

# Status of CSR Expenditure of Indian Corporates, Five Years since the Mandatory Spending- A Case Study of Reliance and ONGC

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## Abstract

Corporate social Responsibility (CSR) is presently perceived as a relevant and indispensable aspect of corporate system. The primary reason for the research is to analyse whether the corporate spending towards social activities by the companies under study has been influenced by time or not and also to see whether the companies CSR spending pattern is related or not. The study also tries to see if future CSR spending can be predicted for both the entities based on the data. Besides the study tries to find out the growth rate in CSR spending by both the companies. Moreover, the study depends on the secondary information of Reliance and ONGC's CSR reports. Correlation and regression analysis are used to analyse the data. It is concluded from the study that time has no influence on the CSR spending of both the companies over these five years and the CSR expenditure of both the companies are not influenced by each other. Rather ONGC shows a phenomenal growth in CSR spending over these years compared to Reliance, though Reliance is the CSR leader in India.

**Keywords:** Corporate Social Responsibility, CSR spending status, Time series, Regression, Reliance, ONGC, Oil companies

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## Introduction

India is heading the path that global organizations consider their corporate social responsibility (CSR) initiatives. Being one of the principal nations to make CSR spending compulsory, India has witnessed the aforementioned spending increase by almost 50% after executing the CSR legislation (*U.S.-India Business Council, 2018*). The Companies Act, 2013, has brought about a new legislation requiring organizations over a specific monetary level to contribute at least two percent of their net profit's average pertaining to the previous three years on social activities. Despite the fact that CSR spending is meant to be non-voluntary, the Act puts forth either comply or explain system, in which an organization needs to give genuine excuses if the expenditure is not exactly the specified sum. Devoting money towards CSR initiatives by the main organizations expanded to Rs 5,240 crore in 2014-15. The aggregate amount had remained at Rs 3,000 crore in 2012-13, when CSR part taking was wilful. Despite the fact that the expansion looks solid, Institutional Investor Advisory Services (IIAS), the corporate administration consultancy that has collected these data, brings up that the figure, at Rs 5,240 crore, was really 26 percent lower than the sum demonstrated in the law. This emphasizes the formality-sake of approach to deal with CSR spending, and its restricted value creation as a method for promoting attention to social duty in the corporate world (*Business and Human Rights Resource centre, 2016*).

The advancement of the nation or society ought to be treated as the most fundamental aspect of the corporate's strategy. Subsequently social welfare and improvement is an obligation of the legislature, non-government associations and business associations also. A study of CSR expenditure of Public as well as private sectors particularly ONGC and Reliance is significant as both these firms are competing with each other since the implementation of the Act to rise as CSR leader in India (*Kumar, 2013*).

### **1.1 Corporate profile of Reliance Industries Ltd and Oil and Natural Gas Corporation:**

Reliance Industries Ltd. is nation's biggest private sector organization, yielding an income of \$19.97 billion in other words over 3 percent of India's total GDP. This petrochemical private organization, consequent to the acquisition of Trevira in 2004, has become the world's top-notch polyester maker (Times of India,2020) and has been extensively doing a wide range of CSR activities all over the country.

Being the biggest oil and natural gas company in the country, ONGC (Maharatna company) constitutes around three-fourth of the nation's domestic production. This large-scale natural gas organization is positioned eleventh among worldwide energy companies. It is the only company in the Indian public sector capturing a highlight in the Fortune's 'Most Admired Energy Companies' list. The company is ranked eighteenth in petroleum allied activities. Acclaimed for its corporate-regime ventures, Transparency International has positioned ONGC on 26<sup>th</sup> place amongst the greatest worldwide trading companies (Ongcindia.com).

### **1.2 Reliance and ONGC: CSR leaders in India**

Reliance Industries Ltd. And Oil and Natural Gas Corporation are two mainstream Indian companies which play pivotal role in the Indian corporate governance and CSR. These are the only two Indian companies which managed to hold a place in the world's list of 100 companies with regard to corporate responsibility spending according to a study by Varkey Foundation. As per the surveys, Indian corporates which made maximum contribution to Corporate Social Responsibility are Reliance Industries, ONGC, TCS, NTPC and Infosys for the period 2014 to 2018 i.e., since the spending was made mandatory. As per the reports of an agency for measuring the social impact named Sattva, since the enforcement of the Act, the Indian companies have contributed close to the prescribed amount which was Rs. 58,580 crores for the aforementioned period and this contribution were done by 30,000 companies which cross the threshold specified in the Act. The leading CSR spender over these years is Reliance, followed by ONGC. Though state-owned companies constituted only a minor percentage (2%) of the whole number of organisations mandated to spend on CSR, 25% of the CSR amount was contributed by them (KPMG Survey,2018).

## **Need and Significance of the Study**

The business organisations are acquiring benefits by delivering their service-oriented activities to the public. Business entities and NGOs need to take initiatives to annihilate different social shades of malice and assume primary roles in the public arena improvement by conducting activities for example, broadening medical care facilities, efforts to protect the ecosystem, drinking water provision, partaking in catastrophic event-relief programmes, enhancing the Indian culture and so on. CSR has got tremendous power and capability to enrich the lives of numerous individuals in the nation. So rather than just complying with the legislations it is important that they keep committed to the society and make significant contributions. On the off chance that a firm has a CSR strategy and panel set up, yet doesn't take appropriate actions to satisfy the target and the essence of the Act, underpins the point that organizations are more centred around agreeing to the law and spending CSR reserves for name-sake instead of making a genuine effort. Five years since the enforcement of the Act, three-fourth of the organizations actually don't have a plan or procedure to actualize CSR practices. The compulsory 2% spending has achieved a height in the CSR spending by Indian corporates undoubtedly except for it is more critical to check whether the giant organizations have a consistent development in the CSR spending contrasted with earlier years which indeed shows the genuine commitment of Indian organizations towards assisting government in social activities, rather than having a glance at the total contribution in terms of money by all the organizations in the mandatory list.

## Objective of the Study:

Following are the objectives of the study:

- To analyse the growth or decline in CSR spending by the companies - Reliance and ONGC compared to their previous years so as to find out the real contributor to social welfare.
- To find if there is any relation between both the companies' CSR spending pattern.
- To analyse if the CSR expenditure for the future years can be predicted with the previous year data for both the companies.
- To analyse if the CSR expenditure of the companies are influenced by the change in time.
- To find out whether both the companies differ in their growth rate regarding the CSR spending since the enforcement of CSR Act.

## Hypothesis

Following are the hypotheses to be tested:

H0 1: There is no significant relation between the change in time and CSR expenditure of the two companies.

H0 2: There is no significant relationship between the CSR spending pattern of ONGC and Reliance.

H0 3: There is no disparity in growth rate of CSR spending by both the companies over the years.

## Methodology

For analysing the objectives of the study, secondary data was collected from the Corporate Social Responsibility reports of both the companies, containing the CSR expenditure of both the companies from the year 2014 to 2019. The study is based on time series analysis in which time in years is chosen as the independent variable and CSR expenditure for the respective years is taken as the dependent variable. Correlation and regression analysis were used to analyse the data. ANOVA was used to test the formulated hypothesis.

## Results and Discussion

Following is the amount expended for socially committed activities by both the companies from 2014 to 2019 and based on that, their growth or decline (in crores) is calculated for the respective years.

Table 1: Amount spent in CSR (in crores) by Reliance

Financial year	Amount spent (in crores)- Reliance	Growth/Decline in CSR (In crores)- Reliance	Amount spent (in crores)- ONGC	Growth/Decline in CSR (In crores)-ONGC
2014-2015	762	0	215.60	0
2015-2016	659	-103	421	205
2016-2017	674	15	525.90	105
2017-2018	771	97	318.89	-207
2018-2019	904	133	614.64	296

Source: CSR Reports of Reliance and ONGC (provided in the website)

From the above table, by calculating the average growth or decline over the five years, Reliance has contributed Rs. 28.4 crores on an average and ONGC has contributed Rs. 79.8 crores on an average. This

shows that though the amount spent by Reliance is seen in larger figures than ONGC, ONGC 's CSR contribution has more growth on an average, each year than Reliance's contribution. Despite being more financially sound and profitable than ONGC, Reliance's increase in contribution to CSR each year is lower than that of ONGC.

Table 2: Correlation Matrix of Reliance and ONGC

Correlation Matrix		
	<i>Amount spent (in Crores) Reliance</i>	<i>Amount spent (in Crores) ONGC</i>
<i>Amount spent (in Crores) Reliance</i>	1.000	
<i>Amount spent (in Crores) ONGC</i>	.278	1.000
sample size	5	
critical value .05 (two-tail)	± .878	

(Source: Primary data)

The above table shows that the correlation between the two companies regarding the CSR spending pattern is statistically insignificant (.278) which means their spending pattern of CSR is not influenced by each other. The spending pattern of both the companies are not related to each other and so it means they do not have a competitive CSR strategy based on each other's CSR spending.

Table 3: Regression Analysis and ANOVA of Reliance

Regression Analysis						
	$r^2$	0.410	n	5		
	r	0.640	k	1		
	Std. Error	86.788	Dep. Var.	Amount spent (in Crores) Reliance		
ANOVA table						
Source	SS	df	MS	F	p-value	
Regression	15,681.6000	1	15,681.6000	2.08	.2447	
Residual	22,596.4000	3	7,532.1333			
Total	38,278.0000	4				
Regression output						
variables	coefficients	std. error	t (df=3)	p-value	confidence interval	
Intercept	-79,119.2000					
t	39.6000	27.4447	1.443	.2447	-47.7414	126.9414

(Source: Primary data)

As the p-value is .2447 which is above the standard level of significance i.e., 5%, we can conclude that the CSR spending by the company is not influenced by the change in time period, which means there is a stationarity in the CSR expenditure by the firm related to time and it is nearly impossible to make an accurate prediction of the CSR expenditure for the future.

Table 4: Regression Analysis and ANOVA of ONGC

Regression Analysis						
	r <sup>2</sup>	0.479	n	5		
	r	0.692	k	1		
	Std. Error	132.492	Dep. Var.	Amount spent (in Crores) ONGC		
ANOVA table						
Source	SS	df	MS	F	p-value	
Regression	48,437.4241	1	48,437.4241	2.76	.1953	
Residual	52,662.5554	3	17,554.1851			
Total	1,01,099.9795	4				
Regression output				confidence interval		
variables	coefficients	std. error	t (df=3)	p-value	95% lower	95% upper
Intercept	-1,39,957.9430					
t	69.5970	41.8977	1.661	.1953	-63.7402	202.9342

(Source: Primary data)

As the p-value is .1953 which is above the standard level of significance i.e., 5%, we can conclude that the CSR spending by the company is not influenced by the change in time period, which means there is a stationarity in the CSR expenditure by the firm related to time and it is nearly impossible to make an accurate prediction of the CSR expenditure for the future.

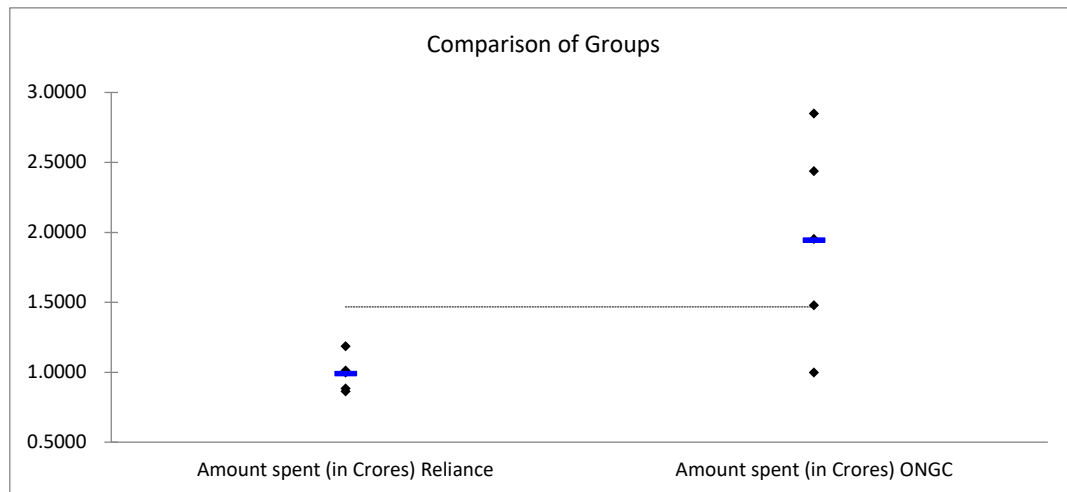
Table 5: One factor ANOVA - Growth rate of Reliance and ONGC

One factor ANOVA - Growth rate					
	Mean	n	Std. Dev		
	0.9895	5	0.12838	Amount spent (in Crores) Reliance- Growth Rate	
	1.9444	5	0.73739	Amount spent (in Crores) ONGC- Growth Rate	
	1.4669	10	0.70870	Total	
ANOVA table					
Source	SS	df	MS	F	p-value
Treatment	2.27943	1	2.279432	8.14	.0214
Error	2.24089	8	0.280112		
Total	4.52033	9			

(Source: Primary data)

The above table shows the growth rate of the amount spent in CSR by both the companies. Over these 5 years since the implementation of CSR Act, Reliance growth is only .9895 times on an average, which means there is no phenomenal increase in the CSR spending pattern of Reliance in India whereas, ONGC shows an increase of 1.94 times, approximately 2 times the growth from the initial spending, which means from the inception to the study period, the amount spent in CSR by ONGC almost doubled. Here the p value is .0214 which is less than the normal level of significance. So, the null hypothesis is rejected, which means there is growth rate disparity existing between the CSR spending of both ONGC and Reliance.

**Chart 1: Growth rate comparison chart**



(Source: Primary data)

The above chart shows that the growth rate of CSR spending by ONGC since the initial spending which is more than that of Reliance.

## Conclusion

In a developing nation like India, CSR is very relevant as most of the people are still dwelling in slums, and are having no access to clean drinking water, education, medical care etc: Though Reliance and ONGC are two CSR leaders among the Indian corporates who set exemplary to other firms, there is huge disparity in their CSR spending over these years. This disparity makes it difficult to predict a trend of their CSR expenditure, which confuses the other companies both existing and budding whether to follow their CSR pattern or not. The analysis further points out that since the implementation of the CSR act in 2014, the time factor has not influenced both the firms' CSR expenditure significantly. Furthermore, though Reliance is seen as the leading CSR spender in India, there is no much growth in the contribution to CSR with each succeeding year, compared to ONGC which shows growth in CSR contribution by two times from the year of initial spending. So, it can be concluded that sometimes, the CSR aggregate figure of contribution each year by a company does not tell us exactly how committed they are. Though both the companies are putting in great efforts in numerous areas of CSR, yet more thrust is needed on the spending as Indian corporate sector is spending only a small proportion of their profits towards socially committed activities. India is the pioneer nation in the world that has made spending towards CSR mandatory for business organisations which is a tremendous move by the Indian government, but companies should take it more seriously rather than approaching it with mere formality. Both the government and business houses should go hand in hand to implement social welfare activities.

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