

CHAPTER: III

CORPORATE SOCIAL RESPONSIBILITY IN GOVERNMENT COMPANIES

Good Corporate Governance includes socially responsible business practices. A socially responsible approach to business would involve attention to social and environmental concerns in addition to economic goals and encourage companies to balance financial profits, economic value addition and social good.

The high level of public accountability attached to Public Sector Undertakings (PSUs) as a result of their public ownership makes socially responsible reporting by PSUs particularly important. The Committee of Public Undertakings (COPU) in 1992 examined the issue relating to social obligation of Central Public Sector Enterprises and observed that “being part of the ‘State’, every Public Sector Enterprise (PSE) has a moral responsibility to play an active role in discharging the social obligations endowed on a welfare state, subject to the financial health of the enterprise”. Based on the recommendation of the COPU, Department of Public Enterprises (DPE) issued general guidelines in November 1994. These guidelines basically left it to the Board of Directors of the PSEs to devise socially responsible business practices in accordance with their Articles of Association, under the general guidance of their respective Administrative Ministry/Department.

3.1 Corporate Social Responsibility

Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviors that is consistent with sustainable development and the welfare of society and takes into account the expectations of stakeholders

Corporate Social Responsibility (CSR) is one such niche area of corporate behaviour and governance that needs to be addressed and effectively implemented in the organisation. CSR is one of the effective tools that synergizes the efforts of corporate and the social sector agencies towards sustainable growth and development of social objectives at large. CSR is at heart a process of managing the costs and benefits of business activity to both internal (employees, shareholders, investors) and external (institution of public governance, community members, civil society groups, other enterprises) stakeholders.

Keeping in view the importance of PSUs in discharging social obligation, a limited review on the initiatives taken by the PSUs in selected sectors viz. Oil and Natural Gas Sector, Coal and Power Sector towards CSR was conducted. The main focus of the review was on the following aspects:

- ❖ CSR Policy
- ❖ System of planning for CSR activities
- ❖ System of fixation of targets for CSR activities
- ❖ Budget allocation and budget utilisation for CSR activities
- ❖ Monitoring mechanism for implementation of CSR activities

3.2. CSR Policy

Out of the total 28 companies in Coal Sector, Power sector and Oil and Natural Gas Sector selected for examination, it was observed that 19 companies (5 companies in Power Sector, 8 companies in Coal Sector and 6 Companies in Oil and Natural Gas Sector) had approved CSR policy during 2007-08. The list of companies having CSR Policy and a list of companies not having CSR policy covered in the review are given in **Appendix XV** and **Appendix XVI**.

3.3 System of Planning for CSR activities

Planning plays a vital role while implementing any policy. It was, however, observed that North Eastern Electric Power Corporation Limited, NTPC-SAIL Power Company (P) Limited, Bokaro Power Supply Company (P) Limited and Power Finance Corporation Limited in the Power Sector had no system of planning for CSR activities. Other companies planned their CSR activities as detailed below:

(A) Oil Sector

- ❖ Bongaigaon Refinery & Petrochemicals Limited, Numaligarh Refinery Limited and Oil India Limited had formed Community Development Committee/ Steering Committee for planning CSR activities.
- ❖ Hindustan Petroleum Corporation Limited planned CSR projects with the help of operating Partner Non Government Organisations. The company signed MOUs with the Non Government Organisations.
- ❖ Bharat Petroleum Corporation Limited and Mangalore Refinery and Petrochemicals Limited planned CSR projects based on requests from neighbouring local self-governments like Panchayats, Municipalities & Corporations and Non Government Organisations.
- ❖ GAIL (India) Limited and Indian Oil Corporation Limited fixed thrust area wise targets with the help of its officials in consultation with local/district authorities for the activities of local significance and potential benefit to the local public.

(B) Power Sector

- ❖ NTPC Limited had dedicated CSR Cell, which was responsible for policy matters, compilation of information, annual reports and facilitating the process of allocation of funds.
- ❖ In Nuclear Power Corporation of India Limited the local management in consultation with the local authorities finalised the CSR scheme and the same is presented to a Committee. The Committee recommends CSR schemes to the Chairman and Managing Director.

(C) Coal Sector

- ❖ Central Coalfields Limited, Bharat Coking Coal Limited, Coal India Limited, Eastern Coalfields Limited, Mahanadi Coalfields Limited and Northern Coalfields Limited had area community development committee constituted for

the purpose at the area level, which was taking decisions regarding identifying the activities, preparation of budget, reviewing and approving the action plan and monitoring the activities during implementation. At headquarter level the Welfare Board oversees the Community Development activities. However, there was no specific department dealing with the entire aspects of CSR.

3.4 System of fixation of targets for CSR activities

The Oil and Natural Gas Sector and Coal Sector Companies made the budget allocation for CSR activities as per the policy directions of their respective Ministries. While the Coal companies provided one rupee per tonne of coal produced, companies in Oil and Natural Gas Sector provided 0.5 *per cent* to one *per cent* of the profit for CSR activities. However, in case of Power Sector companies no structured guidelines existed for budget provision as emerged from the following:

- ❖ NTPC Limited had a policy of earmarking Rs.17 crore every year for CSR activities.
- ❖ Power Finance Corporation Limited had not made any budget provision for CSR activities during the year the 2007-08. However, during the year the company donated surplus office furniture/material (valuing Rs.20 lakh) to 26 Non Government Organisations.
- ❖ Power Grid Corporation of India Limited during the year 2007-08, allocated an amount of Rs.45 lakh in the budget which was subsequently reduced to Rs.35 lakh towards community development programme. However, the Company released an amount of Rs.37.50 lakh during the year 2007-08 for the purposes indicated below:
 - (i) Financial assistance of Rs.5 lakh to “National Foundation for Communal Harmony”, an autonomous organisation under the Ministry of Home Affairs, Government of India.
 - (ii) Financial assistance of Rs.25 lakh to the “Social, Cultural, Educational & Sports Development Trust of Silchar, Assam”.
 - (iii) Financial assistance of Rs.7.50 lakh to “Global Cancer Concern India” towards two cancer camps in Madhya Pradesh and Chattisgarh in addition to one mobile unit.
- ❖ Bokaro Power Supply Company (P) Limited had no budget allocation for the year 2007-08 in respect of CSR activities.

3.5 Budget allocation and utilisation for CSR activities

The budget allocation vis-à-vis actual expenditure of various companies during the year 2007-2008 was as follows:

Name of the sector/ company	Allocation (Rs. in lakh)	Actual expenditure (Rs. in lakh)	Unutilised amount (Rs. in lakh)	Percentage of unutilised amount over allocation
Oil and Natural Gas Sector				
Bongaigaon Refinery & Petrochemicals Limited	135.00	109.15	25.85	19.15
Numaligarh Refinery Limited	543.25	349.84	193.41	35.60
Balmer Lawrie & Company Limited.	36.00	34.50	1.5	4.17
Biecco Lawrie Limited	1.00	0.46	0.54	54.00
Bharat Petroleum Corporation Limited.	903.00	566.00	337.00	37.32
Hindustan Petroleum Corporation Limited	124.45	84	40.45	32.50
Mangalore Refinery Project Limited.	250	151.16	98.84	39.54
Oil India Limited.	1717.00	642.07	1074.93	62.61
GAIL(India) Limited.	1751.26	1666.07	85.19	4.86
Indian Oil Corporation Limited	5952.51	5426.72	525.79	8.83
Total	11413.47	9029.97	2383.50	
Power Sector				
Nuclear Power Corporation of India Limited	279.00	170.89	108.11	38.75
NHPC Limited.	200.00	96.05	103.95	51.98
Narmada Hydro Development Corporation Limited	55.00	40.49	14.51	26.38
NTPC Limited	1401.00	759.00	642.00	45.82
NTPC-SAIL Power Company (P) Limited	74.87	46.12	28.75	38.40
Power Grid Corporation Limited	45.00	37.50	7.50	16.67
Total	2054.87	1150.05	904.82	
Coal Sector				
South Eastern Coalfields Limited	858.45	732.98	125.47	14.62
Western Coalfields	439.07	351.46	87.61	19.95

Limited					
Bharat Coking Coal Limited	240.00	*185.78	54.22	22.59	
Central Coalfields Limited	500.00	*385.28	114.72	22.94	
Mahanadi Coalfields Limited	1832.88	*1832.88	0.00	0	
Eastern Coalfields Limited	200.00	*387.68	-	-	
North Eastern Coalfields Limited	0.00	*14.91	-	-	
Northern Coalfields Limited	250.00	*441.33	-	-	
Total	4320.40	4332.30	382.02		
Grand Total	17788.74	14512.32	3670.34		

3.5.1 From the above table it is evident that the companies in all the three sectors, the utilisation of the allocated budget was less than the allocated budget except in four companies in the Coal Sector. While Eastern Coalfields Limited and Northern Coalfields Limited have spent more than their budget allocation by 93.84 *per cent* and 76.53 *per cent* respectively, in the case of Mahanadi Coal Fields expenditure matched the budget allocation. In North Eastern Coalfields Limited Rs.14.19 lakh was spent though the same was not provided in the budget. In Oil and Natural Gas Sector the unutilisation of budgeted amount ranged from 4.17 *per cent* to 62.61 *per cent*. In Power Sector the unutilisation of budget amount ranged from 16.67 *per cent* to 51.98 *per cent*.

3.5.2 Further analysis revealed the following:-

- ❖ The budget for CSR on Omkareswar Project (OSP), a unit of Narmada Hydro Development Corporation funds for 2007-08 was Rs.20 lakh, out of Rs.55 lakh budget for the whole company. The OSP unit showed the expenditure as Rs.18.73 lakh. However, audit verification revealed that the actual expenditure in this case was only Rs.12.37 lakh. The expenditure of Rs.6.36 lakh relating to incomplete activities had been carried forward without the approval of the Board of Directors. Thus total unutilised funds amounted to Rs.20.87 lakh, which was 37.95 *per cent* of total budgeted funds.
- ❖ NTPC Limited sanctioned Rs14.01 crore against Rs.17 crore required to be provided as per the policy document. Audit analysis indicated that the actual amount spent was Rs.7.59 crore which was short by Rs.6.42 crore. The shortfall against the amount sanctioned worked out to 45.82 *per cent* and the shortfall against the amount stated in the policy document stood at Rs.9.41 crore which accounted for 55.35 *per cent*.
- ❖ GAIL (India) Limited allocated Rs.17.51 crore against the norms of Rs.23.87 crore. Out of the allocated amount of Rs.17.51 crore, the amount spent was Rs.16.66 crore.

* Provisional

3.6 Monitoring mechanism for implementation of CSR activities

3.6.1 A review of the monitoring mechanism relating to CSR activities revealed the following:-

(A) Oil Sector

- ❖ Bongaigaon Refinery & Petrochemicals Limited and Numaligarh Refinery Limited formed Community Development Committee/ Community Development Steering Committee for monitoring of the various projects.
- ❖ Balmer Lawrie & Co. Limited held regular reviews of the CSR activities at the level of Executive Director and progress reported to the Board on an annual basis.
- ❖ Biecco Lawrie Limited monitored the CSR projects through Management Committee comprising of senior officers of the Company.
- ❖ Hindustan Petroleum Company Limited monitored the execution of plan and budget utilisation by a project leader through Operating Partner Non Government Organisations.
- ❖ Bharat Petroleum Company Limited reviewed the projects on a regular basis depending on the nature of the activity.
- ❖ Mangalore Refinery and Petrochemicals Limited planned and executed the CSR activities directly by its officials. However, the involvement of Government Institutions/ Non Government Organisations was also considered when MRPL participated as a joint contributor.

(B) Power Sector

- ❖ As per M.P. Government, Building and Other Construction Workers Cess Act, 1996, one *per cent* cess was to be recovered on each contract value awarded for Civil/Building Construction work except for construction contracts for residential purposes, up to Rs.10.00 lakh. Although the Narmada Hydro Development Corporation has loaded this factor in the contract value but the quantum of recovery made on this account was unascertainable due to absence of relevant data.
- ❖ NTPC Limited had a dedicated CSR Cell, which was responsible for monitoring of CSR activity and facilitating the process of allocation of funds. It has, however, been noticed that each station was required to identify compulsorily a specific day/week for organising annual rural sports meet as per CSR Policy, none of the stations complied with the above mandatory requirement of the Policy.
- ❖ There was no monitoring mechanism in Nuclear Power Corporation of India Limited, except reviewing the compliance certificate on the projects forwarded by the site/station by a Committee at the corporate office. In North Eastern

Electric Power Corporation Limited also there was no monitoring mechanism for implementation of CSR policy.

(C) Coal Sector

- ❖ Central Coalfields Limited, Bharat Coking Coal Limited, Coal India Limited, Eastern Coalfields Limited, Mahanadi Coalfields Limited and Northern Coalfields Limited had no specific department dealing with the entire aspects of CSR.

3.7 Conclusion

There is a need to promote a drive in Government Companies towards greater accountability on Corporate Social Responsibility (CSR). In order to attain the social objectives, there is a need for framing a CSR Policy in every company for prioritisation of activities for social spending and allocation of separate funds for this purpose. Moreover, to have an impact of the CSR spending and utilisation of allocated budget, there should be a system of periodical monitoring and reporting to the Board of Directors.