

Corporate social responsibility (CSR) in Indian Central Public Sector Enterprises (CPSEs)

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ABSTRACT

Indian has shown substantial economic progress ever since its independence. However, newly generated wealth has not dripped down to over 300 million Indians still living below poverty line. We can do a lot for them through CSR fund available with every profit making CPSEs.

KEY WORDS : Corporate social responsibility (CSR), Central public sector enterprises (CPSEs), Social project

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Corporate social responsibility (CSR) is not a new term for Indian Central Public Sector Enterprises (CPSEs). In fact, the beginning of CPSEs was started considering the economic as well as social aspect of the country. Since independence, Indian CPSEs are grown with economic and social aspect of the country. Providing mass employment to the skilled/ unskilled workers to uplift the socio-economic condition of poor Indians is one of the social aims of Indian CPSEs. This challenge has been successfully taken by Indian CPSEs and proved itself on employment generation front. Following table depicts the number of employments generated by Indian CPSEs since 1991 to 2009 .

Employee welfare is one of the objectives of Indian CPSEs. The steps taken by Indian CPSEs towards employee welfare have become a bench mark for private sectors to follow the same. It is not out of place to mention that Indian employee welfare schemes are appreciated at national as well as

international level at many occasions.

Major social/ employee welfare scheme:

Provision of Contributory Provident fund (CPF) and Family Provident Fund (FPF) scheme for every employee of the CPSEs is the major welfare scheme implemented by Indian CPSEs. Since then employees are getting benefit of this scheme, this has given strength to industrial workers to spend their retirement life with comfort and dignity.

Employee health scheme is another major welfare scheme. This scheme has implemented in most Indian CPSEs. Under this scheme all employees are covered under medical facility. All covered employees are getting medical facilities including hospitalization free of cost without any ceiling limit.

Generally all manufacturing units are located at outskirts of town. Accommodation for those industrial workers was a big challenge for Indian CPSEs. Hence, it was decided at the beginning to construct housing colony with every manufacturing unit to solve accommodation problem of industrial worker. This long term thought about housing colony is a big social welfare scheme for CPSEs employees.

Recognizing the long term service of their employees, as a reward every CPSEs has implemented gratuity scheme as per Govt. of India guidelines. Under the scheme every employee gets Rs. 10 lacs at the time of retirement. This gratuity

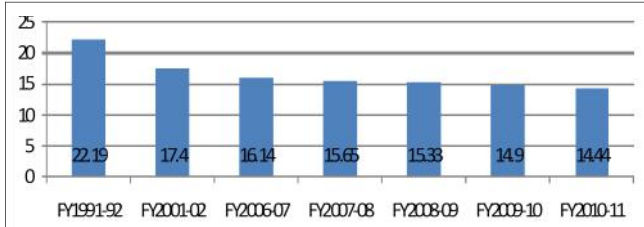
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Sources : Economic Survey 2010 & Public Enterprises survey 2010-11

Fig. 1 : No. of people employed in CPSEs (in lacs)

helps a lot to every employee to take after retirement responsibility and plan better retirement life.

To protect the employee interest due to inflation, every Indian CPSE follows the Industrial Dearness Allowance (IDA). Under this, provision has been made to increase the salary as per inflation rate on quarterly basis. Implementation of Govt. of India directive in every Indian CPSE has helped a lot to every CPSE employee to protect the social interest and social security.

Present trends:

All welfare schemes discussed above has shown human face of Indian CPSEs apart from their core activities. With the changing economic condition, globalization, global competition etc. the role of Indian CPSEs is also changing with time. To accommodate this change and to make more efficient and socially responsible working of Indian CPSEs, Govt. of India has taken some progressive decisions in past few years. These decisions have given long term guideline on working of Indian CPSEs. Accordingly in line with Govt. of India directive, the Indian CPSE has implemented corporate governance, corporate social responsibility, research and development, human resource management, sustainable development, signing of memorandum of understanding to cope with changing environment. This is also necessary for better performance, social responsible behaviour, and long run survival of Indian CPSEs in society.

Corporate social responsibility:

During the year 2010, Govt. of India has taken a decision to ensure expenditure of fix percentage of profit of Indian profit making CPSEs on social projects. To ensure availability of funds for implementation of social projects, it has made mandatory for every profit making CPSE to make provision of CSR budget according to profit of the CPSEs given below:

Net profit range during previous F.Y.	Expenditure on CSR as % of Profit
Less than Rs. 100 crore	3% to 5%
Rs. 100 to 500 crore	2% to 3% (Subject to a minimum of 3 crores)
Rs. 500 crore and above	0.5 to 2%

CSR budget should be fixed for each financial year. This fund will not lapse. It will get accumulated to a CSR fund. It is also cleared that expenditure made by Indian CPSEs on their employees welfare schemes will not be considered under CSR fund. Now Indian CPSE has to implement social project on project based approach in place of voluntary or philanthropic approach.

This decision has increased the responsibility of Indian CPSEs. Till now Indian CPSEs were involved in their core activity. The social welfare scheme was implemented through NGO on voluntary and philanthropic basis. But as per new directive issued by Department of Public Enterprises, Govt. of India, all social welfare projects will be implemented by Indian CPSEs itself with the help of specialized agencies. Provision is also made to link the performance of Indian CPSEs with CSR expenditure in social projects.

To maintain the performance of company, the Indian CPSEs have faced a pressure to redesign there system to accumulate social aspect in their organizational strategy. Accordingly restructuring of organization have initiated in most of the Indian CPSEs to accommodate CSR in their strategy. For this, Indian CPSEs have restructured the organization and created new CSR department/ section with new recruitment in social field. Some CPSEs has re-designated their employees with responsibility to implement social projects to utilise CSR fund. With above changes in organizational structure, the Indian CPSEs are now in a position to plan and manage the short, medium and long term social projects and to ensure CSR expenditure in best possible way in line with company policy and business.

It is expected that a huge amount of fund is available under CSR fund with every profit making Indian CPSEs. As per daily 'Dainik Jagran' the total CSR fund available with Indian CPSEs is around 1800 crores. It is a challenge for every CPSE to utilize CSR fund and implement social projects for the welfare of community. With the time, Indian CPSE is getting matureness in implementation and management of social projects along with their core activities. Most of the Indian CPSEs have already created necessary infrastructure and identified specialized agencies for implementation of social projects.

While a study made on some selected CPSEs working on social projects, it indicated that these CPSEs have implemented various social projects that is directly related with community welfare. Some medium and long run projects are going on. Thousands of needy poor people of the society has benefitted through CSR projects. It is no doubt that Indian CPSEs have competent manpower, good management capability and lot of fund under CSR projects. By using these resources, Indian CPSEs is competent to solve community social problems as well as improve social face of enterprise.

Although most of the Indian CPSEs have started

implementation of social projects under CSR scheme even though some CPSEs are still not utilising CSR fund on the ground that they have no expertise in social field. Some CPSEs are also making excuses that this is not their core activities. It should be understood by those CPSEs that their performance is evaluated on the basis of financial and non-financial parameters. If they have achieved financial parameter but failed to achieve non-financial parameters in that case, they will be rated in between poor to good. This rating will hamper the performance of the CPSE.

It should be clearly understood by all employees of Indian CPSEs that their performance related pay (PRP) is directly related to overall performance of the company. The situation has become odd for them when they achieve their financial target even though they will not get benefit or less benefit of performance related pay (PRP). Because mere achieving financial target is only 50% part of overall target of the company, the rest 50% target depends on non-financial target. Utilization of CSR fund for social project is one of the parameter in non-financial target. 5% mandatory weightage is given for CSR activity in the MoU. Each Indian CPSE and its

employees should understand it clearly and implement the social projects to utilize the CSR fund without any excuse if they like to achieve overall performance. This is in the favour of CPSEs as well as their employees to get maximum PRP.

We are sure that with time, the Indian CPSEs will become more mature and be able to handle big social projects for the benefit of more than 300 million Indians who still are living below the poverty line.

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