Study of Corporate Social Responsibility with Special Reference to Selected Indian Automobile Industry

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The automobile industry in India is one of the largest automobile industries in the world. It keeps on expanding each year which has led to extensive competition and every corporate tries to boost its image with the help of Corporate Social Responsibility (CSR). CSR is recognized as a significant tool, which enhances the company’s reputation leading to its success. The objective of this paper is to examine the CSR initiatives adopted by the Indian Automobile industry and how these have helped them to enhance their corporate image.

Keywords: - Corporate social responsibilities(CSR), Indian Automobile industry, Competition, Corporate image

1. Introduction

CSR is the continuing commitment by businesses to perform ethically and contribute to economic development while improving the quality of life of the workforce, families as well as the local community and society at large. CSR is also called as corporate conscience or corporate citizenship. CSR is a company’s sense of responsibility towards the community and environment, both ecological and social, within which it operates. Companies express this in many ways such as waste and pollution reduction processes, conducting educational and social programs and providing ecologically sustainable goods.

Evolution of Corporate Social Responsibility in India:

India has the oldest traditions of CSR. But, CSR practices are not regularly practiced or are done only in namesake, especially by MNCs, which bear no cultural and emotional attachments to India. Indian entrepreneurs are aware of social responsibility as an important segment of their business activity, but CSR in India, has yet to receive widespread recognition. If this goal has to be realised, then the CSR approach of corporates has to be in line with their attitudes towards mainstream business. Companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

CSR in India has FOUR PHASES, which are parallel to the history of India and this has resulted in a different approach to CSR. All the four phases are connected and they might overlap one another.

Four Phases of Corporate Social Responsibility in India

First Phase

In the pre-industrialization period, which lasted till the 1850s, wealthy merchants shared a part of their wealth with the wider society by way of building temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their storage and money, and thus, securing an integral position in the society. With the arrival of the colonial rule in India from the late 1850s, the approach towards CSR was totally modified. The industrial families of the 19th century such as Tata and Bajaj were strongly inclined towards economic as well as social considerations and used to provide more for the welfare of the society. However, it has been observed that their efforts towards social as well as industrial development were not only driven by selfless, religious motives but also influenced by caste groups and political objectives.

Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when MAHATMA GANDHI introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories.” These were Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence, businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

Third Phase

The third phase of CSR, around the 1960s, had its relation to the element of "mixed economy", emergence of public sector
undertakings (PSUs) and laws relating to labour and environmental standards. During this period, the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Due to the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts, the concept of CSR failed to catch steam.

**Fourth Phase**

In the fourth phase, since the 1980s up till now, Indian companies had started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s, the first initiation towards globalization was undertaken. Controls and licensing systems were partly done away with which gave a boost to the economy, the signs of which are evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases for MNCs. As Western markets are becoming more and more concerned about labour and environmental standards in the developing nations, Indian companies which export and produce goods for the developed countries, need to pay a close attention to their compliance with the international standards.

2. **Current Situation of Corporate Social Responsibility in India**

As discussed above, we know CSR is not a novel concept in India. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness. Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined, in alignment with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs range from community development to advancement in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers. Such initiatives help make them more self-reliant by methods of vocational training and knowledge of business operations. Many of the companies are helping other people by providing them a good standard of living.

**Law**

Under the Companies Act 2013, any company having a net worth of rupees 500 cr or more or a turnover of rupees 1,000 cr or more or a net profit of rupees 5 cr or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

**Automotive Industry in India**

The Indian automobile industry, the sixth largest automobile producer in the world, is one of the potential future markets in the world. The Indian automobile market has grown from a seller dominated market in the 1980’s to a consumer dominated market today. The auto industry of the India has grown substantially and further is expected to grow over the period of next 7 years. Indian automobile industry is well positioned in terms of demography and geography as it can service both domestic demands as well as cater to the increasing demand in export markets. This rise of the automotive industry can be attributed to various factors like growing economy, rising prosperity, increasing disposable income among consumers, easily accessible finance options, and an increase in the working population of the country.

It was previously one of the fastest growing markets globally, but it is currently experiencing slow or negative growth rates. In 2009, India emerged as Asia’s fourth largest exporter of passenger cars, behind Japan, South Korea, and Thailand. India overtook Thailand to become third in 2010. As of 2010, India was home to 40 million passenger vehicles. More than 3.7 million automotive vehicles were produced in India in 2010 (an increase by 33.9%), making India the second fastest growing automobile market in the world. India’s passenger car and commercial vehicle manufacturing industry recently overtook Brazil to become the sixth largest in the world, with an annual production of more than 3.9 million units in 2011. From 2011 to 2012, the industry grew 16-18%, selling around three million units. According to the Society of Indian Automobile Manufacturers, annual vehicle sales are projected to increase to 4 million by 2015.

**Corporate Social Responsibilities by Automotive Industry**

As the automobile sector in India is growing and becoming one of the biggest markets in Asia, more and more domestic
companies as well as foreign companies are launching their products. To survive in such an aggressive market, companies need to have quality products but along with the quality control, companies also need to concentrate on their reputation which plays a crucial role in the success of any company. So, to maintain a good corporate image, every company tries to boost its goodwill with the help of Corporate Social Responsibility (CSR). CSR is recognized as a significant tool, which enhances the company's reputation leading to its success.

By the means of this paper, we will discuss the two leading companies in the Indian Automobile sector: TATA and MAHINDRA AND MAHINDRA. The study will also reflect upon the CSR policies adopted and the importance of the CSR (corporate social responsibility) in their companies.

3. Tata Motors and CSR

About the Company

Tata Motors Limited (formerly TELCO, short for Tata Engineering and Locomotive Company) is an Indian multinational automotive manufacturing company headquartered in Mumbai, Maharashtra, India and is a subsidiary of the Tata Group. Its products include passenger cars, trucks, vans, coaches, buses, construction equipment and military vehicles. It is the world's 17th-largest motor vehicle manufacturing company, fourth-largest truck manufacturer, and second-largest bus manufacturer by volume.

Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Dharwad, and Pune in India, as well as in Argentina, South Africa, Thailand, and the United Kingdom. It has research and development centres in Pune, Jamshedpur, Lucknow, and Dharwad, India, and in South Korea, Spain, and the United Kingdom. Tata Motors' principal subsidiaries include the British premium car maker Jaguar Land Rover (the maker of Jaguar, Land Rover, and Range Rover cars) and the South Korean commercial vehicle manufacturer Tata Daewoo. Tata Motors has a bus-manufacturing joint venture with Marcopolo S.A. (Tata Marcopolo), a construction-equipment manufacturing joint venture with Hitachi (Tata Hitachi Construction Machinery), and a joint venture with Fiat which manufactures automotive components and Fiat and Tata branded vehicles.

Founded in 1945 as a manufacturer of locomotives, the company manufactured its first commercial vehicle in 1954 in collaboration with Daimler-Benz AG, which ended in 1969. Tata Motors entered the passenger vehicle market in 1991 with the launch of the Tata Sierra, becoming the first Indian manufacturer to achieve the capability of developing a competitive indigenous automobile. In 1998, Tata launched the first fully indigenous Indian passenger car, the Indica, and in 2008 launched the Tata Nano, the world's most affordable car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004 and purchased Jaguar Land Rover from Ford in 2008.

Tata group has supported many CSR activities such as Gandhiji’s campaign for racial equality in South Africa. Tata group has given the country its first science centre and atomic research centre. Newly included was an article stating that the “company shall be mindful of its social and moral responsibilities to consumers, employees, shareholders, society and the local community.” To institutionalize the CSR charter, a clause on this was put into the group’s ‘Code of Conduct.’ This clause states that group companies had to actively assist in improving quality of life in the communities in which they operated.

So let us see the CSR (Corporate social responsibility) by Tata Motors, a subsidiary company of TATA Groups

CSR Activities by Tata Motors

- **Pollution Control**

  Tata Motors is the first Indian Company to introduce vehicles with Euro norms. Tata Motors’ joint venture with Cummins Engine Company, USA, in 1992, was a major effort to introduce emission control technology in India. To make environment friendly engines it has taken the help of world-renowned engine consultants like Ricardo and AVL. It has manufactured CNG version of buses and also launched a CNG version of its passenger car, the Indica. Over the years, Tata Motors has also made investments in the establishment of an advanced emission-testing laboratory.

- **Restoring Ecological Balance**

  Tata Motors has planted 80,000 trees in the works and the township and more than 2.4 million trees have been planted in Jamshedpur region. Over half a million trees have been planted in the Poona region. The company has directed all its suppliers to package their products in alternate material instead of wood. In Pune, the treated water is conserved in lakes attracting various species of birds from around the world.

- **Employment Generation Relatives**

  The employees at Pune have been encouraged to make various industrial co-operatives engaged in productive activities like re-cycling of scrap wood into furniture, welding, steel scrap baling, battery cable assembly etc. The Tata Motors Grihini Social Welfare Society assists employees’ women dependents; they make a variety of products, ranging from pickles to electrical cable harnesses etc.; thereby making them financially secure.

- **Economic Capital**

  In Lucknow, two Societies - SamajVikas Kendra & Jan ParivarKalyanSanthan have been formed for rural development & for providing healthcare to the rural areas. These societies have made great efforts for health, education and women empowerment in rural areas.
• Human Capital
Tata motors has introduced many scholarship programs for the higher education of the children. Through a scholarship program Vidyadhanam, the company supports 211 students. Out of these students 132 students are from the marginalized sections of the society. These students get books, copies and other study materials. They also undergo different kinds of workshops, creative & outdoor sessions and residential camps as well. The company has entered into Public-Private Partnership (PPP) for upgrading 10 Industrial Technical Institutes (ITI) across the country.

• Natural Capital
Tata Motors has launched a tree plantation drive across India and countries in the SAARC region, Middle East Russia and Africa. As many as 25,000 trees were planted on the day. Apart from this more than 100,000 saplings were planted throughout the monsoon.

These are some of the CSR activities perform by Tata Motors, which is owned by Tata groups and Tata company shall be mindful of its social and moral responsibilities to consumers, employees, shareholders, society and the local community and fulfilling all its duty and responsibilities of CSR, in their company.

4. Mahindra and Mahindra and CSR

About the Company
The Indian Multinational is among the top 10 industrial houses in India. The Mahindra Group originated out of J.C. and K.C. Mahindra’s desire to open a franchise to produce the celebrated Willy's Jeep. Mahindra & Mahindra is the only Indian company among the top three tractor manufacturers in the world. The company was incorporated as Mahindra & Systems and Trade Farm Equipment. Over the next 50 years the Automotive Engineering Services, Automotive Technologies Company gradually diversified its operations, engaging in numerous joint ventures and building expertise across a number of sectors. With over 62 years of manufacturing experience, the Mahindra Group has built a strong base in technology, engineering, marketing. The Group employs over 1,00,000 people and has several state-of-the-art facilities in India and overseas, with operations on every continent except Antarctica. Company enjoys a leadership position in utility vehicles, tractors and information technology, with a significant and growing presence in financial services, tourism, infrastructure development, trade and logistics. The Mahindra Group today is an embodiment of global excellence and enjoys a strong corporate brand image. Mahindra is the only Indian company among the top tractor brands in the world. It is today a full-range player with a presence in almost every segment of the automobile industry, from two-wheelers to CVs, UVs, SUVs and sedan. Mahindra recently acquired a majority stake in REVA Electric Car Co Ltd. (Now called Mahindra REVA), strengthening its position in the Electric Vehicles domain. The Mahindra Group expanded its IT portfolio when Tech Mahindra acquired the leading global business and information technology services company, Satyam Computer Services. The company is now known as Mahindra Satyam. Mahindra is also one of the few Indian companies to receive an A+ GRI checked rating for its first Sustainability Report for the year 2007-08 and has also received the A+ GRI rating for the year 2008-09. The Mahindra Group defines Corporate Social Responsibility as making socially responsible products, engaging in socially responsible employee relations and making a commitment to the community around it. At the Mahindra Group, Corporate Social Responsibility is not just a duty; it’s a way of life. Let us see some of the CSR activities perform by Mahindra & Mahindra.

CSR Activities by Mahindra & Mahindra
The social initiatives of the group have been very well streamlined where each group company donates 0.5% of their PAT to the K C Mahindra Education Trust and adopts projects under the Trust. The remaining 0.5% is used by the company to run community development programs on their own.

• K. C. Mahindra Education Trust
Established by the late Mr. K. C. Mahindra in 1953, the K. C. Mahindra Education Trust aims to ‘Transform the lives of people in India through education, by providing financial assistance and recognition to them, across age groups and across income strata’. It was registered as a Public Charitable Trust under the Bombay Public Trusts Act, 1950. The K.C. Mahindra Education Trust has undertaken a number of education initiatives to make a difference to the lives of deserving students. The Trust promotes education mainly by way of scholarships. It has provided more than Rs. 13.80 crores (approximately US $ 3.0 million) in the form of grants, scholarships and loans. Some of these scholarships were instituted as far back as the 1950’s, while others were founded recently. These are funded through an investment portfolio, the main donors of which are the Mahindra Group of companies.

• Mahindra Academy
As part of its Corporate Social Responsibility activities, the Mahindra Group has established schools near its factories primarily for children of its employees. At present, the Group has three schools that impart high standards of education - Mahindra Academy at Malad in Mumbai, Mahindra Academy in Zaheerabad and a school in Khopoli. The establishment of these schools has not just benefited their employees but also the community around these schools. Teachers at these schools are qualified and undergo regular training as well as attend relevant workshops. Their teaching methodologies are constantly evaluated and modified when necessary.
**Disaster Relief**

The Mahindra Foundation has been set up with a specific objective: to provide medical relief to the poor and needy sections of society. The foundation has helped patients suffering from cancer, heart ailments as well as burn victims. It has also been very active during national calamities and disasters and has helped contribute and mobilize resources. The foundation also extends its support to academia and other professionals and sportsmen by helping them attend workshops and conferences overseas. The Mahindra Group has always been very responsive to any major disaster in India. Whether it's been the tsunami or the Gujarat earthquake, the Mahindra family has got together and always provided support either by way of financial help or by way of sending vehicles, supplying material or manpower.

**Municipal Gardens**

The Group has transformed 3 municipal gardens. The Shivaji Garden (near Gateway of India) is admired for its beautiful architecture and flourishing plants and flowers. Completely renovated by the Mahindra Group at a cost of Rs. 6 Lakhs, it now has pathways for pedestrians as well as new stretches of lawns and flowers. An area formerly frequented by anti-social elements has been merged with the garden, to prevent further misuse. Every effort has been taken to keep the garden in an immaculate condition and visiting hours are in place, facilitating maintenance work. The Traffic Island Garden (opposite Regal Cinema) has been completely renovated by the Mahindra Group at the cost of Rs. 1 Lakh. New lamp posts and a variety of plants were put into place and the fountain was restored to its former glory. The garden provides visual relief in this crowded and traffic congested circle. The third garden is located at the junction of Madame Cama Road, to the south of Oval Maidan. This is a brand new garden, developed by the group from scratch, at a cost of Rs. 1.5 Lakhs.

**Reducing CO2 Emissions**

The Bijlee is an innovative, home grown, first-of-its-kind electric three wheeler, India’s tried and tested battery operated vehicle. The Bijlee is an innovative “Kind to Man” technology initiative from Mahindra & Mahindra’s alternate fuel programme. It is a zero emission electrically powered vehicle that runs on a 72 volts DC motor. The Bijlee’s 12 batteries allow the customer to do 80 km at a speed of 35 km/hour. With a replacement battery on board the vehicle can easily give 120 kms. The electric vehicle has spacious interiors, with ample space for an entire family. It has no engine, gearbox radiator and no silencer, which makes it a virtually noise free vehicle. Bijlee gives quality output without choking the environment and is favoured by governments and institutions, which lays focus on conserving the environment.

5. Conclusion

With businesses focusing on generating profits, CSR was not a popular concern among companies up until recently. With increased media attention, pressure from non-governmental organizations, and rapid global information sharing, there is a surging demand to involve CSR at various levels like conducting sustainable business practices and doing social welfare activities. For bringing back and maintaining the general balance in the economic and social arena, it is evident to think deeply and act wisely about CSR. Every business house owes some responsibility towards the society, nation and world in general. Considering the long-term growth and sustainable development of the company, devising new policies and effective implementation of CSR is inevitable for progress. Present generation and future generations, man and nature are all knit together and the businesses are woven around it. The corporates have to strike a balance between the society, environment and business growth in order to achieve growth and success.

Tata groups and Mahindra & Mahindra group are fulfilling their social responsibilities and they have gained advantages in return, because every company wants to earn profits which could be tangible or intangible. Few of the advantages that companies get from CSR are as follows:-

- Developed and enhanced relationships with customers, suppliers and networks.
- Attracted, retained and a happy workforce.
- Efficient and effective performance.
- Risk management and increased productivity.
- Establishing a higher standing in the market and differentiated from competitors.
- Generating innovation and learning.
- Improving your business reputation and standing.
- Providing access to investment and funding opportunities
- Generating positive publicity and media opportunities due to media interest in ethical business activities.
- Creating a positive impact with the customers and potential customers.

In conclusion, we can say that the social responsibility goes hand in hand with great business profits and therefore, can generate a win-win situation, in this extensively competitive market.

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