CSR Disclosure by Selected Indian Companies of Automobile Industry during Pre and Post Companies Act, 2013

Shital B. Rathod & H.C. Sardar

ABSTRACT

Corporate social responsibility was voluntary during pre-companies act, 2013 whereas after implementation of companies act, 2013 it has become mandatory for all companies to comply with the law and to spend minimum 2% of average profit of last three years for corporate social responsibility. Government has also classified all the areas in different eleven categories. This study shows the difference between areas covered before and after companies act, 2013.

INTRODUCTION

“We generate wealth for the people. What comes from the people must, to the extent possible, therefore get back to the people”.

-Bharat Ratna, J R D Tata

In wake of vastness, backwardness and poverty of the country and limitations of the government in mobilizing resources to alleviate these problems, business & other organizations assume overriding importance in helping for its all-round development. Problems afflicting society provide opportunity to business organizations in using their resources & managerial abilities in solving them. Business owes its responsibility towards society. Firstly, as a result of the impact of its own operations & secondly, for being a unit of society in which it operates.

The former relates to what the organization does to the society by way of specific operations whereas the later deals with what society demands from it. Hence, regardless of reasons, business organizations are required to discharge social responsibilities even though they may not be directly responsible for social problems. Business is required to be socially responsible from other consideration as well, namely, that being a potential employer in society it acquires tremendous social power which in turn makes it obligatory to discharge social responsibilities. If social responsibilities are not effectively discharged, it is just possible that social power may be lost in the process. Furthermore, being the leading member of society, business organizations are expected to play a leading role in solving some of the major problems. Business organizations owe social responsibilities to society in the same way as individuals hold. Like an individual, organization is to be viewed as a member of the society & hence he is expected to behave as a responsible citizen.

As per the survey of 2011, the major problems of India are population, poverty, sanitation, education, unemployment, women empowerment, environmental issues like air pollution, water pollution, soil erosion etc.

There is statutory provision for corporate social responsibility as per companies act, 2013. Before these legal provisions, most corporates were used to perform their social responsibilities in the common areas like health care, education and environment sustainability. But this was not regulated by any agency. It was totally voluntary. But now it is mandatory.

The core concept of this study is to identify the gap between disclosure by Indian corporate before and after commencement of companies act, 2013. Before commencement of this work, corporate social responsibility was not mandatory and now it is mandatory. Therefore, this work is divided into two parts i.e. pre legal provisions and post legal provisions.

There were no predetermined areas of corporate social responsibility and now there is. Hence all possible Indian problems are fixed to examine this relationship or gap. This is discussed in detail in the chapter of data and data analysis.

LITERATURE REVIEW

Windsor (2001), article examined the future of Corporate Social Responsibility or the relationship between business and society in long run. he tried to find out whether the organization and society will come closer to each other in future or not and what will be the changing phase of CSR. With the help of history or past trend of CSR, Caroll’s model analysis and in global context, the researcher found three emerging alternatives of CSR i.e. conception of responsibility, global corporate citizenship, stakeholder management practices.
Nigel Sarbutts (2003), the paper explored the way of doing CSR by small and medium sized companies. The research depicted that a structured approach to managing corporate reputation and profit maximization of SME’s through CSR. The societal activities of small and medium sized companies is based on their cost is Benefit Analysis. Small Corporation always struggle for more reputation and minimization of risk. In such a situation, CSR comes as hope for these companies. Large companies have so many resources for implementing CSR activities but SME’s have fewer resources. It can be a barrier for them to stay in the market. So, in that situation by imparting much information, proper utilization of resources, doing well for businesses, SME’s can minimize their risk and manage CSR.

A speech delivered by Mr. Fredrick Ma, secretary for financial services, based on Corporate social Responsibility (2004) organized by the British consulate. The speaker explored the concept of CSR on the basis of survey of 1500 business leader attending the world economic forum in bevos. In which 5% leaders said that CSR is important for the success of business, while 24% said CSR is not important but the shareholder’s interest is most important for the businesses. But for the speaker, CSR and corporate governance are complementary to each other. Corporate governance is a medium of driving CSR among corporate. Further the speaker also talked about the role of government in CSR, SME’s as well as for unlisted companies. It was also included in their views that CSR should be a part of company’s objective.

Moon (2004), paper examined the role of government in driving corporate social responsibility among the corporate. The study explained that the drivers of CSR are related with business and society. Business includes its reputation, corporation itself, employee’s relation knowledge, goals etc. further, the study cleared that government is driver of CSR by making this relationship true and fair through making through making policies and regulations. The study also embarked other’s country’s situation that how their government entered into businesses for driving CSR.

Samuel O. Idowu (2007), with their study of twenty companies in U.K., propounded that the U.K. companies has now become ethical in the content of social responsibility as companies disclose its CSR with a view of public benefits, government request and issue information to stakeholders because the companies think that stakeholders of twenty first century are better educated them past.

Vaaland, Heide (2008), paper based on a case study methodology. The paper purpose was to handle the CSR critical incidents and utilize this experience in enforcing the CSR activities. The study concluded that CSR should be managed by handling unexpected incidents, long term reduction of gap between stakeholders and their expectations and company performance and finally maintaining relationship with society through interplay between actor, resources and activities.

Gond, Crane (2008), made an analysis on the distortion of corporate social performance concept. The research analyzed that the past researches and found some reason of emerging fall in the interest of corporate social performance research among the scholars. The paper also suggested models on the basis of which the researcher explained that why the CSP concept has lost its importance and development. Further, the researcher depicted some model which the researcher can used in their research related to corporate social performance. The paper argued that tensions and contradictions are the starting point to develop the CSP concept. CSP has an umbrella of activities which need to measure differently in order to move the researches from a simple concept to development.

Truscott, Bartlett, Trwoniak (2009), paper “The reputation of Corporate Social Responsibility industry in Australia” in Australian marketing journal, based on case study methodology. On the basis of the interview of key persons of industries in Australia, the term CSR has been explained. The industrialist revealed that CSR increasingly has become significant. They shared their views of CSR in economic, legal and ethical roles of business in society. Beside this, the industrialist viewed CSR as a model of corporate reputation.

Richa Gautam and Anju Shah (2009) in their paper entitled “Corporate Social Responsibility Practices In India” published in Global Business And Management Research : An International Journal has done an analysis of 500 companies out of which 229 companies didn’t reported on csr activities and it stated that Corporate Social Responsibility is presented as a comprehensive business strategy, arising mainly from performance consideration and stakeholders pressure.

Shah, Bhaskar (2010), has taken a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that company has taken a lot of initiatives in order to serve the society.

Shruti Gupta (2011), in her paper entitled “Consumer Stakeholder View of Corporate Social Responsibility: A Comparative Analysis From USA and India” published in social responsibility journal(volume:7) has done A qualitative analysis of participant responses to open- ended questions was to generate results and stated that both country samples showed a positive level of CSR responsiveness.

RESEARCH METHODOLOGY

Objectives of Study:

The objectives of analyzing corporate social responsibility performance are

1. To examine corporate social responsibility activities performed by selected Indian companies.
2. To examine company wise performance score of social responsibility.
3. To investigate the gap between social responsibility of Indian companies and Indian problems.

Hypothesis:

To examine the result of objectives the following hypothesis are developed.
1. All corporate social responsibility activities are performed by Indian companies.
2. The performance score of all selected Indian companies is identical.
3. There is significant gap between social responsibility of Indian companies and Indian problems.

**Type of Data:**

In this study, secondary data is used. Total 30 companies are selected and data is obtained from their annual report.

**Period of Study:**

Time period for this study was 5 years that is from 2011-12 to 2015-16. The entire study is based on historical data.

**Scope of Study:**

The various 11 areas of social responsibility as per companies act, 2013 are traced out for selected 5 Indian companies from their annual reports of financial years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16. Again, it is divided into two categories.

1) Pre companies act, 2013.
2) Post companies act, 2013

**Sample Size:**

Total 30 Indian companies are selected randomly from different six industries for the purpose of the study.

**List of Selected Indian Corporate from automobile industry**

1. Ashok Leyland Limited
2. Maruti Suzuki Limited
3. Tata Motors Limited
4. Bajaj auto limited
5. Hero Honda Motors Limited

Name of areas covered as per schedule VII of companies act, 2013.

1. eradicating extreme hunger and poverty
2. promotion of education
3. promoting gender equality and empowering women
4. ensuring environmental sustainability
5. protection of national art, heritage and culture
6. measures for benefit to armed forces veterans, war widows and their dependents
7. training to support sports
8. contribution to PM fund or any other fund
9. contribution to technology incubators located within academic institution
10. rural development projects
11. Slum area projects

**Computation of disclosure score**

The performance score of social responsibility is calculated as under and accordingly ranks are given to the companies over 5 years.

\[
PSSR \text{ of companies} = \frac{\text{total areas covered of SR}}{\text{total selected areas of SR}} \times 100
\]

**Tabulation of Data:**

On the basis of table no. 4.1 and 4.2, we can divide the data in following four parts.

\[
\begin{align*}
&> 75\% \quad = \text{GROUP A} \\
&51\% \text{ TO } 75\% \quad = \text{GROUP B} \\
&25\% \text{ TO } 50\% \quad = \text{GROUP C} \\
&< 25\% \quad = \text{GROUP D}
\end{align*}
\]

**Limitations of the Study:**

Limitations of the study are as under.

1. The data have been collected for only 5 years that is 2011-12, 2012-13, 2013-14,2014-15 and 2015-16.
2. Only 5 companies from automobile industry are selected.
3. An attempt is made to find out the gap between Indian corporate social responsibility and Indian problems.

**Data and Data Analysis**

Data analysis has been carried on with the use of following table which is drawn on the basis of information provided in the annual report of selected Indian companies.

| NAME OF COMPANY | eradicating hunger, poverty and malnutrition | promoting education | gender equality and empowering women | environment sustainability | protection of national art, heritage and culture | measures for benefit to armed forces veterans, war widows and their dependents | training to promote rural sports | contribution to technology incubators located within academic institution | Rural development projects | Slum area project | TOTAL |
|-----------------|---------------------------------------------|---------------------|-------------------------------------|---------------------------|---------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------|------------------|
| Bajaj Auto Limited | 2011-12 | Y | Y | Y | Y | N | Y | Y | N | Y | Y | 7 |
| 2012-13 | Y | Y | Y | Y | N | Y | Y | N | Y | Y | 7 |
| 2013-14 | Y | Y | Y | Y | N | Y | Y | N | Y | Y | 7 |
|------|----------|----------|----------|----------|----------|
| Name of company | areas covered | PSSR | group | areas covered | PSSR | group | areas covered | PSSR | group | areas covered | PSSR | group | areas covered | PSSR | group |
| Bajaj Auto | 9 | 81.81% | A | 9 | 81.81% | A | 9 | 81.81% | A | 8 | 72.72% | B |
| Ashok Leyland | 4 | 36.36% | C | 4 | 36.36% | C | 4 | 36.36% | C | 4 | 36.36% | C |
| Maruti Suzuki | 7 | 63.63% | B | 7 | 63.63% | B | 7 | 63.63% | B | 4 | 36.36% | C |
| Tata Motors | 7 | 63.63% | B | 7 | 63.63% | B | 7 | 63.63% | B | 3 | 27.27% | C |
| Hero Motors | 3 | 27.27% | C | 3 | 27.27% | C | 5 | 45.45% | C | 4 | 27.27% | C |

Table no. 4.2
Performance Score of Social Responsibility of companies

<table>
<thead>
<tr>
<th>year</th>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
<th>Group D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>Bajaj Auto</td>
<td>Tata Motors</td>
<td>Ashok Leyland</td>
<td>Maruti Suzuki</td>
</tr>
<tr>
<td>2012-13</td>
<td>Bajaj Auto</td>
<td>Tata Motors</td>
<td>Ashok Leyland</td>
<td>Maruti Suzuki</td>
</tr>
<tr>
<td>2013-14</td>
<td>Bajaj Auto</td>
<td>Tata Motors</td>
<td>Ashok Leyland</td>
<td>Maruti Suzuki</td>
</tr>
<tr>
<td>2014-15</td>
<td>Bajaj Auto</td>
<td>Tata Motors</td>
<td>Ashok Leyland</td>
<td>Maruti Suzuki</td>
</tr>
<tr>
<td>2015-16</td>
<td>Bajaj Auto</td>
<td>Tata Motors</td>
<td>Ashok Leyland</td>
<td>Maruti Suzuki</td>
</tr>
</tbody>
</table>

Table no. 4.3 Result of Company wise PSSR
Pre Companies Act, 2013

In year 2011-12, Bajaj Auto was the only company which falls under the category of group A. Its PSSR was 81.81% as it covered 9 areas out of total 11 areas. Whereas, 2 companies were covered under the category of group B by covering 7 areas out of total 11 areas. These companies were Maruti Suzuki and Tata Motors. Ashok Leyland covered 4 areas and its PSSR was 36.36%. Hero motors covered 3 areas and its PSSR was 27.27%. Environmental Sustainability was the only area covered by all the companies. Except Ashok Leyland, all companies performed their responsibility towards health care, education and women empowerment.

In year 2012-13, Bajaj Auto was the only company which comes under the category of group A, its PSSR was 81.81% as it covered 9 areas out of total 11 areas. Whereas, 2 companies were covered under the category of group B by covering 7 areas out of total 11 areas. These companies were Maruti Suzuki and Tata Motors. Ashok Leyland covered 4 areas and its PSSR was 36.36%. Hero motors covered 3 areas and its PSSR was 27.27%.

In year 2013-14, Bajaj Auto was the only company which comes under the category of group A. its PSSR was 81.81% as it covered 9 areas out of total 11 areas. Whereas, 2 companies were covered under the category of group B by covering 7 areas out of total 11 areas. These companies were Maruti Suzuki and Tata Motors. Ashok Leyland covered 4 areas and its PSSR was 36.36%. Hero motors covered 3 areas and its PSSR was 27.27%.

Post Companies Act, 2013

In year 2014-15, Bajaj Auto comes under the category of group A, its PSSR was 81.81% as it performed responsibility towards 9 areas out of 11 areas. But it did not comply with the provision of CSR expenditure of 2% in the respective year. It spent only 1% on CSR during the year. Ashok Leyland(2.06%), Maruti Suzuki(1.49%) and Hero Motors(0.10%) were the companies which covered 4 areas out of total 11 areas and their PSSR was 36.36%. Tata Motors (2%) had performed its responsibility in 3 areas by complying with the provision of CSR expenditure with 27.27% PSSR.

In year 2015-16, bajaj auto came under the category of group B by covering 8 areas out of total 11. Ashok Leyland, Maruti Suzuki and Hero Motors were the companies which covered 4 areas out of total 11 areas and their PSSR was 36.36%. Tata Motors had performed its responsibility in 3 areas by complying with the provision of CSR expenditure with 27.27% PSSR. It shows that Tata had focused on prescribed 2% rather than to cover more areas of Corporate Social Responsibility.

**FINDINGS**

- During pre-companies act, 2013, Bajaj auto has covered maximum areas with 81.81% performance score. Almost same percentage is maintained by Bajaj after implementation of companies act, 2013.the performance score of Bajaj is reported with good performance.
- The performance score of Ashok Leyland is found to be weak but consistent with 36.36%. it shows that company has covered limited areas for CSR purpose.
- In case of Maruti Suzuki, during pre-companies act, 2013, company had good performance score that is 63.63% but in the last year of the study, it is reduced to 36.36%. it indicates that company shifted from wide range of CSR areas to selected areas.
- The result of Tata motors is also reported like report of Maruti Suzuki.
- The performance score of hero motors is found to be inconsistent but in the last year of the study, the performance score is fairly good that is 36.36%. Bajaj auto and Tata motors have provided comprehensive information regarding CSR in their annual report even during pre-companies act, 2013.
- Out of selected five companies, Bajaj auto is the company with highest PSSR throughout the period of study i.e. 81.81% during pre companies act, 2013 and Gap in terms of compliance with the provision of corporate social responsibility was 18.19%. Whereas during post companies act, 2013 its PSSR was 72.72% and GAP was 27.28%. It has given comprehensive report on corporate social responsibility activities. Whereas, the performance score of ashok Leyland and hero motors was lowest during pre and post companies act, 2013. Post companies act, 2013, performance score of these two companies was 36.36% with highest gap of 63.64%
CONCLUSION

Total three objectives are framed for this study. The first objective of this study is “to examine corporate social responsibility activities performed by selected Indian companies”. To examine this objective pre and post companies act, 2013 time period is considered. To check the result of first objective, the following hypothesis is developed.

- “All corporate social responsibility activities are performed by Indian companies”.
- It is found that all companies have performed their social responsibility towards the common areas. But few companies have covered all possible areas.
- The second objective of this study is “to examine company wise performance score of social responsibility”. For this purpose, the hypothesis is following hypothesis is developed.

- “The performance score of all selected Indian companies is identical”.
- Performance score of social responsibility is calculated for each company. It seems that the performance score of only few companies is identical.
- The third objective is “to investigate the gap between social responsibilities of Indian companies”. It is the gap between corporate social responsibility areas predetermined by government and areas covered by selected Indian corporate. For this objective, the following hypothesis is developed.

REFERENCES


