and the focus of this study is <https://assignbuster.com/csr-practices-in-maharatna-companies-of-india-management-essay/>

to sensitize the people of India against all pervasive corruption faced on day to day basis. Disaster management is one of the focus areas of CSR in ONGC. Relief and Rehabilitation work for Orissa cyclone, Gujrat earthquake and Kargil war victims etc. are certain other commendable measures taken by ONGC in this area.

CSR Initiatives at NTPC

National Thermal Power Corporation India's largest power generation company is a socially responsible corporate citizen since its inception and is also a member of Global Compact, the largest voluntary initiative of UN for CSR and is committed to its ten principles in the areas of human rights, labour, environment and anti corruption. It follows the global practice of addressing CSR issues in an integrated multi stakeholder approach covering the environment and social aspects such as community development, resettlement, rehabilitation, protecting the environment, and policies associated with conservation.

Education: In the area of Education, NTPC has undertaken various steps such as vocational training programmes based on the need of the local community, construction of girls' hostel in Ongole and Guntur, AP etc. Setting up ICT (Information and Communication Technology) Center for empowering physically challenged students to learn IT Skills is another step in this direction. NTPC also provides ITI training in the fields like welding, fitting, mechanic, electrician etc to increase the employability of youth living in the vicinity of the projects/ stations.

Health Care: In the area of health, Directly Observed Treatment cum Designated Microscopy Centre (DOT cum DMC) have been operationalised at 12 NTPC hospitals covering 500 nearby villages for diagnosis and treatment of the Tuberculosis patients. NTPC has established NTPC Foundation-NIOH Disability Rehabilitation Centre (NFNDRC) at Tanda in collaboration with National Institute for the Orthopedically Handicapped (NIOH), Ministry of Social Empowerment, Govt of India for providing rehabilitation/ restorative surgery to physically challenged persons. Mobile health clinics, regular medical camps for cataract, cancer detection, construction of additional rooms and assets for hospitals etc. in the neighbourhood villages are certain other initiatives of NTPC.

Social and Communal Help: The company is one of the pioneers in the corporate sector in formulating a comprehensive resettlement and rehabilitation policy to improve the socio-economic status of PAP's (Project affected persons). NTPC is totally committed in providing manpower, technical and financial support during natural calamity in the country such as Tsunami, floods, earthquake etc.

CSR Initiatives at Coal India Limited

Coal India Limited is the single largest coal producer in the world and its mission is to produce the planned quantity of coal efficiently and economically in an environmentally and socially sustainable manner. CIL is also a well performer in the CSR area with the focus on the activities such as:

Education: Its educational contributions include the activities like providing financial assistance to primary, middle and higher secondary schools,

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conducting adult literacy programmes, promoting girl education, counseling of parents, providing scholarships to the poor and meritorious students etc. CIL is also taking steps to promote professional education by setting up vocational institutes offering various professional courses.

Health Care: Regarding health care, CIL is organizing awareness camps on AIDS, TB, Leprosy, diabetic detection and hypertension, blood donation camps, alcoholism and smoking, child and mother care, diet and nutrition, family welfare, senior citizens health care, wellness clinics and tele medicines etc. Operation Jyoti is another effective programme of CIL to eradicate all cases of reversible blindness in the peripheral area.

Water Supply: In the area of water supply, its efforts include installation and repair of hand pumps and tube wells, digging and renovation of wells, laying pipelines for proper distribution of water, rain water harvesting scheme and educating people regarding proper use of drinking water etc.

Environment Protection: CIL is constantly addressing the environmental issues. Its activities on the environmental front include organizing sensitizing programmes on environment management, pollution control, animal care, afforestation, green belt development, developments of jobs like dairy farming, poultry framing etc.

Social and Communal Help: In the area of social empowerment, it is providing training to rural youth for self employment, providing assistance to develop mushroom farming, medicinal plants, and training programmes for women on different vocational courses etc. CIL is also promoting sports and cultural activities in the nearby villages by conducting tournaments and <https://assignbuster.com/csr-practices-in-maharatna-companies-of-india-management-essay/>

providing sports material to young and talented persons. Promotion of national level team and sponsorship of national sports events are also the important efforts in this area. By the way of infrastructural support, it is taking steps for the construction, repair and extension of auditoriums, education institutes, shopping complex, bridges, roads, check dams, community center, play ground etc.

As per the CSR policy of CIL(December 2009), the fund for the CSR is to be allocated annually to the tune of 5% of the retained earnings of the previous year subject to the minimum of Rs. 5 per tonne of coal produced in the previous year. Out of this 60% is to be allocated for CSR activities of the coalfield and 40% for the CSR activities of the subsidiary companies.

Conclusion and Findings

The concept of CSR has gained prominence at national as well as international levels. Today, it is believed that CSR is not the sole responsibility of the government; corporate both private and public play a legitimate role in uplifting the downtrodden of the society. Over the years, most of the Maharatna companies have consciously and extensively promoted corporate social activities such as providing employment to the weaker and underprivileged sections of the society, providing assistance to social and cultural activities beneficial to employees and associated sections of the community, education, healthcare, environmental protection, women empowerment and participating in or contributing to the causes and activities dealing with natural disasters. These activities have helped these companies to win the trust and confidence of the people. CSR initiatives enable the corporate to build a stronger brand amongst customers, general

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public and government. By adopting an effective approach to CSR, a business can increase its ability to attract committed workforce and can prevent loss of customers and shareholders.

According to a report, CIL spent 92% of its CSR budget in the year 2009-10, and about 58% in 2010-11. It managed to spend Rs 37. 26 crores till September 2011. ONGC spent 83% of its CSR budget in 2009-10, 65% in 2010-11 and spent Rs 21. 86 crores till September 2011. About NTPC the figures are more interesting. It spent 122% of its budget in 2009-10, 100% in 2010-11 and spent Rs. 6. 48 crores till September 2011. These facts prove that Maharatna companies are not lagging behind in the fulfillment of their CSR. This should act as a motivator for every organization and they should also indulge in the CSR activities in the country.

Thus, CSR activities should, as far as possible, be linked and integrated with the corporate strategies of the business concern. CSR should not be seen as a compulsion, but should be undertaken for creating measurable value for the society.