## INTRODUCTION

## CONTENTS

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Topic</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Introduction</td>
<td>01</td>
</tr>
<tr>
<td>1.1.1</td>
<td>Concept of CSR</td>
<td>02</td>
</tr>
<tr>
<td>1.2</td>
<td>Importance of the Study</td>
<td>03</td>
</tr>
<tr>
<td>1.3</td>
<td>Why to study NALCO?</td>
<td>06</td>
</tr>
<tr>
<td>1.4</td>
<td>Objective of the Study</td>
<td>07</td>
</tr>
<tr>
<td>1.5</td>
<td>Methodology</td>
<td>07</td>
</tr>
<tr>
<td>1.5.1</td>
<td>Sources of Data</td>
<td>08</td>
</tr>
<tr>
<td>1.5.2</td>
<td>Sample Design and Size</td>
<td>09</td>
</tr>
<tr>
<td>1.5.3</td>
<td>Scope of Study</td>
<td>09</td>
</tr>
<tr>
<td>1.5.4</td>
<td>Period of Survey</td>
<td>09</td>
</tr>
<tr>
<td>1.6</td>
<td>Limitations</td>
<td>11</td>
</tr>
<tr>
<td>1.7</td>
<td>References</td>
<td>12</td>
</tr>
</tbody>
</table>
"No society can be flourishing and happy, of which by far the greater part of the numbers are poor and miserable." – *The Wealth of Nations: Adam Smith*

1.1: Introduction:

The main social responsibility of a company is to create wealth and distribute it through dividend, interest and employment. But, now companies engage themselves in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance and workplace issues etc.

Today, a large number of corporates contribute voluntarily to several social causes. This ranges from small philanthropic acts to larger social causes like promotion of basic education and vocational training, adoption of villages, upliftment of weaker sections, assisting physically challenged persons (Ratnam, 2006). Many companies are also engaged in upgrading of infrastructure of the neighborhood areas, adopting eco-friendly measures, conservation of energy, protection of bio-diversity; contributing to social and economic development of the people around it by sharing resources with under-privileged communities; extending better health care and educational facilities; employee welfare measures etc. Such actions by companies are collectively referred to as Corporate Social Responsibility (CSR).

The basic question is - why should companies worry about serving the interest of society while their major objective is to benefit their shareholders by maximizing profit? It is because - a business cannot succeed in a society which fails. The broad rationale of a company’s social responsibility arises from the fact that a business enterprise derives several benefits from society and therefore, it should pay back to society as well. That is how companies try to address the economic, social and environmental impact of business operation. Thus, CSR is an expression used to describe a company’s obligation to be sensitive to the needs of all the stakeholders in its business operations.

Many times campaign against companies causing displacement, environmental destruction and pollution, violating the rights of the workers/indigenous people generates hostility and head
on collision with local people, thereby bring disrepute to the companies. This compels companies to behave in a socially responsible way. Hence, they try to win over the local populace through a series of welfare measures to get their support.

1.1.1: Concept of CSR:

Business activities create both positive and negative externalities for both society and environment\(^2\)(Bhattacharyya, 2008). The success of business depends on generating more positive externalities and minimizing negative externalities. Thus, business organizations have responded to these two aspects of their operation with a set of activities which goes by a generic name “Corporate Social Responsibility” (CSR). It is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation, and voluntarily taking further steps to improve the quality of life of the employees and their families as well as the local community and society at large. The philosophy is, basically to give back to the society, what it (business) has taken from it in the course of its quest for creation of wealth.

CSR is not about philanthropy. It is not just about visiting orphanages and giving money to the destitute. It is about building inclusion. CSR is also not about building a corporate image; it is about building corporate character\(^3\)(Shanmugam, 2006). In fact, corporate philanthropy is giving way to CSR\(^4\)(Bhowmik, 2004). Presently, it is a corporate strategy for survival, and not undertaken for mere “feel good factor”\(^5\)(Gopinath and Murlidhar, 2006). It also provides an opportunity to demonstrate the “human face of business”\(^6\)(Holme and Watts, 2000).

CSR is closely linked with the principles of "Sustainable Development" in the sense that companies should make decisions based not only on the financial/economic factors but also on the social and environmental consequences of their activities.

CSR activities by companies have got a lot of advantages for them also. The benefits are in terms of building a positive image,
encouraging social involvement of employees, which in turn develops a sense of loyalty to the organisation. It helps to bond employees as a team and with the organization; which in turn, helps in creating a dedicated workforce who are proud of their employer. It helps them to operate in a friendly manner while adding to their brand value, image and reputation; increased ability to attract and retain employees.

1.2: Importance of the Study:

CSR as a concept has attracted worldwide attention and has acquired a new resonance in the global economy (Jamali and Mishrak, 2006). Globally, the issue of CSR is a much discussed topic in the corporate circle. Today, it is urgently felt that there is a need to institutionalize CSR interventions to deal with major global issues like (i) climate change and global warming, (ii) mal-nutrition, (iii) health, (iv) unemployment and (v) poverty. World bodies and international organizations have rightly taken up many initiatives to promote CSR which is quite steadily increasing its influence over the corporate bodies. It is felt that the synergy of corporate actions would make the CSR interventions more effective to create a better world - free of hunger, pollution, malnutrition, exploitation etc. Today, businesses have realized that, in order to continue thriving, they have to adopt a more holistic and inclusive business model, which has a direct correlation with the business performance.

While CSR is relevant for business in all societies, it is particularly significant for developing countries like India. Presently, India is a fast growing economy and is booming with national and multinational firms. At the same time, India also faces social challenges like poverty, population growth, corruption, illiteracy etc. While the government has been evolving a large number of welfare schemes for the people, these benefits rarely reach the deserving ones. Most governmental programmes embroil into political manipulations, corruption and bitter infighting, and fail to deliver the desired result. Very often governmental and social sector institutions are viewed as inefficient, ineffective, and unresponsive. Industries, on the other hand, have expertise in man management, financial management and business planning; and can easily provide the
missing ingredients of leadership and organisation, and establish the 'last mile connectivity' to reach out to the needy and deserving people. Therefore, it is imperative on the part of the Indian companies to be sensitive to CSR so as to facilitate and create an enabling environment for equitable partnership between the civil society and business. In fact, Corporate Social Responsibility has much broader implications for the nation as a whole. It would reduce dependency on the government for social change through a public-private partnership for the best use of resources.

It is encouraging that Indian business has appreciated the need of the changing times, with most of the companies talking about CSR, framed CSR policy and mobilizing employees and earmarking part of profit for CSR activities. There are several examples of CSR interventions making a difference in the life of the common man, such as:

(i) Running of Trauma Care Centre by Life Line Foundation,
(ii) Serving mid-day meals by Akshaya Patra Foundation, and
(iii) Empowerment of women through skill development by Tata Steel Rural Development Society.

Such projects by companies have demonstrated business as a strategic and empathetic partner in the process of development. In a developing country, the responsibility of business towards the society is seen from a wider context and this has four dimensions:-

(i) Compliance with the law and statutory provisions in letter and spirit,
(ii) Exploring Business at the Bottom of the Pyramid for helping the poor as well as enriching the business;
(iii) Forming strategic partnership with the stakeholders; and
(iv) Taking care of people other than potential consumers (Panda, 2008).

In the context of India, such a partnership has enormous potential for strengthening society. The need of the hour is to reinforce CSR interventions to deal with major national issues like mal-nutrition, quality education, health, unemployment and poverty. In fact, CSR is a journey of the business with the society for making growth inclusive and sustainable, and not a destination. It has a
potential leading to a “win-win” situation for the business and the society.

CSR activities of some Indian companies have been quite visible in recent years. Companies are not just concerned with peripheral development, but also concerned with development of many urban infrastructure and utilities. These activities are a new dimension to the liberalization and growth of Indian corporate houses in the post Economic Reforms era. Today, it is increasingly realized by many that CSR is good for business. Further, there is growing evidence that the larger the firm the greater its social responsibility (Ratnam, 2006).

In Odisha, PSUs like SAIL, NTPC, and NALCO are engaged in CSR to a varying degree. Among private industrial houses, Indian Metals and Ferro Alloys (IMFA), has undertaken CSR initiatives like free health camps in tribal areas, running educational institutions including Industrial Training Institute (ITT), sponsoring needy scholars for higher education etc. It has instituted awards for excellence in Odia literature and encouraging budding Odia sportspersons. Recently, MNCs like POSCO and Vedanta are careful enough in promoting CSR so as to win the confidence of the people and try to create an enabling atmosphere for acquiring land and starting their operations.

Vedanta Aluminium Limited has taken up several initiatives to improve health, education, livelihood, communication and cultural heritage of tribal people, and promoting sustainable socio-economic development through industrialization. As per Supreme Court’s directive, Lanjigarh Project Area Development Foundation (LPADF) has been formed in October 2009 and is fully funded by Sterlite Industries (India) Limited (a sister concern of Vedanta). The Foundation is to take up Community Development Programmes in the 50 km radius around Vedanta Alumina Refinery project and Mining project at Lanjigarh. It works in close collaboration with specialised government agencies like Dongria Kondh Development Agency, Kutia Kondh Development Agencies, ITDA, Watershed Mission etc.

After signing the MoU, POSCO-India has focused on CSR in India, especially in Odisha. It has initiated educational support
programs for students in Odisha and other parts of the country through the ‘POSCO-TJ Park Foundation’ to encourage research, aid higher education and promote academic collaboration between India and Korea. The medical camp exclusively meant for the benefit of local residents comes close on the heels of POSCO-TJ Park.

Under this background, and significance attached to the concept of CSR, the researcher is inquisitive about the level of awareness of CSR among the employees of an Indian company and the people in its neighborhood, so as to gauze the level of infiltration of the idea of CSR in India. Further, the researcher is motivated to make an enquiry about the importance attached to CSR by the management of the company, and the views/opinion of the employees and public on the CSR activities of the company.

1.3: Why to study NALCO?

NALCO is the biggest Public Sector Company operating in Odisha. It is Asia’s largest integrated aluminium complex, encompassing bauxite mining, alumina refining, aluminium smelting and casting, power generation, rail and port operations. NALCO’s operation spreads over a wide area of the state: Bauxite mines at Panchpatmali and Alumina Refinery at Damanjodi in the district of Koraput to Captive Power Plant, Aluminium Smelter and Rolled Products Unit at Angul. As many as 635 families of 51 villages have been displaced for setting up of the industrial township of NALCO at Angul and Damanjodi.

It has so far spent more than Rs. 100 crore towards various social sector development activities. Creation of infrastructure in the surrounding villages for communication, education, healthcare and drinking water gets priority in the periphery development plans of the company. The company’s commitment towards CSR is reflected in its mission statement also. These are as follows:

- to satisfy the customers and shareholders, employees, and all other stakeholders.
- to be a good corporate citizen, protecting and enhancing the environment as well as discharging social responsibility in order to ensure sustainable growth.
Further, NALCO has been adjudged as the Best Public Sector Enterprise of 2008 for its Corporate Social Responsibility (CSR) activities by Think Odisha Leadership. It is viewed as a benchmark company for its CSR activities in Odisha (Parichaya, 2008).

In fact, NALCO is not just a public sector company for the people of Odisha; it is regarded as the pride of Odisha, an international brand, an epitome of corporate excellence in India. Public sector undertakings like SAIL and NTPC have their plants and operations in Odisha and are also engaged in CSR activities, but the visibility of CSR activities of NALCO is more than any other company in the state.

Therefore, the researcher is motivated to explore the practice of CSR by NALCO, and the opinion of the employees and the public on it.

1.4: Objectives of the Study:

The broad objective of the study is to explore the design and delivery mechanism of CSR by NALCO, and to ascertain importance given on CSR by the company, while the concept is gaining momentum in the world today. The present study has got fourfold objective.

Firstly, it is to explore the CSR initiatives undertaken by NALCO and to gain insight of the CSR policy and practice of the Company i.e. why and how NALCO is involved in CSR activities?

Secondly, the study seeks to reveal the level of awareness and understanding of the term “CSR” among the employees and public.

Thirdly, the study intends to capture the views and perceptions of the two key stakeholders of the company i.e. the employees (internal stakeholder) and the public (external stakeholders) on its CSR initiatives.

Fourthly, the study seeks to unfold the role of the employees and the neighborhood community in the CSR of the company.

1.5: Methodology:

It is an exploratory study based on primary and secondary data. The research design of the study is empirical and analytical in nature. The non-executives and executives of NALCO, and the
general public belonging to Bhubaneswar, Angul and Damanjodi constitute the universe of the study.

The first phase of this research is exploratory in nature. In this phase, Deputy General Manager (Vigilance) and Senior Manager (Administration) of NALCO in charge of CSR management and planning were subjected to an in depth qualitative interview through a structured questionnaire (Appendix: I) for gaining an insight to the CSR initiatives of NALCO and to capture the policies and practice of CSR by NALCO.

In the second stage, a pilot study was conducted to test the usability and validity of the questionnaires for the two stakeholders of NALCO i.e. the employees and the neighborhood community.

In the third stage, the views/opinions of the employees of NALCO and the public on the CSR activities by the company was elicited using schedules (Appendix II and III respectively), which were circulated among them by visiting personally.

The study also involved field visit and discussion with some knowledgeable persons of the two localities -i.e. Damanjodi and Angul to gather their perspective of CSR by NALCO.

1.5.1: Sources of Data:

Both numeric information as well as text information were collected for the purpose of the study, and thus the final database represents both quantitative and qualitative information. Since, the first phase of this research is exploratory in nature, qualitative study techniques were used in this phase (11Blaikie, 2000; 12Maxwell, 2005).

1.5.1.1: Primary Source:
The following constituted the primary source of data for the research.

- Eliciting the views/opinions of the employees and public about the CSR policy and practices of NALCO through different structured questionnaires designed for them.
- Interviewing and discussion with knowledgeable persons.
- Visiting and observing CSR activities of NALCO in places like Angul and Damanjodi.
1.5.1.2: Secondary Sources:
The following constituted the secondary sources for obtaining data:
- Published books and reports by NALCO.
- Manuals and reports on CSR activities and achievements
- Website of NALCO.

1.5.2: Sample Design and Size:
The respondents of the study were selected on the basis of judgment sampling.

The number of respondents of the study is 376, out of which 218 are the employees of NALCO and rest 158 are general public belonging to Bhubaneswar, Angul and Damanjodi. The different respondents (employees and public) were given different questionnaires designed for them.

1.5.3: Scope of Study:
The scope of study covers awareness of CSR and opinion on the CSR activities by NALCO. Angul and Damanjodi are the two foci of the study, where the spillover effect of NALCO operation is largely felt. Besides this, the study also enlists the views and opinions of the people of Bhubaneswar, since the researcher feels the visibility of CSR of NALCO to be quite high here. Besides this, Bhubaneswar is the capital of Odisha, where the corporate office of the company is located.

1.5.4: Period of Survey:
In the first phase of this research, the Deputy General Manager (Vigilance) and the Senior Manager (Administration) of NALCO in charge of CSR management and planning were subjected to an in-depth qualitative interview through a structured questionnaire during November - December 2009.

The pilot study was conducted in December 2009. The data collection from the respondents (employees of NALCO and the public in the peripheral areas of NALCO plants) for the study was done from March 2010 to May 2010.
Research Plan

Initial research idea, based on the researcher’s experience of reality.

Literature Review

The exploratory in-depth qualitative interviews are conducted (by Semi-structured open ended questionnaire) to capture NALCO’s CSR activities

Data analysis of the qualitative survey

Development of proposition for quantitative survey

Pilot testing of the questionnaire for the survey study

Generation of items for questionnaire preparation

Quantitative survey is conducted

Data Analysis of the Quantitative Survey

Theoretical perspective of CSR policy of NALCO and Analysis of CSR practices by NALCO
1.6: Limitations:

Since, it is a micro study concerning just one company, no generalization can be made about the CSR policy and practice of Indian companies.

The study is mainly confined to two groups of stakeholders of NALCO i.e. employees and people in the surrounding areas of the plants where the CSR activities are mostly undertaken. The stakeholders like government, shareholders and consumers have been left out because the scale of study is small.

Even though the study has made an attempt to capture the views and opinions of a cross section of employees in the plants and the people in the surrounding area, it suffers from small size of sample.

Impact study and evaluation of CSR activities are beyond the scope of this study, since it involves high cost and long time.

However, the present study is expected to be an eye opener to the managers of industries, academicians and the Government to be appreciative of CSR initiatives by companies in India; and reinforcing the idea of CSR in solving the societal problems. It is hoped that the study would help foster the idea of Public-Private-Partnership in shouldering the burden of society and create a win-win situation for the public, company and the government.

Business has a responsibility beyond its basic responsibility to its shareholders; a responsibility to broader constituency that includes its key stakeholders: customers, employees, NGOs, government - the people of the community in which it operates. - Courtney Pratt, former CEO, Toronto Hydro
1.7: References:


2. Bhattacharyya, Som Sekhar (2008); Development of a CSR-Strategy-Framework, Management Development Institute, Gurgaon, Page 1


Environmental Conservation

Photo-1.1: Social Forestry by NALCO (Angul)

Source: Corporate Communication (CC) and CSR Department, NALCO

Photo-1.2: Pollution Control Efforts at Plant Level (Damanjodi)

Source: CC and CSR Department, NALCO
Development of Tribals

Photo-1.3: NALCO introducing improved agricultural practices by the tribal (Damanjodi)

Source: CC and CSR Department, NALCO

Photo-1.4: Tribal learn mushroom cultivation (Damanjodi)

Source: CC and CSR Department, NALCO