

CORPORATE SOCIAL RESPONSIBILITY: A CASE STUDY OF NATIONAL THERMAL POWER CORPORATION

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ABSTRACT

Corporate Social Responsibility is on one hand focusing on enterprise's purposes and on other hand promotes community development and secures the benefits of individuals. CSR is based on three standards i.e. 1) Sustainability 2) Responsibility 3) Transparency. The main purpose of CSR is to how to combine business to their values and morals with company's stakeholder's needs and their desire and to combine not only consumer or investors but moreover employs, utilizers, community and other benefiteres with entire society's advantage. CSR activities were conducting by business not because of their duty toward society but it also brings competitiveness in corporate sector. This paper aims at develop an understanding the concept of CSR in NTPC Ltd which is consider as India's biggest power generating company. This study covering the CSR Activities in India firms including NTPCs contribution in CSR programs like educational, sports, environmental, woman empowerment, safe drinking and many other.

KEYWORDS: CSR, National Thermal Power Corporation (NTPC), CSR Initiatives.

Introduction

The World Business Council for Sustainable Development defined CSR in their publication – Good Business Sense as the following:

“Corporate social responsibility is the proceeding with obligation by business is for contribute to economic development while improving the integrity of life of the manpower and their families as well as of the local community and society at large.”^[25]

Company's social responsibility can also be described as CSR. There are many studies conducted by researcher but still today we cannot define the universal acceptable definition because every business enterprises have their own definition of CSR and it is changed by time to time. CSR is always a consider as debatable and hot issue in corporate sector but most of the company can assure that CSR activities can lead increase profitability and most important factor to create company's brand in society therefore managers are using it as a tool for create build corporate reputation and get more customer loyalty . CSR can centralise the people's benefit in corporate decision making and CSR concept is based on three pillars namely people, planet and profit. There are many corporate social responsibility theories and models 1) Social Obligations Theory 2) The Stakeholder Theory 3) The Archie Carroll Model 4) Ackerman's Model (1976) 5) Agency Theory (Milton Friedman, (1970) Shareholder Theory (Neo Classical Theory) 7) Triple Bottom Line Theory 8) PPP Model for Development. CSR activities include responsibility of business enterprises toward the society and can also classified as below:

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History of CSR

World War II is the base of Modern CSR because the late 19th and early 20th century is often viewed as a period of corporate irresponsibility and it leads to The Industrial Revolution which focuses on the concept of society around corporations.^[26] Howard Bowen, An American economist, is known as the father of modern CSR. He is the first to give a term "Corporate social responsibility" In his book "Social Responsibilities of the Businessman" in 1953 he writes that the backbone of modern CSR regulation are based on to correlates to the commitment of owner of enterprise to pursue those strategies which are fascinating in terms of the motive and moralities of our community. This has become the backbone by which modern CSR principles are based.^[5]

Review of Literature

According to the European Commission "CSR can play a key role in contributing to sustainable development while strengthening Europe's imaginative ability and competitiveness" (EC 2005). According to the Luo and Bhattacharya (2006) in their study CSR can be described as a mechanism corporations use in order to gain "social legitimacy" and a "social contract" for their operations. Extant research on the strategic impacts of CSR indicates an emerging positive effect of corporate social and environmental performance on corporate financial performance and the market value of the company (Orlitzky et al. 2003). Umesh Tripathi, (2018) in their study on NTPC limited concludes that CSR is a concept, which suggests that commercial corporations must fulfil their duties of providing care towards society and Stakeholder Theory and Triple Bottom Line Theory of CSR are widely recognized. Triple Bottom Line Theory is gaining acceptance, among the corporate sector which are eager to contribute towards their social responsibility. According to A.S.Nagalatha in their study "Perception of Managers on Corporate Social Responsibility" Corporate social responsibility should not be coerced. It is a spontaneous judgment that the entrepreneurial leadership of every corporation must make on its own. Corporate social responsibility is a significant enterprise consequence. Garani, Palash (2016) in their study on Indian companies concluded that there is a positive relation between firm performance and corporate governance.

Objectives of the Study

The purpose of this study is to examining the Corporate Social Responsibility with references to National Thermal Power Corporation and various objectives are as follows:-

- To develop an understanding the CSR concept.
- To study the CSR initiatives in India.
- To study the important activities of CSR of NTPC Ltd.

CSR Activities in India

In India it starts with approach of "Trusteeship" given by Mahatma Gandhi and this approach became a pillar of modern CSR. Dr. Bhaskar Chatterjee who known as the father of CSR in India due to their work, in 2010 he is the first person to granting policy of CSR for Public Sector Enterprises and he is a director general and CEO of Indian Institute of Corporate Affairs, spearheads the National Foundation for Corporate Social Responsibility and also launched National CSR Data Portal guarded by IICA.

Indian Institute of Corporate Affairs which issued "Voluntary Guideline on Corporate Social Responsibility, 2009", after that The Ministry of Corporate Affairs issued National Voluntary Guidelines in 2011 which was based on nine principles like providing goods and services which are safe, promoting human rights, promote the well - being of all labourers, should concern the interests of, and be liable towards all stakeholders, especially those who are drawback, accessible and marginalized, conserve climate, consumer protection and gratification. Before mandatory of CSR, Companies have to maintain Business Responsibility Reports ("BR reports") as part of the Annual Reports for top 100 listed entities based on market capitalization at BSE and NSE as on March 31, 2012 as per the clause 55, of Listing agreement by Securities and Exchange Board of India.

In 2014 Indian Government mandate Corporate Social Responsibility by adding a new rule in Company's Act, 2013 under section 135 as per schedule VII of the act and became the first country to take step in legal way to promote CSR activities. Under the section Indian companies has obligatory to spend 2 % of their average net profit for the past three years on CSR activities.

Conditions for Company to Mandatory for CSR activities

- net worth of the company to be Rs 500 crore or more
- turnover of the company to be Rs 1000 crore or more
- net profit of the company to be Rs 5 crore or more

In recent era Indian companies are spending more amount on CSR activities as in FY 2014 -15 Rs. 10,065.93 CR spent by the all states of India which raises to 18,654.82 CR in FY 2018 -19 among them Maharashtra is the highest ranked state with Rs. 2,549.25 CR by 3480 companies in FY 2018-19 followed by Tamil Nadu, Andhra Pradesh, Karnataka and Gujarat. Total 16,548 companies implementing a CSR projects among them Reliance Industries Limited is top ranked company by spending Rs 760.58 Cr followed by Oil And Natural Gas Corporation Limited, Infosys Limited, Bharat Heavy Electricals Limited, and Tata Consultancy Services Limited est.

Below chart shows the CSR Activities in India

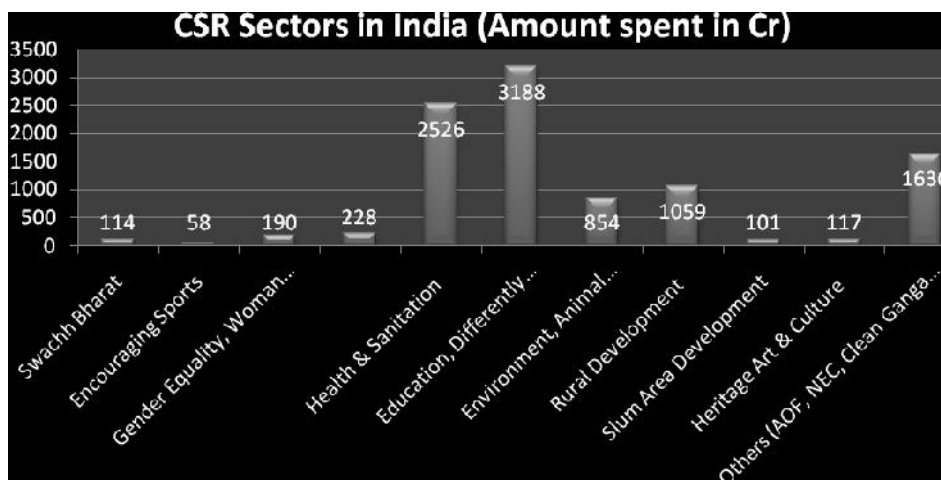


Chart: Amount spent in different CSR Sectors in India (in Cr)

To promote CSR, Indian government giving an award in different categories like 4 awards are given for Corporate Award for Excellence in CSR in 2019 Power Grid Corporation of India Limited won for spend above INR 100 Crores on CSR, 5 awards are given for CSR in Challenging Circumstances, and in other categories like Contribution to the National Priority Areas in 2019 Hindustan Petroleum Corporation Limited won award for education, Mahanadi Coal Fields Limited won award for Health, Safe Drinking Water and Sanitation, Indian Oil Corporation Limited won award for Women & Child Development.

In a Global CSR find out about conducted via automotive research company TNS automotive, which has been primarily based on a public goodwill index India ranked 2nd position in the world According to the study, India indented 119 points in the index against a global average of 100, while Thailand occupied the first position by 124 points. Among the Indian automotive corporations, Bharat

Petroleum and Maruti Udyog came on top with 134 points each, followed by Tata Motors 133 points and Hero Honda 131 points.^[16] The total 1,132 companies listed on the NSE noticed an annual improvement of 17.5% in CSR spends at ₹11,961 crore in FY19. Back in FY15, these companies spent ₹6,556 crore or 1.57% of their total net profit on CSR; it was nearly 30% lower than FY19 at ₹7.45 crore on an average per company. The CSR expendsat at about 1.99% of the total average net profit in FY19, while the average spend per firm was ₹10.57 CR.^[27] This figure states that Indian companies are doing very well to endure their CSR responsibility. Not only an Indian company but foreign countries are also take initiatives in CSR as Fortune Global 500 firms expend roughly \$20 billion on corporate social responsibility per year in the world.^[26]

About National Thermal Power Corporation

In the Power sector of India NTPC Ltd is considering as biggest power generating company with 62,918 MW installed capacity by 46 Power stations among them 24 coal based, 7 gas based, 1 hydro based, 1 small hydro based, 12 solar PV, 1 wind based station, that is why a company called "A Maharatna Company" since 2010 and company also ranked 497th in the Forbes Global 2000 in 2020^[13], which is started in year 1976 on first thermal power project located in Shaktinagar. In 2015, among the 250 biggest power generating energy companies of the world NTPC was ranked 2nd and ranked 56th on overall basis by Platts.^[14] ICSI National Award for Excellence in Corporate Governance received by NTPC in 2009.^[15] Company's total assets Rs. 377,387 CR, and accounted total equity of Rs. 108,944 CR. In FY19, The company's total generation grew at ~4%, the country's electricity demand is growing at a very fast rate; it has grown at nearly 8% in first quarterly of FY20 and the peak demand has crossed 182 GW Company recorded a profit of over 12,600 Crore which is a growth of 20.3% as compared to previous year, revenue almost touched 1,00,000 Crore. In FY19, Company's PLF has continuously maintained a positive difference of over 15% as against to the National PLF. Company's coal stations achieved a PLF of 76.81% during the year 2018-19 as against National PLF of 61.07%. Five stations of NTPC figured in top ten stations list of the country in terms of PLF. Company's Sustainability Report for FY18 has been assured by Deloitte with Type-II, High Level category. This is the highest level of assurance in accordance with Global Reporting Initiative, Company had won the most coveted Frost & Sullivan and TERI Sustainability 4.0 Award 2019 for best sustainability practices. NTPC has been regulating its plants at outstanding effectiveness levels and it participate 24% of total power generation.^[28] Company has a mission to provide reliable power and related solutions in an economical, efficient and environment friendly manner, driven by innovation and agility.

CSR Activities in NTPC

NTPC Ltd formulated CSR Community Development Policy in July 2014 and Sustainability Policy formulated in 2012 was combined in 2015 as "NTPC Policy of CSR & Sustainability". Company's Committee on CSR is based on Three Tiered Structure namely Corporate, Region and Station with separate Board Level for planning, approval, monitoring, implementing, reporting and review CSR activities and CSR process contain in four steps as planning, implementation, monitoring and Documentation. NTPC has well established policy for successfully achieving their targets of Community Development, policies are as followed:

- The Initial Community Development Policy
- Resettlement & Rehabilitation Policy
- CSR-Community Development Policy

Dilip Kumar Patel, Director (HR) of NTPC, said that *CSR-Community Development Policy covers different activities from the local unit level to the national level; CSR and Sustainability Committee oversee the CSR activities. NTPC Foundation has undertaken several initiatives such as providing IT education to physically visually challenged students. To ensure the long-lasting impact of these ambitions on the community, we conduct a third party social impact assessment every alternate year for all company's major CSR activities.*^[1]

Table 1: Profit and Total Amount Spent on CSR Projects of NTPC

Year	Profit (Average of Three previous FY)	Total Amount Spent (In Cr.)
2014-15	14173.78	205.18
2015-16	13567.43	419.8
2016-17	11392.68	277.81
2017-18	11037.3	241.54
2018-19	11850.34	285.46

Data collected from Annual Report of NTPC

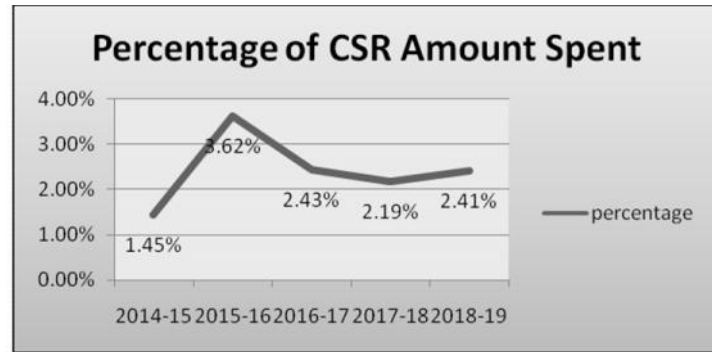


Chart: Percentage of CSR Amount Spent by NTPC

CSR activities in NTPC Ltd.

- **Environment**

NTPC Ltd is power generating company so the power plants generate more ash year by year but company has taken initiative step to reduce Ash quantity by accepted an MOU with BHEL and Indra Gandhi Centre for Advance Research for development of Ultra Super Critical Technology which leads to increase efficiency of 46% and 20% less CO₂ emission against to 500 MW thermal power plants. Company adopted the vision of "Going Higher on Generation, lowering GHG intensity". Therefore, NTPC Ltd is contributing more than 46.25 % of their CSR activities on Environment Sustainability against other activities this saws NTPC in focusing on Environment.

- **Health**

As the old proverb goes "Health is Wealth", a healthy people can lead a healthy nation. In 2013-14 about 1200 medical health check-up, 365 eye camps, about 2000 surgeries, more than 100 Animal health camps & other activities related animal health conducted under health projects and it's also give financial support to N. Swain Memorial Trust. In Financial Year 2018-19 company spent 70.10 Cr on Health Care and Sanitation projects. Company run 12 NTPC hospitals through NTPC foundation under Revised National Tuberculosis Control Programme and under this foundation Directly Observable Treatment cum Designated Microscopy Centre running in its hospitals under TB control program total 4554 patients started treatment and 3833 patients completed treatment in 2016.

- **Woman Empowerment**

More than 2500 women in 2013-14 participating in skill development programmes or many vocational training projects like sewing, Dress designing, Beautician, Embroidery, food preservation processing setup for woman to promote self-employment run by company under woman empowering projects in neighbourhood villages and also provided sewing machines to more than 300 women and also 8000 bicycles were provided to poor school girls.

- **Education & Skill Development**

For reducing poverty, unemployment and transforming country in a world's leader the best way to educate countries future generation and make their future bright NTPC accept this fact and spent 15%-20% of company's CSR-CD on education. Under educational project it's distributing of books, uniforms, stationary and infrastructural support to more than 500 schools which benefits 65000 students, also contributes in governments educational projects like financial supports to Ramakrishna Mission and Cluster Innovation Centre. Under NTPC foundation the Information & Communication Technology Centres established. NTPC has adopting 17 Government ITI out of which 14 ITI under PPP scheme and 3 ITI under Bilateral Agreement and formed 9 own ITI. To encourage youth for study company has launched under NTPC foundation "NTPC Utkarsh" – merit scholarship for students passed X and XII and students pursuing BE/B.Tech, ITI and MBBS ets this project benefit to 7300 students every year.

- **Drinking Water**

Drinking water is right of every human being and for that NTPC has installed about 500 hand pumps and RO plants are set up at 11 stations and handed over to Village Development Committee, about 124 bore wells were sunk and hand pumps were set up at neighbourhood villages.

- **Arts & Culture and Sports**

NTPC has doing various arts & Cultural activities around 46 neighbourhood villages and more than 100 schools are coaching 900 students in FY 2013-14 and company has also signed MOU with National Culture Fund for providing financial support. To promote sports in rural area various sports projects conducted in more than 200 schools in 170 neighbourhood villages.

- **Swachh Vidyalaya Abhiyaan**

The main purpose of this programme is to upgrade health and hygiene among students and reduce girl dropout ratio and project also gave message of cleanliness, good hygiene in rural area. In year 2015-16 under the Swachh Vidyalaya Abhiyaan NTPC take initiatives and about 29000 toilets established in government schools specially for girl students in 82 District in 17 states of India and ensure that this programme has a positive impact on almost 20 lac students.

NTPC Limited is ranked 7th top company in CSR spent of Rs. 205.17 CR. NTPC won many awards for best performance in CSR activities like in Branding-Best CSR Project for Childcare, 'Branding-Best CSR Project for Women's Development, Branding-PSU organisation implementing CSR and won many awards in different categories this achievements indicates that company has full-fill their Corporate social responsibility in efficient way.

Conclusion

NTPC Ltd performing various activities towards their corporate social responsibility in different sectors like education, woman empowerment, arts & cultural, sports, safe drinking and under Swachh Vidyalaya Abhiyaan the company's performance was remarkable and these CSR projects would leads to benefits to many poor people lives in knighthood villages around station. Company's main activities is to generating power so that would lead to generate more Flying Ash which effects to environment near the station which is harmful to villagers and there are some gap between ash generation and its utilisation, also company agreed to generate more renewable energy than energy based on thermal but company's main generation of power is based on thermal which shows that company fails to generate more clean or green energy. NTPC should increase the frequency of such medical activities with proper monitoring and also increase the amount spent on education therefore more students can get benefits.

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