IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE

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INTRODUCTION

Corporate Social Responsibility is a growing and important part of an organization's overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment. CSR is also linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long term social and environmental consequences of their activities. CSR is the responsibility of an organization for the impact of its decisions and activities on society, the environment & its own prosperity known as the TRIPLE BOTTOM LINE of people, planet and profit.

Triple bottom line concept (3P) explains that in order to sustain in the long run a corporation should pay attention to the following components:

People relates to fair & beneficial business practices towards labour, the community and region where corporation conducts its business. Support from people (society) in business area is needed for corporate sustainability. As an integral part with society, corporation needs to have commitment in giving optimum benefit to the society.

Planet refers to sustainable environmental practices. There is a causal relationship between corporations and planet. If corporations preserve their environment, environment will benefit them. A triple bottom line Company does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals.

Profit is the economic value created by the organization after deducting the cost of all inputs including the cost of the capital tied up. It is the most important thing and also main objective of every business. Profit can be increased by improving work management through process simplification, by reducing inefficient activities, save processing and service time and usage of material as efficient as possible.

Corporate social responsibility is a commitment to improve the well - being of a community. It is not charity but it is a core business strategy of an organization. It is a way which strikes a balance between economic, social and environmental imperatives.

Concept of CSR

The concept of CSR is changing with the passage of time. In ancient times, companies used to contribute voluntarily by the name of donation or sponsorship. India is the first country in the world to make corporate social responsibility mandatory, following an amendment to companies act, 2013 in April 2014. Business can invest their profit in areas such as education, poverty, gender equality and hunger as part of any CSR compliance.

After 2013, the new companies Act 2013 made mandatory for companies having a turnover of Rs 1000cr or more or net worth more than Rs500cr or more or net profit of Rs 5cr or more should contribute 2% of their net profit towards CSR and suggest to form separate CSR committee and also to disclose CSR activities in official annual report of the company under the section 135 of schedule Vll of companies act 2013. Prior to that, the CSR clause was voluntary for companies, through it was mandatory to disclose their CSR spending to shareholders. Business must note that the expenses towards CSR are not eligible for deduction in the computation of taxable income. The government, however, is considering a re-evaluation of this provision, as well as other CSR provisions recently introduced under the companies (amendment) act, 2019

Statement of problem

CSR has voluntary for all companies in India so the companies will mandatory to contribute a share of profit to CSR activities. It is a responsibility of companies towards public. The CSR activities will create a good impact for companies among its stake holders. It also affects the financial performance of companies. So the study will conducted to know the impact of CSR on the financial performance of companies in India and try to know corporate social responsibility have some effect on the profitability of Indian companies.

Objectives of the study

- To know the relationship between CSR and financial performance of Indian companies.
- To analyze the effect of CSR practices on profitability of different sectors in selected companies.

Scope of the study

There will be certain responsibilities associated with the business towards public. It is popularly known as corporate social responsibilities. Generally the CSR activities will affect the financial performance of companies. Now as in the competitive environment it is very essential to understand the relationship between CSR and financial performance of companies.

The investors contribute their cash in an enterprise, expecting the highest possible risk balanced return. So being socially mindful ought to have benefits in order to be sustainable. There for there is a need to conduct a study on where the CSR impacts the firm positively or not.

The study will also highlight that do the Indian firms truly believe in CSR and its ability to do social and financial good. Besides the responsibility towards the society the companies are responsible to work in a manner so that they earn profit and increase their profitability. Companies have responsibility towards shareholders, investors, creditors. So, there is a need to study what is the impact of CSR practices on profitability of the business. To make an overall study that to what extent the companies in India are doing CSR practices, there is a need to study CSR practices in different sectors of India.

Research design

This study utilizes correlational research design. Since the aim of this study focuses on examining the relationship between CSR and financial performance it was considered to be the most suitable research design. The aim of a correlational research design is to establish or explore a relationship, association or interdependence between at least two facets of a situation or a phenomenon.

Sample designing

The samples are selected on the basis of multi stage sampling. The study is based on all companies in India. For the purpose of study I will choose the listed companies under the NIFTY index of national stock exchanges. NSE is the leading stock exchange of India, located in Mumbai. NSE's flagship index, the NIFTY 50, the 50 stock index is used extensively by investors in India and around the world as a barometer of the Indian capital markets. Among those 50 companies top ten companies are selected for the purpose study.

Nifty indexed companies

Industry	Company
Bank	HDFC ICICI Kotak Mahindra Axis SBI Indusind bank Yes bank
Petroleum products	Reliance Bharat petroleum Indian oil
Finance	Housing development financial corporation .Ltd Bajaj finance Bajaj finserv
Software	Infosys TCS HCL Tech Mahindra Wipro
Consumer non-durable	ITC HUL Asian paints Nestle Titan

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	Britannia
Construction project	Larsen and toubro Ltd
Auto	Maruti Suzuki Mahindra & Mahindra Bajaj auto Tata Eicher Hero
Telecom services	Bhari Airtel Bharati infratel
Power	NTPC
Pharmaceuticals	Sun pharmaceuticals Dr Reddy Cipla
Cement	Ultra tech Grasim industries
Oil and gas	ONGC GAIL
Minerals/ Mining	Coal India
Ferrous metals	Tata JSW steel
Pesticides	UPL
Non-Ferrous metals	Hindalco Vedanda
Transportation	Adani portals
Media	Zee entertainment

Bank Software Consumer non-durablePetroleumAuto

HDFC Infosys ITC Reliance Maruthi

AXIS Tata HUL Indian oil Bajaj

There are 18 industries are listed under NIFTY index under NSE stock exchange. Among this population five industries are selected on the basis of simple random sampling. The companies are selected on the basis of purposive sampling method.

Variables used for the study

The two main variables in an experiment are the independent and dependent variable. An independent variable is the variable that is changed or controlled in a scientific experiment to test the effects on the dependent variable. A dependent variable is the variable being tested and measured in an experiment.

Here the study will use one dependent variable and one independent variable. Those are CSR and ROA. Here we taken as ROA is dependent variable and CSR will be independent variable.

Fitting the regression line

Y= $\alpha + \beta x$

Here, Y is Dependent variable in this study it will be considered as ROA.

Alpha is a constant value.

Beta is an independent variable in this study independent variable is CSR

Tool used for analysis

- Mean,Median,Standard deviation,ROA,ANOVA
- Independent and dependent variable: In this study CSR will be the independent variable and ROA is the dependent variable.
- Regression: regression analysis is a set of statistical processes for estimating the relationships between a dependent variable and one or more independent variables.

  Simple linear regression is a linear regression model with a single explanatory variable.That is, it concerns two-dimensional sample points with one independent variable and one dependent variable.

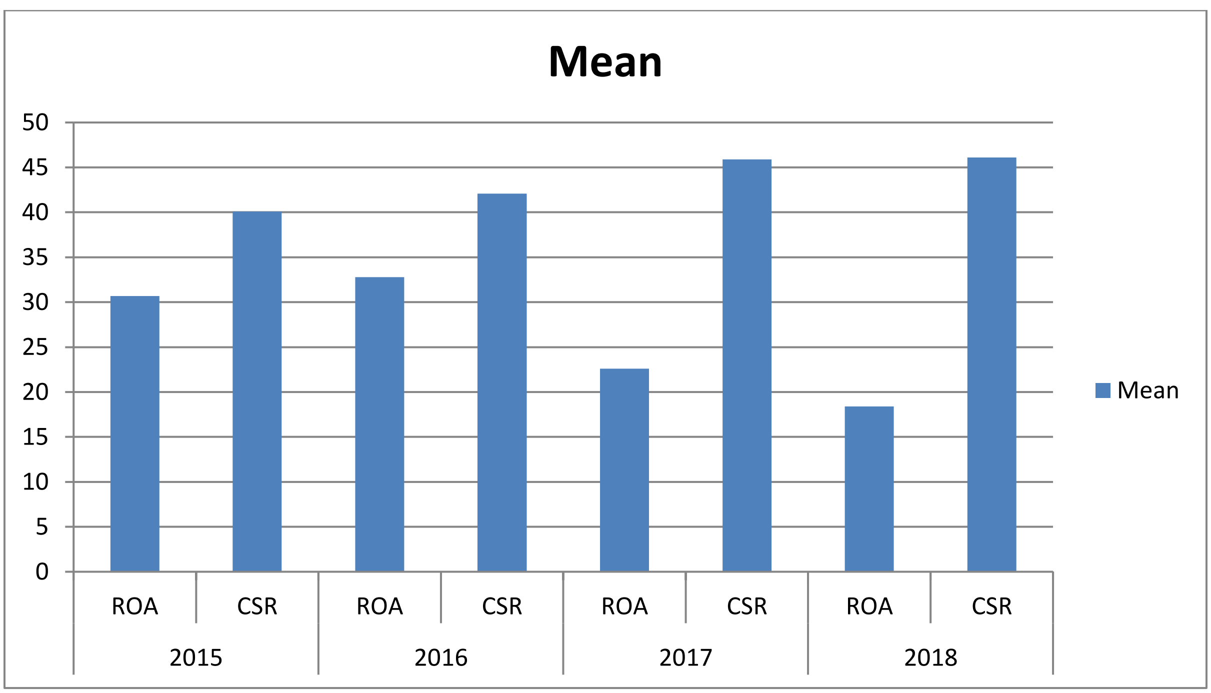
ANALYSIS AND INTERPRETATION

Descriptive statistics year wise

		Mean	Median	Std. Deviation	Minimum	Maximum
2015	ROA	30.70	15.50	47.95	2.00	159.00
	CSR	40.10	23.50	34.90	3.00	100.00
2016	ROA	32.80	16.00	47.70	2.00	156.00
	CSR	42.10	31.00	32.41	9.00	98.00
2017	ROA	22.60	16.50	20.38	3.00	61.00
	CSR	45.90	32.50	32.70	22.00	99.00
2018	ROA	18.40	15.50	19.09	3.00	67.00
	CSR	46.10	35.50	37.81	6.00	97.00

The statistics indicate that the mean and median CSR score increases in each year observed in the study. The financial variable of ROA is less predictable pattern in terms of rises and falls. The mean value of ROA is increased in 2015 and 2016. In 2017 it will fall down and in 2018 the ROA will again decreases. Same situation will be happened in the case of median and standard deviation. In the first two years ROA is rise to increase and last two years ROA will fall down.

mean chart of ROA and CSR



The chart indicates that mean CSR score increases in each year observed in the study. The financial variable of ROA is less predictable pattern in terms of rises and falls. The mean value of ROA is increased in 2015 and 2016. In 2017 it will fall down and in 2018 the ROA will again decreases. In the first two years ROA is rise to increase and last two years ROA will fall down. The CSR will be increases the last four years

ANOVA company wise analysis

		Sum of Squares	Df	Mean Square	F	Sig.
AXIX	Regression	91.18	1	91.18	11.32	0.001
	Residual	45.57	2	22.79		
	Total	36.75	3			
HDFC	Regression	0.11	1	0.11	10.12	0.002
	Residual	0.89	2	0.44		
	Total	1.00	3			
INFOSYS	Regression	0.21	1	0.21	12.032	0.004
	Residual	10.54	2	5.27		
	Total	10.75	3			
TATA	Regression	1.03	1	1.03	13.025	0.003
	Residual	48.97	2	24.49		
	Total	50.00	3			
ITC	Regression	1.00	1	1.00	12.032	0.002
	Residual	5.00	2	2.50		
	Total	6.00	3			
HUL	Regression	5.76	1	5.76	15.012	0.001
	Residual	60.24	2	30.12		
	Total	66.00	3			
MARUTHI	Regression	1.56	1	1.56	16.258	0.0012
	Residual	5.19	2	2.60		
	Total	6.75	3			
BAJAJ	Regression	0.03	1	0.03	11.025	0.002
	Residual	53.97	2	76.99		
	Total	54.00	3			
RELIANCE	Regression	1.68	1	1.68	15.026	0.003
	Residual	1.07	2	0.54		
	Total	2.75	3			

INDIAN OIL	Regression	14.45	1	14.45	12.035	0.001
	Residual	8.30	2	4.15		
	Total	22.75	3			

a. Predictors: (Constant), CSR
b. Dependent Variable: ROA

The table 2 indicates the statistical significance of the regression model that was run. Here p value less than 0.05 indicates that in overall, the regression model is statistically significant and predicts the outcome variable. That is it is good fit for the data.

Regression company wise analysis

		Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
AXIS	(Constant)	60.324	77.644		0.777	0.001
	CSR	0.912	1.701	0.354	0.536	0.002
HDFC	(Constant)	1.630	1.772		0.919	0.003
	CSR	0.037	0.074	0.333	0.500	0.001
INFOSYS	(Constant)	25.119	27.075		0.928	0.002
	CSR	-0.059	0.299	-0.139	-0.198	0.004
TATA	(Constant)	23.400	12.925		1.810	0.001
	CSR	0.114	0.558	0.143	0.205	0.003
ITC	(Constant)	11.167	12.411		0.900	0.004
	CSR	0.333	0.527	0.408	0.632	0.004
HUL	(Constant)	1.167	29.469		0.040	0.003
	CSR	0.524	1.198	0.295	0.437	0.004
MARUTHI	(Constant)	13.626	1.949		6.990	0.003
	CSR	-0.061	0.079	-0.481	-0.775	0.001
BAJAJ	(Constant)	62.865	8.378		7.503	0.003
	CSR	0.009	0.484	0.013	0.019	0.002
RELIANCE	(Constant)	9.395	2.646		3.550	0.004
	CSR	-0.056	0.032	-0.782	-1.772	0.001
INDIAN OIL	(Constant)	86.000	43.287		1.987	0.003
	CSR	-0.850	0.456	-0.797	-1.866	0.001

a. Dependent Variable: ROA

In this table the regression result of the entire samples are presented. Here ten companies are selected as a sample and study the relationship between CSR and ROA. Whether it was positively correlated or not. The above table shows that all the samples are statistically significant. Because the P value of the samples are less than 0.05.

The above result produces the two type of relationship between CSR and ROA viz, positive relationship and negative relationship. The results of six companies are positive that means that there will be a positive relationship between CSR and ROA. When CSR increases ROA will increases. When CSR decreases ROA will also decreases.

The beta value of AXIS bank, HDFC bank, TATA, ITC, HUL and Bajaj are shows a positive figure. That means it will be a direct relationship between financial performance and corporate social responsibility.

The other four companies, Infosys, Maruthi, Reliance and Indian oil will shows a negative beta coefficient value. So there will be a negative or inverse relationship between financial performance and corporate social responsibility.

ANOVA sector wise analysis

		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
BANK	Regression	8120.109	1	8120.109	11.025	0.001
	Residual	26337.766	6	4389.628		
	Total	34457.875	7			
SOFTWARE	Regression	75.974	1	75.974	10.025	0.002
	Residual	62.901	6	10.484		
	Total	138.875	7			
CONSUMER DURABLE	Regression	0.500	1	0.500	15.035	0.003
	Residual	121.500	6	20.250		
	Total	122.000	7			
AUTO	Regression	756.094	1	756.094	0.996	0.003
	Residual	4555.781	6	759.297		
	Total	5311.875	7			

PETROLEUM	Regression	1.326	1	1.326	11.025	0.004
	Residual	24.674	6	4.112		
	Total	26.000	7			

a. Predictors: (Constant), CSR

b. Dependent Variable: ROA

The table indicates the statistical significance of the regression model that was run. Here p value less than 0.05 indicates that in overall, the regression model is statistically significant and predicts the outcome variable. That is it is good fit for the data.

Sector wise Regression analysis

The below table present the sector wise result of regression analysis to analyze the effect of CSR practices on profitability of different sectors in selected companies. The sampled ten companies are classified as five sectors.

The P value of all sectors will be less than 0.05, so the samples are statistically significant.

Regression analysis of banking sector

		Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
BANK	(Constant)	0.766	43.214		-0.018	0.002
	CSR	1.613	1.186	0.485	1.36	0.001

a. Dependent Variable: ROA

The above table shows that the relationship between CSR and profitability of banking sector. Here the correlation coefficient is 1.613 shows a positive value. It means that there will be a strong positive linear correlation between CSR and ROA. So the CSR activity of banking sector will positively affect the profitability of business.

Regression analysis of software sector

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
SOFTWARE	(Constant)	27.988	2.218		12.621	0.004
	CSR	-0.09	0.034	-0.74	-2.692	0.002

a. Dependent Variable: ROA

The above table shows that the relationship between CSR and profitability of software sector. Here the correlation coefficient is -0.09 shows a negative value. It means that there will be a strong negative linear correlation between CSR and ROA. So the CSR activity of software sector will negatively affect the profitability of business.

Regression analysis of consumer non-durable

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
CONSUMER NON DURABLE	(Constant)	13.5	19.158		0.705	0.004
	CSR	0.125	0.795	0.064	0.157	0.004

a. Dependent Variable: ROA

The above table shows that the relationship between CSR and profitability of consumer non-durable sector. Here the correlation coefficient is 0.125 shows a positive value. It means that there will be a strong positive linear correlation between CSR and ROA. So the CSR activity of consumer non – durable sector will positively affect the profitability of business.

Regression analysis of auto mobile industry

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
AUTO	(Constant)	55.029	19.978		2.755	0.003
	CSR	-0.934	0.936	-0.377	-0.998	0.001

a. Dependent Variable: ROA

The above table shows that the relationship between CSR and profitability of auto mobile sector. Here the correlation coefficient is -0.934 shows a negative value. It means that there will be a strong negative linear correlation between CSR and ROA. So the CSR activity of auto mobile sector will negatively affect the profitability of business.

Regression analysis of petroleum sector

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
PETROLEUM	(Constant)	8.456	6.129		1.38	0.001
	CSR	-0.039	0.069	-0.226	-0.568	0.002

a. Dependent Variable: ROA

The above table shows that the relationship between CSR and profitability of petroleum sector. Here the correlation coefficient is -0.039 shows a negative value. It means that there will be a strong negative linear correlation between CSR and ROA. So the CSR activity of petroleum sector will negatively affect the profitability of business.

The beta value of two sectors namely, bank and consumer non-durable are shows a positive result. That means these two sectors will provide a positive or direct relationship between financial performance and corporate social responsibility.

The other three industries, software, auto and petroleum will show a negative beta coefficient value. It means that there will be an inverse relationship between financial performance and corporate social responsibility. When CSR increases ROA will fall down and when CSR decreases ROA tend to rise vice versa.

Findings of the study

- The table 2 indicates the statistical significance of the regression model that was run. Here p value less than 0.05 indicates that in overall, the regression model is statistically significant and predicts the outcome variable. That is it is good fit for the data.
- The entire result of the regression analysis shows that a positive as well as negative relationship between corporate social responsibility and companies financial performance.
- The Beta values related to the significance levels of the CSR and ROA relationship are positive in case of AXIS bank, HDFC bank, TATA, ITC, HUL and Bajaj. This suggests that a rise in CSR rating leads to an increase in ROA.
- The Beta values related to the significance levels of the CSR and ROA relationship are negative in case of Infosys, Maruthi, Reliance and Indian oil. This suggests that a rise in CSR rating leads to decrease in ROA.
- The Beta values related to the significance levels of the CSR and ROA relationship are positive in case of bank and consumer non-durable sectors in the sample.
- The Beta values related to the significance levels of the CSR and ROA relationship are negative in case of software, auto and petroleum sectors in the sample.
- When observing the regression results for the entire time span in table 2 it can be noted that the model does not produce a P-value lower than 0.05 in all companies. This could indicate that stakeholder’s interest in companies CSR activities increased in more recent years and that companies adhere to the wishes of its stakeholders accordingly. Such finding shows that increasing influence of stakeholder demands on firms CSR activities. It can also be inferred

that the relationship between CSR and financial performance is positive. This would indicate that most of the sampled companies should invest in CSR activities because it brings financial gains to the company in terms of ROA.

- In Various Industries, the relationship between CSR and ROA produces positive as well as negative relationship. The Beta is positive which means that an increase in CSR performance leads to a small increase in ROA
- CSR activities exert a positive influence on financial performance, not all CSR activities exert statistically significant effects on financial performance. Accordingly, firms should concentrate on those CSR activities that display significant results, ensuring that they only engage in efficient, effective activities.
- It is generally held that CSR could increases company profit and thus most companies are actively engaged in it.
- The relationship between CSR and organizational profitability is strongly positive with a higher corporate social performance and financial performance in the industry of consumer non- durable products.

Suggestions

- For the successful business performance, corporations need to contribute to CSR activities. Business people should shun the practices of donating to charitable cause without any backup and concrete plan.
- CSR disclosure needs to be made publically to match with the international standards. Such reporting will prove the sincerity of their efforts to their stakeholders.
- Ensure greater understanding with the government to invest primarily for the nation building.
- Organizations should be encouraged to invest above the specified limit of 2 percent.

Conclusion

Corporate social responsibility is when a company operates in an ethical and sustainable way and deals with its environmental and social impacts. This may enhance the company’s stock price, making. The point of this exploration is to inspect the relationship amongst CSR and company financial performance. The study used regression analysis to set up the relationship between CSR and ROA among sampled companies. The noteworthy finding of the study is that corporate social responsibility does impact financial performance. The consequences of this investigation shows that firm should display more prominent worry to enhance profitability and reputation by means of expanding their CSR expenditure. This outcome likewise is in line with earlier studies that discovered huge and positive relationship among CSR and company financial performance. The better social execution of organization would guarantee more noteworthy financial outcomes. The Corporate world continually is in search activities which will enhance their goodwill, CSR is one among them. Where the company can build a reputation via corporate social responsibility, in the past, CSR which was receiving a trivial response from corporate world has become a crucial concern in recent times as a result of the global attention that the subject of has attracted. Likewise, CSR should be the part of strategic planning in order to create value for their products and ultimately benefiting shareholders. Effective CSR strategies can attract stakeholders, such as socially conscious consumers and investors, to increase their willingness to buy and invest, respectively.