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An Analytical Performance of CSR Activities of Telecom Industry in India - A Study on Vodafone Idea and Reliance Jio.

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Abstract: Corporate Social Responsibility is an ethical aspect that should come from within an individual for the betterment of society at large. It is a concept of small investment that helps a company to gain goodwill in the market and fetch more customers. Many corporate sectors have conducted CSR activities and have gained a huge reputation in the market. It is an endeavor for the well-being of the community. This study is conducted to analyze the CSR initiative of Vodafone Idea and Reliance Jio. The main objective of the study is to find out the correlation of their CSR spending, and average profit for the last three years and to analyze the CSR activities initiated by them. And was found that the correlation of Reliance Jio is higher than Vodafone Idea and Vodafone Idea have conducted more CSR initiatives than Reliance Jio.

Index Term: Corporate Social Responsibility (CSR), Indian Telecommunication Sector, Education, Social Inclusion and Poverty Reduction, and CSR initiatives.

INTRODUCTION

‘Corporate Social Responsibility’ in India bears a traditional responsibility which is being followed since ancient times. All the religions also emphasis on the charity and ethical practices related to sharing of earnings of any person. Though the concept of CSR was new a few years back yet it already existed and was followed by our ancestors. “In 1953, HR Bowen’s has introduced the concept of ‘Social Responsibility of the Business’” (Dr. Anshuja Tiwari and Swati Yadav, 2019). The World Bank in its definition has stated that “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and development”(Dr. Anshuja Tiwari and Swati Yadav, 2019).

The telecommunication sector is playing a pivotal role in this social distancing scenario which has evolved out of the Covid-19 pandemic. It is a medium of keeping us together virtually rather than being far from each other physically. Though social responsibility was being followed since our ancient times, yet the mandatory implementation of CSR in the Companies Act, 2013, symbolizes that social responsibility was deteriorating in the present scenario. Hence, according to section 135 of the companies act, 2013 CSR has become mandatory to every company registered under the Act or any other company law, with a net worth of Rs 500 crore or more, or a turnover of over Rs 1,000 crore or a net profit exceeding Rs 5 crore in any financial year. According to the Act, they have to invest at least 2% of their average three years net profit of the preceding financial year in the CSR activities in the financial year. Hence, there is a need to analyze such CSR initiatives as well as to know how effectively such CSR initiatives are being communicated to the consumer.

LITERATURE REVIEW

Dr. Anshuja Tiwari and Swati Yadav (2019): In the study ‘An Analytical study of Corporate Social Responsibility : Bharti Airtel and Idea Cellular’ has found that There is a significant difference between Prescribed CSR and Actual CSR of both Bharti Airtel and Idea Cellular;

though CSR spending in education, community, health, and environment were the common areas for both the industry, yet Bharti Airtel was backward in CSR spending in some areas than Idea Cellular such as women empowerment, environment, rural development activities, social welfare related to the poverty alleviation.

Alan Pomeroy and Sara Dolnicar (2009): The research entitled '*Assessing the Prerequisite of Successful CSR Implementation: Are Consumers Aware of CSR Initiatives?*' was conducted based on Australian Banks CSR activities awareness among customers and was found that awareness of bank CSR activities are low whether the banks are providing CSR related information or not; Banks also to some extent do not satisfy the consumer with the CSR related information; consumer have trust on banks to their product-related information in their communication but for CSR activities they are trusting media, and the consumer is also having a difference in their opinion about CSR activities in banks, so there is a need for improvement in communicating CSR information.

Lilian Soares Outtes Wanderley, Rafael Lucian, Francisca Farache, and Jose Milton de Sousa Filho (2008): The research entitled '*CSR Information Disclosure on the Web: A Context-Based Approach Analysing the Influence of Country of Origin and Industry Sector.*' has been conducted on 127 largest corporations which were the emerging countries according to Forbes as its country of origin. These large companies were based on eight emerging countries; Brazil, Chile, China, India, Indonesia, Mexico, South Africa, and Thailand. The researchers found seven indicators of CSR Information Disclosure on the Web (CSRIDOW) with the help of content analysis. Then with the help of the chi-square test, confirmatory factor analysis has been conducted. The study revealed that the country of origin has a significant influence on CSRIDOW whereas the Industry sector has some influence because out of seven only three indicators of CSRIDOW for industry sector have significant influence. Hence, the country of origin has more influence than the industry sector on CSRIDOW.

Jeremy Galbreath (2014): In the paper titled '*When do Board and Management Resources Complement Each Other? A Study of Effects on Corporate Social Responsibility*', the researcher examines the effects of management and board resources on corporate social responsibility (CSR), especially in Australian Public Firms. This study uses the Australian Securities Exchange 300 (ASX300) index of firms rated by the Sustainable Investment Research Institute (SIRIS), which showed the monitoring role of a board of the firms, the risk management, and the organizational strategy in creating the overall concept of CSR policy. Further, it also shows the interactive effects of CSR managers, outsiders, and also women on boards that discover new CSR policies, practices, regulations, and also practical implications.

Thomas Beschorner and Thomas Hajduk (2016): This paper titled, '*Responsible Practices are Culturally Embedded: Theoretical Considerations on Industry-Specific Corporate Social Responsibility*', shows the effects of CSR practices especially concerning large companies where CSR practices are viewed as a concept unlike to that of small companies. The researchers also showed the different CSR concepts on different subsections of the same companies. Lastly in this research paper, the scholars had analyzed that if the 'economic activities' were replaced with the term 'fields of needs' then all the companies with the same products and services would have the same CSR policies and practices. Lastly, this paper suggests a wide range of theoretical approaches towards the field of industry-specific CSR.

Stewart R. Miller, Lorraine Eden, and Dan Li (2018): This paper of '*CSR Reputation and Firm Performance: A Dynamic Approach*', studies the changes in a firm's compliance with CS regulations that are reflected in its reputation for corporate social responsibility (CSR), which affects the firm's performance. It further shows also how the performance of the banks affects the CSR policies and activities either positively, negatively, or neutrally. The findings of this study showed that the movements toward compliance with CS regulations had no significant impact on CSR (either losing positive CSR reputations or losing a negative CSR reputation) significantly. Again it was found that movements away from compliance with CS regulations did affect firm performance by gaining negative CSR reputation hampering the firm performance whereas, gaining a positive CSR reputation positively affecting firm performance.

RESEARCH OBJECTIVE

In this study, the researchers have attempted to study the following objectives

1. To identify and analyze the correlation between the average net profits and CSR spending of the Vodafone Idea telecom industry during the last 5 years.
2. To identify and analyze the correlation between the average net profits and CSR spending of the Reliance Jio telecom industry during the last 5 years.
3. To analyze in detail the CSR spending activities of the Vodafone Idea telecom industry.
4. To analyze in detail the CSR spending activities of the Reliance Jio telecom industry.

RESEARCH METHODOLOGY

To investigate the net profit and its impact on the CSR spending of the Indian Telecom Industry, the study adopted is purely based on the secondary data i.e. Annual Reports, Press Release, websites and other secondary source. Analysis of data in this research is proposed to be done through Correlation Matrix and bar charts with the help of M.S Excel. The detailed presentation of CSR spending of the Vodafone Idea and Reliance Jio is presented through charts on the year-wise basis.

Data Analysis And Findings:

The data analysis is done mainly by the Correlation Matrix which tells us the relationship between the variables in the study. The dependency of one variable on the other is mainly examined by the correlation coefficient.

The first company's (VODAFONE) correlation matrix is given below:

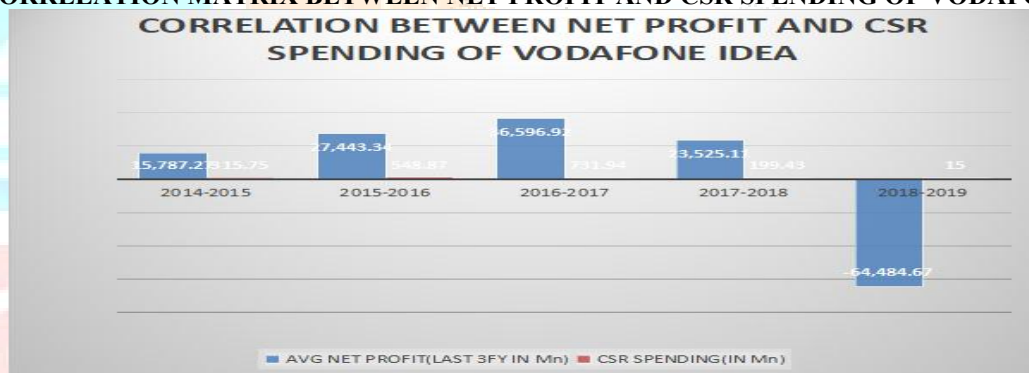
CORRELATION BETWEEN NET PROFIT AND CSR SPENDING OF VODAFONE IDEA
TABLE 1

	AVG NET PROFIT (LAST 3FY IN Mn)	CSR SPENDING(IN Mn)
AVG NET PROFIT (LAST 3FY IN Mn)	1	
CSR SPENDING (IN Mn)	0.7840	1

Research Findings, 2020.

The correlation between the average net profit of Vodafone-idea (of the last 3 financial year) is positively correlated with their corporate social responsibility (CSR) spending. The magnitude of this relationship is to some extent moderately high (0.7840 approximately). In other words, as the net profits are increasing the CSR is also increasing by around 78%.

FIG 1: CORRELATION MATRIX BETWEEN NET PROFIT AND CSR SPENDING OF VODAFONE IDEA



Research Findings, 2020.

From the above fig 1, we can see the year-wise CSR spending and also the average profits of the VODAFONE IDEA telecom industry. With a positive CSR spending along with an increase in the average profits from the financial years 2014-2015 to 2017-2018, but in the financial year 2018-2019, there has been a negative average profit of rupees 64,484.67 million, resulting into an almost low CSR spending of rupees 15 million. In the year 2019-2020, due to lack of data availability the actual profit and actual CSR spending amount cannot be included in the study for analysis. But several CSR activities have been initiated which has been discussed below.

Vodafone-Idea CSR Initiatives During The Last Six Years

Education	Social Inclusion and Poverty Reduction	Other Initiative	Year
- English language training to 2500 students of Dadri, Mumbai, Delhi, Lucknow, Pilani, Pune, Talalsari for easy accessibility of cellular technology.	- Under 'son of soil' program, provision of employment in village. - Financial Inclusion through a pilot project in association with Axis Bank. - Provision of information to rural population with regard to agriculture, weather, advisory, livestock management, health, education, and finance over mobile phones.	- Contribution to several NGO, for under privileged and specific causes. - Team of the company also conducted several activities like, Blood Donation Camps, Tree Plantations, visits to local NGOS etc.	2014-15

- Distribution of 3.25 lakh solar urja lamp to 25 rural blocks of 4 states for education facility. - English language education for disadvantage students. - Rebuilding school infrastructure for flood affected Chennai school.	- Mid-Day meal programme for school children. - Organization of polio immunization camps and rallies and creation of awareness among people for polio vaccination.	- Construction of household toilets in Jammu and Kashmir region.	2015-16
- Distribution of 1 lakh lamps to children and rural women for education awareness and capacity building. - School based educational intervention programme for reduction of future risk of cardiovascular diseases. -Chennai school rebuilding.	- Village social entrepreneurs were selected in Health Care. - Health Care Support to deaf mute children through cochlear implants. - Polio non-recurrence campaign program.	- Digital and Economic empowerment of women. - Construction of household toilets in Jammu and Kashmir region. - Providing drinking water in drought affected Marathwada region.	2016-17
- Distribution of 1 lakh solar lamps across 5 states. - E-learning through 'Khel Project' for interactive learning of students. - Girl child education through 'Vidya Har Beti Ka Adhikar.'	- Village social transformation mission. - Health Care Support to deaf mute children through cochlear implants. - Swachh Iconic Places Mission undertaken to protect the rich heritage of the iconic site.	- Greening mission was undertaken to increase the green cover around Bengaluru. - Digital and economic empowerment of women.	2017-18
-Girl Child Education through 'Vidya Har Beti Ka Adhikar.'		-Swachh Bharat Campaign for India's rich heritage site through 'Somnath Temple.'	2018-19
- Jaadu Ginni Ka Programme -Learning Links Foundation	- Pan India voice and data services across 2G, 3G, and 4G Platform. - Development of newer technology through smarter and newer technologies. - E-Governance services.		2019-20

Research Findings, 2020.

In the above chart, detailed CSR spending of the Vodafone company has been analyzed. The three main areas where CSR spending has been allotted to are **education, social inclusion and poverty reduction, and other social initiatives**. In our study that is limited to the last six years, shows that the company concentrated on an almost equal basis regarding their CSR spending on the three above mentioned avenues.

- Under educational CSR spending the company stressed the fact of English learning of all the people mainly the new generation users of the telecom service so that there comes an overall growth of the economy.
- Under the social inclusion and poverty reduction program the company focussed on employment provisions, initiated several pilot projects together with the private banks, started mid-day meal schemes, organized polio camps, and also funded many E-Governance services.

- Under other initiatives the company contributed to several NGOs, organized blood donation camps, planted trees, launched Swatch Bharat Campaign, took initiatives to preserve the heritage sites, etc.
- This company also focussed over the number of years on the building of toilets in many backward areas especially Jammu and Kashmir and were also involved in making women empowered from all aspects of life.

The second company's (RELIANCE JIO) correlation matrix is given below:

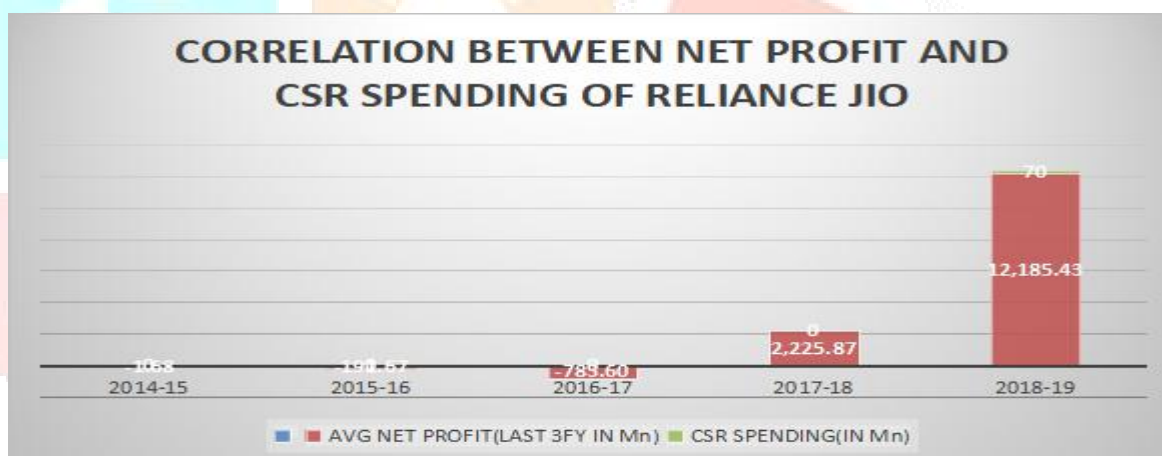
CORRELATION BETWEEN NET PROFIT AND CSR SPENDING OF RELIANCE JIO
TABLE 2

	AVG NET PROFIT (LAST 3FY IN Mn)	CSR SPENDING (IN Mn)
AVG NET PROFIT (LAST 3FY IN Mn)	1	
CSR SPENDING (IN Mn)	0.97765025	1

Research Findings, 2020.

The correlation between the average net profit of Reliance Jio (of the last 3 financial year) is positively correlated with their corporate social responsibility (CSR) spending. The magnitude of this relationship is very high (0.9777 approximately). This is because average net profits of jio telecom services are negative from the financial years 2014-2015 to 2016-2017, and so their CSR spending is also nil (0). Again, there are minimal profits in the financial year 2017-2018 but the CSR spending remains zero proving a good level of correlation between profit earnings and CSR spending. In the year 2018-2019 with a profit level of rupees, 12,185.43 million the CSR spending is also rupees 70 million.

FIG 2: CORRELATION MATRIX BETWEEN NET PROFIT AND CSR SPENDING OF RELIANCE JIO



Research Findings, 2020.

From the above bar-chart, a clear representation of the CSR spending and average net profits can be observed, where it is clearly shown that CSR spending is zero in the financial years 2014-2015, 2015-2016, and 2016-2017 along with negative net profits in the said years. In the year 2017-2018, a minimum amount of profit also could not allow the company to spend on CSR activities making it zero again for the said year. But in the year 2018-2019 with rupees 12,185.43 million profits, the reliance company could spend rupees 70 million on CSR activities.

Jio CSR Initiatives During The Last Six Years

Education	Social Inclusion and Poverty Reduction	Other Initiative	Year
-Rr. 20 million investment in education	-Rs. 10 million investment in Urban Renewal	- 40 million investment in Health	2018-19
		- Provision of help to fight against Covid-19 through technology.	2019-20

Research Findings, 2020.

In the above chart, the CSR spending of Reliance company towards their telecom industry IDEA cellular has been analyzed. As the company average net profits during the financial years 2014-2015, 2015-2016, 2016-2017 are negative so the company could not spend any amount on CSR activities. In the year 2018-2019, the company invested 20 million rupees towards education, 10 million rupees towards social inclusion

and poverty reduction, and 40 million towards health-related matters. And in the current year 2019-2020, the company was solely investing in COVID eradication measures to prevent the affected through technological supports.

Limitations of the study

Some limitations of this research work are as follows:

1. For the analysis purpose, only the last 6 years have been taken which could be increased further if some more time would be invested in the study.
2. For CSR activities of the telecom industry, only 2 companies had been taken for analysis, but it could be done with more companies if some more time would be invested.

Due to lack of some details especially with Reliance Jio some methodology techniques could not be applied to the study.

CONCLUSION

The total study was concentrated only on the overall aspects of the CSR activities, which makes the company strong enough to earn goodwill which in turn helps the companies to gain profits. Through the correlation matrix, we have shown the represented relationships between Average Net Profits and the CSR spending of both the telecom industries. That showed a moderate to a high correlation between the two variables for the Vodafone idea telecom industry and a very high correlation coefficient of the two variables for the Reliance Jio telecom industry. Besides this, as per the objectives of the study, it has also been analyzed to what extent the CSR activities have been done related to the individual aspects of the society. Mainly from three aspects, CSR activities are judged namely, education, social inclusion and poverty, and other social initiatives. The overall CSR spending is well managed with proper execution.

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