



A STUDY ON THE VARIOUS INITIATIVES TAKEN BY LARGE SCALE MANUFACTURING INDUSTRIES IN INDIA UNDER CORPORATE SOCIAL RESPONSIBILITY AS AN IMPACT OF GLOBALIZATION

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ABSTRACT

Corporate social responsibility (CSR) is not a new concept in India; since Tatas and Birlas were practicing corporate social responsibility for decades and much before the emergence of globalization. In India corporates were addressing various issues in education, health, employment generation, women development and sports through their corporate social responsibility initiatives. Due to the impact of globalization the boundary of corporate social responsibility expanded and it included ethical business practice and sustainable business practice. The dominant thinking of business firms, till around the mid twentieth century, was only to earn profit for the shareholders (owners).

KEYWORDS: *Corporate social responsibility, Globalization, business practice, Sustainable Development*

INTRODUCTION

Corporate social responsibility (CSR) is not a new concept in India; since Tatas and Birlas were practicing corporate social responsibility for decades and much before the emergence of globalization. In India corporates were addressing various issues in education, health, employment generation, women development and sports through their corporate social responsibility initiatives. Due to the impact of globalization the boundary of corporate social responsibility expanded and it included ethical business practice and sustainable business practice.

The dominant thinking of business firms, till around the mid twentieth century, was only to earn profit for the shareholders (owners). The paradigm of thinking changed as the expectations of society from business altered from 1960s onward. This change was triggered because of the occurrence of certain events like;

- ❖ Stockholm conference, 1972
- ❖ Earth Summit (Rio de Janeiro, 1992), World Summit on Sustainable Development (Johannesburg, 2002)
- ❖ Bhopal Gas Tragedy, 1984 and Corporate bad behavior (Shell, Nike, Exxon Mobile, Enron and WorldCom) became common place from the 1990s
- ❖ Formulation of Kyoto Protocol 1997 and institutionalization of the Global Warming movement

Globalization and the proliferation of cross border trade by Multi-National Companies (MNC) resulted in an increasing awareness of CSR practices relating to areas such as human rights, environmental protection, health and safety and anti corruption. In today's Globalized world due to the

development of communication and prominence of transparency, CSR is no longer a buzz word. During mid of 2013 Ministry of Corporate Affairs has announced that every company should spend 2% of its net profit towards CSR activities under certain guidelines. However this will sure force all the companies in India to take up CSR initiatives to benefit the community living nearby where it operates

1. REVIEW OF LITERATURE

The World Business Council for Sustainable Development in its publication *Making Good Business Sense* by Lord Holmes and Richard Watts, used the following definition.

'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'

The above mentioned meaning of CSR is twofold, on one hand it internally portrays the ethical behaviour of the company to all its stakeholders and on the other hand, externally it disseminates its commitment and responsibility towards environment and society where it operates.

CSR involves various voluntary efforts in which companies engage themselves in order to give something back to the society. It involves providing innovative solutions to societal and environmental challenges. Organizations generally believe that acting in a socially responsible manner will create value for them.

The fact that an organization is committed to social causes, also gives employees a sense that the company would also be committed to the welfare of its employees as well.

1.1. History of CSR

“The phrase Corporate Social Responsibility was coined in 1953 with the publication of Bowen’s Social Responsibility of Businessmen” (Corporate watch report, 2006). The evolution of CSR is as old as trade and business for any of corporation. Industrialization and impact of business on the society led to completely new vision. By 80’s and 90’s academic CSR was taken into discussion. The first company to implement CSR was Shell in 1998. (Corporate watch report, 2006) With well informed and educated general people it has become threat to the corporate and CSR is the solution to it.

1990 was CSR as a standard industry with companies like Price Waterhouse Copper and KPMG. CSR evolved beyond code of conduct and reporting it started taking initiative in NGO’s, multi-stakeholder, ethical trading. (Corporate watch report, 2006).

In India, CSR has evolved to encompass employees, customers, stakeholders and sustainable development or corporate citizenship. The spectrum of CSR includes a number of areas as human rights, safety at work, consumer protection, climate protection and caring for the environment, and sustainable management of natural resources.

1.2 Globalization

Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure.

Definition of Globalization

There is no single definition is not available for globalization, however following are few widely accepted definition of Globalization;

International Forum on Globalization (IFG): Globalization is “the act of globalizing”; from the noun “global” meaning “pertaining to or involving the whole world”, “worldwide”; “universal”

World Trade Organization (WTO): Director General Pascal Lamy has defined Globalization as “A historical stage of accelerated expansion of market capitalism, like the one experienced in the 19th century with the industrial revolution. It is a fundamental transformation in societies because of the recent technological revolution which has led to a recombining of the economic and social forces on a new territorial dimension”

The World Bank (WB): “Globalization - the growing integration of economies and societies around the world”

United Nations Poverty and Development Division (UNPDD): “While the definition of globalization varies with the context of analysis, it generally refers to an increasing interaction across national boundaries that affect many aspects of life: economic, social, cultural and political. In the context of this study, in order to keep the analysis within reasonable bounds, the focus is only on the economic aspects, with particular emphasis on the role of ICT [information and communications technologies]. As such, globalization narrowly refers to the growing economic interdependence of countries worldwide. This includes increases in the international division of labour caused by swelling international flows of FDI [foreign-based investment], accompanied by an increasing volume and variety of cross-border transactions in

goods and services, international capital flows, international migration and the more rapid and widespread diffusion of technology. This should not be construed to imply that social, cultural and other forms of globalization are unimportant, only that they are less germane to discussions of economic security and development”

World Health Organization (WHO): “Globalization, or the increased interconnectedness and interdependence of people and countries, is generally understood to include two interrelated elements: the opening of borders to increasingly fast flows of goods, services, finance, people and ideas across international borders; and the changes in institutional and policy regimes at the international and national levels that facilitate or promote such flows. It is recognized that globalization has both positive and negative impacts on development”

IFG emphasizes the worldwide encompassing nature of globalization. However, the IFG defines the process as one that is predominantly economic. The process is also playing out in an area which is beyond the level of the nation-state.

The definitions from the WTO and World Bank, not surprisingly, emphasize the economic aspects of globalization. However, both also bring in the social, or human aspect of the process, although this is not defined further.

The United Nations definition elucidates aspects of globalization that go beyond the economic.

The definition provided by the WHO is the one most relevant to health professionals. It is more holistic than many of the other definitions. It acknowledges the importance of economic, social, technological, and political processes of globalization.

2. RESEARCH OBJECTIVE AND RESEARCH METHODOLOGY

The main objective of this descriptive research study is to contribute to the knowledge of CSR initiatives carried out by large scale manufacturing companies in india after Globalization. There is no universal procedure available for implementation of CSR initiatives and hence it has to be explored only through research. This study was based on the inputs received from 8 Large Scale Manufacturing Companies in India. The data was collected from the official website of those selected companies. These industries were carefully chosen keeping view the following factors

- These industries are undertaking CSR initiatives
- These industries fall under the category – Large Scale Manufacturing industry.

3. CONCEPT OF CSR IN INDIA

Globalization has made the world smaller, and business, worldwide, has expanded like never before. Companies are also expanding their operations and crossing geographical boundaries. The emerging concept of CSR in India goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into company’s business process. What is generally understood by CSR is that the business has a responsibility – towards its stakeholders and society at large – that extends beyond its legal and enforceable obligations.

The triple bottom line approach to CSR emphasizes a company’s commitment to operating in an economically, socially and environmentally sustainable manner. The emerging concept of CSR advocates moving away from a ‘shareholder alone’ focus to a ‘multi-stakeholder’ focus. This would include investors, employees, business partners, customers,

regulators, supply chain, local communities, the environment and society at large.

In India the enterprises have been classified into two categories – Manufacturing and those engaged in providing or rendering services. Both categories of enterprises have been further classified into micro, small, medium and large scale enterprises. Large Scale Manufacturing industries are those whose investment in plant and machinery is above INR 10 crores, excluding the investment on land and building.

4. ANALYSIS AND RESULTS

4.1. Aditya Birla Group: Aditya Birla Group is an Indian Multinational Company having its presence in 33 countries with more than 136000 employees. In manufacturing sector the group interests in sectors like viscose staple fibre, viscose filament yarn, cements, non-ferrous metals, chemicals, fertilizers and insulators. The CSR activities are carried out under five key focus areas with a key objective to build sustainable modern villages. The key focus areas are as follows

- Education
- Health and Family Welfare
- Social Causes
- Infrastructure Development
- Sustainable livelihood

At Aditya Birla group more emphasis is given for women empowerment and health. All the CSR projects are implemented through Aditya Birla Centre for Community Initiatives and Rural Development”, led by Mrs. Rajashree Birla. The Centre provides the strategic direction, and the thrust areas for ensuring work performance management.

4.2. Vedanta Resources: Vedanta Resources is one of the leading natural resources company with interest in Zinc, Lead, Silver, Copper, Iron Ore, Aluminum, Power and Oil & Gas. Sustainable social development forms a key part of Vedanta’s ethos. The company’s passion and commitment towards sustainable social development led to the creation of Vedanta Foundation to implement its CSR initiatives. Vedanta Foundation was setup in the year 1992, as an extension to the company’s efforts for focused sustainable development of the underprivileged population of the country. Incorporated on the 15th of September 1992, today Vedanta Foundation incarnates an Institution striving for betterment of the underprivileged population of the country through focused social development programs culminating into transformation of lives of hundreds of thousands of people facilitating inclusive nation building. The Foundation through its capacity building initiatives provides holistic transformation of the underprivileged population of the country. CSR initiatives of Vedanta are implemented on the following focus areas

- Health, Nutrition and Sanitation
- Education
- Sustainable livelihood programme (farm and non-farm)
- Women empowerment
- Community asset creation
- Bio-investment
- Integrated Village Development Programme

4.3. Shree Cement: Shree Cement Limited (SCL) started its journey in the year 1979 and is today, among India’s leading cement manufacturing companies. Having witnessed an exponential growth in the last three decades, our endeavor continues to expand our capacity in the cement and power sector. Currently, our cement production capacity stands at

13.5 million MT and power generation capacity at 560 MW (including 46 MW Waste Heat Recovery i.e. Green Power Capacity which is the largest in the entire world cement industry except China).

At Shree Cement the happiness and total prosperity of the village, with a narrow focus on holistic development of local communities around its Cement Plant locations; is considered as most important factor while designing the CSR activities. At Shree Cements all the community development initiatives are driven by the Shree Rural Foundation Society with a dedicated professional staff. Through formal and informal community engagement programmes the key development issues and concern are identified. To address these issues and concerns developmental projects are customized and implemented by partnering with government agencies, Non-Governmental Organizations, and local panchayats. However “Village Development Committees” are formed to engage with the community; plan, monitor and coordinate the CSR activities.

CSR Projects are implemented under the following thrust areas

- Health and family welfare
- Primary education
- Women empowerment
- Agricultural development
- Natural resource management
- Infrastructure development projects
- Community development projects
- Contribution to social, religious and national programs

4.4. Power Grid Corporation of India Limited: POWER GRID CORPORATION OF INDIA LIMITED (POWERGRID) is the Central Transmission Utility (CTU) of the country under Ministry of Power is one amongst the largest Power Transmission utilities in the world. POWERGRID is playing a vital role in the growth of Indian power sector by developing a robust Integrated National Grid and associating in the flagship programme of Govt. of India to provide Power for all. Innovations in Technical & Managerial fields have resulted in coordinated development of power transmission network and effective operation and management of Regional and National Grid.

CSR activities in POWERGRID commenced with the introduction of CSR policy in 2009 and accordingly a beginning was made by allocating 0.75% of PAT of previous year as CSR budget for FY 2009-10. On receipt of DPE’s guidelines on CSR in 2010, the CSR budget was revised to 1% of PAT of previous year for undertaking CSR initiatives under different thrust areas.

During the year 2009-10, 2010-11 & 2011-12, the Corporation incurred an expenditure of Rs.4.29 crores, 15.58 crores & 24.93 crores, respectively, on various CSR activities covering the thrust areas like Education, Health, Infrastructure, Livelihood, Tree Plantation, Ecology & Environment and Natural Calamities.

The CSR budget as against the current financial year (2011-12) had been worked out to the tune of Rs.26.97 crores based on one percent of profit after tax (PAT) of the previous year, against which an expenditure of Rs.24.93 crores was made on CSR initiatives.

4.5. National Thermal Power Corporation: India’s largest power company, NTPC was set up in 1975 to accelerate power development in India. NTPC is emerging as

a diversified power major with presence in the entire value chain of the power generation business. Apart from power generation, which is the mainstay of the company, NTPC has already ventured into consultancy, power trading, ash utilisation and coal mining. NTPC became a Maharatna company in May, 2010, one of the only four companies to be awarded this status.

The total installed capacity of the company is 42,454 MW (including JVs) with 17 coal based and 7 gas based stations, located across the country. In addition under JVs, 7 stations are coal based & another station uses naphtha/LNG as fuel and 2 renewable energy projects. The company has set a target to have an installed power generating capacity of 1,28,000 MW by the year 2032. The capacity will have a diversified fuel mix comprising 56% coal, 16% Gas, 11% Nuclear and 17% Renewable Energy Sources(RES) including hydro. By 2032, non-fossil fuel based generation capacity shall make up nearly 28% of NTPC's portfolio.

NTPC has been operating its plants at high efficiency levels. Although the company has 16% of the total national capacity, it contributes 25.6% of total power generation due to its focus on high efficiency.

CSR Objectives of NTPC are as follows:

- To contribute to sustainable power development by discharging Corporate Social Responsibilities.
- To lead the sector in the area of Resettlement & Rehabilitation and Peripheral Development.
- To lead the sector in Environment Protection.

NTPC's Community Development activities, focus on the areas of basic infrastructure development, education, community health & sanitation, capacity building and gender empowerment etc based on specific local requirements and guided by extensive Need Assessment Surveys and consultation through various participative forums like Village Development Advisory Committee, Rehabilitation and Periphery Development Advisory Committee etc. Engagement of community in acceptance of specific CSR initiatives inculcates a sense of ownership among people and plays a vital role in smooth and successful implementation of schemes.

4.6. Bajaj Auto Limited: The Bajaj Group is amongst the top 10 business houses in India. Its footprint stretches over a wide range of industries, spanning automobiles (two-wheelers and three-wheelers), home appliances, lighting, iron and steel, insurance, travel and finance. The group's flagship company, Bajaj Auto, is ranked as the world's fourth largest two- and three- wheeler manufacturer and the Bajaj brand is well-known across several countries in Latin America, Africa, Middle East, South and South East Asia. Founded in 1926, at the height of India's movement for independence from the British, the group has an illustrious history. The integrity, dedication, resourcefulness and determination to succeed which are characteristic of the group today, are often traced back to its birth during those days of relentless devotion to a common cause.

CSR guiding principles at Bajaj Auto Ltd - The concept of Corporate Social Responsibility is relatively recent. But the philosophy of social responsibility and commitment to give back to the society underlines the Bajaj way of conducting its businesses for a number of years now. The wide spectrum of community development endeavors undertaken by Bajaj Auto Ltd — embracing everything from health and education to women empowerment and more — has touched, and changed,

many lives. But the real credit for positive change is always to those whom we have enabled on the path of "Sustainable & Inclusive growth" & wellbeing

CSR focus areas of Bajaj Auto are as follows:

Education
Health
Women empowerment
Self-reliance
Rural Development
Environment and natural resources

4.7. Hyundai Motors: Hyundai Motor India Limited (HMIL) is a wholly owned subsidiary of Hyundai Motor Company (HMC). HMIL is the largest passenger car exporter and the second largest car manufacturer in India. It currently markets nine car models across segments - in the A2 segment it has the Eon, Santro, i10, Grand i10 and the i20, in the A3 segment the Verna, in the A4 segment the Elantra, in the A5 segment Sonata and in the SUV segment the Santa Fe.

HMIL's fully integrated state-of-the-art manufacturing plant near Chennai boasts of advanced production, quality and testing capabilities. HMIL forms a critical part of HMC's global export hub, it touched 1.5 million in exports in March 2012. It currently exports to more than 120 countries across EU, Africa, Middle East, Latin America and the Asia Pacific. HMIL has been India's number one exporter for seven years in a row. To cater to rising demand the company commissioned its second plant in February 2008 having an installed capacity of 330,000 units per annum. To support its growth and expansion plans HMIL currently has 346 dealers and around 800 service points across India. In its commitment to provide customers with cutting-edge global technology, HMIL set up a modern multi-million dollar R&D facility in Hyderabad. The R&D centre endeavors to be a center of excellence in automobile engineering

At Hyundai CSR initiatives are delivered through Hyundai Motor India Foundation (HMIF) HMIF was formed in the year 2006 with the purpose of 'giving back' to society and to initiate Corporate Social Responsibility (CSR) activities in the areas of health care, educational and vocational training, environment, road safety, art, science, technology, etc. HMIF gets its direct funding from HMIL's earnings as it contributes Rs.100 for every car sold in the Indian market to enable HMIF to carry out its social activities.

4.8. Ambuja Cements: Ambuja Cements Ltd. (ACL) is one of the leading cement manufacturing companies in India. ACL has grown dynamically over the past decade. Its current cement capacity is about 27.25 million tonnes. The Company has five integrated cement manufacturing plants and eight cement grinding units across the country. ACL enjoys a reputation of being one of the most efficient cement manufacturers in the world. Its environment protection measures are on par with the finest in the country. It is one of the most profitable and innovative cement companies in India. ACL is the first Indian cement manufacturers to build a captive port with three terminals along the country's western coastline to facilitate timely, cost effective and environmentally cleaner shipments of bulk cement to its customers. The Company has its own fleet of ships. ACL has also pioneered the development of the multiple bio-mass co-fired technologies for generating greener power in its captive plants.

Ambuja Cements Foundation (ACF) is the CSR arm of Ambuja Cements. ACF works for the development of rural communities living around the manufacturing facilities of ACL.

The foundation has engaged in variety of people centric and integrated development projects. Today the foundation has presence in twelve states across the sub-continent and focused on areas like water resources management, agriculture based livelihood project, skill and entrepreneurship development institute, health care, education, women empowerment, infrastructure and disaster relief.

5. COMPANY WISE CSR INITIATIVES

Analysis of the above mentioned information portrays that, to sustain in the global market and to match the expectations of consumers Large Scale Manufacturing Industries are into strengthening their focus on CSR initiatives. Education, Health and Women Empowerment are the key focus areas chosen by most of the industries. Aditya Birla Group, Vedanta Resources, Shree Cements and Ambuja Cements are having common interest in promoting agriculture under their CSR initiatives. Social cause like promoting widow remarriages and dowry-less marriages are promoted by Aditya Birla and Shree Cements who are having their manufacturing locations at Rajasthan; which portrays that industries also focus on addressing social issues specific to their area of operation.

6. CONCLUSION

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. The paradigm shift in the relation of corporate house and workers is so obvious in today's business world. Those days have gone when basic business of business is to earn profits only.

In conclusion, the findings of this study provide insights into an area of growing concern of firms towards society as an impact of growing global markets and increase in the awareness level of consumers. Firms have been doing great effort for the achievement of business goals and marring the business goals with social responsibility practices. As per the changing market demands need of the hour is for the development of CSR framework that has been imposed by the government.

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