



A STUDY ON IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON THE PROFITABILITY OF THE TATA STEEL LIMITED

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Abstract

The corporate social responsibility factor influences now a days any business operations to thrive in terms of market and financial performances. TATA groups being the pioneers to implement the CSR elements as part of their operations in India and abroad could affix their own impression of sustainable performances over the span of years. This study views CSR as one of the core strategic element which elevated TATA Steel as an organisation to the current level.

Introduction

In the last twenty years, a vast number of changes have taken place in relationships maintained by a company with the state and society. No longer does a company continue to act as independent entity regardless of the public interest and welfare of the society and its effect on the environment. The growth of the relationship between a company and the society has been a slow transformation from just a humanitarian coexistence to a point where the interest of stakeholders and society is increasingly becoming of prime importance. Organizations are beginning to realize the fact that in order to stay ahead in the business and gain strategic benefits, it is important to practice responsible business etiquettes. The kind of competition companies' face today and the wave of globalization have drastically changed the business environment in the past few years. Globalization has compelled organizations to expand their boundaries from their country of origin to other rapidly developing markets in other parts of the world. In order to be successful in their attempt towards globalization companies have realized that they need to implement clearly defined business practices with a well-defined focus on public interests and the environment.

Background

TATA Steels limited, one of the organisations in India which pioneered the implementation of Corporate Social Responsibility by blending the same with their basic mission and vision. From time immemorial, TATA has this responsibility upheld while thrusting upon the financial performances. A keen observation on the factors which help TATAs in achieving a sustainable performances in the market could reveal that their focused corporate social responsibility approach in all areas of their operations is an inevitable one. The corporate social responsibility driven operations would have undoubtedly contributed to the top line and the bottom line of their business all these years. The TATA Steel, which is a global player, a product pioneer and a corporate citizen has a clear vision to be the benchmark for value creation and corporate citizenship.

Objective of the Study

This study tries to establish a relation between the corporate social responsibility factors initiated and implemented by TATA Steels limited and the financial performances of the company for a span of twelve years upto 2011.

CSR Initiatives of TATA Steel

Though the corporate social responsibility initiatives adopted by TATA Steel are many in numbers, a lens approach towards the same will enable to pick up few core aspects of their implemented factors. The CSR activities of TATAs cluster around three important areas which are environment, community welfare and rural development. It further expands itself other areas like education, employee welfare, energy, health care etc. Tata Steel Europe's 'Silent Track' solution is helping to cut noise pollution on railway tracks in Europe. NatSteel Holdings was one of the regional pioneers in radiation detection for steel scrap operations. Over 18 million tonnes of residual materials were internally reused through Tata Steel's processes, successfully replacing primary raw materials and reducing the overall CO2 emissions. NatSteel Holdings ensures that it recycles 90% of its steel. The group's various operations across the globe have also undertaken drastic steps to improve upon the environmental sustainability. "Greenfection", a special initiative by the company is the resolve to "infect" the whole of India with the will to change towards a greener future. Towards health and safety aspects, several maternal and neonatal health, immunisation and family planning programmes have touched over 27,000 lives in India. The problem of access to uncontaminated drinking water in Indian villages was addressed by providing potable water to communities through tankers or piped water distribution systems and hand pumps, or via the construction/repair of wells to create self-sufficiency to various people. The greatest ever initiatives were towards developing various vendors associated with TATA as professional entrepreneurs by providing them finance and technical assistance, business informations and planning especially for start ups

to improve the economies in the operations. To create a benchmark in corporate citizenship, the company provides for a safe working place, due care for the communities, utmost respect to the environment and high level of ethical standards. Tata Steel's philosophy of contributing to society is shared by its own employees across its operations and many individuals willingly choose to contribute their time and efforts to help strengthen the local communities and improve surroundings. The Tribal Cultural Society (TCS), a non-profit organisation promoted by Tata Steel has been working for the preservation of the rich tribal heritage and culture of the indigenous people in the state of Jharkhand. Its projects focus on improvement of livelihood opportunities amongst the economically weaker sections and improvement of health and hygiene amongst marginalised families. As part of the infrastructural development programmes of TATA Steel, the following are the highlights which enlightened the living habits and influenced the cultural development of the people around.

1. Setting up of Jamshedpur Utilities and Services Company (JUSCO) to provide committed municipal services to the Jamshedpur township that can boast of having the highest reliability in water and power services.
2. Improvement and maintenance of roads and infrastructure including beautification through parks and horticulture gardens.
3. Tata Steel runs three primary schools, six high schools, one college in the region apart from supporting nearly 500 other schools.

As part of striving towards business excellence, Tata group companies Tata Quality Management Services (TQMS - a division of Tata Sons) has been entrusted with the task of institutionalizing the Tata Business Excellence Model (TBEM). TATA has the history of progressing towards its Corporate Social Responsibility (CSR) initiatives for over 100 years, the Group's CSR initiatives in the past had fallen under four pillars: 1) Philanthropy, 2) Emergency Response, 3) Specific Community Initiatives, and 4) Quality Management Practices. Supporting these pillars, variety of programs that have were developed over the years to create an internal structure for executing the organization's sustainability efforts.

Methodology

The study includes surveys and enquiries of different kinds. A set of questions were used to gather informations from various sources on performance of the system as well as informations on specific components of the system. The study population comprises of 50 respondents, selected the regular market investors on random basis. Two variables are included in the research which are independent and dependent variables. In case of this study, the Independent Variable is Corporate Social Responsibility while the Dependent Variable is Profitability. Two types of data were collected viz, primary and secondary. The primary data are those which are collected afresh from the respondents through questionnaire and informal discussions. The secondary data were collected from the company reports and websites for 12 years upto 2011. Year 2011 was taken as the cut off as there were certain acquisitions and mergers occurred subsequent to this period. TATA Steel as an independent entity's performance was decided to be measured before any mergers or acquisitions. As part of the assessment, percentage analysis have been used to make comparisons between the data which is expressed as:

$$\text{Percentage (\%)} = \frac{\text{No. of Respondents}}{\text{Total no. of respondents}} \times 100$$

Data Analysis

Data From Investors

Table -5.1 Educational Qualifications of Respondents

S.No	Qualification	No. of Respondents	Percentage (%)
1	Plus two	0	0
2	Graduates	10	20
3	Post Graduates	26	52
4	Professional	14	28
Total		50	100

Source: Primary Data

Inference

80% of the respondents are Post Graduates and above in this case. There are no under graduate respondent selected for the study purpose.

Table –5.2 Occupation of the Respondents

S.No	Qualification	No. of Respondents	Percentage (%)
1	Employee	30	60
2	Business	08	16
3	Professional	12	24
Total		50	100

Source: Primary Data

Inference

Majority of the respondents are in the employed class and rest are into business of their own.

Table – 5.3 Income Levels of the Respondents

S.No	Income levels	No. of Respondents	Percentage (%)
1	> 40000	2	4
2	40000-50000	8	16
3	Above 50000	40	80
Total		50	100

Source: Primary Data

Inference

Majority of the respondents are having their monthly income above Rs 50,000/-

Table – 5.4 Sector Wise Investment Made by Respondents

S.No	Sector	No. of Respondents	Percentage (%)
1	Steel	06	12
2	Telecom	06	12
3	Banking	04	08
4	Various	34	68
Total		50	100

Source: Primary Data

Inference

68% of the total respondents make investments in various industries depending upon the market conditions.

Table – 5.5 Investment Policy of Respondents

S.No	Policy	No. of Respondents	Percentage (%)
1	Aggressive	26	52
2	Conservative	04	08
3	Moderate	20	40
Total		50	100

Source: Primary Data

Inference

Respondents have different investment habits but still majority are aggressively doing the trading.

Table –5.6 Term Preferability of Respondents

S.No	Term	No. of Respondents	Percentage (%)
1	Long Term	22	44
2	Short Term	18	36
3	Both	10	20
Total		50	100

Source: Primary Data

Inference

44% of the respondents prefer to do long term investments, 20% prefer both and the rest prefer only short term investments.

Table – 5.7 View on How an Organisation can Match the Returns to Shareholders to their Expectations

S. No	Views	No. of Respondents	Percentage (%)
1	Consistent Profits	34	68
2	Long terms gains	04	08
3	No idea	12	24
Total		50	100

Source: Primary Data

Inference

68% of the respondents are of the opinion that through consistent profits organizations can give returns to shareholders matching their expectations.

Table – 5.8 Current Returns from the Investments Match the Expectations

S.No	Opinion	No. of Respondents	Percentage (%)
1	Always	24	48
2	Sometimes	12	24
3	Never	2	04
4	Not Bothered	12	24
Total		50	100

Source: Primary Data

Inference

Majority of the respondents are happy with their current returns.

Table – 5.9 Preferred Organisations in Terms of their Consistency in Giving Returns

S.No	Organisations	No of Respondents	Percentage (%)
1	TATA	26	52
2	BIRLA	10	20
3	BAJAJ	06	12
4	L&T	04	08
5	BHEL	04	08
Total		50	100

Source: Primary Data

Inference

Majority of the respondents favour TATA as the most preferred organization in terms of their consistency.

Table – 5.10 Factors Affecting Consistency of the Preferred Organisations

S.No	Factors	No of Respondents	Percentage (%)
1	Financial	28	56
2	Business	04	08
3	Reputation	02	04
4	Overall Value	16	32
Total		50	100

Source: Primary Data

Inference

Majority of the respondents state financial performance and the overall value of the organizations as the base factors affecting the consistency.

Table – 5.11 Awareness of Corporate Social Responsibility among the Respondents

S.No	Awareness	Respondents	Percentage(%)
1	Yes	42	84
2	No	08	16
Total		50	100

Source: Primary Data

Inference

84% of the respondents are aware regarding the Corporate social responsibility factor of the business.

Table – 5.12 The Justifications for the Organisations CSR Activities as Felt by the Respondents

S.No	Reasons	No of Respondents	Percentage (%)
1	Creates Value	6	12
2	Better Image	4	08
3	Sustained growth	20	40
4	Ethical factors	14	28
5	No Idea	6	12
Total		50	100

Source: Primary Data

Inference

68% of the respondents feel that sustained growth and ethical factors are the basic justifications for the organizations CSR activities.

Table – 5.13 Whether the CSR Factors Create any Impact in the Overall Business Performance

S.No	Views	No of Respondents	Percentage (%)
1	Yes	38	76
2	No	12	24
Total		50	100

Source: Primary Data

Inference

76% of respondents clearly feels there is a clear impact of CSR factors in the business performance.

Financial Data of Tata Steel Limited For 12 Years Starting from March 2000 to March 2011

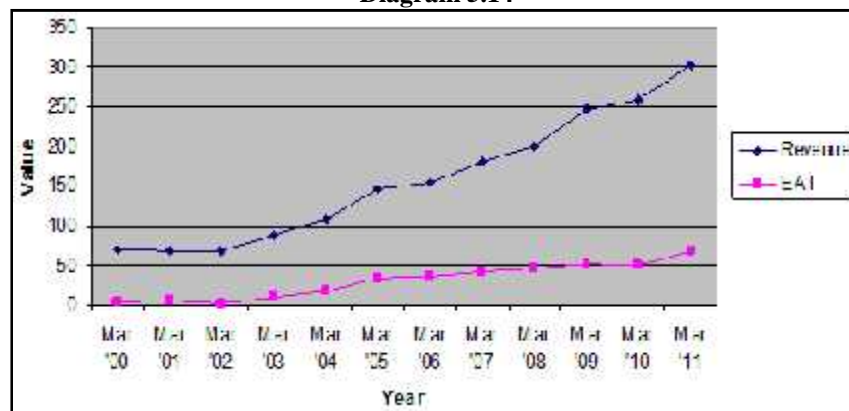
Table 5.14– Revenue & Eat Analysis from March 2000 to March 2011

Rs in 100 Crs

Particulars	Mar '00	Mar '01	Mar '02	Mar '03	Mar '04	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09	Mar '10	Mar '11
Revenue	69	69	68	88	108	146	155	180	200	246	259	302
EAT	4	6	2	10	17	35	35	42	47	52	50	69

(Source – Secondary – TATA Financial Statements Actual)

Diagram 5.14



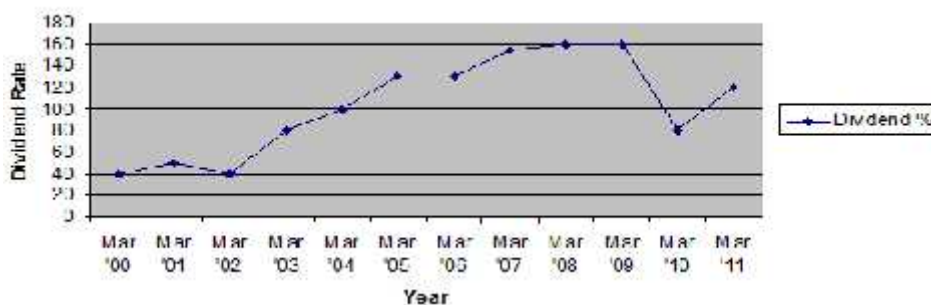
Inference

The Revenue and the Earnings After Tax are found steadily increasing over the last 12 years consistently.

Table 5.15 – Dividend Analysis from March 2000 to March 2011

Particulars	Mar '00	Mar '01	Mar '02	Mar '03	Mar '04	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09	Mar '10	Mar '11
Dividend %	40	50	40	80	100	130	130	155	160	160	80	120

Diagram 5.15
Dividend %



Inference

The dividend paid to the shareholders by TATA Steels from the year 2000 onwards seems to be increasing steadily upto year 2009 and in the year 2010 there was a dip and in the next year it has again picked up.

Findings

- 80% of the respondents are Post Graduates and above in this case. There are no under graduate respondent selected for the study purpose.
- Majority of the respondents are in the employed class and rest are into business of their own.
- Majority of the respondents are having their monthly income above Rs 50,000/-
- 68% of the total respondents make investments in various industries depending upon the market conditions.
- Respondents have different investment habits but still majority are aggressively doing the trading.
- 44% of the respondents prefer to do long term investments, 20% prefer both and the rest prefer only short term investments.
- 68% of the respondents are of the opinion that through consistent profits organizations can give returns to shareholders matching their expectations.
- Majority of the respondents are happy with their current returns.
- Majority of the respondents favour TATA as the most preferred organization in terms of their consistency.
- Majority of the respondents state financial performance and the overall value of the organizations as the base factors affecting the consistency.
- 84% of the respondents are aware regarding the Corporate social responsibility factor of the business.
- 68% of the respondents feel that sustained growth and ethical factors are the basic justifications for the organizations CSR activities.
- 76% of respondents clearly feels there is a clear impact of CSR factors in the business performance.
- The Revenue and the Earnings After Tax of TATA Steel Ltd are found steadily increasing over the 12 years from year 2000 to 2011, consistently.
- The dividend paid to the shareholders by TATA Steels from the year 2000 onwards seems to be increasing steadily upto year 2009 and in the year 2010 there was a dip and in the next year it has again picked up.

Conclusions

Thus corporate social responsibility has a significant impact on the profitability of Tata Steel Limited, and it is a positive impact, which includes good business relationship & goodwill among others.

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