



# A Study on the Impact of CSR on Financial Performance of top Companies in India

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## 1. Abstract

This Study investigates the impact CSR has on the financial performance of companies using annual data ranging from 2014 to 2019 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.

## 2. 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 realising 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.

### 3. 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 2014-2019.

#### 4. 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.

#### 5. Methodology

##### 5.1 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, 2017-18 and 2018-19 has been taken.

##### 5.2 Population of study

The population considered for the study are top 5 Motor Vehicle in India. The time period taken for the study is 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19.

##### 5.3 Sample of study

The sampling method used is convenience sampling. The study considers data of 5 Motor Vehicle in India.

##### 5.4 Hypothesis

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

#### 6. Analysis

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

##### 6.1 CSR and NP

This contains the correlation analysis results between CSR and Profit

Pearson's product-moment correlation

data: Profit and CSR

t = 9.2536, df = 23, p-value = 3.236e-09

alternative hypothesis: true correlation is not equal to 0

95 percent confidence interval:

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0.7589754 0.9497796
sample estimates:
      cor
0.887846

```

### This show there is high correlation between CSR and Profit

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Call:corCi(x = x, keys = keys, n.iter = n.iter, p = p, overlap = overlap,
  poly = poly, method = method, plot = plot, minlength = minlength,
  n = n)

```

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Coefficients and bootstrapped confidence intervals
      Proft CSR
Profit 1.00
CSR    0.89  1.00

scale correlations and bootstrapped confidence intervals
      lower.emp lower.norm estimate upper.norm upper.emp p
Proft-CSR    0.81    0.78    0.89    0.96    0.97 0

```

```

Coefficients:
(Intercept)      CSR
      -827.46    55.52

```

### Regression analysis between CSR and Profit

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Residuals:
      Min       1Q   Median       3Q      Max
-2949.7 -259.4   312.4   746.4  2897.6

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Coefficients:
      Estimate Std. Error t value Pr(>|t|)
(Intercept) -827.46    421.09  -1.965  0.0616 .
CSR          55.52     6.00   9.254 3.24e-09 ***
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Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

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Residual standard error: 1262 on 23 degrees of freedom
Multiple R-squared:  0.7883, Adjusted R-squared:  0.7791
F-statistic: 85.63 on 1 and 23 DF,  p-value: 3.236e-09

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### Conclusion

The study observes the relationship between corporate social responsibility and financial performance of companies. F-statistic value is 85.63 and p-value less than 3.236e-09. Hence this indicate modal is significant. The model explain a variance of 78.83%. One variable considered for financial performance: Net profits. A correlation and regression analysis is 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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