

## **IMPACT OF CSR ACTIVITIES ON THE BUSINESS OF OIL COMPANIES IN INDIA**

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### **ABSTRACT**

*CSR is not the sole responsibility of the government; corporate both private and public play a legitimate role in uplifting the downtrodden of the society. Corporate Social Responsibility has been gaining an astounding resurgence at the global level recently. The present paper highlights some important CSR initiatives undertaken by top Indian Oil Companies especially **Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd, Oil and Natural Gas Corporation, Hindustan Petroleum Corporation Ltd, GAIL India Ltd** and helps to analyze their contribution to the social development of the country.*

**Keywords:** Corporate Social Responsibility, Corporate Governance, Oil companies, Social Initiative.

### **Introduction**

World Bank Group, Defines “Corporate social responsibility is the obligation for businesses to contribute towards sustainable pecuniary development by working with stakeholders, their families, the confined community and society at large, to improve their and upgrade their lives in such a ways that are worthy for business as well as for the development.

The term Corporate Social Responsibility has been gaining an astounding resurgence at the global level recently. CSR relates to the commitment of a company towards the society and the environment within which it operates and managing the business process in a way to produce an

overall positive impact on the society. CSR enhances the concept of corporate responsibilities from a limited number of consumers and shareholders, to the stakeholders (employees, community, suppliers and shareholders). Today, it is believed that CSR is not the sole responsibility of the government; corporate both private and public play a legitimate role in uplifting the downtrodden of the society

### **Importance of CSR**

As a socio-economic entity, organizations are obligated to make both economic as well as social contributions towards society. The growing concerns for sustainable development, pollution control, and stewardship of natural resources, globalization, empowered consumers, communication boom and tougher competition are certain reasons that have heightened the inclination towards integration of CSR principles in the corporate activities.

It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

### **Corporate Social Responsibility in India**

After the guidelines for CSR has been passed CSR is not remained as a new concept in India. Many companies are taking keen interest in doing a sustainable development many companies are also actively involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events. Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR

Committees that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them

### **Literature Review**

Survey was conducted jointly by Confederation of Indian Industry (CII), UNDP, British Council and Price Water& House Coopers (PWC) in 2002, which reported that all most all the companies under the study recognize the importance of CSR and believed that the passive philanthropy was no longer sufficient. It was also reported that a significant proportion of respondents recognized CSR as the means to enhance long term stake holder's value. Another most important aspect of CSR, according to the report, is that it provides an opportunity to improve relationships with local communities.

Shweta Verma(2011) analyzed the motives and benefits of CSR initiatives of Indian companies; a semi structured interview was conducted from 150 Delhi based investors and concluded that most of the investors believe that social responsibility of companies is to satisfy them through maximum returns and if part of the profits is distributed for social activities, their returns will be affected

Yaghoub Alavi Matin et al. (2011) examined the relationship between CSR and the financial performance of companies manufacturing pharmaceutical products. The authors concluded that there is no positive relationship between CSR variables with firm financial performance.

Richa Gautam et al. (2010) examined CSR practices of companies operating in India and maps against GRI standards and used content analysis technique to Access and concluded that all activities undertaken in the name of CSR are mainly philanthropy or an extension of philanthropy.

Dr.Meeta Nihalani and Ashish Mathur (2011), concludes that, Most of the organizations in India are involving CSR as a part of their Business Strategy and investing around 0.02 percent of their profit and integrating CSR into their core practices.

According to Hopkins (2003), CSR is concerned with treating the internal and external stakeholders of the firm ethically or in a socially responsible manner and the wider aim of

corporate social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders.

### **Objectives of Study**

Today CSR is treated as a well thought out and well planned management strategy to exert a positive impact on society and environment through sustained efforts. The present paper highlights some important CSR initiatives undertaken by top Indian Oil Companies especially **Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd, Oil and Natural Gas corporation, Hindustan Petroleum Corporation Ltd, GAIL India Ltd** and helps to analyze their contribution to the social development of the country.

To study the Major CSR areas adopted by the select Oil Companies in India towards corporate social responsibility.

### **Research Methodology**

The research design employed for the study is of descriptive type. This research design is adopted to have greater accuracy and in depth analysis of the research study. Available secondary data such as different news articles, web etc. is extensively used for the study.

### **Materials and Methods**

This study is purely based on secondary data. The information contained in this paper has been gathered through company website, web and by referring different books.

### **An Analysis and Discussion**

The Select Oil companies are listed in global 2000 list in the year 2013.and because they are top among Indians they were taken for study.

**Table No.1. Top Indian oil Companies in Global 2000 List**

<b>TOP INDIAN COMPANIES</b>	<b>RANKING</b>
<b>Oil and Natural Gas Corporation</b>	<b>155</b>
<b>Indian Oil Corporation Ltd</b>	<b>313</b>
<b>GAIL India Ltd</b>	<b>985</b>
<b>Bharat Petroleum Corporation Ltd</b>	<b>1111</b>
<b>Hindustan Petroleum Corporation Ltd</b>	<b>1302</b>

In the above table the Top Indian Companies in the Oil Sector are listed. Oil and Natural Gas Corporation is listed Top among all Indian Oil companies in the Global 2000 Companies List and overall the five top Indian Companies has taken a lead to grab the rank in the Global 2000 list.

**Table No.2 shows the fund allocated toward CSR activities and fund actually utilized for CSR activities.**

<b>Name of the company</b>	<b>Total funds allocated for CSR (Rs. (Rs.))</b>	<b>Funds utilized for CSR (Rs. (Rs.))</b>	<b>Total funds allocated for CSR (Rs. (Rs.))</b>	<b>Funds utilized for CSR (Rs. (Rs.))</b>	<b>Total funds allocated for CSR (Rs. (Rs.))</b>	<b>Funds utilized for CSR (Rs. (Rs.))</b>

	<b>Crore)</b> <b>2010-11</b>	<b>2010-11</b>	<b>Crore)</b> <b>2011-12</b>	<b>2011-12</b>	<b>Crore)</b> <b>2012-13</b>	<b>2012-13</b>
<b>Indian Oil Corporation Ltd</b>	<b>131.11</b>	<b>128.41</b>	<b>95.36</b>	<b>82.73</b>	<b>144.13</b>	<b>78.97</b>
<b>Bharat Petroleum Corporation Ltd</b>	<b>22.00</b>	<b>18.23</b>	<b>7.73</b>	<b>7.76</b>	<b>29.30</b>	<b>17.88</b>
<b>Oil and Natural Gas corporation</b>	<b>335.352</b>	<b>219.03</b>	<b>378.48</b>	<b>121.08</b>	<b>405.42</b>	<b>261.58</b>
<b>GAIL India Ltd</b>	<b>69.54</b> (including carry forward amount of financial year 2009-10)	<b>63.91</b>	<b>82.77</b>	<b>54.43</b>	<b>69.03</b>	<b>64.65</b>
<b>Hindustan Petroleum Corporation</b>	<b>15.00</b>	<b>20.10</b>	<b>30.78</b>	<b>26.54</b>	<b>NA</b>	<b>NA</b>

<b>Ltd</b>						
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From the above table it is seen that Oil and Natural Gas Corporation has allocated more than Rs.300 crores and simultaneously spent in the same fashion which is more than Rs.120 crores as compared to other companies. Out of all five companies Gail India Ltd has spent more than 65% of the amount allocated towards CSR activities as compared to other companies. Hindustan petroleum Corporation Ltd and Bharat Petroleum Corporation Ltd has spent more than allocated amount towards CSR activities

**Table No. 3 Showing the Net profit Earned by top select Oil Companies in India and the CSR commitment.**

<b>Name of the company</b>	<b>Net Profit 2009/10 (in Cr.)</b>	<b>Net Profit 2010/11 (in Cr.)</b>	<b>Net Profit 2011/12 (in Cr.)</b>	<b>Rank 2010/11</b>	<b>Rank 2011/12</b>	<b>CSR Commitment</b>
<b>Indian Oil Corporation Ltd</b>	<b>10,219</b>	<b>7,444</b>	<b>3,953</b>	<b>991</b>	<b>22</b>	<b>144.11</b>
<b>Bharat Petroleum Corporation Ltd</b>	<b>1,538</b>	<b>1,547</b>	<b>1,311</b>	<b>46</b>	<b>57</b>	<b>29.31</b>
<b>Oil and Natural Gas corporation</b>	<b>16,768</b>	<b>18,926</b>	<b>25,123</b>	<b>2</b>	<b>1</b>	<b>405.45</b>
<b>GAIL India Ltd</b>	<b>3,140</b>	<b>3,561</b>	<b>3,654</b>	<b>43</b>	<b>23</b>	<b>69.03</b>

<b>Hindustan Petroleum Corporation Ltd</b>	<b>1301</b>	<b>1539</b>	<b>911</b>	<b>47</b>	<b>83</b>	<b>25.01</b>	

From the above table we can get a clear idea that Oil and Natural Gas Corporation is earning more profits as compared to other companies and accordingly they are committed more amounts towards CSR activities. Secondly Indian Oil Corporation Ltd has also committed more amounts towards CSR. But while spending towards CSR activities not a single company have reached the 2% of CSR spending of the average of Three years preceding Net profit earned by the companies.

From the above table it is seen that all five select Oil companies in India while doing their CSR activities they are giving more attention towards Education, Healthcare, and Community Development. They are spending major amount on these three areas. Water conservation was given the second importance while doing CSR activities. Rural Development, Skill Development, and Drinking Water & Sanitation were given third importance. But it is also seen that oil companies should give more stress on environmental protection but while doing CSR activities environmental protection was not given attention as it should be given. Companies are also providing some funds towards Promotion of arts, culture and sports, Infrastructure, Vocational training, Fostering entrepreneurship, Child Care, Income generating schemes

**Conclusions:**

Over the years, most of the Oil companies have consciously and extensively promoted corporate social activities such as providing employment to the weaker and underprivileged sections of the society, providing assistance to social and cultural activities beneficial to employees and associated sections of the community, education, healthcare, environmental protection, women empowerment. These activities have helped these companies to win the trust and confidence of the people. CSR initiatives enable the corporate to build a stronger brand amongst customers,



general public and government. By adopting an effective approach to CSR, a business can increase its ability to attract committed workforce and can prevent loss of customers and shareholders. After the law has been passed that 2% shall be utilized toward CSR activities. there is a ray of hope that companies will invest more than 2% of the previous three years average profits towards CSR activities. Firms have been doing great effort for the achievement of business goals and marring the business goals with social responsibility practices.

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