

Case Study of Tata Steel Ltd. for CSR Spending, after implementation of Companies Act, 2013.

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Abstract: Corporate Social Responsibility (CSR) is a complex topic from a corporate viewpoint. CSR involves moral, ethical, legal, and commercial efforts. The history of humanitarian activities in India is extensive. I firmly believe that Tata Steel Ltd. is the industry innovator when it comes to CSR. This study analyses how closely Tata Steel Ltd. complied with the 2013 Companies Act's requirements for spending money on CSR initiatives. The sector wise CSR spending for Tata Steel Ltd. is analysed in detail to judge the CSR policies of the Company. This study found that for Tata Steel Ltd. have spent more than 2% of the last three years average profit of mandatory CSR spending. This study also found that Tata Steel Ltd. have given more thrust on healthcare and education. More projects ought to be taken on Slum area development, R&D projects and benefits of Armed forces to ensure use of mandated CSR expenditure in other relevant areas.

Keywords: Corporate Social Responsibility, Sector wise CSR, Mandatory CSR.

1) Introduction

Corporate Social Responsibility (CSR) in India and in the rest of the world has traditionally been seen as a philanthropic activity. Corporate entities operate in society and CSR is about giving back to society on behalf of companies a portion of their surplus to legitimize their existence. Corporations have a responsibility to help society in resolving its problems, which are partly caused by business activities. Business entities are required to balance between their profit-earning activities and social responsibility within the current regulatory framework. Corporate social responsibility (CSR) spending for certain Indian corporations is now required for the first time by the government of India. Under the Companies Act of 2013, certain Regulations pertaining to acceptable spending categories and the declaration of such expenses were developed. The scope of Tata Steel Ltd.'s compliance with the Companies Act, 2013, requirements relating to mandated spending on CSR initiatives is examined in this paper. To evaluate the company's CSR policies, a detailed analysis of Tata Steel Ltd.'s sector-by-sector CSR spending is conducted. According to this analysis, mandated CSR spending for Tata Steel Ltd. totalled more than 2% of the company's average earnings during the previous three years.

The expenditure on CSR, the means of implementation of the CSR programme and the disclosure of CSR expenditure in yearly reports are thoroughly examined. The rest of the paper is laid out as follows: The regulatory basis for mandated CSR expenditure is discussed in Section 2. The literature review is covered in Section 3. The study's goals are discussed in Section 4. The fifth section discusses sample selection and methodology. The Case study and findings, as well as related subjects, are included in Section 6. The paper comes to a close with Section 7.

2) Regulatory Framework

In 2009, India's MCA announced Voluntary Guidelines on CSR for businesses. While also noting that corporations must take responsibility for demonstrating socially responsible business practises that ensure profit distribution and the well-being of the communities in which they operate.

The Companies Act of 2013 was passed and implemented over time, with the first phase beginning on August 31, 2013. The following year saw the implementation of the CSR provisions. Section 135 and Schedule VII of the 2013 Companies Act will go into effect on April 1st, according to a notification from the Ministry of Corporate Affairs in February 2014. In order to fulfil their CSR pledge during the 2014–15 fiscal years, businesses have to be aware of it. Every company with a net worth of Rs 500 crore or more, revenue of Rs 1,000 crore or more, or a net profit of Rs 5 crore or more during the most recent financial year is required to have a CSR committee and spend at least 2% of the average net profits made during the three most recent financial years on specific CSR activities, as per Companies Act 2013 section 135 and Schedule VII of the Companies Act. Some actions are qualified for inclusion in corporate social responsibility programmes, as per Schedule VII of the Companies Act. These activities are as follows-

- i) Health care;
- ii) Education that includes skill development;
- iii) Gender equality;
- iv) Environmental sustainability;
- v) National Heritage;
- vi) Armed forces & war widows;
- vii) Rural sports;
- viii) PM's National Relief Fund including PM CARES;
- ix) R & D;
- x) Rural Development projects;
- xi) Slum area development projects;

xii) Disaster management.

In March 2020 Schedule VII was amended to also make the PM CARES fund eligible to receive CSR funding from corporates. Although, the notification was issued on 26th May, 2020, it was given a retrospective effect from 28th March, 2020.

3) Literature Review

The concept of CSR has many dimensions. Studies of CSR are categorised into a wide range of subcategories, starting with the conceptual side of CSR. In light of this, I will concentrate my review of the literature on these studies that address diverse facets of CSR spending.

In Nigeria, Babalola and Abiodun (2010) investigate the link between CSR and financial performance. Only less than 10% of the sample enterprises participated in CSR, according to this article, and regression analysis demonstrates a negative link (-0.177424) between PAT and social responsibility investment.

Content analysis is used by Raza *et al.* (2012) to investigate the relationship between corporate social responsibility (CSR) and financial performance (CFP). According to the study, there is a significant positive correlation between CSR and CFP when using Tobin's Q as a measure of financial performance.

The influences of mandating CSR spending were examined by Mukherjee and Bird in 2016. They also looked at the drivers and constraints of CSR spending. The authors noted that age, size, and ownership type all affect how businesses feel about giving back to the community. Additionally, they stated that there was a decline in spending once CSR spending became mandated because many businesses chose to forego it.

Shyam (2016) investigated the CSR idea and examined its expansion in India. She draws attention to the laws governing CSR in India and presents examples of CSR initiatives in Indian businesses that involve SMEs.

The research by Abhilasha and Tyagi (2019) assesses the efficiency of the new Companies Act, 2013 in terms of CSR and its impact on the financial performance of Ten Indian Companies that were chosen at random. Financial ratios including profit before tax, return on equity, return on assets, and return on capital employed are used to measure performance. According to the New Enterprises Act of 2013, the majority of the companies contribute 2% to CSR initiatives, according to the results. The increase in CSR contributions across all sample organisations demonstrates the effectiveness of CSR spending as per the 2013 Companies Act. In order to better understand how corporate social responsibility and financial success are related in India, Sharma and Kamna (2019) undertook their research. This study's findings are based on the findings of 27 empirical studies conducted by different researchers in India and relevant literature. The writers have attempted to ascertain whether corporate social responsibility has a positive, negative, or no effect on a company's financial performance. It has been found that there is a positive correlation between an organization's financial success and its commitment to CSR.

4) Objectives of the Study

The study has some following objectives-

- a) To analysis the spending of different sectors of corporate social responsibilities;
- b) To examine whether the Tata Steel Ltd. fulfil with the criteria of CSR as specified in companies Act, 2013.
- c) To understand the conceptual issues on CSR.

5) Sampling Design & Methodology

For the current study, I have taken only Tata Steel Ltd. The period of the study is confined to five years from 2015-16 to 2019-20 and I have used up-to-date available data from Annual Reports. It can be noted that CSR expenditure was made mandatory from the financial year ending March 31st, 2015, and our study period is chosen from 2015-16 to 2019-20.

6) Case study and findings of Tata Steel Ltd.

The results given in Table 1 on year wise trend of CSR of Expenditure indicate that Tata Steel Ltd. complied with the CSR provision in each of the five years. The actual expenditure on CSR ranges between 382.20% of actual CSR to 111.21% of actual CSR. The trend is fluctuating. It is observed that during the financial year 2015-2016 to 2018-2019 the actual CSR expenditure increases from 136.00% to 382.20% but in 2019-2020 it is reduced to 111.21%. It appears that Tata Steel Ltd is reducing the CSR expenditure to the mandatory level only.

SL No	Company Name	FY	Average Profit for last 5 years	2% of PAT	Actual CSR Expenditure	Difference (+/-)	% of Actual CSR
1	Tata Steel Ltd.	2015-16	7,51,800	15,000	20,400	5,400	136.00
		2016-17	5,78,977	11,580	19,361	7,781	167.19
		2017-18	4,28,096	8,562	23,162	14,600	270.52
		2018-19	4,12,015	8,240	31,494	23,254	382.20
		2019-20	8,67,666	17,353	19,299	1,946	111.21

TABLE: 1**CSR Spending (Rs. in Lakhs) of Tata Steel Ltd. in India from 2015-2016 to 2019-2020.**

Source: Annual Report compiled by the researcher.

CSR Spending of Tata Steel Ltd.-Sector wise Analysis

I have investigated sector wise CSR Spending of the company. The details of findings as under- **Tata Steel Ltd.**: Tata Steel Ltd has acknowledged mainly six thrust areas that aim at the social welfare and economic growth of India. These areas are healthcare, education, environmental sustainability, protection of national heritage, art and culture, promotion of rural sports and rural development projects. During the year 2015-16 to 2019-20, total sector wise CSR expenditure by healthcare was Rs. 50,862 Lakhs, education was Rs. 50,862 Lakhs, gender equality was Rs. 38 Lakhs, environmental sustainability was Rs. 1,577 Lakhs, national heritage was Rs. 3,251 Lakhs, rural sports was Rs. 3,5147 Lakhs, rural development was Rs. 7,331 Lakhs, disaster management was Rs. 588 Lakhs, and overheads were Rs. 4,996 Lakhs. Total CSR spending in the study period was Rs. 1,13,762 Lakhs, out of which only healthcare and education were Rs. 92,464 Lakhs (81.27 %). Sector wise CSR spending by Tata Steel Ltd during the years 2015-16 to 2019-20 is as under:

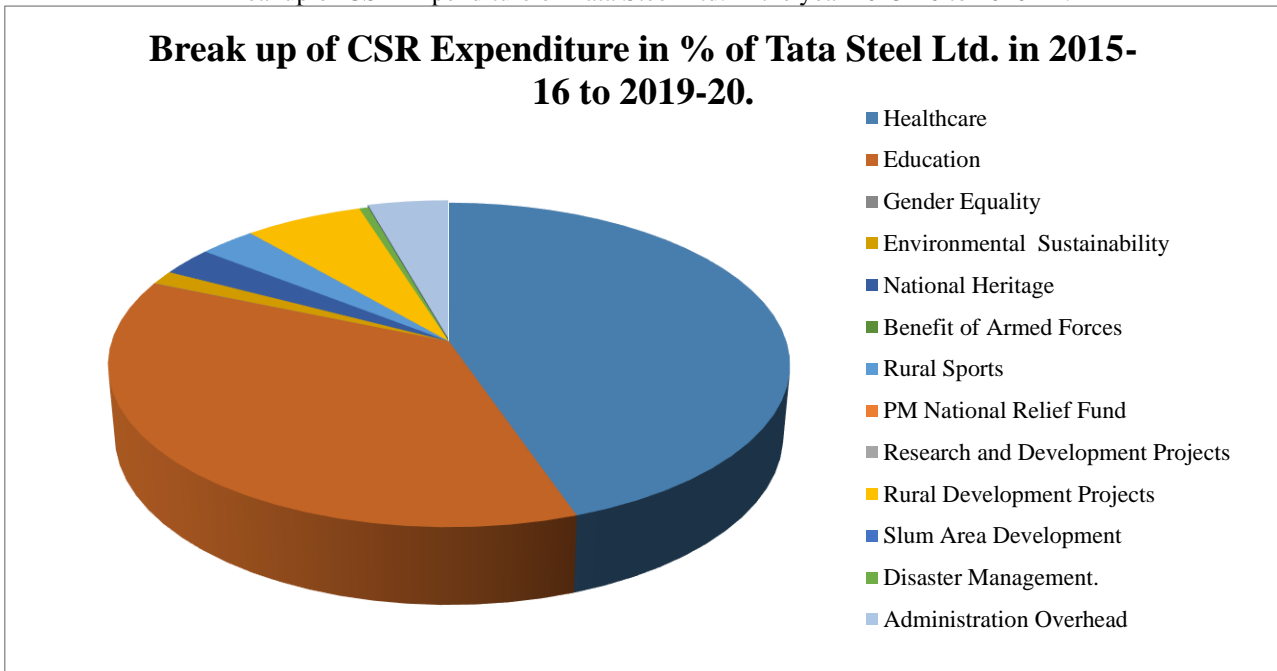
TABLE: 2**Sector wise CSR Spending (Rs. in Lakhs) by Tata Steel Ltd. from 2015-16 to 2019-20.**

SL No:	Name of the Sector	Sector wise Total	Average of 5 years	% of Total Average Expenditure
i	Health care and sanitation.	50,862	10,172.4	44.71
ii	Education and special education.	41,602	8,320.4	36.57
iii	Gender equality and women empowerment	38	7.6	0.03
iv	Environmental sustainability	1,577	315.4	1.39
v	National heritage	3,251	650.2	2.86
vi	Benefit of armed forces	-	-	-
vii	Rural sports	3,517	703.4	3.09
viii	PM's national relief fund including PM CARES.	-	-	-
ix	R & D projects	-	-	-
x	Rural development projects	7,331	1466.2	6.44
xi	Slum area development	-	-	-
xii	Disaster management.	588	117.6	0.52
	Administration Overheads	4,996	999.2	4.39
	Total	1,13,762	22,752.4	100

Source: Annual Report compiled by the researcher.

Fig 1.1 gives the Breakup of CSR Expenditure (%) of Tata Steel Ltd. in the year 2015-16 to 2020-21.

Fig 1.1
Breakup of CSR Expenditure of Tata Steel Ltd. in the year 2015-16 to 2020-21.



Source: Annual Report of Sample Company.

Table 2 & Fig. 1.1 gives item-wise break up CSR expenditure on an aggregate basis for the financial year 2015-16 to 2020-21. Required data were hand-picked from the Annual Reports of the Tata Steel Ltd. The heads of expenditure are identified from Scheduled VII of the Companies Act, 2013 on activities on which mandatory CSR expenditure should be made. Table 2 provides aggregated data of Tata Steel Ltd. on specified areas of mandatory CSR expenditure. It is noticed that Healthcare and Education are most preferred areas as 44.71% and 36.57% of total expenditure was incurred on those areas respectively in sample periods. Other important areas are rural development projects (6.44%) and Rural sports (3.09%). It may be noted PM National Relief Fund related expenditure includes contribution to PM Cares Fund (a Public Trust) established in 2020 after outbreak of COVID pandemic. Environmental sustainability, National heritage, art and culture, Benefit of armed forces veterans, war widows, Prime minister's national relief fund including PM CARES, Research and development projects and Slum area development are least preferred areas of expenditure under this head. Tata Steel Ltd. has reported expenditure for administrative overheads.

7) Findings

The analysis shows that corporate CSR contributions have an increasing trend. I find that Tata Steel Ltd. has appropriately obeyed the requirements of Sec 135 of the Companies Act, 2013. The actual expenditure on CSR ranges between 382.20% of actual CSR to 111.21% of actual CSR. The trend is fluctuating. It is observed that during the financial year 2015-2016 to 2018-2019 the actual CSR expenditure increases from 136.00% to 382.20% but in 2019-2020 it is reduced to 111.21%. It appears that Tata Steel Ltd is reducing the CSR expenditure to the mandatory level only.

It is noticed that Healthcare and Education are most preferred areas as 44.71% and 36.57% of total expenditure was incurred on those areas respectively in sample periods. Other important areas are rural development projects (6.44%) and Rural sports (3.09%). Environmental sustainability, National heritage, Benefit of armed forces veterans, Research & development projects and Slum area development are least preferred areas of expenditure under this head.

The development of slum areas, the advantages of the armed forces, and R&D initiatives should all be prioritised. The areas of societal prejudice, high income & wealth disparity, lack of access to healthcare, and other fundamental requirements may see some improvement with a well-balanced distribution of sector-wise CSR investment among all the initiatives.

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