Corporate Social Responsibility And Financial Performance: A Case Of Selected Indian Companies

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Abstract

The aim of this study was to find the impact of corporate social responsibility spending on the financial performance of 50 Indian companies belonging to IT, FMCG, Power, Pharmaceutical ,Automobile sectors for a period of 7 years from 2013-14 to 2019 -20. The data regarding CSR spending, ROA, ROE, Total Assets, Total Sales, Total number of employees, and Debt to total assets ratio was taken from secondary sources like Annual Reports, CSR Reports, Official Websites of Companies, moneycontrol.com, CSR profile Box and CSR.gov.in. The correlation and Regression tests were conducted in SPSS. The results show positive correlation between CSR with ROA and ROE and a significant impact of CSR spending on financial performance.

Keywords

Corporate social responsibility, financial performance, ROA, ROE.

Introduction

In the last decade, there was an increasing emphasis on corporate social responsibility activities around the World (Dhaliwal, O.Z., Tsang, & G., 2011) . CSR is "the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development (Ward, 2004).

The theoretical and empirical debate on the relationship between firm's CSR and corporate financial performance, since years, have made this topic quite complicated (Aras, Aybars, & Kutlu, 2010). Freeman developed the concept of CSR and proposed that consideration of interest of consumers, suppliers, community, employees, and investors have an impact on financial performance of the company (Freeman, Wicks, & Parmer, 2004). The studies till date support a positive, negative as well as neutral relationship between these two indictors (Busch & Friede, 2018) . Some studies showed the positive relation between CSR and financial performance (Robert D.Klassan and Curtis P., Rosshikapoor Moenna); some indicated negative relation (Chen, Y.C., Hung, M. and Wang, Y. (2018) ; Babalola, Y.A. 2012) and some found no significant relationship between them (Sebastlian Johansson, Anton Karlsson , Christian Hagberg ; Moses L., Pava and Joshna Krausj)

Given the increase attention to CSR from financial markets, it is not it is not surprising that firms with good CSR performance appears to have better access to capital (B., I., & G., 2014) . In effect, socially responsible corporate actions is increasingly argued to be a perquisite for protecting the bottom line and boosting shareholder value (Epstein & Rejc Buhovac, 2014). Corporate social responsibility should be an integral part of each company and be present in every process and each activity (Horvat, Calopa, & Trojnar, 2014). CSR is a contribution of companies to sustainable development efforts, taking into account the impact of their social and environmental actions and their contribution to the improvement of society as a whole and of the surrounding environment (Danciu, 2013).

Objectives

1. To study CSR spending of 50 companies in five sectors namely IT, Pharmaceutical, FMCG, Power, Auto.
2. To analyze the impact of CSR spending on financial performance of different companies as well as of different sectors.

Literature review

The paper studies the relationship between CSR and traditional financial performance. The study examined the financial performance of 53 companies and tried to explore the benefits and costs related with CSR actions. The study found that the financial performance of firms complying with CSR criteria was at par with other firms not

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Evaluation of CSR Practice in Pharmaceutical Sector under 2030 SDGs Agenda and its Impact

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Abstract

Corporate social responsibility refers to an organization's duty to make proper decisions and conduct activities that benefit society and the organization's interests. In recent years, worldwide awareness of and control over Corporate Social Responsibility (CSR) has increased dramatically. Financial institutions are being urged to make a significant contribution in the fight against poverty, create fair and accountable governance, and guarantee environmental security as the global need for economic growth grows. Corporate and regulatory activities in industrialized countries are adequate in this respect. On the other hand, CSR efforts by financial organisations aren't doing so well in developing countries. Today's business community's shared aim is to generate money in a socially and ecologically responsible manner. When it comes to pharmaceutical firms' social responsibility, they must explore ways to alleviate poverty and enhancing rural livelihoods further than a narrow understanding of CSR. This paper aims to present a methodology for assessing corporate social responsibility in India's pharmaceutical industry. This paper outlines the amazing journey they've made as part of their CSR, highlighting the role and effect they've had in nation-building and how they're assisting the country in meeting the 2030s Sustainable Development Goals.

Keywords

Pharmaceutical, Corporate Social Responsibility, Healthcare, SDGS, philanthropic

Introduction

The right to health plays an important role in ensuring that people have access to high-quality healthcare, clean drinking water, and sufficient nourishment, among other things. Article 25 of the Universal Declaration of Human Rights [1] from 1948 officially recognises this right. In numerous public interest petitions [2], the Supreme Court of India supported it. The Sustainable Development Goals (SDGs) and the 2030 Agenda, both treaties, India is a member, emphasize the importance of better health and wellness. Goal 3 seeks to guarantee that individuals are in good enough health to be socially and economically productive. Its goal is to eliminate avoidable fatalities from communicable and non-communicable diseases and illnesses caused by air pollution, water, and soil, among people of all ages. Achieving Universal Health Coverage (UHC) and ensuring that individuals have access to basic health care without facing financial hardship is a major component of the SDG and a top goal for India. [3]

Over the last several decades, India's health has improved dramatically. Between 1990 and 2016, India's per person illness burden, measured in Disability Adjusted Life Years (DALYs), and dropped by 36% [4] after accounting for changes in population age structure. Notably, maternal mortality has decreased by almost 50% since 1990. India's success on this indicator was recognized by the World Health Organization (WHO) in 2018, putting it on pace to meet SDG goal. [5]

Since the 1970s, the Indian pharmaceutical sector has seen many watershed events. Before this time, India was a major importer of medicines; however, the Patents Act of 1970, which allowed for patents on the production method rather than the finished product [6], marked a fundamental shift in the Indian pharmaceutical industry's development.

Domestic businesses were able to bring generic medicines to the market at reasonable costs due to this important change. In the 1990s [7], this historic legislative move resulted in a reduction in imports and increased the supply of essential medicines, allowing India to become self-sufficient. India's success in reducing the national illness burden has been aided by the availability and accessibility of cheap medicines.

Infectious and associated diseases account for about 60 percent of the disease burden in 1990, but just 33 percent in 2016. [8]

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Assessing the Corporate Social Responsibility research in the era of the Sustainable Development Goals: Role of Financial sectors

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Abstract: *This paper evaluating the Role of Financial Sectors in Corporate Social Responsibility Study in the Age of the Sustainable Development Goals was the topic of this study. The promotion of sustainable financing is urgently needed. SRI (sustainable and responsible investing=socially responsible investment) is an investment approach that seeks investment objectives that not only offer financial growth but also explicitly address environmental, social, and governance (ESG) problems. The banks itself may encourage sound finance for a stable economy. Banks should do a lot more to adopt corporate social responsibility. CSR-friendly policies should be rigorously enforced and implemented. According to a sample bank report, the effect of CSR on SBI financial performance metrics like as net profit, return on assets, earnings per share, and return on equity is negligible. The banking company will face a slew of issues until and until environmental authorities take this seriously and enforce tougher regulations. Businesses that acknowledge wider societal objectives in their choices may help society in the long run, both socially and economically. It's safe to presume that the 2030 agenda will be impossible to achieve on a day-to-day basis. The purpose of this study is to determine the role of banking sectors in relation to how the SDGs have influenced CSR research. The research emphasized how long-term financial and CSR performance may be improved. Additionally, the research uses secondary data from the internet to connect the SDGs' linkages and interdependencies with the development of CSR practice. By raising awareness of potential synergies between business strategy, global climate objectives, and future expectations, this research may help to improve knowledge of how financial performance and CSR may be improved over time. Future study on the quantitative and qualitative effect evaluation of CSR activities is required to strategically develop CSR in developing countries and steer it toward achieving the objectives.*

KEYWORD: *Corporate Social Responsibility, Sustainable Development Goals, Financial sectors, Banks*

I. INTRODUCTION

Today, many newly established private and international banks recognize the significance of such a move and, as a result, retain an active CSR section in their institutions .Financial organizations are well-equipped to expand corporate social responsibility initiatives and attain long-term stability. Internal initiatives to make day-to-day activities more hygienic, effective, and socially friendly may be beneficial in the long term business. More study is needed to assess the effects of institutional action and the extent to which they affect sustainable development progress [Contreras et al., 2019]. Future research might, for example, focus on the role of financial institutions in achieving the Sustainable Development Goals. This is a crucial component in allowing collaborative action and guaranteeing ongoing progress on relevant SDGs at the sub-national level. The influence of embracing voluntary social and environmental standards on the scope and kind of cooperative interaction between financial institutions, companies, and civil society members, particularly non-governmental organisations, might be studied in future study (NGOs). According to Weber & Feltmate [2016], voluntary self-regulatory rules, such as the Equator Principle, help institutions collaborate more effectively. This highlights the importance of SDG 17, Partnerships for the Goals, in creating symbiotic, multi-stakeholder action networks. Future study should look at how such collaboration may help to the planned implementation of CSR and the accomplishment of the SDGs among adopting organizations.

The RBI has suggested certain rules for CSR on the part of financial firms. Financial institutions are obliged to evaluate the projects' environmental and social viability before approving them for funding. Financial institutions have recently intensified their efforts to encourage ecologically and socially responsible financing. In addition to conventional

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A CSR INITIATIVE OF ENSURING WATER SUSTAINABILITY: FMCG SECTOR IN INDIA

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ABSTRACT

NITI Aayog in its report titled "Corporate Water Management Index" warns that India is undergoing the worst water crisis in its history with more than 600 million people subjected to high & extreme water stress. Scarcity of water in India has forced corporates to formulate their Corporate Social Responsibility (CSR) activities towards focusing on water conservation policies. As the world recognizes the importance of water sustainability, corporates should focus on water crisis so as to minimize its adverse effect on them. They have now acknowledged that spending on water sustainability is an investment rather than a cost. According to section 135 of Indian Companies Act , 2013 it has become mandatory for a company with net worth of 500 crore or a turnover of Rs. 5 crore has to spend 2% of net profit on social welfare activities. There are various ways in which the corporate can treat the problem related to existing water crisis. In the first place, water treatment infrastructure needs to be developed so that potable water can be made available on a large scale. Secondly , the sources of pollution can be regulated. The other solution may include developing the technology for rain water harvesting which can improve the depleting water table. With water sustainability becoming an important issue for survival of the corporates, the present paper focuses on measures undertaken by FMCG sector in India. The companies under study include ITC, HUL, Marico, Nestle and Godrej. The annual reports of these companies for financial year 2018-19 were studied for their purpose. The study found that all the companies continued to focus on integrated water management approach including water conservation measures and rainwater harvesting initiatives. The success of future water conservation efforts depend on the participation & cooperation among corporates, society and government. Secondly, on preparation of accurate data regarding water conservation plans at local & national levels.