Chapter-2
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Research design

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2.1 Introduction:

Post 1991 India opened up its economy and ventured onto the path of globalization. In 19 years it became the 12\textsuperscript{th} largest economy in the world and third largest in Asia, after Japan and China. The FDI (Foreign Direct Investment) and FII (Foreign Institutional Investment) flows in India increased exponentially due to consistent economic policies by various governments. The FDI flows from August 1991 to 2006 were USD 38.9 billion, whereas India attracted a FDI flow of USD 16 billion in FY07. Even the flows into the Indian capital market through FIIs increased in last 19 years. In spite of this financial growth and exuberance, the fact remains that this country with one billion plus population, ranks 127\textsuperscript{th} out of 177 countries in the UN Human Development Index which takes into account income, education and literacy. 34.7\% of the population lives under absolute poverty and around 29\% of the people live below national poverty line. Income disparity in the country is one of the highest in the world with Gini coefficient of 0.325 (World Development Report) with the richest 20\% population accounting for 42\% of the income and the poorest 20\% for less than 8.9\% income. That is to say, that in spite of high financial growth of 7.5\%+, the benefits of Globalized economy in India are enjoyed largely by the Industrial houses, rich and middle class Indians. Hence, it becomes imperative to know the role of large corporate in preservation of social and environmental aspects, since, they are the main beneficiaries of this Globalized economy in India.

Besides, amidst this rapid paced globalization of economy, the never ending stream of corporate mergers and acquisitions, the expansion of manufacturing capacities, the growth in financial & service sector, the rise in food and commodities consumption, the gradual shift from agrarian to manufacturing to services sector and the constantly rising concern for global environmental issues, major changes are also being observed in the attitude of general public and stakeholders towards business enterprises. In this scenario, a study of selected industrial units becomes necessary to understand the corporate attitude and determination to take care of social and environmental responsibilities. We need to understand the internal ethical compliance system of these corporate and their ability and preparedness to inject vigor into their environmental preservation activities, as well as their positive and negative impact on socio economic conditions of their immediate stake holders like the local communities and employees.

2.2 Research Problem:

The role of large corporate of India in preservation of social and environmental aspects is a need of the hour. In India, Gujarat is one of the fastest
developing industrial states. It constitutes around 40% of Natural Gas resources of the country and the longest Coastline (1600kms.), which makes it a very attractive investment destination. It has various industries like ports, fertilizer, petrochemical, pharmaceutical, chemicals, cement, steel, mining, edible oil packaging, power, Chlor-Alkali, Dyes and Intermediates, Pesticides, FMCG, White Goods, Salt, etc. In Gujarat, Kachchh enjoys an enviable position. Kachchh along with Jamnagar attracts around 41% of the total investment in the state. It has two of the largest ports in India, at Kandla and Mundra. These are the nearest ports to entire North India. So, a study of 5 different industries in Kutch district is proposed to understand “The role of large corporate of India in preservation of social and environmental aspects”.

At the preliminary visits several issues emerge in the mind. In view of examining the issues it needs microscopic analysis. The issues that emerge at the stake are following:

1. Is the pace of industrialization in the district, conducive to the integrated growth of the area?
2. Has the corporate sector responded to the social integrity of the district very effectively?
3. Is the process taking shape is responsive to the sustainable growth of natural resources?
4. Do the industrial units have responded to the society against the fruits reaped by them?

The main aspects to be studied are:

1. Sustainable development and use of natural resources (Underground Water, coal etc)
2. Protection of biodiversity (Special case of Mangroves)
3. Involuntary resettlement
4. Pollution prevention and waste minimization
5. Socioeconomic impacts, and other issues (Local employment generation, Degradation of agricultural land, other socioeconomic issues)

2.3 Review of literature:

Huge literature is available in respect of the theme explored as part of Research study. There are both theoretical persistence and empirical observation are found in light of the subject.
From the accounting point of view we find an appropriate version of social investment and it in the book of Abtclark, “The social audit for management”. Kohler’s dictionary has also defined the term of “Social Audit”.

Theoretical detailed exposition is made in respect of Models of Social Accounting in Auditing. The main approaches of social accounting are briefly found in 1) Steven Dilley and Jerry Weygandt’s Social Responsibility Annual Report 2) Marlin’s Pollution Report 3) Corcoran and E Leininger’s Environment Exchange report 4) Linowes Socio Economic Operating System 5) Lee Seidler’s Social Income Statement 6) Estes’s Comprehensive Social Accounting Model 7) Clare C Abt’s Social Audit Model.

National Convention on corporate social responsibility organized in the leadership of Jayprakash Narayan at Jaipur(1966) has provided exhaustive study material as part of the published proceedings.

Environmental accounting is also emerging branch of corporate audit apart from the governmental constitution. There are institutional attempts being made to highlight the issues. These have led to the emergence of social and green audit as key consonants of changing audit perception.

Impact assessment studies are available published from Oxford, Cambridge, World Bank Working Papers, IWMl (International Water Management Institution), Madras Institute of Studies and other several institutional works. All these provide enough ground literate to have grasped over the proposed study and to evaluate the corporate performance in respect of changing trends.

Different Scholars while participating at the international Seminar and or making some presentations have viewed the concept of social responsibility from different angles. That summery of that follows as under.

- F.A.Vandrevala (Tata Power)

Beyond charity corporate can look at addressing the basic issues like vocational training. And by vocational training, it does not just mean sitting up institutes that would help generate employment. There is a scope to teach the farmer to farm better or to raise cattle. There is a well established model in Tata Steel for helping the farmers. Do not forget that the majority of the population in this country still depends on agriculture than it is also important to rope in a company’s employees in all such CSR efforts.

Sajjan Jindal (Jindal Iron and Steel Company) hands that Serve humanity are a lot better than lips that talk divinity. The business scenario is making imperative for the corporate to share this feel good imperative for the corporate to share this feel
good factor with the society and environment that supports them. The industry should embrace the philosophy of CSR as a discipline and partner with the government in resolving the problems of the under privileged in the society. This transformation process will have to be more enterprising and progressive efforts and resources should be deployed in education health and hygiene.

A. Das Gupta pointed out that the obligations of business to shareholders should include (1) protection and development of the assets of company and use of its facilities as trustees, (2) the ensuring of a fair return on the investments commensurate with the nature of the business and (3) dissemination of all relevant information about the company among shareholders in a language understood by them.

- S.P. Hinduja

CSR includes philanthropy but goes much beyond it. CSR demands that corporate behave in a manner that preserves and protects our social foundation; values and institutions, corporate should help in education starting with young children and teach traditional values taking the help of the leader’s academia and the spiritual world.

Goider has stressed on the accountability factor as the important one to secure the social responsibility of business. He said that the fear of the press and of exposure in the parliament would help to induce responsibility in action.

Allan Flanders was of the opinion that the words “Fair return” introduced a moral concept into material rewards. In his view “necessary” return was better. The shareholders were entitled to receive information regarding the progress of the company but not to any say in policy-making. He referred to the practice of the John Lewis Partnership of paying a fixed dividend on the share capital.

Free Blum urged that management was the only sector of business which had complete responsibility for over all co ordination and as such it represented the social point of business responsibility the manager must work for some specific values earning profit for expansion and growth could be one goal along with the ability to discharge the duties towards the society.

B.R. Shenoy observed that the shareholders were a shifting body of proprietors who were always on the look out for profitable employment of their capital. This incidentally provided a check on the doing of the directors. The shareholders should be encouraged, therefore, and given full facilities to ask for reasonable information about the working of the companies. The share should be listed in properly organized stock exchanges. The affairs of companies should be given the widest possible publicity, their balance- sheets should disclose detailed
information, and be presented at more frequent intervals, say half yearly, and their accounts should be properly audited.

K. Chandy stated that follows the purpose of the present discussion, business should not only mean private enterprise but should also cover public sector industrial ventures. Social responsibilities should be discussed irrespectively of ownership. Similarly, business should include manufacturing, trade and banking. He felt that while the workers and the producers could be made responsible the tradesman could not be. In fact, the present – day ills were largely due to the defective marketing system. He urged that different segments of the business should be viewed differently and a clear-cut definition of business adopted for discussion. To him there was an indigenous section and an international section of business. He made a plea for the industrial houses to provide leadership others such as agriculturists, growers of raw materials like cotton and jute. He observed that CSR was a concept of recent times. Gandhiji’s ideas should serve as a good heritage. If we had to avoid being imitators always develop our own concepts according to our own requirements and conditions. He regretted that there had been a no continues study of business behavior in India. People should be allowed to study business in all its aspects, even to so called secrets of business. The organization of power structure within business, Chandy explained, was hardly known. Business imposed its own personality on managers within 10 to 15 years, and men of intellect were stamped by industry instead of becoming its shapers. They must be liberated from the power of the organization which held people in bondage, influenced their thinking, and wielded immense power over them.

According to research done by a NGO called Partners in Change show that corporate involvement in development tends to be ad hoc and CEO-driven. This is best illustrated by the fact that only 11 percent of the companies had a written policy. This is in spite of the fact that over 85 Percent of the companies agrees that they have responsibility to society. Companies that works with communities do not necessarily distinguish between the privileged and the under privileged amongst them. While a few companies and business groups have taken a lead in promoting CSR in India, the role of the industry associations must be recognized as significant.

CSR is neither a fashionable craze of the movement, nor a PR or communication tool because consumers, shareholders, and pension funds particularly, wage-earners, NGO’s, local authorities etc. I.e. all those people or group called stakeholders are sensitive to what business do, be it good or bad. (European Commission Green Paper on CSR , 2001)
According to N. R. Narayana Murthy, corporate foremost social responsibility is to create maximum shareholders value working under the circumstances where it is fair to all its shareholders, workers, consumers, the community, the government and the environment. He points out that by living in harmony with the community and environment around us and not cheating out customers and workers, we might not gain anything in the short run, but in the long term it means greater profits and shareholders value.

According to Decker when CSR is conceptualized pragmatically as a response by business to society’s concerns, it acts as an element of structure; change with implications for the strategies of firms and ultimately for industry structure. Furthermore, industry specific aspect of CSR are important and governmental influences and financial services industry. As an element of structural change, CSR acts as an environmental discontinuity and forces firms to realign their positions within their operating environment. A structural change paradigm is developed to examine trends which are emerging within retail banking as a result of CSR.

Sharma And Talwar opines that which increases competitiveness today’s business scenario has become highly complex and focus is on corporate social responsibility, which has become increasingly important in the modern era.

CSR encompasses a wide variety of concerns such as ethical values in business, welfare of society, awareness, respect and protection of the natural and built environment as regular action that business can take to solve the problems being faced by the society. CSR is an integral part of Vedic philosophy. Vedic philosophy emphasizes that those actions, which are coming from the core of heart, will provide the long lasting result.

Rivoli argues on adoption of socialistic ideology which underlines the communitarian or family model, which says that societies should be thoughts as community in which benefits and burdens are distributed on the model of family.

Lantos discusses morality of altruistic CSR and altruistic activities which are appropriate and commendable for private firms and individuals.

According to Genets corporate philanthropy is reflector of corporate values, global corporate philanthropist have a history of commitment to corporate social responsibility activities, global companies practice international philanthropy, programme delivery differs as a reflection of corporate history, values, mission and business drivers, global corporations utilize CSR to gain and maintain their “License to operate”, and corporate cultural learning is pursued as an explicit activity, cross-
cultural learning is generally perceived as an implicit outcome. CSR shares value, opportunity for integrated cultural learning.

Veda advocates for minimum accumulation, mutual co-operation and maintenance of natural harmony. Veda reiterates non-centrality of money in human life, but for corporations money is that real nerve of business systems. Vedic economic philosophy is pure and focused on “Prosperity for all”. The present study attempts to critically evaluate the modern concept of CSR and enrich it with the path described by Vedic philosophy to attain the corporate excellence.

Hetherington states “There is no reason to think that shareholders are willing to tolerate an amount of corporate non-profit activity which appreciably reduce either dividends or market performance of stock.”

Dahl states “Every large corporation should be thought of as a social enterprise, that is an entity whose existence and decisions can be justified insofar as they serve public or social purpose.”

In the opinion of Aman Mehta, CEO, HSBC says that fundamentally CSR is balancing the conflict interest put the corporation from different stakeholders with the objectives a commercial organization in such a way that there is a minimum loss to anybody.

Bertrand collomle, CEO, Lafarge France observed that a company can’t be successful in the long run without a happy community around and a motivated and happy workforce, which would translate into greater labour productivity, lower wastage in manufacturing process and product rejection rate resulting in greater profits. According to him CSR is, manufacturing and business practices to the developing countries and training and educating local people in new skills and knowledge.

The popular daily of Kutchmitra has periodically published reports indicating that the rapid industrialization in the district has done a major damage to the environment and ecosystem of the area. Going through the reference files of this newspaper the most striking and serious damage is about the destruction of mangrove forests. In decade between 1980 to 1990 permission was accorded to cement industry in Lakhpat taluka and with that Sanghi industry started construction of private jetty, at that time the environmentalists expressed concern that rampant movement of cargo ships at the jetty may cause a major damage to mangrove forests in the coastal belt of that area. But towards the end of ‘90s decade Gujarat government sold out the Navinal Island near Mundra for development of a private port, and with that an open cutting of mangrove forests was witnessed by all. The daily had published a full page report on 29th October of 1998 expressing concern on this mangrove cutting.
The second major damage to environment is related to exploitation of subsoil water resources. Recently on 14th June 2010 Kutchmitra had published a special report on uncontrolled use of underground subsoil water by industries in Kutch. The report is very startling. Even though, after the earthquake Narmada water that was made accessible by pipeline to Kachchh for drinking purpose was allotted to industries for their use and this triggered controversy. The basic question is that out of about 620 small, medium and major industries only 97 has got Narmada water for their use, and then what are the rest of industries doing to meet their need for water? The answer is quite simple and clear, most of them are dependent on subsoil water resources and exploiting it without any control. Resulting to this practice the subsoil water level in area including Mundra is going down and down speedily. A report quoting the president of Mudra taluka Kissan Sangh says that the submersible motor pumping water for the wells have to be lowered in the wells for the first time as the water level is going down. Sarpanch of Samagoga village says angrily that a private company is pumping out subsoil water from eight major bore wells round the clock without any control of authorities.

As far as the issues related to atmospheric pollution are concerned, there are negligible number of Chemical industries creating pollution but industries polluting air with dust particles are in sizable number. A report in Kutchmitra on 8th February 2010 says that out of about 620 industries registered in Kutch 127 industries are in hazardous red zone in terms of air pollution. The most surprising fact is that even though the industrial development in Kutch have been amazingly speedy, the regional office of pollution control board was started very late in 20th November 2008 at Bhuj. But the main lacunae is that this office in Kutch does not even have the required instruments to gauge the pollution in the area. This clearly indicates the lack of seriousness of government towards pollution control. Steps to check pollutions are suggested regularly but there is no monitoring on its implementation. There are laws to save people from the industries exhaling black dust in atmosphere, the laws also prescribes the requirements for special types of chimneys in such cases. But these laws are flaunted openly. In some villages of Bhachau and Mundra talukas the air is clouded with such black dust particles, even the houses are clad with such dust, farms are also damaged and the health of residents is also on threat. Such complaints are regular and the damage by pollution is clearly visible but rarely any action is carried out by the concerned government authorities. Recently the people affected by severe pollution of and industry near Samakhiyali village had to seek relief from the Gujarat High court, after that Gujarat pollution control board slapped a closer notice to this industry but finally nothing has changed. Looking at the larger perspective, an officer of the Board says that there are many industries in Kutch but owing to vast
area these industries are isolated and during most part of the year severe windy conditions prevail. Due to these reasons the level of pollution is not that critical. But to the questions regarding the hardships of some particular villages or area has no answer from the authorities.

There is serious complaint of various villages that with speedy industrialization government is allotting the grazing lands of concerned villages to industries. This will result in serious loss to cattle breeding profession of rural areas. Kutchmitra has also published reports related to this problem. On 11th July 2008 an interview of member of legislative assembles Mr. Babubhai Shah was published. According to him there should be 40 acres of grazing land for every 100 cattle, but owing to haphazard allocation of land to Mundra Special Economic Zone the question arose, where to graze the cattle? This question and problem is of very serious in nature. Not only the allocation of land to Industries, the unchecked aggression of of Ganda Bawal and illegal encroachment has played a major role in eating out the grazing grounds of the villages. In some incidences the village panchayats itself getting lured by financial considerations has paved out the road for handing over of the grazing reserve land to industries. The controversy that had raised on this issue in Zarpara Village in Mundra taluka is well known. The reports published in Kutchmitra on 16th April 2008 and 26th June 2008 clearly indicates the same. But the report about the verdict that was sought out by the residents of Veera village of Anjar Taulka on cattle grazing reserve land is notable here. Out of such 280 acres of reserve land of this village 150 acres of grazing land was allotted for salt industries by the district collector. This allocation was challenged by the residents of the village in state High Court and honorable court gave historic verdict in favor of the villagers. this 150 acres of land was handed back to the village panchayat by this verdict. This was victory of unity and legal awareness of the villagers. If the residents of other villagers with unity and help of this particular historic verdict raise their same type of problems then good result can be found.

In the end to sum up, the issue related to environment public hearings, a glance at the editorial published way back on 20-04-2006 and an subsequent public opinion Column carried out on 30-05-2009 and a report in 10-07-2009 issue clearly states that such public hearings are held just for formalities. There is a clear impression that concerned parties hold such hearings in a stage managed manner. Apart from this, the explanations and assurances given by the companies on the concerns or the complaints raised by the people and the environment are hardly implemented. In short such public hearings more or like of dramatic nature.
2.4 **Objectives of study:**

1. To understand and examine the changing pattern of the industrialization in district of Kachch.
2. To understand and examine the relationship taking shape between corporation and socioeconomic development.
3. To make detailed inquiry into social and ecological approaches being followed by various industrial units in Kachchh.
4. To study and analyses the impacts of corporate practices on the social and ecological balance.
5. To point out the limitation and to work out the suggestions pertaining to theme.

2.5 **Hypothesis:**

An attempt is made to examine the following hypotheses as valid or null.

1. An accelerated pace is found in industrialization during the post disaster period.
2. The process of corporation is found slow and indifferent towards societal obligation in the vicinity of Kachchh.
3. An industrial practice followed by the units of Kachchh is having very little impact on resource wealth of the district.
4. There is growing unrest amongst the stake holder for the working of industrial units.
5. Rapid industrialization in the district of Kachchh has in aggregate destroyed the natural and social balance.

2.6 **Sources of data:**

The study is based on primary and secondary data.

**Primary Data:**

For the purpose of study the data is gathered directly from Employees and people living by the industry. The respondent from different villages randomly selected and data collected from the interviews from the part of primary data.
**Secondary Data:**

Secondary data has been collected from following sources.

1. Annual Reports published by company.
2. CSR Reports
3. Any other documents or data provided by company.
4. All India Economic Survey.
6. Reports published by Pollution control Board.

**2.7 Research Methodology:**

This study is largely based on primary and secondary source of data. For primary source the study largely depends on the responses collected from the employees and the people living by the industries. It is also followed by some preliminary observation made as part of official visits.

In view of providing an aggregate account of economic and industrial map, the research referred the published reports of the selected units; socio economic review of the district, Reports of several NGO’s and Reports from the department of industries and pollution Control Board. However an attempt is made to refer to the national level and state level scenario through making an access to the all India economic survey reports and state level socio eco review reports.

**2.8 Sample Size:**

Primary data is gathered on the basis of field visit and sample survey of 62 employees’ of five selected industrial units. In total 102 villagers from 11 villages have been interviewed through a questionnaire.

Visits with officials of the industrial units and with representative of chamber of commerce and industry is also undertaken to frame the ground and highlight the issues.

**Tools:**

In view of examining the validity of the hypotheses, x2 is partially applied. An attempt is also made to work out an aggregate score card with due weight age to examine the level of aggregate satisfaction.
2.9 **Significance of the Study:**

This proposed study carries three dimensional significance.

- This is going to be a micro level important account of corporate performance in view of changing global climate (global warming).
- This study is to provide an important ground for redesigning the industrial policies for a backward district like Kutch.
- The study is likely to have an impact over general awareness of the people in respect of changing perception of industry.

2.10 **Limitation of the Study:**

The study is to be limited one in respect of structural pattern and functional approach. It is going to be limited in sample size and geographical distance.

It is also limited in respect of dimensional coverage as this study is to take into consideration few of the parameters which highlight the social and green dimension of corporate audit.

2.11 **Chapter Plan:**

The research study is divided in six chapters.

The first chapter is introductory one. First part contains theoretical foundation of the major key words corporate governance, Economic Audit and Environment Audit. Second part contains different theory of Social Audit. Third part highlights changing dimension of corporate sector.

The second chapter contains “Research Design”. Besides objectives and hypothesis, it also provides an amount of research work completed earlier.

The third chapter highlights the international, national and regional Scenario of C.S.R.

The fourth chapter titled profile of the study region. The first part is about economy of the region. The second part is about industrial economy of the district Kachchh and third one contains Brief report on 5 companies covered under the study.

The fifth chapter examines in the first section respondents reflection. These reflections are arranged into various tables, Percentile score and graphical analyses. Second section provides inter selected variables in relevance with CSR activity.
The last chapter is about suggestions and conclusion. The chapter examines the validity of hypothesis framed for the purpose of the study. It is followed by some major observations. Third section of the chapter examines policy implications. Last part contains several suggests are made with respect to the problem exposed and exposed and examined.
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