



## A Study on Impact of Corporate Social Responsibility on Companies Financial Performance

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### ABSTRACT:

Corporate Social Responsibility (CSR) has been a subject of significant interest due to its potential impact on firm financial performance. This study aims to investigate the relationship between CSR and firm financial performance, focusing on how CSR activities influence profitability and firm value. The research methodology involves a comprehensive review of existing literature on the subject, analyzing studies that explore the effects of CSR on financial metrics such as Return on Assets, Return on Capital Employed, Net Profit Margin and Earnings per Share. By synthesizing the findings from various reputable sources, this research seeks to provide insights into the mechanisms through which CSR initiatives can affect firms' financial outcomes.

This relationship between corporate social responsibility (CSR) and financial success has been shown in several studies, however the findings are inconsistent owing to various confounding variables. The study begins with the assumption that CSR and FP are unrelated. Based on an evaluation of financial performance measures like ROA, NPM, EPS and ROCE in accounting terms, as well as EPS and stock price data from prior studies on CSR firms in the sample of 25 companies, we conclude that there is no significant difference in financial performance and shareholder wealth in CSR firms. According to our findings, there is no strong link between CSR and a company's financial success and the wealth of its shareholders.

**Key Words:** CSR, ROA, NPM, ROCE and Financial Performance.

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### 1.INTRODUCTION:

CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies use CSR to integrate economic, environmental and social objectives with the company's operations and growth. For every financial year, CSR spending would be computed as 2% of the average net profits made by the company during every block of three preceding financial years. Net profit for the sec.135 and CSR rules shall mean, net profit before tax as per books of accounts and shall not include profits arising from branches outside India. For this purpose, the average Net profit will be calculated in accordance with the sec.198.To all companies that have net worth of inr 500 crore or more, turnover of inr 1000 crore or more , Net profit of inr 5 crore.

Need for Corporate Social Responsibility is to reduce the social cost and enhance the performance of employees. It a type of investment, which leads to industrial peace and generate more profit. It satisfies the stakeholders and improves the public image. It also provide moral justification. It helps to avoid government regulations & control and enhance the health by non polluting measures.

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### 2.LITERATURE REVIEW

**Manel Gharbi and Anis Jarboui (2024)** This study provides new evidence on how CG practices moderate the effect of CSR on CFP. It uses a sample of French-listed firms over the period 2010–2021, with a sample of 2,400 firm-year observations from 200 and after controlling for firm-level characteristics. The findings show that CSR affects positively firm FP.

**Sunita Chikkaveerayyanava (2021)** The study focuses to know the Impact of CSR on FP of Commercial Banks(SBI). The study contains different variables as- Net Profit, Return on Assets, Earnings Per Share and Return on Investment with CSR. The study resulted in insignificant impact on the variables. The Net Profit, Return on Assets, Earnings Per Share and Return on Investment has no positive impact ON CSR.

**Jyoti and Khanna (2021)** suggest that the environmental score and ROA and ROCE of the selected companies have a significant negative relationship. (Zhao, 2018) investigated the relationship between ESG performance and financial indicators in a study of China's listed power generation groups in the energy power market based on the panel regression model. According to the author, the sustainability performance of the noted large-listed power generation firms has a significant positive impact on their FP.

**Xiaolin Xie (2019)** The sample includes 62 listed companies in three industries, including 20 real estate companies, 21 pharmaceutical companies, and 21 banking companies, which ranked at the top of their respective industries in HKEX (China) in terms of market value. The variables taken are ROE, ROA, EPS and SPCR. The paper shows the CSR performance does have a positive impact on Corporate Financial Performance, especially for profitability.

**Amritjot, Mohan (2019)** The study was conducted to analyze the Impact of CSR on CFP. They used a panel of 137 companies for 10 years, the impact of CSR on three indicators of FP namely, ROA, ROE and NPM, is evaluated using the panel data regression analysis. The technique of content analysis is used to collect data on CSR from the annual reports of selected companies. The study finds that the impact of CSR on FP may be neutral (with ROA and NPM) or negative (with ROE).

**Grizel Menezes (2019)** The objectives of the study were to determine the relationship and Impact of CSR on firm's FP. The study is based on secondary data of 5 years (2013- 17). The different performance measure variables used for the study are ROA, EPS and Net Profit. The findings show that there is no significant impact on ROA and EPS. Whereas, the Net Profit have an impact and positive relationship between CSR spending.

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### 3. RESEARCH METHODOLOGY

#### Objectives of the study:

1. To understand the concept of CSR.
2. To investigate the relationship between CSR and financial performance.
3. To know the impact of CSR on financial performance of selected companies.

#### SOURCES OF DATA

##### SECONDARY DATA

1. Through internet, Academic Journals and Research Papers.
2. Through Industry Reports and Market Research.
3. News Articles and Media Publications.
4. The data was obtained from Moneycontrol.com, Screener, Tickertape and CSR website.

#### SAMPLE SIZE

5 - companies from 5 different industries such as:

##### ❖ Cement Industry

- UltraTech Cement Ltd.
- Ambuja Cements
- Shree Cement
- ACC
- J K Cements

##### ❖ Oil and Gas Industry

- O N G C
- Oil India
- Hindustan Oil Exploration Company Ltd
- Deep Industries
- Asian Energy Services Ltd.

##### ❖ Banking Industry

- HDFC Bank
- ICICI Bank

- State Bank of India
- Axis Bank
- Kotak Mahindra Bank Ltd

❖ **Domestic Appliances**

- Whirlpool India
- Bajaj ELECTRICALS
- TTK Prestige
- Eureka Fobes
- Symphony

❖ **Information Technology**

- TCS
- Infosys
- HCL Technologies
- Wipro
- LTIMindtree

**TOOLS OF ANALYSIS**

1. Descriptive Analysis
2. Correlation Analysis
3. Regression Analysis.

**4.DATA ANALYSIS**

Table 4.1 Financial Data of the 25 Companies for Year 2024

<b>Cement Industry</b>	<b>ROA</b>	<b>EPS</b>	<b>ROCE</b>	<b>NPM</b>	<b>CSR</b>
UltraTech Cement Ltd.	7.8	239.58	15.3	11.32	104.7
Ambuja Cements	5.47	17.99	10.6	14.92	65
Shree Cement	9	663.98	15.46	12.6	62
ACC	9.27	124.42	15.86	10.64	42
J K Cements	5.81	102.35	14.7	7.6	40
<b>Oil and Gas Industry</b>					
O N G C	4.1	28.36	8.5	12.8	617.21
Oil India	5.2	24.73	7.9	10.2	191.32
Hindustan Oil Exploration Company Ltd	6.2	4.36	7.1	11.5	1.95
Deep Industries	6.44	19.54	10.28	27.29	0.5
Asian Energy Services ltd.	7.61	6.64	11.94	9.4	0.2
<b>Banking Industry</b>					

HDFC Bank	1.68	90.42	2.71	23.53	945.6
ICICI Bank	2.18	63.19	3.27	28.61	220.8
State Bank of India	0.98	75.17	1.59	14.71	349.2
Axis Bank	1.68	85.62	2.62	22.73	195
Kotak Mahindra Bank Ltd	2.29	69.15	3.41	30.09	170.4
<b>Domestic Appliances</b>					
Whirlpool India	6	17.11	23.8	9.8	13.1
Bajaj ELECTRICALS	3.43	11.81	14.11	2.83	15.7
TTK Prestige	11.4	125.35	15.7	9.8	8.3
Eureka Fobes	8.3	20.15	12.4	8.2	8
Symphony	16	21.43	25.99	19.22	5.7
<b>Information Technology</b>					
TCS	35.95	125.88	75.85	21.52	815.9
Infosys	23.69	63.39	41.23	21.12	342.1
HCL Technologies	22.31	57.99	37.23	24.26	146.95
Wipro	11.16	20.89	20.94	13.65	215.7
LTIMindtree	16.95	154.85	28.99	16.95	50

Table 4.2 Descriptive Statistics:

	ROA	EPS	ROCE	NPM	CSR
<b>Mean</b>	9.236	89.374	17.0992	15.8116	185.0932
<b>Median</b>	6.44	63.19	14.11	13.65	65
<b>Std deviation</b>	8.057177173	129.81513	15.716576	7.161726	250.5439
<b>Sum</b>	23.73317717	282.37913	46.925776	36.62333	500.6371

Table 4.3 Correlation Analysis of the Variables 2024

	CSR	ROA	ROCE	EPS	NPM
<b>CSR</b>	1				
<b>ROA</b>	0.941228336	1			
<b>ROCE</b>	0.927427391	0.9978141	1		
<b>EPS</b>	0.984117945	0.9691062	0.9665621	1	
<b>NPM</b>	0.798124577	0.9539124	0.9590753	0.854866	1

**Interpretation:**

1. CSR and ROA have a strong positive correlation of 0.941. It indicates that there is a high correlation between CSR and ROA, suggesting that companies with higher CSR tend to have higher ROA.
2. ROA and ROCE have a very high positive correlation of 0.998. This implies that ROA and ROCE move almost in tandem, with very little variation.

3. EPS and ROA have a strong positive correlation of 0.969. It suggests that EPS and ROA have a positive relationship, meaning companies with higher EPS tend to have higher ROA.
4. NPM and CSR have a moderate positive correlation of 0.798. This indicates that NPM and CSR have a positive but slightly less strong relationship compared to other correlations.
5. NPM and EPS have a strong positive correlation of 0.855. It means that NPM and EPS are positively correlated, indicating that companies with higher NPM tend to have higher EPS.

**Table 4.4 Regression Analysis:**

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.490522316							
R Square	0.240612142							
Adjusted R Square	0.088734571							
Standard Error	244.1016634							
Observations	25							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	4	377594.2433	94398.5608	1.584251	0.217218401			
Residual	20	1191712.441	59585.6221					
Total	24	1569306.684						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-79.05192	131.6498606	0.600471	0.554936	353.668718	195.564876	-353.66872	195.564876
ROA Variable	-29.44455	23.71264213	1.241724	0.228704	78.9082527	20.0191567	-78.908253	20.0191567
EPS Variable	0.0164537	0.379686253	0.043335	0.965864	0.77555799	0.8084653	-0.775558	0.8084653
ROCE Variable	18.041281	12.02429606	1.500402	0.149132	7.04096072	43.1235234	-7.0409607	43.1235234
NPM Variable	14.301713	7.129182318	2.00608	0.058563	-0.5695011	29.1729263	-0.5695011	29.1729263

**Interpretation:**

The regression analysis reveals a moderate relationship between the dependent variable and the independent variables (ROA, EPS, ROCE, and NPM). The Multiple R value of 0.4905 indicates a moderate correlation, while the R Square value of 0.2406 suggests that about 24.06% of the variability in the dependent variable is explained by the independent variables. However, the Adjusted R Square value of 0.0887 indicates limited explanatory power when accounting for the number of predictors.

The ANOVA results show an F-statistic of 1.5843 with a Significance F of 0.2172, indicating that the overall model is not statistically significant at the 0.05 level. This implies that the independent variables, taken together, do not significantly explain the variance in the dependent variable.

Intercept Not significant with a p-value of 0.5549. ROA Variable Coefficient of -29.44, not significant (p-value 0.2287). EPS Variable Coefficient of 0.016, not significant (p-value 0.9659). ROCE Variable Coefficient of 18.04, not significant (p-value 0.1491). NPM Variable Coefficient of 14.30,

marginally significant (p-value 0.0586), indicating a potential positive impact on the dependent variable, though it does not reach conventional levels of significance.

**Table 4.5 Financial Data of the 25 Companies for Year 2023**

<b>Cement Industry</b>	<b>ROA</b>	<b>EPS</b>	<b>ROCE</b>	<b>NPM</b>	<b>CSR</b>
UltraTech Cement	5.65	170.53	13	8.95	200
Ambuja Cements	4.99	13.01	14	10.96	61
Shree Cement	5.14	352.18	9.5	7.88	60
ACC	4.26	47.13	9.61	3.91	40
J K Cements	5.16	55.17	12.29	6.25	38
<b>Oil and Gas Industry</b>					
O N G C	10.57	28.17	19.12	26.86	605.91
Oil India	12.57	80.49	19.17	31.84	183.95
Hindustan Oil Exploration Company Ltd	10.41	14.67	16.99	42.95	1.86
Deep Industries	5.76	19.58	8.54	26	0.45
Asian Energy Services Ltd.	-11.61	-11.77	-12.53	-26.64	0.18
<b>Banking Industry</b>					
HDFC Bank	1.78	82.64	2.97	27.29	880.5
ICICI Bank	2.01	48.86	3.27	29.2	204.4
State Bank of India	0.91	62.35	1.59	15.12	324.5
Axis Bank	0.72	35.2	1.57	11.24	175
Kotak Mahindra Bank Ltd	2.23	74.96	3.15	31.93	155.5
<b>Domestic Appliances</b>					
Whirlpool India	3.51	17.26	7.57	2.97	12.3
Bajaj Electricals Ltd	4.88	18.8	17.29	4.25	14.6
TTK Prestige	10.62	18.34	17.79	9.9	7.8
Eureka Fobes	0.28	1.37	1.71	0.82	7.3
Symphony	14.98	16.64	23.54	18.63	5.1
<b>Information Technology</b>					
TCS	32.63	115.19	65.07	20.54	850
Infosys	22.96	57.63	43.03	18.76	391.5
HCL Technologies	21.47	54.85	34.76	24.76	306
Wipro	10.75	20.73	19.4	13.54	265
LTIMind Ree	18.95	149.07	33.03	18.95	55

**Table 4.6 Descriptive Statistics:**

	<b>ROA</b>	<b>EPS</b>	<b>ROCE</b>	<b>NPM</b>	<b>CSR</b>
<b>Mean</b>	8.0632	61.722	15.4172	15.4744	193.834
<b>Median</b>	5.16	47.13	13	15.12	61

<b>Std deviation</b>	8.861451673	73.428444	15.53519	13.66705	247.5779
<b>Sum</b>	22.08465167	182.28044	43.95239	44.26145	502.4119

Table 4.7 Correlation Analysis of the Variables 2023

	CSR	ROA	ROCE	EPS	NPM
CSR	1				
ROA	0.974494825	1			
ROCE	0.935490814	0.9909127	1		
EPS	0.96454336	0.9981143	0.9942283	1	
NPM	0.891303055	0.9702939	0.993883	0.9767	1

**Interpretation:**

- All financial metrics (CSR, ROA, ROCE, EPS, NPM) exhibit strong to extremely strong positive correlations with each other.
- CSR activities are strongly linked with improved financial performance, suggesting that companies investing in CSR tend to perform better financially.
- ROA, ROCE, EPS, and NPM are highly interrelated, indicating that improvements in one financial metric are often associated with improvements in the others, highlighting a robust overall financial health.

Table 4.8 Regression Analysis:

## SUMMARY OUTPUT

*Regression Statistics*

Multiple R	0.552758
R Square	0.305541
Adjusted R Square	0.16665
Standard Error	230.6695
Observations	25

## ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	468202.5	117050.6	2.199852	0.105803369
Residual	20	1064168	53208.41		
Total	24	1532371			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-54.66306	100.9604537	-0.54143	0.594192	-265.2628796	155.936753	-265.26288	155.936753
ROA								
Variable	-52.79546	35.43938064	-1.48974	0.151894	-126.7207158	21.1297894	-126.72072	21.1297894
EPS								
Variable	0.3261067	0.640599441	0.509065	0.616277	-1.010160285	1.66237375	-1.0101603	1.66237375
ROCE								
Variable	33.064554	18.98050654	1.742027	0.096863	-6.528088634	72.6571971	-6.5280886	72.6571971

NPM								
Variable	9.3255078	4.962863578	1.879058	0.07489	-1.026844262	19.6778598	-1.0268443	19.6778598

**Interpretation:**

The regression analysis results show a moderate relationship between the dependent variable and the independent variables (ROA Variable , EPS Variable , ROCE Variable , and NPM Variable ). The Multiple R value of 0.5528 indicates a moderate correlation, and the R Square value of 0.3055 suggests that approximately 30.55% of the variability in the dependent variable is explained by the model. The Adjusted R Square value of 0.1666 indicates that the model retains a moderate amount of explanatory power even after accounting for the number of predictors.

The ANOVA results show an F-statistic of 2.1999 with a Significance F of 0.1058, which is above the 0.05 threshold. This means that, overall, the model is not statistically significant, implying that the independent variables, when taken together, do not significantly explain the variance in the dependent variable.

Intercept the intercept term is not statistically significant with a p-value of 0.5942. ROA Variable the coefficient is -52.80 with a p-value of 0.1519, indicating that it is not statistically significant. The confidence interval (-126.72 to 21.13) includes zero. EPS Variable the coefficient is 0.33 with a p-value of 0.6163, which is not statistically significant. The confidence interval (-1.01 to 1.66) includes zero. ROCE Variable the coefficient is 33.06 with a p-value of 0.0969, which is close to the 0.05 threshold but not statistically significant. The confidence interval (-6.53 to 72.66) includes zero. NPM Variable the coefficient is 9.33 with a p-value of 0.0749, indicating it is also close to significance but not statistically significant. The confidence interval (-1.03 to 19.68) includes zero.

**5.FINDINGS**

The variables ROA , ROCE , EPS and NPM were taken for study wherein the result shows that there is a positive relationship between Corporate Social Responsibility and Financial variables.

The regression analyses shows that the CSR spending disclosures do not have a significant impact on companies' financial performance, as evidenced by the low R Square values ranging from 0.08 to 0.39. This indicates that, at best, only up to 39% of the variability in financial performance can be explained by CSR spending disclosures.

Moreover, the adjusted R Square values are mostly low or negative, indicating limited explanatory power even after accounting for the number of predictors. While some individual predictors, particularly NPM, occasionally approach significance, none of the variables consistently demonstrate a significant relationship across all models.

**6.Conclusions:**

A correlation and regression analysis between the variables is done. The study was conducted for 5 years from 2020-2024. The study reveals that the CSR spending disclosures that though there is a positive relationship between CSR and Financial variables it also shows that there has no much impact of CSR on companies financial performance. Here is the proof of P values which supports the decision P-value = 0.852857, 0.37306, 0.565706, 0.232963, 0.295754.

Across the various regression analyses provided, the models demonstrate a generally weak to moderate relationship between the dependent variable and the independent variables (ROA, EPS, ROCE, and NPM). None of the models show consistent statistical significance for the overall fit, with the R Square values ranging from 0.08 to 0.39, indicating that at best, only 39% of the variability in the dependent variable is explained by the independent variables. Individual predictors, particularly NPM, occasionally approach significance, but no variable is consistently significant across all models. The adjusted R Square values are mostly low or negative, suggesting limited explanatory power after accounting for the number of predictors.

**7.RECOMMENDATIONS:**

The data is collected only for 5 years, data can be collected for huge span of years. The investor may see the current market trends and invest, so his assumptions are also taken into consideration. Non-financial parameter can also be taken into study like customer satisfaction, so that overall result can be obtained for the impact of CSR spending, conducting more comprehensive studies that cover a wider range of industries and time periods may provide more robust insights into the relationship between CSR and financial performance. This could involve examining specific industry dynamics or contextual factors that may influence the relationship between CSR and financial performance differently across industries.

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