

**UGC APPROVED**

**ISSN : 2394-3580**

**VOLUME - 5 No. : 5 March - 2018**

**Swadeshi Research Foundation**

**A MONTHLY JOURNAL OF  
MULTIDISCIPLINARY  
RESEARCH**



**Referred & Review Journal**

**Indexing & Impact Factor - 3.9**

Published by :

**Swadeshi Research Foundation & Publication**

Seva Path, 320 Sanjeevani Nagar,  
Veer Sawarkar Ward, Garha, Jabalpur (M.P.) - 482003

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## A STUDY ON CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES IN INDIAN TELECOMMUNICATION INDUSTRY

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**ABSTRACT :** Corporate Social responsibility is a concept whereby business considers the interests of society by taking responsibility for identifying and alleviating the impact that conducting its day to day business. The Telecommunication sector is selected because the extensive use of telecommunication services in India, the health and environmental concerns are always in public debate and the telecommunication sector plays an important role to economy of India businesses and personal lives. The objective of the paper is to find out corporate social responsibility initiatives with special reference to telecommunication industry. The paper investigates the effects of internal and external activities related to Corporate Social Responsibility (CSR) on employees' perspective. The result of the research study shows that the employees are aware of their mobile telecommunication's involvement in CSR.

**Keywords:** CSR, Telecom Regulatory Authority of India, NTP, New Telecom Policy.

### INTRODUCTION :

#### Indian Telecom Industry

CSR is most often motivated by the desire to improve the company's image. It is a mechanism through which companies gain more public visibility and in particular, gain more attention from stakeholders they may view as most important to their business, such as customers, regulators or financiers. The Telecommunication sector deals with numerous social and operational challenges such as technological development, increased demand for telecommunication services, health concerns and environment protection benefits, it is important to practice responsible business etiquettes. CSR involves various aspects such as economic factors, legal requirements, ethical orders and discretionary demands. The

effect of these factors may add to the firm's corporate image and financial performance. The Telecom Regulatory Authority of India was established on February 1997 by an act of parliament called "Telecom Regulatory Authority of India Act 1997". The mission of TRAI is to create and nurture an environment which will enable quick growth of the telecommunication sector in the country. India has surpassed US to become the second largest wireless network in the world with a subscriber base of over 300 million according to the Telecom Regulatory Authority of India (TRAI). In 1990 telecom revolution in many countries which resulted in better quality of service with lower tariff rates forced Indian policy makers to open up telecom sector for private players. The most important landmark in telecom reforms came with the New Telecom Policy 1999 (NTP-99). There were major developments on the policy front post year 2000. Establishment of Bharat Sanchar Nigam Ltd (BSNL) (2000), privatization of VSNL (2002). The Indian Telecom Industry manufacturing

contributes about two-thirds of the total exports of the country. It has been estimated that manufacturing exports would US\$ 40 billion in 2002 to US\$ 300 billion in 2015, simultaneously increasing its share in world manufacturing trade from 0.8 % to 3.5 %.

#### Literature Review :

According to Ogrizek (2001), the scope of CSR is much broader than charitable activities, philanthropy and community involvement. It embraces business practices, including environmental management systems, human resource policy and strategic investment for a sustainable future. He also states that CSR is all about competing beyond technology, quality improvement, service reliability and competitive

pricing. Joyner, Payne & Raiborn (2002) contended that people believe businesses are amoral, when in fact they generally embrace the values of ethics in doing business. They cited several factors that serve to legitimize their position and one of the factors is society, which expects moral behavior of the business when it cries out against immoral labor practices or environmental increase from policies. According to European Telecommunication Network Operators' Association (ETNO) (2005), energy consumption is considered as the largest environmental impact of the companies because the telecommunications networks need large amounts of electrical energy increasing related emissions while there are telecommunication products that never switch off. One of the potential threats to telecommunication sector is the electromagnetic fields (EMF) (ETNO, 2005; Arnfalk, 2002) not only to the general public but also to the employees who work in telecommunication companies. According to the Interdepartmental Commission for Sustainable Development. (ICSD, 2006) the motivation of companies to implement CSR can be influenced by internal and external, as well as positive or negative factors. Internal driving forces have to do with the people working in the company. The motivating force to engage in CSR can come from the management, the directors, employees, and shareholders because each of them will have their own values and will have a vision on sustainable development, ethics and their role in society. Porter and Kramer (2006) stated that strategically corporate social responsibility (CSR) can become source of tremendous social progress, as the business applies its considerable resources, expertise and insight to the activities that benefit society, surveys shows that companies should operate in ways that secure long-term economic performance by avoiding short-term behavior that is socially detrimental or environmentally wasteful. Pelozo and Shang (2011) also executed research on CSR outcomes and their results show that "CSR leads to outcomes such as increased customer loyalty, willingness to pay premium prices, and lower reputation risks in times of crisis" In 2009, MIT's Sloan Management Review

publication performed a study where 1,500 executive and managers (Appendix D) were surveyed to understand the link between sustainability and business strategy. The findings concluded that there is a large focus on sustainability. More than 92 percent agreed that their companies were addressing sustainability in some way. There was consensus on the challenges that sustainability is forcing corporations to deal with, such as the subject is very "complex, interrelated, and secular, and that the corporate sector will play a key role in solving the long-term global issues related to sustainability (MIT 2009).

#### NATIONAL TELECOM POLICY

National Telecom Policy 1994 "National Telecom Policy (NTP) 1994 envisaged the opening up of the telecom sector in basic services as well as value added services like Cellular Mobile Telephone Services (CMTS), radio paging, etc. The policy also allowed the private sector participation in the telecom services except National Long Distance (NLD) and International Long Distance (ILD) services" (TRAI:2012). National Telecom Policy envisioned "availability of telephone on demand, provision of world class services at reasonable prices, improving India's competitiveness in global market and promoting exports, attracting FDI and stimulating domestic investment, ensuring India's emergence as major manufacturing / export base of telecom equipment and universal availability of basic telecom services to all villages." It also announced a series of specific targets to be achieved by 1997 which are as follows: Targets

- Telephone should be available on demand by 1997.
- All villages should be covered by 1997.
- In the urban areas a PCO should be provided for every 500 persons by 1997.
- All value-added services available internationally should be introduced in India well within the time span of VIII Plan period, preferably by 1996 (Government of India: 1994). Implementation "The teledensity target of the National Telecom Policy (NTP) 1994 was about 0.8 per hundred persons. Targets of NTP-1994 could not be realized in case

of rural telephony. Telephone lines in rural areas had not worked properly due to technical reasons and only about half of over 6 lakh villages were covered by March 1999. However, performance of PCOs was comparatively better and the number of PCOs increased from 80,000 in March 1994 to 277,000 in March 1999. STD/ISD PCOs registered significant growth during the period, which increased from 57,119 in March 1994 to 272,989 in March 1999. Through franchise of STD/ISD PCOs self-employment was provided to unemployed youth such as ex-servicemen and lower segments of the society. The mobile and basic segments of the telecom service were opened to the private players during the early nineties through bid pricing for a period of ten years. However, private operators suffered considerable delay for the award of license due to political reasons" (Prasad: 2008). Another hurdle in achieving the targets of NTP-1994 was that government had not provided financial resources for telecom infrastructure development.

#### National Telecom Policy 1999

NTP 1999 allowed private operators providing cellular and basic services to migrate from a fixed license fee regime to a revenue sharing regime which made it financially viable for such operators to function in the market. Most importantly, the government recognized the necessity to separate the government's policy wing from its operations wing so as to create a level playing field for private operators. Accordingly the NTP 1999 directed the separation of the policy and licensing functions of DoT from the service provision functions. The Government corporatized the operations wing of DoT in October 2000 and named it as Bharat Sanchar Nigam Limited ("BSNL") which operates as a public sector undertaking. Thereafter in 2002, the monopoly of VSNL also came to an end. Since the Government was unable to meet keep up with the demand for telephone connections coupled with the fact that there was a waiting list for telephones in India, the Government moved to involve / invite the private sector in telecom. Further to this, the Government introduced the Cellular Mobile Telephone Service ("CMTS")

license and the Basic Telecom Service ("Basic") license allowing private players to provide telecom services in India. The private sector responded positively to this move and the Government issued 39 CMTS licenses and 2 Basic licenses.

Targets → Telephone on demand by the year 2002.

→ Teledensity of 7 by the year 2005 and 15 by the year 2010.

→ Increase in rural teledensity from the current level of 0.4 to 4 by the year 2010, reliable transmission media in all rural areas.

→ Achieve telecom coverage of all villages in the country and provide reliable media to all exchanges by the year 2002. →

Internet access to all district headquarters by the year 2000.

→ High speed data and multimedia capability using technologies including ISDN to all towns with a population greater than 2 lakh by the year 2002 (Department of Telecommunication: 1999).

Impact of Policy Implementation on Telecom Growth

An interesting feature of the NTP 1999 was that the growth rate of teledensity during the period (1976-1998) was just 1.92 percent shown in figure 1. However, the figure shows that 1999 onwards teledensity is growing at much faster pace comparatively.

Tariff reduction has led to substantial growth in the wireless subscribers. "The introduction of Telecom Tariff Order in 2000 brought down call charges to 50 percent per minute. In order to encourage competition, many steps were undertaken by the government during the Eleventh Plan period. These include reduction in tariff for national roaming services, abolition of Access Deficit Charges (ADC). Further, 238 reduction of interconnect usage charges and introduction of Mobile Number Portability encourage competition in the sector. In May 2003, all local incoming calls were made free by introducing the Calling Party Pays (CPP) regime. During the same year, government introduced the Unified Access Service (UAS) licensing regime, which permitted an access service provider to offer both fixed and/or mobile services under the

same license, using any technology. In November 2005, new Unified Access Service Licensing (UASL) guidelines were issued. These developments led to substantial increase in the subscriber base and the sharp decline in average tariff which resulted in increase in overall industry revenues." The positive relationship between the high subscriber base and low average tariff per outgoing call is indicated . (Government of India: 2012-17).

### National Telecom Policy 2012

Due to the stagnation of growth of this industry over the past couple of years for various reasons, the DoT introduced the National Telecom Policy 2012 ("NTP 2012") in an attempt to align efforts of policy makers, stakeholders and law makers to achieve a common goal. The preamble to the NTP 2012 reads as follows:

"Telecommunication has emerged as a key driver of economic and social development in an increasingly knowledge intensive global scenario, in which India needs to play a leadership role. National Telecom Policy-2012 is designed to ensure that India plays this role effectively and transforms the socio-economic scenario through accelerated equitable and inclusive economic growth by laying special emphasis on providing affordable and quality telecommunication services in rural and remote areas."

The mission of the NTP 2012 is as follows:

- To develop a robust and secure state-of-the-art telecommunication network providing seamless coverage with special focus on rural and remote areas for bridging the digital divide and thereby facilitate socio-economic development.
- To create an inclusive knowledge society through proliferation of affordable and high quality broad band across the nation
- To reposition the mobile device as an instrument of socio-economic empowerment of citizens.
- To Make India a global hub for telecom equipment manufacturing and a centre for converged communication services.

- To promote Research and Development, Design in cutting edge Information and Communications Technology and Electronics ("ICTE") technologies, products and services for meeting the infrastructure needs of domestic and global markets with focus on security and green technologies.
- To promote development of new standards to meet national requirements, generation of IPRs and participation in international standardization bodies to contribute in formation of global standards, thereby making India a leading nation in the area of telecom standardization,
- To attract investment, both domestic and foreign.
- To promote creation of jobs through all of the above.

### Suggestions :

- The telecom companies can show betterment in enhancing the quality of products or services to the society. The transparency of business operations to a certain extent can be improved to the employees by developing code of ethics.
- The telecom companies should still more focus themselves in conducting all necessary tests on the radiation frequency interference to reduce the internal and external disturbances.
- The telecom companies can show initiatives in forming a special functional team to respond immediately to public feedback from the market products or packages offered by them.
- The fund allocation of telecom companies for external CSR activities can be improved better when compared to the internal CSR activities.
- The telecom companies can develop new incentive structures for best performing employees in CSR activities, since it

creates a positive relationship between the company and the employees.

- In order to be a leading mobile telecommunication provider, each firm must be fully aware and sensitive to the impact of the economic, legal and social factors.

**Conclusion :** Corporate social responsibility (CSR) is defined as categories of economic, legal, ethical and discretionary activities of a business entity as adapted to contribute to the values and expectations of society (Joyner, Payne & Raiborn, 2002; Coldwell, 2000; Grunig, 1979 ). The lack of CSR indicators for the telecommunication sector triggered the interest to develop a system of CSR categories and indicators where each company could assess the CSR performance. All mobile companies showed satisfactory involvement in five main categories of CSR, namely environmental concerns, community, Natural disasters, Charity oriented activities, Products/Services. The telecom industry is well aware of the fact that business strategies are utilized by all organizations at some level. But sustainable management strategies need to be the guiding principles for corporations, and area requirement for those seeking to become socially responsible Overall, it can be concluded that the Indian telecom sector have high initiative in CSR activities with several constructive motives.

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