
1 CSR PRACTICES AT NALCO

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Abstract

Business may be understood as the organized efforts of enterprises to supply consumers with goods and services. Business depends on society for existence, sustenance and encouragement and has definite responsibility towards society, which is popularly known as social responsibility of business or Corporate Social Responsibility (CSR). A good number of research publications, opinions and views have enriched the field of CSR all over the world with varied approaches. The work of Michael E. Porter and Mark R. Kramer, proposed a new way to view the relationship between business and society that allows a business organization to make valuable contributions to society's welfare without sacrificing corporate success. Extending one type of benefits at one point of time may not be relevant for all time to come. So business organizations always have to redefine their social responsibility without causing any damage to the existing fabric of the society along with the ecological balance. Indian industry for many years has been doing community related work such as running free medical centers, rural development, educational activities and several other areas such as environment protection, population management and AIDS prevention programme etc. In the words of our Dr. Manmohan Singh, (while addressing at the Confederation of Indian Industry's Annual General Body meeting in May 2007) "Corporate Social Responsibility (CSR) is not an imported western notion. It is a part of our

cultural heritage."

In this paper an attempt has been made to evaluate the on-going CSR initiatives undertaken by the National Aluminium Company (NALCO) Ltd., at its mining and refinery unit at Damanjodi, Koraput. Although lots of CSR works have been undertaken, yet a lot is also left to be undertaken. It is left to the leadership of the Nalcoas how to take new initiatives for untouched area of CSR keeping in view the goals and objectives of the organization to achieve competitive advantages in an open market and globalized economy.

INTRODUCTION AND BACKGROUND

Since 1991, the country has observed a dramatic shift in the needs of business and society in general. India right now is experiencing two very major dynamics of environment. On the one hand, the fast growing economy with booming national and multinational firms are creating enormous turbulence in the society. On the other hand, social challenges like poverty, population growth, illiteracy, corruption in public life requires urgent address from all stakeholders of the society. With this situation the yester year's philanthropic approach of business houses has been shifted to an agenda of corporate governance of the business organization. Thus the Corporate Social Responsibility (CSR) has been moved from a "nice-to-do" to "a-must-do" (Teller, 2006). Today the ranking of business houses as far as their performance is concerned is based on their

corporate services to the community, society, and environment and to the disadvantaged group of the society. They have become the deciding factors of role of corporate houses as the corporate citizen. Thus corporations are increasingly required to apply CSR by balancing the economic, social and environmental dimensions of their operations whilst building shareholders value (Aswathappa, 2005). Business organizations in India started realizing it soon after introduction of Global Compact Programme, a partnership programme between UN, Business Community, ILO and NGOs in 1999 which re-enforced the concept of Corporate Social Responsibility, today CSR has become a part of business process world over, being supported by the World Bank, OECD and the European Commission (Baxi, 2005).

A preliminary look at the data available through several sources suggest that CSR initiatives in Indian industries are limited to the social development of the country, given its strong embedding in philanthropy and community participation. When many business organizations of Indian origin are becoming globally operative, it needs to be proactive in adopting CSR initiatives in order to attain a competitive advantage of strengthening the foundation for sustainable business in the global market. Indian literature is full of incidents when business houses have gone ahead of Government institutions in providing welfare facilities to the employees and the society (Example – Tata Steel). Gandhiji's philosophy of trusteeship is similar to CSR of modern business world, which was followed, by Tata and Birla ever since their inception. In the words of Dr. Manmohan Singh the prime minister of India, while addressing CII'S -AGM-2007, "CSR is not an imported western notion. It is a part of our cultural heritage ". He could not have been truer because CSR in India has come through distinct stages of development along with process of industrialization.

While value creation for shareholders is the

raison d'être for companies, there is an awareness today that profits are earned from society and since society itself is imbalanced in the benefits it enjoys, some part of this profit should be spent towards under privileged segments of the society. Experts point out that CSR cannot be calculated in statistics for the return on investment in short term, since getting involved in CSR is definitely a huge investment but there is no direct immediate benefit out of it. But it shows the way one organization is evolving (Mac Mohan 2006). So companies have to formulate unambiguous policies before making any false proclamations to the stake holder, investors, press, and the people who have big expectations (Chhabra, 2006). Because according to Kramer (2002) companies are not yet doing enough in CSR because they have not truly backed it into their core competitive strategies. Companies are competing on the basis of social responsibility-using it as an advantage, not just in a defensive manner. CSR creates dedicated workforce with high levels of self accomplishment people who take pride in themselves and their company. It encourages a spirit of voluntarism amongst colleagues and boost morale, builds self worth and fosters team spirit (Ramakrishna 2006). Similarly Lantos (2001) argues, given the ultimate responsibility of a corporation to its stake holders, strategic CSR financially benefits the business through serving society in extra economic ways.

LITERATURE OVERVIEW

A good number of research studies have enriched the field of CSR all over the world with varied approach so also in India.

1. C.V. Baxi and Ajit Prasad (2005) "Concept and cases, The Indian Experience". The project on case writing on CSR themes by the faculty of Business schools in India is a pioneer work, which provides a lot of inputs for further study and research. Evidence supports that business in India has been as a multidimensional entity, serving

greater societal interests and not narrowly focusing on maximizing profits for owners or shareholders. Increased integration of the markets of developing economies with the global economy, globalization has been one of the major drivers for CSR in India, as in several parts of the world.

It is for the first time that under the aegis of UNDP-CII-AICTE-MDI, the business schools in India participated in preparing cases from various industries focusing on the process and decision making content implicit in the introduction, implementation, and evaluation of various facets of corporate social responsibility. The cases are illustrative and they will help in identifying further area of research. The organization taken for this study included from diverse field of activities such as Excel Industries Ltd., Titan Industries Ltd., Times of India, Ballarpur Industries, Aviva Life Insurance Company India Pvt. Ltd., Wipro Corporation, KDT (Ayurvedic medicine manufacturer), Charka Palika Hospital (Waste Management), Polyhydron Pvt. Ltd., Infosys Foundation, IFFCO (Chemical plant), Micro sign products and NTPC Ltd.

2. S. K. Agarwal – (2008) "CSR in India", the book is arguably the first comprehensive, well-researched book on the subject in India. The author uses Indian examples, case studies and CSR role models from the Indian industry to explain the gap between Indian business needs and current practices. Practices and researchers in economically developed countries have also been used extensively. As the Indian industry begins to enter international markets in big way, it is going to be imperative to integrate CSR with business goals for long term sustainability and healthy economic, social and environmental impact.

3. B. Arora and A. Puranik (2004):- The research finding of these authors in software industry on CSR in India concludes the fact that CSR in India seems to be in a confused state as individual companies define CSR in their own limited ways and context resulting in CSR being

undertaken under the name of philanthropy and not preventing the main – streaming of CSR into the core business process and limiting CSR to community development only. Addressing the survey the need of the hour is to generate awareness and impart skills amongst corporate houses, government, and civil society, the importance of CSR as an effective tool for enabling an environment of equitable partnership between civil society and business.

OBJECTIVES AND SCOPE OF THE STUDY

The primary objectives of this study are to contribute to the research on the field of CSR in India, which has been identified as potential superpower of the world. The present study is undertaken keeping in view the following objectives:

- 1) The research intends to examine the ongoing practices in the NALCO and to identify the gaps that exist between policy and practice of CSR, and to
- 2) Suggest remedial measures based on primary and secondary data interpretation with statistical analysis to create a win-win situation for the company as well as for the growth and development of the society at large.

The scope of the study is confined to Mines and Refinery division of the NALCO located at Damanjori, Koraput, Orissa.

METHOD OF STUDY

Qualitative research is no doubt a multi method research where the researcher attempts to develop understanding of the phenomena under study. The whole study is based on data collected from primary and secondary sources. In case of secondary source of collection of data for which the official records, reports, circulars and new letters were referred. For the purpose of primary

source of data sampled employees were selected on the basis of random and purposive sampling to administer structured questionnaires relating to various aspect of CSR in the NALCO. Where ever possible statistical applications have been used before arriving at conclusions.

WORKING OF CSR PRACTICES AT NALCO

Incorporated in 1981, as a public sector enterprise, under Ministry of Mines, Government of India, the National Aluminium Company Limited (NALCO) is Asia's largest integrated alumina-aluminium complex, comprising 48,00,000tpa bauxite mining, 15,75,000tpa alumina refining, 3,45,000tpa aluminium smelting and 50,000tpa casting, 960MW power generation, rail and port facilities. Today Nalco has completed 28 glorious years of corporate excellence. With the technical collaboration of Pechiney of France, ISO 9001:2000 certification of quality management, registration of products at London Metal Exchange, environment care conforming to ISO 14001, low cost operations and international customer base, Nalco enjoys the status of a Five-Star Export House and a Mini Ratna company. In order to strengthen its market position, Nalco has started the Rs. 45,000 crore, the second phase expansion after the successful completion of the Rs.3700 crore first phase. What is more important is that without losing any time, the company has already made preparation for Rs.60,000 crore in third phase expansion.

Apart from exporting to more than 30 countries worldwide, its consistent track record in capacity utilization, technology absorption, quality assurance, exports performance and posting of profits, Nalco is a bright example of India's industrial capability.

For launching new projects abroad, the NALCO has already signed an MOU with Indonesian Government to set up a 5lakh tonne Smelter Plant and a 1250 MW Power Plant at an investment of Rs.14, 000 Crore. Besides, in Iran a

₹.3.10 lakh tonne smelter has been planned as a joint venture with ALPHA at an investment of Rs.8000 Crore. Nalco assigns high importance to promotion and maintenance of a pollution-free environment in all its activities. The Environment Management System in all production units confirms to the ISO 14001 norms. Among numerous recognitions, the two highest national awards viz. Indira Priyadarshini Vrikshamitra Puraskar for afforestation and Indira Gandhi Paryavaran Puraskar for environment management, conferred on the company by the Ministry of Environment & Forests, Government of India, bear further testimony to Nalco's commitment for the environment.

Corporate Social Responsibility (CSR) is Company's obligation to be accountable to all its stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economic dimensions but also in the social and environmental dimensions. Corporate Social Responsibility which is stated in the NALCO's Mission: "To achieve growth in business with a global competitive edge providing satisfaction to the customers, employees, share holders and community at large".

NALCO ACTIVITIES

As a responsible corporate citizen, the NALCO conducts its business in a socially responsible and ethical manner and it has developed sound policies, practices that addresses each of the following objectives: (1) To improve the living standards and quality of life of the Community through upliftment of economic status and community care. (2) To develop better infrastructural facility to cater to the social and economic needs in vicinity of the Community. (3) To establish sound environmental and safety policies. (4) To provide better health care and health education. (5) To promote sports and games. (6) To promote Arts, Crafts & Culture.

(7) To promote welfare measures. (8) To integrate Corporate Social Responsibility into supply chain of the Company. (9) To generate a responsible public image. (10) To minimize (making it zero) the negative and social environment impact resulting from its economic activities. (11) To generate a goodwill from the Government bodies. (12) To respond to the social issues promptly in order to overcome them quickly.

The NALCO's Corporate Social Responsibility, besides other obligations, encompasses the following elements:

Resettlement and Rehabilitation, Peripheral Development and Community Development, Pollution Control and Environmental measures, Health and Community Services, Education & Literacy, Promotion of Sports and Games, Promotion of Arts, Crafts and Culture and Relief Measures.

The NALCO has come to represent a better quality of life for communities residing in the vicinity of its plants and facilities. The company has comprehensively addressed the problems of rehabilitation of 635 displaced families with adequate compensation, housing and employment to 625 persons. Creation of infrastructure in the surrounding villages for communication, education, health care and drinking water gets priority in the periphery development plans of the company. Successful operations of the company have led to employment and income generation for the local people in many significant ways. Community participation in innovative farming, pisciculture, social forestry and sanitation programmes apart, encouragement to sports, art, culture and literature are all a part of the NALCO's deep involvement as a responsible corporate citizen. Apart from financial compensation, employment and re-habilitation packages, the NALCO has so far spent more than Rs.100 crore towards various social sector developmental activities. Successful operation of the company has

led to employment and income generation for the local people significantly. ₹13.71 crore has already been spent for distress and natural calamity.

The company has adopted a policy of playing a catalytic role in general improvement of quality of life of the people living in the peripheral villages. In this regard various steps have been taken in collaboration with local Govt. authorities. As a policy, Nalco has been allocating 1% of its net profit of the year for peripheral development activities of succeeding year.

SURVEY BASED ON PRIMARY DATA

In order to verify the information available on the working of CSR in the NALCO Damanjodi Complex through secondary sources, a survey was made taking samples of 55 executives, 120 non executives and 35 community members to elicit their views on different aspects of ongoing CSR initiatives. Three sets of structured questionnaires prepared for this purpose were administered, data analyzed, interpreted and conclusion was drawn. The result of the survey is presented below:

A. Perceptions Of Executives On CSR

The questionnaires used here are prepared by the European Commission, down loaded from Internet. 55 respondents selected on the basis of purposive and random sampling are qualified graduates and with 5 -10 years of service experience in age group of 30-45 years. Although a five point scale was used initially, but later changed as response available on two points.

1. Workplace policies

Table No. 1(a) Response of Executives on work place policies. (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
I	Encourage employees to acquire new skills	85	05	10
II	Steps against all types of discriminations	87	07	06
III	Consultation with employees	69	24	07
IV	Adequate health, safety, welfare schemes	98	0	02
V	Provide good work life balance	51	47	02

NR: No Response

Good workplace policy helps to build effective internal partnership between employer and employees. Here all five aspects except work life balance facility, were favoured by the most of the respondents i.e. 78 percent average. As it is a manufacturing and mining industry, it is quiet difficult to balance work flexibility. Practice of quality circles with good facilities motivated employees to work hard for the benefit of both and to build a good reputation for the company. Consultation with employees on business matters needs more attention as felt by number of executives.

2. Environmental policies

Like land, water and raw material, nowadays much importance on environmental management is felt everywhere. The environmental policy in all respects is quite advanced in order to minimize environmental degradation. Except transport options, most respondents i.e more than 77 percent (average), were in favor of the action of the management on environment. No doubt efficient use of energy, prevention of pollution- land, water or air, and waste minimization makes financial source and image building by reducing negative impact of environment felt by the respondents.

Table No. 1(b) Responses of Executives on Environmental policies (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Reduction of environmental impact			
a	Energy conservation	79	14	07
b	Waste minimization and re-cycling	71	19	10
c	Pollution Prevention	73	18	09
d	Protection of natural environment	69	23	08
e	Sustainable transport options	55	39	06
ii	Savings on reducing environmental impact	67	29	04
iii	Supply of clear and accurate environmental information	88	08	04
iv	Advantage of sustainability of products	89	07	04
v	Potential environmental impact on new product	83	07	10

3. Marketplace Policies.

Table No. 1(c) Responses of Executives on Market place policies (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Honesty and quality in all dealings	91	04	05
ii	Accurate information on product and services	95	01	04
iii	Timely payment of suppliers invoices	87	06	07
iv	Feedback, consultation, dialogue with business partners	84	14	02
v	Timely resolution of complaints	79	11	10

Business organisation is no doubt a human organisation and depends on both external and internal relationship for sustenance. This was felt by the majority i.e. 87 percent (average) respondents. Relationship with customers, suppliers and local organisation in-respect honest business deals helps to achieve competitive advantages and maintain ethical business practices- realised by the respondents, as this reputation is crucial to ensure success in the market place.

4. Community Policies

No doubt healthy and profitable business and well being of the community around it, are inter-dependent. So, almost 84 percent (average) respondents favored all aspects on community development policies of the management. Goodwill enhances company reputation and attracts talented human resources to the organization. The NALCO in all respects fulfills all these through its community and peripheral activities. 'Puraba' an annual tribal festival which is financed by the management and the employees voluntarily participate in it. Tackling social issues such as crime prevention, population control or unemployment in the local area need more attention to combat Naxalite activities suggested by the respondents.

Table No. 1(d) Responses of Executives on Community policies (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Training opportunity to local community	89	02	09
ii	Dialogue with local community on controversial issues	93	00	07
iii	Using local goods and services	79	17	04
iv	Encouragement to participate in local community activity	69	19	02
v	Financial support to local community activity	89	09	02

NR: No Response

5. Company values

Table No. 1(e) Responses of Executives on Company values (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Defining organization values and rules of conduct	98	00	02
ii	Communicating values and rules of conduct to business partners	94	00	06
iii	Creating awareness among employees on organization's value system	89	02	09

NR: No Response

This was selected on a random sampling method in order to know their perception on the ongoing CSR activities in the NALCO. Mostly the non executives were selected for this purpose in the age group of 30-45 years with 5 to 10 years service experience in the organization. As far as educational qualifications are concerned technicians with the ITI and diploma holders and non technical up to graduation level are included. Their perceptions were measured on a five point scale in order to know the degree of knowledge with respect to different activities of CSR.

Table No. 2 - Satisfaction of Non Executive Employees on CSR initiative (N=120)

Sl. No	Perception about	Mean	Standard deviation
1.	Working conditions	3.45	0.998
2.	Labour standard and norms	3.23	1.161
3.	Wage structures	3.54	1.895
4.	Promotion and Transfer Policy	3.59	1.301
5.	Training and education for workers	3.59	1.299
6.	Engagement to enhance special Skills	3.80	0.981
7.	Grievance handling practices	3.40	1.131
8.	Son of the soil policy	2.50	1.052
9.	Health, safety and welfare facilities	3.57	1.071
10.	Action against discriminations	2.59	0.950
11.	Fear of NGOs Campaign	2.51	0.830
12.	Segmenting relevant CSR issues	2.91	1.050
13.	Integration of business strategy with CSR	3.64	0.930
14.	Use of CSR for brand making	3.80	0.918
15.	Forging partnerships between business and society through CSR	3.80	0.981
16.	CSR helps to improve financial status	3.91	0.855
17.	CSR initiative a tool for competitive advantage	3.91	0.855
18.	NALCO fulfills it's social obligation	3.80	0.996

*Scale- Strongly disagree-1, Disagree-2, Neither agree nor disagree-3, Agree-4, Strongly agree-5

A total of 18 questions relating to various aspects were asked to the non-executive employees.

Their mean responses with standard deviations are presented in the Table No.2. On 13 items the mean responses are more than 3.5 or nearer to 4, which means employees are satisfied with facilities or practices of CSR in the organization. Low responses are available in case of non- implementation of son of the soil policy, no effective actions against discrimination in employment and recruitment, segmenting CSR activities, propaganda of NGOs and non effective working of the grievance handling practices as told by some of the respondents. But over and above the NALCO takes care of its employees better than any organization in the state. Recently introduced NEFAR (Nalco Employees Family Assistance Rehabilitations Scheme) will help the members of the superannuated employees family to overcome financial problems on a long term basis, as experienced by sizeable non-executive respondents.

B. Perceptions of beneficiaries towards peripheral development

The company has adopted a policy of playing a catalytic role in general improvement of quality of life of the people living in the peripheral villages and has received number of awards in this respect. In this regard various steps have been taken in collaboration with local government authorities.

To measure the satisfaction level of the beneficiary in total 15 questions were asked to 35 persons selected on random basis and their views in form of main score with standard deviation are presented in the table No-3. A five-point scale was used to their perceptions.

Table No. 3 - Satisfaction of Community members towards peripheral developmental work.

Sl. No	Area of Activities	Mean Responses	Standard deviation
1.	Satisfaction with the developmental work	4.60	1.019
2.	Applying son of the soil policy	1.99	0.89
3.	Successful rehabilitation of LDPs	3.38	0.99
4.	Generation of employment	3.80	1.00
5.	Supporting the national scheme for SC/ST	2.49	1.80
6.	Contribution to present Cultural activities	3.80	0.85
7.	Promotion of small scale industries	2.30	0.99
8.	Problems created by waste disposals	2.74	1.12
9.	Conservation of scarce resources	2.83	0.98
10.	Environmental Pollutions	3.49	0.95
11.	Projected handed over to district administration	4.90	0.74
12.	Rehabilitation of displaced persons	3.40	0.92
13.	Contribution to build better society	2.40	1.00
14.	NALCO Contribution to the society	3.50	0.93
15.	Proper utilization of facilities by the public in the community	3.30	0.92

*Scale- Strongly disagree-1, Disagree-2, Neither agree nor disagree-3, Agree-4, strongly agree-5

Nine areas of peripheral development work, out of 15 were appreciated by members of the Community. The NALCO is taking appropriate steps to prevent environmental degradation. Waste disposal and conservation of scarce resources are not properly taken by the management as told by the majority public. So also no steps are taken to establish small scale industry in the locality to generate employment along with implementation of special scheme for tribal development with son of the soil policy.

Disposal of caustic soda is creating problem and the land fertility rate is reducing gradually is being complained by a number of respondents. Community people are satisfied with developmental work of the NALCO but they want more on different accounts such as pucca road, electricity and water supply to nearby villages around mines.

CONCLUSIONS

From the ongoing discussions, the NALCO Damajodi Unit has successfully implemented its social obligation responsibility by improving financial performance and creating its favorable image in the minds of various stake holders by integrating CSR with business strategy to have competitive advantages in the free-market economy. This proves the objective of the present study to a great extent. Employees are well compensated and looked after by the company through establishing effective internal relationship leading to high moral and motivation.

Similarly the local communities also expressed their satisfaction but demanded more employee generating schemes with more scope to the son of the soil policy be taken up by the management. Funds for peripheral development of villages be directly given to the local Panchayat as demanded by sizeable respondents. Development of small scale industry should be established in their locality to generate employment. More

number of villages located in inaccessible areas in the basement of mines are to be connected with all weather roads and electricity.

SUGGESTIONS

To make the CSR scheme more successful the following suggestions may be taken up by the management:

1. Local people should be given more educational and training facility with new employment opportunity.
2. Small Scale labour intensive industries be promoted with the help of the NALCO authority.
3. Awareness on population control and increasing literacy levels be taken up vigorously.
4. Maintenance of services provided under peripheral schemes should be taken up by the NALCO itself not by the state administration.
5. More developmental work within 10-15 K.M. radius of the plant be taken up in order to discourage Naxalite activities.
6. The State Government should also take infrastructural development work on a priority basis in order to meet basic requirement of the tribal community.
7. The NALCO authority should open one independent department with CSR trained personnel to deal with day to day issues and future plans.

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