



A STUDY ON THE IMPACT OF CSR ON FINANCIAL PERFORMANCE OF COMPANIES IN INDIA

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Abstract: This Study investigates the impact CSR has on the financial performance of companies using annual data ranging from 2014 to 2017 in India. Correlation analysis and Regression analysis have been used in this study to find the relationship and the impact on the variables. The results reveal that CSR has a positive significant influence on Net profits of the company.

Index Terms – CSR, Financial Performance, Company

I. INTRODUCTION

Corporate Social Responsibility as “a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.” CSR is becoming increasingly important in the current scenario. Companies are realizing how important it is to meet the needs of the stakeholders. CSR not only enhances the long term relationship with its stakeholders but ensures smooth running of its operations. Even the new Companies’ Act of 2013 makes it mandatory for those companies that meet the criteria to perform CSR activities. Section 135, schedule act VII of the Companies’ Act, 2013 states that those companies that have a net worth of 500 crore or more; or turnover of 1000 crore or more; or net profit of 5 crore or more, have to spend 2% of their average profit of last three years to CSR. There are many studies that attempt to determine the relationship between CSR and the company’s financial performance. This study has also been undertaken to study the impact CSR has on Financial Performance of a company.

II. LITERATURE REVIEW

Corporate social responsibility is growing at a rapid pace and is gaining popularity. The demand for reports on the actions of the firm towards society, economy and environment is increasing (Malik & Nadeem, 2014). The impact of corporate social responsibility on the firm’s financial performance is extremely relevant now (MADUGBA & OKAFOR, 2016). Various studies have been conducted to find the relationship between CSR and Financial performance of the companies. The variables considered for Financial Performance include Net Profits (Kamatra & Kartikaningdyah, 2015). CSR has been considered as an independent variable and the financial variables such as Net profit (NP) has been considered as independent variables (Bhunia & Das, 2015) (Kanwal, Khanam, Nasreen, & Hameed, 2013). The time period for the studies range from a few years to over 20 years (MURTAZA, AKHTAR, IJAZ, & SADIQA, 2014). The studies are widespread in various sectors like Banking to mineral sectors (Pan, Sha, Zhang, & Ke, 2014) (MADUGBA & OKAFOR, 2016) The data being used is secondary data that have been obtained from the respective published annual reports. The methodology adopted for the analysis of the data is correlation and simple regression in many of the cases (Garai, 2017). Some studies have shown a significant influence of CSR on Financial performance (Choongo, 2017) whereas a few studies resulted in CSR not significantly influencing the firm’s financial performance (Mehtar & Rahat, 2007).

This paper focuses on the impact Corporate Social Responsibility has on the financial performance of companies in India taking CSR as the independent variable and Net Profits as the dependent variable. The data used for the study is secondary data and ranges from 2014-2017.

III. OBJECTIVES

1. To know the relationship between corporate social responsibility and financial performance of companies.
2. To know the impact CSR has on the financial performance of companies.

IV. METHODOLOGY

4.1 Data collection methods

The data used for the study is secondary data. The data has been collected from the sites of the companies taken for the study. Data for the years 2014-15, 2015-16, 2016-17 and 2017-18 has been taken.

4.2 Population of study

The population considered for the study are top 5 IT companies in India. The time period taken for the study is 2014-15, 2015-16, 2016-17 and 2017-18.

4.3 Sample of study

The sampling method used is convenience sampling. The study considers data of 5 IT companies in India.

4.3 Hypothesis

H0: There is no significant relationship between CSR and Net Profits of companies.

V. ANALYSIS

A correlation and regression analysis was done on the data. The following were the findings:

5.1 CSR and NP

Table 1: This table contains the correlation analysis results between CSR and NP

Correlations			
		Profit	CSR exp
Profit	Pearson Correlation	1	.935**
	Sig. (2-tailed)		.000
	N	20	20
CSR exp	Pearson Correlation	.935**	1
	Sig. (2-tailed)	.000	
	N	20	20

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2, 3, 4, 5 and 6: These tables contain the regression analysis results between CSR and NP

Table 2

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CSR exp ^b	.	Enter

a. Dependent Variable: Profit

b. All requested variables entered.

Table 3

Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.935 ^a	.875	.868	2416.318334878363000

a. Predictors: (Constant), CSR exp

b. Dependent Variable: Profit

Table 4

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	734336484.580	1	734336484.580	125.773	.000 ^b
	Residual	105094697.318	18	5838594.295		
	Total	839431181.899	19			

a. Dependent Variable: Profit

b. Predictors: (Constant), CSR exp

Table 5

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	1274.886	939.948		1.356	.192
	CSR exp	50.950	4.543	.935	11.215	.000

a. Dependent Variable: Profit

Table 6

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1588.7351074218 75000	9223.3720368547 77000	9223.3720368547 77000	6216.8552067849 21000	20
Residual	- 4351.1899414062 50000	4295.5644531250 00000	-.0000000000010 00	2351.8715651297 17000	20
Std. Predicted Value	-1.337	1.891	.000	1.000	20
Std. Residual	-1.801	1.778	.000	.973	20

a. Dependent Variable: Profit

VI. CONCLUSION

The study observes the relationship between corporate social responsibility and financial performance of companies. One variable considered for financial performance: Net profits. A correlation and regression analysis are done. CSR had a significant positive influence on the Net profits of the company. Thus, from the results, CSR does have a positive impact on the Net profits of the company which is why the companies tend to spend over the required limit for CSR.

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