

**MAJOR RESEARCH PROJECT**

ON

**RELATIONSHIP BETWEEN CORPORATE SOCIAL  
RESPONSIBILITY & FINANCIAL PERFORMANCE: A STUDY  
OF BSE 30 COMPANIES**

Perspective  
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MBA (Batch 2018-20)

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## **CERTIFICATE FROM THE INSTITUTE**

This is to certify that project report entitled “RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE: STUDY OF BSE30 COMPANIES”, work carried out by **Mr. Vashu Malik** who is a student of MBA2018-20 batch at Delhi School of Management, DTU, Delhi. The project is submitted to Delhi School of Management, Delhi Technological University in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

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## **CANDIDATE’S DECLARATION**

Delhi Technological University, Bawana Road, Delhi – 110042, hereby declare that the major research project report on **“RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE: STUDY OF BSE30 COMPANIES”** submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me under the guidance of Professor G C Maheshwari. The information and data given in the report is authentic to the best of my knowledge. This report is not being submitted to any other University for award of any degree, diploma and fellowship.

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## EXECUTIVE SUMMARY

The distinction of corporate social duty (CSR) activities and their quickly expanding bit of spotlight in the open today together recommend that the comprehension of such exercises and arrangements has moved from being considered as a pointless expansion to now being recognized as a crucial business work. In the main period of the investigation, by utilizing information on corporate social execution from the organization's budget summaries and yearly reports(ARs), the examination investigates and inspects whether there exists a critical connection between the budgetary exhibition of corporates and their particular corporate social exhibitions. Particular from past research led, in the following area, the paper also tests if the mean money related proportions contrast between organizations who have a CSR council on their leading board of directors(BOD) and the individuals who don't. The dataset of this investigation incorporates BSE-Sensex 30 organizations and spreads money related years 2014-15 to 2018-19. The connections are tried utilizing TTest, Anova and Regressions, Outcomes and investigation of this information is given in the last piece of this report. The outcomes nonetheless, are as a distinct difference to earlier investigates; demonstrating that social execution of corporates and the budgetary presentation of corporates have no noteworthy relationship, along these lines, refuting the understanding that the CSR programs directed impactsly affect benefits. Various procedural entanglements that exists in the given field of study is because of the un-accessibility of a CSR record in India to this date and consequently this examination looks to utilize the CSR arrangements presented in the organizations demonstration 2013 as intermediary factors for CSR execution of the organizations.

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## INTRODUCTION

As per the guidelines of Ministry of corporate affairs(MCA) issued in 2011 India desires all businesses and enterprises to hold a “triple bottom-line” approach where its financial performances can be matched with the hopes and expectations of society and its people, the environment and the various stakeholders it interacts with in a sustainable manner” CSR has grabbed interest of both academicians and businessmen alike; the former to examine what motivates the latter to participate in these activities and the latter to procure benefits out of it.

### **CORPORATE SOCIAL RESPONSIBILITY**

The World Bank in 2013 described CSR as a way by which a business takes account of its economic, social and environmental effects in the way it works, increasing the welfares and reducing the hitches. Corporate social responsibility of enterprises are the voluntary actions that they may choose to take up, in addition to the complaisance with the least legal requirements (2 percent of the average of profits after tax for the past 3 years), to tackle both its own competitive varying interests and the interests of bigger society and the various stakeholders Corporate social responsibility (CSR) have been theorized within the wider terms assortment of corporate citizenship: with one paramount being the increase of shareholder profits (as advocated by Friedman, 1970) and the other paramount of an all-inclusive objective of having a balanced economic, environmental and social objectives to serve contributors interests as elucidated by UNIDO and the World Business Council for Sustainable Development. The idea that reinforces all these elucidations is that it is fundamentally a non-mandatory work that aids as a business’s way of giving back to the society and operates as a linkage between the corporate and the society. Another related idea is that of attaining a balance between economic objectives with environmental and social objectives so that there could be one of the forces behind compelling corporations to forgo profits for the advancement of the society.

When it comes to the case of India, the above discussed definition has now been reformed a little with the amendments to the companies act (2013). Although, Government’s commitment towards ensuring CSR activities by the companies goes way back in time. Voluntary Guidelines of 2009 indicated and dictated the core most important element of a CSR policy which included ensures that the maximum caring for all the stakeholders, moral functioning, civility for worker’s rights and welfare, respect for basic rights of human, respect for the surroundings and other undertakings to promote societal and overall development as far as possible. The above mentioned Guiding principles additionally distinguished between activities

undertaken as a part of Corporate social responsibility and those undertaken for philanthropy by highlighting the non mandatory nature of the CSR activity that goes way out of the purview of any legal obligation. These Guidelines were followed in later (2011) by the National Voluntary Guidelines of Social, Environmental & Economic Responsibilities of Business (NVSERB), also authored and issued by the Ministry of corporate affairs in year 2011. Just like the before guidelines, the 2011 Guidelines were voluntary in scope where the businesses were advised and encouraged to embrace all the 9 principles which were stated in them, and to report their observance to these guidelines based on an 'apply-or-explain' principle. Fascinatingly, in the Guidelines issued in 2009 by MCA one of the approaches suggested was to allocate "specific amount related to profits after tax, cost of planned CSR activities, or any other suitable parameter," while there was absence of such approach in the Guidelines issued in 2011. Contemporarily, there has been a gradual shift from a CSR regime that was voluntary to a controlled one. The utmost determined attempt of directing CSR works of companies came upto the enactment of Section 135 of the Companies Act 2013 (Ministry of Corporate Affairs, 2013). The requirements in Section 135 entails companies having net worth of rupees five hundred crores or more, or turnover of rupees one thousand crores or more or a net profit of rupees 5cr or more-

(i) To have a CSR board of minimum 3 directors (having one director as independent is mandatory), and

(ii) In the observance of the CSR board, spending of each financial year, minimum two percent of the average net profits of the enterprise got in the three preceding calender years, in success of companys CSR Policy.

While the good amount of CSR spendings with reporting havee been made compulsory under Section number 135 in the company act, with some inherent flexibility in the law in terms of a company's choice of the activity that company wish to do under CSR.

### **SIGNIFICANCE OF CSR ACTIVITIES**

In 1970, Milton Friedman seeded a quite controversial debate on the subject matter of CSR by advocating that the solitary duty of any corporate is to generate profits and that's where its domain ends. On analyzing his argument, we decode that he thought that corporates must not implement corporate social (CSR) courses because they lie outside the profitable purview of a corporate and can be assumed to be needless outflows. Digging extensively into the argument, though, it has been recognized that Friedman maintained idea of CSR programs, but if and only if it had a optimistic impact on the business' profitability in the long-run. The study aids to remove several socialistic and capitalistic biases from the range of the debate on



relevance of social responsibility of showing the objectives, financial impacts of CSR activities.

### **SHIFTING RANGE OF PUBLIC OPINION**

In the contemporary time, corporate social responsibility is recognized to have found a wide base of support. Media, government, investors and supply-chain are all affected directly by how truly a business takes up the cause of its CSR obligation. It can favorably impact the company's repute thereby, inviting less inspection from the concerned authorities.

While this academic and qualitative relationship is discussed time and again, through the course of this paper, the quantitative long-term relationship in a firm's financial performance and companys involvement towards CSR is tried.

## REVIEW OF LITERATURE

There have been endless considerations, studies and research work in this field and inspectors have worried to develop an association between cash related execution of the corporate (CFP) and CSR on different occasions over a wide scope of time. Stressed over the nearness of a linkage between social commitment of the business and its money related results, present composing positions changing, and once in a while repudiating, evaluations. These are different on various occasions and such emotions are explained ahead Friedman (1970) who was as of late discussed was a business examiner and Nobel Prize laureate—he pushed that the Corporate social commitment and its cash related execution is having a presumable non positive relation. In 1970 his paper dispersed in the New York Times, "The Social Responsibility of Business is to Increase its Profits," he took a business visionary spot and ruins the general conviction that the corporates have commitments towards society. Friedman fought that an "undertaking is a phony individual" and thusly it can't have real obligations. As another alternative, the business' chiefs are the people who hold the obligations. There is a "direct [social] obligation to [their] administrators," and must endeavor the work practices in a manner that extends benefits at any rate regarding the law and good norms. Business officials grasp reliable exercises of society with company assets dismisses the endeavor USA depends on.

Palmer & Harmony J., in "Corporate Social Responsibility and Financial Performance: Does it Pay to Be Good?" CMC Senior Theses, Paper (2012), maintained that businesses can escalate sales by growing their CSR investment they assumed that increase in investments on csr activities would lead to higher CSP—as long as the awareness of such programs changes from simply socially responsible, philanthropic actions to programs which are promoting corporate shared value. By the methods for MSCI Index data on social spendings of corporates (CSP), this examination surveyed the connection among CSP and CFP. Not at all like earlier study, this investigation also tried the effect CSP have on net edge and deals in the desire for giving vision on deals designs which could be implemented so as to integrate the effect of their connection. The dataset of that review included S&P 500 organizations and secured an impressive range of time (2001-2005). The connections were trying to utilize time-adjusted weakens. Results showed that CSP and CFP have a fundamentally +ve relation which runs on collaboration. Results

likewise showed that expanded CSP prompts expanded gross edge, demonstrating that clients are happy to follow through on a greater expense for the results of an organization with CSR activities. At long last, results additionally illuminated the way that expansion in CSP diminishes deals, which shows a decline in client base as less individuals are eager to purchase the items at the swelled expense. The base paper for this examination was the exploration paper distributed by Margarita Tsoutsoura titled "Corporate social duty and Financial execution" (2004). Utilizing wide-going information over a time of five years (1996-2000), the examination found the indication of the relation between corporate societal commitment and its particular monetary allied performance. The dataset of that examination included the majority of the S&P 500 companies. The relationship was tried by utilizing observational techniques (crosssectional time arrangement relapse). In this examination, so as to gauge CSR, they recruited two measures. The underlying measure was the KLD rating information for the organizations in the S& P 500. As a last measure, they utilized the Domini 400 Social Index as an intermediary. This proportion of CSP was a fake variable, with an estimation of 1 if a firm was associated with the DSI 400 of every a given year (for having passed the "social screen") and 0 else. In their investigation, firm money related execution was estimated by bookkeeping factors. The budgetary information utilized was return on resources (ROA), return on value (ROE), and profit for deals (ROS). The outcomes demonstrated that the indication of the relationship is sure and measurably noteworthy, strong of the view that socially capable corporate execution can be connected with a progression of gainful benefits

Moving to the Indian research, a paper that searched was "Corporate Social Responsibility in India – The Efforts of Bridging the Welfare Gap" by Jayati Sarkar and Subrata Sarkar, Indira Gandhi Institute of Development Research (IGIDR), (August 2015). The examination paper investigated the plausible repercussions of ordered CSR under the Company Act, 2013 in India a company appeals, likely reactions of corporates that go under the area of the corrected law, suggestions for asset accessibility and conveyance of social products, and the situations and difficulties of utilizing commanded CSR. Cognizances into these issues were stressed by observationally looking at the intentional Corporate social responsibility conduct of an example of 500 organizations recorded on the Bombay Stock Exchange(BSE) for the period 2003-2011 which goes before the latest guidelines. The research supported that despite the plausible monetary price which might accompany commanded CSR, the arrangements is the latest Act have been

structured circumspectly to adjust the motivations behind the company and its investors from one viewpoint and of the general public and its collaborators at the another. This paper was especially pertinent as it explicitly examined the period that makes ready for the authorization and in this manner, gives important experiences into the willful CSR exercises.

M. Victoria López, Arminda Garcia, Lazaro Rodriguez, in 2007, endeavored to investigate if business execution is impacted due to the selection of applications under the term Corporate Social Responsibility (CSR) in the paper "Manageable Development and Corporate Performance: A Study Based on the Dow Jones Sustainability Index". To achieve this goal, they analyzed the connection among CSR and certain bookkeeping markers and inspected whether there existed critical contrasts in execution pointers between European firms that have received CSR and others that have not. The impacts of acquiescence with the prerequisites of CSR were resolved based on firms remembered for the Dow Jones Sustainability Index (DJSI), and explicit bookkeeping pointers were applied to quantify execution. For the reasons for this investigation, they chose one gathering of firms having a place with the DJSI and other included of firms refered to on the Dow Jones Global Index (DJGI) anyway not on the DJSI. The model was included two social affairs of 55 firms, read for the period 1998–2004. Experimental examination bolstered the end that distinctions in execution exist between firms that have a place with the DJSI and to the DJGI and that these distinctions are identified with CSR rehearses. They found that a momentary non-positive effect upon execution was created. In "Effect of corporate social duty on the association's budgetary exhibition" by Munaza Kanwal , Shahid Hameed(2013), the connection between CSR &FP by taking the information from 15 organizations recorded on Karachi stock trade is investigated, utilizing relationship examination between net benefits, all out resources and the CSR spending of the organization. This was a significant report in Pakistan. The investigation result showed that there is a big positive relationship between the CSR and monetary executions of the company, and its spendings on CSR not just benefits from regular long haul feasible turn of events yet in additionally acknowledge supported financial performance.

The present study is demanded by the fact that though studies on CSR performance and respective Corporate financial performance are proliferate, detailed studies based on Indian markets and those that use the necessities of the amendments in companies act 2013 as a variable are largely unavailable. Thus, a study such as this contributes significantly and adds value to the current literature on the relationship between CSR and performance of companies in India.

# RESEARCH METHODOLOGY

## **Sample size:**

This research paper studies the CSR and financial performance of BSE Sensex 30 companies over a period of 5 years, i.e, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19. After the Companies Act was amended in 2013, new legal requirements related to the obligatory CSR activities were added. According to CA 2013, firms under the scope of compulsory CSR criteria have to spend 2 per cent of the average net profits of the directly last three years on specific CSR activity. Therefore, the best way to measure which companies take CSR up voluntarily is to look at those which spend the highest/lowest percentage over and above their prescribed budget for CSR.

As per the CSR Rules, the requirements of CSR are not only applicable to Indian companies, but they are also applied to branch and project offices of a foreign companies in India and operating in India.

## **Measures of Corporate Social Responsibility:**

Defining corporate social performance is complicated due to there not existing a CSR index in the Indian economy as to this date. Therefore, in this research paper, three proxy variables are used to measure the performance of a company on the CSR front. These are described as follows:

### **Proxy variable 1: Percentage of profits (of PAT) spent on CSR activities:**

Since according to the most recent Companies Act revisions (2013), organizations falling inside the ambit of the necessary CSR arrangement need to burn through 2% of the PAT of the most recent three years on CSR exercises, this measure will show precisely what sum the organizations have gone through in the two years. This is determined from the yearly reports of the Sensex 30 organizations using the formula: Amount spent on CSR/Average PAT of recent years.

**Proxy Variable 2: More than prescribed CSR? :** According to the Indian Companies Act 2013, organizations falling under the obligation of CSR models must burn through 2 percent of the normal net benefits of the quickly going before three money related a long time on determined CSR exercises.

Therefore, the best way to measure which companies take CSR up voluntarily is to look at those which spend a higher percentage over than the minimum prescribed budget for CSR. This shall indicate superior/indicate performance.

This variable is defined as follows:

- 2 O those spending more than the prescribed amount will be given a score
- 1 O those who spend the required amount ie, just 2% merit a score of
- 0 O the rest, of less than 2% merit a zero

**Proxy Variable 3: CSR COMMITTEE:** CSR Committee and Policy: according to Companies act 2013, the passing company are required to comprise a group of advisors (CSR Committee) of the Board of Directors (Board) comprising of at least 3 executives, one of whom must be a free chief. The CSR Committee will be defining and prescribing to the Board, an way which will tells the works to be done (CSR Policy); prescribe the measure of use to be brought about on the exercises alluded and screen the CSR Policy of the company. The CSR board will consider the suggestions of the CSR Committee and promotes the CSR Policies of the company. This variable is characterized as follows:

- 1 O fulfils the requirement of CSR committee
- 0 O does not fulfil the CSR committee requirements.

**Measures of Financial Performance:** In spite of the facts that assessing financial execution has been seen as an easier undertaking, it additionally has it explicit disruptions. Here, as well, there is little accord about which estimation instrument to apply. Different experts use grandstand measures, others put forward accounting measures and some grasp both of these. The two measures, which address substitute perspectives of how to evaluate an organization's cash related execution, have various speculative implications and each is reliant upon explicit inclinations.

Return on equity/return on net worth (RONW), Tobin's Q and return on capital employed (ROCE) are the frequently used FP measures. Therefore, in this paper, we shall use RONW, ROE and Tobin's Q as proxies for measuring financial performance.

These are explained below:

**Return on Equity:**

ROE s the rate articulation of a company's total compensation as t s returned as an ncentive to nvestors. This recipe permits financial specialists and nvestigators an elective proportion of the organization's benefit and ascertains the productivity with which an organization creates benefit utilizing the assets that nvestors have contributed.

ROE s resolved utilizing the accompanying condition:

**Return on value = Net pay/Shareholders value**

## Return on Capital Employed

ROE assessments frequently joined with evaluation of the ROCE proportion. ROCE is determined with the accompanying equation:

### **ROCE = Earnings before premium and duties (EBIT)/Capital Employed**

ROE considers benefits produced on investors' value, yet ROCE is the essential proportion of how proficiently an organization uses all accessible cash-flow to create extra benefits.

### **Tobin's Q:**

The Q Ratio is determined as the market estimation of an organization isolated by the substitution estimation of the association's benefits:

$$Q \text{ Ratio} = \frac{\text{Total Market Value of Firm}}{\text{Total Asset Value}}$$

*Control variable:* Based on literature review, it was found that size of companies is known to impact the financial performance. Therefore, to account for this effect, 'Total assets' are taken as a control variable in the regression.

*Hypothesis:* There are 5 different null hypothesis and their corresponding alternate hypothesis that have been tested.

1. Null hypothesis: Better CSR performance does not lead to better ROE  
Alternate Hypothesis: Better CSR performance leads to better ROE
2. Null hypothesis: Better CSR performance does not lead to better ROCE  
Alternate Hypothesis: Better CSR performance leads to better ROCE
3. Null hypothesis: Better CSR performance does not lead to better Tobin's Q ratio  
Alternate Hypothesis: Better CSR performance leads to better Tobin's Q ratio
4. Null hypothesis : There is no significant difference in mean financial ratios of companies with CSR committees and others  
Alternate Hypothesis: There is significant difference in mean financial ratios of companies with CSR committees and others
5. Null hypothesis: There is no significant difference in mean ratios of companies who have spent more than prescribed amount on CSR and others  
Alternate Hypothesis: There is significant difference in mean ratios of companies who have spent more than prescribed amount on CSR and others

Tests used:

The first three hypotheses are tested using 'Panel Regression' (random effects).

The respective equations are as follows:

$$ROE (Y1) = \alpha + \beta11 * \text{Amount of profits spent on CSR (X1)} + \beta12 * \text{CSR}$$

$$\text{Committee (X2)} + \varepsilon$$

$$ROCE (Y2) = \alpha + \beta21 * \text{Amount of profits spent on CSR (X1)} + \beta22 * \text{CSR}$$

$$\text{Committee (X2)} + \varepsilon$$

$$\text{Tobin's Q (Y3)} = \alpha + \beta31 * \text{Amount of profits spent on CSR (X1)} + \beta32 * \text{CSR}$$

$$\text{Committee (X2)} + \varepsilon$$

The fourth hypothesis is tested using 'T-test' for difference of means (assuming unequal variances).



## **DATA COLLECTED**

### **DATA ON SOCIAL RESPONSIBILITY**

The data relating to percentage of profits after tax (PAT) spent on CSR, an existence of CSR committee is collected from the annual reports of the companies from moneycontrol. The names of companies are given ahead in Annexure 1.

### **DATA ON FINANCIAL PERFORMANCE**

The data pertaining to the financial ratios of the companies (ROCE, RONW and Tobin's Q) is collected from Capital-line database .

### **DATA FOR CONTROL VARIABLES**

The data for the control variables such as total assets is collected through capital Line.

# DATA ANALYSIS

## DESCRIPTIVE STATISTICS

The descriptive statistics for each variable is tabulated below

Variable	Mean	Std Dev	Minimum	Maximum	N
Total_Assets	227556.28	454277.11	5896.21	2969523.62	150
RONW	16.9461333	15.6051121	-7.4500000	93.7000000	150
ROCE	22.7224000	19.1804273	-20.6500000	133.6800000	150
TOBINS	4.7082473	6.1363951	0.0718520	38.9279854	150
PAT	1.3034667	0.6680323	0.2700000	3.6200000	150
Committee	0.8000000	0.4013400	0	1.0000000	150
More_Or_Less	0.4200000	0.7795197	0	2.0000000	150

Table1 : Descriptive statistics

## Correlation Matrix

	Total_Assets	RONW	ROCE	TOBINS	PAT	Committee	More_Or_Less
Total_Assets	1						
RONW	0.21907	1					
ROCE	0.22544	0.94119	1				
TOBINS	0.29812	0.86742	0.8624	1			
PAT	0.11943	-0.02645	-0.04912	0.06943	1		
Committee	0.13493	0.07099	0.02509	0.06429	0.31226	1	
More_Or_Less	0.02077	0.05835	0.06158	0.17658	0.74289	0.2703	1

Table 2: Correlation Matrix for variables

## HAUSMANN TEST RESULTS

The accompanying images show the results of Hausman tests for regression on ROCE, RONW and Tobin's Q:

```

----- Coefficients -----
      |      (b)      (B)      (b-B)      sqrt(diag(V_b-V_B))
      |      fixed    random  Difference  S.E.
-----+-----
PftPercent~e | -.1750331    .2179259    -.392959    .6907892
  CSRcomm    | -5.838969   -5.210755     .1717863    1.530546
  Totalassets | -.0001364   -.0000875    -.0000489    .0000891
-----+-----
      b = consistent under Ho and Ha; obtained from xtreg
      B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

      chi2(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
              =      0.37
      Prob>chi2 =      0.8292
  
```

Table 3: Regression on Roce, Hausman test results

```

----- Coefficients -----
      |      (b)      (B)      (b-B)      sqrt(diag(V_b-V_B))
      |      fixed    random  Difference  S.E.
-----+-----
PftPercent~e | -.0824761    .0726954    -.0897808    .6153079
  CSRcomm    | -8.867389   -9.386358     .5189692    1.361815
  Totalassets | -.0001298   -.0000649    -.0000649    .0000784
-----+-----
      b = consistent under Ho and Ha; obtained from xtreg
      B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

      chi2(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
              =      0.15
      Prob>chi2 =      0.9262
  
```

Table4:Regression on RONW, Hausman test results

```

----- Coefficients -----
|          (b)          (B)          (b-B)          sqrt(diag(V_b-V_B))
|         fixed        random      Difference          S.E.
-----+-----
PftPercentage | -.1400945   -.1609384   .0208439   .2326976
CSRcomm       | -1.134335   -.5420029   -.5923322   .5092354
Totalassets   | -3.61e-06   -.000023    .0000194   .0000277
-----+-----
          b = consistent under Ho and Ha; obtained from xtreg
          B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

      chi2(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
              = 1.46
      Prob>chi2 = 0.4824

```

Table 5: Regression on Tobins'Q Hausman test results

All three panel regression show random effects as advocated by the results above Regression Results.

```

xtreg Roce PftPercentage CSRcomm Totalassets, re robust

Random-effects GLS regression              Number of obs   =   150
Group variable: Name1                     Number of groups =   30

R-sq:  within = 0.0267                    Obs per group:  min =   5
      between = 0.1457                      avg   =   5.0
      overall  = 0.0811                      max   =   5

corr(u_i, X)  = 0 (assumed)                Wald chi2(3)    =   16.42
                                                Prob > chi2     =   0.0009

                                         (Std. Err. adjusted for 30 clusters in Name1)
-----+-----
      Roce |          Coef.      Robust Std. Err.      z    P>|z|    [95% Conf. Interval]
-----+-----
PftPercentage | .2179259   .1196851    1.82   0.069   -.0166526   .4525044
CSRcomm       | -5.210755   7.48322   -0.70   0.486   -19.8776   9.456087
Totalassets   | -.0000875   .0000274   -3.19   0.001   -.0001412   -.0000338
_cons        | 36.29204    8.31705    4.36   0.000   19.99092   52.59316
-----+-----
sigma_u      | 13.236801
sigma_e      | 19.218266
rho          | .32175449   (fraction of variance due to u_i)

```

Table 6 :Regression results for ROCE



## T-TEST RESULTS

The t-test that was run on ROCE, RONW, and TOBIN'S Q by distinguishing the companies into those who have CSR committee (1) and those who don't, showed the following results:

**Group Statistics**

	committee	N	Mean	Std. Deviation	Std. Error Mean
ronw	1.00	25	18.7580	14.13881	2.82776
	.00	5	14.2860	6.76190	3.02401
roce	1.00	25	24.9280	15.04091	3.00818
	.00	5	23.7900	8.05178	3.60087
tobin	1.00	25	4.0434	4.63759	.92752
	.00	5	4.5531	2.93182	1.31115

## Independent Sample Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
ronw	Equal variances assumed	1.425	.243	.684	28	.499	4.47200	6.53385	-8.91198	17.85598
	Equal variances not assumed			1.080	12.465	.301	4.47200	4.14016	-4.51143	13.45543
roce	Equal variances assumed	1.191	.284	.163	28	.872	1.13800	6.98293	-13.16588	15.44188
	Equal variances not assumed			.243	10.666	.813	1.13800	4.69206	-9.22878	11.50478
tobin	Equal variances assumed	1.155	.292	-.235	28	.816	-.50975	2.17234	-4.95959	3.94008
	Equal variances not assumed			-.317	8.644	.758	-.50975	1.60605	-4.16581	3.14630

Table 9: T Tests for 2015

**Group Statistics**

	committee	N	Mean	Std. Deviation	Std. Error Mean
ronw	1.00	25	18.9944	19.08735	3.81747
	.00	5	13.9920	7.11899	3.18371
roce	1.00	25	24.6392	25.73297	5.14659
	.00	5	22.5640	8.13135	3.63645
tobin	1.00	25	4.6829	5.92898	1.18580
	.00	5	3.2119	2.93382	1.31205

## Independent Sample Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
ronw	Equal variances assumed	1.139	.295	.571	28	.572	5.00240	8.75699	-12.93548	22.94028
	Equal variances not assumed			-1.006	17.680	.328	5.00240	4.97082	-5.45449	15.45929
roce	Equal variances assumed	.557	.462	-.176	28	.861	2.07520	11.76809	-22.03065	26.18105
	Equal variances not assumed			.329	21.617	.745	2.07520	6.30168	-11.00711	15.15751
tobin	Equal variances assumed	1.171	.288	.536	28	.596	1.47098	2.74345	-4.14873	7.09069
	Equal variances not assumed			.832	11.882	.422	1.47098	1.76849	-2.38649	5.32845

Table 10: T Tests for 2016

## Group Statistics

	committee	N	Mean	Std. Deviation	Std. Error Mean
ronw	1.00	25	19.2880	16.88756	3.37751
	.00	5	7.4540	2.77577	1.24136
roce	1.00	25	24.7740	20.40223	4.08045
	.00	5	15.8400	4.82302	2.15692
tobin	1.00	25	5.3837	6.24817	1.24963
	.00	5	1.5472	1.17511	.52553

## Independent Sample Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
ronw	Equal variances assumed	2.888	.100	1.542	28	.134	11.83400	7.67670	-3.89102	27.55902
	Equal variances not assumed			3.289	27.871	.003	11.83400	3.59841	4.46144	19.20656
roce	Equal variances assumed	1.163	.290	.961	28	.345	8.93400	9.29658	-10.10918	27.97718
	Equal variances not assumed			1.936	26.753	.064	8.93400	4.61545	-.54020	18.40820
tobin	Equal variances assumed	2.651	.115	1.350	28	.188	3.83649	2.84224	-1.98559	9.65856
	Equal variances not assumed			2.830	27.987	.009	3.83649	1.35564	1.05953	6.61345

Table 11: T Tests for 2017

## Group Statistics

	committee	N	Mean	Std. Deviation	Std. Error Mean
ronw	1.00	28	15.9571	16.68871	3.15387
	.00	2	20.0300	12.06324	8.53000
roce	1.00	28	21.2025	20.20455	3.81830
	.00	2	22.4750	11.34906	8.02500
tobin	1.00	28	5.5685	7.73153	1.46112
	.00	2	4.3703	5.75987	4.07284

### Independent Sample Test

		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
										Lower	Upper
ronw	Equal variances assumed	.097	.758	-.336	28	.739	-4.07286	12.11028	-28.87965	20.73393	
	Equal variances not assumed			-.448	1.291	.718	-4.07286	9.09438	-73.07530	64.92959	
roce	Equal variances assumed	.103	.750	-.087	28	.931	-1.27250	14.60635	-31.19224	28.64724	
	Equal variances not assumed			-.143	1.501	.903	-1.27250	8.88707	-54.68448	52.13948	
tobin	Equal variances assumed	.014	.906	.213	28	.833	1.19812	5.61375	-10.30113	12.69738	
	Equal variances not assumed			.277	1.273	.820	1.19812	4.32700	-32.43578	34.83203	

Table 12: T Tests for 2018

### Group Statistics

	committee	N	Mean	Std. Deviation	Std. Error Mean
ronw	1.00	28	14.2686	15.59305	2.94681
	.00	2	25.4350	2.59508	1.83500
roce	1.00	28	19.5475	19.98494	3.77680
	.00	2	26.4550	3.96687	2.80500
tobin	1.00	28	4.6216	7.39559	1.39764
	.00	2	6.4321	2.18323	1.54378

### Independent Sample test

		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
										Lower	Upper
ronw	Equal variances assumed	1.046	.315	-.996	28	.328	-11.16643	11.21304	-34.13529	11.80244	
	Equal variances not assumed			-3.217	10.277	.009	-11.16643	3.47144	-18.87312	-3.45974	
roce	Equal variances assumed	.650	.427	-.481	28	.635	-6.90750	14.37438	-36.35208	22.53708	
	Equal variances not assumed			-1.468	7.054	.185	-6.90750	4.70449	-18.01464	4.19964	
tobin	Equal variances assumed	.407	.529	-.340	28	.736	-1.81047	5.32405	-12.71630	9.09535	
	Equal variances not assumed			-.869	3.231	.444	-1.81047	2.08246	-8.17798	4.55703	

Table 13: T Tests for 2019

## ANNOVA



**ANOVA**

roce

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	668.561	2	334.281	.908	.406
Within Groups	54146.869	147	368.346		
Total	54815.430	149			

TABLE 14:ROCE

**ANOVA**

ronw

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	356.166	2	178.083	.729	.484
Within Groups	35928.243	147	244.410		
Total	36284.409	149			

TABLE 15: RONW

**ANOVA**

tobins

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	204.933	2	102.466	2.786	.065
Within Groups	5405.714	147	36.774		
Total	5610.646	149			

TABLE 16: Tobin's

# FINDINGS

## **Regression Results**

As right at the beginning, the correlation matrix infers that there is an extraordinary degree of correlation between the dummy variable (whether firms have spent more than, equal to or less than 2%) and the percentage of PAT spent on CSR activities, we drop the earlier to resolve the issue of multi-collinearity. individual regression equations:

### **ROCE AS DEPENDENT VARIABLE**

The P-value of this model is 0.0006 which indicates that the coefficients of the model are statistically significant fit for the data and therefore, now we look at the individual coefficients. The significance level for both CSR proxy variables is more than 0.05, which shows that they are not significantly away from zero.

The possible explanation for the accuracy of the model might be the relationship between ROCE and Total Assets which is statistically significant in the results.

This result is consistent with the T-test and ANOVA results.

### **RONW AS DEPENDENT VARIABLE**

The P-value of this model is 0.9622 which indicates that the coefficients of the model are statistically insignificant fit for the data and therefore, now we look at the individual coefficients. The significance level for both CSR proxy variables is more than 0.05, which shows that they are not significantly away from zero.

The possible explanation for the accuracy of the model might be the relationship between RONW and Total Assets which is statistically significant in the results.

### **TOBIN'S Q AS DEPENDENT VARIABLE**

The P-value of this model is 0.0000 which indicates that the coefficients of the model are statistically significant fit for the data and therefore, now we look at the individual coefficients. The significance level for Profit percentage invested in CSR as a proxy variable is more than 0.05 which shows that the coefficient is not significantly away from zero. The relationship between RONW Total assets is also statistically significant in the given results

### **T-TEST Results**

The T-test results were run by categorizing the companies into two categories: namely, the one with a CSR committee and the other with no CSR committee. The results, however, indicate that for all T-tests have a Pvalue of more than 0.05 with minimal exceptions, which means that, we do not have enough evidence to reject the null hypothesis: the difference between the mean Roce/Ronw for the two groups is not statistically significant. Therefore, we reject the alternate hypothesis

and can say that the difference in mean ROCE/RONW for the companies who have a CSR committee and those who do not have one is not statistically significant.

### **ANOVA Results**

ANOVA was run on all three dependent variables separately to check whether the mean financial ratios of group of companies who spend more than 2%, exactly 2% and less than 2% of their PAT on CSR activities is statistically different or not. As is indicative in the tables above, all the Pvalues are greater than 0.05 (significance level) resulting in rejection of alternate hypothesis that the difference in mean ROCE/RONW/Tobin's Q of the three groups is statistically significant. Therefore, we cannot say that companies who spend more than 2% of their PAT on CSR activities have a significantly different ROCE/RONW/Tobin's Q from their counterparts.

## CONCLUSION

A robust debate exists on the matter of the value and legitimacy of being a business that is socially responsible. There are dissimilar views about the role of a corporate in society and incongruity as to whether maximization of wealth should be the sole end. Most studies identify certain perks for a business that is socially responsible, yet quantification and measurement of such benefits remains difficult still.

Although there have been innumerable studies that have investigated the relationship between CSR performance of firms and financial performance, and have found a strong relation between the two, in either direction, this study was conducted using three authentic measures of CSR performance and found no significant relationship between the two. The results of this study indicate that there exists no strong relationship between financial performance of Sensex 30 companies and their corresponding orientation towards social responsibility. Seeing as neither the distinction based on CSR committee and based on whether companies invest more than, equal to or less than 2% of PAT seemed to impact the financial ratios (Roce, Ronw and tobin's q, except in one year), the results indicate that the notion of a strong relationship between the CSR and CFP is largely unsubstantiated by statistical results. The present study, therefore, suggests that fulfilling their social contract is neither beneficial nor harmful for Indian companies. A possible explanation that might underpin the existence of no relationship between the financial performance and CSR performance is the idea that the benefits often accrue after a gestation period—while the benefits are often not realized that quickly. Since the present study examines the aforementioned relationship over a period of 5 years, which is considered to be too short a time frame, the companies might not have been able to reap the benefits of the CSR activities they have undertaken. Moreover, given that in India, the Government itself is a proponent of CSR activities and has mandated a certain percentage towards CSR, another possible explanation is that maybe the markets do not attach a premium to those companies that do well on this front thinking that they are doing 'just what is necessary'. In addition, the ratios that have been studied are largely indicative of long- term profitability which as mentioned previously would be impacted in the long-run and therefore, requires more extensive data. Furthermore, the nonappearance of straightforwardness in detailing CSR exercises pre-2013 change might be a basic factor clarifying the outcome in such a case that partners are not satisfactorily mindful of such projects that their organization is occupied with, their choices and perspectives towards the said enterprise can't be affected.

## LIMITATIONS AND RECOMMENDATIONS

There are many methods available to a researcher to examine the relationship between CSR performance and financial performance of companies and there not existing a uniform approach to measure these two variables is a major limitation to any study conducted in this sphere.

Some studies have chosen to collect primary data from CEO's and managers to examine a company's commitment towards CSR, which was largely unfeasible given that that would require a lot of time and institutional support from the companies contacted.

Secondly, in studies conducted in the developed world, there exist certain indices that provide exhaustive information about a company's CSR performance and have ranked them on the same basis. The unavailability of any such index in the Indian market has severely limited the applicability of these results and their comparability to studies conducted elsewhere in the world.

Moreover, since the study was conducted over a small time horizon, its results might not hold true in larger scheme of things.

The implications for future research are therefore mentioned herein. First, more extensive studies can be conducted to explore any causal mechanism that could link CSR to profitability and to conclude whether such a relationship holds consistently over time or not. The reason for any association among gainfulness and CSR stays to be researched deliberately. The planning in the relationship can likewise be placed, since it is basic to learn and to examine the term it takes for an effect of CSR to be uncovered on money related execution. Yet, for every single such investigation, it is basic that more information on CSR become accessible. The unwavering quality of such information can be a significant issue, as information from various sources have extensive varieties with respect to the assessment of CSR execution of any firm. A third territory which is still needing more spotlight is the effect that CSR may have on monetary execution across explicit enterprises. This is significant on the grounds that partners of various businesses regularly want various things, and along these lines, it would be important for their administration to pick up information on how they should structure their CSR projects to supplement the partners' advantages the best.

## **Annexure 1:** List of companies in the study

### **NAME OF COMPANY**

Adani Ports  
Asian Paints  
Axis Bank  
Bajaj Auto Ltd  
Bharti Airtel Ltd  
Cipla Ltd  
Coal India Ltd  
HDFC Bank  
HDFC  
Hero MotoCorp  
Hindustan Unilever Limited  
ICICI Bank  
Infosys  
ITC  
Larsen  
Lupin Ltd.  
M&M  
Maruti Suzuki  
NTPC Ltd  
Oil and Natural Gas Corporation Ltd  
Reliance Industries Ltd  
State Bank of India  
Sun Pharmaceutical Industries Ltd  
Tata Consultancy Services Ltd  
Tata Motors Ltd  
Tata Steel Ltd  
Wipro Ltd  
Dr. Reddy Laboratories Ltd  
Kotak Mahindra Bank  
WIPRO Ltd  
Power Grid Corporation of India Ltd

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