

Corporate Social Reporting: A step towards Sustainability Development A study of Reliance Industries Limited

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Abstract

India is the first country which proposes to make corporate social reporting (CSR) mandatory for the companies through Companies Bill 2012. It also specifies that at least two percent of profit should be utilized towards sustainable growth of the society. In recent trend as per growing importance of Corporate Social Responsibility, many companies are voluntarily providing the sustainability report. It creates awareness regarding social responsibility of the company and discharges its obligation towards the society and also CSR provides more information and creates value for the company.

As the importance of CSR is growing, need arises to watch out corporate action and motivation behind such reporting and further improvement required for ensuring more transparency and informative.

This study examines the corporate social reporting and the motivation behind such practice by taking case study of Reliance Industries Limited. And also this study compares past three years social activities of Reliance Industries Limited. This study will significantly add to existing literature of CSR. This study concludes that CSR should be mandatory for all. So that stakeholders can get more qualitative information for judicative decision. And companies will also become more responsible towards the society to get competitive advantage.

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Introduction

CSR is a gesture to demonstrate organization's commitment towards sustainability development of society. It is the report in which an organization discloses its socially responsible activities to its stakeholders (Das, 2003). It is reporting on some domain business activities that have social impact, and is aimed at measuring adverse and beneficial effects of such activities both on the firm and those affected by the firm (Ghosh, 2003). CSR has become a hallmark for organizations operating on global basis with fair, transparent and responsible organisation.

Firms are social creations whose survival is counted on the willingness of the society to Support them (Reich, 1998). In order to have continuous support from society, firms need to undertake social activities and report such activities for the society to judge their performance.

This paper took the example of RIL a 500 fortune company to clearly explain the sustainability growth through CSR. For an emerging economy like India which is primarily dependent on energy to fulfill its growth ambition, RIL is creating opportunities by building a unique portfolio of upstream, refining and petrochemicals business with industry-leading performance, and time-critical investments in emerging sectors. Social institutional building is an ongoing commitment for RIL and the initiatives are aimed towards personnel development, social empowerment and creating livelihoods, thereby contributing to India's socio-economic growth. This report provides an overview of how RIL has delivered against the strategy in a challenging environment and made a real difference to the stakeholders as it take strides towards a new future.

Review of Literature

The concept of social accounting originated in different forms by Adam Smith (1776) and Karl Marx (1884), but it developed into full-fledged concept in the 1960s and 1970s. Singh and Ahuja (1983) conducted the first study in India on CSR of 40 Indian public sector companies for the years 1975 and 1976 and found that 40 percent of the companies disclosed more than 30 percent of total disclosure items included in their survey. Further in another study by Raman(2006) used content analysis technique to examine the chairman's message section in the annual reports of the top 50 companies in India to identify the extent and nature of social reporting.

But these studies are not focusing on how much percentage of total revenue is utilized towards the growth of the society. As per the trend of publishing sustainability report by the multinational companies now days, the actual contribution by these companies can easily be evaluated in terms of total revenue. In this paper the performance of RIL is evaluated by determining the percentage of social expenditures on total revenue and the mean of total social expenditure over the years.

Need for the Study

Indian companies have faced strong international competition over the past few decades, especially after the opening of the Indian economy in the early 1990s. As corollary Indian companies are facing competitions in many ways including reporting and disclosure practices. The disclosure by international firms of non-financial information including information on corporate social activities leads to an enhanced expectation from Indian companies to act responsibly towards the society at large and be accountable to the society beyond the traditional role of providing financial account to the stakeholders. Hence, to improve corporate image concerning socially responsible behavior, an increasing number of Indian companies have been reporting their environmental and social performance in their annual reports, websites etc. There is need to study the sustainability report 20011-12 of RIL to know if they deliver their commitment of foster a culture of responsible corporate citizenship and create a platform for sustainable growth.

Objective

The objective of this study is to examine the CSR and sustainable growth report 2011-12 of RIL and to find out how much the company performs according to their prior commitment of contributing towards sustainable growth of the society.

For this purpose percentage of various social expenditures on total revenue are calculated and the means of total social expenditure for the year 2009-10, 2010-2011, 2011-12 are determined.

Methodology

The external Corporate Social Reporting practice of Reliance industries is examined by analyzing the contents of sustainability report 2011-12 provided on the website.

The annual report in the sample has been analyzed to quantify voluntarily disclosed CSR information using content analysis and a comparative study has been made in relation to revenue, that how much percentage of these revenue contributed towards the social expenditure by taking data for the year 2011-12, 2010-11 and 2009-10. The mean of total social expenditure is also determined, so that the increment in this expenditure can be known.

Study and comparison of the report

In order to evaluate the performance of RIL while discharging the duty towards society, we have made content analysis. Further comparison has been made for last three years of CSR, to see the fulfillment of prior commitment year after year. Our study also compares the percentage of revenue spend for social benefit purpose.

	2011-12
Expenditure on Education	750.62
% of Education expenditure on Total revenue	.0375
Expenditure on Health	910.30
% of Health Expenditure on Total revenue	.0454
Expenditure on Community Development	216.88
% of community development expenditure on total revenue	0.0108
Expenditure on environment(Greening activities)	21.50
% of Environment expenditure on Total Revenue	0.0011
Other social Expenditure	613.39
% of Other Social Expenditure on Total revenue	0.3061
Total Social Expenditure	2512.68
% of Total Social Expenditure on Total revenue	0.1254

*amounts are in Rupees (million)

Mean of total social expenditure are during 2011-12 - $2512.68/5 = 502.536$

	2010-2011
Expenditure on Education	910.10
% of Education expenditure on Total revenue	.0444
Expenditure on Health	469.90
% of Health Expenditure on Total revenue	.0232
Expenditure on Community Development	283.47
% of community development expenditure on total revenue	.0140
Expenditure on environment(Greening activities)	7.64
% of Environment expenditure on Total Revenue	.0004
Other social Expenditure	34.23
% of Other Social Expenditure on Total revenue	.0017
Total Social Expenditure	2013.41
% of Total Social Expenditure on Total revenue	.0993

*amounts are in Rupees (million)

Mean of total social expenditure during 2010-11- $2013.14/5=402.628$

	2009-2010
Expenditure on Education	509.77
% of Education expenditure on Total revenue	.0314
Expenditure on Health	292.41
% of Health Expenditure on Total revenue	.0180
Expenditure on Community Development	440.84
% of community development expenditure on total revenue	.0272
Expenditure on environment(Greening activities)	1.71

% of Environment expenditure on Total Revenue	.0001
Other social Expenditure	540.16
% of Other Social Expenditure on Total revenue	.0333
Total Social Expenditure	1784.89
% of Total Social Expenditure on Total revenue	.1099

* Amounts are in rupees (million)

Mean of total social expenditure during 2009-10 - $1784.89/5 = 356.97$

The mean of total social expenditure is the highest in 2011-12, which shows that the company increases its social expenditure over the years. There is some other achievement also the company has achieved which shows the progress towards its commitment and which are as follows :

- ✓ Overall increment of water recycled from 50.5% to 54.5%.
- ✓ Utilization of rainwater reached to 52,246 m3.
- ✓ Over 2 million saplings planted.
- ✓ Mobile health services provided to over 12,000 villagers Hazira.
- ✓ 821 reductions in lost days from last year.
- ✓ 0.87 million man-hours of training imparted

Conclusion and Suggestions

In present competitive scenario there is cut throat competition for creating value through sustainable reporting. And these reporting practices also bring transparency and provide more valuable information which attracts many new investors. The initiative taken by Indian Government for making CSR compulsory for certain companies will bring a paradigm change in traditional reporting practices. This study analyses the present condition of degree of responsibility of Indian companies by taking case study of RIL. From the study it is clear that the steps taken by RIL towards sustainable growth of the society have increased as compared to past. As per the collected data and the mean calculated RIL keep the momentum of contribution of revenue towards the sustainable growth for the society is in upwards. Though the pace is not very fast, but the steps should be appreciated so that the other firms can motivated toward CSR.

On an average RIL increased its contribution towards social expenditure from 356.97million rupees in 2009-10 to 402.628 million rupees in 2010-11 and to 502.536 million rupees in 2011-12. Other this social expenditure RIL also involved in various sustainable activity for the society. This includes from water recycled to eco-friendly manufacturing process. This paper also highlighted the annual sustainable growth report of the RIL, in which it shows that the company contributed toward education, health, community development and towards the improvement of the environment.

In this process it also takes some steps to cut down the emissions of green house gases. This reduces the quantity of polluted air in nearby locality. RIL also decrease the quantum of hazardous waste to protect the ecology. RIL takes steps not only for the environment but also for the development of human resources by providing them enough working benefits. This shows RIL tried to tackle the subject of CSR in an all dimension manner.

Most of the companies have disclosed corporate social information on voluntary basis. To improve the understandability, uniformity, and comparability of corporate social information, this study suggests making it mandatory and a standard format for disclosure of corporate social information should be prescribed by the Ministry of Corporate Affairs by amending the Indian Companies Act. There is a need for the harmonization among reporting practices.

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Annexure

Environmental						
Manufacturing Divisions	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Total production (‘000 tons)	77,930.89	76401.23	71446.16	44526.85	44626.95	43509.81
Material consumption						
Raw materials (‘000 tons)	76159.78	74086.83	68089.79	41061.49	43033.43	41962.17
Associated materials (‘000 tons)	546.13	508.7	528.71	264.73	217.72	197.23
Intermediates (‘000 tons)	39.21	44.44	47.35	29.99	34.78	31.6
Packaging material (‘000 tons)	64.61	97.54	94.12	82.13	110.81	91.13
Material recycled, Energy, Water						
Materials recycled (‘000 tons)	64.88	73.43	74.63	40.08	61.65	52.8
Material recycled (%)	0.08	0.1	0.11	0.1	0.14	0.13
Direct energy consumption (‘000 GJ)	391602.9	382917.1	369248.3	247391.7	253868.5	236992.9
Renewable (‘000 GJ)	483.18	463.48	522.58	324.84	276.93	236.57
Indirect energy consumption (‘000 GJ)	1350.65	1378.41	1196.49	1572.23	1707.05	1642.1
Energy saved due to conservation (‘000 GJ)	2227.76	2431.33	5858.14	2035	3121.51	10496.17
Total water withdrawal (‘000 Cu. M)	120127.4	120302.4	107966.8	97172.64	97788.41	95686.43
Percentage of water recycled (%)	54.52	50.46	44.29	31.09	28.58	26.35
Total effluent discharge (‘000 Cu. M)	21977.98	22390.69	21324.14	20105.38	23774	24920.44
Greenhouse Gas Emissions						
Direct emissions (‘000 tons of CO e)	24,702.94	23647.65	19754.7	16591.74	16889.57	16410.8
Indirect emissions (‘000 tons of CO e)	387.88	391.5	334.58	369.37	368.22	367.42
Reduction in GHGs (‘000 tons of CO e)	435.27	395.46	1220.25	613.56	877.27	629.07
Total air emissions						
SPM (‘000 tons per year)	2.61	2.69	2.95	3.6	3.64	3.52
SO (‘000 tons per year)	10.14	11.39	12.82	12.51	13.94	13.81
NO (‘000 tons per year)	28.93	29.42	23.26	18.41	19.07	18.87
VOCs (‘000 tons per year)	42.88	40.34	29.23	19.94	19.91	19.67

Social			
Workforce breakdown	2011-12	2010-11	200910
Leader (nos)	1,094	901	880
Manager (nos)	7,937	7,624	7,278
Executive (nos)	4,795	4,832	4,842
Trainees (nos)	357	140	1,067
Apprentice (nos)	527	352	186
Workers (nos)	8,456	8,812	9,112
Total number of employees (nos)	23,166	22,661	23,365
HSE expenses (million INR)	966.46	968.94	845.18
Benefits provided to employees (Million INR)	4,284	4,449.6	3,722.3
No. of employees availing maternity leave(nos)	43		
No. of employees availing maternity leave and completing 12 months after returning to work (nos)	37		
Training	2011-12	2010-11	2009-10
Leader (hours)	14,336.	13,566.	15824
Manager (hours)	444,796.	372,817.	505129
Executive (hours)	215,953.	223,402.	214048
Non-supervisory (hours)	199,518.	166,228.	177598
Contract Labour (hours)	298,001.	410,291.	398877