Role of Reliance Industries Limited towards Corporate Social Responsibility

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Abstract: The profit-making is the basic objective of every business in the traditional era but in the modern arena, all business organizations should have accountability towards their stakeholders. Now they are socially responsible to it’s the stakeholders with a view to maintaining accountability. The corporate citizenship and corporate conscience synonymously associated with the term Corporate Social Responsibility which means the voluntary obligation towards society by the corporate bodies’. In the present era, the corporate bodies or business firms are engaged in social welfare programs in different core areas like Healthcare programs, education, Scholarships to the students, infrastructure development etc. The present study intends to examine the corporate social responsibility initiatives undertaken by Reliance Industries Limited, and emphasize the importance of CSR by analyzing the different social welfare schemes introduced by the company in India and. The present study is based on secondary data which is available on the company website, annual reports published by the company, different books, journals, articles, magazines, research papers and internet sources. The hypotheses are framed to analyze the correlation between CSR spending and firms’ financial performance in terms of net profit, net sales revenue and total assets of the concern, for this correlations coefficient technique is used.

Keywords: Corporate Social Responsibility, Business, and Society, Financial performance

I. INTRODUCTION

The term CSR acronym as Corporate Social Responsibility refers to the Voluntary obligation towards society by the corporate bodies or the business organizations, such as obligations towards society, community, government, and other stakeholders. It is one of the important citizenship behavior by the corporate bodies towards society thereby they can promote social welfare and creates a harmonious bond between business and society for growth and development of both societies as well as business. The CSR is about how companies manage the business processes to produce an overall positive impact on society (Mallen bakers). The initiative taken by corporate bodies relating to Corporate Social Responsibility through different social security schemes helps to create corporate image and reputation to the organization. The investment in social welfare activities by the corporate bodies with different schemes helps to achieve overall growth and development of society.

Corporate social responsibility is the commitment of business to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve the quality of life, in ways that are both good for business and good for development (Bhuvaneshwari .M & et al 2015). The concept of the corporate social responsibility has gained immense important throughout the world. The overseas corporate houses, as well as Indian corporate sector, has realized the importance of CSR activities for attaining the persistent dominance in the marketplace (Javaid Ahmad Bhat & et al) The business houses started realizing that they would have to rise over and above the profitability and take care of all those associated with their survival in the society directly or indirectly. This realization resulted in the concept of Corporate Social Responsibility (CSR) (Nisha Subhash Khurana 2017).

Objectives of the study
1. To examine the corporate social responsibility initiatives undertaken by Reliance Industries Limited.
2. To analyze the relationship between CSR spending and firms’ financial performance.

II. METHODOLOGY OF THE STUDY

The methodology of the study includes only the secondary data which is collected from different sources like annual reports published by the company, articles published in newspapers, journals, textbooks, internet sources, different academic websites and research papers published in online journals etc. The hypotheses are framed to analyze the significant correlation between the company’s financial performance and CSR spending in seven financial years. For analyzing the correlation Analysis between CSR spending and sales revenue, net profit, & total assets the correlation coefficient technique is used. The financial reports from 2010-11 to 2016-17 collected from company annual reports published on the company website and also information accessed from moneycontrol.com website.

Hypotheses of the study
- H₁ - There is a significant correlation between the net revenue and CSR expenditure
- H₀ - There is no significant correlation between the net revenue and CSR expenditure
- $H_1$ – There is a significant correlation between the net profit and CSR expenditure
- $H_0$ - There is no significant correlation between the net profit and CSR expenditure
- $H_1$ – There is a significant correlation between the total assets and CSR expenditure
- $H_0$ - There is no significant correlation between the total assets and CSR expenditure

About Reliance Industries Limited and its CSR practices

The Reliance Industries Limited is an Indian Conglomerate holding company located in Mumbai Maharashtra, engaged in energy, textiles, petrochemicals, retail, telecommunications and natural gas etc. It is established by Dhruv Abani in 1966. The Reliance Industries Limited is the most profitable and largest publicly traded company in India.

### Table 1: Corporate Social Responsibility Practices in Reliance Industries Limited

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural transformation</td>
<td>138</td>
<td>103</td>
<td>126.33</td>
<td>165.72</td>
<td>73.1</td>
<td>21.69</td>
<td>28.35</td>
<td>18%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>267</td>
<td>315</td>
<td>608.25</td>
<td>416.69</td>
<td>140.72</td>
<td>91.03</td>
<td>46.99</td>
<td>52%</td>
</tr>
<tr>
<td>Education</td>
<td>227</td>
<td>222</td>
<td>21.8</td>
<td>80.76</td>
<td>66.71</td>
<td>75.06</td>
<td>91.01</td>
<td>22%</td>
</tr>
<tr>
<td>Environment</td>
<td>11</td>
<td>10</td>
<td>0.42</td>
<td>0.52</td>
<td>1.2</td>
<td>2.15</td>
<td>0.76</td>
<td>0.7%</td>
</tr>
<tr>
<td>Others</td>
<td>31</td>
<td>19</td>
<td>3.78</td>
<td>48.03</td>
<td>69.27</td>
<td>61.34</td>
<td>34.23</td>
<td>7.3%</td>
</tr>
<tr>
<td>Total</td>
<td>674</td>
<td>659</td>
<td>760.58</td>
<td>711.52</td>
<td>351</td>
<td>251.27</td>
<td>201.34</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: www.ril.com *Author calculation

#### Graph- 1.1

**Core areas of CSR practices by Reliance Industries Ltd**

**Rural Transformation:** The rural transformation focused bridging the country’s rural-urban development gap through implementing the strategic mix of technology, material, and information with a focus on agriculture and marine fisheries. The above table states that on an average 18% of the total contribution towards CSR is for only rural transformation programme in last seven financial years.

**Healthcare:** The important CSR spending sector by the company in healthcare. It provides quality and affordable healthcare with integrated healthcare model which helps to the weaker sections of the society. The company contributes 52% of the total CSR spending to the healthcare services.

**Education:** One of the significant contributions by the company is education, with the motto of education for all, the company focused on quality education, the scholarship is awarded to meritorious students, and promoting Self-Development Training Programmes by contributing 22% of the total CSR spending to the education sector.

**Environment:** The contribution by the company to environmental aspects is 0.7% means Rs.26.05 crore is utilized for promoting ecological sustainability through resource conservation, promotion of biodiversity and use of cleaner energy sources.

**Others:** The other sector includes preservation of India’s rich heritage, art, and culture for its future generations. For this, the company spends 7.3% of the total CSR budget.
Table 2: Company’s financial performance and CSR spending

<table>
<thead>
<tr>
<th>Year</th>
<th>Net revenue</th>
<th>Total assets</th>
<th>Net profit</th>
<th>CSR spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>2,65,041.00</td>
<td>5,46,746.00</td>
<td>31,425.00</td>
<td>674.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>2,51,241.00</td>
<td>4,57,720.00</td>
<td>27,417.00</td>
<td>659.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>3,40,814.00</td>
<td>3,97,785.00</td>
<td>22,719.00</td>
<td>760.58</td>
</tr>
<tr>
<td>2013-14</td>
<td>40,13,02.00</td>
<td>3,67,583.00</td>
<td>21,984.00</td>
<td>711.72</td>
</tr>
<tr>
<td>2012-13</td>
<td>3,71,119.00</td>
<td>3,18,511.00</td>
<td>21,003.00</td>
<td>351.00</td>
</tr>
<tr>
<td>2011-12</td>
<td>3,39,792.00</td>
<td>2,95,140.00</td>
<td>20,040.00</td>
<td>251.27</td>
</tr>
<tr>
<td>2010-11</td>
<td>2,58,651.00</td>
<td>2,84,719.00</td>
<td>20,286.00</td>
<td>201.34</td>
</tr>
</tbody>
</table>

Source: Reliance Industries Limited annual report 2015-16 & 2016-17 (standalone rupees in crores)

Graph 2.1

Table 2 reveals the information about company’s financial performance in terms of profit, revenue, and total assets of the organization. The graph 2.1 reveals that the Relationship between company’s financial performance and CSR practices since from 2010-11 to 2016-17. The table 1 shows that the core-focused areas of corporate social responsibility practices in Reliance Industries Limited since from 2010-11 to 2016-17. It is clear that the company spent 52% of the total budgeted CSR funds to the healthcare sector only, and 22% of the funds contributed to the education sector. The third important sector is rural transformation by providing 18% of the total fund in last seven years.

The table 2 and table 3 show the Company’s financial performance and CSR spending. The financial performance of the company in terms of net revenue, net profit and total assets since from 2010-11 to 2016-17 certifies that the increasing trend in total assets over the years and the moderate fluctuation in net revenue of the company. The net profit of the company was increased in a continuous manner.

Table 3: Correlation Analysis between CSR spending and sales revenue, net profit & total assets

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>‘r’ value</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship between sales revenue and CSR spending</td>
<td>0.09480807</td>
<td>Positive</td>
</tr>
<tr>
<td>Relationship between net profit and CSR spending</td>
<td>0.60042300</td>
<td>Strong positive</td>
</tr>
<tr>
<td>Relationship between total assets and CSR spending</td>
<td>0.75020859</td>
<td>Very strong positive</td>
</tr>
</tbody>
</table>

Source: Author calculations

Positive relationship between CSR spending and net revenue, net profit, and total assets

CSR spending and net revenue: Table 3 states that the relationship between CSR spending and net revenue. The correlation coefficient ‘r’ value between these two variables is 0.09480807. It implies that there is a relationship between the firm’s net revenue and its CSR expenditure. So the alternative hypothesis is accepted and the null hypothesis is rejected.
**CSR spending and net profit:** The correlation between CSR spending and net profit is very significant in nature, as per excel calculations the coefficient value(r) is 0.600423. It indicates that there is a strong positive correlation between CSR expenditure and a net profit of the company. Hence the null hypothesis is rejected and the alternative hypothesis is accepted.

**CSR spending and total assets:** The correlation between CSR spending and total assets is very strong and highly significant. The CSR spending in last seven years and the total assets of the firm in last seven years is an increasing trend. As per excel calculations, the correlation coefficient(r) is 0.75020859. So it’s clear that there is very strong positive correlation between CSR spending and total assets of the firm. Hence the alternative hypothesis is accepted.

**Business and Society:** One of the important components in the business environment is the society it is now considered as a per iodized issue why because today’s’ modern business environment has been considered as a key serving sector. But in another hand, the supportive matter by the society plays a significant in the business sustainability. The societal objective by the business organizations in terms of employment, regional development, social welfare and environmental concern helps to create an upward track to grab the market potentiality, market share, and ultimately corporate image. The potential stakeholders in the society are the customers, general public, local community people and the government. The business concerns and accountability matters with ethical behavior indicate real business responsibility and it can consider as corporate citizenship

**III. MAJOR FINDINGS OF THE STUDY**

- **CSR and Firm’s financial performance:** There is a significant correlation between CSR spending and firms financial performance. The firms’ net profit, net sales revenue, and total assets are key determinants which are having a positive impact on firm’s financial performance.
- **Major contribution:** The healthcare sector is a key area which has a major contribution to the company. The company spent 52% of the total CSR funds since from last seven financial year’s .and least contributed area is the environment.
- **Core areas of CSR practices:** The Reliance Industries Limited has core areas of CSR practices like rural transformation, environment, education, and healthcare.

**IV. CONCLUSION**

The corporate citizenship, corporate conscience, and corporate social responsibility are the synonymously used terms which are associated with corporate obligation and its accountability towards different beneficiaries alternatively called stakeholders. The present study addresses the Role of Reliance Industries Limited towards Corporate Social Responsibility. The Reliance Industries Limited contributes their part of the profit towards CSR activities in different weaker sections of the society such as rural transformation, healthcare, education, environment and other allied sectors. The healthcare is the major focused area by the company in their CSR spending. The corporate image, reputation, market share and other factors are key determinants which play a significant in corporate business sustainability. The present study concludes that there is a significant relationship between CSR spending and firms’ financial performance and the study reveals that CSR practices act as an engine for the corporate life cycle.

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