

## Corporate social responsibility practices in Tamil Nadu newsprint and papers limited (TNPL), Karur district, Tamil Nadu

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### Abstract

In recent decades, environmental and social protection is the urgent need of each enterprise, each level, each sector, and each country. For any economic sector, the development is always linked to the sustainability of environment and society. In the long term, the responsibilities of the enterprises to the environmental and social issues shall be an important factor to increase the profit of these enterprises. Thus, the enterprises are required to balance between the economic benefits and social and environmental contributions, implementing the responsibilities of the enterprises to the environment through particular actions such as: environmental impact assessment, minimizing the costs on materials, fuel and reducing the costs for waste. Corporate social responsibility (CSR) is now seen as an integral part of corporate strategy. The main purpose of the study is to analyze the corporate social responsibility (CSR) activities carried out by TNPL.

**Keywords:** CSR, TNPL, Environment

### Introduction

India is witnessing rapid development compiled with increasing production activities. As an essential part of the manufacturing sector of India, the paper industry is associated with the economic wellbeing of the country. Strong economic growth of the nation has been accompanied by a healthy demand for paper. Corporate Social Responsibility is the mechanism through which the corporate organizations have executed their philanthropic visions for social welfare. It is a powerful way of making sustainable competitive profit and achieving lasting values for stakeholder as well as shareholder. The emerging perspective on corporate social responsibility focuses on responsibility towards all stakeholders: shareholders, employees, creditors, suppliers, government, and community rather than only on maximization of profit for shareholders. CSR is the continuing commitment by businesses to perform ethically and contribute to economic development while improving the quality of life of the workforce, families as well as the local community and society at large. CSR is a company's sense of responsibility towards the community and environment, both ecological and social, within which it operates. Companies express this in many ways such as waste and pollution reduction processes, conducting educational and social programs and providing ecologically sustainable goods.

### Review of literature

Leena James (2012) <sup>[1]</sup> The Corporate Social Responsibility practice of the organization has long been a topic of great interest for research. Most firms understand the need to be economically successful and the importance of complying with laws and responsible to the society. Till the late twentieth century, the mission of business firms was exclusively economic. With the business environment being characterized by various developments including the shift of power from

capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries, due to faster means of travel and communication. People are, by and large, becoming conscious of their rights, which have led to a rise in the expectations of society from business.

Bibhu Parshed (2012) <sup>[2]</sup>, article presented that CSR is the face of industry face of doing trade. Bibhu said that today, corporate houses took CSR as a medium fulfillment of profit greed of corporate houses. Further the article explored that companies today invests in a lot of areas like child labour, ground water, food, education, employment etc. but nobody is aware about the essential need of world's poor. The article suggested that profit earning is a natural fact of companies but CSR is beyond the natural and statutory obligation of the companies. At last it was concluded in the article that sustainable development is the development of society as well as the company in a balanced way.

Bansal, Parida, Kumar (2012) <sup>[3]</sup>, paper entitled "Emerging trends of Corporate Social Responsibility in India" in KAIM Journal of Management and Research analyzed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas and Cipla. The paper considered the nature and areas of society in which the companies are investing. By considering all those areas it was concluded in the paper that today companies are not working only to earn profit but also have realized the importance of being social friendly. So, on the basis of the paper it can be said that social responsibility has now started taking a turn in the new direction.

Dr T Rajasekar, Dr S Rameshkumar (2015) <sup>[4]</sup> The CSR is a philosophy that looks at the social interest and the long-run enlightened self-interest of business. It aims at integrating the

business interest with that of the community in which it operates. India has become the first country in the world to mandate CSR activities through the statutory provisions. Here, an attempt has been made to estimate the contribution made by the BSE Sensex Companies towards CSR activities in accordance with the provisions of the New Companies Act, 2013.

### Significance of the study

India is the 2nd highest populous country in the world. Most of the population is living in the villages. India has achieved 65 % literacy rate only. Majority of the rural people are illiterates, not accessible to good health facilities and nutritious food. 20 percent of the rural people are in the poverty line. The business houses are earning profits by rendering their services to customers in society. The government alone can't uplift the downtrodden people. The corporate houses and non-governmental organizations have to come forward to eradicate various social evils and play vital role in society development their activities such as providing quality education, extending healthcare facilities, nutritious food, creating awareness on environment safety, drinking water facilities, sponsoring the sports events, participating in natural disaster management programmes, ethical values promotion, enriching the Indian culture, etc. The corporate houses have to come forward to do their part towards development of the society. This contribution will be helpful to the organizations to enhance their brand awareness and reputation in the market. The society development should be treated as an integral part of the organization's strategy. CSR strategies promote the corporate sustainable development as well as society as at large. Therefore community development is a responsibility of the government, non-governmental organizations and business organizations as well.

### Statement of the problem

The purpose of this research is to explore how TNPL participate in socially responsible activities and explain the Corporate Social Responsibility approach undertaken by them. Profit is the purpose of business, but the execution of social responsibility is the foundation for sustainable development of each enterprise. Companies with responsibilities for the society normally create breaking achievements in industry and market without destroying the environment and consuming many natural resources. Investment and development of business and production with social responsibility is the best way selection which normally brings about high economic outcome in long run because the consumers always select products and services from the enterprises with respect to the natural resources, environment and society. The Corporate Social Responsibility concept was initially used by national companies more as a marketing and media coverage instrument rather than for its ethical values. Recently the public is watching closely to pressing cases of violating business ethics and destroying the environment and health at serious level. The wrong-or right of the above cases are clear. However, for the society and thousands of operating enterprises, the issue of Corporate Social Responsibility (CSR) is started and it requires to be discussed seriously in terms of policy argument and practice.

### Objectives of the study

The following are the broad objectives of the study:-

1. The main purpose of the study is to analyze the corporate social responsibility (CSR) activities carried out by TNPL.
2. To determine the amount of profit spend for CSR by TNPL.
3. To study the present status of Corporate Social Responsibility in India.
4. To study an overview of Corporate Social Responsibility Rules under Companies Act, 2013.
5. To offer suggestions based on findings of the study.

### Crescent status of corporate social responsibility in India

Corporate social responsibility (CSR) is on the rise all over the world, and India is no exception. The history of corporate paternalism has played an important part in shaping community expectations and CSR practices in India. Civil society, consumers and other actors have increased the pressure on companies to adhere to social and environmental standards, and this new "civil regulatory" environment has had impacts on business in India. We know CSR is not a novel concept in India. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness. Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined, in alignment with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs range from community development to advancement in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers. Such initiatives help make them more self-reliant by methods of vocational training and knowledge of business operations. Many of the companies are helping other people by providing them a good standard of living.

### Law

Under the Companies Act 2013, any company having a net worth of rupees 500 cr or more or a turnover of rupees 1,000 cr or more or a net profit of rupees 5 cr or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

CSR in India has FOUR PHASES, which are parallel to the history of India and this has resulted in a different approach to CSR. All the four phases are connected and they might overlap one another.

### Four phases of corporate social responsibility in India

#### First phase

In the pre-industrialization period, which lasted till the 1850s, wealthy merchants shared a part of their wealth with the wider society by way of building temples for a religious cause.

Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their storage and money, and thus, securing an integral position in the society. With the arrival of the colonial rule in India from the late 1850s, the approach towards CSR was totally modified. The industrial families of the 19th century such as Tata and Bajaj were strongly inclined towards economic as well as social considerations and used to provide more for the welfare of the society. However, it has been observed that their efforts towards social as well as industrial development were not only driven by selfless, religious motives but also influenced by caste groups and political objectives.

### Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." These were Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence, businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

### Third Phase

The third phase of CSR, around the 1960s, had its relation to the element of "mixed economy", emergence of public sector undertakings (PSUs) and laws relating to labour and environmental standards. During this period, the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Due to the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts, the concept of CSR failed to catch steam.

### Fourth Phase

In the fourth phase, since the 1980s still now, Indian companies had started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s, the first initiation towards globalization was undertaken. Controls and licensing systems were partly done away with which gave a boost to the economy, the signs of which are evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases for MNCs. As Western markets are becoming more and more concerned about labour and environmental standards in the developing nations, Indian companies which export and produce goods for the developed countries, need to pay a close attention to their compliance with the international standards.

### Paper industry in India

The paper industry in India is one of the most thriving industries in the country. The Indian paper industry accounts for about 1.6 per cent of the world's production of paper and paperboard. Indian paper industry is the 15th largest in the world and provides employment to 1.3mn people in country contributing Rs25bn to the government.

The first paper mill was set up in India more than 100 years ago. In India, the first paper industry was developed in Kashmir, established by Sultan Zainul Abidin (Shahi Khan) of Kashmir in 1417-67AD. (<http://www.infinityfoundation.com>). Paper was observed in common use almost all over India at the close of Akbar's reign. The improved qualities of handmade paper were produced in the latter half of the eighteenth century. William Carey started a paper mill in 1812 at Serampore, West Bengal. Indian government had given preferential treatment to the indigenous paper production in 1880 to encourage and establishment of paper mills. Over the years, paper industry had been transformed into one of the major and key industries of the country.

The growth in paper is inevitable and is likely to contribute significantly to the government's target of achieving an overall growth of 12 per cent in manufacturing. Unfortunately, the rising costs of raw materials, primarily wood and wood products, are a big challenge facing the industry (<http://www.indiaenews.com/>). The industry has recorded a volume growth of CAGR of 5.47 per cent over the last 3 years. In 2003-2004, it recorded a volume growth of 6 per cent in line with the GDP growth.

The Indian paper industry is accorded 'core sector' status since paper is categorized as an essential commodity by the government. The progress of paper industry is inextricably linked to the national priorities and with the changing times, its fortunes fluctuate. Indian paper industry has a 1:1 correlation with the economy. With the expected GDP growth of 6.9 per cent for F.Y 2005 and 7-8 per cent for F.Y 2006 as per RBI, the paper sector is expected to record a similar growth rate.

Indian economy has experienced healthy GDP growth during recent years and the perspectives are positive for the future also. The paper industry has a crucial role to play for economic growth of the country as paper consumption is considered as one of most important indices of educational and cultural

growth of a nation. The industry growth, paged now at 7-8 annually (<http://www.capitalmarket.com>). The paper industry can broadly be classified into following:

- Paper and paperboard (writing, printing, packaging and tissue)  
The writing and printing paper market can be further divided into coated and uncoated segments.
- Newsprint mainly uses for newspapers, flyers, and other printed material intended for mass distribution.

The Rs. 25,000-crore Indian paper industry accounts for about 1.6 per cent of the world's paper and paperboard production even though the country accounts for nearly 16 per cent of the global population. The Indian paper industry's market size has been estimated at Rs.321 billion, growing at a CAGR of 10.5 per cent from around Rs. 195 billion in 2003-04 to Rs. 321 billion in 2008-09. In 2009-10, the country produced 9.18 million tons of paper, growing at an average 6-7 per cent compared with 2 per cent growth in developed countries. The paper industry growth is forecast at 8.4 per cent annually, touching 11.5 million tons in 2011-12 and 15 million tons by 2015. In India, paperboard accounts for nearly 47.3 per cent of the total market size, followed by writing and printing paper (29.6 per cent), newsprint (19.5 per cent) and specialty paper (3.6 per cent) according to CRISIL Research (<http://industrytracker.wordpress.com/>).

#### Profile of TNPL

Tamil Nadu Newsprint and Papers Limited (TNPL) were established by the Government of Tamil Nadu during early eighties to produce Newsprint and Printing & Writing Paper using bagasse, a sugarcane residue, as primary raw material. The Company commenced production in the year 1984 with an initial capacity of 90,000 tonnes per annum (tpa). Over the years, the production capacity has been increased to 2,45,000 tpa and the Company has emerged as the largest bagasse based Paper Mill in the world consuming about one million tonnes of bagasse every year. The Company completed a Mill Expansion Plan during December 2010 to increase the mill capacity to 4,00,000 tpa.

TNPL exports about 1/5th of its production to more than 30 countries. Manufacturing of quality paper for the past two and half decades from bagasse is an index of the company's technological competence. A strong record in adopting minimum impact best process technology, responsible waste management, reduced pollution load and commitment to the corporate social responsibility make the company one of the most environmentally compliant paper mills in the world.

#### Corporate social responsibilities by TNPL

TNPL, as a responsible corporate citizen, has ingrained the philosophy of Corporate Social Responsibility deeply into its value system. The company is consistently taking up various community welfare initiatives for the benefit of the people living in neighboring villages. TNPL's CSR activity mainly covers Punjaipugalur, Kagitha Aalai, Punjai Thottakurichi, Punnam, Vettamangalam, Nanjai Pugalur, Thirukkaduthurai and Kombupalayam Panchayat areas situated around TNPL factory premises. In addition to the above, need based activities are also carried out in peripheral areas, which can be the locations in other districts within Tamil Nadu.

TNPL's CSR policy aims to promote Economic, Social, Environmental and Cultural growth of the community at large

in an equitable and sustainable manner. The Company's goal is to protect and nourish the interests of all its stakeholders and contribute to sustainable development. Ethics, Values and Transparency will underpin all its interactions within the community in which it operates. All its activities to sub serve social aspirations and the Nation's needs and it will be carried out with integrity, honesty, dignity and decorum.

As per the TNPL's CSR policy, CSR budget for the year 2014-2015 covers major heads viz., Education Sector, Health Sector, Infrastructure, Economic Sector, Environment Sector, Culture and Heritage Sector. During last financial year (2013-2014), TNPL has earned Rs. 151.29 crores annual profit after tax. 3% of the total annual profit after tax comes to Rs. 3.02 crores. Accordingly, an amount of Rs.3.02 crores has been earmarked for various CSR activities for the year 2014-15.

TNPL's CSR activities cover different sectors such as, Improvement of drinking water system, Education, Medical and Public Health, Construction of Drainage walls, Road development and street lights, Environment and Agriculture, Career Development, Livestock and Cattle care, Development of Sports activities, Promotion of Tamil Literature, Art & Culture, Assistance for the Differently abled and Other Community Welfare Activities, etc.,

#### i) Education

- Scholarships for exceptionally talented children – based on merit
- Career Development
- Sports Development
- Funds provided to technology incubators located within academic institutions which are approved by Govt. of Tamilnadu and Govt. of India
- Creation of Hard/Soft Infrastructure

#### ii) Health Care

- Disease Prevention
- Primary Health
- Help to Handicapped/ Disabled people
- Contribution to Hospitals and Medical Research
- Sanitation Infrastructure

#### iii) Socio-Economic Development

- Drinking Water facilities
- Community or Social Infrastructure
- Employment generation
- Vocational Training
- Integrated Farming
- Livestock and Animal Husbandry care
- Providing assistance for eradicating hunger and reducing poverty and malnutrition
- Road development
- Promoting gender equality and empowering women
- Welfare and development of armed forces, Para-military forces, police veterans, war widows and their dependents
- Contribution to the PM's National Relief Fund and CM's Relief Fund or any other fund set up for Socio-Economic Development

#### iv) Environmental Sustainability

- Air pollution control
- TEWLIS related activities for improvement of land
- Water Shed Development

- Conservation of Flora, Fauna & Wild life

**v) Culture & Heritage promotion**

- Conservation of Heritage buildings, including places of worship and sites of historical importance
- Promotion of Literature/ Dance/Music/Theatre/ Arts, Architecture and Handicrafts.

**Conclusion**

Corporate Social Responsibility is essential in India as more than 65% of population is living in rural areas. There are huge differences between urban and rural India in terms of health care facilities, education levels, infrastructure, housing, nutritious food, awareness on their rights of protection, etc. In TNPL, the concept of CSR has been adopted as element for success and survival of industry along with fulfilling social objectives and development of economy. However, the challenge for the TNPL is to determine a strong and innovative Corporate Social Responsibility strategy, which should deliver elevated performance in ethical, environmental and social areas. In TNPL the CSR concepts have recognized their responsibility towards the society and are making their contribution in the field of employment generation, education, health care, women welfare and women empowerment. Analysis of several surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice. Considering the limitations of the corporate in their CSR activities, some recommendations which can be used towards satisfaction like companies should extend their CSR activities in less privileged states rather than concentrate in resource rich states. It is essential that companies develop an effective value chain system of their products through their CSR activities, which is essential for competing in the global market. It will give better results if activities are based on a more practical & participatory approach and touch the grassroots level. Voluntarism among employees should be encouraged and institutionalized through recognition and incentives. There is also need for public-private partnership with well-defined controls and process for the best use of resources for social change. Company must also provide appropriate training to its employees on environmental and social risks in lending to ensure that climate change is taken into account in corporate decisions.

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