

Role of Corporate Social Responsibility in Rural Infrastructure Development

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ABSTRACT

The paper attempts to explore corporate social responsibility (CSR), CSR fund which is allocated by the company but not used, Practice particularly in the context of rural infrastructures Development. Evaluation impacts of CSR actions on the socio-economic development of rural people and Development of both urban area and rural area simultaneously. The research include the how to utilized the allocated CSR fund in rural infrastructure development as infrastructure development is pioneer for the development of the nation. Research analysed the CSR work done by the companies and to what extant there contribution in infrastructure development in rural area.

Key Words: Corporate social responsibility (CSR), Rural infrastructures development, Socio-economic development by CSR fund.

I. INTRODUCTION

Businesses across the world are operating under highly complex and competitive environments. They can no longer afford to insulate themselves from the rapid and transformational changes happening in the society. Similar trends are observable in the Indian business scenario. Businesses are being monitored and evaluated like never before on new dimensions. India has witnessed high economic growth in the last two decades.

India continues to be one of the fastest growing economies in the world and has made progress on several development indicators. Despite progress, challenges persist. India continues to face several challenges in health and sanitation, education, water, un-employment, environment and others. The passage of Companies Act 2013, notification of CSR rules and further notifications (hence forth referred as the Act) can be seen as a move by the Government of India to strengthen the relation of the business with communities and also better transparency and governance around CSR. While the Act provides the overall guidance framework for the corporates to lead their CSR initiatives, it also provides ample autonomy and flexibility to design and implement programs. Furthermore, India is one of the first few countries in the world which has mandated CSR spending as well as its reporting. Internationally, disclosures on CSR have been in place for quite a few years now.



Sector specific, mandatory CSR has also been in place. The mandatory CSR reporting has its unique advantages. Besides complying with regulatory requirements, it allows corporates to demonstrate their commitment towards organisational transparency. It can also be used as a communication tool to engage with different stakeholders including shareholders, regulators, communities, customers and the larger society. CSR reporting provides an opportunity for corporates to reflect on their internal processes as well compare their CSR performance with peers.

The Ministry of Corporate Affairs enforced the Act and the CSR Rules from 1 April 2014. The provision of Section 135 for CSR in the Act was introduced in order to enable companies to build social capital through a regulatory structure. By doing so, India became one of the first countries to have a regulatory requirement to spend on CSR and also one of the first to empower businesses to make an impact on the social front in a structured manner.

Infrastructure is a sine-qua-non for the development of economy. It is the key to the efficiency of investment, manufacturing competitiveness, exports, employment, urban and rural development, quality of life etc. Development of infrastructure at the borders, connectivity with hilly and remote areas and transport linkages are also critical for national security.

What really is Infrastructure? The word infrastructure has been used in French since 1875 and in English since 1887 and originally meant as "the installations that form the basis for any operation or system". It is needed to ensure that country's operations continue to move and systems continue to function. In fact, the pace at which economies move and function is directly proportional to the quality of Infrastructure in place. The most common connotation relates to "core" or Economic infrastructure - roads, railways, ports, civil aviation, electricity, and telecommunications; and Social Infrastructure - health (hospitals, dispensaries etc.), education (schools, colleges etc.) and housing. In the urban context, Urban Infrastructure additionally includes drainage, piped water supplies, sanitation, sewerage, solid waste collection and disposal, piped gas etc. In the rural context, rural infrastructure also refers to rural roads, irrigation networks, tanks and ponds, flood control works; market yards (mandis) etc. Under a cross-sector program, the 'Swachh Bharat Abhiyan', the Government has launched an ambitious initiative to clean and modernize the urban and rural landscape of the country to eradicate open defecation by 2019.

II. DEFINITION CSR

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

The provision of Section 135 for CSR in the Act was introduced in order to enable companies to build social capital through a regulatory structure. As per the Act, companies with a net worth of INR 500 Cr. or more, or a turnover of INR 1,000 Cr. or more, or a net profit of INR 5 Cr. in a given fiscal year must have a CSR committee. Additionally, companies are required to adhere to a set of criteria including: Formulating a well-defined CSR policy Undertaking project in alignment with Schedule VII of the Act and the CSR Rules Monitoring CSR policy and projects Reporting details of the CSR activities in the Annual Report in accordance with the prescribed format.

III. RURAL INFRASTRUCTURE

Rural infrastructure is crucial for agriculture, agro-industries and overall economic development of rural areas. It also, incidentally, provides basic amenities that improve the quality of life. However, infrastructure projects, including those in rural sector, involve huge initial investments, long gestation periods, high incremental capital output ratio, high risk and low rate of returns on investment. All these factors are not conducive for private sector entry into infrastructure.

The World Development Report of 1994 included the following in its definition of infrastructure.

1. Public utilities - power, telecommunications, piped water supply, sanitation and sewerage, solid waste collection and disposal and piped gas.
2. Public works - roads, major dam and canal works for irrigation and drainage.
3. Other transport sectors-urban and inter-urban railways, urban transport, ports and waterways, and airports. (World Bank, 1994).

The models of development which focus on agriculture also bring about the role that infrastructure play in agricultural development in particular. The spread of technology in agriculture depends critically on both physical and institutional infrastructure. It is also indicated that infrastructure plays a strategic role in producing large multiplier effects in the

economy with agricultural growth (Mellor, 1976). Rural infrastructure leads to agricultural expansion by increasing yields, farmers’ access to markets and availability of institutional finance. The kind of infrastructure put in place also determines whether growth does all that it can to reduce poverty. Most of the poor are in rural areas, and the growth of farm productivity and non-farm rural employment is linked closely to infrastructure provision (World Bank, 1994). It is estimated that 15 per cent of the crop produce is lost between the farm gate and the consumer because of poor roads and inappropriate storage facilities alone, adversely influencing the income of farmers (World Bank, 1997).

Rural infrastructure plays a key role in reaching the large mass of rural poor. When rural infrastructure has deteriorated or is non-existent, the cost of marketing farm produce can be prohibitive for poor farmers. Poor rural infrastructure also limits the ability of the traders to travel to and communicate with remote farming areas, limiting market access from these areas and eliminating competition for their produce. Construction of rural roads almost inevitably leads to increases in agricultural production and productivity by bringing in new land into cultivation or by intensifying existing land use to take advantage of expanded market opportunities.(IFAD, 1995). Binswanger et al. (1993), in a study of 13 states in India, found that investments in rural infrastructure lowered transportation costs, increased farmers’ access to markets, and led to substantial agricultural expansion. Better roads also lowered the transaction costs of credit services, resulting in increased lending to farmers, higher demands for agricultural inputs, and higher crop yields. (1998) extend these results to show that rural infrastructure is not only an important driver for total factor productivity growth (TFP), but also directly contributes to a substantial reduction in rural poverty.

IV. PRIVATE FIRMS INVOLVED IN RURAL DEVELOPMENT THROUGH CSR

The involvement of private firms is a key element to foster rural development strategies. Companies participating in integrated value chains are expected to act as a strategic partner providing market opportunities for rural producers, as well as sharing technology, skills, and knowledge necessary with them. The benefits for firms include continuous supply of their products; strengthening of their supply chain; positive market recognition; access to specific market niches, and improvement of their position to manage the risks involved in the process

Moreover, even companies whose value chains are not directly linked with rural communities (i.e., financial services, mobile telecommunications, manufacturing, construction, chemicals, and others) might have the opportunity to generate benefits through rural development. Through CSR and stakeholder management strategies, firms could manage possible risks and contribute to the improvement of the socio-economic conditions of rural communities nearby their manufacturing or administrative sites.

V. BENEFITS AND CHALLENGES OF CSR

Benefits	Challenges
<ul style="list-style-type: none"> • CSR generates positive effects on firm’s work environment, human capital attraction, and retention 	<ul style="list-style-type: none"> • CSR demands additional knowledge and resources from companies by getting involved in social concepts and areas beyond their expertise
<ul style="list-style-type: none"> • The use of sustainability and CSR metrics helps decision-makers to set goals, gauge company’s progress, benchmark competitiveness, and compare alternatives of sustainable development 	<ul style="list-style-type: none"> • Information about the performance of CSR strategies should be organized and properly displayed in a format that best supports the decision-making process
<ul style="list-style-type: none"> • Access to economic incentives, favourable taxing, and preferential trade and sourcing programs 	<ul style="list-style-type: none"> • Firms usually must deal with bureaucratic procedures and regulations when interacting with governmental institutions
<ul style="list-style-type: none"> • Companies with positive social image and responsible sourcing strategies have access to global markets and specialty niches 	<ul style="list-style-type: none"> • Generally managers find difficulties to demonstrate tangible-economic benefits from CSR, particularly in the short-run
<ul style="list-style-type: none"> • Stakeholder Dialog provides a way to personalize relationships with the company’s interest groups. It provides useful analytical concepts for diagnosis and prioritization of interests and strategies 	<ul style="list-style-type: none"> • Companies must identify their key stakeholders and define budgets and strategies to meet their demands according to their capacity and market conditions.
<ul style="list-style-type: none"> • Sustainable strategies can generate cost-reductions from increasing eco- 	<ul style="list-style-type: none"> • Although consumers express willingness to make ethical purchases,

efficiency, recycling, and waste management	it is not the most dominant criterion in their purchasing decision. Factors like price, quality, and convenience are still the most dominant
<ul style="list-style-type: none"> Firms can strengthen their value chain by applying responsible sourcing initiatives 	
<ul style="list-style-type: none"> Risks to profits, market share, supply, environmental trends, and reputation can be managed through CSR 	

VI. ANALYSIS OF CSR ACTIVITY OF COMPANY

The impact of CSR programs reflected by a sample of 8 prominent companies in India were classified under five areas: livelihood, health, education, environment and infrastructure.

Tata Chemicals Ltd.	<ul style="list-style-type: none"> Health & Drinking Water Education Livelihood Environment Ethnicity Sports Rural & Urban Infrastructure Development (10% of Total CSR Fund)
Mahindra Group	<ul style="list-style-type: none"> Education Environmental and Rural Development Health and Safety
Maruti Suzuki	<ul style="list-style-type: none"> Education Water and Sanitation Health Skill enhancement in automobile trade Up-gradation of Government Vocational and Technical Training Institutes Driving Training Road Safety Education
TATA Motors	<ul style="list-style-type: none"> Health Employability Education Environment Drinking water projects
Larsen & Toubro	<ul style="list-style-type: none"> Health Education Environment Response to natural Calamities Skill Development
Lupin	<ul style="list-style-type: none"> Economic Development Programme Social Development Programme Rural infrastructure Development Programme Natural Resource Management Programme Deeper and sustainable projects
Sail India	<ul style="list-style-type: none"> Healthcare Education Water Model Steel Villages Solar Power Vocational Training Sports
Coca Cola India	<ul style="list-style-type: none"> Promotion of Education

	<ul style="list-style-type: none">• Employee Volunteering Programme and PET re-cycling• Waste Management System• Lake Rejuvenation Project- Gurgaon• Multi Stakeholder Project on Water (Check DAM)• Livelihood Enhancement
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CONCLUSION

Out of 8 companies surveyed only FOUR companies are providing different infrastructural facilities like construction or development of roads, electricity, water facility, sanitation, school, health centre, community centre, etc. Lupin Human Welfare and Research Foundation's "Apna Gaon Apna Kam" scheme covered 38,000 villages in Rajasthan and almost all villages have school buildings, drinking water, ponds, link roads, community centres and electricity. SAIL has been involved in the construction and repair of 33 km of pucca roads per year, thereby providing nearby two lakh people across 435 villages access to modern infrastructure facilities every year. In Andhra Pradesh, in partnership with Hyderabad Urban Development Agency, local village communities and Coca Cola India has helped 16,000 villagers of 'Saroor Nayar' restore existing "Check Dam" water catchment areas.

Why are the Western countries more advanced than many Asian countries? Why even China and South Korea have raced ahead of India and other Asian countries in the recent times? Or for that matter, why is India lagging behind many countries in terms of economic growth and poverty? There are many reasons and answers to these questions and one of them is the fact that all these nations have very good physical infrastructure. Indeed, the fact that they have better roads, ports, highways, airports, and other elements of infrastructure is one of the reasons why they have clocked faster economic growth.

Why is physical infrastructure so important to a nation's development? The answer is that once goods are produced, they need to be transported to the ports and airports for transportation to other states and countries. This means that excellent roads are needed to transport the goods or otherwise, they would be delayed leading to economic and reputational losses. Indeed, if a manufacturer produces goods quickly but is unable to transport them to the destination as fast as they can, then there is no point in making the goods in an efficient manner in the first place.

No nation develops without investing in infrastructure and indeed, this is the reason why in the aftermath of the Second World War, the Western countries massively invested in infrastructure. It is also the reason why Japan and South Korea and later China undertook a drastic improvement in their infrastructure so as to ensure that it "enables" faster economic growth and development. Indeed, as we would discuss next, it is the enabling aspect which is important since infrastructure is supposed to facilitate and spur economic growth by providing better connectivity and enhancing productivity and efficiency.

Corporates are operated in rural area for gaining profit but they are equally responsible towards the society and its betterment. The current opportunity of huge funding in the form of social investment by corporate houses under the new law a change can be made if proper investment policy envisaged under UNO charter of "Millennium development goals" is adhered to. Social investments in rural areas can be in the form of agricultural system advancement and related livelihood; Community development etc. Agriculture which is the back bone of rural development needs a lot of support to increase the farm income. Social investments in terms of creating knowledge parks for updating the knowledge on improved agricultural practices and cultivation of high value crops will enhance farm income and on-farm employment. The other important area for social investments is to establish small scale industries and village based industries which can employ major rural population in both in season and non-season for boosting the income. Social investments in the area of information and skill development will improve the yields and profits with more rural livelihoods. Information technology can be effectively utilized to provide the services in rural areas. Health which is seen as index of development needs an effective delivery system. Social investments can also be done in health sector by establishing rural health care units, conducting health camps to prevent major diseases. Information kiosks can be established by training the rural youth for delivering various services at the rural level. Training rural women in value addition to the farm produce and by creating market avenues will help in addressing gender issues in rural areas. A better infrastructure in rural areas can build the rural economy making easy access to all the available services. Social investments in creation of infrastructure help in providing urban facilities in rural area and also, prevent the urban migration in search of livelihood. At last, in rural area there are many factors which hinder the development of rural area and its progress. Hence, proper planning and government's policy need to be framed and legal policies should be made in response to Social investment.

Which brings us to the final point and that is that there are no substitutes for infrastructure development and there are no shortcuts for faster economic growth. It is only when these aspects are taken care of that nations develop and there are lessons for India and other Asian countries that are trying to grow and leapfrog into the elite club of developed nations. Therefore, unless developing countries invest in all elements of the infrastructure component, their development would be slow and retarded and they would miss the bus again and lose out in the race for economic

competitiveness. This is the hard truth and the bitter reality which should hopefully spur them to invest in their infrastructure.

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Mayur Jaguwala

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