

Corporate social responsibility (for national thermal power corporation (NTPC) limited)

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ARTICLE DETAILS

Article History

Published Online: 13 March 2019

Keywords

Corporate Social Responsibility (CSR), Sustainable development, Globalization, Sustainability.

ABSTRACT

When Multinational Companies are allowed by the government, there is bound to be drastic increase in the competition in domestic market? Each company tries its level best to prove itself in the market. They work for profit maximization and profit maximization becomes the very basic for the organizations which are working in the country. But with the change in time and increase in the level of literacy rate, consumers become more and more aware and understand various things happening around them. With these changes another new concept emerges in the market which is called corporate social responsibility (CSR), and each company claims to follow this responsibility. In this paper we are going to analyze how this concept is working in India and to what extent companies are following it for social and economic growth of the country. It shall try to determine the significance of CSR; the activities corporate perform under CSR, its impacts and confluences.

INTRODUCTION :

India is a developing economy where industries agriculture, telecom sector, infrastructure are at a developing stage. But after globalization which took place in the year 1991, when the Indian economy was opened up to the world economy and the international companies were allowed to do business in the country and invest in various sectors, the scenario of industrial development has seen a sea-change. Corporate Social Responsibility is a growing and important part of an organization's overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment. CSR is also linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long term social and environmental consequences of their activities.

CSR is the responsibility of an organization for the impact of its decisions and activities on society, the environment & its own prosperity known as the TRIPLE BOTTOM LINE of people, planet and profit.

India has the world's richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. CSR in India has evolved through different phases, like community engagement, socially responsible production and socially responsible employee relations. CSR & Hinduism: Social responsibility is a manifestation of dharma, the duty of human beings towards society. Atharvana Veda says that "one should procure wealth with one hundred hands and distribute it

with one thousand hands". The Yajurveda says that "enjoy riches with detachment, do not cling to them because the riches belong to the public, they are not yours alone". In the Rig Veda, there is also a mention of the "need for the wealthy to plant trees and build tanks for the community as it would bring them glory in life and beyond. "Let us walk together, Let us talk together, Let our heart vibrate together" – Rig Veda. Kautilya also "emphasized ethical practices and principles while conducting business".

CSR is a form of corporate self-regulation integrated into a business model. The term "Corporate Social Responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities and others. Over the past decade Corporate Sustainability & Responsibility (CSR) has acquired a new dimension and a new meaning. It has ceased to be purely altruistic in nature and has become a mainstream activity core to the business strategies of corporate houses. Social & Environmental considerations are being combined with economic factors in strategic decision making throughout the organization. The concept of „Triple Bottom Line" today demonstrates the competitive advantage of companies, which is essential for any young graduate to inculcate, thus creating an edge over their existing knowledge base. The businesses of today cannot afford to neglect the importance of CSR activities and their contribution to the business value. This workshop shall provide insights for development of an effective CSR Agenda, its efficient implementation and impact maximization. Corporate Social Responsibility is also called as corporate conscience, corporate citizenship or sustainable responsible business/ Responsible Business. CSR is a form of corporate self-regulation integrated into a business model. The term Corporate Social Responsibility became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral

responsibility more narrowly construed. CSR is becoming an increasingly important activity to businesses nationally and internationally. As globalisation accelerates and large corporations serve as global providers, these corporations have progressively recognised the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. Under the new Companies Act, 2013, passed by Parliament in August 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities. This paper focuses on the conceptualization of CSR, trends & identification of various areas of CSR activities of NTPC.

DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. (Carroll, 1979)

European Union (EU): It describes CSR as “the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large” while proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as follows: “CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth”.

CSR has been an integral part of NTPC's business of power generation and lighting up the lives of millions of Indians. NTPC's spirit of caring and sharing is embedded in its mission statement. We firmly believe that communities located in the vicinity of our projects as well as those displaced by them are important partners/stakeholders in India's growth story. As good neighbours, we have built strong partnerships with them through a slew of well-conceived community development intervention programmes. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and safe drinking water are the priority area for the CSR.

Based on our dedication to the cause since our inception, NTPC has a comprehensive Resettlement & Rehabilitation (R&R) policy covering community development activities. Our policy grows wings at the project sites the moment the project takes off. Thereafter extensive peripheral development activities are taken up along with the project

development. There is a separate CSR-Community Development Policy which covers a vast gamut of activities starting from the grassroots at the unit level right up to the regional and national level including implementation of key programmes through our very own „NTPC Foundation”.

NTPC's involvement in community development projects/ CSR covers a diverse range of issues such as basic infrastructure development, education, community health & sanitation, capacity building and gender empowerment. The projects are customised based on specific local requirements and guided by extensive Need Assessment Surveys and consultations through various participative forums like Village Development Advisory Committee, Rehabilitation and Periphery Development Advisory Committee etc. The active participation/engagement and ownership of these initiatives by the local communities is the key to the smooth and successful implementation of these schemes.

We are proud that our CSR initiatives and programmes are benefitting over a million of our countrymen in over 500 odd villages in the neighborhood of our stations and plants thanks to a vigorous structure, well documented policies and a streamlined process.

NTPC is also a member of Global Compact Network, India and confirms its involvement in various CSR activities in line with 10 Global Compact principles and shares its experiences with the world via “Communication on Progress”.

BENEFITS OF CSR:

Now, business houses have realized that CSR is one of the important ways in which an organization can distinguish itself from its competitors. Some benefits of CSR are as follows:

BENEFITS TO THE COMPANY:

1. Improved financial performance
2. Lower operating costs
3. Product safety and decreased liability
4. Workforce diversity
5. Access to capital
6. Reduced regulatory oversight
7. More ability to attract and retain employees
8. Greater productivity and quality
9. Increased sales and customer loyalty
10. Enhanced brand image and reputation

SOURCE OF DATA

The study is based on secondary data. Details collected from annual reports, sustainability reports and business responsibility reports of the selected companies and websites.

PERIOD OF STUDY

The data has been examined for the one financial year i.e. 2007-08 to 2017-18

OBJECTIVE OF THE STUDY

- To conceptualise the CSR & related term.
- To know the trend of CSR expenditure by NTPC.
- To identify the various area of CSR activities of NTPC.

RESEARCH METHODOLOGY

- The present study is based on the descriptive study.
- The secondary data and information has been collected from different sources such as official websites of NTPC, department of Corporate Affair Minister, newspaper, articles, research papers, journals, periodicals and website etc.

NATIONAL THERMAL POWER CORPORATION (NTPC) LIMITED

NTPC is an Indian Public Sector Undertaking, engaged in the business of generation of electricity and allied activities. It is a company incorporated under the Companies Act 1956 and is promoted by the Government of India. The headquarters of the company is situated at New Delhi. NTPC's core business is generation and sale of electricity to state-owned power distribution companies and State Electricity Boards in India. The company also undertakes consultancy and turnkey project contracts that involve engineering, project management, construction management and operation and management of power plants.

The company has also ventured into oil and gas exploration and coal mining activities. It is the largest power company in India with an electric power generating capacity of 53,651 MW. Although the company has approx. 16% of the total national capacity it contributes to over 25% of total power generation due to its focus on operating its power plants at higher efficiency levels (approx. 80.2% against the national PLF rate of 64.5%). NTPC currently produces 25 billion units of electricity per month.

It was founded by Government of India in 1975, which now holds 64.74% of its equity shares on 30.06.2016 (after divestment of its stake in 2004, 2010, 2013, 2014, 2016, & 2017). In May 2010, NTPC was conferred Maharatna status by the Union Government of India, one of the only four companies to be awarded this status. It is ranked 400th in the Forbes Global 2000 for 2016.

VISION & MISSION OF NTPC

To be the World's Leading Power Company, Energizing India's Growth. & Provide Reliable Power and Related Solutions in an Economical, Efficient and Environment Friendly Manner, Driven by Innovation and Agility.

REVIEW OF LITERATURE

Corporate Social Responsibility in evolved with the establishment of business houses. A wealth of literature review has been published over the years on CSR practices & sustainability

- Silti and Michael (2011), stated that both community related and environmental related CSR are positively related to organisational commitment these result imply that companies should communicate their CSP to all employees because it has the potential to increase their employees organisational commitment, which may result in positive organisational outcomes.
- Kabir (2011), the major reasons for involving CSR practices by companies are to create and maintain a favourable corporate image where companies should be viewed as social organizations and in terms of CSR practices, community involvement is higher than the other categories of CSR.
- Kariabrahimoglu (2010), was found that there is significant drop in numbers and extent of CSR projects in times of financial crisis. The study contributes to the literature by initiating discussions on CSR and the ways they are affected by financial crisis.
- Mishra and Suar (2010), Indicated that stock- listed firms show responsible business practices and better FP than the non-stock listed firms. Controlling confounding effects of stock- listing ownership, and firm size, a favorable perception of managers towards CSR is found to be associated with increase in FP and NFP of firms. Such finding holds good CSR is assessed from the six stakeholder group in segregate. Findings suggested that responsible business practices towards. Primary stakeholders can be profitable and beneficial to Indian firms.
- Hussain and Hussain (2005), provided a constructive picture between consumer's perception and organization's spending pattern on different CSR activities. They also figured out whether consumers expect to incorporate only brand name, or only company name or both brand and company name while organizing CSR activities.
- Chowdhury (2004), believes that, as a part of corporate governance. Corporate governance and monitoring is an important control device. The independent roles of nonexecutive directors in a society are dependent on economic, socio – political and cultural factors of that society. Asia particularly china, Japan, India, Bangladesh, Malaysia and Indonesia is characterized by collectivism and paternalism where there is high loyalty to senior people and juniors and subordinates obey seniors" wishes and desires.



COMMITMENT FOR CSR & SUSTAINABILITY

"NTPC commits itself to contribute to the society, discharging its corporate social responsibilities through initiatives that have positive impact on society at large,

especially the community in the neighborhood of its operations by improving the quality of life of the people, promoting inclusive growth and environmental sustainability".

FOCUS AREA/CSR INITIATIVES

Like the colours of a rainbow, The Corporation's involvement in community development projects/ CSR covers a diverse range of issues such as basic infrastructure development, education, community health & sanitation, capacity building and gender empowerment. The projects are customized based on specific local requirements and guided by extensive Need Assessment Surveys and consultations through various participative forums like Village Development Advisory Committee, Rehabilitation and Periphery Development Advisory Committee etc. The active participation/engagement and ownership of these initiatives by the local communities is the key to the smooth and successful implementation of these schemes.

GUIDING PRINCIPLE

- The provisions under Section 135 requires companies with under the guidance of the CSR Committee, spend in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
- Strive to improve standard of living of society at large, with preference to local and backward areas.

- Promote inclusive growth by focusing on needs of the deprived, under privileged, neglected and weaker sections of the society especially women, girl child, physically challenged and elderly persons.
- Contribute towards clean and sustainable development by protecting & maintaining the environment (air, soil and water), conserve natural resources, support biodiversity conservation and promote renewable energy.
- Integrate CSR & Sustainability initiatives with National Development plans mechanism adopted by NTPC.

CSR-CD COVERAGE

The activities are taken up at three levels:

- Station level: Neighbourhood villages through Need Assessment and consultation with local community and other stakeholders.
- Regional/National level: For addressing socio-economic issues at national level and overall development of States in which NTPC operates to improve visibility and impact
- Other Strategically important activities and new initiatives: Activities of strategically important nature in relation to Business Goals and new Corporate driven initiatives.

Table: 1 ALLOCATION & EXPENDITURE ON CSR BY NTPC

Sl. No.	Year	Allocation (Rs. Cr)	Expenditure (Rs. Cr)
1	2007-08	14.01	15.53
2	2008-09	17.94	13.43
3	2009-10	16.75	20.47
4	2010-11	72.34	72.21
5	2011-12	45.51	49.44
6	2012-13 *	56.37	79.42
7	2013-14 *	126.12	128.35
8	2014-15 *	283.48	205.18
9	2015-16*	349.65	491.8
10	2016-17*	227.85	277.81
11	2017-18*	220.75	241.54

* Including CSR & Sustainable Development Activities

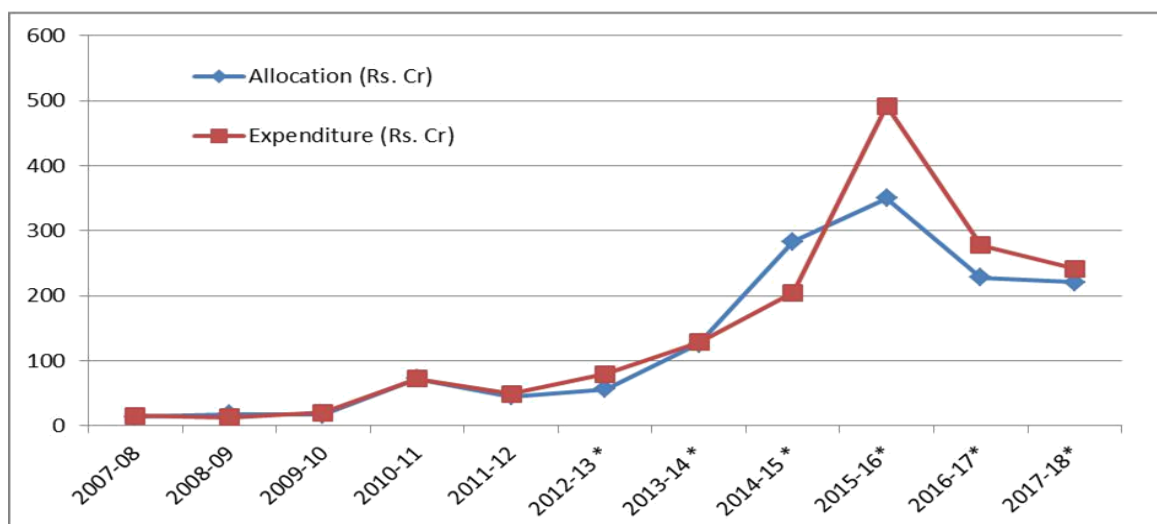


Fig. 1 Expenditure on CSR by NTPC

FINDING 1:

Table 1 shows the 10 years expenditure and allocation amount by NTPC on CSR related activity in which the allocation amount for CSR was Rs. 14.01 cr. & expenditure

was Rs. 15.53 cr in 2007-08. In the next year is allocated Rs. 17.94 cr. amount of which only Rs.13.43 cr. was expended for CSR activity.

In the year 2015-16 the expenditure amount was Rs.491.8 cr. which was the highest expenditure of the company on CSR during last 7 years and the allocation amount this year

only 349.56 cr. and finally in the year 2017-18 expenditure reduce to 241.54 cr.

Overall trend of the expenditure & allocation of the amount is increasing from the year 2008-09 to 2017-18.

Table: 2
Focus Area Wise CSR Expenditure during the specified period 2017-18 in Lakh

Education	6835.98
Health	2384.75
Sanitation	1450.68
SVA	33982.26
Water	2815.61
Infrastructure	8603.28
Roads	5828.65
Vocational	1897.30
Training	103.00
Women Empowerment	305.54
Sports	554.02
Culture	470.91
Physically Challenged	655.74
Others	3876.53

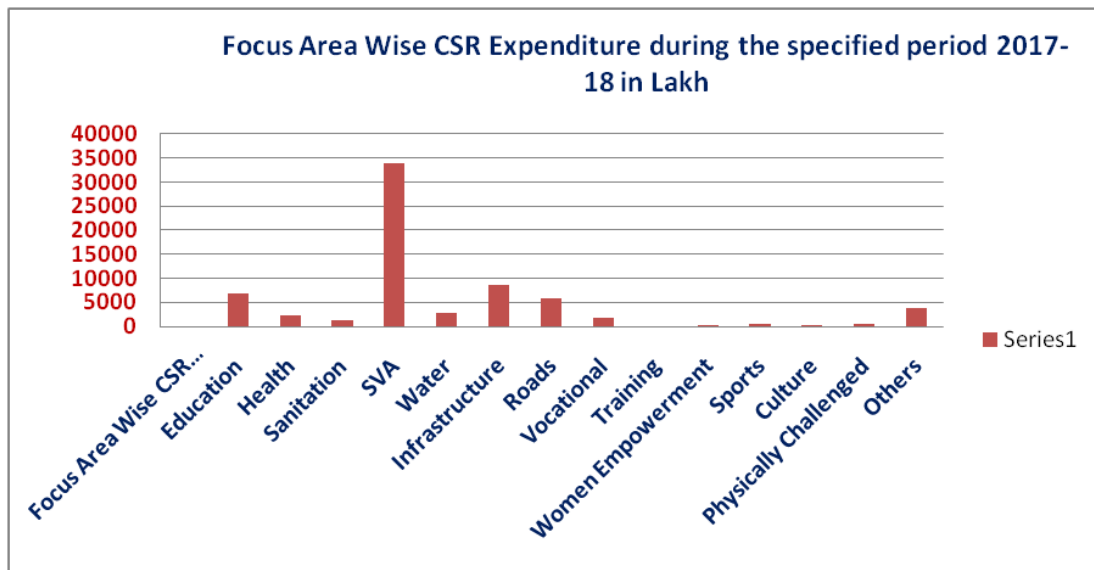


Fig. 2 Focus Area Wise CSR Expenditure during the specified period 2017-18 in Lakhs

FINDING 2:

Table No. 2 this table shows the area wise expenditure on CSR activity by the company during 2017-18. The company has expenditure highest amount on SVA activities followed by infrastructure, education, road & health. The amount invested on SVA activity is Rs. 33982.26 lakh were as on infrastructure, education, road & health the company invested Rs. 8603.28 Lakh, Rs. 6835.98 Lakh, Rs. 5828.65 Lakh & Rs. 2384.75 Lakh respectively.

SUGGESTIONS

The Company has expended very less amount on the Sanitation, Women Empowerment, Sports, Culture & Physically Challenged person, so it is suggested to enhance the amount of expenditure on these areas of the CSR activities.

CONCLUSION

The company has increasing approach on the expenditure of CSR activities & it gives priority to the SVA, Infrastructure, Education, Road & Health Sector more in its CSR activities.

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