Annexure
(a) Publication
This is to certify that Mr/ Mrs/ Dr. S. Omiga Devi, Asst. Professor (Commerce) of Chevalier T. Thomas Elizabeth College for Women has presented a paper titled "Multifarious Services Rendered by Indian Oil Corporation" in the National Conference organized by the Departments of Commerce, Corporate Secretarship & Business Administration held on January 24, 2014.

R. Rajalakshmi
Convener

[Signature]

Principal
National Conference on Recent Trends and Challenges in Business Practices

COMCON '14

JANUARY 24, 2014
CONFERENCE PROCEEDINGS

Organized by The Departments of Commerce, Corporate Secretaryship & Business Administration
MULTIFARIOUS SERVICES RENDERED BY INDIAN OIL CORPORATION LIMITED

S. Durga Devi,
Assistant Professor, C.T.T.E College for women & Research Scholar, Manonmaniam Sundaranar University, Tirunelveli

Abstract

Services are economic activities that create value and provide benefits for customers specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service. The research paper is an attempt to study the importance of customer services with special reference to IOCL. The study is a descriptive approach using secondary data as source of reference. The objective of the study is to analyse the services rendered by Indian Oil Corporation and the impact of services towards customers and general public. The in-depth study of services rendered by this corporation helps the other public sector to understand and overcome this problem.

Introduction

A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.

Service is defined as “Economic activities that produce time, place, form and psychological utilities”. In other words, services are deeds, acts, or performances that are created through one or more processes.

Service includes all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeless, comfort or health) that are essentially intangible concerns of its first purchaser.

A Giant is Born

Indian Oil Corporation was incorporated on 30th June 1959 under the name and style of Indian Company Ltd., upon merger with Indian Refineries Ltd., on 1st September 1964, the name of the company was changed to Indian Oil Corporation Limited.

Guwahati Refinery was the first public sector refinery of the country, was built with Romanian collaboration and was inaugurated by the Prime Minister of India, Pandit Jawaharlal Nehru, on 1st January 1962. Indian Oil is the country’s largest commercial enterprise — also the first and only company to cross Rs. 1 lakh crore turnovers with a sales turnover of Rs. 114,864 crore and profits of Rs. 2,885 crore for fiscal 2001.

Indian Oil is the sole Indian presence in Fortune’s Prestigious listing of the world’s 500 largest corporations, ranked 226, and is the 17th largest Petroleum Company in the world. It has been adjudged second in petroleum trading among 15 national oil companies in the Asia-Pacific region, and is ranked 112th in Forbes “International 500” companies outside United States.

Indian Oil’s quality initiatives have led to over 60 of its units earning ISO-9001/9002/14001 certification. These include refineries, pipelines, aviation fuel station, lube and grease plants, quality control laboratories, LPG bottling plants, tap-off points and the Indian Institute of Petroleum Management.

Indian Oil’s sincere commitment to quality, safety, health and environment is reflected in the series of national and international certifications and awards earned over the years. The 17th largest petroleum company in the world, Indian Oil is now on the threshold of transforming into an energy conglomerate.

Statement of the problem

In the present context, the corporation faces multifarious problems arising out of technology, finance, sales, marketing and services. Of these services is the foremost problem since it contributes to the development of our nation indirectly. The competition prevailing in the present scenario makes difficult for any corporation to survive unless the customers are satisfied. The corporation cannot survive for a long period. The Indian Oil Corporation one of the public sector is running profitably mainly due to the variety of services which renders to the customers. This corporation stands in a unique position as a government sector and helps for the development of our nation by increasing its profit and also earns plenty of foreign exchange through export of its product. In this context the in-depth study of services rendered by this corporation helps the other public sector to understand and overcome this problem.
Methodology

Secondary data is the main source of investigation and this has been extracted from annual reports of Indian Oil Corporation. Apart from this, newspaper, journals, books, reports are the other source of information for this study.

Objectives

The main objectives of this study are:
1. Analysis of the services rendered by Indian Oil Corporation.
2. The impact of services towards customers and general public.

Service Motto

Profit alone is not the main objective of the company or business. Profit cannot be attained directly. It can be attained only when customers are satisfied. Satisfaction of customers plays an important role in business activities.

Services rendered by Indian Oil Corporation are classified under two main headings.
1. Services rendered towards customer.
2. Services rendered towards community.

SERVICES RENDERED TOWARDS CUSTOMERS

Pipelines

Indian Oil owns and operates the country’s largest network of pipelines for transportation of crude oil and products. During the year 2007-08 the pipeline division continued to ‘better the best’ performance by registering the highest ever operational throughput of 57.12 MMT of crude oil and petroleum product of commissioning new facilities.

During the year 2008-09, the operational performance of pipelines division crossed yet another milestone of excellence with the highest ever operational throughput of 59.627 MMT of crude oil and finished petroleum products.

During the year 2009-10, the Indian Oil pipeline division marked 65 tonnes of crude oil and petroleum products. Indian Oil pipelines, the largest of its kind in Asia, registered an excellent performance during the year 2010-11, recording a quantum leap in its operation with highest ever throughput of 68.52 million tonnes of crude oil and petroleum products as against 65 million tonnes in the previous year.

Indian Oil’s pipelines recorded excellent operational performance during the financial year 2011-12, surpassing all previous records. The pipelines achieved highest ever throughput of 75.55 million tonnes of crude oil and petroleum products.

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude oil &amp; Petroleum (in million metric tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>57.12</td>
</tr>
<tr>
<td>2008-09</td>
<td>59.627</td>
</tr>
<tr>
<td>2009-10</td>
<td>65</td>
</tr>
<tr>
<td>2010-11</td>
<td>68.52</td>
</tr>
<tr>
<td>2011-12</td>
<td>75.55</td>
</tr>
</tbody>
</table>

Source: Annual Report

The above table depicts the growth of pipelines connecting 57.12 million metric tonnes to 75.55 million metric tonnes.

Ladies waiting room and modernized consumer pump at Kottarakkara

It is the largest customer service oriented branch of Indian Oil, accounting for a sale of about 9000 Kilolitre and 100 Kilolitre lubricants per month. To add value to the services that offer to Kottarakkara, Indian oil has provided the facilities of a ladies waiting room with modern amenities at the Kottarakkara bus station.

5kg Indane Cylinders Launched in North East Region

Indian Oil introduced 5Kg Indane (LPG) cylinders in the North eastern region. The small cylinders will be a boon to the rural folk of Morigaon district. The small Indane cylinders are easy to carry compared to the conventional 14.2Kg cylinders and will be available to consumer through Tripti Gas Service, Ideal for isolated settlements, hilly regions and lower income group, the 5 Kg Indane cylinders promised to improve the quality of rural life. With Zero-smoke LPG replacing wood as cooking fuel, the 5Kg Indane cylinders will help in restricting deforestation and ensure a pollution free environment.

Liquified petroleum Gas (LPG)

During the year 2007-08 Indian oil corporation enrolled 33 lakhs Indane (LPG) customer, and the cumulative Indane population reached 503 lakhs. During the year 2008-09, the corporation enrolled about 26 lakhs new Indane (LPG) customer and the cumulative Indane
population reached 529 lakhs. During the year 2009-10, 52.5 lakhs new customers were registered and the total population of Indane (LPG) increased to 581 lakhs. During the year 2010-11, the corporation enrolled about 46.8 lakhs new Indane LPG customers and their total increased to 628.3 lakhs. During the year 2011-12, the corporation enrolled 57.55 lakhs new Indane customer and the number of customer increased to 685.85 lakhs.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Customers (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>503</td>
</tr>
<tr>
<td>2008-2009</td>
<td>529</td>
</tr>
<tr>
<td>2009-2010</td>
<td>581</td>
</tr>
<tr>
<td>2010-2011</td>
<td>628.3</td>
</tr>
<tr>
<td>2011-2012</td>
<td>685.85</td>
</tr>
</tbody>
</table>

Source: Annual Report

The above table indicates that there is an increase in number of customers from 503 lakhs to 685.85 lakhs.

Ladies waiting room and modernized consumer pump at Kottarakara

It is the largest customer service oriented branch of Indian oil, accounting for a sale of about 9000 Kilolitre and 100 Kilolitre lubricants per month. To add value to the services that offer to Kottarakara, Indian oil has provided the facilities of a ladies waiting room with modern amenities at the Kottarakara bus station.

SERVICES RENDERED BY INDIAN OIL CORPORATION TOWARDS COMMUNITY

Corporate social responsibility is a cornerstone of Indian Oil Corporation’s success. Its mission to help and enrich the quality of life and preserve cultural heritage of the communities in which it operates. Indian Oil has a concerted social responsibility programme to partner communities in health, family welfare, education, environment protection, providing potable water, sanitation, and empowerment of women and other marginalized groups.

Every year, a fixed profit-linked percentage goes towards spending smiles in millions of lives across the country through welfare and community development activities.

The budget allocation for a typical year towards Indian Oil’s social responsibility activities look like this:

<table>
<thead>
<tr>
<th>National Calamities</th>
<th>35%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>5%</td>
</tr>
<tr>
<td>Community development</td>
<td>30%</td>
</tr>
<tr>
<td>Indian Oil Scholarships</td>
<td>20%</td>
</tr>
<tr>
<td>Other Activities</td>
<td>10%</td>
</tr>
</tbody>
</table>

Welfare and Community Development Activities

10%
20%
30%
35%
5%

The Indian Oil Foundation

The Indian Oil Foundation set up a non-profit trust-the Indian oil foundation with a mandate to protect, preserve and promote the world heritage sites like Qutubminar, Khajuraho, Konark sun temple, Humpi and Kanheri caves. These sites are listed in the world heritage sites under UNESCO.

Indian Oil Scholarship Scheme

The Indian oil scholarship scheme is spreading the light of education in the lives of hundreds of students of economically and socially challenged sections of society. Scholarships are granted to pursue professional degrees in Medicine, Engineering, Business administration and Management at reported institutions. Upon completion of studies, the recipients of scholarships are also considered for employment at Indian Oil.

Providing common LPG kitchen facilities in villages

Release of one-time grant to below poverty line (BPL) families in the rural areas for release of new LPG connection under Rajiv Gandhi Gramin Vitarak Yojana.

Providing Medical Care

In an effort to promote and improve health of communities neighbouring the areas of operation, Indian oil run child and maternity health centre. These activities are conducted with active partnership of local communities. Physical assets like equipment and

183
ambulances have been provided to hospitals and Indian Red Cross Society to upgrade their facilities.

**Indian Oil Meets Educational Needs of Poor Students**

Indian Oil met the basic educational necessities of 30 students from the underprivileged section of society by providing financial assistance of Rs. 30,000 to Aadhar-an educational trust formed by the citizens of Mumbai. The donation would be used to provide uniforms and books to the poor students.

Aadhar adopts needy students for a period of five years—from standards VIII to XII. The educational aid is disbursed annually at a function held at a public place in the presence of prominent personalities. The assistance to students is in the form of school fees, uniforms, shoes, books, etc.

**Lends a Helping Hand to the Blind**

Surkuti, a residential school for visually challenged persons, situated close to the Mathura refinery, the institution provides education and vocational training to the inmates. They distributed sweaters, dress material and shoes to the blind students. Two batteries for operating equipment as required by the school were also provided.

**Indian Oil donates ambulance to Sharada Dhanvantari Charitable Hospital**

Mangalore divisional office contributed an ambulance to ‘SAVMPSJC’ Medical Foundation, Sringeri, which is running a charitable Hospital at Sringeri in Chickmagalur district, Karnataka state. Indian Oil donates Rs. 3.26 lakhs to Sankar Foundation.

**Conclusion**

Indian Oil Corporation Limited is one of the largest commercial enterprises in India. It is the only

Indian Company in the top 100 companies of the world. It has a sophisticated research and development centre, the only one of its kind in Asia. The Corporation has four Division, Refineries and pipelines, Marketing, Assam Oil and Research and Development.

Indian Oil is growing bigger and better and the reasons can be traced to 33,000 employees and customers. Indian Oil Corporation contributes to the productivity, quality assurance and customer service.

Indian Oil Corporation not only provides petroleum products to domestic and foreign countries but also provides many services. Indian Oil Corporation contributes to the productivity, quality assurance and customer service.

- Services towards customer
- Services towards community

When two of the above services are satisfied, it automatically leads to the development of our Nation. As a constructive partner in the communities in which it operates, Indian Oil has been concrete action to realize its social responsibility objectives, thereby building value for its customers and community. It is the firm resolute of the Indian Oil people to move beyond business, touch every heart and fuel a billion dreams.

**References**

- www.iocl.com
- Annual report
- Indian oil journal
GLOBAL FINANCIAL CRISIS
AND INDIAN BUSINESS

GLOBAL FINANCIAL CRISIS
AND INDIAN BUSINESS

Dr. P. Geetha
INTERNATIONAL FINANCIAL CRISIS AND ITS IMPACT ON INDIAN OIL INDUSTRY

* S. Durga Devi
** Dr. K.V. Soundara Raja

INTRODUCTION

The financial crisis of year 2007-2008 was the most severe happened in the last 80 years. It has affected the whole world. The economic activity of the developing nations has declined by 15% and those of the developed nations declined by almost 23%. The worst hit economies have been in Eastern Europe and Central Asia and producers of capital goods. The economists have found in the studies that the global GDP has declined by 5% below the usual growth potential and this has happened for the first time after the World War II. There was a steep decline in trade in the countries of East Asia and these countries have suffered huge losses as production reduced, prices declined and their country's currency depreciated. In India, over 5,00,000 jobs were lost during the 2008 in the export-oriented sector alone.

DEFINITION OF 'FINANCIAL CRISIS'

Ø A situation in which the value of financial institutions or assets drops rapidly. A financial crisis is often associated with a panic or a run on the banks, in which investors sell off assets or withdraw money from savings accounts with the expectation that the value of those assets will drop if they remain in a financial institution.

Ø A financial crisis can come as a result of institutions or assets being overvalued, and can be exacerbated by investor behavior. A rapid string of sell-offs can further result in lower asset prices or more savings withdrawals. If left unchecked, the crisis can cause the economy to go into a recession or depression.

DEFINITION OF 'INTERNATIONAL FINANCIAL CRISIS'

Ø A worldwide period of economic difficulty is experienced by markets and consumers. A global financial crisis is a difficult business environment to succeed in since the potential consumers tend to reduce their purchases of goods and services until the economic situation improves.

*Research Scholar, Manonmaniyan Sundaranar University, Tirunelveli
** Reader in commerce, S.T. Hindu college, Nagercoil

S.T. Hindu College, Nagercoil
Financial crisis became prominently visible in September 2008 with the failure; merger or conservator ship of several large United States based financial firms.

UNDERSTANDING THE FINANCIAL CRISIS

An interesting view by Professor Sornette can help to have a holistic view of any financial crisis. This view shows that understanding of the human psychic can help us appreciate the developments that spawned the financial crisis.

Professor Sornette opines that the core problem behind the financial crisis is our belief that active investments provided by pension funds, banks, mutual funds, hedge-funds and all the financial industry have the potential to out-perform the GDP. According to him, believing that financial investment can give more than the growth of the global portfolio is a gross illusion. As long as the future retirees, hope for more return, the manure for the development of the species of parasites will be provided which is called the banking and financial industry, that feeds on an illusion and never ending hope of easy gains.

IMPORTANCE OF THE ISSUE

International Financial Crisis of 2007-2008 has been the worst since the Great Depression in the 1930’s. The financial crisis has had a profound effect, much more than that anticipated by many. The national borders have been breached and the ramifications are still being felt far from the epicenter. Although the global economy is recovering, the confidence in the markets is still weak as market participants are looking for a direction which is by no means straightforward.

Mr. Jean Claude Trichet (President of the European Central Bank) opines that “financial crises share some commonalities. In particular, crises are associated with the emergence of euphoria and complacency in financial markets, typically supported by a rapid credit growth and a growing belief that new concepts like financial innovation or technological advances have rendered old limits on economic performance obsolete.”

At the same time Trichet acknowledges the fact that each crisis is also unique. Every crisis has its own characteristics, which make it different from the previous ones. In order to avoid the next crisis it is essential to understand the causes and mechanisms behind the current crisis. Every crisis takes its own in the financial system and affects specific sectors more than the others.

“Oil, everyone knows, is of vast importance in the world today. A country that does not produce its own oil is in a weak position... From the point of view of defence, the absence of oil is a fatal weakness…” Statement of Prime Minister Jawaharlal Nehru in parliament, 26 May, 1956.

OIL INDUSTRY IN INDIA:

After the Indian Independence, the oil industry in India was a very small one in size and oil was produced mainly from Assam and the total amount of oil production was not more than 2,50,000 tons per year.

This small amount of production made the oil experts from different countries predict the future of the oil industry as a dull one and also doubted India’s ability to search for new oil reserves. But the Government of India declared the Oil industry in India as the core sector industry under the industrial policy resolution bill in the year 1954, which helped the oil industry in India grow vastly.

Oil exploration and production in India is done by companies like NOC or National Oil Corporation, ONGC or Oil and Natural Gas Corporation and OIL who are actually the oil companies in India that are owned by the Government under the Industrial Policy Rule. The National Oil Corporation during the 1970s used to produce and supply more than 70 percent of the domestic need for the petroleum but by the end of this amount dropped to near about 35 percent. This was because the demand on the one hand was increasing at a good rate and the production was declining at a steady rate.

Oil Industry in India during the year 2004-2005 fulfilled most of the demand through importing oil from multiple oil producing countries. The oil industry in India itself produced nearly 35 million metric tons of oil from the year 2001 to 2005. The import that is done by the oil industry in India comes mostly from the Middle East Asia.

The oil that is produced by the oil Industry in India provides more than 35 percent of the energy that is primarily consumed by the people of India. This amount is expected to grow further with economic and overall growth in terms of production as well as percentage. The demand for oil is predicted to go higher and higher with every passing decade and is expected to reach an amount of nearly 250 million metric ton by the year 2024.

Some of the major companies in the Oil Industry in India are:

v Oil India Ltd.,
v Reliance Industries
v Bharat Petroleum Corporation Limited
v Hindustan Petroleum.
THE INDIAN PETROLEUM AND OIL INDUSTRY:

The growth and development of a nation is driven by energy. Petroleum and related products form the major component of contemporary energy sources. Oil has always been the lifeblood of economies. On the other side it has made countries revise the strategic relations between countries and has made the word “Oil Politics” an integral part of international relations.

The history of Indian Oil Industry started way back in 1867 in Assam. The last fifty years have seen the rise of giant oil companies like ONGC, IOC and Reliance etc. The oil industry has been instrumental in fuelling the rapid growth of the Indian economy. Oil contributes about 32% of the total energy consumption in the country. India is the fifth largest consumer of oil in the world. The per capita consumption of oil is a meager 0.45 ton. Major policy changes are planned to make the Oil Industry globally competitive. With the reforms package formulated and the expected high growth in all economic sectors, the demand for petroleum products is expected to show a compound growth of about 7%.

“Oil is precious, save it”. This apparently simple message is splashed across banners at several places. But, it is not that simple as it sounds. Behind this message is the lurking fear that oil reserves may run out one day. Today, life is almost unimaginable without oil. No other single commodity has got such a tremendous impact on the daily life.

OBJECTIVES OF THE STUDY

The main objectives of this study are

v Root causes of international financial crisis
v Impact of international financial crisis on India
v Impact of international financial crisis on Oil Industry

Root Causes of International Financial Crisis

It is often observed that any successful investment requires each investor in a financial market to guess what other investors will do. J.M. Keynes compared financial markets to a beauty contest game in which each participant tries to predict which model other participants will consider most beautiful. Financial crisis are sometimes viewed as a vicious circle in which investors shun some institution or asset because they expect others to do so.

Sub-Prime Lending

In addition to the easy credit conditions, there is evidence that both the government and the competitive pressures contributed to an increase in the amount of Subprime lending during the years preceding the crisis. Major U.S. banks and government sponsored enterprises played an important role in the expansion of higher-risk lending.

The term subprime refers to the credit quality of particular borrowers, who have weakened credit histories and a greater risk of loan default than prime borrowers, the value of U.S. subprime mortgages was estimated at $1.3 trillion as of march 2007 with over 7.5 million first-lien subprime mortgages outstanding.

Subprime mortgages remained below 10% of all mortgage originations until 2004, when they spiked to nearly 20% and remained there through the 2005-2006 peak of the United States Housing Bubble. A proximate event to this increase was the April 2004 decision by the U.S Securities and Exchange Commission to relax the net capital rule, which encouraged the largest five investment banks to dramatically increase their leverage and aggressively expand their issuance of mortgage-backed securities.

Leveraged Investment

It means borrowing to finance investments, is a frequently cited crisis. When a financial institution invests its own money, it can, in the very worst case, lose its own money. But when it borrows in order to invest more, it can potentially earn more from its investments, but it can also lose more than all it has. Therefore leverage magnifies the potential returns from investment, but also creates a risk of bankruptcy. Since bankruptcy means that a firm fails to honor all its promised payments to other firms, it may spread financial troubles from one firm to another. The average degree of leverage in the economy often rises prior to a financial crisis.

Asset-Liability Mismatch

Another factor believed to contribute to financial crisis is asset-liability mismatch, a situation in which the risks associated with an institution’s debts and assets are not appropriately aligned. In an international context, many emerging market governments are unable to sell bonds denominated in their own currencies, and therefore sell bonds denominated in US dollars instead. This generates a mismatch between the currency denomination of their liabilities and their assets, so that they run a risk of sovereign default due to fluctuations in exchange rates.

Regulatory Failures

Governments have attempted to eliminate or mitigate financial crises by regulating the financial sector. One major goal of regulation is
transparency; making institutions and financial situation publicly known by requiring regular reporting under standardized accounting procedures. Another goal of regulation is making sure that institutions have sufficient assets to meet their contractual obligations, through reserve requirements, capital requirements, and other limits on leverage.

**Fraud**

Fraud has played a role in the collapse of some financial institutions, which companies have attracted depositors with misleading claims about their investment strategies, or have embezzled the resulting income.

Many rogue traders who have caused large losses at financial institutions have been accused of acting fraudulently in order to hide their traders. Fraud in mortgage financing has also been cited as one possible cause of the 2008 sub-prime mortgage crisis; governmental officials stated on September 23, 2008 that the FBI was looking into possible fraud by mortgage financing companies Fannie Mae & Freddie Mac, Lehman Brothers, & insurer American International Group.

**Ecopath**

Swedish psychologist Torbjorn K A Eliazon has proposed a new psychological concept of Ecopathy, when economic smartness or greed crosses the borders to an extreme speed and computational proposal unit. Ecopathy is an economic understanding without moral values, here the word ‘more’ has become a central existential position and have no ulterior border in the same manner as that of drug abusers or people denying humanity and mortality. Ecopathy can be both existing in an individual subject and been developed as a structurally built-in-operative within organizations.

**Contagion**

Contagion refers to the idea that the financial crises may spread from one institution to another, as when a bank run spreads from a few banks to many others, or from one country to another, as when currency crises, sovereign defaults, or stock market crashes spread across countries. When the failure of one particular financial institution threatens the stability of many other institutions, this is called systemic risk.

**Recession Effects**

Some financial crisis have little effect outside of the financial sector, like the Wall street crash of 1987, but other crises are believed to have played a role in decreasing growth in the rest of the economy. There are many theories why financial crisis could have a recessionary effect on the rest of the economy. These theoretical ideas include the “financial accelerator”, “flight to quality” and “flight to liquidity” model. Some third generation models of currency crises explore how currency crises and banking crises together can cause recessions.

**Self-Fulfilling Prophecy**

A Self-fulfilling prophecy is a prediction that directly or indirectly causes it to become true by very terms of the prophecy itself.

‘The self-fulfilling prophecy is, in the beginning, a false definition of the situation evoking a new behavior which makes the original false conception come ‘true’. This spurious validity of the self fulfilling prophecy perpetuates a reign of error. For the prophet will cite the actual course of events as proof that he was right from the very beginning.’

In other words, a prophecy declared as truth when it is actually false may sufficiently influence people either through fear or logical confusion, so that their reactions ultimately fulfill the once-false prophecy.

**IMPACT OF INTERNATIONAL FINANCIAL CRISIS ON INDIA**

In the year 2007–08, three global crises viz., food, fuel and financial had are impact on India. On the positive side, significant easing of international oil prices and softening of international food prices has helped in softening the inflationary pressure. Inflation has come down from 13% in the middle of 2008 to around 5% in January 2009. However, the unprecedented global financial crisis has been having severe adverse effect on Indian economy. The financial turmoil which started in the US financial system as a result of defaults of sub-prime mortgage loans has blown into an unprecedented financial crisis. It has affected the international money, credit, equity and foreign exchange markets. US households used to save 6% of their disposable income. But in recent years they went on a borrowing and spending spree and the household savings dropped to nearly zero. Corporations and financiers were also having debts to buy houses, stocks and commodities. This created bubbles which exploded in 2008. There has been a massive choking of credit since then and global crash in stock markets. The slowdown that was expected in the global economy became much worse with the US, Europe and Japan moving into recession. A crisis of this magnitude in industrialized countries is bound to have an impact on India.

The financial crisis originated in US being transmitted to other countries through three principal channels.

1. It has directly affected the financial institutions all over the world due to investments in mortgage backed securities and their derivatives, which turned toxic following large-scale defaults in the US housing markets.

S.T. Hindu College, Nagercoil.
2. The financial crisis has created a liquidity problem. The US firms which needed liquid resources withdrew their funds from stocks and bonds which had impact on local investors who pulled back from the market. This led to choking of credit all over the world.

3. The source of transmission is the impact on real sector. The financial crisis led to recession in the US. This led to decline in demand of goods from other countries in the US. As the contagion spread and job losses rose in the advanced industrial economies, confidence was eroded further and general consumer demand in both the US and other developed nations dropped. In consequence, emerging economies saw export markets contract. This has affected the exports and business confidence in developing countries.

While India has largely escaped the first transmission, it has not been able to avoid the other the other two channels. While the direct exposure of Indian banking system to the sub-prime market abroad is almost absent, there may be very limited investment by a few Indian banks in the collateralized debt obligations which had underlying entities with sub-prime exposures. The government ownership of banks has proved to be a big advantage in these troubled times. However, the indirect impact of the crisis, transmitted through capital flows, financial markets and trade would affect India. The foreign exchange reserves have declined in India and created a liquidity problem due to global crisis as well as tightening of monetary policy earlier. The exports from India would also be affected.

The growth rate of GDP in India is expected to decline to around seven per cent in 2008-09 as compared to 9% growth in 2007-08. This is partly due to the financial crisis and partly due to the tight monetary policies which in turn was due to high inflation. The economic advisory council indicated that growth could be around seven to 7.5% in 2009-10. But, other forecasts and international organizations showed that growth could be around six percent in 2009-10. Lower growth may affect the employment prospects. It may have an adverse impact on social sector expenditures as tax/GDP ratio may go down with lower growth.

Least Impacted: Pharmaceuticals, Oil & Gas, FMCG, and Media & Entertainment.

Mildly Impacted: Power equipments & Services, Auto, Retail, Logistics, Hospitality and tourism.

Most Impacted: Banks, Financial Services, Real Estate, Infrastructure, Information Technology.

IMPACT OF INTERNATIONAL FINANCIAL CRISIS ON OIL INDUSTRY

After the fourth Arab-Israel War in October, 1973, the oil-producing Arab countries decided to use oil as a political weapon against countries like U.S.A., U.K., France, Germany, Holland etc., which had been supporting Israel. This created a scarcity of oil in the world market. The price of crude oil, which in 1973 was only two dollars a barrel, increased to 30 dollars a barrel in 1974. This unprecedented price hike of oil made the financial position of a number of countries precarious and plunged them into economic crisis. The worst-hit countries were the advanced countries whose industries depended largely on oil. The use of oil in these countries was very high and extensive. They used it for generation of electricity and running their industries. They also used it for transport and air conditioning. Thus oil occupied a very important place in the economy of these countries.

The oil crisis of 1974 not only affected the countries who were supporters of Israel but it also hit hard countries like India which had never supported Israel but had been friendly to the Arab cause. Before the oil crisis, India was spending only 11 percent of the foreign exchange earnings on the import of oil but after the oil crisis, India had to spend nearly 65 percent of its hard-earned foreign exchange on the import of oil.

The least impacted are the oil marketing companies and mildly impacted are the private oil exploration companies. As sub-prime crisis deepens with the extinction of wall street giants, it would extend the pressure in the credit markets/lending segment of the banking sector. This along with massive job losses is likely to constrain consumer spending and thereby put pressure on demand for petro products. This demand destruction in the developed economies would put pressure on the crude oil prices. Falling crude prices would be broadly good for the Indian economy and the Indian oil sector. In case of private exploration companies as price fall, realization of these companies is expected to fall, which would reduce their trend is up, the fall in prices would be temporary and thus would benefit these companies over a long period. While in case of Oil Marketing Companies (OMCs) there is an environment of rising oil prices and the limited pass-through of these through subsidies, OMCs are unable to benefit from higher prices. Their margins suffer and the subsidy burden increases which is shared among OMCs and ONGC. As oil process cool off, their margins increases and the subsidy burden decreases, giving them flexibility to focus on long term growth plans.
Top 10 oil importing countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Oil Imports (bbl/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>11,310,000</td>
</tr>
<tr>
<td>Japan</td>
<td>5,033,000</td>
</tr>
<tr>
<td>China</td>
<td>4,333,000</td>
</tr>
<tr>
<td>Korea, South</td>
<td>3,073,000</td>
</tr>
<tr>
<td>India</td>
<td>2,900,000</td>
</tr>
<tr>
<td>Germany</td>
<td>2,852,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2,426,000</td>
</tr>
<tr>
<td>France</td>
<td>2,386,000</td>
</tr>
<tr>
<td>Italy</td>
<td>1,911,000</td>
</tr>
<tr>
<td>Spain</td>
<td>1,716,000</td>
</tr>
</tbody>
</table>

Top 10 exporting countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Oil exports (bbl/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>8,728,000</td>
</tr>
<tr>
<td>Russia</td>
<td>5,439,000</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Iran</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Kuwait</td>
<td>2,349,000</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2,232,000</td>
</tr>
<tr>
<td>Venezuela</td>
<td>2,182,000</td>
</tr>
<tr>
<td>Norway</td>
<td>2,150,000</td>
</tr>
<tr>
<td>Canada</td>
<td>2,001,000</td>
</tr>
<tr>
<td>Iraq</td>
<td>1,910,000</td>
</tr>
</tbody>
</table>

Oil -Imports (bbl/day)

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2,159,000</td>
<td>2,050,000</td>
<td>2,900,000</td>
</tr>
</tbody>
</table>

Oil -exports (bbl/day)

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>450,700</td>
<td>350,000</td>
<td>738,600</td>
</tr>
</tbody>
</table>

CONCLUSION

The current international financial crisis is the most widespread of the recent emerging market crisis. This is true, whether measured by the GDP of the involved countries of their trade, or their external indebtedness. Nevertheless, the uniqueness of the current crisis should not be exaggerated. Clearly, the current crisis holds much in common with prior crises, although undoubtedly there are important differences as well. The world is in the midst of a severe financial crisis, meaning a crisis that will exact a huge cost in terms of lost economic growth. It is not true, however, that all financial crisis having an impact on the real economy when there is disruption of the banking sector. Second, the severity of the crisis is not independent of the policy response. An appropriate policy response does help contain the depth and period of an economic downturn.

India will not escape unscathed in the present crisis because its economy has become more integrated with the rest of the world over the past decade and a half. Overseas finance has become increasingly important for Indian corporate and the drying up of such finance is bound to tell on their fortunes. There is also a broader impact arising from tighter liquidity conditions and a decline in stock prices. India's authorities have responded to the crisis with both fiscal and monetary stimuli although the scope for the former appears somewhat limited given India's fiscal position. The Indian banking sector is well placed to weather the storm because it is not directly exposed to the financial crisis. It faces secondary effects arising from the slowdown of the economy.

References
- www.wikipedia.com
- Chandrasekhar C.P. and Jayanthi Choete(2008), 'India and the Global Financial Crisis', Business Line, October,15
- N.Ganasekaran and M.S. Ramya 'Impact of Global Financial Crisis on Production'

S.T. Hindu College, Nagercoil
BHAKTAVATSALAM MEMORIAL COLLEGE FOR WOMEN

CHENNAI - 80.

National Conference on Challenges in Business Practices
2nd and 3rd March, 2012

Certificate

This is to certify that Dr./Mr./Ms. S. DURGA DEVI, RESEARCH SCHOLAR
MANONMANIAM SUNDARANAR UNIVERSITY

has participated in the National Conference organized by the Department of Humanities and
Information Technology as a delegate / member of organizing committee and
chaired a session / presented a paper on CORPORATE SOCIAL RESPONSIBILITY - PUBLIC OIL
SECTOR COMPANIES

Conference Convenor

Principal

Secretary
Proceedings of the National Conference on Challenges in Business Practices
CIBP - 2012
2nd & 3rd March - 2012

Departments of Humanities & Information Technology

Bhaktavatsalam Memorial College for Women
Korattur, Chennai - 600 080.
INTRODUCTION

The concept of Corporate Social Responsibility has emanated from the term Social responsibility of a business. A business operates in a society; as such it has some inescapable obligations to the society. Those inescapable obligations are known as Social Responsibility of a business. Now a day’s it has been elevated to the status of a good advertisement.

According to the global study by Corporate Social Responsibility network, a UK based, Corporate Social Responsibility consultancy, released in 2004, the benefits of engaging in Corporate Social Responsibility are

- Increased Profit
- Access to Capital
- Reduced operating costs / increased operational efficiency
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Increased Productivity and quality
- Increased ability to attract and retain employees
- Potentially reduced regulatory oversight
- Reducing risk, and increased risk management

DEFINITION:

The European Commission defined Corporate Social Responsibility as a "Concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

In a speech at the Johannesburg world summit for sustainable development in 2002, the then UN Secretary General, Kofi Anan explained to the assembled business leaders, "I hope corporations understand that the world is not asking them to do their normal business differently".

Key Corporate Social Responsibility themes in India:

- Community Upliftment
- Education
- Environment
- Health

OBJECTIVES OF THE STUDY:

The study is directed towards the following objectives:

1. To study CSR practices in companies in oil sectors.
2. To study impact of CSR on the oil sector companies.

Departments of Humanities & Information Technology
METHODOLOGY:

The study used in this Research is Explanatory study. The sources of data are from the Websites of the industry, periodicals, journals and magazines. Therefore it implies from the above statement the data base used in this article is secondary in nature.

LIMITATION OF THE STUDY

The study is restricted to 2 public sector oil companies (Bharat petroleum corporation Limited and Hindustan petroleum corporation limited), due to time and financial constraints. The conclusions based on the analysis used in this study are subject to the usual limitations of such analysis.

OIL INDUSTRY IN INDIA

After the Indian independence, the oil industry in India was a very small one in size and oil produced mainly from Assam. The total amount of oil production was not more than 250,000 tones per year.

This small amount of production made oil experts from different countries predict the future of the oil industry as a dull one and also doubted India's ability to search for new oil reserves. But the Government of India declined the Oil industry in India as the core sector industry under the Industrial policy resolution bill in the year 1954, which helped the oil industry in India vastly.

The oil is produced by the oil industry in India provides more than 35 percent of the energy that is primarily consumed by the people of India. This amount is expected to grow further with both economic and overall growth in terms of production as well as percentage. The demand for oil is predicted to go higher and higher with every passing decade and it is expected to reach an amount of nearly 250 million metric ton by the year 2024.

ANALYSIS:

Bharat Petroleum Corporation Limited:

Company profile:

Bharat Petroleum Corporation was established in 1956. The main business activities of BPCL involve refining, storing, marketing, and distributing petroleum products. Bharat Petroleum Corporation Limited has headquarters in Mumbai, India and has 6 strategic business units (SBU) dealing with refinery, LPG, aviation, lubricants, industry and commerce, and retail. Bharat Petroleum Corporation strictly conforms to international standard quality manufacturing practices and environment friendly manufacturing practices. Bharat Petroleum Corporation employs around 13,000 personnel.

The paid-up capital of Bharat Petroleum Corporation Ltd. is Rs. 300 crore, out of which government of India's share is 54.93% and the remaining balance of 45.07% equity is being held by Foreign Institutional Investors (FII), financial Institutions, employees, and other investors. Bharat Petroleum Corporation registered net sales of Rs. 109,978.38 million for the year ended 31st March, 2006-2007 and the company's net profit stands at Rs. 3,956.80 million for the same period. BPCL is headed by Mr. Ashok Sinha, Chairman & Managing Director.

Corporate social responsibility Activities:

"We believe that it's equally important to return back to society".

The various on-going activities are:

Farm Facts:

For agricultural upliftment, BPCL arrange training through Pune Agricultural University, distribute seeds and fertilizers every year. They also educate the farmers about fish farming. Guidance is also given as regards buying of seeds. Every year farmers are given free fertilizers.
Cattle Cars:

At Karjat, BPCL conduct exhibitions of cattle of various breeds, training sessions are arranged for improving the health of available cattle. Once a year there is a camp organized in which doctors from veterinary inspect all the cattle.

Education:

For motivating intelligent students coaching is provided to students. Balwadis is available for rural children as pre-school intervention.

Health:

A dispensary with a doctor is available and regular health camps are conducted. General health camps are organized twice a year. There are camps held for pregnant women regarding guidance in pregnancy, stress on nutrition, etc.

Community Centre:

There is a community centre which encompasses classes for village women on tailoring, mehendi, beautician course, bamboo article making, etc. Later there is also an exhibition held in Mumbai for sale of the bamboo article made in these villages.

HINDUSTAN PETROLEUM CORPORATION LIMITED:

Company profile:

- The company was incorporated in the name of standard vacuum refining company of India limited on July 5, 1952.
- On 31st March, 1962 the name was changed to ESSO standard refining company of India limited.
- In the 1974 Hindustan Petroleum Corporation limited comes into being after the takeover and merger of erstwhile ESSO standard and Lube India limited.
- Calcutta refinery limited (CORIL) is taken over by the Government of India with an ordinance in 1976, subsequently by an Act in 1977 and merged with HPCL in 1978.
- Kisan Gas Company, the concessionaries of HPCL in the domestic LPG market, are taken over and merged with HPCL.

HPCL thus comes into being after merging four different organizations at different point of time.

Hindustan petroleum corporation limited (HPCL) is a Forbes 500 company, with an annual turnover of Rs. 1,08,599 crores and sales/income from operations of Rs. 1,74,889 crores during FY 2009-10, having about 20% market share in India and a strong market infrastructure.

HPCL also owns and operates the largest lube refinery in the country producing lube base oils of international standards, with a capacity of 325 TMT. This lube refinery accounts for over 40% of the India's total lube base oil production.

HPCL's vast marketing network consists of 13 zonal offices in major cities and 101 regional offices facilitated by a supply and distribution infrastructure comprising terminals, pipeline networks, Aviation service stations, LPG bottling plants, Inland relay depots and retail outlets, lube and LPG distributorships. HPCL, over the years, has moved from strength to strength on all fronts. The refining capacity steadily increased from 5.5 MMTPA in 1984/85 to 14.8 MMTPA presently. On the financial front, the turnover grew from Rs.2687 crores in 1984-85 to an impressive Rs.1,6428 crores in FY 2008-09.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES:

Primary Education:

Provided uniforms, notebook, library books, school furniture stationary items, study materials, computers, lab equipments, etc.
Scholarships:
- Granted scholarships to SC/ST/OBC college/university students from various colleges/university for Graduation & Post Graduation studies.

Drinking Water Facilities:
- Provided bore wells, tube wells, pumps, water storage tanks in the tribal villages across the country.

Health Care:
- Conducted medical/health camps, eye camps, distributed spectacles, and provided free medicines, ambulance/medical vans, various hospital equipments/machines such as Auto Refract meter, Ultrasound machine, Ultrasound scanner, QBC Malaria Testing equipment, Oculas, LCD Projector etc. Constructed blood bank building with AC, dispensary building.
- Also provided daily usage items for hospital patients.

Income Generating Schemes/Vocational Training:
- Provided computers for O' level computer training for women. Provided raw material to artisans to make handicraft items/artificial flowers, sewing machines, over locking machines, designer machines for tailoring training for upliftment of rural women.
- Provided training in internet technology skills for SC/ST/OBC students through CISCO network Academy.
- Constructed buildings for vocational training centers to impart vocational training for school dropout children/students.

Rehabilitation of Persons with Disabilities:
- Provided study material, artificial limbs, calipers, speech trainer, group hearing aid, braille computers for blinds, tricycles/cycle Rickshaw with PCO, Kiosks, PCO booth, etc.

Other Welfare Activities:
- Constructed community hall for villages at Pherwadi, Nashik for young Mizoram Association at Aizwal, Mizoram.
- Constructed reading room as rural library at Burdwan.
- Provided blankets for slum children/villagers through NGOs provided TV, Computers for benefit of prisoners of Central Jail, Raipur.

CONCLUSION:
Each and Every company should undertake the element of Corporate Social Responsibility into consideration. It is for the benefit of the company’s long life and consistent growth. As we have seen in this article, companies as conducted a number of social responsibility activities; it has gained a good reputation in the global competitive market.

In these days more social responsibility we undertake more we will get consumer’s satisfaction and earn customer’s loyalty. As the business is operated within the society, it becomes compulsory to conduct Corporate Social Responsibility activities to win consumers confidence and represent a global brand image.

At last to say...
"We should give back to the world, what we take from it."
THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

SHRI KRISHNASWAMY COLLEGE FOR WOMEN, CHENNAI-40
Department Of Commerce

NURTURING ECONOMIC DEVELOPMENT THROUGH CORPORATE SOCIAL RESPONSIBILITY (CSR)

Friday 24th February 2012

This is to certify that Dr./Mr./Ms. DURGADEVI S. RESEARCH SCHOLAR
from MANONMANIAM SUNDARANAR UNIVERSITY participated and presented a
paper entitled CSR PRACTICES OF INDIAN OIL CORPORATION
in the State Level Seminar on ROLE OF CSR IN GENERAL & PRODUCTION FOR

"NURTURING ECONOMIC DEVELOPMENT THROUGH CORPORATE SOCIAL RESPONSIBILITY (CSR)"

Seminar Coordinator
Chairman
Joint Director
Principal & Convener
STATE LEVEL SEMINAR

ON

NURTURE ECONOMIC DEVELOPMENT THROUGH CORPORATE RESPONSIBILITY

EDITED BY

D.K. B. MALATHISHR
Nurturing Economic Development through Corporate Social Responsibility (CSR)

Edited by
Dr. K.P. Malathi Shiri

24th February 2012

Organized by

Department of Commerce
Shri Krishnaswamy College for Women
Anna Nagar, Chennai 600 046

United Publishers
Editorial Board

Chief Editor
Dr. K.P. Malathi Shiri

Members
C. Thangamani
H. Dhanalakshmi
R. Leema Rose

February 2012

Note: The contents of this edited volume are expressed by the authors and they are responsible for the same.

ISBN: 978-93-81195-11-6

Published By
United Publishers,
Opera Plaza, Shanthi Nagar
Nanjigudda(P.O), Mangalore-575 002
Ph: 2418160, Mob: 94450 21177
CSR PRACTICES OF INDIAN OIL CORPORATION

S. DURGA DEVI* DR. K.V. SOUNDARA RAJA**

* Research Scholar, Manonmaniam Sundaranar University, Tirunelveli
** Reader in Commerce, S.T. Hindu College, Nagercoil

MEANING

Corporate social responsibility is a term that has come to mean whatever a company does to give back to the community in which it has a presence. Sometimes this involves grants, volunteerism or sponsorships. Other times, a company will choose to demonstrate its corporate social responsibility by a commitment to clean energy or some other laudable effort or cause. ISO 26000 is the recognized international standard for CSR (currently a Draft international standard).

DEFINITION

Corporate Social Responsibility is the continuing by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of local community and society at large.

OBJECTIVES OF THE STUDY

The primary objective of the study is to focus on the CSR practices at Indian Oil Corporation. The Research Methodology used in this method is case study.

CORPORATE SOCIAL RESPONSIBILITY IN INDIA

The concept of corporate social responsibility originated in 1950’s in USA and the concept came into prominence in public debate during the 1960s and 1970s. During 1980s to 2000, corporations generally recognized a responsibility to society and weighted against the demands of being competitive in a rapidly changing global economy. Corporate social responsibility is fundamentally a philosophy or a vision about the relationship of business and society. It is a process of continuous improvement which begins small, grows and expands over a period of time.

The goal of the CSR is to embrace responsibility for the company’s actions and to encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. In recent years CSR is increasingly becoming a part of a large number of companies. It is becoming an important activity for businesses throughout the globe. Basically, CSR means that a company’s business model should be socially responsible and environmentally sustainable. By socially responsible it means that the company’s activities should benefit the society and by environmentally sustainable it means that the activities of the company should not harm the environment.

CSR is not a new concept in India. Corporate like the Tata Group, the Aditya Birla Group and the Indian oil Corporation have been 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.

Now a day CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses it is also vital to build trust worthy and sustainable relationships with the community at large. This is one of the key drivers of CSR programs. CSR is coming out of the purview of ‘doing social good’ and is fast becoming a ‘business necessity’. The ‘business case’ for CSR is gaining ground and corporate houses are realizing that ‘what is good for workers – their community, health, and environment is also good for the businesses. Indian companies have been engaged in various CSR activities such as promotion of primary and higher education among adults and economically disadvantaged sections of the society, improving health care infrastructure and increasing environmental consciousness in the country.

A GIANT IS BORN

Indian Oil Corporation was incorporated on 30th June 1959 under the name and style of Indian Company Ltd., upon merger with Indian Refineries Ltd., on 1st September 1964, the name of the company was changed to Indian Oil Corporation Limited.

Gujahati Refinery was the first public sector refinery of the country, was built with Romanian collaboration and was inaugurated by the Prime Minister of India, Pandit Jawaharlal Nehru, on 1st January 1962. Indian Oil is the country’s largest commercial enterprise – also the first and only company to cross Rs. 1 lakh crore turnover with a sales turnover of Rs.114,864 crore and profits of Rs. 2,885 crore for fiscal 2001.

Indian Oil is the sole Indian presence in Fortune’s Prestigious listing of the world’s 500 largest corporations, ranked 226, and is the 17th largest Petroleum Company in the world. It has been adjudged second in petroleum trading among 15 national oil companies in the Asia-Pacific region, and is ranked 112th in Forbes “International 500” companies outside United States.

Indian Oil’s quality initiatives have led to over 60 of its units earning ISO-9001/9002/14001 certification. These include refineries, pipelines, aviation fuel station, lube and grease plants, quality control laboratories, LPG bottling plants, tap-off points and the Indian Institute of Petroleum Management.

Indian Oil’s sincere commitment to quality, safety, health and environment is reflected in the series of national and international certifications and awards earned over the years. The 17th largest petroleum company in the world, Indian Oil is now on the threshold of transforming into an energy conglomerate.
“CSR: A Cornerstone of Enduring Success”

Indian oil, corporate social responsibility (CSR) has been the cornerstone of success right from inception in the year 1964. The corporation’s objectives in this key performance area are enshrined in its mission statement: “...to help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience”.

Indian Oil has defined a set of core values for themselves-Care, Innovation, Passion and Trust-to guide themselves in all they do. They take pride in being able to claim almost all their countrymen as their customers. That’s why they coined the phrase, “Indian Oil-India inspired”, in their corporate campaigns. Public corporations like Indian Oil are essentially organs of society deploying significant public resources. Therefore, they are aware of the need to work beyond financial considerations and put in that little extra to ensure that they are perceived not just as corporate behemoths that exist for profits, but as wholesome entities created for the good of the society and for improving the quality of life of the communities they serve.

Corporate Social Responsibility Allocation (approx. Rs. 10 crores):
- National Calamities: 35%
- Donations: 5%
- Community Development: 30%
- Indian Oil Scholarships: 20%
- Other activities: 10%

Corporate Social Responsibility Activities in Indian Oil Corporation:
Trust / Foundation for CSR - Indian Oil Foundation

CSR Areas:
- Community Welfare
- Energy
- Environment
- Healthcare
- Heritage Conservation
- Poverty Eradication
- Rural Development
- Sport

Three main CSR activities:
1. Environment
2. Community Welfare
3. Art, Culture and Heritage Conservation.

LPG Schemes
Providing common LPG kitchen facilities in villages.
Release of one-time grant to below poverty line (BPL) families in the rural areas for release of new LPG connection under Rajiv Gandhi Grameen Vitarak Yojana.
Community Development:
The community Development Programme adopts a multi-disciplinary approach incorporating health, family welfare, education, drinking water and sanitation, empowerment of women and other marginalized groups in the vicinity of our major installations. While utilizing the community Development Funds, more emphasis is laid on the projects for providing Clean Drinking Water, Health & Medical Care and Education. The activities undertaken under the above three thrust areas are as under:

Providing Clean Drinking Water:
Installation of hand pumps/bore wells/tube wells/submersible pumps, construction of elevated water tanks, providing water tap connection, rainwater harvesting projects/kits, aqua guard water purifiers/water coolers to schools/community center etc.

Health & Medical Care:
Organizing Medical/Health Camps on family planning, Immunization, AIDS awareness, polio, polio, Eye, Blood Donation, Pre and post-natal care, Homeopathic Medicine etc., distribution of free condoms, providing anti-mosquito fogging treatment, toilets, medicines to primary health centre’s, mosquito nets, ambulances to Medical Centre’s/Hospitals/NGOs, hearing aids/wheel chairs to physically challenged financial assistance to hospitals, medical equipments etc.

Indian Oil Scholarship Schemes:
- Indian Oil Educational Scholarship Scheme:
  Indian Oil awards 2600 scholarships to meritorious students pursuing full-time courses in 10+/ITI. Engineering/Medical and Business Administration to nurture and support talent among the deserving students belonging to families with less than rupees one lakh as the gross joint annual income. Out of which 50% are reserved for SC/ST/OBC students, 25% of the scholarship is earmarked for girl students and 10% for physically Handicapped students. The whole scheme for awarding scholarships is meant for deserving extremely poor and downtrodden children.
- “Indian Oil Scholarship Scheme” for Graduate and Post-Graduate students:
  Under the scheme total 600 scholarship (300 for engineering, 200 for MBBS and 100 for MBA) are awarded every year @ Rs.3000/- per month for all the four years for Engineering and Medical Courses and two years for Business Administration/Management courses.
- “Indian Oil Merit Scholarship Scheme” for 10+/ITI studies:
  Under the scheme total 2000 scholarships are awarded to students pursuing 10+ courses /ITI every year @ Rs. 1000/- per month for two years. 400 scholarships out of 2000 are allocated to deserving students from the North Eastern states, Andaman & Nicobar Islands along with Jammu & Kashmir.
- Indian oil Sports Scholarship Scheme:
  Indian Oil awards sports Scholarship to promising youth sports persons representing state in team games and on National ranking in others. The Sports Scholarship Scheme awards 150 (number of scholarships increased from 72 to 150 during the year) for 10 games/sports(cricket, table tennis, Badminton, Tennis, Chess, Hockey, Golf, Billiards/Snooker, Carrom and Athletics) to upcoming junior players in the age groups up to 19 years. The Scholarship amount varies from Rs. 9000/-p.m. to Rs. 14000/- per month based on the performance of the scholar for 3 years in addition to kit items.
The Corporation also provides assistance towards travel and lodging etc. for scholars in individual games.

**National Causes and Natural Calamities:**
Indian Oil responds proactively to provide aid and relief to the victims of any calamities like floods, tsunami, earthquake, cyclones etc. Indian Oil also contributes for national causes in the benefit of the nation like setting up of educational institutions of national importance like Rajiv Gandhi Institute of Petroleum Technology to promoting a course like National Children's Fund, Jansankhya Sthirtha Kosh etc.

**Environment:**
As part of its environment protection initiatives, Indian Oil has invested close to Rs. 7000 crore in state-of-the-art technologies at its refineries for the production of green fuels meeting global standards. To further reduce dependence on precious petroleum products and secure the nation's energy security, the Corporation is now in the process of commercializing various options in alternative fuels such as ethanol-blended petrol, Biodiesel, and Hydrogen and Hydrogen-CNG.

**Conclusion:**
As a constructive partner in the communities in which it operates, Indian Oil has been concrete action to realize its social responsibility objectives, thereby building value for its shareholders and customers. Indian Oil is committed to conducting business with a strong environment conscience, so as to ensure sustainable development, safe work places and enrichment of the quality of life of its employees, customers and the community. Indian Oil is also committed to the Global Compact Programme of the United Nations and endeavors’ to abide by the 10 principles of the programme, some of which are already part of the Corporation’s Vision and Mission statements. It is the firm resolve of the Indian Oil People to move beyond business, touch every heart and fuel a billion dreams. Even though companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR.
HINDECON
RESEARCH CENTRE

S.T. HINDU COLLEGE
(Accredited by NAAC with 'A')
NAGERCOIL - 629 002.
MUTUAL FUND INDUSTRY - AN INTRODUCTION

*S. Durga Devi
**Dr. K.V. Soundarajan

Introduction

According to the definition given by the Association of Indian Mutual fund industry "A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realizes, are shared by its unit holders in proportion to the number of units owned by them. Thus mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost". The flow chart below describes broadly the working of a mutual fund.

Working of a Mutual Fund:

- Investors pool their money with the Fund Manager.
- Fund Manager invests in Securities.
- Securities generate returns.
- Returns are passed back to the Investors.

Indian Mutual Fund Industry:

The concept of mutual fund was introduced in India for the first time in 1963, when the Unit Trust of India was formed at the initiative of the government of India and the Reserve Bank of India. From 1963 to 2009, the mutual fund industry in India has covered a long way. The development of Industry can be divided into four phases. The first phase (1964-1987) saw the establishment of Unit Trust of India (UTI) and commencement of its operations. The second phase, spanning the years (1987-1993) marked the entry of public sector funds. The period between (1993-2003) or the third phase witnessed the entry of private sector funds. The fourth phase began in 2003 and witnessed the bifurcation of UTI into two separate entities, viz, the specified undertaking of UTI and UTI mutual fund Ltd.

Entry and Exit Load:

The expenses incurred by the mutual funds are recovered from the investors by a percentage on their investments.

Entry Load:

When the expenses are charged to investors at the time of entry into the fund it is called entry load.

Exit Load:

Expenses are deducted at the time of exit from the fund.

No Load:

Here, there is no charge at the time of entry or exit. Instead, an equal amount of expenses can be recovered throughout the life of the investment.

*Lecturer in the Department of Commerce, C.T.T.E., College for Women, Chennai.
**P.G. Department of Commerce, S.T. Hindu College, Nagercoil.
Mutual Fund Scheme:

The mutual funds offer different schemes. Schemes of mutual funds can be classified under different heads from different angles.

1. By Structure:
   a. Open Ended Scheme:

      A mutual fund scheme which does not have a fixed maturity and which is available for subscription and redemption throughout the year is called an open ended scheme. Open ended schemes are traded at their net asset value related prices. The biggest advantages of these schemes are liquidity.

   b. Close Ended Scheme:

      A close ended fund is open to the investor for subscription at the time of initial public offer for a specified period. It has a fixed maturity, normally between three and fifteen years. The units of the scheme are linked in a stock exchange. Once the issue is closed for subscription, the investors can buy or sell the units in the stock exchange at the prevailing market price. In order to give an option to sell the units at net asset value related price, some funds repurchase the units at periodic intervals.

   c. Interval Schemes:

      Interval Schemes are combinations of open ended and close ended schemes. The units of an interval scheme may be listed in a stock exchange or they may be open for sale or redemption at net asset value related prices during the predetermined intervals.

2. By Investment Objective:
   a. Growth Schemes:

      These schemes provide capital appreciation over a period of time. They do not provide regular income. Normally, major portion of the fund is invested in equity shares.

   b. Income Schemes:

      These schemes provide regular income to investors. Major portion of the fund is invested in fixed income securities. Scope for growth in these schemes is very little.

   c. Balance Schemes:

      These schemes are a combination of growth schemes and income schemes. They distribute periodic income and at the same time there are capital appreciations also. The funds are invested in equity shares as well as in fixed income securities (normally in equal proportion).

   d. Money Market Schemes:

      The funds of these schemes are invested in money market instruments like, treasury bills, commercial paper, and certificates of deposit and call money market. Returns of these schemes are normally lower than the others, but they are very liquid.

3. By Nature:
   a. Equity Fund:

      As the name says, the fund is invested mostly in equity shares. Equity funds again can be classified under the following heads:

      1) Diversified equity funds.
      2) Mid cap funds
      3) Sector specific funds
      4) Tax savings funds

   b. Debt Funds:

      The debt funds are invested in debts like government securities, corporate debentures etc., therefore, risks associated in these funds are very low and they provide a steady income. Debt funds can be classified as follows.
Gilt Funds:

- Invests in government securities. There is no default risk associated with gilt funds. They are considered as the safest fund.

Income Fund:

- It invests in a variety of debt instruments like government securities, corporate debentures, bonds etc.

MIPS:

- It invests the major portion of the fund in debt and some in equity. The return and risk of these funds are slightly higher than the above two funds.

Short Term Plans:

- Funds are mostly invested in commercial paper and some portion in corporate debentures. The investment horizons of these funds are very small, generally three to six months.

Liquid Funds:

- Funds are invested in money market instrument like call money market, commercial paper, treasury bills, and certificate of deposit. They are also called money market mutual fund. The investment horizon is one day to three months.

c. Balanced Funds:

- These funds are invested partly in equity and partly in debt. Therefore, there is a possibility of both growth and regular income.

New Innovations in Mutual Fund Schemes:

Money Market Mutual Funds

- These Funds are invested in short term market instruments, which mature in less than one year, like treasury bills, certificate of deposit and commercial paper. As they are invested in money market, they are considered as highly liquid asset fund and with very low risk.

Value Funds

- Value funds are those mutual funds which invest in the companies that are undervalued in terms of price or are overlooked by the market, either because of poor earnings or investors changing preferences. The main idea of investing in these types of companies is the belief that the market inefficiencies are not allowing the companies to provide appropriate returns. And with the passage of time when the market corrects, there will be increase in the share price.

Gilt Funds

- Gilt Funds are the funds that invest in long and medium term government securities and also in highly rated corporate debt. As they are invested in government securities, they do not possess any default risk. They are highly affected by interest rate fluctuation and other economic factors.

Offshore Funds

- Offshore funds are also known as international fund. As the name suggests; the fund invests solely in foreign securities markets throughout the world. Their portfolio is more diversified. These type of funds work better for developed countries, as offshore funds of developed countries can be invested in developing countries and hence, can generate better return comparatively. It may also prove profitable when some markets are declining and some are rising.

Global Funds

- The fund that invests in all the companies of the world, along with the domestic companies is regarded as a global fund this fund provides a good opportunity for diversification. The global funds are affected by political and economic instability.
Sector Funds

The investment of sector mutual funds is focused on particular segment or sector of the economy. They concentrate on only one industry, like infrastructure fund for infrastructure industry, energy sector, etc., which, according to them, possess strong growth potential and the same is also specified in the offer document. These funds help small investor to invest in highly select industry.

Exchange Traded Funds

The exchange traded funds represent a basket or a bundle of securities that can be traded on an exchange. They track an index (passively managed funds), and at the same time can be traded like a stock. It is similar to index fund, in the sense that it invests in the companies that are included in the index. Like the prices of any other stock, their prices also fluctuate. The benefit of exchange traded funds over normal mutual funds lies in the tax part. They are tax efficient and they do also have low operational expenses.

Fund of Funds

Fund of funds is a type of mutual fund which does not invest directly into the security market; rather they invest in the schemes of other mutual funds. They achieve greater diversification. One of the biggest benefits of the fund is its tax advantage. It is tax friendly from asset rebalancing point of view.

Arbitrage Funds

The art of making risk-free profits by simultaneously buying and selling similar instruments in different markets is known as arbitrage. In the same way, an arbitrage fund makes risk free profit by buying equities in the cash market and selling those securities in future market. Thus, they generate returns by tracking the price difference between cash and future markets. Many a time they are promoted as risk as risk-free investment.

Bear funds

Bear funds are considered to be one of the aggressive approaches of investing. These funds are made to save the investor's investment in bear market. They use strategies like short selling in order to make money in decreasing markets. It helps the investors to play both sides of the market, so that profits in bear funds can offset losses in the equity portfolio of the investors.

Gold ETFs

A Gold ETFs has gold as the underlying asset; they track the performance of the gold bullion. Gold ETFs are traded on exchange. Through Gold ETFs, an investor, without taking any physical delivery of gold, can participate in gold market. Gold being an important asset for the society provides a better and secured way of investing. The gold ETFs are always open ended funds. In India, the first NSE listed gold ETF was Benchmark Asset Management Company, a Mumbai based mutual fund house.

Feeder Funds

A fund which instead of investing of investing directly, invests through another fund (known as master fund), is known as feeder fund.

Real Estate Funds

As the name suggest the focus of the real estate funds is to invest directly or indirectly in the real estate ventures. They invest in real estate properties, mortgage backed securities and equity/bonds of the companies which deal in real estate.

Art Funds

Art collection has always been the province of wealthy individuals. But with the
introduction of art funds, small investor can also enter into the art market. The art fund does not require the investor to paint; these funds help them to gain profits. The investor takes into account different parameters, like artist, past work, colors, etc. before investing into an art piece. Investment in art requires few analytical and statistical analyzes.

Dynamic Asset Allocation Funds

The Dynamic Asset Allocation Funds are required to invest in the asset classes that possess the potential to outperform inflation and taxes and to achieve growth in purchasing power. Kodak launched its Dynamic Asset Allocation Fund in November 2006 as a close ended fund. Their objective is to invest in debt and money market securities.

Commodities Funds

Commodities Funds are the mutual funds that invest in the companies whose business is to offer some kind of natural resources. These are basically grown on the farms or are extracted from the earth.

Long-Short Funds

The long-short funds are the mutual funds that take the advantage of hedge funds strategies. They use derivatives and leverage in order to increase their return, independent of market conditions. As the fund is managed actively, it helps investor getting absolute return. These funds require the fund manager to analyze the market’s current fundamental and technical condition, so that, they can decide on whether to go long or short. The basic aim of the fund is to make profit out of rising as well as declining market.

Capital Protection Funds

The capital protection fund is a type of mutual fund that guarantees the investor to get their initial investment and also to give a better return than a bank deposit. Here generally, more than 50% (around 60-70%) of investments are made in the risk free securities and balances are invested in the risky assets. These are basically close ended funds.

Children Funds

The children Funds are the type of mutual funds where parents are given the opportunity to invest money for the future of their children. These funds are like balanced funds, where investments are made in both debt and equity. Here, the fund managers invest in the quality stocks, with long time horizon. The motive for the fund managers is to make long term capital appreciation, through investment in relatively low risk investments.

Conclusion:

Indian mutual funds industry has given spectacular return during the past two years. The investors’ awareness about financial products and the risk appetite for various investment avenues have increased. Mutual fund in India has covered a long way. Other key factors where the industry must concentrate are

1. Introducing new and innovative products.
2. Initiative to increase the investor’s education and awareness.
4. Increase the overall penetration of mutual funds as a proportion of GDP.
5. Manage consolidation in order to improve competitiveness.