A STUDY OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN BHARAT HEAVY ELECTRICALS LIMITED

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ABSTRACT

Corporate social responsibility (CSR) means conducting business in an ethical way and in the interests of the wider community. It is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. In the present study an attempts has been made to study the corporate social responsibilities practices in the Bharat Heavy Electricals Limited (BHEL). BHEL is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for core sectors of the economy, viz. Power, Transmission, Industry, Transportation (Railways), Renewable Energy, Oil & Gas, Water and Defense. BHEL is incorporated in 1964 and became a Maharatna company in 2013. The CSR thrust area of BHEL is divided, namely Green India, Inclusive India, Healthy India, Clean India, Educate India, Responsible India, Heritage India and Vision to All - BHEL’s Call. BHEL Carry out its CSR activities as per provisions of New Companies Act 2013. The highest priority is given to Educate India, but unable to spend the amount allocated for CSR in different areas. Data are collected through website and Annual Reports of the company.

Keywords: CSR, BHEL, Companies Act, 2013, Schedule VII

INTRODUCTION

Business is socio-economic activities. It draws its inputs from the society and dispatches its outputs to the society. Business enterprises usage society resources and produce goods and services for which society is ultimate consumer business entity owes its very existence and survival to the society but hazardous increase in industrialization has caused various social and environmental problems. Due to conventional approach of profit maximization, business entities have ignored the social aspect and have converted to improve their financial soundness. But increasing awareness about social performances of business entity, it is now expected that business must be carried on not only for profit making but also for public interest.

Every business enterprise must take responsibility and be accountable for the social and environmental effects it has in its surroundings. Through this the concept of Corporate Social Responsibility (CSR) emerged, paving a way for businesses to return back to the society from the profits it earns. Such initiatives on the part of a company to improve livelihood of people and preserving environment at surroundings of its operations also go a long way in gathering acceptance from local communities.

According to World Business Council for Sustainable Development “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development...”
while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

The International Standards Organization (2010) has released an international standard i.e. "ISO 26000" for the social responsibility of private (corporate) and public sector organizations. The ISO includes seven core subjects of social responsibility: Organizational governance, Community involvement and development, Human rights, Labor practices, environment, Fair operating practices and consumer issues.

**OBJECTIVES OF THE STUDY**

1. To Analyze the CSR Activities undertaken by BHEL align with provisions of New Companies Act, 2013.
2. To study role of BHEL in development of society through CSR during 2014-15 and 2015-16.

**REVIEW OF LITERATURE**

Bansal, Parida, Kumar (2012), 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 that today companies are not working only to earn profit but also have realized the importance of being social friendly.

Sweta Singh, (2010) paper entitled “Philanthropy to Corporate Social Responsibility: An Indian Perspective” The purpose of this paper is to examine the trend of CSR in all its complexity and look forward in the potential impact and major concerns related to it. This paper includes various approaches, combined analysis of central documents and publications on CSR with analysis of articles related to CSR.

Dr.Usha Tiwari (October, 2014) in her study “Corporate Social Responsibility (CSR) Study On NTPC Vindhya Nagar,Singrauli (Mp)India concluded her study by saying that the CSR activities of the NTPC are not properly. So the image of NTPC Vindhya Nagar is not satisfactory.

Dr. Jitender Loura (2014) in his paper “Corporate Social Responsibility - A Case Study of Select PSU’s Role in Rural Development” studied about the three PSUs AAI, SAIL and NTPC and concluded that education takes the top priority of the PSUs surveyed, followed by health and livelihood. CSR initiatives being implemented by the Indian PSUs for rural development have a positive impact in overall development of society and their business.

Bhupender & Vikas Kumar Joshiya, (2012) in their research paper entitled “Issues and Challenges of Corporate Social Responsibility in India”. Studied CSR status, challenges of CSR, and policies for CSR in India. The concept of CSR is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. Many positive outcomes can arise when businesses adopt a policy of social responsibility.
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LEGAL FRAMEWORK FOR CORPORATE SOCIAL RESPONSIBILITY IN INDIA

In India the Ministry of Corporate Affairs issued guidelines for CSR from time to time which are voluntary in nature. But the Government has made it mandatory by the enactment of new Companies Act in the year 2013. The main provisions of this act are as below.

COMPANIES ACT, 2013

Provisions for CSR given under section 135 of Companies Act, 2013 which is applicable from April 1, 2014.Every company having Net worth of Rs. 500 crore or more, or Turnover of Rs. 1,000 crore or more, or Net profit of Rs. 5 crore or more

COMPOSITION OF CSR COMMITTEE

The companies Act 2013 has been defined the composition of CSR committee under the Sec 135 (1). Any company which fulfills the above criteria during any financial year shall constitute a corporate social responsibility committee of the board. The CSR committee shall consist of three or more directors out of which at least one director shall be independent director. An unlisted company or a private company which is not required to appoint an independent director shall have its CSR committee without such director, in a private company having only two director on its board shall constitute its CSR committee with two such director.

RESPONSIBILITY OF THE BOARD

The board of every company shall ensure that the company spends in every financial year at least 2% of average net profit of the company made during the three immediately preceding financial year for this purpose company give preference to the local area around it where it operated. If the company fails to spend such amount the board shall in its report specify the reason for not spending the amount.

for this purpose ‘average net profit’ shall be calculated in accordance with the provision of Sec 198.

According to Schedule VII of Companies Act, 2013, the CSR activities should be implemented under the following broad areas:

1. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of Sanitation and safe drinking water.
2. Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward group.

4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga.

5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;

6. Measures for the benefit of armed forces veterans, war widows and their dependents;

7. Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports.

8. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.

10. Rural development projects.

**ACTIVITIES WHICH ARE NOT QUALIFIED FOR CSR**

According to companies (CSR policy) rules -2014 following activities are not qualified for CSR.

1. The CSR projects or programs are activities that benefits only the employees of the company and their families

2. The CSR projects or programs or activities that one- off events such as marathons/ awards/ charitable contribution/advertisement /sponsorship of TV programs etc.

3. Expenses incurred by the company for fulfillment of any other Act/statute of regulation (such as labour laws, land acquisition Act,2013 etc.

4. Contribution of any amount directly or indirectly to any political party.

5. Activities undertaken by the company in pursuance of its normal course of business

6. The projects or programs or activities undertaken outside India.

**BHARAT HEAVY ELECTRICALS LIMITED (BHEL)**

BHEL is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for core sectors of the economy, viz. Power, Transmission, Industry, Transportation (Railways), Renewable Energy, Oil & Gas, Water and Defense. BHEL is a Maharatana Company incorporated in 1964 and became a Maharatna company in 2013.

**BHEL’s Vision Statement on CSR**

"Be a Committed Corporate Citizen, alive towards its Corporate Social Responsibility".
BHEL’s Mission Statement on CSR

“To sincerely & effectively discharge company’s responsibility in the identified CSR thrust area and other areas listed out in the Companies Act, 2013

BHEL’s contributions towards Corporate Social Responsibility include adoption of villages, organising free medical camps/supporting charitable dispensaries, schools for the underprivileged and handicapped children, providing aid during disasters/natural calamities, providing employment to handicapped and Ex-serviceman, rainwater harvesting, plantation of millions of trees, energy saving and conservation of natural resources through environmental management.

CSR THRUST AREA OF BHEL

BHEL identified eight main category to performed its CSR Activities are given below

1. **Green India**- BHEL has stood for protecting the environment and conserving energy using cutting-edge and efficient technologies. BHEL has actively planted trees, harvested rain-water and undertaken many such initiatives in vicinity of its manufacturing plants & project sites.

2. **Inclusive India**- BHEL has actively supported the cause of developing skills for people from different demographics to make them employability. BHEL has given training and also donated the equipment for imparting skill-sets of varied nature. It has imparted training to develop skilled workforce for the nation through the support to ITIs. BHEL’s world-class welding institute has trained welders from across the country. This has helped the trained people to generate income to support their families and in-turn also contributes to overall GDP of India.

3. **Healthy India**- In the field of Health, BHEL has contributed widely by addressing issues like healthcare availability and accessibility, providing specialized treatments and/or medications, etc. Our initiatives in partnership with specialized agencies, have benefitted people from different backgrounds who previously had no access to healthcare or specialized treatments for their ailments.

4. **Clean India**- BHEL has aligned itself to the nation’s call of “Swachh Bharat Abhiyan” to undertake initiatives ranging from construction of toilets to providing the villages with safe drinking water.

5. **Educate India**- BHEL has been running schools near its manufacturing plants to deliver quality education to students of all strata of society (more than 75% being wards of Non-BHEL workers). Various other initiatives like scholarships to deserving-needy, computer education/equipment to identified schools, innovative teaching methods at govt. schools, etc. have been supported by BHEL.

6. **Heritage India**- It has been the culture at BHEL to support the Indian way of life by promoting the Arts and Culture amongst the children and society in general. BHEL encourages the inculcation of folk dance forms, use of musical instruments, etc. for the children so that they are connected to the roots of Indian culture.

7. **Responsible India**- BHEL has been supporting socioeconomic and community development programmes to promote education, improvement of living conditions and hygiene in villages, sum areas and communities located in the vicinity of its manufacturing plants/ project sites spread across the country through various projects both at Unit level and by specialized agencies. BHEL has always endeavored to aid the disaster/calamity struck areas through provision of essential items, restoration work for damage, etc. BHEL employees have come forward and made contribution from their salaries expressing their solidarity & support for the people affected in disasters.

8. **Vision to All - BHEL’s Call**- BHEL has helped society in many ways and one such initiative is Eye Donation. “Vision to all, BHEL’s Call” is an initiative by BHEL for eradication of corneal
blindness by pledging one’s eyes. More than 92,000 eye donation pledges from BHEL employees and their family members have been given to eye banks to eradicate blindness from society. This is a unique attempt where such a large number of pledges have been given by an organization.

AMOUNT ALLOCATED AND SPENT BY BHEL DURING FY 2014-15 AND 2015-16

The amount allocated and amount spent by BHEL along with the mandatory allocation and amount remain unspent is depicted in the table given below:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Particulars</th>
<th>FY 2014-15 (Rs. in Crore)</th>
<th>FY 2015-16 (Rs. in Crore)</th>
<th>Total (Rs. in Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Three Year Average Net Profit</td>
<td>8222.33</td>
<td>5501.63</td>
<td>13723.96</td>
</tr>
<tr>
<td>2</td>
<td>Mandatory Allocation (2%)</td>
<td>164.45</td>
<td>110.03</td>
<td>274.48</td>
</tr>
<tr>
<td>3</td>
<td>Amount Allocated</td>
<td>165.00</td>
<td>110.10</td>
<td>275.10</td>
</tr>
<tr>
<td>4</td>
<td>Amount Spent</td>
<td>102.06</td>
<td>66.20</td>
<td>168.26</td>
</tr>
<tr>
<td>5</td>
<td>Amount Unspent</td>
<td>62.94</td>
<td>43.90</td>
<td>106.84</td>
</tr>
<tr>
<td>6</td>
<td>Utilization Rate</td>
<td>61.85%</td>
<td>60.13%</td>
<td>61.16%</td>
</tr>
</tbody>
</table>

Source: Annual Report of BHEL 2014-15 and 2015-16

From the above table observed that in 2014-15 BHEL allocated Rs.165 crore which is Rs.0.55 crore more than the mandatory requirement and in 2015-16 the actual allocation is 110.10 crore which is 0.07 crore more than the mandatory requirement so the company is following the provisions of Companies Act, 2013. In financial year 2014-15 Company allocate Rs.165 crore but spent only Rs.102.06 crore, Rs.62.94 crore remain unspent with the company. The utilization rate is 61.85% which shows the inefficiency in utilizing the allocated amount. In financial year 2015-16 the allocation was made of Rs.110.10 crore but only 66.20 crore are spent and Rs. 43.90 crore remain unspent with the company. The utilization rate is 60.13% which again shows inefficiency of utilization of allocated amount. The overall utilization rate is 61.16%, which is not satisfactory. Company must spent cent-percent amount allocated for CSR.
ACTIVITY-WISE AMOUNT ALLOCATION AND AMOUNT SPENT BY BHEL FOR FY 2014-15 AND 2015-16

In Companies Act, 2013 under schedule VII ten broad areas of CSR activities are identified. The amount allocated and amount spent on these activities by BHEL are given in the following table during 2014-15 and 2015-16.

Table-2: Activity-wise amount Allocation and Amount spent by BHEL for FY 2014-15 and 2015-16

(Rs.in crore)

<table>
<thead>
<tr>
<th>S. No</th>
<th>CSR Activities As Per Companies Act 2013</th>
<th>Sch. No.</th>
<th>FY 2014-15</th>
<th></th>
<th>FY 2015-16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount Allocated</td>
<td>Amount Spent</td>
<td>Amount Allocated</td>
<td>Amount Spent</td>
</tr>
<tr>
<td>1</td>
<td>Health, Sanitation And Safe Drinking Water</td>
<td>i</td>
<td>61.2613</td>
<td>27.5955</td>
<td>21.9386</td>
<td>8.7757</td>
</tr>
<tr>
<td>2</td>
<td>Promoting Education, Vocational Training And Support to PCP</td>
<td>ii</td>
<td>85.2876</td>
<td>59.5587</td>
<td>58.9308</td>
<td>43.9778</td>
</tr>
<tr>
<td>3</td>
<td>Women Empowerment</td>
<td>iii</td>
<td>2.6305</td>
<td>1.8087</td>
<td>4.0015</td>
<td>1.7172</td>
</tr>
<tr>
<td>4</td>
<td>Environmental Sustainability And Animal Health</td>
<td>iv</td>
<td>8.1967</td>
<td>2.8438</td>
<td>7.9321</td>
<td>4.5985</td>
</tr>
</tbody>
</table>
From the above table it is observed that in the financial year 2014-15 highest priority is given to Promoting Education and Vocational Skill under Schedule (ii) by spending Rs. 59.5587 crore. 69% of total expenditure is spent on schedule ii. The second highest priority is given to Health and Sanitation under Schedule (i) by spending 27.5955 which is 28% of total amount spent during 2014-15. By spending Rs.6.0789 on Rural Development project is on third priority. There is no amount spent on schedule no (vi), (vii) and (ix). In financial year 2015-16 also Promoting Education and Vocational Skill schedule (ii) is on top priority 69% of total amount spent on this activity. Health and Sanitation under Schedule (i) by spending 8.7757 which is 14% of total amount spent is on second priority of the company. There is no amount spent on Schedule no (vi) and (viii) during 2015-16.
MAJOR CSR ACTIVITIES OF BHEL

The following CSR activities have been undertaken by BHEL

**During 2015-16:**

1. In partnership with HelpAge India, PHDRDF and Wockhardt Foundation, BHEL has provided support for running operations of 11 Mobile Medical Units (MMUs) in the vicinity of Project sites and manufacturing units benefitting more than one lakh patients.

2. ‘Lifeline Express train’, stationed at Lalitpur (U.P.) was supported for providing free medical services such as restoration of sight, hearing, correction of cleft lips, dental and gynaecological treatment etc. to around 7700 patients.

3. Supported 480 Haemophilic patients including children.

4. 10,650 people voluntarily pledged to donate their eyes under initiative “Vision to All- BHEL’s Call”.

5. BHEL is providing support for “Installation of 25 Clusters comprising 276 Bio-Digestor toilets on the banks of river Ganges near Haridwar & Rishikesh”

6. More than 60 projects on “Swachh Bharat” were undertaken viz. construction of toilet facilities at schools in nearby villages, construction of RCC covered drain etc.

7. Installed 11 Community RO water plants at various locations.


10. At the time of Chennai floods, BHEL extended its support for the relief of flood ravaged people through various Units viz. BAP Ranipet, HPEP Hyderabad, HPVP Vizag, PPPU Thirumayam, PSSR Chennai and HPBP Trichy by deploying Mobile Medical Vans, providing...
food, groceries & clean drinking water and distributing blankets, toiletries, basic medicines etc.

During 2014-15

1. BHEL provides 05 Mobile Medical Units (MMUs) to HelpAge India for operation in the vicinity of remote project sites of its 04 Power Sector Regions - PSNR, PSSR, PSER and PSWR and 01 at Guruwar Sahai, Ferozepur district (Punjab).

2. ‘Heal a Soul’ program which involves providing medical assistance to people including children suffering from Hemophilia.

3. BHEL has conducted two Eye check-up camps at Chowari and Tissa tehsils of Chamba district, Himachal Pradesh

4. Providing financial support for a total 100 identified cataract surgeries at Rotary Eye Hospital, Maranda, Palampur.

5. Provided financial support for construction of “Ganga Prem Hospice” – a 30-bed cancer hospice (a home providing palliative care to terminally ill cancer patients) near Rishikesh through an NGO named “Shradha Cancer Care Trust”

6. Deployed two Mobile Medical Vans – One each for operation in flood-ravaged state of Jammu & Kashmir (J&K) and Hudhud cyclone-affected regions of Andhra Pradesh (AP)

7. BHEL contributed ` 20 Crore to ‘Swachh Bharat Kosh’ under the ‘Clean India Initiative’ of the Govt. of India

8. The employees pledged to work 2 Hours every week under Swachh Bharat Abhiyaan.

9. Providing financial support for education of more than 20,000 school children in 23 schools located in the premises of the township of its various Units viz. Haridwar, Jhansi, Bhopal, Ranipet, RC Puram, Hyderabad, Trichy and Jagdishpur.

10. Provided financial support for Renovation and Modernization of Library at National College, Trichy (Tamil Nadu)

11. BHEL Undertook a project “Technology-based advanced agricultural interventions” in tribal dominated Khargone district of Madhya Pradesh for upliftment and economic empowerment of marginalized farmers

12. Provided financial support for installation of R.O. Plants (10 Nos.) for providing Safe Drinking Water to the rural community

13. BHEL has supported “Adoption of 15 Villages for Sustainable use of rain water harvesting to enhance livelihood of poor small farmers” in Bijawar block of Chhatarpur district, (M.P),


15. In association with HelpAge India organized Emergency Health Camps in 09 villages near Visakhapatnam.

AWARDS AND RECOGNITION

Following award have been bagged by BHEL in the field of CSR

1. Golden Peacock Award for the year 2014.
2. PHD Chamber Good Corporate Citizen Award 2014.
3. SCOPE Meritorious Award for Environment Excellence and Sustainable Development.
4. Skoch Order-of-Merit Award
5. Best in CSR and sustainability as well as Most Eco-friendly PSU in Maharatna Category
6. Danik Bhaskar India Pride Award 2015-16.

CONCLUSIONS AND SUGGESTIONS

From the above discussion it is clear that the BHEL is following the provision of New Companies Act, 2013 and allocate 2% of its three year average net profit on CSR but unable to spent the whole amount allocated on. Only 61.16% total allocated amount spent on CSR for 2014-15 and 2015-16. BHEL spent more than 60% of CSR amount only Education and Vocational Skill and for other activities it spent nothing or few amount. Following suggestion is given for improving the CSR performance of the company.

1. Company should spent cent-percent amount allocated for CSR activities.
2. Company should also give priority to promoting rural sports, cultural activities, environmental protection, rural development projects, assistant to war widows and disaster relief activities.

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