

# A STUDY ON THE CORPORATE SOCIAL RESPONSIBILITY VALUE CREATION MODEL

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## **Abstract**

*In this competitive era Corporate Social Responsibility (CSR) is a modern method of answerability and responsibility of the business world towards society. The concept of CSR is well-known on the mutual dependence between an organization and society, as well as the factors that is responsible for this relationship. Corporate social responsibility by means of the elements of organization such as strategy, resource and process, business propositions, and stakeholder interactions create value for corporations and society and also can represent an excellence image in both internal and external environment through enhancing accountability for society. This paper focuses on it as a scope of corporate social responsibility for designing a new framework and model. An understanding of the conditions under which CSR may create model is crucial in developing a theory of strategic CSR. These elements can create value in each level of responsibility for corporations and society. Companies have found themselves being held responsible by society at large for matters that traditionally belonged to the field of nation states. Non- economical themes that before could easily be disregarded when making business decisions have now become connected with the day-to-day running of companies. The data is collected through (1) Primary sources (2) Secondary sources. The data collected through primary sources is sampling. Selection of CSR beneficiaries is from various villages of Kahalgaon block of Bhagalpur district, Selection of beneficiaries is based on simple random sampling. Determining sample size was very crucial. The interview schedule was prepared. It was prepared in a simple way so that the respondent understood easily and gave their answers frankly. The accuracy of the analysis is depended upon the representativeness and reliability of the sample. The analysis is made by using coefficient of variation. Academics can use the results to improve models of CSR.*

**Keywords** : CD (Community Development), CSR (Corporate Social responsibility), SHG (Self Help Group) and Performance.

## **INTRODUCTION**

The Government of India made 2% mandatory contribution in CSR from the profit. All firm activities may add value in the moment that they reduce costs, create product differentiation, or move customers to buy from one firm rather than another. CSR is an opportunity to re-configure the competitive view as well as to develop unique and self- motivated resources and capabilities. Visibility is clearly understood to be related to value creation. To the extent that consumers and other stakeholders are perceived to observe CSR activity, they are able to reward firms for their participation. A greater presence of CSR programs in the media and a favorable firm image appear to have a positive impact on the ability of the firm to generate value through increased customer loyalty, the attraction of new customers, and the development of new products and markets. The visibility results should be clear and direct. It is likely that this is a reflection of the perception that many firms hold regarding the contribution of CSR to firm reputation. Indian companies had always strong philanthropic activities mostly targeting their employees and their families. However, if CSR has to truly become the soul and DNA of a company, then it has to break away from employee welfare mindset and encompass sustainable development. In India, though corporate have a strong will to dedicate their resources for a social cause, they find it difficult to reach the right people considering the demography and diverse social problems of the country. India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of healthcare etc. are still everywhere and the government has limited resources to tackle these challenges. This scenario has opened up several areas for businesses to contribute towards social development. According to India CSR report (SRRF, August 2013) NTPC got 8 point in CSR transparency rating score. So there is need to study the linkage of CSR of NTPC (Kahalgaon) and community development. Also this research paper is assessment of performance of CSR of NTPC Kahalgaon. In this paper the coefficient of variation is used. The coefficient of variation represents the ratio of the standard deviation to the mean, and it is a useful statistic for comparing the degree of variation from one data series to another that is CSR number of beneficiaries in two consecutive previous financial years. It is used to compare variability, stability, uniformity and consistency between two sets of data. Matrix ranking system is created to assess the CSR. The CSR should be right, just, fair to improve the quality of life for community.

## **CORPORATE SOCIAL RESPONSIBILITY**

Philanthropy means “love of humanity” in the sense of caring for, nourishing, developing, and enhancing “what it is to be human” on both the benefactors’ (by identifying and exercising their values in giving and volunteering) and beneficiaries’ (by benefiting) parts. The most traditional modern definition is “private initiatives, for public good, focusing on quality of life”. This combines the social scientific aspect developed in the 20th century with the original humanistic tradition, and serves to contrast philanthropy with business (private initiatives for private good, focusing on material prosperity) and government (public initiatives for public good, focusing on law and order). Examples of philanthropy commonly overlap with examples of *charity*, though not all charity is philanthropy, or

all philanthropy is charity. The common difference is that charity relieves the pains of social problems, whereas philanthropy attempts to solve those problems at their root causes (the difference between giving a hungry man a fish, and teaching him how to fish for himself).

Some of the modern CSR are triple bottom line including people, planet, and profit. The concept of CSR originated in the 1950's in the USA but it became prevalent in early 1970s. At that time US had lots of social problems like poverty, unemployment and pollution. Consequently a huge fall in the prices of Dollar was witnessed. Corporate Social Responsibility became a matter of utmost importance for diverse groups demanding change in the business. During the 1980's to 2000, corporations recognized and started accepting a responsibility towards society. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders including shareholders, employees, customers, environment and society. The term stakeholders, means all those on whom an organization's performance and activities have some impact either directly or indirectly. According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." Frederick (1960) stated "Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people." Davis (1960) argued that "social responsibility is a nebulous idea but should be seen in a managerial context." An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status (Bajpai, 2001) Goyder (2003) argues industry in the 20th century cannot be regarded as a private property for shareholders. It is become a joint enterprise in which workers, management, consumers, the locality, govt. and trade union officials all play a part. CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm's social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions.

Today's corporate social responsibility (CSR) has become a new tool for organizations and their managers in the modern commercial era. The concept of CSR is based on the mutual dependence between a corporate and society as well as the indicators that affect this relationship. There are some interactions plays in this relationship corporate and stakeholders, corporate and governments, corporate and environment, corporate and ethical, and corporate and sustainable competitive advantage. Full disclosure, equal positions for employees, philanthropy, environmental actions, and quality of products and services are variables to measure types of CSR. CSR's can create value for both internal (organization or corporate) environment and external environment including society or country. Corporate social responsibility is a broader mechanism and new approach for enhancing accountability about society and country by top management. As well as help corporate and their managers so that use from various opportunities and reducing costs. Therefore, CSR is a modern approach whereby organizations shift excellence corporate citizenship. CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses it is also vital to build trustworthy and sustainable relationships with the community at large.

Though Today, CSR in India has gone beyond merely charity and donations. It has become an integral part of the corporate strategy. Companies have CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to support them.

The CSR programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc.

### **I. VALUE CREATION**

Corporate social responsibility in a modern method helped company to deal with interests of total stakeholders within the organization and society. Company may use 'value creation' in developing its strategy for CSR. Therefore, there are some methods that how CSR play as modern approach for value creation.

The first method is to deal with community-based development. This approach focuses on local communities that companies can better work with them. It stresses on communities (Maskrey 1989).

The second method is to integrate the CSR strategy for contribution into the business strategy of a company. According to this method there is fair trade for business players such as buyers and suppliers (Bansal and Roth 2000)

The third method is creating share value. The base of this method is that company success and social welfare are interdependent. In this method, some factors such as health, educated workforce, sustainable physical and insubstantial resources and proficient government are needed to compete effectively (Bansal and Roth).

There are some method which stressed on the external environment for competitive benefit through threats and opportunities from making the plan and hypothesis for social value into corporate strategy.

#### **1. RESEARCH OBJECTIVE**

- To design a new model in Corporate Social Responsibility.
- To assess the performance of CSR of National Thermal Power Corporation (NTPC) Kahalgaon in Bhagalpur.
  - To study the linkage of CSR of NTPC and community development.

#### **2. RESEARCH METHDOLOGY**

Different methods have been used for the collection of data regarding the CSR activity of NTPC, Kahalgaon, Bhagalpur and its impact on beneficiaries. The collection of data uses the various techniques. The data collected are from two sources

(1) Primary sources (2) Secondary sources.

PRIMARY SOURCES: Primary data was collected from surveys and field visits. SECONDARY SOURCES: The secondary data collected from the NTPC office Kahalgaon and from the website of NTPC. It is the information which is obtained at second hand regarding the CSR activity. The various method of data collection which I used in my study is (1) Observation (2) Survey (3) Participant interview (4) Focus Groups.

The analysis is made by using coefficient of variation. The coefficient of variation represents the ratio of the standard deviation to the mean, and it is a useful statistic for comparing the degree of variation from one data series to another, even if the means are drastically different from each other. It indicates the relationship between the standard deviation and arithmetic mean expressed in terms of percentage. It is used to compare variability, stability, uniformity and consistency between two sets of data. The higher coefficient of variation has higher degree of variation, also matrix method is used to analyze the performance of NTPC Kahalgaon CSR.

**II. ANALYSIS**

**Table 1** A study conducted among CSR beneficiaries to assess need in community.

Need	Ranking
Road	4 <sup>th</sup>
Sanitation	7 <sup>th</sup>
Agriculture	5 <sup>th</sup>
Education	2 <sup>nd</sup>
Health	1 <sup>st</sup>
Skill development	6 <sup>th</sup>
Livelihood	3 <sup>rd</sup>
Community building	8 <sup>th</sup>
Health camp (vet-nary)	9 <sup>th</sup>

Why health 1<sup>st</sup> preference (As according to CSR beneficiaries)

1. Health has paramount importance in everyone’s life.
2. Healthy population is more capable in earning livelihood.
3. Government health machineries are less impressive.

Why skill development 6<sup>th</sup> preference (As according to CSR beneficiaries)

1. Large number of youth unemployed.
2. They need skill training to earn their livelihood.
3. Government does not facilitate in training.

**Table 2** Matrix ranking assessment according to CSR beneficiaries

Basis Beneficiaries	Need based	Affordable	Quantitative	Efficient and Effective	Accessibility	Fair/ Transparent	Competent	Community relation	Desire	Commendable
Laborer	5	7	7	1	2	3	2	3	4	6
Farmer	6	7	6	1	3	5	3	5	4	1
Adolescent girl	1	6	7	1	3	2	1	4	5	2
Student	1	5	7	1	2	6	2	7	3	4
Women	1	3	4	1	3	4	2	5	2	1
Youth	4	6	7	1	5	4	2	6	3	2

(1)→ Means maximum in number (7)→Means minimum in number (0)→NONE

No of category of CSR beneficiaries: 7(Laborer, Farmer, Adolescent girl, Student, Women, Youth). Different basis on which ranking is done: Need based, Affordable, Qualitative, Efficient & effective, Accessibility, Fair/Transparent, Competent, Community relation, Desire, Commendable. If we take a look at the ranking in the

5<sup>th</sup> column we find that all the categories of CSR beneficiaries ranked 1<sup>st</sup> in terms of efficiency and effectiveness of CSR performance.

**Some of the interventions of NTPC’s CSR are:-**

**Education**

Intervention- : Villages have primary school and there is existence of middle school. NTPC intervened in this area by distributing books, stationary material and uniform for Vidya Bhavan School. Constructions of additional 02 rooms in primary school (Harijan tola) Ekchari (purabtola).

**Health**

Intervention- : NTPC intervened in this area by organizing health care camps such as eye camp, family planning camp, awareness for mother/child/adolescent.

**Sanitation**

Intervention- : The status of sanitation facilities in all the villages is not very good. Few villages have partially sanitation facilities as some of the houses have toilets. But in schools toilets are the big problem for students especially during rainy season. Ponds of the villages were also not cleaned properly in most of the villages sanitation is taken care by nagar nigam. Drains are mostly cleaned by villagers themselves. This has given rise to several problems in villages including health problems.

Kahalgaon was given a target to construct 2,405 toilets in 1,335 schools in four districts – Bhagalpur, Banka and Khagaria in Bihar and Godda in Jharkhand and it established 2,424 toilets and handed them to the school authorities by August 14 this year(The Economics Times) There were 100 girls’ schools in Kahalgaon sub-division of Bhagalpur district and Godda district in Jharkhand, out of which 68 were without toilets. NTPC intervened in constructing toilet. The thermal power unit has already intervened in construction of toilets in 118 houses in the two places, adding, there was a proposal to build toilets in 250 more households in there. (The business standard)

**Community building**

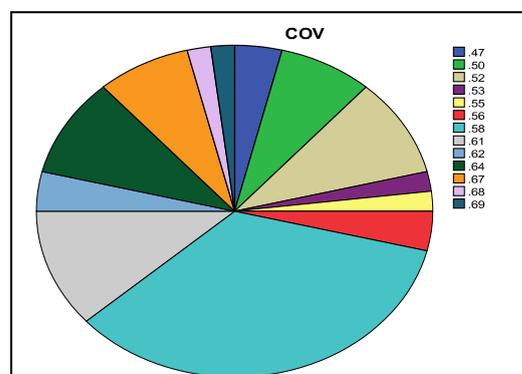
Intervention: – Few villages have panchayat bhawan and community hall. In community hall various activities like adult education etc are provided. Various meetings are held in community hall in which decisions regarding welfare of people are taken. NTPC intervened in his area. Renovation of existing community hall at Bateshwarsthan, renovation of existing community hall at Jangal gopali.

**Road**

Intervention- : In the rainy season it’s create more problem NTPC intervened in this area by constructing approach road from MGR crossing to Fatehpur village etc.

Coefficient of Variation shows degree of variations. The higher coefficient of variation has higher degree of variation. Most of C. V in this figure showed that it is around 50% or less when expressed in percent. It means that there is average uniformity, stability and consistency in two consecutive previous financial years CSR beneficiaries.

**Figure1** Coefficient of Variation



**Table 3** NTPC CSR ACTIVITIES 2014-15 & 2013-14

S. No.	Name of Activity	Location	Name of Activity	Location
1	Vet camps for animals	Kahalgaon	Organization Animal Health Camp	Kahalgaon
2	Inst of handpumps/borewell	Kahalgaon	Adult Education	Kahalgaon
3	Piped water system in villages	Kahalgaon	Construction of Toilet for Girls	Kahalgaon
4	Adult education	Kahalgaon	Creation of School Infrastructure	Kahalgaon

5	Const of auditorium n villages	Kahalgaon	Distribution of Solar lanterns to Meritorious students	Kahalgaon
6	Const of building, rooms, in villages	Kahalgaon	Health Camps	Kahalgaon
7	Const of tin shed in schools	Kahalgaon	Distribution of food items	Kahalgaon
8	const of wall, gate-godda dist	Kahalgaon	Surgical Camps	Kahalgaon
9	Dist of books/stationary/uniforms	Kahalgaon	CSR Training	Kahalgaon
10	Dist of books/stationary/uniforms-EVOICE	Kahalgaon	Support for patient care, treatment and rehabilitation of HIV+ patients through Holy Family Community Care Centre, Bhagalpur	Kahalgaon
11	Infra asst & const of libraries	Kahalgaon	Other Promotion of Arts & Cultural Activities	Kahalgaon
12	Provision of office furniture	Kahalgaon	Rural Cultural meets	Kahalgaon
13	Solar Lmaps to students	Kahalgaon	Rural Sports	Kahalgaon

<b>S. No.</b>	<b>Name of Activity</b>	<b>Location</b>	<b>Name of Activity</b>	<b>Location</b>
14	Awareness for Mother/Child/Adolecent	Kahalgaon	Community Centres	Kahalgaon
15	Const of indivi HH toilets-Bhagalpur	Kahalgaon	Installation of Solar Lights	Kahalgaon
16	Const of indivi HH toilets-Godda	Kahalgaon	Installation of High mast lights	Kahalgaon
17	Health camps in nearby villages	Kahalgaon	Installation of vapour Street Lights	Kahalgaon
18	Health camps through EVOICE	Kahalgaon	Vocational Training for Women	Kahalgaon
19	Medicines gor snake bite	Kahalgaon	Vocational Training for Youth	Kahalgaon
20	NAS in villages	Kahalgaon		
21	Training/ Docum/ comm/ printing	Kahalgaon		
22	Promotion of art & culture in villages	Kahalgaon		
23	Training for Sports & games	Kahalgaon		
24	Const of road in Bhagalpur	Kahalgaon		
25	Const of road in Godda	Kahalgaon		
26	Const-community center in villages	Kahalgaon		
27	Const of town hall in villages	Kahalgaon		
28	Maintenance of assets created	Kahalgaon		
29	Sewing training for women	Kahalgaon		

Source : NTPC website

## MODELS

In the new context of economic development “value creation” should consist of four elements of CSR’s. The component should include economic, legal, ethical, and philanthropy.

The first is economic commitment of business is to create wealth and to face expenditure obligations. It is important, because it is the base for other components, create maximizing earning per share, maintain the position of strong competition, and maintain a high level of operational effectiveness.

The second is legal responsibilities stressed on the process of business that should be executed with the vision and mission of their economy according to legal requirements. These responsibilities are important, because the business should carry out in a style uniform of government and law’s expectation. It is important as law-abiding company citizen.

The third component of value creation is the context of ethical responsibilities. This component focus on businesses that abides them to do what is right, just and fair. Moral rules should be accepted behaviors in the organizations and society. This responsibility is important due to the expectations of society. The philanthropic responsibility is the last component of value creation. These are the responsibilities that are called optional responsibilities. It stressed on to be a good corporate citizen. The focus is on contribution of resources for community to improve quality of life.

## EXAMPLES MODEL OF CSR

In the Indian operation too, inclusive growth has meant several initiatives that help employees directly as well as communities who are impacted either directly or indirectly by Tata Steel.

In areas where Tata Steel has a presence, it has benefitted marginalized farmers through land and water management and agriculture extension strategies. The Company shifted its focus from mono-cropping to second cropping in 1,763 acres, and wasteland development from horticulture production in 2,177 acres. Approximately 63 community based organizations, such as watershed committees were formed to build a sense of ownership among the village community.

Skill development and resource building among farmers is an important part of company’s strategy for rural income generation. 3000 farmers benefited from the distribution of farm implements and equipment and over 2000 farmers participated in agriculture training and demonstrations.

Enterprise development has been encouraged to create sustainable development within the village. Approximately 1200 persons received training in allied activities, including animal husbandry and nearly 500 persons assisted in enterprise development such as sericulture, small business, etc.

An important strategy in rural enterprise development is the establishment of Self Help Groups (SHGs), the majority of which comprise of women from poor families. Regular training is imparted to develop the necessary skills for various enterprises including vermicompost, rice processing, nursery raising, jute products, stone carving and artificial jewellery. 500 SHG’s have flourished and 216 SHG’s were linked to micro-enterprise during the year. There was a total cash inflow of more than Rs. 1 crore and approximately 700 SHG members received skill development. Training is regularly conducted to develop relevant, marketable skills within the community. 900 persons benefited from vocational training in varied trades including motor driving, welding, computer hardware and software, tailoring, handicrafts, etc. In 2007, 44 Scheduled Caste/ Scheduled Tribe Community Health Provider trainees graduated; 10 were selected for Operation Theatre Assistant training and 16 secured employment. Through its Tribal Cultural Centre, Tata Steel promotes indigenous art and culture. The preservation and upliftment of the Birhor and Sabar tribes has been identified as a CSR strategy for the following financial year. The Company’s Rehabilitation and Resettlement initiative has been designed to adopt all families affected by the Greenfield projects, under the ‘Tata Parivar’ programme. The commitment is to create opportunities for sustainable livelihood, increase their income level, improve their quality of life and also preserve their culture. Nearly 100 youths from the Greenfield areas in Orissa and Chhattisgarh received vocational training under the bespoke programme ‘Prerna’.

**Project Shiksha** (Rs.100 crore or US 20 million dollar), launched by **Microsoft** to improve computer education in India, aims at training 80,000 school teachers who would be educating 3.5 lakhs students across the country is an important step in this direction. Apart from Project Shiksha, Microsoft’s strategy in India focus on localization efforts such that India adequately harnesses the benefits of the ongoing globalization process by launching Windows XP and Office in Hindi within the next year (2003) and would also envisage Windows XP local language support to Bengali and Malayalam. Such initiatives can be categorized as far from mere altruism. They cannot be categorized as charity either as Microsoft also declared its intention to invest US \$389 million (rs.1900) crore in India over the next three years, which accounts for the company’s largest investment outside the United States.

## III.CONCLUSION

The development should be in the form of socio-economic condition. The term development denotes imparting of specific skills and knowledge to an individual. From the societal point of view development is a process which enables the people and communities to change towards a better quality of life. Better quality of life means 1) health 2) education 3) income. The CSR of Company should work in these prioritized areas. It attempts to solve problems at their root causes (the difference between giving a hungry man a fish, and teaching him how to fish for himself). According to India CSR report (SRRF, Aug 2013) top 500 corporate spending on CSR based on 2% is estimated around 8122 crores. It means if part of this amount spend on monitoring centrally sponsored scheme

such as ICDS scheme to help Government machineries, it will have a great impact on community development. The work of CSR should be as a facilitator in the society.

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