

CORPORATE SOCIAL RESPONSIBILITY OF PUBLIC SECTOR COMPANY: A CASE STUDY OF BHEL

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Abstract *Corporate Social Responsibility (CSR) is not a new concept in the present scenario. CSR is a 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 the local community and society at large. After replacement of the Company Act 1956 by Corporate Act 2013, certain changes have been made. Earlier CSR was not mandatory for the Indian companies but after enforcement of Corporate Act 2013 it has become mandatory for those companies whose turnover is more than Rs. 1000 crore or net worth is more than Rs. 500 crore or net profit is more than Rs5 crore. Such companies implement the CSR practice in their business and expend on CSR activities which should be 2% of their net profit.*

CSR is a concept where an organisation considers the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, and other stakeholders. CSR policies, practices, and programmes are being comprehensively integrated by an increasing number of companies throughout their business operations and processes.

This research paper highlights the concept, philosophy, role of CSR in value creation. How Indian companies are treating CSR activities in contemporary environment. In this study we found that community welfare, education and enlightening rural youth is the top priority areas for most Indian Companies.

Keywords *CSR, Indian Companies, Value Creation, Corporate Responsibility*

INTRODUCTION

Corporate Social Responsibility (CSR) is a voluntary activity done by the companies to operate in economic and social environment. According to Economic Bureau in February 2014, government made provisions mandating companies to contribute at least 2% of their net profit for upliftment of the society. In the traditional approach, CSR activities were not regularly practiced by the companies; only few companies practiced the CSR activities. Activities related to corporate social responsibility foster strong relationship between the company and society. In the modern context, corporate social responsibility became more vital after the economic reforms i.e. after 1990. Some companies like BHEL, Tata Group, Aditya Birla group, and Indian Oil Corporation have been largely involved in serving the society. Now the primary objective of corporate social responsibility is to maximise the overall impact activities of the company on the society and stakeholders. Due to recent awareness, a number of companies feel that corporate social responsibility is not an expense for a company, but it is important to enhance the goodwill and reputation of the company. Under the Companies Act 2013, any company having net worth of Rs. 500crore or more or a turnover of Rs. 1000crore or more or net profits of Rs. 5crore or more should mandatorily

spend 2% of its net profit on CSR activities. Corporate social responsibility is a concept where the companies serve the society through various CSR policies and leads to the economic development of the society. This research study mainly focuses on the CSR policies and practices of BHEL, Bhopal in the current scenario.

Definition

According to European Union, CSR is a concept where companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

The corporate social responsibility is also called corporate conscience, corporate citizenship, or sustainable responsible business. The term corporate social responsibility became popular in the 1960s and has remained a term used indiscriminately by many. CSR can also be termed as a commitment to product quality, fair pricing policies and economic development towards the society by the various companies.

The chart shown in Fig. 1 indicates that there is a link between the corporate social responsibility activities performed by the companies and the firm's market value.

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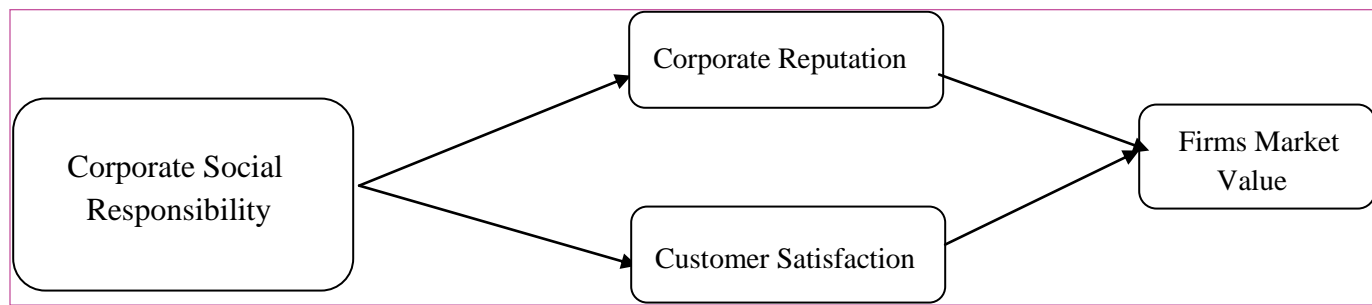


Fig. 1: How the Companies Enhances their Market Value through CSR

About the Company

BHEL is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. Established in 1964, BHEL ushered in the indigenous Heavy Electrical Equipment industry in India - a dream that has been more than realised with a well-recognised track record of performance. The company has been earning profits continuously since 1971-72 and paying dividends since 1976-77. BHEL is engaged in the design, engineering, manufacture, construction, testing, commissioning, and servicing of a wide range of products and services for the core sectors of the economy i.e. power, transmission, industry, transportation, renewable energy, oil & gas, and defence. BHEL has been conferred with 'Maharatna' status by Government of India on 1st February, 2013. It is now one among the seven Maharatna Companies.

SIGNIFICANCE OF THE STUDY

Corporate social responsibility has its own importance in the Indian society. CSR is not only worthwhile but it is also beneficial for the company. With the increasing pace of development, corporate social responsibility plays a significant role in the today's world. In this competitive world every company wants to survive in a long run or to earn better profits, due to which the business not only provides goods and services to the society but also works to satisfy the customer's needs. It must ensure that services rendered by them have positive impact on the society and environment as well. CSR practices contain all positive factors through which the company can easily survive in this competitive world. On the other hand corporate social responsibility also includes certain benefits for the companies, which are as follows:-

- It builds a relationship between company and the society.
- It enhances the profitability of the organisation.
- Society becomes aware about CSR practices.

- CSR helps the organisation to minimise the risk.
- Company has a positive impact on its culture and employee relations.

JUSTIFICATION OF THE TOPIC

In the present context, corporate social responsibility is one of the important issues among the society to discuss. In the recent time it has become mandatory for the public sector organizations to spend 2% of their net profit for the welfare of the society. Corporate social responsibility includes various activities such as promotion of children education, environmental sustainability, empowerment of women, improving the maternal health, gender equality, reducing the child mortality rate, schools in rural areas, hospitals, various camps through which people become aware about the diseases like HIV/AIDS, malaria etc. In India government also makes certain efforts by encouraging companies to practice CSR activities regularly and to adopt certain strategy towards it. All these issues were the reason to take this topic in the research study.

REVIEW OF LITERATURE

Sharma (2010) in his research study focused on the initiatives taken by the Indian companies to determine their responsibility towards different stakeholders, and found that most of the companies spend little towards the social responsibility. He concluded that the most important driver found in the survey is vision and philosophy of the business which acts as a guiding force behind undertaking CSR activities. The study also emphasizes that the companies do not primarily rely on a separate CSR department for implementation of CSR activities.

Scott (2007) examined five themes arising from definitions of corporate social responsibility (CSR) that are responsibility to the community and society; promoting democracy and citizenship; reducing poverty and the inequality between rich and poor; employee rights and working conditions; and ethical behaviour. The paper also evaluated three important

articles on CSR, and investigated conceptual value added, with reference to these five themes.

Singh (2010) focused on conceptual framework of CSR activities adopted by Indian companies. She concluded only few Indian corporate are now increasingly adopting the GRI framework of reporting. One major lag is environmental concerns by the firms and systematic formulation of environmental management system needs to be developed.

Kim (2008) proposed a shift in view from corporate social responsibility to corporate social performance (CSP) as a means to assess CSR policies and practices. A harmful product category was chosen to illustrate how corporate social performance using a consumer's point-of-view can be assessed.

Kilcullen and Koolstra (1999) focused on changing role of business ethics and CSR. They found that CSR has taken hold as a movement and though some organisations still indulge in unethical behaviour but many more firms take social responsibility towards their stakeholders.

Gupta (2007) concluded an explorative research paper on the trends of social responsibility of corporate sector in India. The researcher found that trends in socially responsible initiatives are encouraging as well as crucial in India.

Chomvilailuk and Butcher (2010) established that all CSR initiatives in question had a modest but significant effect on brand preference in banking industry of Thailand. The level of influence varied according to age, CSR predisposition, and cultural values.

OBJECTIVES OF THE STUDY

This study has the following objectives

- To analyse the concept of CSR practices adopted by Indian public ltd.
- To study that how much amount has been incurred on expenditure in CSR activities during the study period by the company.
- To examine what types of CSR practices have been adopted by BHEL.

RESEARCH METHODOLOGY

The present study is analytical in nature and makes use of secondary data. The relevant secondary data are collected from various publications of BHEL, websites, annual reports, research reports of BHEL and CSR pray as which is a published document. The data provide details of various activities which are rendered by the company in their practices of CSR. The study period is restricted from 2009 to 2014. This study is exploratory research and micro in nature.

Table 1: Thematic Areas of Corporate Houses

S. No.	Name of Corporate	Thematic Areas
1	ACC Limited	Education, Health, Environment, Livelihood and waste Management
2	Ambuja Cements Limited	Poverty Reduction, Reducing Child Mortality HIV/AIDS, Education and Environment
3	Apollo Tyres Ltd.	Health
4	Bharat Petroleum Ltd.	Health, Education, Infrastructure, Income Generation, Vocational Guidance, Livelihood & Environment Conservation.
5	Centurion Bank of Punjab Limited	Education
6	Coca-Cola India Inc	Health, Environment, Education, Livelihood
7	DLF Limited	Rural Development, Urban Community, Development, Education and Environment.
8	Dr.Reddy's Laboratories	Microfinance, Education, Health, Environment, Livelihood and social Entrepreneurship
9	Infosys Technologies Limited	Education, Health, Environment, Livelihood.
10	Jindal Stainless Foundation	Education, Vocational Education and Training Care, Environment Protection, Community, Development, Women Empowerment and Capacity Building
11	ITC	Farmers' empowerment, training and development.
12.	Dabur	Socio Economic development, Child health care, woman empowerment.
13.	Jsw Steel	Women Empowerment
14.	Wockhardt Hospitals Limited	Health, Societal values
15.	Reliance Industries Limited	Microfinance, Education, Environment, Livelihood, Health ,Community Development, Child Welfare and Infrastructure Development
16.	Coca-Cola India Inc	Health, Environment, Education, Livelihood
17.	HUL	Health, Training and Skill Development
18.	The Godavari Sugar Mills Limited	Rural Development ,Urban Community Development, Education and Environment
19.	Tata Chemicals Limited	Microfinance, Education, Environment, Health, Livelihood
20.	TATA Steel Limited	Microfinance ,Education, Environment, Livelihood ,Health and Relief during Calamities

The present study has been undertaken to conduct empirical analysis of status of CSR practices adopted by BHEL.

ANALYSIS OF THEMATIC AREAS WHERE CSR PRACTICES ARE ADOPTED BY INDIAN COMPANIES

There are many companies in India who are actively practicing the CSR activities. There are certain activities practices by various companies in the field of CSR and the activities are shown in their annual reports as annexures. A list of these activities is presented in Table 1.

CSR PRACTICES ADOPTED BY BHEL - A CASE STUDY

BHEL actively participates in the welfare of the society through its corporate social responsibility practices. BHEL undertakes various projects and programmes for the development of the society. As we discussed earlier, there are many companies in India who are active in CSR activities, among which BHEL is putting much efforts in CSR practices. BHEL has developed a CSR scheme and its mission statement on CSR is "Be a Committed Corporate Citizen, alive towards its Corporate Social Responsibility". This paper analyses the various activities of CSR practices adopted by BHEL during the study period. BHEL plays a vital role in the United Nations' global compact programme on CSR by promoting and developing the values. BHEL supported various social initiatives in the country by undertaking projects like education, community development, promote for livelihood, health camps, and so on.

Tables 2-3 depict the CSR initiatives and practices made by BHEL and how much percentage of their net profit BHEL spends on CSR activities.

Table 2: Statement of Expenditure on CSR by BHEL during Various Years

(Rs. In Crore)

Year	PAT (Rs)	Expenditure on CSR (Rs)	% Spent on CSR
2009-2010	4311	4.01	0.3
2010-2011	6011	21.55	0.09
2011-2012	7040	36.46	0.51
2012-2013	6615	37.96	0.57
2013-2014	3461	46.54	1.3

Source: Annual report of BHEL from 2009-2014.

Table 2 shows the profit after tax and expenditure incurred on CSR activities of BHEL. The table reveals that expenditure

on CSR activities has rapidly increased from 2009-10 to 2013-14. BHEL continuously has adopted CSR practices in their business.

Table 3: Expenditure for CSR activities during the Year 2012-13 by BHEL

Type of CPSEs N.P(P.Y.)	Expenditure range for CSR in a F.Y(2012-13)(% Of Profit)
Less than Rs 100 Crore	3% - 5%
Rs.100 Crore to Rs.500 Crore	2% - 3%
Rs.500 Crore & above	0.5% -2%

Source: CSR Prayas Edition-1 BHEL 2012-2013.

Table 3 indicates net profit after tax and expenditure on CSR practices. This company framed certain policies on expenditure range for CSR practices in the year 2012-13. If the company's net profit is less than Rs100 crore then it will make the expenditure on CSR activities between 3%-5% and if the company earns Rs 100 crores to Rs 500 Crore, It would spend 2% to 3%. If the net profit of the company remains Rs 500 crore and above then the company will spend 0.5% to 2% on CSR practices.

CSR Activities Adopted by BHEL

Education and Promotion of Talent

Education plays a very important role in the development of the country and society. BHEL provides educational scholarships to 100 students of BPL category with addition of 50 students every year for 3-5 years for studies at all India level. The company provides coaching classes for preparation of entrance exam for their employees' children and also provides scholarships to Engineering and MBBS students i.e.Rs.24000 per annum. BHEL provides scholarships to disabled students upto Rs 20000 per annum. In addition to these BHEL also provides financial assistance to the children of widows to enable them to pursue higher education. It has supported need based construction of hostels, classrooms, toilets etc. in educational institutes.

BHEL has also joined hands with an NGO named "Udayan Care" to support higher education of girl children from BPL families. Under the programme titled "Udayan Shalini", 100brilliant girl students who have passed class X are financially supported to pursue their education upto PG level alongside enhancing their personality and employability.

Apparel Training and Design

BHEL has given apparel and vocational training in beauty culture, cutting, and tailoring for women for better livelihood,

so that they can easily survive in the world. It also provides training to residents of rural areas to make them aware about environment. BHEL started short hand training centres as well as computer centre in rural areas, so the people of rural areas could admit their children in schools for studies. With support of BHEL, Bhopal to ATDC, Chhindwara (Maharashtra), out of the 100 students sponsored, 44 got employment by textile companies.

Promotion of Livelihood

“Educating a girl means educating a family.” Focusing on this concept, BHEL promotes various livelihood programmes for women, such as candle making programme for women of rural areas, mobile repair programme for both men and women, cutting and stitching programmes for women, and spread awareness among women through NGOs in Jhansi on how to become an entrepreneur in tiny sector. BHEL, Bhopal also promotes livelihood for Economically Weaker Section (EWS) through forward and backward linkages.

Adoption of ITIs and Setting up Skill Development Institutes

BHEL has adopted various ITIs and various skill development programme under the Government of India PPP scheme (Government ITI, Latur by Hyderabad Unit, Government ITI Bajpur by Rudrapur Unit, Government Women ITI, Khandwa ITI, Khaknar by Bhopal Unit, Government ITI, Peramvalur by Tiruchy Unit - Under approval by state Technical Board, Government ITI, SIDCUL, Haridwar by Haridwar Unit – Under approval by state Technical Board).

Environment Protection and Energy Conservation

BHEL spreads awareness to protect environment among the society. This company also provides safe and healthy environment to its employees, for which policy has been formulated and implemented by management. In the field of energy conservation or non-conventional and renewable energy, BHEL launched various products like wind electric generators, solar heating systems, solar photovoltaic systems, solar lanterns, and battery powered road vehicles. Technology upgradation has been done to minimise environmental impact of fossil energy products, by ways of low-NO oil/ gas burners, circulating fluidised bed combustion boilers etc.

In this regard company undertakes a number of environment projects and community development programmes. These projects enable society to create and develop a pollution free environment, conserve resources like energy, water, proper system for storage of rain water, control noise level,

and bring improvement in chemical storage and handling system etc. BHEL has acquired ISO-9001 certification for Quality Management Systems (QMS), and all the major units/divisions of BHEL have been awarded ISO-14001 certification for Environment Management Systems (EMS), and OHSAS-18001 Certification for Occupational Health and Safety Management Systems (OHSAS). This has helped BHEL to enhance its image as a good corporate citizen. BHEL, Bhopal has adopted 15 villages for sustainable use of rain water harvesting to increase livelihood of poor small farmers in Bijawar block of Chatarpur Dist. in M.P.

Health and Family Awareness Programme

BHEL spreads awareness of health and family welfare programme amongst employees, customer and suppliers by proactive communication and training programme. This company also has coordination with concerned government agencies who are engaged in occupational health and safety. In this regard BHEL framed certain policies related to health and family welfare programmes which are available to all employees and interested parties. To make society aware BHEL has been organising various camps across the country.

BHEL also provides medical assistance to persons and children with haemophilia and provides the facility of mobile medical vans in the rural areas in the vicinity of Haridwar, Jagdish pur and BPL unites. 300 orbit surgeries for BPL families in the state of Orissa and Chatisgarh have been conducted. The orbit and ophthalmic plastic department is in the name of BHEL.

Save Girl Child

BHEL is putting endeavours to protect the girl child. The company organised campaign entitled “Save Girl Child” at Bhopal unit. BHEL has partnership with ‘Nanhi Chhaan foundation.’ Nanhi Chhaan foundation is launched in Pune, Maharashtra. The motto of this campaign is to spread awareness to protect girl child in the society.

Entrepreneurship Development Programme

BHEL provides platform to youth by providing them skill training, entrepreneurship development programme. BHEL is providing training for the development of trade. It also provides training to diploma holders, graduate apprentices across the whole corporation to make them self-reliant.

Community Development Programme

BHEL entitled project “Anhad Gram” for the development of community. BHEL achieved the following objectives

of development through dairy development, bio mass fuel, women health and hygiene, food processing and preserving unit of 25 tonne capacity in 25 villages of Munger Dist., Bihar. The company also runs self-sustainable old age home 'Viskasan' in Ranchi. BHEL also runs integrated project for construction of cow sheds, sheds for making vermin compost, bio -gas plant at Ranchi. In Bhopal, BHEL runs shelter home and child guidance centre for children of BPL families named "Umeed". BHEL also installed bio -gas plant and solar street light at Medical College, Lathur.

Special Care School

BHEL provides certain facilities to disabled and needy children by running special care school. This school is run by ladies welfare centre, BHEL Repuram Bhopal. The motto of this school is to provide education to them and to train them to do their daily activities and how to earn for livelihood in the society. In this school there are 250 children below the age group 18 years from BHEL Township and surrounding villages. This school believes that no disabled should remain uneducated.

Table 4: On-Going Projects adopted by BHEL Bhopal Unit in M.P.

Thrust Areas	Projects
Community Development	Technology based Agriculture Interventions for tribal community development of dist. Khar-gone, MP
	Construction of Cement Concrete Roads in 77 villages of Chhindwara district (M.P)
Environment protection	Adoption of 15 Villages for Sustainable use of rain water harvesting to enhance livelihood of poor small farmers in Bijawar block of Chhatarpur district, M.P
Health Management	Palliative Therapy and care for Cancer patients.
	Mobile Medical Vans in the rural areas in the vicinity of Bhopal

FINDINGS OF THE STUDY

After the analysis of CSR practices and a case study of BHEL, I found that most of the INDIAN companies have been serving welfare activities to the society and their employees in the name of Corporate Social Responsibility. In this study it is found that a number of Indian companies are mainly involved in community development, research, safety, health, human resource, environment, education, etc. Such types of practices will be helped to increase the market value of the firm. These companies have

been increasing their market value through corporate reputation and consumer satisfaction, because reputation and consumer satisfaction are important key factors for the organisation to maximise their wealth. BHEL has already been spending Rs. 146.52 crores on CSR practices during last five year and the percentage of the net profit was .3% to 1.57%, but the company made a provision in the year 2012-13 that if the company earns a net profit of less than Rs100 crores then it will spend 3-5 percent of the net profit. If the company earns the net profit of more than Rs100 crore but less than Rs500 crores then it will spend 2-3 percent. If the company earns more than Rs500 crores then it will spend .5-2 percent.

As we know CSR is not a new concept in India. Ever since its beginning the corporates like the ITC, the Aditya Birla Group and Indian oil etc. have been involved in serving the community. As pointed out earlier, the basic objective of CSR is to maximise the company's overall impact on the society and stakeholders. CSR policies, practices, and programmes are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social problems. Partnership between companies of their skills such as expertise, strategic thinking, manpower, and money to initiate extensive social change will put the socio-economic development of India in contemporary environment.

After replacement of the Company Act 1956 by Corporate Act 2013, certain changes have been made. Earlier CSR was not mandatory for the Indian companies but after enforcement of Corporate Act 2013 it has become mandatory for those companies whose turnover is more than Rs1000 crore or net worth is more than Rs500 crore or net profit is more than Rs 5 crore. Such companies implement the CSR practice in their business and the expenses on CSR activities should be more than 2% of their net profit.

SUGGESTIONS

- As per the Corporate Act 2013, those companies whose net profit is more than Rs 5 crore, are liable to render the CSR practices to the public, but, this type of binding is not fair for the corporates because the companies whose profit is less than Rs 5 crores are exempted from CSR. In this regard Corporate Act 2013 should be amended and CSR should be made compulsory for all the companies irrespective of their profit.
- BHEL should also enhance certain activities like environment and animal care programme.

- Company should provide more facilities to their employees through the CSR activities.
- Company should frame more policies in CSR practices to remove the poverty and illiteracy.
- There should be given more tax benefits on CSR practices so that corporate would be more attracted towards CSR activities.

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