



**CHALLENGING TRADITIONAL DISCOURSE:
CORPORATE SOCIAL RESPONSIBILITY IN NEPAL'S AIRLINE INDUSTRY**

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Disclaimer:

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List of Acronyms

CSA	Corporate Social Action
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
HDR	Human Development Report
IISD	International Institute for Sustainable Development
ISS	International Institute of Social Studies
MD	Managing Director
NGO	Non-government Organisation
NKC	Nepal Krishi Company
PPP	Purchasing Power Parity
Rs.	Rupees (Nepalese currency)
SRI	Socially Responsible Investment
UNDP	United Nations Development Programme
USD	United States Dollar
WEP	Women Empowerment Programme

Abstract

The essence of the research is to understand the logic behind Nepalese airline company, Buddha Air, initiating its Corporate Social Responsibility (CSR) in a diverse field of agriculture and to comprehend the outcome; and to know whether it is a rhetorical facade or a sustainable philanthropic deed.

For the betterment of the livelihood of the rural farmers and to fight poverty alleviation, the CSR has assisted in raising productivity, lowering cost of production and generating employment opportunities. More than 31,000 farmers have been assisted through mechanisation and efficient ways of farming.

However, since CSR is not mandatory in Nepal, Buddha Air's philanthropic endeavour is neither embedded in the institutional framework nor is it sustainable; it is more a 'Corporate Social Action (CSA)' than 'CSR'. As seen in the research, the outcome of the CSA is neither a rhetorical facade nor a public relation stunt, but rather a reality of giving back to the society. It is an unconditional commitment by an individual and way beyond philanthropy.

Relevance of the Research

The research has trio relevance for development studies. First of all, it demonstrates the way CSR is treated in a Nepalese context. Second, it shows the gap in the current literature and exhibits a new concept of *primodium* on the CSR pyramid. Third, it establishes that CSR cannot be a 'responsibility' of a corporation unless and until it is mandatory; it is more appropriate for it to rather be called a 'corporate social action' (CSA).

Keywords

Airlines, Agriculture, Corporate Social Action, Corporate Social Responsibility, Corporation, Philanthropy, Poverty, Sustainability

Chapter 1: Introduction

One of the most significant achievements in the second half of the 20th century, in the corporate sector, has been the shift in focus from the neoliberal capitalist way of generating profit for shareholders towards the *advanced* neoliberal concept of making profit in a sustainable manner for the stakeholders. Conventionalist scholar Milton Friedman's concept of business and his argument that, 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud' (Friedman 1970: 1) has now altered its trajectory towards corporations being responsible towards society with its initiatives through its corporate social responsibility (CSR).

Though CSR has been around for more than half a century, its relevance and its popularity has predominantly been felt since the 1990s, with the end of the Cold War and acceleration of economic globalisation. By popularity I mean, on the one hand it has gone through intense scrutiny - with transnational corporations making headlines from tax scandals to child abuse; and on the other hand, amidst these controversies the corporations and the state perceive it as a tool for social change and 'it overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability' (Moon, as cited in Broomhill 2007: 6).

In conjunction with diverse schools of thought, the research will explore the way Buddha Air, one of the leading airlines in Nepal, is implementing its CSR and to what extent it is helping the community for the betterment of their livelihood; whether CSR is a rhetorical façade or a reality; and above all the research will question the sustainability of the CSR itself.

Asheim defines sustainability as a ‘requirement of our generation to manage the resource base such that the average quality of life that we ensure ourselves can potentially be shared by all future generations. The notion *quality of life* is meant to include everything which influences the situation in which people live’ (Asheim 1994: 1). The *sustainability* I am focusing on, is neither related to over use of natural resources nor environmental degradation, but rather on the sustainability of Buddha Air’s CSR with the backdrop of an underdeveloped country like Nepal.

Nepal is one of the poorest countries in the world, as ‘over 30 percent of its population live on less than USD¹ 14 per person, per month’, according to the national living standards survey conducted in 2010-2011, and about 80 percent of the population in rural areas depend on subsistence farming for their livelihoods. Household food insecurity and poor nutrition are major concerns in these areas, where about half of the children under five years of age are undernourished. Most rural households have little or no access to primary health care, education, safe drinking water, sanitation or other basic services’ (Nepal Rural Poverty Portrayal, n.d.). Furthermore, ‘about two-third of the total households (about 64 percent) use firewood as the usual source of fuel for cooking followed by cow dung (10.38 percent)’ (National Report 2012: 1-2). This clearly indicates the rural backwardness of the population as almost three-fourths of the Nepalese still depend on such traditional ways of household chores and ‘more than one third, 34.1% of the population is still uneducated’ (National Report 2012: 4). Furthermore, Nepal imports 5.5 times more than it exports (The World Bank Report 2014: 62).² Since the government of Nepal is having difficulty in tackling the macro economics of the country, this is where the small initiatives of individuals, communities, and corporations come in hand to support the micro initiatives of the society.

In addition, Nepal was under the rule of monarchy for the last 240 years, until 2007. In 1996, Maoist rebels started agitations and the insurgencies lasted for a decade, killing 13,000 people and 1,300 missing in a ‘people’s war’ which ended in 2006 (Nepal

¹ USD 1 = Nepalese Rupees 104.52 (Exchange Rate for 2 November 2015 - Nepal Rastrya Bank)

² Total merchandise exports (fob) USD 1,008 million, Total merchandise imports (cif) USD 5,613 million

Conflict Report Summary 2012: 3). Civil unrest, which the Maoist started, was aggravated by the royal massacre in 2001, when all the immediate family members of the ruling King were killed, and was subsided after the monarchy was abolished in 2007. However, it has again flared up after the promulgation of new federal constitution in September 2015. Moreover, on one hand the aforementioned scenario has amplified pressure on the unstable and feeble government for structural development and on the other hand, it has severely damaged the local corporations to prosper and discouraged multinational corporations for new ventures.

Conversely, in the international spectrum, corporations are globalising and flourishing with progressive interactions. Global integration has alleviated interdependence between different actors as to survive and thrive. Corporations need to be recognised in the market; they need to impress their buyers, for which, besides enhancing the quality of their products and competing with their rivals, they need to come up with attractive advertisements and philanthropic performances through CSR. Companies engage in CSR for various reasons; as most of them 'think it will be good for their profit margins... benefits to reputation, staff and consumer loyalty plus maintaining public goodwill...CSR is an essential strategy for ensuring the company's reputation' (Fauset 2006: 5).

Given the paucity of research in the CSR sector of Nepal, as 'the concept of CSR is of recent origin in Nepal' Katuwal (2010: 58), and in order to examine its reality, this research is focused on Buddha Air's CSR initiatives. To strengthen the observations, empirical process of implementation of CSR was further studied, which Buddha Air is implementing through Nepal Krishi Company (NKC) with 31 cooperatives in 4 districts- namely *Morang*, *Sunsari*, *Jhapa* and *Saptari*, of Nepal; with more than 6,400 households as their beneficiaries (Buddha Air 2015).

This research leads to conclusions on to the extent Buddha Air's CSR initiative is reciprocating to the need of the society and whether CSR can be philanthropic and sustainable at the same time.

1.1 Research Problem - The Debate

To understand the debate that surrounds CSR, it is essential to recognise the fact of the nexus between ‘profit and social benefits’ (Knorringa 2010: 83). Chapagain argues that ‘CSR is no longer conceived as a moral ‘responsibility’ of corporate managers for greater social good or executives discretionary expenditure that could hamper a corporation’s profitability, but as strategic resources to be used to improve the bottom line performance and competitiveness of the corporation’ (Chapagain 2010: 13). As usual, there are always two sides of a coin - either the corporations are evil creatures maximizing competence by exploiting natural resources and extorting labours, to what Marxist call intensifying surplus profit to be shared among the bourgeoisies; or on the other side of the coin, they are virtuous institutions which not only make their shareholders happy, but at the same time are proactive and demonstrate their responsibility towards their stakeholders.

Although, many big corporations these days believe in acting on Socially Responsible Investment (SRI), to play safe and try to give whatever positive impact they can so as to minimise the larger wrongdoings. The effect of the SRI seeks both financial return and social good. ‘The social responsibility of business is to make business survive. Sanitation is none of my business’ (Ashley 2012: 130); nonetheless, the expectation that is anticipated from the business houses cannot feed the world, so it is worthless to blame the corporate world for their initiation, whether big or small. I believe that, even though business is not stable forever and corporations are not formed for charity, nevertheless, it is always better to have corporations as partners in development and sharing responsibility within the society.

Furthermore, Friedman teasingly asks how business can have responsibilities, as only people have responsibilities. ‘A corporation is an artificial person and in this sense may have artificial responsibilities, but ‘business’ as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for

whom' (Friedman 1970: 1). The neoliberal writers follow the view articulated by Friedman as they do believe in free market of globalisation of profit earnings but in the mean time, institutions like The World Bank have started adopting and believing in CSR; as for example in the World Bank Report Mazurkiewicz mentions that for a company to run its 'business responsibly in relation to stakeholders (shareholders, employees, customers and suppliers)' (Mazurkiewicz 2004: 4).

Similarly, Banerjee questions the expectation of a corporation to have a conscience, 'when it has no soul to be damned and no body to be kicked' (Banerjee 2008: 51). According to him, since the corporations are artificial, they do not feel any responsibility and do not take any blame on any of their misdoings, so they cannot be punished. I believe this to be valid to some extent; as these days, lots of corporate houses are doing some sort of charity work, just for the sake to be in the good books of the public eyes and without even looking at the social and economic implications. I hope most of the scholars would agree with me for calling this sort of action a rhetorical facade rather than genuine philanthropy work. However, Banerjee's point, I believe, becomes irrelevant as every cause has an effect and every effect causes ripples; whatever or whoever makes the ripples, they have to shoulder the responsibility of the event. A straight forward example is the national flag; does it have any soul? But still people die and kill for it. Why? Taking the example of Rana Plaza³ - the building collapsed killing and injuring thousands of garment workers but now, though this was not an easy task, but the corporations are realising their responsibilities and paying up to compensate the victims' families.

Similarly, Fauset supports direct action against corporate activity and supports Friedman on a corporation's duty to make profit above all other concerns; but on the contrary she claims that corporations do try to sell their brand names and initiate CSR for their brand

³ Rana Plaza building collapsed on 24 April 2013 in Dhaka, Bangladesh with a death toll of 1,129 garment workers and 2515 getting injured. The factory was manufacturing for international brands like Mango, Benetton, Walmart, El Corte Ingles, Bonmarche and many more (Wikipedia accessed on 27 September 2015)

loyalty. Many corporations vouch for something and sell something else, and they portray themselves as responsible, which they are not. Fauset states a very interesting example of, ‘Toyota, the world's second largest automotive manufacturer, hangs its corporate environmentalist image on its *Prius* hybrid which emits less greenhouse gases than the standard car. Its fuel guzzling SUV models, however, are amongst the company's biggest sellers and massively outnumber sales of hybrids 65, and the company's future depends on pushing the constant expansion of the car market’ (Fauset 2006: 10).

Whatever said or done, CSR has been established as a vital organ of corporations these days. They have a special place in the corporate website and are displayed in the market.



Starbucks Coffee Shop, Berlin, 2015



*Ethical Sourcing,
Environment Stewardship
and
Community Involvement*

Source: Author's own

There are five main elements which I see stimulate the market to adopt CSR:

i. Intensification of business role

Multinational companies have grown in an unbelievable fashion. On one hand, they have captured the market like never before, and on the other hand, the government's role has drastically deteriorated. Earlier, after the destruction and devastation caused by World War II, the state was considered the engine of growth and development; the state had the mandate for reconstruction and recovery. On the basis of rules and regulations, it ruled the market, but due to its inefficiency, bureaucracy and redtapeism it could not hold on for long. Transformation took place with the end of Cold War; altering the role of the

government to governance and creating synergy among public-private partnerships for development activities.

ii. Transparency in value chain and awareness

Besides the buyers, the rest of the stakeholders have started showing their interest on where the products come from, for example blood diamonds.⁴ They want to know how ethically responsible the value chain is, whether the code of conduct is followed or not, and about decent working conditions of labourers. The buyers, in the value chain, simply do not want to put their company on stake by being associated with the bad reputation of the suppliers. The market has become aware, and they do differentiate between right and wrong.

iii. Social Performance

Customers judge the status of a corporation through its social performances. Staffs make choices evaluating and comparing the social standing of their corporation. There is competition in the labour market, so to retain their staffs; corporations are willing to upgrade themselves.

iv. Technology

Advancement in technology has been the key factor for globalisation. It has been the determinant factor for knowledge and choice. The stakeholders rely on information and so do the corporation to highlight their services and efforts.

v. Reputation

To make a positive impact and influence on buyers, corporations indulge in good deeds. People even judge the products by the way corporations are involved in the society.

Moreover, some corporations support 'PPP', the 'triple bottom line' approach - 'people, planet and profit' - whereas some prefer sticking to the 'supply chain' to make sure the code of conduct is followed. In addition, in 2010 the International Organization for

⁴ Also called conflict diamond which come from the war zone and is used to fund the insurgency.

Standardization released ISO 26000 to standardise the implementation of CSR; and now, one can have a standard voluntary format even for CSR.

1.2 Research Objectives and Questions

This research paper on CSR has one main question and four supporting objectives so as to answer the main question. The main research aim is to find out- if CSR can be philanthropic and sustainable at the same time, by examining the CSR initiative undertaken by Buddha Air.

To explore the reality, the four objectives are: **first**, how Buddha Air is initiating its CSR: whether it is just a rhetorical façade or actually reciprocating towards the society; **second**, why Buddha Air is initiating its CSR in agriculture sector, which is a completely diverse from the airline industry; **third**, whether the CSR programme is beneficial for the company or to the beneficiaries; which is helping them to sustain their livelihood; and **fourth** is to scrutinise the sustainable aspect of Buddha Air's CSR.

1.3 Methodology

Data Collection – Data collection, for the research, was done through primary data and secondary data collection; through qualitative, semi structured interviews and published literatures, articles and monthly magazine of NKC.

1.3.1 Interview

The research study was conducted in Nepal, mainly in Kathmandu and the field sites around *Biratnagar* area, which is 35 minutes by flight and 377 kilometres by road away from Kathmandu, where Buddha Air is initiating its CSR programme for the farmers. The method used for data collection was primary data from 'semi-structured interviews' of 29

interviewees with mainly three different categories of respondents; i) those involved in initiating the programme, ii) the beneficiaries involved with the CSR programme, iii) those, who somehow or other are connected with CSR from business and political sectors. The data collection was performed basically to learn the way CSR of Buddha Air was executed, why Buddha Air chose the agriculture sector, which is very diverse from its business, to initiate its CSR, how and whom the CSR benefitted, whether the CSR of Buddha Air was just a rhetorical façade or actually was reciprocating towards the society and helping the farmers in poverty alleviation, and above all, was Buddha Air's CSR a philanthropy or not; and at the same time, how sustainable was it? To retrieve information, to overcome my curiosities and to get the answer to my questions, 'semi-structured interviews' were conducted. These were undertaken with direct interaction with individuals on a one-to-one basis, even though few of them were in a group setting, except one telephonic interview and few interactions on emails. Furthermore, some information was retrieved from secondary data collection. The data collection was done through the books on government regulations, documents of Buddha Air, literatures review, articles, brochure and some from the monthly magazine of NKC.

1.3.2 Semi-structured Interviews

This qualitative research of data collection was time consuming, but was very fruitful, as I was able to interact with each one of them personally and was able to modify my questions accordingly depending upon their and my interest, attitude and time factor. I tried the focus group discussion, but it did not capitalise, so I had to break in between and concentrate on interview technique. The other techniques did not seem to be relevant due to time factor, situation and lack of education among most of the beneficiaries. The farmers were generally from the *Tharu*⁵ tribe, a marginalised community⁶, who are mostly backward and less educated. The other forms of interview methods, structure and unstructured, were not relevant as the structure was too stiff, whereas the unstructured was too vague. With the semi structured interview technique, I was able to have a basic

⁵ Tharu are among the oldest indigenous tribe residing in the plains of Nepal. They are the 6.6 percent of the total population of Nepal (Central Bureau of Statistics 2012).

⁶ The World bank Report 2014: 2

guideline as I knew what I had in mind, and at the same time it gave me the leverage to move around with the questions according to the comfort of the interviewee, and I was able to gather deep information on the study, which has made my research richer with relevant information.

However, since the interview technique was lengthy and people were busy with their work, only a small portion on the totality were sampled to be interviewed from the total 31 cooperatives, as each cooperative had at least 200 members. The sample was taken by requesting NKC to gather the farmers from surrounding areas where the agriculture plantations were taking place and those who could make time and come. Some of them were sampled when I reached the site and found them working in their fields. The corporate were sampled and interviewed after I informed their offices and they gave me the person who was in charge of the CSR desk at their respective offices.

One of the important interviews was conducted through telephonic conversation as the interviewee was not available in person. All the interviews were conducted in Kathmandu and around Biratnagar. Since semi structured interviews or the focused interviews had open ended questions, the broad guideline questions (Appendix 1-6) were drafted before the interview, but changes were made according to the flow of the interview and the relevance of the interviewee's expertise and comfort.

Most of the interviews were carried out with the beneficiaries and those who implemented the CSR. As most of the beneficiaries were uneducated, the interview method proved to be more relevant and authentic. Due to the length on the interview and the planting season, only the beneficiaries who were around the project sites were interviewed. However, some of them were informed about my arrival earlier and had gathered at *Tanmuna* contact office and for a few I had to take an appointment. As my aim was to retrieve as much information as possible, I met the interviewees at different

settings, even at Squash courts and at dinner parties. The questionnaires⁷ for the interviews differed according to the settings and the details of the interviewees⁸.

1.3.3 Ethical Consideration

Though the topic was not very sensitive, still ethical consideration was observed. One of the interviewees was totally against sharing his identity and the other one wanted to see what I was writing. All the interviewees were told about the consent, confidentiality and avoiding harm to do good at the start of the interview. They were informed about the reason of undertaking the research, as to fulfil my Masters in Development Studies in an international institution at The Hague, for which writing a research work was a must and I took this topic to find the reality of CSR of Buddha Air, and requested them to share their information. They were informed about the confidentiality and that the interviews would strictly be used for the research paper. However, the research paper could be viewed by many others. The research was meant to totally avoid harm and do good.

1.3.4 Anticipated Problems

The main problem was to reach the sites, which were very far and time consuming. It was a 35 minutes flight (10 hours bus ride) from the capital Kathmandu and was expensive. I approached the MD of Buddha Air and informed him about my work, took his interview and requested the flight tickets; for which he made the consideration. Since it was monsoon, the farmers were extremely busy and I literally had to go to the fields where

⁷ Buddha Air Management - (Managing Director and CSR desk Officer) – see Appendix 1; Buddha Air Staff – (3 from different levels) – see Appendix 2; NKC – (Director, Managing Director, Field Supervisor) – see Appendix 3; Cooperative – (Representatives of 3 Cooperatives) – see Appendix 4; Beneficiaries – (10 beneficiaries from 2 Cooperatives) – see Appendix 5; Another Airlines (Yeti Airlines) – (1 Representative) – see Appendix 6; Government – (1 Representative) – see Appendix 6; Multinational Corporation (1 Representative) – see Appendix 6; Banker – (1 Representative) – see Appendix 6.

⁸ See appendix 7

planting was taking place. Though it was difficult, the timing was right to see the planting and meet the beneficiaries at the ‘right place and at the right time’.

1.3.5 Data Analysis

Data from semi structured interviews and discussions were notes, which were recorded and transcribed. A different notebook was kept to note all the interactions and the interviews. It was later typed and saved on my laptop. Even the telephonic conversations were recorded and transcribed instantly, after the interview, as I did not want to lose the essence of the information which the interviewee provided. All interviews, except the interview with Basnet - MD, Buddha Air - have been translated from Nepali to English by the author himself.

Chapter 2: Theoretical Framework

To understand the CSR’s role in the society, it is important to learn its historical background. The concept of social responsibility got its meaning in 1953 by an ‘*Economist*’ author Howard R. Bowen – ‘Father of Corporate Social Responsibility’ (Carroll 1999: 270). He put forward the notion of social responsibility as ‘the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society’ as stated by Bowen (1953: 6). The economists felt that the market was not somehow taking its right course and concentrating too much on economics rather than society which Carroll sets forth as ‘social consciousnesses’. Though Davis calls social responsibility a ‘nebulous idea’ he asserts that, ‘businessmen recognise that since they are managing an economic unit in the society, they have a broad obligation to the community with regards to economic development affecting the public welfare’ (Davis 1960: 70). ‘Corporations must take interest in politics, welfare of the community, in education, in the ‘happiness’ of its employees, and in fact, in the whole social world about it’ (Carroll 1999: 272). Hence with money as the driving force and corporate institution’s growing strength, all the social

factors wanted their intimacy with the corporate business. As the market was not working ideally, the society however started expecting more diversification from the corporations; which has led the multinational and national agencies to come up with their own concepts on social responsibility. They started interpreting CSR in their own suitable terms and conditions. Since no one has been able to pin down the exact definition of CSR, it does not carry any universal definition; many have defined and expressed CSR from their own ideological perspective depending upon their line of work, comfort and situation as it is voluntary for some cases and mandatory⁹ for the others. Some take CSR as a tool or philanthropic deed to address social problems but the others call it a sham and take it as a distraction to business. Here are few definitions and expressions:

Milton Friedman's (1970: 173-174) through his capitalist perspective states that 'the responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom'.

World Business Council for Sustainable Development (1999: 3) defines CSR as the 'continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large'.

The United Nation's 10 principles of Global Compact (2000) believe that, 'Corporate sustainability starts with a company's value system and a principled approach to doing business... By incorporating the Global Compact principles into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success'.

⁹which is obligatory by the government or any related institution

Gurcharan Das (2010), a capitalist and former CEO, expressed that, CSR is a socialist hang up and the corporate houses are made do the jobs which otherwise should be done by civil society or the state.

Hopkins suggests that, the corporate philanthropy diverts the key issue of corporation making the economic gain. ‘CSR ignores development economics and its concerns with capitalism and neo-liberalism and it is just a way to introduce socialism through the back door’ (Hopkins 2012: 119).

Shah- Member of Constituent Assembly of Nepal, states that ‘since CSR itself can be a good advertisement for the corporation; companies who spend lot of money on advertisements, can easily spend some portion of their profit on CSR programme. It will be a win-win situation for both, the companies as well as the society’.¹⁰

IISD (2013) deems that ‘corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.’

Shah, a Nepalese researcher, believes in two philosophies that exist in CSR, ‘economic philosophy of business that believes on profit or wealth maximization and social philosophy that emphasizes on social responsibility that in social service, consumer satisfaction, protection of environment, solution of unemployment, development of society and increasing the international relationship’ (Shah 2012: 33).

On the contrary, Fauset’s socialist perspective claims that CSR ‘evolved as a response to the threat anti-corporate campaigns pose to companies licence to operate’ (2006, Preamble). She believes that the leaders of CSR are highly unethical companies, the voluntary code does not work and the socially responsible investment is not enough.

¹⁰ Interview with R.B. Shah, at Kathmandu (31 July 2015)

The World bank since 2002 has committed to CSR through ‘mitigating corporate contribution to climate change, increasing energy efficiency in our facilities, improving sustainable procurement practices, and increasing the public disclosure of our environmental impacts stemming from our internal operations’ (The World Bank 2015).

Both the socialist and capitalist concepts differ with the idea of corporate governance and the distribution of the profit, notwithstanding they get intertwined when opposing social responsibility. However, the simple one which could generalise the concept could be taken from Chapagain. He claims that, ‘CSR is a business principle and/or practice which integrates legal, economic, ethical, social and environmental concerns and seeks to fulfil the interests of all stakeholders including the interest of business itself’ (Chapagain 2010: 11).

2.1 CSR Concepts

The research has mainly twofold significance. Firstly, it will contribute to the current literature. Secondly, it will investigate the reasons and extent that Buddha Air pledges in CRS and its outcome; and formulate some recommendations.

2.1.1 Literature

The research will examine literature in regards to the CSR programme initiated by Buddha Air, mainly at two different levels. Firstly, it will examine how it is following the economic upgrading of the farmers (Knorringa and Pegler, 2006) linking it to Knorringa’s typology (Knorringa 2010: 83-99). Secondly, Carroll’s CSR will be taken as an example to see if the corporation follows the structure of his CSR pyramid (Carroll 1991: 39-48). The research will also interact and rebuttal with the socialist argument of Clare Fauset’s (2006) concept on CSR. The findings will tell if the above mentioned concepts are significant to Buddha Air’s CSR initiative and what Buddha Air is following; or on the contrary, whether it is not precisely following any one of these and

initiating its own action. However, there will be a new concept which will be analysed for application on CSR's sustainability.

Moreover, the concept Buddha Air is initiating, as its CSR, could be seen as a crossover of Knorringa's upgrading concept (Knorringa, 2010) and Carroll's CSR pyramid (Carroll, 1991). In this regard, Basnet, Managing Director (MD) of Buddha Air, confesses that, irrespective of what Buddha Air was doing earlier with its charity activities, it started initiating its CSR primarily from 2006 and was further restructured in 2012, after the formation of NKC. Now it has been vigorously initiating philanthropic and social upgrading programmes alongside its own economic upgrading. Before it started initiating its external philanthropic programme, it was actively undertaking motivational programmes internally; and facilitating staff to enhance their knowledge and their career advancement opportunities. Furthermore, when asked to elucidate on the strength of Buddha Air, Basnet expressed that Buddha Air started its domestic service with 2 brand new 1900D Beach crafts with 18 seats each in 1996 - and now, gradually it has expanded to 8 aircrafts, ranging from 18 to 72 seats, and flying across the border as well. It had to compete aggressively with the rest of the established airlines like Necon Air and Royal Nepal Airlines Corporation - the flag carrier of Nepal - to climb up the ladder. Gradually, Buddha Air started gaining its height and the rest of the airlines started deteriorating. Necon Air had to close down, whereas RNAC was left with very few old planes. There may be various reasons for this, but two main reasons which Basnet expressed to the BBC reporter were: i) brand new aircrafts that created safety and comfort for the customers; ii) determination and dedication of the staff (Business in the Skies of Nepal 2013).¹¹ When I interviewed Karna, CSR facilitator of Buddha Air, and asked him the reason for the success of Buddha Air managing its staff; he proudly expressed that, 'it is simply the way the management handles its staff and motivates them to perform. Our company looks after us and we look after our company.'¹²

¹¹Interview with B.B. Basnet at Kathmandu (19 June 2015)

¹² Interview with D. Karna at Kathmandu (20 July 2015)

When Basnet, MD of Buddha Air, was asked what CSR meant to him, he stated that, ‘as a corporate entity committed to serving the needs of society, Buddha Air firmly believes that charity begins at home. Our understanding is that for any progressive transformation to be brought in society there has to be fundamental changes in the economy’ (Buddha Air, n.d.). Furthermore, he expressed that there is a mutual reciprocation between the staff and the management. To further upgrade the standard the airline also follows the international standard IATA Operational Safety Audit (IOSA) and IATA Operational Safety Audit (IOSA) requirements (Buddha Air n.d.).

When I visited their head office, branch office airport offices and their hanger; I realised that it provides a ‘decent working’ platform to the staff. Along with the economic upgrading of a company, generally there is a mechanism which the company sets forth for social upgrading because workers and the society starts expecting social welfare work from the company, and the company tries to fulfil these expectations. ‘Upgrading has been identified as a move to higher value added activities in production, to improve technology, knowledge and skills, and to increase the benefits or profits deriving from participation in GPNs’ (Gereffi, as cited in Barrientos, Gereffi and Rossi 2011: 323). In the case of Buddha Air, its CSR was initiated slowly but steadily along with its economic ‘take-off’ (Rostow 1956: 176).

2.1.2 Typology – Nexus between Profit and Social Upgrading

Knorringa (2010: 83) elucidates on the typology of CSR; correlating it between profit, the emphasis of the capitalist, and social benefits, which is experienced in four categories:

- i) Pernicious CSR - where profit increases but social benefits decrease

Here the economy is not properly kept in harmony by the corporation. The profits are enjoyed by the shareholders, but the situation of the labourers and their working conditions remain the same. The company is just interested in making profit, but is not at all interested to upgrade the standard of their staff.

ii) Borrowed Virtue CSR - where the social benefits increase even though the profit decreases

Here the CEO's expenses are high and the management does not give respect to the corporation's balance sheet.

iii) Delusionary CSR - where profit decreases and so do social benefits

This is lose-lose situation for both the company and society. Since the corporation's profit is going down the hill, so do benefits to its staff and society.

iv) Business Case for CSR - where profit increases and so do the social benefits

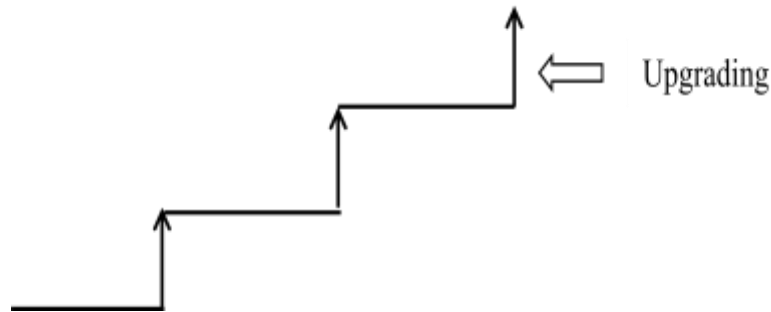
This is 'Good Management' and good delivery; a win-win for both parties.

The typology which Knorringa has demonstrated is significant. It illustrates the ability and the situation of corporations. Corporations act and react in different ways according to their status and their will to do. The first three typologies are defective and not what an efficient corporation would follow. In the first typology the workers would be unhappy; in the second it is not beneficial for the corporation which could be related to conspicuous consumption with small pockets; and the third is a lose-lose situation for both stakeholders and the shareholders as the company is not prospering and at the same time it cannot afford to indulge itself in activities where it has to spend money. However, the borrowed virtue CSR and delusionary CSRs can also be evaluated and visualised from different perspectives, as sometimes when a corporation sees some scope of drastic advancement in the long-term future, then they may follow these perspectives as well. Moreover, it is the fourth one, which is generally and automatically followed by professionally sound corporations; as what is good to the society is good to the corporation and vice versa. Both are in the win-win situation. Thus Knorringa suggests that market can be persuaded in the ascending direction.

In regard to Buddha Air, the research will show whether Buddha Air is following typology number four of 'good management and a win-win situation' of Knorringa; as Knorringa emphasises the win-win situation of corporation correlating the nexus between

profit and social benefits. As the corporation advances positively, so does its social upgrading.

Fig.1 Knorring's upgrading:



Source: Author's own

Buddha Air started its involvement in the staff welfare much before the philanthropic activity for the community; the welfare for staff accelerated with its underpinning of economic advancement. 'It provides good and competitive salaries and bonus time to time' (Nepali Times 2011), for its 750 technical and non-technical staffs. It conducts its services and supports the staff through what is stipulated in the Company Act – staff rules, standard operation procedure (SOP) of Buddha Air, as well as in the Labour Act. 'Besides being a profitable business, the responsibility of a company can, for example, be connected to programs for fair treatment of employees, using sustainable environmental friendly methods and participating actively in discussions about ethical social dilemmas' (Löhman & Steinholz, 2003 as mentioned in Mark-Herbert 2007: 4).

Apart from these, Buddha Air has an independent labour union to look after the benefits of their employees. One of the main acts of the union is the collective bargaining for perks, benefits and salaries for the staffs. Furthermore, Basnet claims, 'for me, CSR is my responsibility towards my staff. We have an understanding between the union and the management regarding salaries being reviewed every two years. Last year, salaries were increased by 40 per cent and we have provided facilities like health care, provident fund, job security, etc. Before being of service to society, first we should fulfil the expectations of our staffs. Let's see if we can get to a position where we can really invest in CSR in

Nepal' (Nepali Times, 2011). CSR is not just about how companies spend the profits but about how they treat their employees. Responding to my query, Bikash Thapa, a senior staff of Buddha Air emphasises that, 'Buddha Air provides medical – facilities to its employee, their spouses and up to two dependent children, which is not mentioned in the staff's SOP, and also loan worth Rs. 50,000 to lower income employees, without charging any interest and deducting from their salary in a year's time.' As Knorringa precisely states, 'it is often implicitly assumed that economic upgrading in value chains automatically translates into social upgrading through better wages and working conditions' (Knorringa and Pegler 2006: 476).

Basnet says that to implement and follow good governance, Buddha Air has a separate Quality Management Department. Besides providing mandatory training programmes to the pilots, it provided additional trainings to their technical staffs and higher educational opportunities to the non-technical staffs'.¹³ He further states that, this is quite a commendable act to be initiated on behalf of an institution, which generally is not practiced by other corporations, especially when it comes to monitory matters which do not directly relate to the economic benefits of the corporation. The management facilitates and prioritises the welfare of the staff, they exercise positive discrimination while hiring the staff, by giving priority to the qualified educated children of the lower level staff and because of which, the management proudly say that 'the staff are fully motivated and get the opportunity to advance themselves and upgrade their positions'.¹⁴

I asked Shrestha, a female staff working with Buddha Air - to whom Buddha Air had provided the opportunity to participate in a Buddha Air sponsored professional management course, about the CSR. She knew very little about it, but then I asked her how she was treated and where does she see herself in the future? She states that 'the work is challenging, Buddha Air has equipped me academically and appreciates my work. I have been promoted to a managerial level; I am an empowered woman now, so why should I have any issue competing even with my male colleagues? I can see my

¹³ Interview with B. Thapa at Kathmandu (28 June 2015)

¹⁴ Interview with B.B. Basnet at Kathmandu (19 June 2015)

future as a senior manager soon, but the only thing I need to do is to be creative, dedicated and be sincere towards my work'.¹⁵ This proves Knorring's typology of a win-win situation where Buddha Air treats and motivates its staff, and in return their performance level responds with positive impact to the corporation.

When I further asked Basnet about the CSR of Buddha Air, he confidently expressed that though initially he was solely bounded by the profit making motives, as there was a huge loan to reimburse, after the company started prospering, he took a bold step to venture out and put his and his family's profit at stake for the welfare of the society and to upgrade the livelihood of the rural farmers.¹⁶ Hence, the economic upgrading guided the social upgrading, and the social upgrading complemented the economic upgrading; however, this is not the end of the road. My logic is, economic and social upgrading can only be inclusive when it is complimented by sustainability, which will be discussed in the later chapters.

2.1.3 The CSR Pyramid

Apparently, along with the definition, the main concept of CSR started from the 'Three Concentric Circle' in the 1970s with the vague conception of indulging in improving social environment rather than just making profit. Even though some of the scholars argued on shifting CSR to corporate social responsiveness, which emphasised corporate action, pro-action and implementation of a social role, this could not answer the economic and social orientations. Carroll in 1979 developed a four-tyre configuration of CSR to elucidate the fact that a corporation does not only have economic, legal and ethical obligations, but philanthropic responsibilities as well. It is upon these four components that the Carroll's CSR pyramid is based on (fig. 2) and provides the backbone to my research framework.

¹⁵ Interview with R. Shrestha at Kathmandu (28 June 2015)

¹⁶ Interview with B.B. Basnet at Kathmandu (19 June 2015)

Fig. 2 *Carroll's Pyramid of Corporate Social Responsibility*



Source: Carroll, 1991

Economic Responsibility is the base and the main objective of all business corporations. Its duty is to systematically organise the company to expand its business and upgrade the profit so as to make it sustainable. This is the foundation for a corporation's strength, for which the shareholder and management team strive.

Legal responsibilities need to be followed, whether nationally or internationally. The code of conduct has to be followed and taxes need to be paid on time; though many companies try not to.

Ethical responsibilities are difficult to measure, as it is difficult to say what is right and wrong, as it is not coded by the law, but its importance still prevails. The difference between those two values gets blurred with the global interconnection between nations and cultures. Corporations should balance as per situation and avoid confusion and harm.

Philanthropic Responsibilities are undertaken with the positive intention of giving back to society from where the corporation has gained. Here the communities become the beneficiaries. It's not only profiting for the shareholders, but fulfilling the social obligation towards the stakeholders.

Fauset however strongly argue that, 'CSR is an effective strategy for: bolstering a company's public image; avoiding regulation; gaining legitimacy and access to markets and decision makers; and shifting the ground towards privatisation of public functions. CSR enables business to propose ineffective, voluntary, market-based solutions to social and environmental crises under guise of being responsible. This deflects blame for problems caused by corporate operations away from the company, and protects companies' interests while hampering efforts to tackle the root causes of social and environmental injustice' (2006, Preamble). She further goes on accusing that, 'CSR was, is and always will be about avoiding regulation, covering up the damage corporations cause to society and the environment and maintain public co-operation with the corporate dominated system' (Fauset 2006: 2).

Knotting Carroll's concept with Buddha Air, it can be observed that the CSR initiation has fulfilled the economic, legal and ethical responsibilities. Moreover, as per economic responsibility, Buddha Air is doing very well for itself. It has been managed in such a way that it has not only survived to fight the competitive business world, but has expanded dramatically. It distributes dividends to shareholders and bonuses to the staff in regular intervals (Nepali Times 2011). Following Carroll's CSR concept, the corporation with the CSR as its guiding philosophy is expected to behave responsibly and adhere to the rules and regulations of the country. As Shah says, 'the corporate must behave and function as a responsible member of society just like any natural person or human being' (Shah 2012: 33). In this regard Buddha Air fulfils its legal obligation; it keeps within the government regulations and pays its taxes on time. Corporations are seen avoiding taxes and trying to evade taxes through illegal means. They use their means and resources to establish offshore companies to move their tax residence to a tax haven, which is generally happening throughout the world and captures newspaper headlines from time to

time. When I asked Basnet about how he manages the combination of economic, legal and ethical responsibilities, he states that lots of corporations these days try to take short cuts and seek tax havens, but it is always better to be a good corporate citizen, have transparent book-keeping, work hard for reliability, be honest to yourself, and above all give respect to the customers.¹⁷ Bowie assumes that ‘corporate taxes are not sufficient payment for the corporations’ share of these resources, therefore corporations have a duty out of gratitude to help solve social problems’ (Bowie 1991: 58). It is not only a matter of social problems, but basically of being a good corporate citizen. Enquiring about the difficulty in following government rules, Basnet says, ‘rules are meant to be followed; Buddha Air in this matter is complying with the government rules and regulations and is even awarded for being one of the consistent and highest tax payers among Nepalese corporations’.¹⁸

Furthermore, the philanthropic work undertaken by Buddha Air is commendable and has further gone beyond just philanthropy. It is supporting the community and the beneficiaries of farmers by helping them raise their productivity and income and create wealth for themselves, which has improved their livelihood resulting in a better living standard. This will be elucidated in the following chapters.

However, coming back to Fauset, she calls CSR ‘a cheap vehicle of advertising’ (Fauset 2006: 12). Fauset’s argument is that corporations can only be ‘socially responsible’ if they are being insincere. In this matter, I agree with Fauset to some extent, but my disagreement with her sweeping comment is that, being sincere to the welfare of the corporation goes hand in hand with being sincere to the society you live in. The CSR of Buddha Air will be examined to see if it can be an exception to Fauset’s remarks.

With debates, misconceptions and mishandlings of CSR by the corporations and the critics, this research examines the CSR of a Nepalese airline - ‘Buddha Air Private Limited’ - and the role it has been playing through its CSR. It will observe how Buddha

¹⁷ Interview with B.B. Basnet at Biratnagar (28 July 2015)

¹⁸ Interview with B.B. Basnet at Kathmandu (19 June 2015)

Air is implementing its CSR and whether the CSR is just rent seeking, or is actually reciprocating to the society, along with the question of its sustainability.

Besides all these concepts being intertwined among each other, there is one particular gap which can be seen in the literature. All concepts are based on upgrading and a win-win situation; but what about its *sustainability*? This will be addressed at the latter part of the research paper.

Chapter 3: Corporate Social Responsibility of Buddha Air

This study will examine the CSR programme initiated by Buddha Air and the typology it has followed. It will observe who is benefitting – the airline, cooperatives, farmers, or any other institutions? Is it rhetorical façade, or is it actually reciprocating towards the society? The research will find out what exactly Buddha Air is doing through its CSR initiative, and above all it will investigate whether the CSR is philanthropic, and at the same time most importantly, is it sustainable or not?



Source: Buddha Air website

Since Buddha Air's CSR is dealing with the agriculture sector, which is completely dissimilar from the airline business, it is different to CSRs initiated by other corporations, as most of them are involved in philanthropic works, but not in the sector of agriculture. However, there is always a ricochet when an initiative takes place, as the support in agriculture is also favourably supporting the livelihood of the farmers. Along the lines of

Jenkins (2005: 531), I am putting forward that ‘although poverty reduction has not been an explicit element of CSR, this does not necessarily mean that the adoption of socially responsible business practices has no impact on poverty in developing countries’. This research will also demonstrate the intertwined relationship between poverty and the CSR of Buddha Air. It will show the change from the traditional discourse of CSR involvement in the agriculture sector and further elucidate the reality of the beneficiaries in poverty alleviation activities.

3.1 Background

In the course of my research and interviewing Basnet, I realised that Buddha Air, like other corporations in Nepal, started its ‘so called’ CSR with minor initiatives of promoting staff welfare activities, and writing charity cheques for some sports and social activities. I label it as ‘*so called*’ because when I asked Basnet what CSR meant to him before he started the agriculture project. He said he was writing cheques and donating in bits and pieces to non-government organisations and many other institutions, particularly to those working in the field of welfare, sports, media and political sectors, just to please them rather than for any other reason. However, people were still not happy and wanted more; and those who did not receive even got angry.¹⁹ ‘Giving more does not satisfy the critics - the more companies donate, the more is expected of them’ (Porter and Kramer 2002: 5). Hence, it can be claimed that Buddha Air’s CSR then was more of a rhetorical façade than actual reality. However, things changed as Buddha Air started becoming economically more affluent.

3.2 The Origin - Why Agriculture?

This sub-chapter will deal with the second objective or the sub-question of my research of finding out aviation sector’s fusion with the agriculture sector; which is not only

¹⁹ Interview with B.B. Basnet at Katmandu (19 June 2015)

surprising, but it is a total divergence from the traditional way of doing CSR. The main reason for the agriculture sector to be chosen for Buddha Air's CSR started from the vision taken by Basnet. When asked about the driving factor for taking his CSR into the agriculture sector, where no one has ventured, Basnet clearly elaborated that it was his dream of transform his passion into reality, his obsession for the agriculture sector, and to do something substantial for the farmers. He further said that his vision took its roots from the days he was farming himself, before he stepped into the airline business. He lived together with the farmers for more than a decade and felt their poverty. He has experienced the precarious working conditions himself, along with these farmers, but also sees the potential in the agriculture sector and wants to bring about a paradigm shift. 'I want to assist the farmers to raise their production through mechanisation of farming procedures, minimisation of human and financial resources, and making them equipped with managerial knowhow. I want to see them sustain themselves and work out of extreme poverty'.²⁰ 'Strategic investments in the agricultural sector can have transformative effects. Higher crop yields not only lead to improved livelihoods for farmers, they also increase demand for goods and services in rural areas, giving rise to new opportunities for economic development. They may also lead to lower food prices, reducing the cost of food in household expenditures and creating markets for other sectors of the economy. Agricultural research is a public good and tends to be underprovided by the private sector' (UNDP-HDR 2013: 69).



Demonstrating innovative technology and interaction with villagers

Interaction with the beneficiaries 24 Jun. 2015

Source: NKC

²⁰Interview with B.B. Basnet at Kathmandu (19 June 2015)

According to Basnet, the other reason why the agriculture sector was chosen was due to the fact that Nepal's economy is dependent upon agriculture and still two-thirds of the population depend on agriculture for their livelihood. Since 'agriculture has a key role in promoting growth and poverty reduction, as the second greatest source of value-addition in the economy, and is the largest source of employment and poverty reduction. It makes up over one-third of the GDP while employing over three-quarters of the population' (The World Bank Report 2014: 10); hence, it is very important to invest and groom the agriculture sector to support the development efforts of Nepal.



Traditional way of weeding in the capital -20 Jul. 2015 Mechanised way of weeding in *Tanmuna* Village 16 Jul.2015
Source: Author's own

However, agriculture has become the least preferred profession, especially for men, primarily because farming is a laborious work and it is neither financially rewarding nor exciting. Most of the male agricultural labourers have migrated to urban areas and overseas for work. Statistics show that there is an average of 4.88 persons in a household and 1 from each household is absent or living out of the country (National Report 2012: 3). When Basnet was questioned about mechanisation, he says, 'The experience from the developed nations shows that profit from the agriculture sector can only occur if subsistence agriculture is transformed into commercial agriculture and is handled by a minute percentage of its population. Nepal used to be self-sustainable at one time, but now it has to import even rice from India to meet the day-to-day needs of its

population’.²¹ ‘Rice imports from India rose 127.5 percent to Rs 2.66 billion in the first two months of the fiscal year 2014-15... Despite a rise in paddy production in the country, rice imports from the southern neighbour have not come down. In 2013-14, the country imported rice worth Rs 12.37 billion, a rise of 46.4 percent year-on-year’ (The Kathmandu Post 2014). In most of the places of Nepal, the traditional form of agriculture is practiced. This is not only due to poverty, but lack of education and management know-how. It is ironic to say that despite having financial resources and living in the capital (Kathmandu valley), people are not confident in using modern technologies and confined to traditional forms of doing agriculture. They are still planting seedlings, weeding and harvesting in old fashioned ways.

3.3 The Setup

Answering my question on the setup of Buddha Air, Basnet elucidated that ‘Buddha Air was a private airline company based in Nepal; and since its establishment in 1996, it has been providing services and has risen from a small company to become one of the largest domestic air operators in Nepal. ‘Buddha Air operates from Kathmandu linking 11 domestic destinations and one destination in India. Currently it is equipped with 8 aircrafts of different capacity - three ATRs (72 seat), three ATR (42 seat) and 2 Beech 1900D (19 seat). To run the service efficiently, the corporation is equipped with 750 staff and we are initiating CSR programme through Nepal Krishi Company (NKC)’.²²

3.3.1 Nepal Krishi Company (NKC)

Interviewing Jha, the General Manager of NKC, about the establishment and working field of NKC and the Cooperatives; he elucidated that, NKC²³ was a non-profit distributing company and was established in 2012 with the objective of working meticulously in the agriculture sector and to help launch the CSR of Buddha Air. It is

²¹ Interview with B.B. Basnet, at Biratnagar (28 July 2015)

²² Interview with B.B. Basnet, at Kathmandu (19 June 2015)

²³ NKC makes profit for its sustainability but does not distribute it among its board members

working initially in 4 eastern districts of Nepal; namely *Morang*, *Sunsari*, *Jhapa* and *Saptari*; to increase the agricultural output and raise income of the farmers by organizing fragmented landholdings into cooperatives and assisting them with appropriate technology transfer through mechanisation, assisting them with agriculture loans, and creating storage facilities and grain banking.²⁴

Furthermore, asking him about the difficulty NKC faced while implementing the programme. He explained that it was a big challenge to initiate CSR in the agriculture sector as the rural farmers were not very receptive to undertaking innovative concepts. They lacked both funds for investment and experience to understand the concept of mechanisation. However, the best part is Buddha Air playing the catalyst by bringing the machines for demonstration; and only when the farmers were convinced, they then mediated the purchase of the machines. When the production level of a few farmers was seen increasing, then the others gradually started following them.



Mechanisation-Combined Harvester

Source: NKC

Buddha Air underwent many trials and errors initiating various mechanisation activities in different cooperatives and finally started implementation of its CSR through *Nepal Krishi Company* (NKC) in 2012, with professionals from various walks of life and Basnet himself serving on the Board of Directors. The company was responsible for meeting the demands of the Nepalese farmers of the four districts and facilitating them with

²⁴ interview with V. Jha, at Biratnagar (24 June 2015)

mechanisation and the appropriate technology.²⁵ With the introduction of new technology, the farmers had to revise their traditional farming techniques and start learning and initiating with innovative technology.

Jha further claims that early on the farmers were sceptical about using the machineries, but now they themselves say that it is impossible to imagine the world without technology, as ‘technology is an essential aspect of human activity, and hence, of development’ Wilson and Heeks (2000: 403). Mechanisation and technology transfer were the main objectives of the NKC to increase the productivity of the farmers. Jha further stated that the other objectives were as follows:

- Assist in the formation and management of farmers’ co-operatives
- Assist cooperatives in accessing bank loans to procure mechanical implementations
- Assist cooperatives in adopting appropriate technology in planting and harvesting methods
- Assist the farmers with fertilizer application, seed preparation, irrigation, pest control, and soil testing
- Mobilize the collective strength of the cooperatives to ensure timely availability of fertilizer and other inputs
- Organise cooperatives to build storage facilities for their produce, including helping secure subsidies for the same

3.3.2 Cooperatives

Furthermore, Jha informed that there are 31 agriculture related cooperatives, from 4 districts, working in affiliation with NKC to fulfil the said objectives. He added that, ‘cooperative movement has played a key role in the local development sector of Nepal, especially in the sector of agriculture and poverty reduction; by combining the assets together of the rural poor and providing them with access to the market’.²⁶

²⁵ Interview with V. Jha, at Biratnagar (24 June 2015)

²⁶ interview with V. Jha, at Biratnagar (24 June 2015)

3.3.3 Beneficiaries

Beneficiaries are the farmers who are participating in the programme. After visiting the field it was found that most of the beneficiaries are members of the cooperatives. Interviewing Rai - Member of Tankisinwari Agro-commodity Marketing Cooperative Limited - I asked him about the membership record and the minimum requirement of a cooperative; he says, 'each cooperative has at least 150 members and his cooperative has 268 members.'²⁷ If an average of 200 persons per cooperative is taken, then Buddha Air's CSR is facilitating 6,400 members. Each individual represents a household; and each household has an average of 4.88 persons (National Report 2012: 3), that would add up to 31,232 beneficiaries in total. Bhanari, the supervisor from NKC, further elaborates that 'the farmers who totally depend upon their respective cooperative, generally live under the subsistence level whereas as those who can afford to take loan and repay back, live in slightly higher than marginal subsistence level'.²⁸

Therefore, to revolutionise the agriculture sector and to make it self-sufficient, Buddha Air, through Nepal Krishi Company (NKC) – a Not-Profit-Distributing Company and various agriculture based cooperatives – is dedicating their CSR endeavour focusing on cereal crop production in the 4 districts of the eastern plains of Nepal and through the CSR of Buddha Air. A magazine *Kishan Sandesh* (2015: 1) claims that, 'production has risen by 30-35 percent'.

3.4 Working out of Poverty Trap

This and the following sub-chapter will deal with the third objective or the sub-question of my research, finding out what exactly Buddha Air's CSR has done for the beneficiaries to help them with their livelihoods.

²⁷ interview with B.K. Rai, at Biratnagar (4 August 2015)

²⁸ interview with K. Bhandari, at Biratnagar (4 July 2015)



Tanmuna Village, 16 Jul. 2015

Source: Author's own

‘Despite some progress in poverty reduction in recent years, Nepal remains one of the poorest countries in the world, with a Human Development Index of 0.463, placing it 157th out of 187 countries’ (Rural Poverty Portal n.d.). According to 2010/2011 census and The World Bank Report 2014, Nepal still has one fourth of its population living on less than \$1.25 a day. The growth level is as low as 5.48 percent and per capita income just USD 720. The country is surviving on remittance, which is one of the highest in the world, as in 2013 it was as high as 29 percent of GDP (The World Bank Report 2014).

Moreover, poverty has many definitions and measurements. Laderchi gives four perspectives for the definition of poverty - ‘the monetary, capability, social exclusion and participatory approaches... review of the different approaches to the identification and measurement of poverty makes clear that there is no unique or “objective” way of defining and measuring poverty’ (Laderchi 2003: 243).

Fig. 3 *Laderchi’s 4 concepts on the Definitions of Poverty:*

<u>S</u> <u>N</u>	<u>APPROACH</u>	<u>FOCUS</u>	<u>DEFINITION</u>	<u>UNIT OF ANALYSIS</u>	<u>POLICY</u>
1	Monetary	Resources	External	(individual) household	Growth (& Distribution)
2	Capability	Outcomes	External	Individuals	Social Service & Income
3	Processes	Processes	External	Social group	Anti-discriminatory Reform
4	Resources & Outcome	Resources and Outcome	Internal	Communities	Employment

Source: ISS Poverty Class, 2014-15

Even Laderchi is not sure which one to follow; as she mentions that poverty has many aspects - economic, social, political etc. As Woolcock states, the reason for being poor can be assumed that 'certain groups are consistently and persistently excluded from the development process' (Woolcock, 2005: 112). I take a simple definition of 'poverty'. Poverty to me as described in Merriam-Webster dictionary - 'the state of one who lacks a usual or socially acceptable amount of money or material possessions' (Merriam-Webster Dictionary 2015).

Since there was no survey initiated by Buddha Air or NKC on the economic status of the beneficiaries; I am relying on my interview method of data collection. Due to this fact, it is difficult to compare the growth of the beneficiaries quantitatively. However, most of the beneficiaries are deprived of basic opportunities and belong to the marginalised community; they are poor, lack of health and sanitation facilities. They mostly live in mud houses and most of them have to work on a daily basis to earn their everyday living. After conducting interviews with the beneficiaries and NKC, it was learned that the farmers were incorporated within the membership of the cooperatives, as it was beneficial for them to work collectively rather than work individually.

Moreover, by getting incorporated into the programme they have gained a lot, which has made a difference to their earnings and lifestyle. I asked Jha of NKC about how he can reflect upon the outcome of the programme. He explained that mechanisation has made a tremendous impact by increase in production, decrease in the expenditure, finishing work on time, gathering and storing the harvest safely, and even saving cost on agriculture labour. This scenario has equipped the farmers to match the demand for daily household goods, paying medical fees, buying educational materials for the children, repaying debts to the money-lender, investing more on seeds and making some savings for emergency use. He further stated, 'the programme has brought about 60% gain for the beneficiaries and they will be debt free in no time. The farmers used to lose 20% of their grain while harvesting by traditional methods and 10% of the grain used to be eaten by the mice, due to lack of storage facility. Now they have a harvester to harvest and storage facility for

the grains'.²⁹ Whatever said or done, these effects and consequences simply prove the effectiveness of the CSR, and to a major extent, poverty alleviation of the farmers.

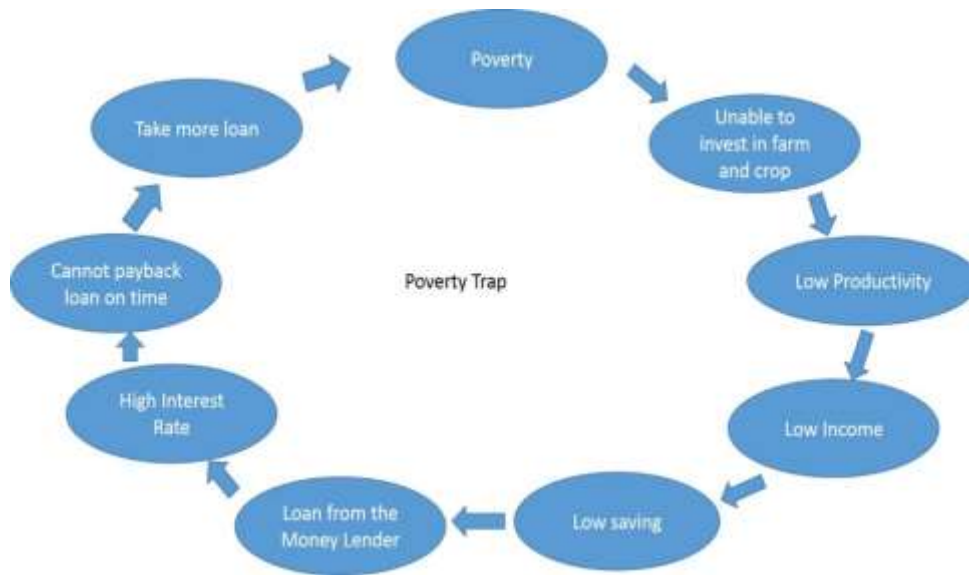
In addition since agricultural sector is the backbone of Nepal's economy. 'It offers employment opportunities to 66 percent of the total population and about 33 percent of GDP is contributed' (Agriculture Development Ministry, 2015). Therefore, development of the agricultural sector is equally important for the development of the national economy. I asked Chaudhary, who is one of the active beneficiaries and Chairperson of Biru Dhami Agriculture Organisation-Chimri, about the gain from Buddha Air's CSR and he happily described that though it has only been a year since his cooperative has been involved, he is thankful to Buddha Air for launching such a wonderful programme for the farmers; which otherwise the government should be initiating. The cooperative has invested in buying the whole set of machineries including tractor, rotovator, trolley and harrow, from which the gain has been substantial.

He further stated that it is not only a matter of gaining for the time being, but at the same time taking care of the assets and generating continuous profit to become self-sustainable.³⁰ 'Poverty reduction has been identified as an integrated development approach. In spite of huge potentialities, rural areas have weak domain of transferability. Weak domain of transferability can lead to persistent and chronic poverty' (Bharadwaj 2012: 120). This concept of self-sustainability is the strong foundation for poverty alleviation. Training the farmers and building their confidence is equally important. The poor farmers have fragmented land holdings, which do not sustain their families, and they are always dependent on the money-lenders for their bread and butter. It is always the loans that suppresses the farmers and bogs them in the vicious poverty trap cycle (fig. 4); which reinforces it from generation to generation if not broken. Wilson and Heek show an important dimension of being poor is that 'one survives in a risky environment, and certainly one's sources of livelihood are continually at risk' (2000: 421).

²⁹ Interview with V. Jha, at Biratnagar (24 June 2015)

³⁰ Interview with P.K. Chaudhary, at Biratnagar (9 Aug. 2015)

Fig. 4 Poverty Trap Cycle:



Source: Author's own

However, to work out of this poverty trap, there are two points in which interventions are possible and that can discontinue it from passing on to the next generation. The first one is the introduction of new technology and cheaper modes of production with higher yield; the second is by providing support to the poor farmers through loans on working capital and availing machinery so that the production can cover the interest and at the same time the farmers can save some of their earnings. Both have to come together simultaneously and this is exactly what the Buddha Air's CSR programme is working on.

Through mechanisation, CSR programme is introducing easier ways of farming with cheaper production costs and higher yields. I asked Tharu, a beneficiary, why he was not utilising the local manpower from the village to harvest and for plantation. With frustration, he answered, 'there are only old people, children and women left in the village. Most of the youth have migrated for work and the remaining ones are not interested in agriculture'.³¹ 'Lack of economic opportunity and conflict has prompted many of the most productive members of rural households to migrate from Nepal in recent years' (Nepal Rural Poverty Portal, 2015). 'The percentage of absent population in the 2011 census reflects a surge in number, with an increase of 152 percent in absolute

³¹ Interview with S.L. Tharu, at Tanmuna (2 August 2015)

terms and accounting for 1,921,494 people, or 7.3 percent of the total population’ (A Status Report for Nepal, 2103/2014). Similarly, Chaudhary, an educated farmer, expressed that ‘we do not want onetime charity but rather want to be equipped so that we can stand on our own legs, even after the project gets over’.³²

Chaudharys’ statement impressed me. Though many assume philanthropy as charity, there seems to be a difference in understanding. Charity is more of giving some money or services to relieve pain, and philanthropy is more of an action that solves problems. Oprah Winfrey, in an interview in Forbes 400 (2014), claims philanthropy as ‘the power to give back to the society’. Sustainable philanthropy is neither the charity of giving fish to the poor, nor is it just teaching them how to fish for their lifetime, but rather it is giving fish as a meal so that they can survive and teaching them how to fish by providing them with a fishing rod.

Furthermore, NKC is also working with the banks and providing loans to the cooperatives so that the farmers have the working capital to invest. Pradhan, Directors of NKC, claims that, ‘cooperative is not a new concept and has a very bad history in relation to fiscal responsibility of not paying their loans and dues but making banks to trust the cooperatives was a new concept where a platform was created by NKC; and now both cooperative and farmers are trusted by the bank’.³³

Fig. 5 *List of machineries purchased by cooperatives through Buddha Air*

SN	MARCHINARY	NO.
1	Tractor	43
2	Rotovator	42
3	Trolley	19
4	Leveller	18
5	Cultivator	23
6	Harrow	5

Source: NKC Website

³² Interview with R. Chaudhary, at Tanmuna (8 July 2015)

³³ Interview with K. Pradhan, at Biratnagar (9 August 2015)

However, Parker and Wilson (2000: 87) argue that ‘it may be possible to alter the behaviour of a particular population in such a way as to embrace a ‘new’ intervention; it is often difficult to sustain this response’. Hence, to make it possible for the farmers to overcome the generational poverty trap and break the vicious cycle of poverty, which has been making poor families become even more impoverished, Buddha Air’s intervention through their CSR concept, has made the farmers self sustainable. Corporations, through their CSR programmes, generally work in the sector for environmental protection and community development, but may be very few have worked for poverty alleviation of the farmers. This is what challenging and overcoming the traditional discourse is all about. By the time the programme is self-sustainable, it will be a trend-setter and a pilot programme which could be replicated in other parts of Nepal and globally.

According to Majhi, President of *Samjhana Cooperative*, who is a beneficiary himself, with the introduction of mechanisation in agriculture, on one hand it has helped increase production by 25 percent, and on the other hand, the cost for production has decreased by 25 percent. This has been an amazing scenario which has substantiated agriculture growth and raised the income level of the beneficiary farmers. The income has helped upgrade the living conditions of the farmers by being able to pay the educational expenses of their children and meals for their families without difficulty. It has helped the farmers with their medical needs and clothing expenses. Majhi could even afford small silver jewellery for his wife. He is happy and grateful with what is happening to him and his family.³⁴

3.5 Poverty Alleviation through ‘Women’s Empowerment Programme’ (WEP)

Even though poverty alleviation has been the main focus of development in Nepal, and as poverty does not have a clear definition, it makes it complex to judge the way people are

³⁴ Interview with N. Majhi, at Tanmuna (8 July 2015)

living and being called poor. The World Bank Report 2014 shows that in Nepal there is drastic downfall in the poverty headcount ratio at USD 1.25 a day (PPP) from 53.1 percent in 2003 to 23.7 percent in 2014.

Similarly, like the impoverished, women in Nepal have been the issue of development concerns and have progressed socio-economically, but they still need to get into the mainstream of development activities. Nepal has a dominant patriarchal culture and society. Communities play a significant role in the ways male and female are treated. As Bujra (2000: 226) points out, men's activities are more publicly valued and 'this can be seen as evidence of the universality of male domination'. To overcome the culturally embedded challenges of women- not able to do men's job and to develop an innovative practice discourse through the CSR programme of Buddha Air, NKC has involved women in one of the segments of its agricultural activity. The programme was to prepare and produce seeds in a mechanised way and then to sow them using planters. Later, at the growing stage, the weedier is to be used to pluck the unwanted weeds and then to cut them using a harvester. These type of activities are very systematic and mechanised, and always done by male, not female.

To challenge this discourse, NKC started by selecting 15 women from *Tanmuna* and its neighbouring village for its 'Women Empowerment Programme' (WEP). These women belonged to marginalised, backward tribe and very poor community. They relied on daily wages for daily meals. NKC systematically trained them so that the women could use the machineries. The women did an excellent job. They got trained and started using the machineries with very little difficulty; they planted the seeds and grew them on the trays, the way it is done in a nursery, drove the planter to plant the seeds and used the weedier to pluck the weeds. Next is use of the harvester, which is quite a difficult task. So except the harvester, the entire process was handled smoothly.

Moreover, I asked Chaudhary, one of the woman trainees, about how precarious the work was and how she was managing home and works at the same time? She smiled and reflected that she had to ride bicycle for 2 hours to come for work every day; and 2 hours

to return back home. She claimed, ‘since we have a decent work place and the motivation of the stipend, we do not mind working even for long hours. The work is not precarious. I am very happy and do not mind cycling 4 hours every day. I do not have enough to feed my family if both of us - husband and wife - do not work. Hard work was when I did not get the daily wage work to support my household, as the work was not available 7 days a week; but since I joined WEP I enjoy my work. I get paid on a monthly basis, just like a government service holder, and my wage does not get deducted, even on holidays.’³⁵ NKC is providing her with a stipend of Rs. 6000/- (Euro 54 per month), which is quite a significant amount for a trainee. Earlier, most of these women worked on a daily wage basis and would get Rs. 250 (Euro 2.2) per day, but the problem was that they had to work under the sun the whole day and work was precarious; and above all the work was not always available.

I further asked Chaudhary to explain the economic condition of her household and what she is doing with the income. Without any reluctance, she said, ‘we used to eat one meal a day but since I have joined this training we get to eat two meals a day. The stipend which I get now is helping me with everyday food, stationary for my children, medicine and household items. Earlier I could barely afford; all the money went on food and that too was not enough’.³⁶ Dewan, who was standing and listening, agreed on the fact and claimed, ‘we all face the same problem’.³⁷ All the other 13 standing there shook their heads in agreement. In my point of view, this is what poverty alleviation is all about. It is not about drawing the USD line somewhere, but rather fulfilling the very basic needs of the ones who otherwise could not have been able to afford to meet their basic needs.

Furthermore, the sexual division of labour has always been rooted firmly within the gender hierarchy, especially in the rural areas of Nepal. For same work men get double the amount than women. When asked why there was a disparity of wage, Sah expressed that, ‘it has always been happening this way in our society. Actually, it is the women who are more committed towards their work with dedication. They are hired as cheaper labour

³⁵ Interview with S. Chaudhary, at Tanmuna (8 July 2015)

³⁶ Interview with R. Chaudhary, at Tanmuna (8 July 2015)

³⁷ Interview with S. Dewan, at Tanmuna (8 July 2015)

force and are usually not given machinery to work with'.³⁸ This shows how gender can impede development for women. NKC, however, is bringing a change to this traditional discourse.



Women prepare paddy seeds to sow by using Planter

Source: NKC

Moreover, Jha claims that, ‘now these 15 trained women would become the ambassadors for change’.³⁹ It is foreseeable that in the future women could be more in demand for work. The trained women would be hired by other farmers and would be paid as par with their male co-worker.

The CSR of Buddha Air has not only proved as a great transformation in the society but has also helped to bring about change in the whole socio-economic paradigm of the beneficiaries. However, since CSR is not mandatory in Nepal, the way in which social responsibility is interpreted varies from institution to institution.

³⁸ Interview with D.K. Sah, at Tanmuna (8 July 2015)

³⁹ Interview with V. Jha, at Tanmuna (24 June 2015)

Chapter 4: CSR in Nepal and its socio-eco dynamism

‘When looking at Nepal, there is a long history of cultural and religious giving practices. The cultural and religious context must be explored in regards to giving, as they influence Nepali corporations’ usage, understanding and implementation of philanthropy and CSR’ (Koop 2014: 4). Socio-eco dynamism along with the cultural backdrop does play a vital role on the CSR of corporations; social responsibility has always been embedded in the culture of the Nepalese people, whether it is in an individual, a large family or even a small business setup. All of them try to follow the philanthropic deed either culturally and/or religiously and provide services for the welfare of the society through cash or by kind.

In the name of religion and the superstitious belief of acquiring a place in heaven, philanthropic deeds are conducted by the Nepalese. People felt and still feel that good deeds for the society would lead the path to heaven. ‘In the context of Nepal, one can go back to the Licchavi period (400 – 750 A.D.) to find very clear examples of corporate social responsibility (CSR) in the form of philanthropic contribution such as constructing ‘dharma-sala’ or a temple. The belief transcends from the religious belief of the potential punishment the person will have after his death (in ‘Narka’ – the hell), if he exploits too much, and the reward he will enjoy after his death (in ‘Swarga’ – the heaven) if he makes some social or religious contribution’ (Legal, as cited in Chapagain 2010: 9). People would spend their earnings for the benefit of the society. They would build schools in the name of their parents, or construct drinking water facilities in the name of their deceased family members.

However, the corporate sector is a new concept to Nepal. Nepal has only a few big corporate houses and industries. There are hardly any corporations which have actually implemented long term social programmes. The study undertaken by Upadhyay and Dhungel on CSR, especially in the banking sector, which is the most advanced business sector of Nepal, ‘found that CSR is not mandatory in Nepal and all the banks that have made the disclosure of social responsibility have done it in voluntary basis’ (Upadhyay

and Dhungel 2013: 61). This again proves that CSR is more of a philanthropic short-term act, but not sustainable. In general, for business houses in Nepal, it is more of a matter of struggle and survival than a full-fledged business setup; which makes for very few corporations entering a CSR initiative. Even those who have given it a try have taken it as short-term charity work rather than long-term philanthropy or welfare activity.

Though 'good governance is synonymous with sound development management' (Potter, 2000: 379), the government of Nepal does not have a CSR friendly policy. There is neither any motivational inclination for the corporations to undertake the philanthropic work, nor is there any tax rebate so that corporations can integrate their CSR in their managerial framework. 'Present legal acts are not sufficient to make corporation socially responsible. Few laws related to this area like Income Tax Act 2058, Industrial Enterprises Act 2049, Labor Act 2049, Consumer Protection Act 2054, Company Act 2063 etc, are scattered. So they need to be unified and rearranged the demand of our time' (Shah 2012: 36). India has recently introduced clear specifications along with reporting and transparency on CSR. It has even allowed for CSR spending in *Swachh Bharat* and *Clean Ganga*, which would give the corporations tax concessions if they invest through their CSR. They have made CSR mandatory for specific corporations. Nepal, in this aspect, must learn from its neighbouring country's initiatives. It can utilise India's model⁴⁰, which could be applicable or modified to suit Nepal. Different corporations have different views on this, but public-private partnerships (PPP) are very important in this new era where pooled resources can be brought together 'basket funding' to initiate some fruitful activities from government, non-government agencies, civil societies and private sectors. It is basically bringing different

⁴⁰Under the [Companies Act, 2013](#), any company having a net worth of rupees 5,000 million or more or a turnover of rupees 10,000 million or more or a net profit of rupees 5 crore or more should mandatorily spend at least 2% of last 3 years average net profits on CSR activities as specified in Schedule VII of the Companies Act, 2013 and as amended from time to time. The rules came into effect from 1 April 2014. as per its notification on August 13, 2012, has mentioned that enterprises are accountable to the larger society and "adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance". SEBI has mandated the inclusion of Business Responsibility Reports as part of the annual reports of the Top 100 listed entities based on market capitalisation at BSE and NSE.

parties together, as one single agency is not resourceful enough for sizeable funding and quality delivery. On my query on government's role regarding CSR, Regmi from Yeti Airlines expressed that since Yeti Airline's CSR initiative is its own baby and the expenses are spent from its own profit, the government should not have any say on this. He says 'neither should it be governed nor should it be regularised'.⁴¹ 'CSR does not necessarily imply more regulation and less liberalisation, in fact a closer examination of what CSR proponents are saying will reveal that the key point is not the pursuit of profits per se but how profits are made. Therefore, in some cases further liberalisation makes sense as does de-regulation if both are carried out in a socially responsible way' (Hopkins 2012: 119).

It is always better for the government not be there only to police the corporations, but instead to facilitate and encourage them to become corporate citizens. 'It may also be timely for the Nepalese government to consider introducing a social performance index and tax benefit or incentives for companies to benefit from such moves' (Chapagain 2010: 19). As the laws are bounded within geographical boundaries and business highly globalised has made it difficult for the government to monitor, evaluate and assist the corporations for positive results. It has become even more important than before for the government to come up with a refined and clear policy on CSR and make it mandatory for those corporations which are generating more than a certain limit of profits continuously for more than three years in a row. It should bring the scattered taxation acts together to form and execute one suitable act. This should not, however, be applicable for small corporations that are struggling for existence or making small profits. The mid and the small corporations which are delivering their so called CSR on their own free will should be left alone as the government does not need to develop any monitoring mechanism and spend their fund effortlessly; the CSR can simply be incorporated in the audit report of the corporations just to make it transparent. Now-a-days the big corporate houses even produce their CSR reports alongside their annual report and proudly post them on their website to gain admiration from the stakeholders. If any CSR is initiated by any big or small corporations with sincerity and for the welfare of the society, then it

⁴¹ Interview with R. Regmi, at Katmandu (29 June 2015)

definitely deserves to be called a genuine act; in comparison to those CSRs that are initiated to hide taxes and build fake images in-front of the costumers.

Chapter 5: Reflecting on the Theory and Practice of Sustainability

This chapter will deal with the fourth objective or the sub-question of my research on the sustainability of the CSR of Buddha Air. ‘The notion of sustainable development was introduced into the political agenda by the World Commission on Environment and Development through its report (WCED, 1987), also called the Brundtland Report. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs... development is sustainable if it involves a non-decreasing average quality of life’ (Asheim 1994: 4-5). This is the nexus where the sustainability of Buddha Air’s programme coincides with the poverty alleviation needs of the farmers.

5.1 Sustainability of CSR

Sustainability of a CSR is directly connected with it being embedded within the framework of a corporation, so that it can create the synergy and can go along for a longer period of time. CSR funding and its continuity are equally important for CSR to survive. In my opinion, it should at least go on as long as the corporation’s economic climate is favourable, even though CSR is not mandatory. Needless to say, it is difficult to expect philanthropy work from a sick institution, but until now, Buddha Air’s economic climate seems encouraging and it has been generously providing monitory and managerial support to launch the CSR initiative for the rural community which runs parallel with Knorringa’s (2010) upgrading manual. Moreover, at the early stage of NKC, it was totally funded by CSR programme of Buddha Air, but now NKC is on its way towards becoming self-sustainable. It is generating revenue through selling agromachines and technical support services. With the support from Buddha Air, it also

generates funds from the advertisements that are published in its monthly magazine to support six staff and its head office based in *Biratnagar*, service station based in *Tankisinwari* and newly opened field office based in *Tanmuna*.

As CSR is not mandatory in Nepal, it basically depends on the will and desire of the CEO whether to initiate any programme or not. Furthermore, as there are no compulsory government rules and regulations on this matter, it is very difficult to expect sustainability of CSR and that too from corporations whose business is to maximise its profit and minimise its spending.

Furthermore, for any business, sustainability is very important. When the business is economically upgrading and the project is becoming sustainable, the vital question arises about the sustainability of the CSR itself. During my field visit, I found this question very important and interacted with Basnet. He in return expressed without hesitation, ‘the CSR of Buddha Air may stop anytime when the agriculture programme becomes self-sustainable’. Furthermore, he continued, ‘suppose a new MD takes charge of Buddha Air, then s/he may think differently, then also the programme is bound to take a different course, as s/he may not have the knowhow and passion for agriculture, which I have experienced, or even further, s/he may not be interested in the agriculture programme at all’.⁴²

The continuity of the CSR programme and its sustainability is vital for the beneficiaries, but ironically it cannot be mandatory work for the corporation. The CSRs are basically philanthropic deeds exercised by different corporations in different ways. Since business cannot be separated from the rest of society, the way companies behave affects many people, not just shareholders. World Business Council for Sustainable Development has 10 striking messages, out of which one says, ‘business is good for sustainable development and sustainable development is good for business’ (WBCSD n.d.). This is how things should be reciprocated, resulting in ‘win-win’ synergies for development.

⁴² Interview with B.B. Basnet, at Biratnagar (28 July 2015)

5.2 The Variation

Talking to Regmi⁴³ from Yeti Airlines - another leading domestic air carrier in Nepal, about the CSR setup and its sustainability, he claims that they are initiating their CSR by providing matching funds of Rs. 4 per flight ticket of passengers who fly their airlines, and they donate the saved amount - which was Euro 12,632 last year - to professional non-governmental social organisations like Save the Children to implement programmes. The NGOs which are to receive the amount are selected annually. There is also another 'plantation project' which they have launched. Furthermore, Yeti Airlines also funds in bits and pieces to other organisations. To date, they have funded approximately Euro 61,668 since their initiation in October 2006. The CSR initiated by Yeti, though on a small scale compared to Buddha Air, should also be appreciated. This deed is totally philanthropic and even though not on a larger scale, still the society is benefiting from it, and also without any motivation of the government. This programme has been in existence for the last couple of years, making the programme to some extent 'sustainable'. The bottom line is that even though Yeti Airlines is outsourcing its responsibilities but at least the society is receiving the benefit.

5.3 Sustainability as Pyramidion of CSR:

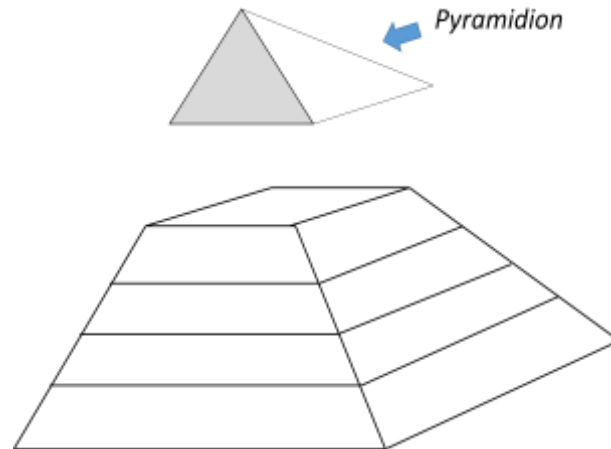
My findings support both Knorringa's upgrading literature on 'where profit increases and so do the social benefit' as well as Carroll's four-tyre pyramid to ensure success and honesty of a corporation. However, I see a small but very important gap between the literatures. Combining both concepts, and to crown Carroll's pyramid, I would like to add 'sustainability' of CSR. 'In essence, CSR is not merely an obligation of business enterprises towards different stakeholders but, more importantly, an opportunity for economic success and sustainability' (Chapagain 2010: 11).

⁴³ Interview with Regmi, at Kathmandu (29 June 2015)

Carroll misses ‘the pyramidion⁴⁴ (fig. 6) of sustainability’- the top triangle of the pyramid, on his CSR figure, as ‘sustainability is nowadays accepted by all stakeholders as a guiding principle’ (Finkbeiner 2010: 3320)

Fig. 6

Sustainability- Pyramidion of CSR



Source: Author's own

Similarly, Knorringa's concept of social upgrading underpinned by economic upgrading does make a point here of linear progression of the progressive nature of a corporation, but again along with stability, to build the synergy, it needs to be guided by sustainability. Philanthropy can only be sustainable when it remains linearly progressive and goes on for a longer period of time.

During my field visit, while interacting with various business corporations in Nepal - airlines, bank, insurance company, transnational company - it was found that though many of the corporations were initiating some sort or the other type of social activities in the name of CSR, unfortunately almost none of them had a CSR programme built within their administrative framework, and none of them allocated any fixed annual budget or stipulated any flat percentage of their profit for their CSRs. Likewise, Buddha Air - with such a remarkable 'state-of-the art' programme - also fails to intertwine its CSR with its administrative framework. The reason I see for a lack of sustainability is due to the fact that CSR is not mandatory. Thus, only with the gold leaf of pyramidion, the rays of the CSR sun can be reflected, and with it corporations can be 'responsible'.

⁴⁴ Pyramidion is the uppermost piece or capstone of an Egyptian pyramid or obelisk in archaeological parlance. Pyramidions were covered in gold or electrum leaf to reflect the rays of the sun.

My recommendation for Buddha Air would be: If Buddha Air wants its social upgrading to go hand in hand with its economic upgrading; then it would be advisable to reconstruct its CSR concept within the administrative framework of the corporation. 'For CSR to be accepted by a conscientious businessperson, it should be framed in such a way that the entire range of business responsibilities are embraced' (Carroll 1991: 40). The CSR should be guided by organised policy. The programmes and the funds need to be incorporated in the annual plan of the corporation to institutionalise it. I agree that formal policies may not be reflected in behaviour or programmes that are governed by informal, unwritten policies; 'behaviours and programs that would rate high in social performance may exist and even be institutionalized, without any formal policy backing' as stated by Wood (1991: 693). However, it is always advisable to plan in advance.

5.4 Is Responsibility the Right Expression?

Even with lack of sustainability, CSR is still a heated subject for the experts to debate. Moreover, the government, corporations and the communities find it desirable. Small corporations cannot afford to have them, but large business houses take pride in having them. The CSR activities go on the company's website with fancy bold letters and coloured pictures.

Moreover, CSR acts as a social device that goes on way beyond the vested interest of the shareholders. Though limited, it has the power to bring about both economic and social transformation and help the people in need. It can reach where government's hand cannot reach. 'Corporate social responsibility is an obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for the society' (Shah 2012: 35). To have a sound CSR policy, diverse studies on CSR need to be undertaken. With varieties of different practices going on throughout the world, it expands from charity to reducing carbon emission. Analyzing various concepts on Corporate Social Responsibility, Buddha Air's CSR has a close relation with the crossover of Knorringa's and Carroll's concepts of CSR. However, the word 'responsibility' does twist the

concepts of philanthropy to obligation; ‘responsibility suggests responsiveness, obligation, control, authority and a duty of care. So is the word really appropriate in this context? corporate and government definitions invariably make reference to the idea that CSR means actions taken by companies which go beyond legal requirements – in other words actions which they have no obligation to carry out. The scope of a company's ‘responsibility’ is therefore self-defined and not socially defined. Also it cannot be measured, so value can be assigned arbitrarily: perfect PR’ (Fauset 2006: 9). I believe that ‘responsibility’ is the wrong expression to be used when CSR is not mandatory. Furthermore, since none of the corporations in Nepal keep their budget and/or percentage aside for CSR, and with CSR not being sustainable, how can it be said that corporations are being socially ‘responsible’? Sustainability is not only for actions at present, but for the future as well. For this reason, the expression ‘responsibility’ should be changed to ‘action’.

So, in my opinion, Since CSR does not carry any universal definition, the word ‘responsibility’ is misleading and to avoid skepticism; and to be precise on the perspective initiated by Buddha Air’s CSR initiative, I would suggest the concept as **‘Corporate Social Action’ (CSA)** rather than Corporate Social ‘Responsibility’, ‘Performance’ or even ‘Societal Responsibility’, as the action is neither mandatory nor is it an obligation, but a sheer welfare act for the society. CSA is an action undertaken by a corporation, not just with the narrow thinking of economic upgrading for the profit of the company and the shareholders, but initiating some socially upgrading philanthropic deed for the stakeholders. This variation may be because of the way the corporation raises with different cultural backdrops. I agree with Jamali in respect of her point that ‘while views about CSR continue to oscillate between these two extremes, a growing body of evidence seems to suggest that cultural differences affect CSR dynamics with companies in different contexts exhibiting varied responses to this change in the business conduct landscape’ (Jamali 2007: 244). I also agree with Ashley’s view on moving away from a business CSR model, which can be ‘applied towards multi-actors, different social spheres, cultural contexts and territorial settings’ (Ashley, 2012: 143).

Chapter 6: Conclusion

As Porter states that ‘corporations are not responsible for all the world’s problems, nor do they have the resources to solve them all...but, a well run company can have a greater impact on social good than any other institution or philanthropic organisation’ (Porter 2006: 13). Similarly, the initiation of Buddha Air has helped the farmers, through transfer of skills, introduction of mechanisation and higher yield in production of the crops; to transform their socio-economic status and fight poverty. The research shows that since CSR is not mandatory in Nepal, it has been confused with obligation; hence, the phrase ‘CSR’, in the scenario of Nepal, needs to be altered to ‘CSA’ for the concept to give its true connotation.

Moreover, to address the main research question of finding out, *if CSR can be philanthropic and sustainable at the same time*; by examining the CSR initiative undertaken by Buddha Air, interacting with the actors from the field study, going through the literature connected with Buddha Air’s CSA and the academic concepts of the CSR gurus, it can be concluded that the CSA of Buddha Air is way beyond philanthropy but not exclusively sustainable; it resides somewhere in-between philanthropy and sustainability. There are four reasons to justify the claim:

Firstly, philanthropy, social and voluntary works have always been embedded in the nature of the Nepalese people through socio-cultural beliefs. It is the way to reciprocate and offer gratitude to elders and towards the society. People still have the superstitious beliefs of philanthropy as the path to heaven, or for the betterment of the next life, for which philanthropic actions are initiated. It will not be a surprise that this mind-set has influenced the corporate culture as well.

Secondly, since the CSR is not mandatory in Nepal, corporations tend not to take their CSR as their responsibility, which makes it difficult to expect any sustainability from corporations. It is more of a social action undertaken by corporations voluntarily and philanthropically rather than mandatory duty and obligation.

Thirdly, since business is not stable forever and corporations are not formed for charity, corporations still contribute from their own profits. Even at the time of emergency with Nepal's earthquake in April 2015, there were substantial contributions from the corporations for the victims; which however is a onetime humanitarian effort.

Fourthly, the CSA of Buddha Air is not embedded in its administrative framework. It is rather a genuine initiative by a single individual. It is neither stipulated in the standard operating procedure (SOP) or the staff rule of Buddha Air; nor is it revealed in the annual budget to give it an institutional agenda. Koop rightly states that, 'in contrast to CSR, corporate philanthropy is general is a one-time effort, and is decided by a figure in a high-level of power (Koop 2014: 3). Juxtaposed to this statement, Basnet candidly expresses a view that Buddha Air's CSR may stop anytime; 'it is the legacy which I am creating and will provide my full hearted support for the agriculture programme – 'til the programme becomes self sustainable. But after its sustainability, I cannot guarantee any CSR initiatives on behalf of Buddha Air'.⁴⁵

Hurdling across the traditional discourse of getting CSA into the welfare of the beneficiaries, from the agriculture sector, the CSA is neither rent seeking nor is it a rhetorical façade. It is an initiative that is working in a participatory approach with the private sector, cooperatives and the public. It is always advisable for the government to learn from these sorts of initiatives and utilise them in other parts of the country with other stakeholders. The government should come up with motivational rule and regulations to inspire the business community and provide such initiatives with some recognition or tax exemptions; in the mean time the government should also monitor such programmes and make sure of their transparency and sustainability.

Since the CSA of Buddha Air is more of a 'pilot project' that could be replicated throughout Nepal and to other underdeveloped countries. The question concerning who gains the most can be focused on the beneficiary farmers; it has been a 'great

⁴⁵Interview with B.B. Basnet, at Kathmandu (19 June 2015)

transformation' for them. It has changed the total economics of poor households. The poor beneficiaries can now afford two meals a day, schooling for their children, medicine, and most of all it has given them confidence to live. However, on behalf of Buddha Air, Basnet says it is exclusively the 'satisfaction and personal philanthropic vow'⁴⁶.

I want to conclude by stating the fact that, the CSA of Buddha Air is neither a public relation stunt of 'cause-related marketing,⁴⁷ nor true strategic philanthropy⁴⁸' (Porter and Kramer 2002: 6). It is rather an initiative that is genuinely working for the welfare of the society above and beyond the call of profit, and is responding to the rural people to fight poverty. The CSA challenges the traditional discourse by revolutionising the agriculture sector and enhancing the lives of beneficiary farmers socio-economically. It is the will and altruistic desire with persistent determination of an individual's true engagement, of his dream to reciprocate to the society and the nation, rather than a sustainable institutional corollary, causing the CSA to hang somewhere between philanthropy and sustainability.

⁴⁶ Interview with B.B. Basnet, at Biratnagar (28 July 2015)

⁴⁷ Cause related marketing is publicity rather than social impact where companies that sponsor events like Olympics, for example, and gain not only wide exposure but also an association with the pursuit of excellence.

⁴⁸ True strategic philanthropy addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise.

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Appendix 1

Questionnaire for interview - Buddha Air Management

Name

Position

- a. How and when was CSR started? What was the motivation behind the start?
- b. What are the CSR that your company undertakes and who are the beneficiaries?
- c. What policies do you have for staff benefits/CSR?
- d. Why was agriculture sector chosen?
- e. What benefit is it for your corporation? Is it profit oriented/philanthropic/or?
- f. What are your future plans in regards to CSR, is it going to be sustainable, how?
- g. What is the reason behind the success of Buddha Air?
- h. Any other things you want to mention?

Appendix 2

Questionnaire for interview - Buddha Air Staff

Name

Position

- a. Does your organisation have any CSR policy? If they say 'No, I don't know then explain something on CSR?
- b. What does it mean to you or give you?
- c. Is it a serious initiative?
 - i. For you within your organisation or
 - ii. Is it a public relations exercise
- d. If the answer is superficial then- what should a CSR be and who should be involved?
- e. Are you happy with the organisation?

Appendix 3

Questionnaire for interview - NKC

Name

Position

- a. What is the programme?
- b. When did it start and who are the beneficiaries and what are the benefits offered?
- c. Has it been difficult to initiate the programme?
- d. What are the formal guidelines you follow to have working relationship with the Cooperatives?
- e. What are your criteria of success?
- f. How is it funded and is it sustainable?

Appendix 4

Questionnaire for interview - Cooperatives

Name

Position

- a. What do you do as an organisation?
- b. When did you start? Who are your beneficiaries and what are the benefits?
- c. How does your programme work? What is the process?
- d. How and in what ways is NKC helping you?
- e. What are the changes? Have they been helpful, what are the benefits?
- f. Are the beneficiaries happy with the programme, how?
- g. Are there any scope of expansion and more activities with NKC?
- h. Anything you want to mention?

Appendix 5

Questionnaire for interview – Farmers (beneficiaries)

Name

Position

- a. How are you affiliated with the programme?
- b. How is the NKC/Cooperative connected/helping you?
- c. Are you happy with the programme, what are the benefits? (Saving time, effort or more precarious)
- d. Has the programme changed your income? (Production increased or decreased)
- e. Have you learned anything new, what?
- f. Should the programme continue or change?
- g. Anything you want to mention?

Appendix 6

Questionnaire for interview - Another Airlines Representative

Name

Position

Airlines

- a. Does your company have CSR and what was the motivation behind the start?
- b. What are the CSR that your company undertakes and who are the beneficiaries?
- c. What policies do you have for staff benefits/CSR?
- d. What benefit is it for your corporation? Is it profit oriented/philanthropic/or?
- e. What are your future plans in regards to CSR, is it going to be sustainable?
- f. Do you think your social initiative has helped you to market your name?
- g. What is the government’s role/policy?
- h. Should the CSR be made mandatory?

Appendix 7

Interviews - conducted by the author, from June – August 2015

<u>SN</u>	<u>ORGANISATION/POSITION</u>	<u>NAME</u>	<u>DATE</u>	<u>LOCATION</u>
1	Biru Dhama Agri. Org., Chairperson	Prajwal Kumar Chaudhary	9 Aug. '15	Chimri
2	Buddha Air	Bikash Thapa	28 Jun. '15	Kathmandu
3	Buddha Air	Rummy Shrestha	28 Jun. '15	Kathmandu
4	Buddha Air	Santosh Mahato	12 Jul. '15	Kathmandu
5	Buddha Air	Uddhav Lal Kayastha	28 Jun. '15	Kathmandu
6	Buddha Air, CSR Officer	Diperdra Karna	20 Jul. '15	Kathmandu
7	Buddha Air, MD	Birendra Bahadur Basnet	19, 24 Jun. 28 Jul. '15	Kathmandu and Biratnagar
8	Civil Bank, CEO	Kishor Maharjan	15 Jul. '15	Kathmandu
9	Govt. Of Nepal, Member of Constituent Assembly	Rajeev Bikram Shah	31 Jul. '15	Kathmandu
10	Ncell, Communication Expert	Milan M. Sharma	19 Aug. '15	Kathmandu
11	NKC	Khem Bhandari	4 Jul. '15	Biratnagar
12	NKC, Director	Kabindra Pradhan	9 Aug. '15	Biratnagar
13	NKC, General Manager	Vivekananda Jha	24 June, 4 & 8 Jul. '15	Biratnagar
14	Observer	Padam Bahadur Chand	16 Jul. '15	Kathmandu
15	Samjhana Agri. Cooperative	Ashok Kumar Majhi	8 Jul. '15	Tanmuna
16	Samjhana Agri. Cooperative	Binod Kumar Majhi	16 Jul. '15	Tanmuna
17	Samjhana Agri. Cooperative	Dev Kumar Sah	8 Jul. '15	Tanmuna
18	Samjhana Agri. Cooperative	Shiv Narayan Chaudhary	8 Jul. '15	Tanmuna
19	Samjhana Agri. Cooperative, President	Nageshwar Majhi	8 Jul. '15	Tanmuna
20	Samuhik Agri. Cooperative	Antaram Chaudhary	2 Aug. '15	Tanmuna
21	Samuhik Agri. Cooperative	Basanta Chaudhari	1 Aug. '15	Tanmuna
22	Samuhik Agri. Cooperative	Krishna Kumar Uraw	1 Aug. '15	Tanmuna
23	Samuhik Agri. Cooperative	Raju Singh Chaudhary	2 Aug. '15	Tanmuna
24	Samuhik Agri. Cooperative	Rekha Chaudahry	8 Jul. '15	Tanmuna
25	Samuhik Agri. Cooperative	Sanjita Dewan	8 Jul. '15	Tanmuna
26	Samuhik Agri. Cooperative	Shankar Lal Tharu	2 Aug. '15	Tanmuna
27	Samuhik Agri. Cooperative	Shyampati Chaudahry	8 Jul. '15	Tanmuna
28	Tankisinwari Agro- commodity Marketing Cooperative Limited	Bhola Kaji Rai	4 Aug. '15	Tankisinwari
29	Yeti Airlines, CSR In-charge	Roshan Regmi	29 Jun. '15	Kathmandu