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## 2

# Corporate Social Responsibility (CSR): A Development Tool

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### Introduction

It is clear that globalisation policy adopted worldwide has energized the economics of countries like India and China. It has changed the spatial economy of the world substantially. At least 25 per cent of the people of the world are far better interms of income than ever before. But it has failed to bridge the income gap between the top and bottom percentile of people in practically all societies. It has also given rise to a series of environmental problems, which have brought humanity closer to global warming and consequent climatic changes.

The multilayered nature of Corporate Social Responsibility (CSR) something over and above meeting the basic economic and legal responsibilities was depicted in Carroll's (1979), famous three dimensional conceptual models (CSR). In 1999, Carroll in his three concentric circles while defining layered nature of CSR stated the basic core responsibilities for the efficient execution of the economic function namely, (a) product, (b) jobs, (c) economic growth. Awareness of encouraging social value with the necessary priorities was considered as intermediate layer of duties: for example, with respect to—(i) environmental conservation, (ii) giving, and (iii) relations with employees; fair treatment and protection from injury. The outer circle stood for the next level of

responsibility of business to meet new challenges for actively improving the social environment.

Moon (2002) has observed the gradual changes in the concept of CSR in three distinct 'waves'

- (i) *1st wave*: Awareness of business about the importance of community involvement.
- (ii) *2nd wave*: Awareness of business about the importance of socially responsible production process ('green technology', 'clean energy', etc.)
- (iii) *3rd wave*: Awareness about the importance of maintain socially responsible employees relations (with respect to recession, outsourcing, etc.)

In the argumentation, Garriga and Mele, (2004) state four distinct kinds of argumentation which are:

- (i) *The strategic approach*: (The instrumental). It is an economic tool to foster the main corporate objective (profit maximisation) of a firm.
- (ii) *The political approach*: it claims that business enjoys tremendous economic power and because it has that power to 'help' the social responsibility to help and the duty towards engaging in Social Corporation emerges.
- (iii) *The integrative approach*: The questions of corporate social performance and the connection between the laws and regulations with social opinions are given much importance.
- (iv) *Ethical approach*: Freeman's (1984) stakeholder theory claims for e.g. that business have ethical responsibilities to all the stakeholders and have the duty to conform to the universal business rights.

Lastly, another approach to CSR has been proposed by the United Nations (UN) i.e. CSR tool for international developmental /overall development.

Developmental problems still persist as objectives yet to be achieved in the Eleventh Five Year Plan (2007-2012). The Developmental challenges such as poverty, malnutrition, poor infrastructure and discrimination incontrovertibly exist in India.

The present study tries to bring forth the fact that the declining state of our environment which has become a global epidemic and environment accounting can be used as one of the tools for making the corporations around the world understand their responsibility and thereby help to sustain the environment. The study consists of three sections. **The first section** identifies the reasons for the declining state of environment. **The second section** analysis the need for PPP in infrastructure sector in India (Railways, Power, Telecom, Roads and High Ways, Civil Aviation) and **the third section** presents the conclusion part.

## SECTION I

### **Reasons for Declining the State of Environment**

There are many reasons for the declining state of our environment: among them are: (i) increasing population; (ii) industrialization; (iii) urbanization (iv) dehumanized technology; and (v) waste of resources.

#### ***Increasing Population***

World population has been steadily growing since ancient times. In 10,000 BC, there were just 4m people; their number increased to 100m by 500 BC. It took 123 years 1804-1924 for the world population to double to 2 billion, and 33 years (1927-60) to treble to three billion; and in the next 40 years (1960-1999) it increased to over 6 billion and projected to be 8 billion by 2025. By 2045-2050, the world population is expected to be around 9 billion plus/minus 1.5 billion. The growth rate of population peaked at 2.2 per cent in 1963 and ebbed to 1.10 per cent in 2009. If the present rate of growth continues for even next 30 years, we may confidently predict that the earth system would lose its balance and unexpected developments like global warming and climate change would jeopardize life on planet earth.

Increase in world population has serious implication for food security and environment. Poverty, pollution and violence are the three major problems the world face-today. One-fifth of the world population (1.2 billion people) lives on less than \$ 1 per day. Table 2.1 shows the per cent change in number of people living on less than \$ 1 per day (region-wise).

**Table 2.1: Per cent Change in Number of People Living on less than \$ 1 per day (Region-wise)**

Area	People living on	1981	1984	1987	1990	1993	1996	1999	2002	Percentage change 1981-2002
East Asia and Pacific	Less than \$ 1 a day	57.7	38.9	28.0	29.6	24.9	16.6	15.7	11.1	-80.76
	Less than \$ 2 a day	84.8	76.6	67.7	69.9	64.8	53.3	50.3	40.7	-52.00
Latin America	Less than \$ 1 a day	9.7	11.8	10.9	11.3	11.3	10.7	10.5	8.9	-8.25
	Less than \$ 2 a day	29.6	30.4	27.8	28.4	29.5	24.1	25.1	23.4	-29.94
Sub-Saharan Africa	Less than \$ 1 a day	41.6	46.3	46.8	44.6	44.0	45.6	45.7	44.0	5.77
	Less than \$ 2 a day	73.3	76.1	76.1	75.0	74.6	75.1	74.9	74.9	2.18

Source: World Bank, Poverty Estimates, 2002.

If we consider \$ 1 per day as the minimum one should get to eat well than the situation has improved, the only exception is Sub-Saharan Africa. But the improvement is very minimum. Shrinking arable land, disappearing forests, and pastures falling water tables, and declining quality of land, water and air make the future of the world uncertain.

### *Industrialization*

In mid-19th century, two kinds of the people of the USA were engaged in agriculture and related activities; the share decreased to 40 per cent in 1900; 15 per cent in 1950, 5.2 per cent in 1970, and two per cent in 2002. Decrease in the workforce engaged in agriculture is universal (Table 2.2 and Table 2.3)

**Table 2.2: Major Economics; Workforce Engaged in Agriculture**

(in Percentage)

Country	1960	1970	1990	2002
USA	10.0	5.2	2.0	2.0
UK	—	5.2	—	1.5
France	22.0	14.3	5.0	1.5
Japan	33.0	20.2	7.0	5.0
Brazil	52.0	—	23.0	10.
Mexico	55.0	—	28.0	18.0
Republic of Korea	66.0	49.14	17.0	10.5
China	71.0*	78.33	73.52	49.8
India	75.0	70.63	64.10	57.0

\* 1978, +1996, @ 2007–08, Government of India. Anasakthi Dasshan, (2009).

If the trends set during the last two decades continue, by 2021, only half of the total workforce of India and China would be engaged in agriculture. This means that these major economics together having more than one-third of population of the world would pollute the environment in years to come. The only way to reduce the pollution load is to use green technology. The area technology too has its own limitations. It must be backed by measures to conserve and reuse resource and to promote need based lifestyle.

### *Urbanisation*

Industrialization and urbanization go together. In 2005, 3018 billion people constituting 49 per cent of the world population (6.46 billion)

**Table 2.3: Major Economies: Employment by Sectors: (2002)**

Country	Agriculture	Industry	Service
USA	1.5	23.5	75.0
UK	2.0	22.0	76.0
France	1.5	23.5	75.0
Japan	5.0	29.0	65.0
Germany	2.5	31.0	66.0
Italy	5.5	29.5	65.0
Australia	4.5	20.0	75.5
China	49.8	23.5	26.7
Indonesia	55.5	14.0	31.0
Thailand	49.0	18.5	32.5
Philippines	35.0	15.0	50.0
Malaysia	17.5	31.5	51.0
Republic of Korea	10.5	26.5	55.5
Pakistan	58.5	14.5	27.0
India	57.0	21.0	22.0

*Source:* World Development Indicators (WDI), 2005, pp. 56-58; data for Indonesia pertain to 1990-92; for China to 1998 (see: *Eco-reform and Labour market regulation in China* by Ying Zhu) *Anasakthi Dasshan*, (2009)

lived in cities, resulted shrinking opportunities for work in rural areas and increasing investment in manufacturing and services in urban areas, rural-urban migration has become a major trend in developing countries.

### ***Dehumanized Technology***

Modern technology cares not for what happens to human being or nature; it aims at savings, time, labour and cost. Its adverse effects on nature and human beings have become so apparent and visible and they cannot be ignored any further. Among these effects are: mass unemployment, environmental pollution, escalating violence, and unhealthy lifestyles.

### ***Waste Resources***

Development means material prosperity and conspicuous consumption even at the cost of human development. High standard of living means more goods and services un-mindful of their implications for environment, health and by given.

At this juncture, what is required/is Public Private Partnership (PPP) needed which could not act as an instrument of faster economic growth.

## SECTION II

### **The Need for PPP in infrastructure Sector in India**

The major objective of inviting private investment for infrastructural development is to increase the volume of investment and the level of operational efficiency in the provision of services. The ability to provide quick and efficient services is more pronounced in the private sector than in the public sector. Competition is already a reality in many segments like power generation and supply, telecom, airports, ports, roads and urban transport. However, over the decades, constraints on government funds and compelling demands for public investments in social sectors have forced the government to encourage Public Private Partnership (PPP) including foreign investment in infrastructure sectors in India. Some innovative measures have also been devised to attract private capital. For construction of roads, three such methods are— (a) Build-Operate Transfer (BOT) route, (b) the annuity method and (c) the Special Purpose Vehicle (SPV) method.

To broaden the area of operation of PPP in Indian Railways, the following steps have been initiated.

- Rail Vikas Nigan set up in January, 2003.
- A Green Field Railway Network dedicated to freight traffic has been planned.

### **Power Sector**

The following steps have been taken for promoting PPP in the power sector:

- Electricity act notified in June 2003 allows State Electricity Reform Commission (SERC) to the tariffs through parent process of bidding as per the guidelines issued by the Central Government.
- Twenty-eight states have signed the tripartite agreements for one time settlement of the dues of State Electricity Board to the central public sector undertakings.

- 50,000 MW hydroelectric initiatives launched in May 2003.
- Many private firms like Tata power, KEC, international, Jyoti Structure Kalpatarn Power, PTC India, GVK power, ABB etc., are working in close collaboration with state governments.
- 100 per cent permitted in generation,
- Transmission and distribution—the government is known to draw private investment into the sector.
- Policy framework in place
- Electricity Act 2003 and National Electricity Policy 2005.
- Incentives: income tax holiday for block of 10 years in the first 15 years of operation; waiver of capital goods import duties on mega power projects (above 1,000 MW generation capacity).

#### *Telecom Sector*

The following policy initiatives have been taken by the Government of India to promote PPP in the telecom sector: (a) FDI limit for telecom was increased to 74 per cent from 49 per cent. and (b) Universal Social Obligation Fund (USOF) set-up as a separate non-lapsable fund.

#### *Roads and Highways Sector*

In a Build-Operate and Transfer (BOT) project on April, 2007, 79 projects have been taken up valued about Rs. 22249 corers with a length of about 3,613 kms on BOT basis (i.e. the private sector is required to meet the upfront cost and expenditure to meet on annual maintenance). It will enjoy the right to recover the entire upfront cost along with interest and a return on investment out of the future toll collection.

#### *Civil Aviation Sector*

To encourage the PPP in Civil Aviation Sector, the following measures have been undertaken as a part of the government policy.

- The government has allowed the restructuring and privatization of Delhi, Kolkata and Mumbai airports and construction of Greenfield airports at six metro cities.
- To build world class airports with modern technology and efficient management practices.

- To provide airport capacity a head of demand.
- To make the airport user friendly and achieve higher level of satisfaction.

### SECTION III

#### **Concluding Remarks**

For solving the countries socio-economic problems of the country, PPP has been playing valuable role. Most of the countries of the world have accepted. It as a quick road to economic success. Even the communist countries like China and Vietnam are increasingly depending on the PPP for solving their economic problems. India though late in realising the potential of PPP, is fast catching up with the rapidly growing country by utilizing the devises of PPP in various fields, especially in infrastructural sectors. However, the policies and programmes relating to the PPP need to be carefully monitored and supervised in order to protect the larger interest of the people and the country. Hence, development could be more if there is collaboration between the government and business. In the same view of fostering 'green' and stable sustainable development, which is a true holistic development as their social responsibility in recent times some Indian business community and pioneering business leaders (such as Tata Steel Ltd., Aditya Birla Group, ITC, Godrej, Infosys, Wipro) are seen. For example, it is noticeable that Tata Steel Ltd. CSR activities act as a developmental tool for the State of Jharkhand. During the period 1990 to 1998 (mostly post-liberalization time in India), the company had spent a lot of money on family planning, health, education and on irrigation facilities which has been presented in Table 2.4.

Earth consists of subsystems like lithosphere, hydrosphere, atmosphere and stratosphere. The biosphere consists of individual eco-system. The building blocks of these eco systems are bio-topes and the bio-tope consists of populations, which in turn consists of individuals living beings.

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Table 2.4: The Ten Years Trend of Tata Steel Ltd's CSR Work

Year	Village link road	Drinking water project	Mobile dispensaries and family planning	Women Development and Family Planning	Irrigation facilities	Community forestry	Education	Vocational training	Total year-wise expenses
1989-1990	9,37,043	2,402,513	2,533,832	62,779	1,153,454	2,349,292	1,71,490	1,619,059	12,229,462
1990-1991	9,68,080	1,415,169	2,808,947	67,980	1,933,992	1,693,703	1,469,475	2,560,560	12,917,960
1991-1992	1,337,285	3,273,899	3,574,916	—	2,547,867	1,884,987	1,823,408	1,868,734	16,311,096
1992-1993	1,633,273	4,339,086	4,904,146	2,53,178	5,483,917	1,791,630	2,645,366	1,211,173	22,261,769
1993-1994	1,119,133	3,798,663	5,728,542	2,09,794	5,918,053	1,299,169	4,218,587	9,01,805	23,193,746
1994-1995	1,255,923	4,96,085	6,387,470	2,40,168	5,687,698	1,038,764	3,091,722	1,172,358	24,022,638
1995-1996	5,44,284	5,454,596	8,777,749	1,68,057	8,340,072	1,433,464	2,830,352	1,196,417	28,744,991
1996-1997	2,77,893	4,059,395	8,545,051	1,97,939	7,763,960	1,278,092	2,609,806	1,046,124	25,778,260
1998-2000	2,97,518	3,411,833	9,341,232	2,65,612	7,293,878	1,810,478	1,882,607	1,100,811	25,403,969
<b>Total</b>	<b>8,370,432</b>	<b>33,123,239</b>	<b>52,601,885</b>	<b>1,335,198</b>	<b>46,302,891</b>	<b>14,579,579</b>	<b>30,113,245</b>	<b>12,677,041</b>	<b>—</b>
<b>Average</b>	<b>9,30,048</b>	<b>3,680,359.9</b>	<b>5,844,653.9</b>	<b>1,48,355.3</b>	<b>51,44,765.7</b>	<b>16,19,953.2</b>	<b>33,45,916.1</b>	<b>14,08,560.11</b>	<b>—</b>

Source: Development Society (TSRDS) from 1990-2000.

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