



# Corporate Social Responsibility (Csr) Practices And Company's Profitability: A Comparative Study Of Selected Indian Company's Profitability.

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**Abstract:** Corporate Social Responsibility (CSR) is no more an emerging trend. It is well established concept for Sustainable development. Importance of CSR activities are also described by Schedule-VII of the Companies Act, 2013. For such companies, which meeting certain financial criteria, this act mandates to invest at least 2% of average Net profit from immediately preceding three years in CSR activities described in Schedule-VII. This study Includes two different CSR following period. First is Pre-CSR mandatory period and second is Post-CSR mandatory period. The main objective of the study is to make comparison of Company's Profitability, in-between above mentioned two different CSR periods. For making this Comparison of Profitability in different time period, Total Six years of data has been collected from selected Indian companies. I.e. Profit from the year 2011-2012 to 2016-2017. Total six year includes three years of Pre-CSR mandatory period and three years of Post-CSR mandatory period. This study is totally based on secondary source of data. For analysis of data Paired-T test method has been used. Finding of this study mentions the different Profitability trend analysis in different companies.

**Key word:** Corporate Social Responsibility, Profitability, The Companies Act 2013, Pre-CSR Mandatory Period, Post-CSR Mandatory Period

## 1 INTRODUCTION

Corporate social responsibility is the concept which makes corporate organisations thinks beyond financial aspects. Nowadays in a competitive environment making profit is much harder than earlier time. Some years ago it was an era where there was no more competitive market. Few giant organisations were Ruling the whole industry monopolistically. But after business getting easier in globalisation era, Market has become more volatile and less monopolistic.

Now in a new business era companies have very less scope of making profit sustainable. Thus concept of sustainable development becomes helpful for the business organisations. It leads to long-term growth.

As a part of Sustainable development CSR practises could become a game changing element for the companies. Which may directly or indirectly affect company's profit?

(THE COMPANIES ACT 2013) The Companies Act, 2013 also marks importance of CSR in its Schedule VII. This act mandates Different areas where CSR investment should be done. from the year 2014-15, Indian government made CSR investment compulsory for companies covered under such regulations mentioned below:-

- Co. Having Net worth  $\geq$  500 cr.
- Co. Having Turnover  $\geq$  1000 cr.
- Co. Having Net profit  $\geq$  5 cr.

If any of the company meets above mentioned criteria then, it has to invest minimum 2% of their average Net profits of immediately preceding three financial years into CSR activities Mentioned in schedule-VII of the Companies Act, 2013. This study is about checking effectiveness of CSR practises followed by the selected Indian companies.

## 2 REVIEW OF LITERATURE

(JYOTI DADHICH, JULY-SEP 2018) Joint research work carried out by researchers. Manufacturing and service sector companies have been examined in this study. Comparison of CSR activities and CSR spending have been done five companies from manufacturing sector and five companies from service sector were selected. They tried to check whether selected companies comply with CSR regulations or not. In findings they stated that manufacturing unit plays better role in CSR investments Compared to service sector. Most of the companies fulfil the basic CSR Investment criteria after CSR made compulsory.

(ASHISH TRIPATHI, 2015) A study was carried out by researchers regarding CSR and its impact on sales and profitability. This study was based on selected Indian companies. They tried to find issues and challenges in practising CSR. Role of CSR and Evolution of CSR have been describe in this study. Both primary as well as secondary data were used in research. Interview methods, question answer method, and survey method have been used. This survey was conducted on Delhi (NCR). Study shows clear correlation between CSR and sales. Nestle, ITC, TCS, ONGC, NTPC were taken as sample for the study.

(NITHIN REDDY, 2018) This Research work was based on well reputed companies like ITC and Nestle. Financial performance was evaluated Based on profit after tax and CSR expenditure. Researcher tried to correlate the relation between both elements. Both companies belong to same industry but results are different. ITC ltd. Clearly shows Significant relation Where Nestlé's outcome is not same as ITC. Study concluded that more FMCG companies should be evaluated at long run to assess better results.

## 3 IDENTIFICATION OF RESEARCH PROBLEM

In this study researcher has observed two different era of CSR. 1st is before mandatory period of CSR implementation. 2nd is after mandatory period CSR implementation. In this two different time period there may be difference in profitability of the CSR following companies.

## 4 OBJECTIVE OF THE STUDY

Main objective of the study is to compare the profitability in between Pre-CSR mandatory period And Post-CSR mandatory period, of TATA STEEL LTD. & JSW STEEL LTD. Individually.

## 5 SAMPLE SELECTION

Convenience sampling method has been used for the study. From leading CSR following Indian companies, study focuses on Steel industry and selected two companies on basis of Non-probability method.

- TATA STEEL LTD.
- JSW STEEL LTD.

## 6 TIME PERIOD OF THE STUDY

This study contains SIX years of study period. I.e. from 2011-2012 to 2016-2017. First three years 2011-2012 to 2013-2014 (Considered as Pre-CSR mandatory period) and afterwards three years 2014-2015 to 2016-2017 (Considered as Post-CSR mandatory period.)

## 7 HYPOTHESIS OF THE STUDY

- H0 - There is no significant difference between profitability of Pre-CSR mandatory period And Post-CSR mandatory period of TATA STEEL LTD.
- H0 - There is no significant difference between profitability of Pre-CSR mandatory period And Post-CSR mandatory period of JSW STEEL LTD.
- H1 - There is significant difference between profitability of Pre-CSR mandatory period And Post-CSR mandatory period of TATA STEEL LTD.
- H1 - There is significant difference between profitability of Pre-CSR mandatory period And Post-CSR mandatory period of JSW STEEL LTD.

## 8 STATISTICAL TOOL FOR THE STUDY

For comparison of profits Between Pre-CSR and Post-CSR mandatory period, Paired T-test method has been used as statistical tool. (Level of significance is 5%)

## 9 COLLECTION OF DATA

Total Six Years Net profit (Profit after tax) of TATA STEEL LTD. & JSW STEEL LTD. Has been collected from,

- Annual reports of the selected Indian Co. (REPORT)
- Finance statements of the selected Indian Co. (REPORT J. S.)

YEAR	NET PROFIT TATA STEEL LTD. (RUPEES IN CRORE)	NET PROFIT JSW STEEL LTD. (RUPEES IN CRORE)
2011-2012	6696.42	1625.86
2012-2013	5062.97	1801.22
2013-2014	6412.19	1334.51
2014-2015	6439.12	2166.48
2015-2016	4900.95	(3529.67)
2016-2017	3444.55	3576.54

(Source: Annual Reports of the Co.)

## 10 ANALYSIS OF DATA (PAIRED T-TEST)

### 10.1.1 PAIRED T-TEST (TATA STEEL LTD.)

Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 PRE-CSR MANDATORY PERIOD	6.0572E3	3	872.67216	503.83751
POST-CSR MANDATORY PERIOD	4.9282E3	3	1497.47106	864.56532

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PRE-CSR MANDATORY PERIOD & POST-CSR MANDATORY PERIOD	3	.178	.886

Paired Samples Test

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	PRE-CSR MANDATORY PERIOD - POST-CSR MANDATORY PERIOD	1.12899E3	1593.03300	919.73803	-2828.32668	5086.30001	1.228	2	.345

**10.1.2 INTERPRETATION OF T-TEST (TATA STEEL LTD.)**

One of among Leading CSR investor and leading stakeholder in steel industry. After observation of six years profit Through Paired

Sample T-test this study shows that P value i.e. (0.886) is more than significance value i.e. (0.05) (0.886 ≥ 0.05) thus Null hypothesis (H0) is accepted. But it shows positive correlation (+0.178) between profitability of Pre-CSR mandatory period And Post-CSR mandatory period. It simply means by taking more number of years data for study may give positive results. By comparing more years of profits can minimize the difference between P-Value and level of significance.

**10.2.1 PAIRED T-TEST JSW STEEL LTD.**

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRE-CSR MANDATORY PERIOD	1.5872E3	3	235.74498	136.10743
	POST-CSR MANDATORY PERIOD	7.3778E2	3	3762.37103	2172.20593

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PRE-CSR MANDATORY PERIOD & POST-CSR MANDATORY PERIOD	3	-.888	.304

## Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-CSR MANDATORY PERIOD - POST-CSR MANDATORY PERIOD	8.49413E2	3973.21329	2293.93576	-9020.59563	10719.42230	.370	2	.747

**10.2.2 INTERPRETATION OF T-TEST (JSW STEEL LTD.)**

Shows different Results after Paired Sample T-test. Six years of net profit is also taken for consideration for the company. The study Shows P-Value i.e. (0.304) is more than level of significance value I.e. (0.05) ( $0.304 \geq 0.05$ ) thus Null hypothesis ( $H_0$ ) is also accepted for JSW STEEL LTD. But it shows Negative correlation (-0.888) between profitability of Pre-CSR mandatory Period and Post- CSR mandatory Period. It may happen because JSW STEEL LTD. Has Net loss in the year of 2015-2016. This loss was because of unavoidable reason of demerger of the company.

**11 FINDINGS**

- TATA STEEL LTD. Has a positive correlation between profitability of Pre-CSR mandatory period And Post-CSR mandatory period.
- JSW STEEL LTD. Has a Negative correlation between profitability of Pre-CSR mandatory period And Post-CSR mandatory period. It's May Because Of Net loss in the year of 2015-16.
- Both TATA STEEL LTD. and JSW STEEL LTD. Spends Actively in CSR activities mentioned in SCHEDULE VII. And both the company are aware of effectiveness of CSR. As both the company Disclose and mention separately about their CSR prospective and CSR initiatives in respective Annual financial statements.
- At long run CSR investment could be beneficial for the company. As it drafts positive image of the company. And could give both financial as well as non-financial benefits.

**12 CONCLUSION**

Corporate Social Responsibility is a tool for the companies to achieve it's financial as well as non-financial goals. Following CSR practices in a regular course of business and voluntarily spending in CSR activities, May attract positive results. Study clearly shows that there is Positive Correlation between Profitability and CSR investments. By taking more companies as a sample as well as more years of data and by observing multiple industry samples it could generate Positive results. Here Null hypothesis ( $H_0$ ) is accepted for both of the company but TATA STEEL LTD. Shows Positive Correlation between Pre and Post CSR Profits that shows Results can be positive at Long run.

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