

ACCEPTABILITY OF STAKEHOLDERS AS A MEASURE OF CSR EFFECTIVENESS : A STUDY OF COAL INDUSTRY

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ABSTRACT

CSR has become an important attribute of business in the present times. With the Government and the civil society vehemently emphasizing the need for the companies to be socially responsible and the recent changes in the Companies law making CSR obligatory for certain classes of companies, companies are trying to be on the right side of the society. They are spending money also, they are proclaiming what they are spending but the kind of acceptability that they expect to get is still not coming. More so for the coal industry which is seen as a spoil sport to the environment. The present paper attempts to discuss the issue of acceptability in the eyes of the stake holders vis-a-vis the CSR efforts.

Keywords : CSR Effectiveness, Sustainable development, competitive advantage, Acceptability of CSR, corporate citizen.

INTRODUCTION

With profitability no longer the only measure of organizational effectiveness and the idea of the triple P (people, planet, profits) bottom line catching up companies are not only spending huge amount on CSR but are also proclaiming their CSR spend with fanfare. A recent news item in a widely read national daily declared that Reliance Foundation spent Rs. 712 crores on CSR in the financial year 13-14 which accounts for 3.24% of Reliance industries (RIL) net profit of Rs. 21,984 crores. It was also mentioned that of this amount 59% was spent on health, 23% on rural development, 11% on education and remaining 7% on other activities (Times of India, 2014). No mean amount then. Similarly, the public sector giant Coal India Limited(CIL) proclaims through huge full page advertisement in leading national dailies that that it also mines coal hinting at its commitment to the society. This is similar to the once famous TATA punch line We also make steel. The CSR spending of this company in the financial year 12-13 was somewhere around 150 crores which was less than 1 % of its profit after taxes. Obviously, after the new mandate of the Companies Act the amount will be more than double. These two examples are just suggestive and are in no way showing the complete picture. But the fact remains

that there is a considerable sum being spent in the name of CSR by different companies. Naturally, there is a need to find out whether all this money is being put to good use. That is, something of an ROI (Return on Investment) type evaluation needs to be carried out. One way can be to find out how the stake holders perceive the effectiveness of CSR money that is being spent, ostensibly for their benefit. Acceptability of the CSR initiatives thus become an important measure of CSR effectiveness (Pathak and Pattnayak, 2009). The present paper attempts to study CSR in this perspective and tries to find out through a study of Indian Coal Industry what stakeholders think about CSR spending of corporate houses. Coal Industry has been chosen because of its strategic importance, size, impact of its operation on the society and financial involvement.

Mining is one of the oldest industries of India and the coal industry is a major component of the mining sector which is largely under the government control today with public sector Coal India Limited being the major player having control over more than 80% of production. There was a time when coal sector was under private ownership but in the early seventies, the then Union Government nationalized the Indian coal industry leading to formation of CIL. The coal giant CIL controls over

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80% of total production. It is against this backdrop that the present paper studies CSR practices of Indian Coal industry being represented by CIL, taking the acceptability of the stake holders as a measure.

CSR IN INDIAN COAL INDUSTRY

CSR in Indian industry including the coal industry is still rooted in the traditional sympathy factor as it was in the past. When Indian coal industry was in private hands social welfare activities were carried out by the coal mine owners out of sympathy and as a philanthropic exercise. The objectives could have been many from charity to public relations to even following the dharmic (religious) tenets of giving to the needy and thereby pleasing the Gods. But they were all piecemeal efforts, disjointed and unsystematic. Not that they served no purpose. But opening a hospital here or a school there could hardly be compared to the present day notion of CSR. Before the formation of BCCL in early seventies the Jharia coalfields had many private mine owners who have made substantial contribution to the society of the Dhanbad district (Pathak, 2007). But institutionalized CSR was hardly practiced. After the nationalization and the formation of CIL the same trend continued and welfare efforts were being carried out as in the past. It is only in the past decade or two that some semblance of CSR in its current form is visible, which is more due to the growing global concern about sustainable development and inclusive growth. More so for the coal industry which significantly affects the environment. Further, largely being under state control, the CIL like the other PSUs had to prove itself a model employer. One of the objectives of nationalization of coal industry was ensuring responsible conduct of business. Obviously, CSR was in some way obligatory. But even today, CSR in coal industry is largely supply driven, that is, it depends on the wisdom of the management rather than requirements of the society. The debate is not about whether the coal industry needs to take on social responsibility. That is a settled fact. The dilemma is how this responsibility is to be discharged in order to be effective. Further, how is it to be measured, audited and continuously improved. Some of the activities that fall under the ambit of CSR which the coal industry proclaims to undertake are

as traditional as those that were done in the past by the personnel and social welfare departments. These include constitution of bathing ghats for religious purposes like the Chath festival, a very popular religious festival of India or construction of steps at certain hills where people go for worship during certain parts of the year. Sometimes activities like construction or renovation of a community hall for marriage purposes or drilling and installation of hand pumps for drinking water or even supply of drinking water to villages, a serious problem in summers, are undertaken. These and similar acts are those that are considered as CSR by the coal industry. But the efforts that are really needed are coming very slowly even though clearly laid down guide lines are there for the central PSUs. A brief overview is given below.

The mines of CIL and its subsidiaries are located in different parts of the country spread in 8 States, and relatively in isolated areas with little contact to the outside society. Mining of coal has profound impact on the people living in and around the areas where the mines are established. The obvious impact of the introduction of any production activity in such areas is that they change the traditional lifestyle of the original inhabitants and indigenous communities and also alter the socio-economic profile of the Area. Hence, the primary beneficiaries of CSR should be the land oustees, the PAPs and those staying within the radius of 15 Kms of the project. Poor and needy sections of the society living in different parts of India should be the second beneficiaries.

In the aforesaid backdrop, policy on CSR of CIL has been broadly framed taking into account the following measures: -

- a) Welfare measures for the community at large including employees and their families, so as to ensure that the poorer sections of the society derive the maximum benefits.
- b) Taking care of the landless and project affected persons. Proper rehabilitation of the land oustees/displaced persons based on R&R policy separately formulated and the expenditure on R & R issues would be included in the Project Cost.
- c) Contribution to the society at large by way of social and cultural development, imparting education, training and social awareness

specially with regard to the economically backward class for their development and generation of income to avoid any liability of employment.

- d) Protection and safeguard of environment and maintaining ecological balance.

The main objective of CSR policy is to lay down guidelines for the coal companies to make CSR a key business process for sustainable development for the society. It aims at supplementing the role of the government in enhancing welfare measures of the society based on the immediate and long term social and environmental consequences of their activities. CIL will act as a good Corporate Citizen, subscribing to the principles of Global Compact (www.coalindia.in) for implementation.

From the above discussion it follows that the objective of CSR policy of CIL is to benefit the poor and the needy sections of the society living in different parts of the country with the overall aim of inclusive growth and supplement the role of government.

In this light the coal industry needs to place an equal emphasis on concerns related to the environment, the economy and the community. Company representatives, government officials and community members should be involved in resolving problems which arise because of mining (Bannerjee, 2001). The core issues which are to be focused on are:

- a. Rehabilitation and compensation issues should be dealt with equitably. The company should provide all infrastructure facility to the rehabilitation colony. They should consider the plight of landless households.
- b. Proper care of environmental quality must be taken and issues like air pollution, water pollution and land and forest degradation should be taken into account.
- c. The company must invest in human and physical capital of the region providing education, basic amenities, health care and training opportunities to not only the employees family but the community at large.
- d. Post mines - closure issues like unemployment, income potential, migration and environmental cleanup should be planned in advance.
- e. Effective administration, rule enforcement and accountability should be the key words in the process of rehabilitation and functioning of the mines.

ACCEPTABILITY OF CSR BY THE BENEFICIARIES IN COAL INDIA

A major concern for the coal industry is the acceptability of CSR by the beneficiaries. Particularly because of the perception that coal industry plays the spoil sports in damaging the environment eliciting a natural hostility from the local populace. The CIL and its subsidiaries invest considerable sum on CSR activities but the perception of beneficiaries including local communities and the general public is that these efforts are an eye wash or at best aimed at public relations. There has been a considerable awareness about CSR requirement for the mining industry in general because of the potentially significant negative impacts on the social and environmental fronts. Criticism of the coal industry by the government, NGO's and local community organizations play a major role in creating an unfavourable image of the coal industry (Banerjee 2001). This necessitates the role of acceptability of CSR efforts by the beneficiaries. The strategy to enhance this should be to involve the beneficiaries in formulating CSR policies so that they know what is being done and why. Most of the time local communities, governments and mining companies are not clear about their respective roles and responsibilities in the development of mining projects and are not able to participate effectively.

Consequences of business operations have significant impacts on the society. Not just through the supply of products and services but also through the effect on the natural environment, impacts on the livelihood of the people and the eco-cultural context at large. Society therefore expects the businesses to act in such a way that society's interests are satisfied and those members of the society who are not business shareholders also get a share of the benefits of the business.

In the coal industry this is even more required because the profits that the industry earns as well as the damages that have been done in the process are highly visible. It is precisely for this reason that coal industry evokes a largely negative response when it comes to measuring popular attitude towards it. CSR, therefore, is the current practice that coal companies resort to in order to make people living in the vicinity favourably inclined towards the industry. However, the practices adopted by the coal companies to fulfill CSR do not take into account the genuine requirements at the local level and are

mostly supply driven. There is need for making CSR demand based.

Effective CSR practices depend on the acceptability of operations of an organization and are multidimensional in nature being a multilevel social concept. The degree of social participation influences the extent of the enhancement of acceptability. The social responsibilities performed by the company are considered effective only if they are readily accepted by the society. The main element in the concept of acceptability is the implementation of company policies and strategies at the local level and this is perceived to be the most important (Mikkila, 2005).

The present study considers that acceptability of the stake holder is crucial and it carried out a survey to evaluate the approach of CIL towards CSR and the different practices adopted by it. Two adjoining coal mining stretches falling under a large Dhanbad based subsidiary of CIL were identified as the sample of study. This area is the focus of large scale CSR activities as a result of the ongoing resettlement and rehabilitation (R&R) of population living in the coal bearing areas of the Jharia region. The objective was to gauge the perception of the people affected by CSR activities and what they felt about implementation. A preliminary survey through an open-ended questionnaire was conducted to take the public opinion.

It is time the coal industry started practicing CSR in a more systematic and organized way understanding the basic fact that CSR needs to be a strategic and not ad hoc exercise. Particularly in light of many recent studies that suggest that CSR may give a company some kind of a competitive advantage (Porter and Kramer, 2006; Mishra and Suar, 2010). However, there are some who don't advocate this view as they find this strategic approach unacceptable. Their contention is that it reduces CSR to a marketing instrument undermining its ethical and moral roots (Maignan and Ferrell, 2001)

The results of questionnaire survey support our assumption that despite best efforts and considerable financial involvement popular perception of CSR practices are not favourable. The basic weakness of supplied driven CSR practices lies in poor acceptability by the beneficiary groups as the coal companies usually do not involve them while formulating CSR policies. This results in popular discontent leading to ineffectiveness of CSR practices

in most of the cases. Further, in the course of the study it has been observed that the attitude of the officials dealing with CSR implementation is rather indifferent. This can be largely attributed to cultural and social contexts (Lattemann, 2009). Mishra and Suar, (2010) in their study examining CSR and firm performance link have found that CSR in Asian countries including India has weak base owing to psycho social reasons.

Coal is a non-renewable source of energy and the environmental impact associated with its extraction and use, in addition to the economic importance of mining industry as well as the social impact on the local areas, have led to the situation that the mining industry is amongst the most prolific disclosers of social and environmental information (Yakovleva, 2009). Either voluntarily or under pressure, coal mining companies across the globe intend to introduce CSR strategies. A study conducted by Jenkins and Yakovleva (2006) which included 10 biggest coal mines in the world revealed that that the mines are very different from one another as far as level and scope of monitoring and reporting of CSR activities is concerned. Of late, the CIL has not only brought laurels in the field of production, productivity and profitability, but also taken significant steps towards CSR. However, careful and considered steps need to be taken to increase the acceptability of CSR efforts. This may include carrying out a needs assessment survey involving the stakeholders and plan CSR activities on the basis of the survey findings.

CONCLUSION

In today's context, CSR can be seen as a means of helping companies to re-assess their role in society and their accountability to new stakeholders. Can business also play a role in creating new types of values such as social or environmental? Should companies also be a conduit of promoting values? If the answer to either of these queries is positive, then this becomes a challenge both for existing business people and for the universities that train the business leaders of tomorrow.

In order to ensure better functioning of the coal mining industry ecological and social aspects are becoming increasingly significant. It is important for mines to consciously incorporate CSR into activities both in the external and internal environment. But this cannot be supply driven and

has to be demand based. Simply spending money in the name of CSR is as good as wasting valuable financial resources.

It is time that companies should take CSR as a means of transforming the society for sustainable development. This cannot be done without earning the confidence of stake holders and winning their trust. Acceptability of CSR efforts in the eyes of the stake holder is a critical determinant of CSR effectiveness. Spending money alone does not help.

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