

Role of Neyveli Lignite Corporation India Limited (NLCIL), Neyveli towards Corporate Social Responsibility (CSR) in India-An Overview

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Abstract

In a developing country like India, CSR was seen as a part of Corporate Philanthropy. Due to changing business scenario and after the amendment of the Companies Act 2013, CSR has changed from Philanthropy to being socially responsible to multi-stakeholders. Nowadays corporate entities cannot survive without fulfilling its obligations towards society or social welfare also known as CSR. The term CSR is a social responsibility of business towards its various stakeholders. In India the main contribution of CSR is met by Public Sector Undertakings (PSUs). These PSUs were spending CSR amount as per the Ministry of Heavy Industries and Public Enterprises-CSR guidelines issued in 2010. As per the norms of the Companies Act 2013, Indian Public Sector Units have to spend mandatory 2% of their average last three years profits on CSR initiatives for the welfare of the social communities and also for the protection of natural environment. NLCIL, Neyveli a public sector organization also comes under this CSR mandate and of course is doing CSR projects for the welfare of the communities living in and around its operational area since its inception. This paper mainly aimed to study the contribution and CSR initiatives of Neyveli Lignite Corporation India Limited, Neyveli for the upliftment of the underprivileged society and also for the sustainability of environment in its operating unit from the year 2014-15 to 2020-21. An attempt is also made by the researcher to highlight the CSR policy of the NLCIL, Neyveli that is based on the Tripple-Bottom-Line Approach which creates positive impact on People, Planet and profits. The study uses secondary data for evaluating the CSR projects of NLCIL and is collected from the NLCIL websites, Annual Reports, Published Articles and so on. Percentage analysis has been used for the derivation of the final results.

Keywords: PSUs, CSR, Stakeholders, NLCIL, Navratna, Environment.

Introduction

Corporate Social Responsibility is the concept whereby the industries and companies have to take care of the community and environment where it is undertaking its business operations. It is the ethical practice of doing business for utilizing the human and natural resources in order to make profits for the company.

After the end of British Rule in 1947, lot of challenges have been faced by the government of India like poverty, illiteracy, health facilities and the issue of unemployment. At that time, scattered resources were available for overcoming these problems and inspite of the best efforts by the government these issues remain unanswered. The Indian Republic established Central Public Sector Enterprises (CPSEs) for the whole purpose of overcoming the above stated problems and to cater the needs of the general masses. The thrust areas of these CPSEs were regional development, eradication of poverty, educational facilities, health and sanitation and protection of environment. Public enterprises start doing these projects voluntarily and put their hard efforts to work for the welfare of the underprivileged sections of the society as a part of voluntarily responsibility. However this voluntarily responsibility of the business has been transformed into mandatory corporate social responsibility with the introduction of CSR in the Companies Act 2013 according to Department of Public Enterprises (DPE) guidelines on CSR w.e.f.1st April 2014 and India became the first country with a legislated CSR.

DPE Guidelines on CSR

- (i) Compulsory CSR for all profit earning Public Sector units.
- (ii) The PSEs which comes under the ambit of CSR should have the Board, CSR Committee and separate policy for CSR.
- (iii) Any amount prescribed for CSR expenditure should be as per the norms of CSR.
- (iv) The main focus for the CSR projects is for the sustainable development of the society.
- (v) PSEs should mainly do CSR in the local areas of its operating area.
- (vi) It is also necessary for the corporations to furnish their CSR reports in its Annual reports.
- (vii) Assessment survey should also be carried out before taking up CSR projects.
- (viii) In addition to above, all PSEs are directed to act socially, economically and environmentally sustainable ways in all the times of its operations.

CSR is the economic, Legal, ethical and discretionary expectations that society has of organizations at a given point of time (Caroll,1979). It is an approach adopted by corporations to spend a portion of their profits for the social good so as to give something back to the society within which they operate. By discharging these social responsibilities for the development of societies, better corporate image is created in the eyes of public which is necessary for the growth and survival of the organizations.

Review of Literature

1. Report No.7, of 2020 (Corporate Social Responsibility in India), “described the primary objective of corporate social Responsibility and also the Legal framework of CSR according to the Department of Public Enterprises government of India. It stated that as per the section 135 of the Companies Act 2013, CSR is applicable to all Public sector Enterprises and is mandatory to spend at least 2 per cent of the last three years average profits towards CSR activities”
2. Loura, J. (2014) conducted a study on, “Corporate Social Responsibility-A Case Study of Select PSU’s Role in Rural Development.” This study mainly aimed to understand and assess the impacts of CSR initiatives of selected public sector undertakings on the socio-economic development of rural population. The CSR practices and afterward impacts of three public sector undertakings among which two Maharatna status (SAIL, NTPC) and one Miniratna-category-1 status (AAI) has been selected for the analysis by using secondary data for the derivation of final results. This study classified CSR initiatives of these PSU’s under five areas- Livelihood, health, education, environment and infrastructure.
3. Gurska, S., and Valova, A. (2013) made a study on, “Corporate Social Responsibility in Mining Industry” which is a comparative study among two mining companies of Czech Republic and Zambia. This study mainly aimed to analyze the CSR practices of these mining companies of Czech Republic and Zambia and used both primary and secondary sources of data. Authors have used three pillars of CSR- Economic, Social and Environmental (Tripple-Bottom Line Approach) for analyzing the various CSR activities.

Objective of the Study

To study the contribution of NLC India Limited towards CSR Practices.

Scope of the Study

The present study is limited to study the concept of CSR in Mining Company and specially focussing on the CSR practices undertaken by the NLC India Limited.

Research Methodology

The study is based on the secondary data where the information has been collected from the Annual Reports of the company from 2014-15 to 2020-2021.

NLCIL and its CSR Initiatives

Neyveli Lignite Corporation India Limited (NLCIL) a Navratna Status company, under the administrative control of Ministry of Coal is a Public Sector Enterprise engaged in open cast mining and power generation. The NLC India Limited started its journey in the year 1956 and is located in the Neyveli region of the remotest district of Cuddalore, Tamil Nadu India. The corporation founded with a sole objective of bringing economic and social development to the

Neyveli region and also the regions around it. The company imbibe Corporate Social Responsibility as one of its core objectives with its vision and mission statements. The business strategies of NLC India Limited are closely linked towards its Corporate Social Responsibility with focussing on the development of society by undertaking CSR projects viz., Development of Infrastructure, providing of safe drinking water, health and sanitation, education and capacity building and so on. NLC India Limited is taking CSR projects for the population living in nearby areas and lays stress on the welfare of both employees and the population living around the corporation.

Welfare to employees

- i) Township with over 21000 houses.
- ii) Transportation Facilities.
- iii) Medical facilities with 350 beds supported by dispensaries.
- iv) Industrial Canteens
- v) Family welfare facilities.
- vi) Educational facilities inside the campus.

Peripheral Development

- i) Drinking water to surrounding villages
- ii) Irrigation facilities
- iii) Facilities for mentally challenged children through sneha opportunity services.
- iv) School for the speech and hearing impaired “Shravane”.

CSR Thrust Areas

The major thrust areas of CSR of NLC India Limited are as follows:

- i) Protection of environment
- ii) Development of Infrastructure
- iii) Sanitation and drinking water facilities.
- iv) Medical and health care facilities
- v) Community development projects
- vi) Educational facilities
- vii) Skill development and women empowerment
- viii) Relief and rehabilitation and contribution for natural calamities
- ix) Promoting art, culture and sports.

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CSR Policy of NLC India Limited

NLC India adopted a new CSR Policy in the financial year 2014-15 covering the various sectors of socio-economic development. The purpose of CSR Policy of NLC India Limited is to work towards the sustainable development of the community in which it operates.

Objectives of CSR Policy of NLCIL

- i) To prioritize education and to look for the betterment of educational facilities at village level.
- ii) To focus on the health and hygiene facilities and also for the environmental facilities in order to make villages clean and hygienic.
- iii) To increase the livelihood of the village youth by enhancing educational and vocational skills.
- iv) To work for the development of rural infrastructure by enabling them towards sustainable development.
- v) To provide support services in government efforts in socio-economic and environmental development of the under privileged sections of the society.

Composition of CSR Committee of NLCIL [65th Annual Report 2020-2021]

1. Shri.N.K. Narayanan Namboothiri	Chairman/Independent Director (w.e.f. 07.01.2021)
2. Shri. R. Vikraman	Member/Director
3. Dr. P. Vishnu Dev	Member/Independent Director
4. Dr. V. Muralidhar Goud	Member/Independent Director

Permanent Invitees

Director (Mines)

Director (power)

CSR Fund

As per the Department of Public Enterprises (DPE), the company is spending two per cent of the average net profit of the last three years in every year on the CSR activities as per Schedule VII of the Companies Act 2013.

Scope of CSR Activities

The scope of CSR Activities is given under following heads:

- i) Preference is given to local areas of the unit with a spending of at least 75 per cent of the CSR Fund for carrying out various CSR activities. (Local Areas are within 25 kms from the boundaries of company headquarter and Mines).
- ii) The remaining 25 per cent of the CSR fund is spend on the CSR activities within the state or anywhere in the country.

- iii) The proportion of the CSR fund may vary on the directions as may be issued by the Department of Public Enterprises or the Government from time to time.
- iv) Preference is given to Aspirational Districts.
- v) The expenses incurred for general management and administration of CSR functions of the company comes under the Administrative Overheads which shall not exceed 5 per cent of the total CSR expenditure of the company for the financial year.

Contribution by the NLC India Limited in CSR

NLC India Limited, a socially responsible corporate citizen is continuously focussing on the socio-economic development of the regions for achieving sustainable growth. NLC India Limited has adopted a full-fledged CSR policy in the year 2014-2015 after the mandatory CSR in India with a spending of 2 per cent of the average last three years profits and undertakes CSR activities as per the schedule VII of the companies Act 2013. The mandatory allocation and amount spent by NLC India limited in CSR from the year 2014-2015 to 2020-2021 is given in the table below:

Table 01
Amount Spent in Corporate Social Responsibility (CSR)
by the NLC India Limited

□in crores

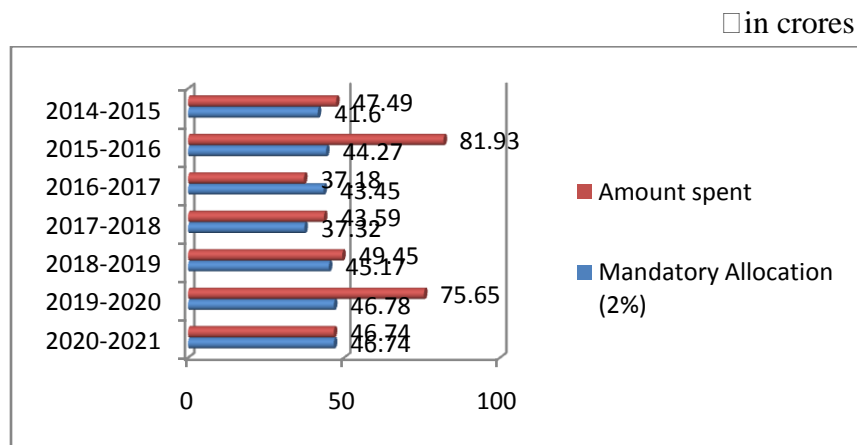
S.No.	Year	Three Year Average Net profit	Mandatory Allocation	Amount Spent
1	2020-2021	2336.77	46.74	46.74
2	2019-2020	2338.87	46.78	75.65**
3	2018-2019	2258.63	45.17	49.45**
4	2017-2018	1865.87	37.32	43.59*
5	2016-2017	2172.78	43.45	37.18
6	2015-2016	2213.37	44.27	81.93**
7	2014-2015	2080.22	41.60	47.49**

Source: Computed from the Annual Reports of NLCIL (2014-15 to 2020-21)

Note 1 : * □ 37.32 crores year allocation+carry forward unspent amount □ 6.27 crore from F.Y.201617

Note 2. : **As per the CSR Policy of the NLCIL, the excess amount may be set-off against the requirement to spend up to the immediate succeeding three financial years as per the resolutions of the board

Figure 01
Mandatory Allocation and Amount Spent



Source: Computed from the Annual Reports of NLCIL (2014-15 to 2020-21)

The above table and graph shows the mandatory allocation and the total amount of CSR contributed by the NLC India Limited during the last seven years from 2014-15 to 2020-21 and according to which NLC India Limited spends maximum amount of ₹ 81.93 crore in 2015-16 against a mandatory allocation of ₹ 44.27 crore and least amount of ₹ 37.18 crore in the year 2016-17 against a mandatory allocation of ₹ 43.45 crore, with an unspent amount of ₹ 6.27 crore which has been carry forwarded to the next year.

It could be inferred from the above that NLC India Limited in every year is spending more than the mandatory allocation of CSR fund on various CSR activities.

CSR Practices of NLC India Limited

NLCIL, the largest lignite reserve in India with its motive creating wealth for the well being providing solutions for a better tomorrow, is committed towards all-inclusive welfare of the society by undertaking CSR activities within the domain of Schedule-VII of the Companies Act, 2013, as revised from time to time. In spite of the educational and medical facilities provided by the corporation the company is also undertaking CSR activities for the community development of its neighbouring villages and also the environmental protection measures at a large scale. The CSR activities and expenditure as per the provisions of the Section 135, Schedule VII of the Companies Act 2013, for the year 2014-2015 to 2020-2021 is given below:

Results and Interpretation

The Table 02 below shows the contribution and the CSR practices of NLC India Limited from the year 2014-15 to 2020-21

Table 02
Contribution of NLC India Limited towards CSR Practices
from the Year 2014-2015 to 2020-2021

□ in Lakhs

S.No.	CSR Activity	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total	Percent age
1	Community Development	751.628	4339.690	935.900	807.583	1093.070	4437.330	712.100	13077.301	34.23
2	Educated Society/Employment Enhancing Skills	1096.776	2261.516	1093.347	990.156	1347.25	1056.060	1530.630	9375.735	24.54
3	Support Service and Special Education	10.660	19.800	-	-	-	-	-	30.460	0.08
4	Livelihood	19.061	21.139	-	-	-	-	-	40.200	0.11
5	Gender Equality and Women Empowerment	8.556	20.256	17.326	130.805	36.310	172.450	12.050	397.753	1.04
6	Natural Calamities	4.000	12.448	-	-	14.030	-	-	30.478	0.08
7	Heritage, Art and culture	531.052	13.717	2.000	12.151	14.440	192.000	128.220	893.580	2.34
8	Rural Development Projects	1081.550	283.467	1615.814	1746.574	1718.030	1454.810	109.290	8009.535	20.96
9	Infrastructure	1185.179	1000.474	-	-	-	-	-	2185.653	5.72
10	Welfare of Army Veterans	-	5.000	-	-	-	5.000	5.000	15.000	0.04
11	Promotion of Sports	-	42.238	13.422	55.046	118.620	90.320	17.940	337.586	0.89
12	Relief and Rehabilitation	-	100.810	-	-	-	-	-	100.810	0.26
13	Environment Sustainability	-	-	17.729	302.724	240.560	106.480	23.700	691.193	1.81
14	Welfare of SC,ST & OBC	-	-	-	266.208	338.260	-	-	604.468	1.58
15	Sanitation and Drinking Water	-	-	-	-	-	-	1678.710	1678.710	4.39
16	Water Resource Augmentation	-	-	-	-	-	-	425.070	425.070	1.11
Administrative Overheads		60.953	72.919	23.069	47.523	25.26	51.19	31.760	312.674	0.82
Total		4749.415	8193.474	3718.607	4358.770	4945.83	7565.64	4674.470	38206.206	100

Source: Computed from the Annual Reports from 2014-15 to 2020-21 of NLC India Limited (www.nlcindia.in).

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The above Table 02 shows the CSR expenditure on various CSR activities of the NLC India Limited for seven years from 2014-15 to 2020-21, which shows that out of a total of ₹ 38206.206 Lakhs, 34.23 per cent of the total amount is spent on the activities relating to community development viz., Health care and preventive health care and the CSR amount spent on the health care measures on COVID-19 for 2019-20 and 2020-21, 24.54 per cent of the total amount is spent on the educational facilities and the activities relating to enhancing employment skills among the community, 0.08 per cent of the total amount is spent on the CSR activities relating to special education of the children, 0.11 per cent of the total amount is spent on the activities like skill development training programmes for the livelihood of the community, 1.04 per cent of the total amount is spent on the activities relating to gender equality and women empowerment, 0.08 per cent of the total amount is spent on natural calamities like cyclones, 2.34 per cent of the total amount is spent on the protection of heritage, art and culture, 20.96 per cent of the total amount is spent on the rural development projects viz., creation of community assets, de-silting of tanks and so on, 5.72 per cent of the total amount is spent on building of infrastructure, 0.04 per cent of the total amount is spent on the welfare of army veterans, war widows and their dependents, 0.89 per cent of the total amount is spent on the CSR activities relating to promotion of rural sports, 0.26 per cent of the total amount is spent on the relief and rehabilitation, 1.81 per cent of the total amount is spent on the activities relating to protection of environment, 1.58 per cent of the total amount is spent on the activities relating to welfare of SC,ST &OBC students by providing scholarships, 4.39 per cent of the total amount is spent on the activities relating to sanitation and drinking water, 1.11 per cent of the total amount is spent on the activities relating to water resource augmentation. However 0.82 per cent of the total amount is spent on the administrative overheads for carrying out the CSR projects.

It could be inferred from the above table that maximum amount was spent on the Community Development (34.23 per cent) followed by educational facilities (24.54 per cent), followed by rural development projects (20.96 per cent) among the CSR activities undertaken by the NLC India Limited as compared to minimum amount on infrastructure (5.72 per cent) and sanitation and drinking water facilities (4.39 per cent).

Suggestions

The legislated CSR has made the Corporate Social Responsibility as the mandatory for the Central Public Sector Undertakings coming under the CSR Rules in India. NLC India Limited, one of the leading Public Sector Enterprise in Tamil Nadu, India is undertaking CSR practices and contributes every year 2 per cent of the average last three years profits and sometimes more than the prescribed limit. However from the study results, the corporation is practising CSR activities according to Schedule VII of the Companies Act 2013, but there is a deviation in some activities like support service and special education, livelihood, sanitation and drinking water which has not been taken continuously by the corporation and moreover the activities relating to welfare of employees and adoption of villages has not been taken by such a giant corporation. So

in this regard the authors suggested for the inclusion of these type of activities as a part of CSR activity which is important for the sustainability and the reputation of the company.

Conclusion

Corporate Social responsibility is a strategy used by the corporate sector to work for the socio-economic development in their business locations. NLC India Limited a pioneer in open cast mining is undertaking CSR projects for the development of the community as per the mandatory allocation of 2 per cent of the average last three years profits after tax according to the provisions of the companies Act 2013 from the year 2014-15 to 2020-21 with a threshold spending of ₹38206.206 lakhs on various CSR activities with more focus on community development, educational facilities and the rural development projects which in turn results in the socio-economic development of the community living in and around the Neyveli Township.

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