



## AN OVERVIEW OF CSR TAKEN BY TATA GROUP

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### ABSTRACT

Corporate social responsibility (CSR) is now seen as an integral part of corporate strategy. The main purpose of the study is to analyze the corporate social responsibility (CSR) activities carried out by TATA Group and to study the Indian government policies and programmes of CSR. The study is based on the secondary data taken from the annual reports. The study adopts descriptive and analytical research design. In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013 encourages companies to spend at least 2 per cent of their average net profit in the previous three years on CSR activities. CSR is viewed as vital tool for improving their competitive edge over their opponents.

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### INTRODUCTION

Corporate Social Responsibility is now accepted as a means to achieve sustainable development of an organization. CSR is about integrating economic, environmental and social objective with a company's operations and growth. CSR impacts on governance and ethics, employee welfare, society welfare, environment protection etc. The Companies Bill, 2012 intends to inculcate the philosophy of CSR among Indian companies. There are different types of CSR like Environmental CSR; Community based CSR, HR, based CSR and Philanthropy. The functions of CSR are Ethical, Legal, Societal and Ecological functions. The ethical functions of CSR help to present conflicts of interest between earning corporate profits and maintaining the integrity of the company. The legal function of CSR helps to encourage transparency in a company's business practices and financial reporting. The societal function of CSR helps to respect and invest in the communities in which the company operation. The ecological function of CSR helps not only to respect the immediate environment in which the company operates but also to respect the company's effect on the global environment. This study on CSR at Tata Steel has sufficient reasons to be established. Many such studies have been done at Tata Steel on CSR initiatives in the past. But, the recent study will throw lights on the perseverance and continuous efforts of Tata Steel for CSR activation.

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Here few quotations of the great leaders are justified to be given. "I do believe that we, in the Tata group, have held a view and sense of purpose that our companies are not in existence just to run our business and to make profits but that we are responsible and good corporate citizens over and above our normal operations". Ratan N. Tata, Chairman, Tata Group. Corporate Social Responsibility has always been taken care of by the Tata group. The founder Mr. Jamshedji Tata used to grant scholarships for further studies abroad in 1892. He also supported Gandhiji's campaign for racial equality in South Africa. Tata group has given country its first science center and atomic research center. The wealth gathered by Jamshedji Tata and his sons in half a century of industrial pioneering formed but a minute fraction of the amount by which they enriched the nation. Jamshed Irani, Director, Tata Sons Ltd, says, "The Tata credo is that 'give back to the people what you have earned from them'. So from the very inception, Jamshedji Tata and his family have been following this principle." In July 2004, B. Muthuraman, Managing Director, Tata Steel Limited (TISCO) announced that in future TISCO would not deal with companies, which do not conform to the company's Corporate Social Responsibility (CSR) standards. Speaking at the annual general meeting of the Madras Chamber of Commerce and Industry, He stated, "We will not either buy from or sell to companies that do not measure up to Tata Steel's social responsibility standards." Through different companies and societies Tata group keeps on heading towards the fulfillment of corporate social responsibility. Tata Steel has adopted the

Corporate Citizenship Index, Tata Business Excellence Model and the Tata Index for Sustainable Development. Tata Steel spends 5-7 per cent of its profit after tax on several CSR initiatives. For the last 100 years, Tata Steel has focused on responsible business practices with community-centric interventions. In the initial years, Tata Steel's CSR interventions were more as a 'provider' to society where the community was given support for its overall needs, both for sustenance and development e.g. distribution of medicines, free distribution of seeds/fertilizers, farm equipments, etc.

**Significance of the study:** India is the 2nd highest populous country in the world. Most of the population is living in the villages. India has achieved 65 % literacy rate only. Majority of the rural people are illiterates, not accessible to good health facilities and nutritious food. 20 percent of the rural people are in the poverty line. The business houses are earning profits by rendering their services to customers in society. The government alone can't uplift the downtrodden people. The corporate houses and non-governmental organizations have to come forward to eradicate various social evils and play vital role in society development their activities such as providing quality education, extending healthcare facilities, nutritious food, creating awareness on environment safety ,drinking water facilities, sponsoring the sports events, participating in natural disaster management programmes, ethical values promotion, enriching the Indian culture, etc. The corporate houses have to come forward to do their part towards development of the society. This contribution will be helpful to the organizations to enhance their brand awareness and reputation in the market. The society development should be treated as an integral part of the organization's strategy. CSR strategies promote the corporate sustainable development as well as society as at large. Therefore community development is a responsibility of the government, non-governmental organizations and business organizations as well.

**Objectives of the study:** The study is intended to achieve the following objectives:

- To study the Indian government policies and programmes of CSR.
- The main purpose of the study is to analyze the corporate social responsibility (CSR) activities carried out by TATA Group.

**Government Policies for CSR:** Several major CSR initiatives have been launched in India since the mid-1990s. Among these is the first voluntary code of corporate governance, "Desirable Corporate Governance: A Code", established in April 1998. This was an initiative by the Confederation of Indian Industry (CII), India's largest industry and business association. A National Foundation for Corporate Governance (NFCG) has been established by the Ministry of Corporate Affairs. This is a partnership with the Confederation of Indian Industry (CII), the Institute of Company Secretaries of India (ICSI) and the Institute of Chartered Accountants of India (ICAI). The purpose of the National Foundation for Corporate Governance is to promote better corporate governance practices and raise the standard of corporate governance in India towards achieving stability and growth.

**CSR Policy as per Indian Companies Act 2013:** On 8th August 2013 the proposed new Companies Bill, 2012 was passed by Rajya Sabha. This bill will soon replace the

Companies Act, 1956, which has governed Indian business for over 50 years. The new Company's Act -2013 will come into effect at a future date not yet determined. The Act contains an important clause (Clause 135) that mandates CSR regulations for Indian companies. It has many merits for one thing; it simplifies many issues and aims at greater transparency and ease of doing business in India. It has also introduced class action lawsuits, which will protect small holders, a remarkable move. As per companies act 2013, CSR is mandatory 2 per cent spend for companies with profits over 50 million Rupees (\$ 816,000) in the last three years. While this mandatory spend may seem like an excellent move and a great business opportunity, especially for smaller consultancies and reveals that which is simply not true. Only companies of a certain size are included in Clause 135. The rules define the companies affected as those having net worth of Rs. 500 crore or more; or annual turnover of Rs. 1000 crore or more; or annual net profit of Rs. 5 crore or more (net profit before tax, not include profits arising from branches outside India).

**There are four major directives to companies that will have to comply with**

- Create a "CSR Committee", made up of three or more Directors, one of whom must be an independent director.
- Allocate at least two percent of net profits (The two percent CSR spending needs to be computed as two percent of the average net profits made by the company during every block of three years. For the purpose of the first CSR reporting, the net profit should be calculated as average of the annual net profit of the preceding three financial years ending on or before 31 March 2014) To implementing CSR activities.
- Create a "Corporate Social Responsibility Policy" that details which activities will be undertaken by the company, and what budget will be spent on them. This should be published on the company's website.
- At the end of each year, the details of all CSR initiatives undertaken by the company must be reported in the Directors' Report and on the company website.

**How to create CSR Policy:** The rules of the new Act have some guidance on what the policy should and shouldn't include:

- The policy should specify the projects and programs that are to be undertaken.
- It should include a list of CSR projects/programs which the company plans to undertake during the implementation year, specifying modalities of execution and an implementation schedule for each.
- In specifying the CSR projects/programs, the policy should "give preference" to the local areas around it and where it operates.
- The CSR projects/programs may focus on integrating business models with social and environmental priorities and processes in order to create shared value.
- It should be clear that any financial surplus arising out of CSR activity will not be part of business profits of a company.
- The Committee should prepare a transparent monitoring mechanism for ensuring implementation of the projects/programs proposed in its policy.

## Foundations, Trusts, and Collaborations

- If a company has already set up a Trust or Section 8 Company, or Society or Foundation, to implement its CSR activities, the company would have to specify the exact projects and programmes to be implemented by the organization as per the company's CSR policy. In addition the company would have to set up a monitoring system to ensure that its two percent contribution (under Clause 135) was spent for this purpose only.
- A company may also direct its CSR spending through a Foundation, Trust or Section 8 company that is not set up by the company itself. However, this is acceptable only if the organization has a track record of more than three years in implementing activities in the specified areas and if the company has a monitoring system in place to ensure the funds were spent as per the activities set out in its CSR policy. Companies may collaborate or pool resources with other companies to undertake CSR activities, within the areas specified in their CSR policy. Any expenditure incurred on such collaborative efforts would qualify for computing CSR spending for the year.

## Excluding the Employee Benefits

- The Rules specify that CSR initiatives exclude any activities undertaken in pursuance of the normal course of business of a company. So even though point (vii) above references "employment enhancing vocational skills", this does not extend to vocational training undertaken in your company as part of your normal HR operations.
- The rules state further that activities or programs that are solely for the benefit of your employees and their families will not be considered part of the CSR spending. Our interpretation of this is that it's acceptable for your employees and their families to benefit from any projects/programs set up for the broader community, assuming they are in the target social demographic of the programs.

**Reasons for not supporting the CSR mandate:** There are many reasons for not supporting the CSR mandate by the Indian Corporates. Some of them are following:

- Unnecessary Focus on Reporting
- First, the mandatory spend immediately puts the focus on quantifying CSR activity and not qualitatively assessing what makes strategic sense for a business. Quantifying CSR activity puts focus on reporting, which in a country like India corporate manipulates the CSR reports. This ultimately acts as a deterrent for those of us who want to push CSR for its merits and not simply as something that requires additional paperwork.

**CSR taken by TATA Group:** The corporate policy of the group encompasses the sustainable development of all the stakeholders. The major points included in the corporate policy are following:

- Demonstrate responsibility and sensitivity to biodiversity and the environment

- Comply with rules and regulations relating to environment
- constantly upgrade technology and apply state-of-the-art processes and practices with institutional arrangements that will combat larger issues like climate change and global warming
- Create sustainable livelihoods and build community through social program pertaining to health, education, empowerment of women and youth, employee volunteering,
- Find ways to enhance economic human, social and natural capital for bringing and maintaining a balance among business, society and environment.

## Contributions for the National Development Highlights:

### Tata Health Infrastructure

- Tata main hospital at Jamshedpur
- ICU in Joda and Balangpur
- CHC in Bari and Kuhika
- Hospitals in Gobarghati, Sukinda, Joda, Belpahar, Belipada and Bannipal
- Lifeline Express
- The hospital on wheels
- Mobile health clinics
- Centre for hearing impaired children

### Tata Educational Infrastructure

- Institute of mathematics
- Sukinda college
- Joda college centenary Learning centre at XI MB
- J N Tata Technical Education centre
- School of hope
- Shishu Niketan
- Balwadi schools assisted by Tata Steel

### Tata Sports Infrastructure

- Tata athletics academy
- Tata archery academy
- Tata Football academy
- Tata steel adventure foundation
- Sports feeder centres
- Stadium at Keonjhar

### Preservation of culture and Heritage

- Contribution to setting up national Center for performing arts Mumbai.
- Tribal cultural centers showcases legacy of nine tribes Jharkhand and Orissa.
- Gramshree mela activities.
- In July 2004, B. Muthuraman, Managing Director, Tata Steel Limited (TISCO) announced that in future TISCO would not deal with companies, which do not conform to the company's Corporate Social Responsibility (CSR) standards. Speaking at the annual general meeting of the Madras Chamber of Commerce and Industry, He stated, "We will not either buy from or sell to companies that do not measure up to Tata Steel's social responsibility standards."

- Introducing changes in company's articles (Clause Number 10) for sustaining CSR. Amendments were made to the Articles of Association of the major Tata group companies in the 1970s. 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. All the group companies were signatories to this code. CSR was included as one of the key business processes in TISCO. It was one of the eight key business processes identified by TISCO's management and considered critical to the success of the company.

**TQMS:** Tata Quality Management Services (TQMS - a division of Tata Sons) had been entrusted with the task of institutionalizing the Tata Business Excellence Model (TBEM). The TBEM provides each company with a wide outline to help it improve business performance and attain higher levels of efficiency and productivity. It aims to facilitate the understanding of business dynamics and organizational learning. TBEM is a customized to Tata adaptation of the globally renowned Malcolm Baldrige model. TBEM model focuses on seven core aspects of operations: leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, human resource focus, process management and business results. Performance is measured in absolute points; companies have to achieve a minimum of 500 points (out of 1,000) within four years of signing the BEBP agreement. TQMS helps Tata companies use the model to gain insights on their business strengths and opportunities for improvement. This is managed through an annual process of assessment and assurance. The model, through its regular and calibrated updates, is used by Tata companies to stay in step with the ever-changing business environment.

#### CSR Activities of Tata Companies for social development:

**1. TATA STEEL:** Tata Steel has adopted the Corporate Citizenship Index; Tata Steel spends 5-7 per cent of its profit after tax on several CSR initiatives. This includes:

**Self-Help Groups (SHG's):** Over 500 self-help groups are at present operating under various poverty minimizing programs; out of which over 200 are engaged in activities of income generation through micro enterprises. Women empowerment programs through Self-Help Groups have been extended to 700 villages. From the year 2003 to 2006, the maternal and infant survival project had a coverage area of 42 villages in Gamharia block in Seraikela Kharsawa and a replication project was taken up in Rajnagar block. For providing portable water to rural communities 2,600 tube wells have been installed for the benefit of over four Lakhs people.

**Support for Social Welfare Organizations:** Tata Steel supports various social welfare organizations like;

- Tata Steel Rural Development Society
- Tribal Cultural Society
- Tata Steel Foundation for Family Initiatives

- National Association for the Blind
- Shishu Niketan School of Hope
- Centre for Hearing Impaired Children
- Indian Red Cross Society, East Singhbhum

**Healthcare Projects:** The healthcare projects of Tata Steel include facilitation of child education, immunization and childcare, plantation activities, creation of awareness of AIDS and other healthcare projects.

**Economic Empowerment** A program aiming at economic empowerment through improvised agriculture has been taken up in three backward tribal blocks in Jharkhand, Orissa and Chhattisgarh, and expected to benefit 40,000 tribal people living in over 400 villages in these three States.

**Assistance to government:** Tata Steel has hosted 12 Lifeline Expresses in association with the Ministry of Railways, Impact India Foundation and the Government of Jharkhand. Over seven lakhs rural and another seven Lac urban population have been benefited by the CSR activities of Tata Steel.

**2. TATA MOTORS: Pollution Control** Tata Motors is the first Indian Company to introduce vehicles with Euro norms. 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.

**Maintaining Ecological Balance:** Tata Motors has planted 80,000 trees in the works 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** 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** For health, education and women empowerment in rural areas In Lucknow, two Societies - Samaj Vikas Kendra & Jan Parivar Kalyan Santhan have been formed.

**Human Capital** Through a scholarship program Vidyadhanam, the company supports 211 students. Out of these students 132 students are from the marginalized sections of the society. The company has entered into Public-Private Partnership (PPP) for upgrading 10 Industrial Technical Institutes (ITI) across the country.

**3. TATA CHEMICALS LTD (TCL):** Tata Chemicals Limited was also the first organization to run world's first hospital on wheels - the Life Line Express, through Jamnagar district for the first time between November 21, 2004 and December 21, 2004. Tata Chemicals is making an effort for sustainability. Sustainability for the group means honesty and transparency towards stakeholders, environmental protection, generating economic value, promoting human rights and creating social capital. All in all they have the policy of

\_avoid, reduce and reuse. The company runs a rural development program at Okhamandal and Babrala

**4. TATA TEA:** Tata Tea has been working sincerely since the 1980s to cater the needs of especially abled people. It has set up the Srishti Welfare Centre at Munnar, Kerala; its various programs provide education, training and rehabilitation of children and young adults with special needs. It has four projects viz:

- The DARE School providing the students with training in basic academics, self-help skills and skills like gardening, cooking, weaving etc.
- The DARE strawberry preserve unit the trainees to preserve natural strawberry are paid, they receive social cover, free medical aid and other benefits.
- Athulya Provides vocational training to physically challenged persons in the art of making recycled paper
- Aranya Disabled people are given training in various natural dyeing techniques including block printing, batik work, etc.

**5. TISCO:** It is the only Indian company trying to put into practice the Global Compact principles on human rights, labor and environment. TISCO was also conferred the Global Business Coalition Award in 2003 for its efforts in spreading awareness about HIV/AIDS.

**6. TELCO:** It has started community development activities for the benefit of TELCO families and local residents in 1973 like: To help the families of employees develop better living standards by organizing extension education programs, training in various trades/skills and providing opportunities to earn additional income. It is fighting against Leprosy at Jamshedpur.

**7. Tata Relief Committee:** Tata Relief Committee (TRC) works to provide relief at disaster affected areas. During natural calamities there are two phases of assistance - (a) relief measures and (b) rehabilitation program. After the Gujarat earthquake the group built 200 schools in two years and they rendered help during the Orissa floods when people lost cattles.

Even after the Tsunami disaster members of TRC immediately reached the places and supplied the things required.

## Conclusion

Every business house owes some responsibility towards the society, nation and world in general which provide it with all human, material and natural resources. Considering the long run growth and sustainable development following the norms of CSR, devising new policies and effective implementation is inevitable to bring and sustain a balance between corporate world and society, present generation and upcoming generation, man and nature. As far as the Tata group 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. It can be said that, a statement on the Tata group's website [www.tata.com](http://www.tata.com), "The Tata credo is that 'give back to the people what you have earned from them', is rightly being implemented through CSR by TATA Group.

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