



**A COMPREHENSIVE STUDY ON THE CORPORATE SOCIAL
RESPONSIBILITY PRACTICES OF SELECTED TEA COMPANIES IN
THE NORTH-EASTERN INDIAN REGION**

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ABSTRACT

Corporate Social Responsibilities is a buzzword in present corporate and academic literature. CSR defined as the ethical behavior of a company towards the society manifests itself in the form of such noble programmes initiated by for-profit organizations. Considering the necessity to build up CSR activities under statutory obligations, Ministry of Company affairs notified in Companies Act 2013 (section 135) that every public limited company and private limited company up to a threshold limit has to spend at least 2% of its average net profits for CSR activities. Against this backdrop, the present study is envisaged to observe the present state of affairs of corporate social responsibility activities of major tea companies in the North-Eastern part of India aimed towards holistic development of the stakeholders. Study is based on the three major tea companies in the north-eastern part of India i.e. how they fulfill their task towards the benefit of Society. In this paper, an attempt has been made to highlight how the selected tea companies have introduced many workers welfare activities, woman empowerment and its improvement, social development programmes, better working conditions, provide better

medical and sanitation facilities in order to improve their standard of living of employees along with the development of the unemployed people lived in the plantation areas.

Keywords: CSR; Tea Industry; Women Empowerment; Social Development.

JEL Classifications: A13, J81, M54, M14,

1. Introduction

CSR means the way in which business firms integrate environmental, economic and social concerns into their culture, values, strategy, decision making and operations in an accountable and transparent manner and therefore, leading to better creation of wealth, an improved society and better practices in the business organization.

CSR is an organization's obligation to engage in activities that protect and contribute to the welfare of society, including general communities, customers, shareholders, the environment and employees. Social responsibility is more important than the company's economic responsibility and legal responsibility.

CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses, it is also vital to build trustworthy and sustainable relationships with the community at large. This is one of the key drivers of CSR planning. Though India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of health care etc. are still ubiquitous and the government has limited resources to tackle these challenges. This scenario has opened up several areas for business to contribute towards social development. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programmes and set aside budgets to support them.

2. Salient features of the CSR

The key features of the CSR are:-

- A company has been set up with a charitable objective or is a Trust /Society/ Foundation/ any other form of entity operating within India to facilitate implementation of its CSR activities, the following shall apply:-
 - -contributing company would need to specify the projects/ -programmes to be undertaken by such an organization, for utilizing funds provided by it;
 - -contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only
 - A company may also implement its CSR programmes through not-for-profit organizations that are not set up by the company itself. Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying out activities in related areas.
- ❖ Companies may collaborate or pool resources with other companies to undertake CSR activities.
- ❖ Only such CSR activities will be taken into consideration as are undertaken within India.
- ❖ Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity.
- ❖ Companies shall report, in the prescribed format, the details of their CSR initiatives in the Director' Report and in the company's website.

3. CSR in India-the present scenario

The Companies Act, 2013 provides an opportunity to catch up and make our corporate regulations more contemporary, as also potentially to make our corporate regulatory framework a model to emulate for other economies with similar characteristics. The 2013 Act is more of a rule-based legislation containing only 470 sections, which means that the substantial part of the legislation will be in the form of rules. There are over 180 sections in the 2013 Act where rules have been prescribed. It is widely expected that 2013 Act and indeed the rules provide for phased implementation of the provisions and in line with this, 98 sections of the 2013 Act have been notified.

Section 135 of 2013 Act states that 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 during the financial year shall constitute a Corporate Social Responsibility Committee of the Board.
- ✓ The Committee would comprise of three or more directors, out of which at least one director shall be an independent director.

The mandate of the said CSR Committee shall be:

- ✓ to formulate and recommended to the Board, a CSR Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- ✓ to recommend the amount of expenditure to be incurred on the activities referred to above;
- ✓ to monitor the CSR Policy of the company from time to time

4. Objective of the Study in Tea Industry

- To analyze the present roles and responsibilities of tea industry in India
- To identify the role of major tea companies in north-eastern region of India on various CSR aspects like employees, customer, society, shareholders etc.

5. Scope/ Limitations of the present Investigations/Study

- Although many research work have been done on CSR practices in India based on different industries, including Food, IT, Automobile and Chemical (Harish, 2012) or different sectors, such as Health, Environment and Education (Sharma & Kiran, 2012), but a comparative study of CSR activities between the tea industries in India in general or north-eastern provinces in particular still remain unexplored.
- Indian tea gardens essentially employ in its ranks tribes from remote corners of the country, who belong to the socially under privileged section. The Government's emphasis on social upliftment is more than fulfilled by the tea industry. Accordingly to Companies Act, 2013 (Section 135) every public limited and private limited company have to spent at least 2% of its average net profits for CSR activities. Another Special Act for only tea industries passed almost 64 years ago of this Act. Tea Plantation Labour Act passed in 1951. Accordingly to Tea plantation Act, 1951 every tea company have to be provide adequate accommodation as specified, light, drinking water, clean and sanitary

system, fuel, health care, subsidies ration, education, trained women for care of children and infant of the workers employed and their dependents etc. The State Government may make rules prescribing the location and the standards of the rooms referred to in sub-section (I) or sub-section (IA) of the Act no. 58 of 1951. The Social welfare provisions for tea plantation workers in India are the most stringent in the world resulting in Indian tea being more costly to produce teas; it has also contributed to a system which is seen to be fair and in line with good employment practices.

- The work is about how tea industry performs their CSR towards their employed workers. Research is proposed to be based on the three big tea companies namely, *Amalgamated Plantations Pvt. Ltd. (a TATA Enterprise)*, *McLeod Russel Ltd.* and *Goodricke Group Ltd.* i.e. how they fulfill their task towards the benefit of the society.
- However, since these three companies are only a part of major gamut of tea companies operating within the purview of the tea industry in India hence there exists a possibility of fragmented and bird's eye view statement on the overall state of affairs of CSR practices of the tea industry in India in general and West Bengal in particular. In India most of the previous research on CSR has been conducted outside the Tea Industry. The research that has been conducted does not focus on the effectiveness of CSR programmes. One the major problems presented in this research work, the lack of guiding CSR framework for tea industry in India.

6. Review of Literature

The roots of CSR can be traced back to medieval era. Corporate Social Responsibility (CSR) first emerged in the business in prior to the 1900's. Many research works have to be done by research scholars. In 1953 Carroll, with Howard R Bowen's presented a definition of CRS. Keith Davis was one of the prominent researchers of CSR in 1960s (Carroll, 1999).

Morrell Heald was written a book, titled (The Social Responsibilities of Business: Company and Community 1900-1960) in 1970s. Carroll (1979) suggested four main components of CSR: **economic, legal, ethical and discretionary**. In 1980s Datton and Cosier's was presented another model of CSR. This model viewed CSR as having four faces. One axis was "responsible" and "irresponsible" and on another was "legal" and "illegal". Edwin M. Epstein (1987) defined CSR in hopes of relating social responsibility, responsiveness and business ethics.

Several research work done on CSR practices in India also. Many reports have been published on CSR in India based on different industries, including automobile, food, IT and Chemical (Harish, 2012). Again some research work done on CSR practices on different sectors also, such as environmental, health and education (Sharma and Kiran, 2012). In 2008 a research works done by Shivan Khan on Corporate Social Responsibility from an Emerging Market Perspective. He gave evidences from the Indian Pharmaceutical Industry. In 2012, Kamal Tilaksin worked on Corporate Social Responsibility and company performance. He gave evidence from Sri-Lanka. Consequently, the study of CSR may be lacking in regards to deep and rich understanding. This research work has done only financial performance factors. Non-financial factors such as Customer and employee satisfaction, shareholders satisfaction, management attitudes etc needed. Also there was a significant gap in the literature concerning tea industry in India. A few studies have been conducted on the CSR practices of tea companies in India. A study conducted by the Ethical Trading Initiative (ETI) a UK -based partnership of NGOs, trade unions and High Street companies onn the state of affairs of Indian tea industry in 2007 had revealed the CSR practices of major tea companies in India aimed towards employees, their families, the local community and society at large to improve the quality of life in ways that are both good for business and for holistic development. Goowala (2013) conducted a study on corporate social responsibility towards the workers in tea industry of Assam for three tea companies and revealed that these companies have introduced many workers welfare activities, social development programmes, better working conditions, provide better medical and sanitation facilities, sports and cultural activities in order to improve their standard of living of employees.

7. Research Methodology

The study is a desk based one conducted through the secondary data sources available from corporate disclosures on CSR.

8. Data Source

The information on CSR practices of the major tea companies operating in north-east region of India are collected from websites, newspaper, reports, journals, books etc. available in public domain.

9. Sample Size

The study is proposed to be conducted based on the three big tea companies namely, *Amalgamated Plantations Pvt. Ltd. (a TATA Enterprise)*, *McLeod Russel Ltd.* and *Goodricke Group Ltd.* i.e. how they fulfill their task towards the benefit of the society.

10. Survey Period

Information on CSR activities of these sample companies are collected from the recent published data as available in public domain.

11. Plan of Work

CSR activities of Goodricke Group Ltd., McLeod Russel Ltd. and Amalgamated Plantations Pvt. Ltd., will be obtained from their website. The activities will then be categorized into three broad responsibilities viz Economical, Social and Environmental which will be further divided into 12 indicators, 4 for each responsibility. These are

(i) Economic:-

Training, employment, establish business linkage and others

(ii) Social :-

Education, health care, accommodation, light, water and sanitation and others.

(iii) Environmental:-

Tree Plantation, use of pesticides, maintain biodiversity and others

12. Present Scenario of Tea Industry

Indian tea industry is serving National priorities by:-

- Generating income and livelihood directly or indirectly for more than 10 million people in the country.
- Women account for 50% of employment
- Supporting socio-economic development in remote and under-developed regions such as the North East.

India has acquired an exalted status on the global tea map. The country is the second largest tea producer in the world with production of 1233.14 million kg. in 2015-16 (*source- Tea Board, India*). Interestingly, India is also the world's largest consumers of black tea with the domestic

market consuming 951 million kg. of tea during 2015-16 (*source- ORG India*) India is ranked third in terms of tea exports, which reached 197.81 million kg. during 2014-15 and were valued at US dollar 619.96 million (*source- ITC Annual Bulletin of Statistic 2015*). India has around 563.98 thousand hectares of area under tea cultivation, as recorded for December 2014 (*source- Tea Board, India*). However, the conditions of the tea workers, the main working force of that high export oriented tea industry are not as per the described international guideline laid down by various translational organizations like World Bank (Rosenblum, 2014). It was revealed by that empirical survey of Rosenblum at the Tata-controlled tea estates of Assam and West Bengal that the workers were facing dire living and working conditions thereby violating regulatory standards of World Bank for environmental and social responsibility.

Against this backdrop, the present research is envisaged to observe the present state of affairs of corporate social responsibility activities of major tea companies in India aimed towards holistic development of the stakeholders.

Relating to this above issue in the present study three organized tea companies have been selected i.e. *McLeod Russel Ltd.*, *Goodricke Group Ltd.*, and *Amalgamated Plantations Ltd.*

13. Summary of Findings

CSR activities of Goodricke Group Ltd., McLeod Russel Ltd. and Amalgamated Plantations Pvt. Ltd., were obtained from their website. The activities were then categorized into three broad responsibilities viz Economical, Social and Environmental which were further divided into 12 indicators, 4 for each responsibility. These are:

(i) Economic

- a) Training
- b) Employment
- c) Establish Business Linkage
- d) Others

(ii) Social

- a) Education
- b) Health Care
- c) Accommodation, light, water and sanitation

- d) Others.

(ii) Environmental

- a) Tree Plantation
- b) Use of pesticides
- c) Maintain Biodiversity
- d) Others

13.1 CSR activities of Goodricke Group Ltd.

(i) Economic

- a) Training for workers
- b) Generate employment as workers in tea gardens
- c) Establish Business Linkage

(ii) Social

- a) School for Special Education in plantation area
- b) Well equipped hospital, maternity clinics crèches
- c) Housing, fresh drinking water
- d) Others:- Training centre, Scholarship for student, Fund generated for Indian Institute of Cerebral Palsy in Kolkata and Digdarshika in Bhopal, Crèches

(iii) Environmental

- a) Organic plantation in Darjeeling gardens
- b) No pesticide used of made tea
- c) Maintain Biodiversity
- d) Water harvesting

13.1.1.The Goodricke School for Special Education in Siliguri: One Notable CSR activity of Goodricke:

- It is supported by the Company commissioned in April 2006
- It has been specifically designed and equipped for children with special needs

- The Directors are proud to be associated with the same.
- This is the one and only school with state of the art facilities available in this region.

13.2 CSR activities of McLeod Russel Ltd.

(i) Economic

- a) Training for workers
- b) Establish business linkage (Fair Trade Market by FLO)
- c) Generate employment as worker in tea garden
- d) Other

(ii) Social

- a) Assam Valley School
- b) Medical facilities in excess of statutory obligations on every tea garden
- c) Accommodation, water connection and sanitation
- d) Health care programme called “ Mother Clubs” which has 20 senior women workers in each garden
- e) Support to organize programme of ILO and UNICFF,
- f) Sexual Health
- g) Support of on going programme of ILO and UNICFF
- h) Give statutory right to workers to join operative Trade Unions
- i) Assam Valley Literary Award

(iii) Environmental

- a) A programme designed to grow indigenous flora
- b) Planting through out the estate
- c) No use of pesticides
- d) Pest management system comply with numerous minimal residue levels (MRL's) in accordance with European Legislation
- e) Ensuing as bio-diverse a plant population as possible, within the confines of their tea garden

- f) Others: Use of universally approved chemicals, Tea Tourism at Birpara, Assam in partnership with River Journeys and Bungalows of India

13.2.1 Operation Smile: Notable CSR activity of McLeod Russel Ltd:

- In February 2011, a very subjective and objective mission was undertaken by the Company in partnership with project Operation Smile India, to assist persons born with cleft lip and palate and bring a smile to their faces. Designated representatives work with 'Op Smile' towards the creation of a cleft-lip free Assam.
- Operation Smile India is a voluntary programme committed to serving those born with facial deformities, specifically cleft lip with or without cleft palate.
- The organisation has its headquarters in Norfolk, Virginia, USA. To date more than 9000 successful surgeries have been performed, free of cost, under its umbrella
- In India, 'Operation Smile' was first registered in New Delhi in 2003. It has its representative offices in Mumbai, Kolkata, Guwahati and Bengaluru.
- In Assam, Patients from Company estates and surrounding villages were screened at Phulbari Central Hospital in January 2011. Similarly they were screened at Monabarie Central Hospital and also at Margherita Hospital and Longsowal Central Hospital.
- In 2009 six tea estates in Mangaldai district began a community project with the district Central Hospital based at Paneery Tea Estate, and the Sri Sankaradeva Nethralaya Hospital in Guwahati. This community programme, the first of its kind ever in Assam, consists of screening and identifying patients suffering from eye diseases, particularly those with cataracts, in the rural areas where our tea estates lie.
- The first screening programme, conducted through an outreach camp, identified 175 people suffering from some degree of eye disease. Of these, 89 cases were diagnosed for cataract operation
- The entire cost of the treatment, including the operation, medication, transportation (both to and from the base hospital,- at Guwahati) and stay at the community centre of the base hospital, was borne by McLeod Russel India Limited.
- The Company decided to expand this programme of community help to other districts where we operate, so that more people would enjoy the success of this project.

13.3 CSR activities of Amalgamated Plantations Pvt. Ltd.

(i) Economic

- a) Amalgamated Plantations Pvt. Ltd. Industrial Training Institute (AAPITI)
- b) Vocational training Centre (Chubwa and Dam Dim Tea Estates)
- c) Provide training to small tea growers
- d) Generate employment as workers in planting, plucking, production, mechanization, value chain in tea garden
- e) Establish business linkage (two retail Kiosks at Hathikuli and Powai and third retail outlet has commenced operation in Guwahati)
- f) Others: Land management, Database management, Community shops

(ii) Social

- a) Manages adult literacy centre and childcare centre, establish school to educate children of estate employees
- b) Manages estate hospitals and two large referral hospitals
- c) Free housing and community development facilities
- d) Others: Scholarship for students, manages programme for physically disadvantaged children in its tea estates, research centre for health in Chubwa, preserve the cultural heritage, strong relationship with small tea growers

(iii) Environmental

- a) 3,46,000 vine trees have been planted out of which 46,000 vines have attend the fruit, establishment of independent nurseries in all 25 tea gardens
- b) No pesticides used in organic farming
- c) Try to maintain Bio-diversity in tea garden
- d) Others: Building on Ecosystem to grow the agro-business, Agro-Forestry etc.\

13.3.1. Vocational Trade Centre of Amalgamated Plantations Pvt Limited: Notable CSR activity:

- At Dam Dim Tea Estate, there are special and gifted children who are engaged our Vocational Trade Centre in printing.

- Every year, these children have been participating tirelessly in the Annual north Bengal sports Meet for the physically challenged/disabled which is held at Kanchenjunga stadium, Siliguri. And they never come back empty handed.
- At the Vocational Trade Centre at Chubwa, more than the pleasure of
- teaching the students how to become plumbers or beauticians
- APPL started a Vocational Trade Centre, at Damdim, by training students in tailoring, cooking and printing.

13.4 Invested/ projected relating to the CSR activities by the under-noted three tea companies in 2015-16

Sl. No.	Name of Company	2% of average net profit in 2015-16	Remarks
1.	Goodricke Group Ltd. <i>(The Financial Result for the last fifteen months ended 31st March, 2016)</i>	INR 7,5,74,038	INR7,0,40,403 required to be spent during the reporting year. <i>(The company has changed its annual accounts from the calendar year to financial year with effect from 1st January 2015).</i>
2.	McLeod Russel Ltd.	INR 435.19 Lakh	INR366.19Lakh required to be spent during the reporting year
3.	Amalgamated Plantations Pvt. Ltd.	INR 2,500.00 Lakh (2013-14)	It has been reported at the last AGM for the year 2014-15 held 7 th August, 2015 of the company, at Kolkata that in the year 2014-15 the company had been sustained losses around INR 13.76 Crore in its first time of the company's history.

14. Concluding Observations

Most of the economical, social and environmental CSR activities undertaken by these three tea companies are almost similar in nature. However, a few noteworthy measures undertaken by these surveyed companies are as follows-

- Goodricke Group Ltd. provides fund for Indian Institute of Cerebral Palsy in Kolkata and Digdarshika in Bhopal. They have also water harvesting system

- The Fair Trade mark is an independent consumer label which appears on products of McLeod Russell Ltd. This company also conducted “Mother Club” for family planning and sexual health and start Tea Tourism at Birpara in Assam
- Amalgamated Plantations Ltd. manages community shops. This company makes relation with small tea growers and also promoted Social forestry or Agro Forestry.

Finally it can be concluded with the general observation that the tea gardens situated in remote corners of our country. The workers belong to the socially underprivileged section. Since the tea industry is a seasonal industry so labour cannot get work throughout the year. There are many casual labour in Indian tea industry. Moreover, there are many un-organized small tea growers in India. For this reasons here bought leaf tea factory produce made tea. Small tea growers are not bound to any CSR activities. However, the Social Welfare laws for tea plantation workers in India are the most stringent in the world. Due to this reasons India tea being more costly to produce. However, taking the lacunae of the plethora of acts where we are operating many organizations are taking an escape route and focused only on its own personal development. This cannot be sustained for a longer time horizon. Hence, the tea companies operating in that region should considered necessary measures for holistic as well as inclusive development of the immediate local stakeholders by considering appropriate CSR initiatives not only in mere form but also in right spirit.

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