

India's Top Company for Corporate Social Responsibility (CSR) - An Empirical Study on Reliance Industries Limited (RIL)

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ABSTRACT

Purpose: The present research aims to study Corporate Social Responsibility (CSR) expenditure of Reliance Industries Limited (RIL).

Design / methodology / approach: The study is based on secondary data collected for Reliance Industries Limited for FY 2015-16 to 2019-20 from national CSR data portal, Ministry of Corporate Affairs, Government of India for the research work. Statistical measure like one sample T-Test and Pearsons Correlation has been used for analyzing the data.

Findings: The study reveals that there has been a significant increase of Rs. 350.93 crore in actual CSR spent of RIL i.e. increase of 62.92% in FY 2019-20 over FY 2015-16. From the study it is also found that RILs Actual CSR Spending is more as compared to CSR Prescribed during FY 2016-17 to 2019-20 whereas it is same in FY 2015-16 and the CSR Ratio of RIL is as per the SEBIs regulation of 2% during FY 2015-16 to 2019-20.

Keywords-- Corporate Social Responsibility (CSR), CSR Spending, CSR Ratio, Reliance Industries Limited (RIL)

Philip Kotler and Nancy Lee have defined CSR as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources”.

The concept of CSR is not new in India as the number of individuals and business firms have done a lot for the society though it has been felt that the CSR is against the profit maximization objective of the firm. In 1970, J. R. D. Tata first time exemplified the role of CSR in the operation of the business as a result of which most of the companies of Tata group included in their Articles of Association that “The company shall have among its objective, the promotion and growth of the national economy through increased productivity, effective utilization of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national aspiration; and the company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders and the local community”. Over the years, several business houses have understood the need of the social contribution for the long run survival of the business. Now Tata, Birla, Bajaj, Ambani, Adani and many more business houses are doing a lot of CSR activities in the areas of health, education, rural development, sports and community development.

1.2 Reliance Industries Limited

Reliance Industries Limited is a Fortune 500 company and the largest private sector corporation in India. RIL motto “Growth is Life” aptly captures the ever-evolving spirit of Reliance. They have evolved from being a textiles and polyester company to an integrated player across energy, materials, retail, entertainment and digital services. In each of these areas, we are committed to innovation-led, exponential growth. RILs vision has pushed us to achieve global leadership in many of our businesses.

Reliance's products and services portfolio touches almost all Indians on a daily basis, across economic and social spectrums. They are now focused on building platforms that will herald the Fourth Industrial Revolution and will create opportunities and avenues for India and all its citizens to realise their true potential.

I. INTRODUCTION

1.1 Corporate Social Responsibility: Concept & Practices

Corporate Social Responsibility (CSR) was traditionally known as „Corporate Philanthropy“. Corporate philanthropy means the charitable activities of the business for the welfare of the society by donating money to various charitable causes. It is voluntary in nature and restricted only to the spending of a part of profit on welfare activity of the business. In modern business environment the term CSR goes far beyond corporate philanthropy and includes the social, economic, legal, environmental and ethical responsibilities of the business. CSR is the commitment of the business to meet the expectations of the society on various grounds through ethical and transparent business activities. In simple words, CSR means the obligation of the business to behave ethically and serve the society as per its expectations. According to World Business Council for Sustainable Development, “CSR is the continuing commitment by business to behave ethically and contribute to economic development by improving the quality of life of the work force and their families as well as of the local community and the society at large”.

II. REVIEW OF LITERATURE

Sharma and Pandit (2016) studied the status, models, and policies related to the CSR in India. They found that the companies faced the challenge of lack of budget allocation, lack of support from employees, imperfect knowledge and professionalism while implementing their CSR policies. They suggested that the media should play a strong role in creating awareness and sensitizing people about the benefits of CSR.

Mangala and Isha (2015) studied the reporting practices of Nifty 50 companies for the period of 6 years from FY 2009 to FY 2014 using disclosure index of 118 items under 6 categories including financial information, governance information, human resource information, production and marketing information, forward looking information, and CSR and environmental information. They applied the dichotomous method and descriptive statistics to analyze the item-wise, company-wise and industry-wise reporting practices. They found that the reporting practices varied significantly across the items, industries and companies. The corporate governance information was found on the top of the reporting practices while the forward looking information was the least reported category.

Rajak and Mishra (2014) studied the CSR practices of Indian companies. They found that the CSR practices of the public sector companies were at the top in the world and some private sector companies were praised for their CSR initiatives in the areas of education, health care and community development. They also found that the liberal approach of the Government and insufficient strict CSR laws played an important role in non-compliance of the CSR rules by the companies.

Kumar (2014) analyzed the status, issues, challenges and impact of CSR practices on the society and the business firms. He found that both the society and the business firms were positively affected by the CSR practices. He emphasized on the need of the CSR awareness in the society so that the better results of the CSR practices can be obtained. He concluded that the joint efforts of the business firms, Government and the NGOs would place the India's social development on the fast track.

Goyal (2014) conducted an analytical research on 50 companies comprising top ten companies of five sectors namely textile, cement, FMCG, pharmaceutical and petroleum. He developed an environmental disclosure index of 35 items to examine the most frequently disclosed items. A score of 1 was given for each reported item and a score of 0 was given for each non reported item. He found that the energy consumption and material consumption were the most reported items. He also found that the disclosures practices of petroleum sector were at the top in sector-wise analysis and the Ambuja Cements Limited was at the top in company-wise analysis of environmental disclosures practices. He concluded that in the absence of any specific framework of environmental disclosures,

the items reported by the different companies across the different sectors varied significantly.

Singh (2013) studied the case of Maruti Industry Limited for FY 2011-12 focusing on two major aspects of CSR namely human resource development and community development to make insights to the CSR practices of the company. He analyzed the different items of CSR including employee's remuneration and benefits, green manufacturing, water conservation, waste management, employee relations, training, rewards and recognition, road safety, and customer's health and safety. He found that the company shaped its CSR initiatives in the direction of human resource development as it was in the core interest of the company but the community development which was in the interest of the society was not getting an appropriate attention.

III. RESEARCH METHODOLOGY

3.1 Objectives of the Study

The study has been carried out keeping in mind the following objectives:

1. To analyze the CSR spending of Reliance Industries Limited (RIL)
2. To study CSR Spending as a Ratio of Profit in Reliance Industries Limited (RIL)
3. To compare Prescribed CSR Expenditure and CSR spent in Reliance Industries Limited (RIL)

3.2 Hypothesis

The following hypothesis has been formulated.

1. There is no significant improvement in the CSR Spending (ACSRS) of RIL over the study period.
2. There is no significant relation between the CSR Spending (ACSRS) of RIL and its profitability.
3. There is no significant difference in the Prescribed CSR Expenditure (CSRPE) and Actual CSR Spending (ACSRS) of RIL over the study period.

3.3 Sample and Sample Size

In this study the researcher has selected Reliance Industries Limited (RIL) India's top company for CSR during FY 2015-16 to 2019-20.

3.4 Period of the Study

The CSR spending in RIL have been analyzed and compared for the financial years 2015-16 to 2019-20.

3.5 Data Collection Technique

In the present study data was collected from secondary sources. The data collected for Reliance Industries Limited for FY 2015-16 to 2019-20 from national CSR data portal, Ministry of Corporate Affairs, Government of India.

3.6 Tools for Analysis

The data has been analyzed by using appropriate statistical techniques such as, one sample T-

Test and Pearson's Correlation with the help of using SPSS. The level of significance is 5%.

IV. DATA ANALYSIS AND INTERPRETATION

An analysis based on the data collected was made as follows:

Hypothesis No. 1

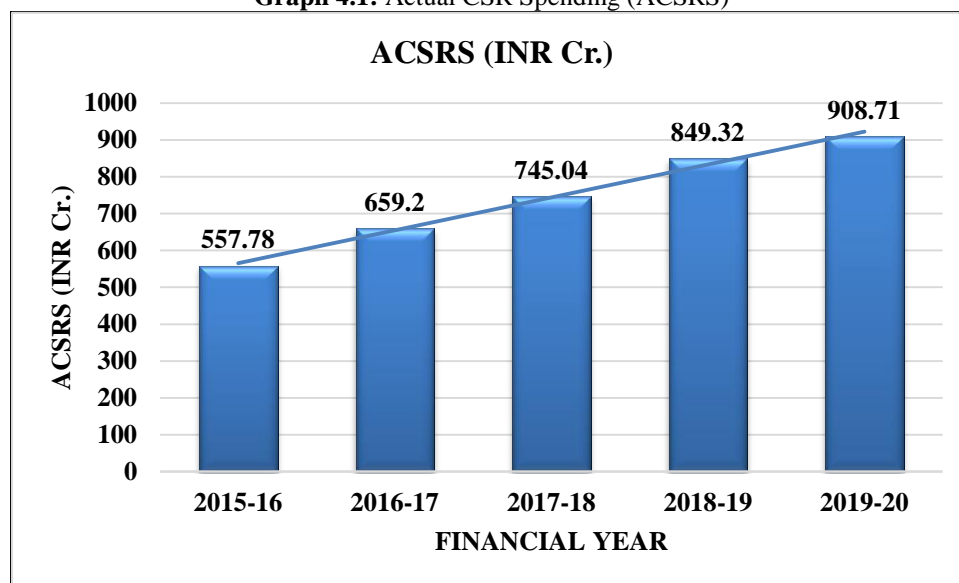
H0: There is no significant improvement in the CSR Spending of RIL over the study period.

Table 4.1: Actual CSR Spending (ACSRS) of RIL

Financial Year	2015-16	2016-17	2017-18	2018-19	2019-20
ACSRS (INR Cr.)	557.78	659.20	745.04	849.32	908.71

Source: www.csr.gov.in

Graph 4.1: Actual CSR Spending (ACSRS)



Interpretation: The above table and graph 4.1 clearly reveal that there has been a significant increase in ACSRS of RIL in FY 2019-20 over FY 2015-16 as evidenced from the fact that the ACSRS of RIL has increased from Rs. 557.78 crore for FY 2015-16 to Rs. 908.71 crore for FY 2019-20. There has been significant increase by Rs. 350.93 crore in ACSRS of RIL i.e.

increase of 62.92% in ACSRS of RIL in FY 2019-20 over FY 2015-16.

Therefore null hypothesis of there is no significant improvement in the CSR Spending of RIL over the study period is rejected and alternate hypothesis of there is significant improvement in the CSR Spending of RIL over the study period is accepted.

Hypothesis No. 2

H0: There is no significant relation between the CSR Spending (CSRS) of RIL and its profitability.

Table 4.2: CSR Spending as a Ratio of Profit

Financial Year	Profit (INR Cr.)	ACSRS (INR Cr.)	CSR Ratio (%)
2015-16	27900.00	557.78	2.00
2016-17	31020.51	659.20	2.13
2017-18	35154.19	745.04	2.12
2018-19	40558.13	849.32	2.09
2019-20	43747.43	908.71	2.08

Source: www.csr.gov.in

The CSR Ratio of RIL is as per the SEBI's regulation of 2% during FY 2015-16 to 2019-20.

Table 4.3: Pearson Correlation between Profit and ACSRS of RIL

		Profit	ACSRS
Profit	Pearson Correlation	1	.995**
	Sig. (1-tailed)		.000
	N	5	5
ACSRS	Pearson Correlation	.995**	1
	Sig. (1-tailed)	.000	
	N	5	5
**. Correlation is significant at the 0.05 level (1-tailed).			

The hypothesis no. 2 of no significant relation between the CSR practices of RIL and its profitability has been tested using the Pearson Correlation between their ACSRS and Profit for FY 2015-16 to 2019-20. The study of the table 4.3 clearly indicates that there is significant relation ($p < 0.05$) between the ACSRS of RIL

and its Profit for FY 2015-16 to 2019-20. Hence the null hypothesis no. 2 is rejected. It can be inferred from the rejection of null hypothesis no. 2 that there has been significant relation between the CSR practices of RIL and its profitability for FY 2015-16 to 2019-20.

Hypothesis No. 3

H_0 : There is no significant difference in the Prescribed CSR Expenditure (CSRPE) and Actual CSR Spending (ACSRS) of RIL over the study period.

Table 4.4: CSR Expenditure - Prescribed (CSRPE) Vs. Spent (ACSRS)

Financial Year	CSRPE (INR Cr.)	ACSRS (INR Cr.)	Difference
2015-16	557.78	557.78	0
2016-17	620.41	659.20	38.79
2017-18	703.08	745.04	41.96
2018-19	811.16	849.32	38.16
2019-20	874.95	908.71	33.76

Source: www.csr.gov.in

The above table 4.4 present the CSRPE and ACSRS of RIL for FY 2015-16 to 2019-20. The table 4.4 clearly reveal that RILs Actual CSR Spending is

more as compared to CSR Prescribed during FY 2016-17 to 2019-20 whereas it is same in FY 2015-16.

Table 4.5: CSR Expenditure - Prescribed (CSRPE) Vs. Spent (ACSRS) for RIL

	One-Sample T-Test					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CSRPE	12.180	4	.000	713.47600	550.8386	876.1134
ACSRS	11.757	4	.000	744.01000	568.3116	919.7084

The hypothesis no. 3 of no significant difference in the Prescribed CSR Expenditure and Actual CSR Spending of RIL has been tested using One-Sample T-Test for FY 2015-16 to 2019-20. The study of the table 4.5 clearly indicates that there is significant difference ($p < 0.05$) between Prescribed CSR Expenditure and Actual CSR Spending of RIL for FY 2015-16 to 2019-20. Hence the null hypothesis no. 3 is rejected. It can be inferred from the rejection of null hypothesis no. 3 that there has been significant difference in the Prescribed CSR Expenditure and Actual CSR Spending of RIL.

V. CONCLUSION

This research gives a basic idea of the CSR spending of RIL. From the analysis it is concluded that the CSR practices of RIL have significantly improved over the study period. The CSR practices of RIL are significantly related with its profitability and RILs Actual CSR Spending is more as compared to CSR Prescribed. The CSR Ratio of RIL is as per the SEBI's regulation of 2% during FY 2015-16 to 2019-20.

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