

## **Corporate social responsibility practices in India: A study on Tata motors**

**Naseema CM**

Guest lecturer, PSMO College, Tirurangadi, Malappuram, Kerala, India

### **Abstract**

CSR is gaining more and more importance day by day. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions as another form of advertising. The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it is engaged in women empowerment activities, income generation, rural community development, and other social welfare programs. In the field of education, the Tata Group provides scholarships and endowments for numerous institutions.

**Keywords:** CSR, tata group, competitive advantage, women empowerment activities

### **1. Introduction**

Corporate social responsibility (CSR) has become an integral part of business practice over the last decade or so. As per the Companies Act, 2013, section 135, every company having a net worth of rupees five hundred crore or more, or a turnover of rupees one thousand crore or more or a net profit of rupees five crore or more, during any financial year, shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility policy. The application is to every company, including its holding or subsidiary, and a foreign company having its branch or project office in India.

Tata Motors Limited (formerly TELCO, short for Tata Engineering and Locomotive Company) is an Indian multinational automotive manufacturing company headquartered in Mumbai, India, and a member of the Tata Group. Its products include passenger cars, trucks, vans, coaches, buses, construction equipment and military vehicles. Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, Great Britain and Thailand. It has research and development centres in Pune, Jamshedpur, Lucknow, and Dharwad, India and in South Korea, Great Britain and Spain. Tata Motors' principal subsidiaries purchased the English premium car maker Jaguar Land Rover (the maker of Jaguar and Land 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 Chrysler which manufactures automotive components and Fiat Chrysler 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 cheapest car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004 and purchased Jaguar Land Rover from Ford in 2008.

### **Objectives**

- To understand the concept of CSR
- To know the CSR activities of Tata Motors

### **Methodology**

The study is theoretical and analytical in nature based on secondary data. The main sources of secondary data are published and documented sources. Secondary data has been compiled, analyzed and reviewed accordingly and the data has been presented in tabulated form.

### **Statement of the Problem**

A number of significant changes are taking place in social, economic, political and other aspects. The role of business is being re-examined in the light of these developments. There is a call for social consciousness on the part of business. At present there is a feeling that business should help in overcoming social problems. It should play an active role in mitigating the ills of society such as unemployment, environment, pollution, educational backwardness, lack of medical facilities, etc. Corporate social responsibility has always been taken care of by the Tata group. In pre and post-independence era of India, TATA have contributed largely in the overall development of nation covering various spheres like health, education, environment, science and technology, research, sports, culture, etc. In this context it is imperative to know more about the CSR activities of TATA Motors.

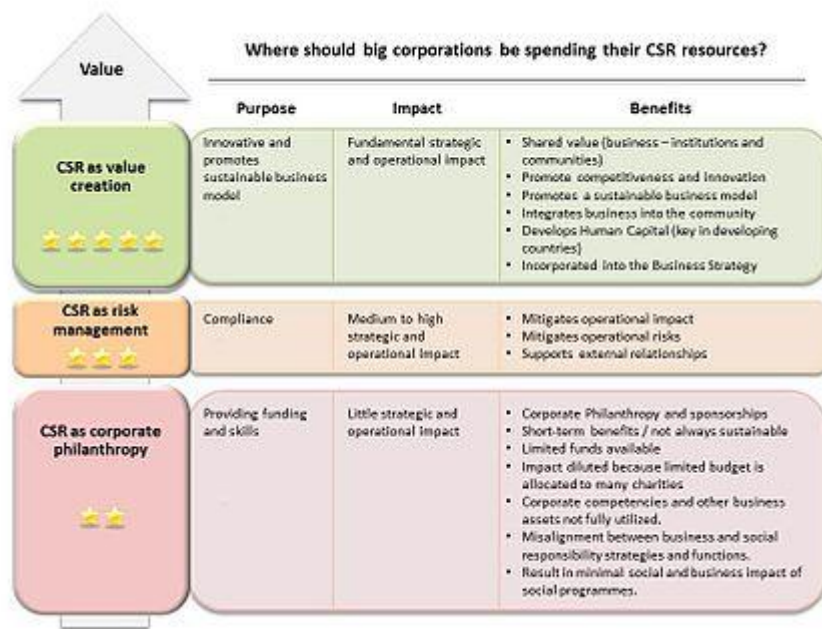
### **Corporate Social Responsibility**

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism

whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." The binary choice between 'complying' with the law and 'going beyond' the law must be qualified with some nuance. In many areas such as environmental or labour regulations, employers can choose to comply with the law, to go beyond the law, but they can also choose to not comply with the law, such as when they deliberately ignore gender equality or the mandate to hire disabled workers. There must be recognition that many so-called 'hard' laws are also 'weak' laws, weak in the sense that they are poorly enforced, with no or little control and/or no or few sanctions in case of non-compliance. 'Weak' law must not be confused with Soft law. The aim is to increase long-term profits and shareholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the

environment and stakeholders including consumers, employees, investors, communities, and others. Proponents argue that corporations increase long-term profits by operating with a CSR perspective, while critics argue that CSR distracts from businesses' economic role. A 2000 study compared existing econometric studies of the relationship between social and financial performance, concluding that the contradictory results of previous studies reporting positive, negative, and neutral financial impact, were due to flawed empirical analysis and claimed when the study is properly specified, CSR has a neutral impact on financial outcomes. CSR is titled to aid an organization's mission as well as serve as a guide to what the company represents for its consumers. Business ethics is the part of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles, but with no formal act of legislation.

**Approaches**



CSR Approaches

Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR. It is said that for Chinese consumers, a socially responsible company makes safe, high-quality products; for Germans it provides secure employment; in South Africa it makes a positive contribution to social needs such as health care and education. And even within Europe the discussion about CSR is very heterogeneous.

A more common approach to CSR is corporate philanthropy. This includes monetary donations and aid given to non-profit organizations and communities. Donations are made in areas such as the arts, education, housing, health, social welfare and the environment, among others, but excluding political contributions and commercial event sponsorship.

Another approach to CSR is to incorporate the CSR strategy directly into operations. For instance, procurement of Fair Trade tea and coffee.

Creating Shared Value, or CSV is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues and philanthropy. The Harvard Business Review article *Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility* provided examples of companies that have developed deep linkages between their business strategies and CSR. CSV acknowledges trade-offs between short-term profitability and

social or environmental goals, but emphasizes the opportunities for competitive advantage from building a social value proposition into corporate strategy. CSV gives the impression that only two stakeholders are important - shareholders and consumers.

Many companies employ benchmarking to assess their CSR policy, implementation and effectiveness. Benchmarking involves reviewing competitor initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how others perceive competitor CSR strategy.

#### **Common CSR actions include**

- Environmental sustainability: recycling, waste management, water management, renewable energy, reusable materials, 'greener' supply chains, reducing paper use and adopting Leadership in Energy and Environmental Design (LEED) building standards.
- Community involvement: This can include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc.
- Ethical marketing: Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical.

#### **The Four Phases of CSR Development in India**

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

##### **The First Phase**

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their go downs and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhanian were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives. Or studies

##### **The 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."* This was 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.

##### **The Third Phase**

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating 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. Because of 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 CSR failed to catch steam.

##### **The Fourth Phase**

In the fourth phase (1980 - 2013) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very 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 of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

Tata Motors is listed on the (BSE) Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, the

National Stock Exchange of India, and the New York Stock Exchange. The company is ranked 226th on the Fortune Global 500 list of the world's biggest corporations as of 2016. On January 17, 2017 N. Chandrasekaran was appointed chairman of the company. Tata entered the commercial vehicle sector in 1954 after forming a joint venture with Daimler-Benz of Germany. After years of dominating the commercial vehicle market in India, Tata Motors entered the passenger vehicle market in 1991 by launching the Tata Sierra, a multi utility vehicle. Tata subsequently launched the Tata Estate (1992; a station wagon design based on the earlier 'Tata Mobile' (1989), a light commercial vehicle), the Tata Sumo (1994; LCV) and the Tata Safari (1998; India's first sports utility vehicle).

Tata launched the Indica in 1998, the first fully indigenous Indian passenger car. Although initially criticized by auto analysts, its excellent fuel economy, powerful engine, and an aggressive marketing strategy made it one of the best-selling cars in the history of the Indian automobile industry. A newer version of the car, named Indica V2, was a major improvement over the previous version and quickly became a mass favourite. Tata Motors also successfully exported large numbers of the car to South Africa. The success of the Indica played a key role in the growth of Tata Motors. In 2004, Tata Motors acquired Daewoo's South Korea-based truck manufacturing unit, Daewoo Commercial Vehicles Company, later renamed Tata Daewoo. On 27 September 2004, Tata Motors rang the opening bell at the New York Stock Exchange to mark the listing of Tata Motors. In 2005, Tata Motors acquired a 21% controlling stake in the Spanish bus and coach manufacturer Hispano Carrocera. Tata Motors continued its market area expansion through the introduction of new products such as buses (Starbus and Globus, jointly developed with subsidiary Hispano Carrocera) and trucks (Novus, jointly developed with subsidiary Tata Daewoo). In 2006, Tata formed a joint venture with the Brazil-based Marcopolo, Tata Marcopolo Bus, to manufacture fully built buses and coaches. In 2008, Tata Motors acquired the English car maker Jaguar Land Rover, manufacturer of the Jaguar and Land Rover from Ford Motor Company. In May 2009, Tata unveiled the Tata World Truck range jointly developed with Tata Daewoo; the range went on sale in South Korea, South Africa, the SAARC countries, and the Middle East at the end of 2009. Tata acquired full ownership of Hispano Carrocera in 2009.

In 2009, its Lucknow plant was awarded the "Best of All" Rajiv Gandhi National Quality Award. In 2010, Tata Motors acquired an 80% stake in the Italian design and engineering company Trilix for €1.85 million. The acquisition formed part of the company's plan to enhance its styling and design capabilities. In 2012, Tata Motors announced it would invest around ₹6 billion in the development of Futuristic Infantry Combat Vehicles in collaboration with DRDO. In 2013, Tata Motors announced it will sell in India, the first vehicle in the world to run on compressed air (engines designed by the French company MDI) and dubbed "Mini CAT". In 2014, Tata Motors introduced first Truck Racing championship in India "T1 Prima Truck Racing Championship". On 26 January 2014, the Managing Director Karl Slym was found dead. He fell from the 22nd floor to the fourth floor of the Shangri-La Hotel in Bangkok, where he was to attend a meeting of Tata Motors Thailand. On 2 November 2015, Tata Motors

announced Lionel Messi as global brand ambassador at New Delhi, to promote and endorse passenger vehicles globally. Tata Motor's CSR initiatives span a wide range from driver training schools to combating malnutrition. It spends around 5.17% of its post-tax profit on such initiatives during the last financial year. On the health care front, the company organises medical camps and trains community members in I<sup>st</sup> aid as mid wives and as community health workers. In states like Jharkhand, where malnutrition among children is high, the co. runs malnutrition treatment centre in partnership with UNICEF and the state Government. Any child admitted to such a centre is given free treatment. Over 2.84 lakh people benefit from these healthcare initiatives every year. The co. s initiatives to provide clean drinking in villages is partly funded by its employees. Tata Motors employees contribute Rs. 20 p.m. from their salary towards the program and the co. Chips in with an equal amount. Due to their contribution over 1 lakh people living in 202 villages have been provided with clean drinking water. Through its Tata Education Excellence Program, the Co. Has managed to improve the pass percentage and the subsequent dropout rates of students in partner schools in pune from 70% to 98% from 15% to less than 5% respectively. Tata Motors also supports municipal schools in cities like Mumbai and institutions like Asha Kiran, a school for children for special needs. In 1973, 8 women started Tata Motors Grihini social welfare Society which today has over 1000 employees generating Rs. 8.8 crores of revenues by manufacturing everything from snacks to automotive electronic products. Environment Protection is also a key area of focus for Tata Motors. It undertakes waste land development and plants over 1 lakh trees by partnering with grampanchayath, Govt department and NGOs. It also partners with local communities to develop farm in wastelands. In Jharkhand, the co. has developed 40 crores of cultivable waste land through a lift irrigation project at Jamshedpur. The co. has also partnered with IIT Bombay for distribution of solar lamps amongst tribal students in Mumbai and Pune districts. The program is co-funded by the Mahashtra Govt and the Co.

## **CSR activities of Tata Motors**

### **(a) 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.

### **(b) 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.

### (c) 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.

### (d) Economic Capital

In Lucknow, two Societies - Samaj Vikas Kendra & Jan Parivar Kalyan Santhan 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.

### (e) 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.

### (f) Natural Capital

On the World Environment Day, 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.

### Vidyadhanam

- Scholarship programmes
- Special coaching classes
- School infrastructure improvements
- Co-curricular activities
- More than 37000 children were benefited in 2015-16

### Aarogya

- Addressing malnutrition
- Preventive and curative healthcare services
- Creating health awareness
- More than 2,84,000 persons were benefited 2015-16

### Kaushalya

- Driver training programme
- Training in automotive and technical trades
- Training in agriculture and allied activities
- ITI adoption programme training 137 youth across India
- More than 20,000 youth were benefited in 2015-16

### Vasundhara

- Tree plantation programmes
- Creating environmental awareness
- Soil and water conservation
- 1,64,000 trees were planted in 2015-16

- More than 18,500 people participated in environmental awareness programmes in 2015-16

### Amrutdhara/Drinking water

- Aims at providing access to safe drinking water to needy and deserving communities.
- Since the inception a total of 296 drinking water projects have been implemented across the country under this initiative.

### Aadhar

- A journey towards an inclusive tomorrow
- Focus on main streaming SC/ST communities through initiatives in education, employability, employment and entrepreneurship

### Seva

- Journey toward an empathetic tomorrow
- Aims to encourage a culture of empathy and action among employees.

### Conclusion

Business is not merely a profit-making occupation but a social function which involves certain duties and requires that appropriate ethics are followed. Social responsibility indicates personal obligation of people, as they act in their own interest to ensure that the rights and legitimate interests of others are not sacrificed by their behaviour and action. The shareholders, the suppliers of resources, the consumers, the employees, the local community and society are affected to a great extent by the way an enterprise functions. So it becomes very important for the business enterprise to be socially very responsive to maintain a social balance between the opposing interests of these groups. As far as Tata Motors is concerned, it has been very sincere and honest in fulfilling its duty and responsibility towards the social development. It has reached the masses to improve their life standard, to help their dreams come true and to exploit their employable skills.

### Recommendations

- Periodic review of the CSR activities should be conducted by every business entity so as to identify the pitfalls and the areas left out.
- Innovation should essentially be a matter of concern; be it searching the untouched areas and scope of CSR or the formulation of CSR strategy or the implementation thereof.
- NGOs should be encouraged to act in collaboration for the CSR activities under different schemes and projects as they play a crucial role in the upliftment of the masses.
- Organisations should prepare a code of ethics for social upliftment.

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