

# To Study of Corporate Social Responsibility and Behavior in India: Automobile Companies

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**Abstract:** Doing good and being good has become an accepted means to achieve sustainable development of a business unit. One of the great challenges of the past century has been to minimize the potential impact of business activities on the environment. Global environment expects the business units to behave more responsible towards the society, where the former is getting all its inputs from the later. Social behaviour of the company is highly valued and appreciated at a global level. Companies' engagement towards society boosts its performance and enhances the morale of stakeholders. Many Indian companies involved themselves in CSR activities to project themselves to society as they are socially responsible. This paper has makes an attempt in highlighting the CSR practices of Automobile companies in India. The study reveals that Bajaj Auto Limited, TVS Motor Corp., Maruti Ltd. and Tata Motors have set up a separate CSR committee and has the separate CSR policies to promote social friendly activities which finally benefit the stakeholders whereas Hero Corp Ltd has initiated the process of framing the policies and started social welfare activities informally.

**Keywords:** Corporate Social Responsibility, Social Expenditure, Sustainability, Corporate Citizenship and Automobile Companies

## 1. Introduction

Corporate Social responsibilities are those actions where the company thinks beyond the monitor returns for the social advantage. The expectation of stakeholders has changed over a period of time. Profit making was the prime purpose of the company's establishment. Now organizations, either as an obligation or voluntarily into the social benefit programmes. Companies are depending on the society to get required labour force, using natural resources, maintaining a healthy environment, and support from local etc. Hence, companies are expected to perform socially as corporate citizens to society. The concept of CSR is not new to India, as a part of traditional culture and practices people worship nature, they respect others and also extend their hands to needy. Now in the name of CSR, it is popular among the companies. CSR covers labour relations, environmentally friendly activities, social benefit programmes and meeting the expectation of stakeholders. Though CSR results in Cash outflow, it projects the company's value towards the society and greater image. Importance of CSR made the companies to take its decision social and environment-friendly. This also resulted in the birth of Green marketing, Ethical Consumers, Socially Responsible Investors, Ethical Investment

and Corporate Governance. The companies have started to set up a separate committee for their active involvement and also a separate budget plan to fulfil the requirements of all stakeholders.

### A. CSR rules under companies act, 2013

As per the companies act of 2013, it is mandatory for the following categories of the companies to spend at least 2% of their profits and It is effective from 1st April 2014, where the ministry of corporate affairs has specified this item in section 135, Schedule VII. Every company either a private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, requires to spend for the immediately preceding three financial years on corporate social responsibility activities. CSR activities should be undertaken with respect to the activities mentioned in schedule VII like poverty eradication, women empowerment, education to name a few. These activities should not be taken in the normal course of business. CSR doesn't include any contribution to political party and activities have to be done and spent only in India. The company can avail the whole amount of Tax Exemption for CSR Contributions to Swachh Bharat and Clean Ganga Campaigns.

### B. The automobile industry in India

The automobile sector is one of the key sectors of the country as its contribution to the economy is significant. The Indian automobile industry seems to come a long way since the first car that was manufactured in Mumbai in 1898. Industry can take credit of providing employment opportunities for 10 million people and more in the country. The Indian automobile industry has a well-established name globally being the second largest two-wheeler market in the world, fourth largest commercial vehicle market in the world, and eleventh largest passenger car market in the world and expected to become the third largest automobile market in the world only behind USA and China. To match production with demand, many automakers have started to invest heavily in various segments in the industry in the last few months. The industry has attracted FDI worth US\$ 11,351.26 million during the period April 2000 to November 2014, according to the data released by Department of Industrial Policy and Promotion (DIPP). Even at Global level automobile companies like BMW, Mercedes Benz

and Volkswagen are in the top 10 list of CSR reputations released by the Forbes.

## 2. Literature survey

Following are few of the previous studies are analyzed to understand the objectivity and outcomes of the work.

Carol and Zutshi (2004) have analyzed the potential drivers which motivate the companies to respond towards social actions. They had identified the two key drivers that induce the companies to act in a responsible way. These were presented to be a moral explanation not only towards shareholders but also towards stakeholders. It is found out that the companies have realized the importance of reporting on social and environmental and ethical issues. It's also highlighted that corporate social reporting shall minimize the risks of financial liabilities non-compliance with the legislature and improve the corporate image.

Arora, B., & Puranik, R. (2004) have stated that companies have spent the fund in the areas of health care, education, rural development, sanitization, micro-credit and women empowerment. It is also mentioned that companies have defined their policies in their own way and no uniformity among the companies. A lack of framework on CSR has resulted in confusion among the companies.

Sunita (2015) has studied the CSR practices of Indian companies and also reflected the issues and challenges posed and posed in future while doing CSR activities. Published reports of ten companies have been analyzed under this study. Majority of the companies do their CSR activities by partnering with a local or independent non-profit organization and also observed that few companies work with their own nonprofit organization. A good number of companies has set up a separate structured policy to guide them on the CSR programmes they undertake.

Gautam, R., & Singh, A. (2010) has found that many companies are projecting as a token gesture towards CSR practices and an only a limited number of companies have planned and structured methods. Several companies made very less social expenditure across many activities of CSR. Every company defines CSR in their own ways as per their needs. CSR is on an upward learning curve and is primarily driven by philanthropy.

### A. Data collection

Five automobile companies of India viz. Bajaj Auto Limited, TVS Motor Corp, Maruti Ltd., Tata Motors and Hero Corp have been taken for the study. This work is conducted based on the secondary data i.e. published information available in the company's annual report, scholarly articles and various websites.

## 3. Objectives

The main objective of this research work is to know the amount spent by the selected automobile companies on CSR

practices and also assess the areas in which expenditure has been made.

### A. CSR practices by auto mobile companies in India

#### 1) Tata motors

The company has set up the CSR committee in 2003 and also framed policies for its continuous involvement. The company has adopted Tata Group Affirmative Action (AA) Policy to voluntarily address the prevailing social inequities in India by encouraging positive discrimination for the Scheduled Castes and Scheduled Tribes (SC/ ST) communities. Under the name of VIDYADHANAM, more than 37,000 children are benefited through various forms like Scholarship Programmes, Special Coaching Classes, School Infrastructure Improvement and Co-Curricular activities Another scheme AAROGYA, through which committee addresses the health-related issues like Malnutrition, Preventive and Curative Healthcare Services and creating health awareness. The company claims that nearly 2,84,000 persons are benefitted out of this scheme. The company conducts Driver Training Programme, Training in Automotive and Technical Trades, Training in Agriculture and allied activities under the name KAUSHALYA. Environment Conservative programmes are undertaken in the name of VASUNDHARA. This includes Tree Plantation Programmes, Creating Environmental Awareness, Soil and Water Conservation. Through this 1, 64,000 trees were planted and More than 18,500 people participated in environmental awareness programmes.

#### 2) Bajaj auto limited

The CSR activities of Bajaj Group are guided by the vision and philosophy of its Founding Father, late Shri Jammalal Bajaj, who embodied the concept of trusteeship in business and common good and laid the foundation for ethical, value-based and transparent functioning. On 28th March 2014, the company has constituted 'Corporate Social Responsibility Committee' (CSR Committee). The core elements of CSR activities include ethical functioning, respect for all stakeholders, protection of human rights and care for the environment.

- *Education:* Under Public Private Partnership (PPP), the Company has undertaken to upgrade 4 Industrial Training Institutes (ITI) – two in Pune, one in Pantnagar and one Aurangabad. The Company took actions to ensure a better quality of output from the Institutes. At Ramgarh in Pantnagar, the total strength of students rose from 117 (in 2012) to 144 (in 2013).
- *Health:* The Bajaj YCMH ART Centre at YCM hospital, Pimpri, has registered 9,434 patients with 5,286 active cases for Anti-Retroviral Therapy. This centre is a benchmark for new centres and is the largest one run by industries. Factory employees organised blood donation camps, in which 891 employees donated blood for the hospitals in the respective areas.
- *“VastraBhet” (Donation of used clothes):* The company undertook a drive, i.e. “Joy of Giving Week” and organised collection of 640 kgs of used clothes

that were given to the needy people against “ShramaDaan”. It was a CII initiative wherein employees of the Company volunteered very enthusiastically to collect and dispatch the clothes to “Goonj”, an NGO working in underdeveloped areas. Apart from the above areas the company also serves the society under the following ways:

Hamaara Sapna project to uplift the slum residents and also to encourage aspired women, Jankidevi Bajaj Gram Vikas Sanstha for the rural development activities, water conservation for drinking and irrigation and educational institutions.

3) *Hero Moto Corp Ltd.*

The company is currently in the process of setting up a formal CSR policy. Company has spent Rs 13,810,312 for CSR activities. The CSR activities have been undertaken by the organisation on an informal basis. The company is currently in the process of setting up a formal CSR Policy in accordance with Section 135, Companies Act, 2013.

4) *TVS*

The Board constituted a Corporate Social Responsibility Committee in the year 2013. The company is actively involved in CSR activities through Srinivasan Service Trust (SST). At present, SST is working in 2,501 villages spread across Tamil Nadu, Karnataka, Maharashtra, Himachal Pradesh and Andhra Pradesh. Its major focus areas are – Economic development, Health care, Quality education, Environment and Infrastructure.

5) *Maruti*

The company has spent Rs. 232.8 million for CSR activities. The company has a separate committee for CSR activities. As a part of CSR, the Company undertakes development projects in areas such as education, sanitation, health care and rural infrastructure in local communities. The company provides skill training facilities to the workers to enhance their employability in association with ITI’s. Organises volunteering programmes with an objective to connect the employees with society in awareness programmes and social campaigns continuous Up gradation of Technology for energy conservation.

**4. Social spending**

As per the companies act 2013, companies have to spend 2% of their profit towards CSR activities. And the companies selected under this study come under the criteria which are mentioned as companies act. Following table shows the spending pattern of companies for the past three years.

Table 1  
Showing the Amount Spent on Corporate Social Behaviour

Name of the Company	Amount Spent (in crores)		
	2013-14	2014-15	2015-16
Tata Motors	10.5	18.62	20.57
Bajaj Auto	12.3	42.91	86.72
TVS	-	6.40	7.16
Hero	1.38	44.04	58.81
Maruti	23.28	37.25	65.40 + 12.86

Source: Annual Reports of the Companies

Above table shows the increasing trend in spending towards various CSR programmes. This also shows that these companies have spent towards CSR by adhering to the companies act and followed from the financial year 2014-15. TVS has not stated its CSA expenditure details for the year 2013-14. \*Tata Motors have spent the money on CSR programmes though it is registered negative profit for these two years. Here it is shown how to style a subsection and sub-sub-section also

**5. Findings**

All the automobile companies which are selected for the study has set up a separate CSR committee except Hero Moto Corp. All companies have stated, as a part of changes brought in Company’s act 2013 they have constituted the separate board. Companies have set up a separate committee for CSR activities and spent equal more than 2% of net profit after 2014-15 as it has become mandatory for the companies. Maruti Co. has identified and clearly mentioned its stakeholder's group. More than mentioning, they have highlighted the critical issues faced by these stakeholders and required actions are initiated to address those issues. Rural Development, Women Empowerment, Skill Development, Health Care, Community Development, Energy Conservation, Preservation of Environment and Education are the major areas of CSR practices of these companies. Majority of the community development activities have been undertaken in Northern part of India, only TVs has extended its activities to the southern part of India. All companies have given importance in educating the employees, Customers, investors and also the general public. Only TVS and Bajaj have taken special programmes for women empowerment activities.

**6. Conclusion**

It is observed that Indian automobile companies are enthusiastically involved in social activities rather than just a profit. The companies have extended their help in different segments of the society for the upliftment of people and sustainable development. Education, Community development, employment, health and environment are the major areas where companies have shown their concern. Only a few companies have identified the issues of stakeholders and tried in addressing to meet their expectations. Other areas like women empowerment, rural development, tree plantation, infrastructure, food etc... are the major other areas, where companies can extend their services. Constituting a separate committee, preparing an exclusive budget, encouraging employees to involve in their practices are the good initiatives can be taken by the companies. Companies can do social benefit programmes in association with NGO’s and Government institutions. Ultimately the company can be projected as a good corporate citizen in protecting the interest of stakeholders.

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