

A Study of Strategic Corporate Social Responsibility Analysis of Automobile Sector in India

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Abstract:

Indian corporate sector has witnessed a phenomenal growth from the last few decades. They are gaining momentum in various developmental policies and strategies by Indian government. As far as their responsibility is concerned toward society, Indian corporate sector has a mandatory CSR obligation. CSR is basically contributing toward the society. The automobile sector is a crucial driver of the Indian economy, contributing for approximately 2.3% of India's GDP and countless employment. The main objective of this paper is to highlight the status or trends of CSR spending of selected companies of Indian Automobile sector and also the thematic areas of focus where these companies have contributed. Four companies from this sector have been selected namely Hero Motocorp ltd., Tata Motors ltd. , Mahindra & Mahindra ltd. and Maruti Suzuki ltd. Secondary data has been collected and then compiled and analyzed to study the status and trends of CSR in Indian Automobile sector.

Keywords- CSR, Automobile sector, CSR budget, CSR spending, Thrust Areas

Introduction

Automobile sector is one of the biggest industries in the world. According to 2021 CSR data, India has the world's fourth-largest automobile sector. In terms of sales, India has become the world's third largest vehicle market by 2022, surpassing Japan and Germany. Currently, India's car sector generates 8% of total exports and accounts for 2.3% of GDP.

With the introduction of new Companies Act 2013, India initiated the mandatory Corporate Social Responsibility which brought about drastic change in Indian corporate sector. Before 2013, CSR initiatives are at the discretion of companies and come under the ambit of philanthropy, but after 2013, the company act has provided for compulsory spending on CSR. Companies are making use of resources from the nature and society, so it the first and foremost duty of the companies to pay back to society in the form of compensating their loss and enhancing the quality of life for present and future generations.

Corporate social responsibility is a catchphrase because corporate community is much more conscious about it. Each firm wishes to do everything to improve the social corner by investing some of its revenues on them. CSR are generally referred to as corporate responsibility, good corporate citizenship, corporate ethical behavior, Tripple Bottom Line, Sustainable development and Corporate Governance etc. A significant collection of empirical literature makes reference that not only CSR provide benefits to society, but it also has a wide variety of economic advantages to organizations by getting engaged in CSR activities sincerely (Turban and Greening 1997; Werther & Chandler 2005; Sen et al. 2006 ; Kramer et al. 2006; Jamali et al. 2009; Pedersen & Neergaard 2016; Elembilassery & Gurunathan 2018; Yang, C. S. 2018).

Carroll (1979) describes “Corporate social responsibility as the whole spectrum of duties of a firm to community and covers financial, regulatory, philosophical and voluntary aspirations of society at a particular moment. A successful organization distributes its economic strength deliberately and its resulting financial profits with all connected people which in turn increase its performance”.

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Review of Literature

Sharma Lekh raj (2017) made an attempt to analyze the patterns of CSR prevalent in Indian businesses. Because of Corporate Social Responsibility (CSR), affluent and disadvantaged sections of society may come together. Findings of the study revealed that the environment, health, and education are the three most important areas for CSR. A new indicator for sustainable development is CSR. Most of the recommendations are based on the idea that CSR operations of any firm should provide holistic growth by benefiting society, workers, clients, and the environment.

Muralidharan P. (2016) investigated workers' opinions of Corporate Social Responsibility (CSR) activities in two firms in the United Arab Emirates. Present study made the comparison of employee perceptions regarding CSR aspects in two businesses. CSR is seen differently by different demographic groups. The results showed that environmental activities had a considerable impact on employee happiness, but that demographic characteristics have little influence on employee opinion of environmental initiatives.

Narwal and Sharma (2016) studied and evaluated employee perceptions of corporate social responsibility (CSR) in India. CSR perspectives and society perceptions of CSR were studied. While morality and ethics continue to play a significant role in society, businesses are more guided by them in their efforts to be socially responsible.

Verma A., and Kumar C.V. (2014), carried out quantitative analysis of corporate social responsibility expenditure by Indian firms. Their research looked at how firms spent their CSR budgets in the years before to 2014, when voluntary CSR spending was the norm, and evaluated the relevance of mandatory provisions. From 2001 to 2012, they gathered data on thirty BSE Sensex firms. CSR spending was low during the discretionary spending phase.

Nitin kumar (2014), argued that CSR lies at the heart of sustainable development. Philanthropy has given way to obligatory social welfare. CSR became required in 2013 when the new business statute gave it legal legitimacy. This guideline is for businesses with a net worth of at least 5 billion, a turnover of at least 10 billion, and net profit of at least 50 million and those Companies must spend 2 percent of their average annual earnings on CSR. The researcher also encapsulate the CSR activities of major corporate giants in India like BPCL, Maruti Suzuki, Hindustan Unilever limited, Reliance industries, glaxosmithkline, SAP India, IBM, HSBC India, Max new York life, Standard chartered bank, TATA steel, ONGC, Infosys, BHEL, Indian airlines etc. According to them, corporate social responsibility is more beneficial to both businesses and society as a whole.

Bala, M. and N., Singh (2014) in their research made an attempt to identify areas of CSR practices, analyze the major components of CSR practices, and analyze significant differences/uniqueness in the way these companies practiced CSR, among private Indian companies (PICs), multinational companies (MNCs), as well as public sector companies (PSCs). In the study, PICs, MNCs, and PSCs were shown to have similar CSR practices like Employee welfare, environmental and natural resource protection as well as community development, sustainable development and health and scholarship programs etc.

Methodology

This study is empirical and descriptive in nature. In this study strategic CSR initiatives of selected Automobile companies are studied. Content analysis is used in the present study. A comprehensive assessment of the literature was undertaken. For this, secondary data was collected from various e-sources. Descriptive statistics and growth rate has been calculated to understand the status of CSR in Indian Automobile sector. This research is exploratory where researcher gets an insight into corporate social responsibility spend of Automobile in India.

Objectives

The main objectives of this paper are:

- To study and compare the Actual and prescribed amount of CSR of selected Automobile companies.
- To study the Average CSR spend of each company in various thrust areas.

Data Analysis and Interpretation

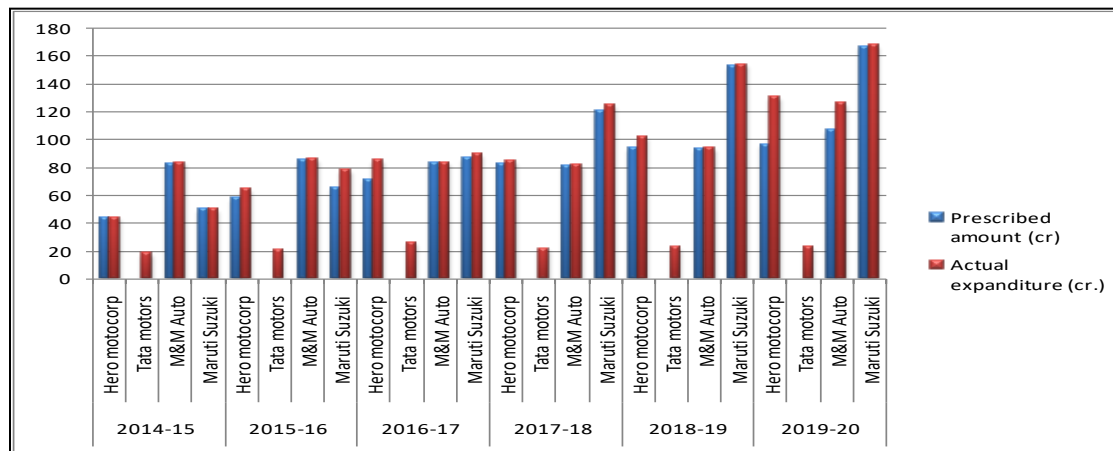
CSR spending of Selected Indian Companies of Automobile sector

Table 1– Status of CSR spending of selected companies of Indian Automobile Sector (year wise)

Year	Name of company	Prescribed amount (in crore)	Actual Expenditure (in crore)	% of Actual exp Toward prescribed amount
2014-15	Hero Motocorp. Limited	44.04	44.04	100.00%
	Tata Motors Limited	0	18.51	-
	M&M	83.03	83.24	100.25%
	Maruti Suzuki	50.11	50.11	100.00%
2015-16	Hero Motocorp. Limited	58.18	65	111.72%
	Tata Motors Limited	0	20.56	-
	M&M	84.95	85.9	101.12%
	Maruti Suzuki	65.4	78.46	119.97%
2016-17	Hero Motocorp. Limited	70.62	85.13	120.55%
	Tata Motors Limited	0	25.94	-
	M&M	83.3	83.57	100.32%
	Maruti Suzuki	87.2	89.5	102.64%
2017-18	Hero Motocorp. Limited	82.6	84.34	102.11%
	Tata Motors Limited	0	21.44	-
	M&M	81.27	81.98	100.87%
	Maruti Suzuki	120.83	125.08	103.52%
2018-19	Hero Motocorp. Limited	93.72	101.95	108.78%
	Tata Motors Limited	0	22.21	-
	M&M	93.37	93.5	100.14%
	Maruti Suzuki	153.5	154.07	100.37%
2019-20	Hero Motocorp. Limited	96.55	130.61	135.28%
	Tata Motors Limited	0	22.87	-
	M&M	106.56	126.6	118.81%
	Maruti Suzuki	166.56	168.21	100.99%

(Source- Data Collected and Compiled from Annual reports of Company concerned and National CSR portal from 2014-15 to 2019-20)

Chart 5.1 - Yearly Trend of Prescribed amount and Actual Expenditure of CSR in selected companies of Indian Automobile Sector



(Source- Data Collected and Compiled from Annual reports of Company concerned and National CSR portal from 2014-15 to 2019-20)

In the above table (1) and chart (1) the CSR Spending of selected companies of Indian Automobile sector are presented and depicted from year 2014-15 to 2019-20. The data of selected companies are taken from annual reports of companies concerned and from the Indian CSR portal. It is evident from the data that, out of four companies in 2019-20 Maruti Suzuki and Hero Motocorp Ltd. are spending rigorously on year on year basis. In 2019-20 highest CSR spending was of Maruti Suzuki i.e. 168.21 crore as against the prescribed amount of Rs. 166.56 crore. Second in the line is Hero Motocorp, who spend 130.61 crore as against 96.55 crore, approximately 135.28% of the CSR budget. This shows that Hero Motocorp was spending on CSR more than the prescribed budget. This shows company's devotion to duties and sense of fulfilling responsibilities towards Society. Third in rank was Mahindra and Mahindra Limited which spend 126.61 crore as against the prescribed amount of 106.56 crore, which is 118.81% of the CSR budget. Last in the line is Tata Motors Limited which spend 22.87 crore as against no statutory obligation of spending on CSR as Company is suffering from losses from the last three previous years. This shows that inspite of Losses Company still paying back to society regularly without fail and company has incorporated CSR in their Vision, Mission and objectives. In previous years also all the four companies were performed well and tried to spend more than what is stipulated as per CSR budget.

From the analysis of this data, it can be interpreted that all the four selected companies are much inclined toward their corporate responsibilities. Mahindra and Mahindra Limited spent 83.24 crore in the year 2014-15 and 85.9 crore in the year 2015-16 which was highest among four selected companies. But from year 2016-17 to 2019-20, consequently Maruti Suzuki Ltd. spent highest which is 89.5 crore, 125.08 crore, 154.07 crore, 168.21 crore among four selected companies. As shown in the chart from 2014-15 to 2019-20 all the four selected companies are spending more than their respective CSR budget. Here it is important to mention about Tata Motors Limited which is spending irrespective of any prescribed amount in all the years.

Consolidated CSR in Indian Automobile sector

This section covers the CSR activities of all the four companies of Automobile sector and their consolidated spend on various thrust areas like Health, Sanitation & Poverty Eradication, Education, Training & Livelihood Enhancement, Environment Sustainability, Development of Underprivileged Section, PM cares fund and Donation, Promotion of Sports, National Heritage, Art & Culture, Rural Development and Community Development, Research and Development, Armed force veterans, war widow and dependents and any other area of CSR which comes under the schedule VII of section 135 of Indian company Act 2013.

Table 2- Consolidated CSR Initiatives of Automobile sector in various Development Sector
 (Average Rupees values - in crore)

Name of the Company	Health, Sanitation & Poverty Eradication	Education, Training & Livelihood Enhancement	Environment Sustainability	Development of Underprivileged section	PM cares fund and Donation	Promotion of Sports	National Heritage, Art & Culture	Rural Development and Community Development	Research and Development	Armed force veterans , war widow and dependents	Others
Hero Motocorp	3.77	48.24	12.38	3.38	9.65	1.10	0.00	3.13	0.00	0.15	3.38
Tata Motors Limited	4.09	15.84	1.30	0.00	0.00	0.00	0.00	0.53	0.00	0.00	0.17
Mahindra and Mahindra Limited	16.28	44.90	8.11	0.72	4.27	0.10	0.06	17.84	0.00	0.00	0.18
Maruti Suzuki	28.14	68.89	6.70	0.00	1.00	0.00	0.00	5.68	0.00	0.00	0.49
Total	52.28	177.88	28.47	4.10	14.92	1.20	0.06	27.18	0.00	0.15	4.22
Average	13.070	44.470	7.118	1.025	3.730	0.301	0.015	6.795	0.000	0.038	1.055

Source-Author compilation from data Collected from Annual reports of Company concerned and National CSR portal from 2014-15 to 2019-20)

Table no-2 exhibits the Average of CSR spend of all the selected companies of automobile sector namely Hero Motocorp, Tata Motors Limited, Mahindra and Mahindra Limited Ltd. and Maruti Suzuki Limited in various development sectors from the year 2014-15 to 2019-20 and then their total and combined mean is calculated to understand the major thrust area of this sector. From this table it is clearly evident that the combined average is highest in case of Education, Training & Livelihood Enhancement projects (44.470) which show that Automobile sector is primarily spending their CSR on Education, Training & Livelihood Enhancement. Second in the line is Health, Sanitation & Poverty Eradication projects where combined average is (13.070) and then Environment Sustainability projects with combined average (7.118), next is Rural Development and Community Development with combined average (6.795), then donation to PM Cares fund and other funds with combined average (3.730). A nominal spend is made for the Development of Underprivileged Section like Women, Children, Senior Citizen, Disabled persons with combined mean (1.025). Rest of the areas are not catered significantly with average less than 1 i.e. Promotion of Sports(0.301), Development of National Heritage, Art & Culture (0.015), Support for Armed Forces, Veterans, War Widows and dependants (0.038) and for Other projects (1.055). This shows that Automobile sector is contributed rigorously toward Education, for Providing Training and Promoting Livelihood Enhancement projects.

Descriptive Analysis of CSR Activities in Automobile sector

In this section results of complete descriptive Analysis is presented where mean, standard deviation, standard error, 95% confidence interval for mean and Minimum and maximum values are calculated. Skewness is a measure of symmetry or kurtosis measures the Type of distribution on the basis of its shape. This Descriptive analysis helps the researcher to get some insight about the CSR initiatives in statistical terms. In this sector 4 companies are studied and CSR initiatives of 6 years from 2014-15 to 2019-20 are taken so total 24 observations are studied to calculate the mean and other statistical measures. From this descriptive Analysis it can be inferred that this sector is paying more attention toward Education with mean (44.4694) and S.D (28.45) and having standard error (5.80). This dimension of CSR has 95% confidence interval for mean with lower and upper values (32.45 and 56.48) this shows the spread of mean toward both of the critical regions. Minimum and maximum values present the variables actual spread in the series. Shape and type of data is studied with the values of Skewness (0.692) and Kurtosis (0.170).

Table 3 - Descriptive Analysis of CSR initiatives in Automobile sector

Descriptives										
Automobile sector										
	N	Mean	S.D.	S.Error	95% Confidc		Mini. value	Maxi. value	Skewness	Kurtosis
					Interval for Mean					
					Lower	Upper				
HSPE	24	13.0700	15.24009	3.11087	6.6347	19.5053	2.42	68.25	2.481	7.061
ETLE	24	44.4696	28.45092	5.80752	32.4558	56.4834	0.78	111.72	0.692	0.170
ES	24	7.1183	10.25408	2.09311	2.7884	11.4483	0.00	40.17	1.988	3.862
DUS	24	1.0250	2.47433	0.50507	-0.0198	2.0698	0.00	10.23	2.817	8.243
PMCFD	24	3.7300	8.48965	1.73294	0.1451	7.3149	0.00	31.38	2.518	5.411
SP	24	0.3008	1.22751	0.25056	-0.2175	0.8192	0.00	6.03	4.809	23.364
NHAC	24	0.0154	0.05564	0.01136	-0.0081	0.0389	0.00	0.25	3.848	15.122
RDCD	24	6.7950	7.57262	1.54576	3.5974	9.9926	0.00	23.05	0.826	-0.725
RD	24	0.0000	0.00000	0.00000	0.0000	0.0000	0.00	0.00	-	-
AFVWW	24	0.0383	0.11922	0.02434	-0.0120	0.0887	0.00	0.51	3.415	11.726
OTHER	24	1.0550	4.14835	0.84678	-0.6967	2.8067	0.00	20.29	4.717	22.672
Total	24	77.6175	43.45964	8.87116	59.2661	95.9689	18.51	168.21	0.279	-0.572

(Source- Computed data)

In this way it can be interpreted that selected companies in Automobile sector are spending extremely on Education, Training & Livelihood Enhancement projects.

Conclusion

Corporate Social responsibility in India is a striking movement. Corporate India must conduct social activities to establish society in an integrated fashion. The study concluded that if an enterprise works hard to develop society, which improves the performance of the enterprise as well, it creates win-win circumstances for everybody concerned. The statistical analysis shows that these practices do not only help a corporation to achieve sustainable growth but also it provides strategic advantages.

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