



## Contributions of MNCs to poverty alleviation through CSR programs: Odisha Perspective

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### Abstract

**Purpose** – This study investigates how Multinational Corporations' (MNCs') CSR initiatives have helped to reduce poverty in Odisha, India.

**Design/methodology/approach** – By means of consulting annual reports, websites, and publications for quantitative information, we have used a mixed-method approach to gather qualitative data by interviewing Managers of five MNCs. The average contribution of sample MNCs to CSR programmes is only 0.52% of profits after taxes, with ranges from 2.96 to 0.15%.

**Findings** – Results showed that MNCs' Corporate Social Responsibility (CSR) programmes had little impact on reducing poverty in Odisha District. According to the report, the majority of MNCs do not give as much as they are able to and do not have a policy of giving a decent amount of their profits to CSR with a focus on reducing poverty.

**Research limitations/implications** – The current study is limited to studying the contributions of MNCs in poverty alleviation by means of only their CSR programs and also the current study is confined to the state of Odisha. Thus, leaving future scope for budding researchers to identify the impact of such programs with respect to other regions and also other activities that may contribute in poverty alleviation.

**Practical implications** - According to the study, in order to accelerate the movement towards poverty alleviation for a joyful, prosperous, and forward-thinking Odisha, the Government of Odisha must act sincerely and purposefully to encourage MNCs to actively participate in CSR programmes that prove to be beneficial for reducing poverty by providing the necessary policy framework and motivating supports.

**Originality/value** – This paper is one of a few attempts to identify the contributions of MNCs in poverty alleviation specifically in the state of Odisha in India, by means of CSR programs in particular.

Keywords : Poverty, CSR, Development , Rural and Urban, MNCs, Odisha

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### Introduction

A management concept known as "corporate social responsibility" encourages businesses to incorporate social and environmental considerations into their daily operations and

relationships with stakeholders. Generally speaking, CSR refers to a company's efforts to balance its commitments to economic, environmental, and social goals while also meeting stakeholder and shareholder expectations (sometimes known as the "Triple-Bottom-Line Approach"). In this regard, it's critical to make a distinction between CSR, which can be a notion for strategic company management, and philanthropy, sponsorships, or charitable giving. Even if the latter can also significantly reduce poverty and will directly improve a company's reputation and brand, the concept of CSR unquestionably extends beyond those things.

Throughout addition, many commercial enterprises are making tremendous profits despite the fact that poverty exists in the world. For instance, the combined earnings of the 500 largest firms in the world was almost \$4 trillion in the fiscal year 2019, up 32% from the previous year (Fortune Magazine, 2020). It is obvious that the majority of profit-making business organisations around the world are concentrated on wealth maximisation (Meoun, Campel 2007, Nortoje, 2009 ; Flame, 2011 ), while efforts to alleviate poverty have been largely ignored ( Bhushan, 2006) or are (MNCs). Undoubtedly, a large number of multinational corporations engage in CSR efforts (McKinsey & Company, 2009), and CSR is now potentially a major factor in the economic growth of developing nations. It helps to boost education, fight poverty, advance equality, and promote sustainable development. Many emerging and impoverished nations' CSR initiatives are thought to have been largely started by MNEs (Abdul, 2009). A multinational enterprise (MNE) is a business that often runs manufacturing and service facilities across several nations as opposed to just one. MNEs often have their headquarters in their home nation, but their operations are dispersed around many host nations. As a result, MNEs may conduct business activities through franchises, joint ventures, branches, subsidiaries, etc. in various foreign nations.

One of the states in India where a sizable portion of the population still lives in poverty is Odhisa. As a result, Odhisa is experiencing a wide range of social issues, including starvation, illiteracy, social crimes, and transgressions. In Odisha, one in three people live in poverty. Despite a slew of government initiatives, welfare programmes, and handouts, 29.35% (pc) of the state's population is multifacetedly impoverished. Odisha is one of the top 10 states with a high percentage of the people living in poverty, according to the National Multidimensional Poverty Index (MPI) 2021 study from the NITI Aayog. The NITI study captures various and concurrent deprivations suffered by households, in contrast to prior years when poverty was defined as people going without food.

The MPI was constructed using three equally weighted variables: standard of living, education, and health. Since the ratio scored by the districts is higher than the state average, the poverty index in nearly half of the districts is concerning. In Nabarangpur, Malkangiri, and Koraput, one in every two residents lives in poverty; in Rayagada, Kalahandi, Mayurbhanj, Kandhamal, and Keonjhar, a similar situation prevails. According to the MPI, there are 59.32 percent of people living in poverty in Nabarangpur, 58.71 percent in Malkangiri, 51.14 percent in Koraput, 48.14 percent in Rayagada, 47.28 percent in Kalahandi, 44.9 percent in Mayurbhanj, 44.75 percent in Kandhamal, and 41.78 percent in the mineral-rich Keonjhar. The situation of a sizable percentage of the population in the

supposedly more developed and educated coastal districts is no better. While 28.43 percent of people live in poverty in Bhadrak, just 24.42 percent do so in Balasore, 21.88 percent in Ganjam, and 21.67 percent do so in Kendrapara. 11.64 percent of the population in Puri is still living in poverty, followed by 11.83 percent in Jagatsinghpur, 14.97 percent in Cuttack, 15.49 percent in Khurda, and 18.62 percent in Jharsuguda. Gajapati (38.8 percent), Nuapada (38 percent), Deogarh (37.1 percent), Boudh (33.03 percent), Dhenkanal (30.08 percent), Sonepur (28.05 percent), Balangir (27.49 percent), Bargarh (24.9 percent), Sundargarh (24.75 percent), Sambalpur (24.53 percent), Jajpur (20.75 percent), and Nayagarh (20.49 percent) are the other districts with the highest.

Roy and Banerjee (2018) found the MNCs in Odisha to be making extraordinary profits, on the other hand. This is as a result of the MNCs' strong financial position and managerial capabilities. According to rumours, MNEs primarily influence and encourage Odisha's CSR efforts. As a result, business organisations in Odisha are shifting their focus from the CSR's strong legal and financial dominance to its optional and moral components (Mohammad 2013). Fortunately, practically all banks and several corporate firms in Odisha are now participating to varying degrees in a variety of social activities that are more or less beneficial to the community of Odisha, following the lead of MNCs. Of course, a lot of businesses are increasingly engaged in CSR initiatives to satisfy the needs of different societal stakeholders. The business enterprises of Odisha are now considering CSR issues, and they are implementing CSR projects and activities to ensure justice within their clients, employees, the community, and relevant stakeholders, though in many cases the motivation is philanthropic, according to Saxena et al (2013).

## **Literature Review**

Inclusionary development, according to ADB Reports, entails pro-poor development that ensures the involvement of the formerly neglected segments of society. The concept of inclusive development, as opposed to the phrase "development," which places emphasis on changes in fundamental conditions, health, and standard of living, underpins the equitable sharing of the benefits of development in society (ADB, 2017). ADB experts contend that the Human Development Index is insufficient to evaluate inclusive development in a detailed study paper that clarifies the difference between development and inclusive development.

The Millennium Development Goals, or MDGs, however, more clearly embody the spirit of inclusive development (ADB, 2017). The article illustrates how measures of inclusive development include things like rural infrastructure development, pro-poor policies, health, and education (ADB, 2017). According to the World Bank research, investments in human capital, the availability of microcredit, access to technology, and the improvement of health, education, and skill sets are some of the key components of inclusive and sustained growth (Worldbank, 2014). Inclusionary development is described as "the implementation of policies in health, education, and economic development that can help to the development of human capital and enable the poor to realise their full productive potential" in the UN Report on the World Social Situation.

The likelihood that future generations will benefit from today's policies rather than becoming trapped in the cycle of poverty will improve if all facets of poverty are addressed (UN, 2009). According to Ravallion, the idea of inclusive growth entails equity, equality of opportunity, protection from market flaws, and socioeconomic safety nets (Ravallion, 2001). In general, it refers to measures taken to ensure that everyone benefits equitably from economic growth and progress without barring previously marginalised groups from doing so (Ravallion, 2001). Manjit described inclusive growth as shared, pro-poor, and broadly based growth. (Sikha ,2014). He claims that through specialised micro and macroeconomic strategies, inclusive development seeks to improve the lives of marginalised and economically and socially excluded individuals. Jenkins investigates the expansion and evolution of CSR initiatives in the development sector in his study of CSR in a global setting. The corporate sector initially showed less enthusiasm in getting involved in development-related concerns. This is primarily due to the belief that states should be in charge of development. However, with the nation-retreat state's from social responsibility, particularly in the wake of the liberalisation and globalisation waves, the process of development in less developed nations was hampered.

There was a void in addressing these nations' primary developmental issues (Miley, 2008). The suggestion that private enterprises be included in the development process in this case came from international organisations like the World Bank and IMF. Later, the UN asked businesses to fund Third World development efforts. As a result, a lot of businesses started to fund inclusive development initiatives that targeted the MDGs in underdeveloped nations. Rural development initiatives were first implemented by development organisations like DFID, CIDA, JICCA, and the Gates Foundation with private funding and a public-private partnership approach (Sobiet, 2013). By adopting socially responsible practises, private sector growth will be more inclusive, egalitarian, and poverty-reducing, as stated by the UK's Department for International Development (DFID) (Jenkins, 2005). Through CSR, DFID was instrumental in advancing inclusive development. In addition, the World Bank established a CSR division under its Private Sector Development Office. However, there are few studies that demonstrate how CSR contributes to inclusive development or the eradication of poverty. There are, however, few studies in the literature that have looked into and studied the CSR impact of multinational corporations towards the reduction of poverty in Odisha. Thus, this study aims to add to the limited CSR literature in Odisha on the role of multinational corporations in eradicating poverty. Investigating how MNCs are using their CSR programmes to help reduce poverty in Odisha is one of the main goals of this study. The study will also look into the answers to specific research topics, like how much or what percentage of MNE profits go toward CSR initiatives. Who are the true winners? What are the CSR programmes' policies? Do they have a clear plan to deal with Odisha's poverty issues? All of these investigations will aid in understanding the perspectives of MNEs operating in Odisha, India's CSR activities.

### **Methodology Used**

This study looks into how multinational companies operating in Odisha are addressing poverty through their CSR activities and programmes. Embedded design is a research

technique that the researchers utilised for this study that combines quantitative and qualitative approaches. To better grasp the real problem area, quantitative data were taken from the annual reports of sample businesses and qualitative data came from semi-structured interviews with five policy makers and managers from sample multinational organisations (Sam 2011). The interview was primarily descriptive in nature with some investigative elements.

In order to study the purposes and goals of the CSR efforts of the MNCs operating in Odisha, a wide range of research questions were incorporated into the selection of interview subjects. The majority of the people we spoke with held positions of greater responsibility within their organisations and were responsible for resolving CSR-related issues. To gain insight into the multifaceted issues surrounding the CSR programmes related to the social wellbeing issues in Odisha, MNC managers have been questioned. Purposive sampling was used during the period from October 2020 to Mar 2021 to obtain the data. We have first inspected the websites of all international corporations listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), and only those companies have been used as model organisations because at least some of the websites had information on CSR. As a result, businesses without any information were disregarded, and just five businesses one each from the steel industry, the Automobiles, the chemical industry, the telecommunications industry, and the power industry were chosen as the sample. EPS, dividend, and CSR fund information were gathered from the annual reports of five representative multinational corporations (MNCs) during the explanatory stage. Due to its yearly publication and easy accessibility, the annual report has been chosen as the main document.

### Findings

It is important to highlight that businesses use their annual reports to inform various stakeholders about their varied financial and social operations (Gray, Javad, Power, & Sinclair, 2001). Last but not least, each type of data was structured and analysed in accordance with its particular style.

**Table 1: Showing total profit of 5 Selected MNCs for 2021**

Company Name	Profit after Tax	EPS	Share value	Cash dividend for 2021 (INR)
<b>Tata Steel</b>	17,077.97	145	881	25 (250 %)
<b>Tata Chemicals</b>	479.11	18.81	806	10 (100 %)
<b>Tata Power</b>	967.64	2.49	207	15.5 (155 %)
<b>Tata Communication</b>	962.66	33.78	922	14( 140 %)
<b>Tata Motors</b>	-2295.44	-6.59	416	0

Average =

Total=17191.94      38.698      Average=129 %

*Source: Annual Reports of Selected organization*



Additionally, the average dividend payment by MNEs is 129 percent, and the average earnings per share (EPS) is 38.69. The range of cash dividend payments by MNEs is 0 to 250 percent. This book's emphasis on profit serves as a reminder of Milton Friedman's contention that corporations solely have obligations to their shareholders (Friedman, 1962). Therefore, in order to maximise shareholder return, business companies should use their resources effectively. Indeed, it is abundantly obvious from the statistics above that MNCs in India are making sizable profits, and as a result, they have the financial stability to carry out a variety of CSR projects related to the social welfare of the people of Odisha.

The report also reveals that on average, the selected TATA MNCs contribute 1.87 percent of their net income after taxes to CSR efforts. The range of CSR contributions, from 3.17 percent to 0.89 percent, varies greatly. Unexpectedly, a Tata Steel sample organisation contributed the most. With that company's contribution (11 Crore) excluded, the average contribution of the other four sample MNCs is only 0.84 percent, which is extremely low and even lower than the African nation. According to Sharma (2018), Mauritanian corporate organisations gave 0.68 percent of their profits, on average, to charitable causes. It is particularly disheartening that several businesses have lowered their CSR contributions despite experiencing rising profits (from 0.97 percent to 0.67 percent and from 0.84 percent to 0.54 percent).

On the other hand, the study examines how the three most important CSR projects do not contain a programme to reduce poverty (the CSR priorities of MNCs are shown in Table 2). It is evident that poverty reduction is still not on their priority list of CSR initiatives. Education, healthcare, sanitation, Infrastructure, and Skills round out the top five priorities listed by MNCs operating in Odisha, accounting for 80% of the total. However, reducing poverty has remained at fifth place. Three out of ten people (3%) indicated that eradicating poverty was one of their top priorities. As a result, the majority of MNEs participate in CSR initiatives badly, particularly in the area of reducing poverty. Interestingly, it appears that MNEs' numerous other social projects are given precedence over efforts to reduce poverty. However, if we see through the lens of the human capital theory, the CSR expenditure for educating the underprivileged can also be seen as the CSR for reducing poverty. As a result, the majority of MNCs participate in CSR initiatives badly, particularly in the area of reducing poverty. Interestingly, it appears that MNCs' numerous other social projects are given precedence over efforts to reduce poverty. However, if we see through the lens of the human capital theory, the CSR expenditure for educating the underprivileged can also be seen as the CSR for reducing poverty. Health care and education programmes help to reduce poverty over time, according to Becker's theory of human capital (Becker, 1964). This is because, as Cohen and Soto (2007) and Khan & Ali (2014) and others have argued, economic development and progress in a nation are only possible if investments are made in training and education. As a result, various MNE CSR initiatives in the areas of healthcare and education also help to reduce poverty.

**Table 2: Showing CSR priorities of Five Selected MNCs**

<b>Areas of priorities of CSR</b>	<b>Frequency</b>	<b>Percentages</b>
<b>Health</b>	7	89
<b>Education</b>	6	77
<b>Infrastructure</b>	5	62
<b>Skills</b>	5	59
<b>Sanitation</b>	4	48
<b>Others</b>	2	35

*Source: Annual Reports of Selected organization*

However, 87 percent of respondents said they could make a bigger difference in reducing poverty by contributing more money from their profits, and 58 percent of managers said their companies planned to participate in various CSR programmes aimed at reducing poverty in Odisha. For instance, all multinational corporations (MNCs) with operations in India can establish a fund by donating a portion of their profits (approximately 6%), from which microcredit/credit can be given to the underprivileged in the most vulnerable areas via various charitable organisations and volunteer NGOs with a view to reducing poverty.

In response to the question of how CSR initiatives and activities are monitored and supervised, 4 out of 5 managers said they keep an eye on the programmes they finance to ensure that donated money isn't being stolen or used improperly. Monitoring and oversight are mostly carried out by visiting the sites of the funded projects and frequently gathering status reports on various CSR project-related activities. Additionally, it has been discovered that many MNCs are managing social initiatives with their own management framework, including those in education, healthcare, skills development, sanitation, and infrastructure development.

The study's conclusion on the donation of a percentage of profit to CSR initiatives is that no company has a policy of doing so. However, they noted that CSR is nearly a daily occurrence in their firms. In this regard, a pharmaceutical business respondent responded that CSR is a planned activity with the goal of enhancing the socioeconomic status of beneficiaries. The business, however, is reticent to be transparent about its CSR budget. Another participant indicated that his company spends a considerable amount of money on CSR. He also noted that this company's CSR budget and expenditures vary from year to year as a result of various important considerations. When asked whether top management should be involved in CSR initiatives aimed at reducing poverty, 60% (3 out of 5 interviewees) said that the government should also offer policy assistance in addition to CSR awards. In this instance, 4 out of 5 respondents (or 80% of respondents) stated that the government may assure more active participation of MNEs in the drive to reduce poverty in Odisha through their CSR activities by offering tax reduction facilities.

## Conclusion

More than 16 lakh (1.6 million) people were impacted by our CSR programme in the past year in the areas of health, access to clean water, education, livelihood, sports, and infrastructure development. Most importantly, however, were the interventions that helped the community fight the COVID-19 pandemic. In India, we were able to provide assistance to roughly 10 lakh (1 million) persons during the initial pandemic wave. We supplied food, sustainable livelihood opportunities, safety support for the most vulnerable people, and improved the medical infrastructure at the designated hospitals for medical care for the local communities and migrant workers. We have just ramped up our health and medical infrastructure in response to the sociological and physiological effects of the second wave of the epidemic. Tata Group have currently have more than 1,600 COVID-19 beds at hospitals that are managed or partnered by the Company and have all the contemporary resources needed to treat COVID-19 patients, many of whom come from the local communities where our businesses in Jharkhand and Odisha are located. Our frontline team, including the physicians, nurses, paramedics, lab technicians, ward boys, volunteers, CSR employees, security people, and employees manning municipal facilities at various locations, have been working relentlessly to support the CSR and community support programmes of the Company.

During this unprecedented crisis in the country, we are passionately dedicated to helping the community in any manner we can as a good corporate citizen by giving resources and support. Among the world's pressing problems are climate change, environmental degradation, poverty, and global warming. These international problems are attracting corporate firms from around the world as well as Bangladesh. The study discovers that the sample MNCs of Bangladesh are not making a significant contribution to the socioeconomic well-being of Odisha through their CSR interventions, which has been reflected by their contribution of negligible amounts of profit to CSR programmes, despite having both financial soundness and managerial capability. It is important to note that, on average, MNCs in Bangladesh have given only 1.87 percent of their after-tax income to CSR programmes.

Surprisingly, the CSR contribution ranges from .87 percent to 3.17 percent, a wide variation. While the average contribution of the remaining four selected sample MNCs, omitting one (3.17 percent), stands at 0.84 percent, it is extremely low and even lower than the African and other developing countries, Mauritania (0.68 percent). In fact, by funding education and healthcare initiatives, MNEs are helping the underprivileged build their human capital through access to education, training, and medical care, which will ultimately help to reduce poverty in the long run (Becker, 1964). To put poverty-reduction at the front of their social agenda, business managers must, however, come up with a consistent policy and plan.

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