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Financial Performance And Social Responsibility: Indian Scenario

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Abstract: *The structure and functioning of the capitalist global economy are rapidly changing, and as market competition heats up, we observe a growing concentration and centralization of capital. Due to the fierce rivalry, businesses must constantly move forward just to maintain their position. The public's impression of a company's value systems, which are best demonstrated by activities in discharging its corporate social responsibility, is one of the key differences between the firms (CSR). For a very long time, various Researchers have documented the impact of corporate social responsibility (CSR) on financial performance as either good, negative, or neutral. This contradiction could be the result of poor empirical analysis. In this essay, we investigate the connection between a company's social and financial performance. In the current study, the Top 1000 Indian firms for the fiscal year 2017-2018 are examined.*

Key Words: Corporate social responsibility, centralization, financial performance, demonstrated, discharging.

A discussion is currently taking place on the extent to which company directors and management should take into consideration social and environmental factors when making business decisions. Corporate social responsibility can be understood as a mode of operation for making decisions that habitually takes into account the aforementioned considerations.

A growing number of people are coming around to the idea that a company's level of corporate social responsibility can have a positive impact on its financial performance. According to this strategy, which has also been referred to as the "enlightened shareholder approach," corporate decision-makers should consider a variety of social and environmental issues if they want to maximise long-term financial returns. This strategy's primary goal is to increase shareholders' wealth.

A idea that an entity, such as a government, corporation, organisation, or individual, has a responsibility to society in its entirety is referred to as social responsibility. Social responsibility can be seen as either an ethical or an intellectual concept. It is possible for this obligation to be "negative," in which case there is an exemption from blame or liability; alternatively, it is possible for this responsibility to be "positive," in which case there is a responsibility to act in a charitable manner (proactive stance). Businesses have the ability to protect themselves through the use of ethical decision making by making choices that allow government authorities to have the least amount of interaction possible with the organisation. Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation that is integrated into a business model. Other names for CSR include: corporate responsibility, corporate responsibility, responsible business, sustainable responsible business (SRB), or corporate social performance. In an ideal world, corporate social responsibility policies would serve as a built-in, self-regulating mechanism that would enable businesses to monitor and ensure that they adhere to laws, ethical standards, and international conventions. Businesses would accept responsibility for the effects their actions have on the community, stakeholders, communities, consumers, and employees, as well as the environment and other members of the public sphere. In addition, businesses would voluntarily eliminate practises that are harmful to the public realm and promote community growth and development in an effort to protect the public interest. This would be done regardless of whether or not such activities are legal. At its core, corporate social responsibility (CSR) refers to the conscious consideration of issues of public concern within the context of business decisions and the upholding of the "triple bottom line" of "people, planet, and profit."

The concept of corporate social responsibility is one that generates a lot of discussion and criticism. It has been argued that there is a strong commercial case for corporate social responsibility (CSR), in the sense that there are various ways in which businesses can profit from conducting their operations with a perspective that is larger and longer than their own immediate and short-term profitability. Others argue that it is nothing more than superficial window-dressing, and still others argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.



History of CSR- The history of corporate social responsibility goes back almost as far as the history of companies. During the seventeenth century, it was customary for people to voice their concerns against the abusive practises of the East India Company. Since well over 150 years ago, the United Kingdom has been home to a culture of benign capitalism. Both Quakers and socialists, such as Engels and Morris, experimented with socially responsible and values-based modes of conducting business, such as Barclays and Cadbury. In addition, one could argue that Victorian charity is largely responsible for significant parts of the urban landscape that exists in older town centres today. Edward Coke, an English jurist, argued in 1612 that corporations "cannot commit treason, nor be proscribed or excommunicated, because they have no souls."

Carroll considers Bowen, H., the author of a fundamental book titled "The Social Responsibilities of a Businessman," to be the "father" of Corporate Social Responsibility (CSR). The idea of Corporate Social Responsibility (CSR) in its current form was first introduced in the 1950s (Carroll, 1999). Since that time, the concept of CSR has gradually grown to predominate the interface between society and businesses, and numerous ideas and methods have been proposed.

Despite the fact that the idea of CSR has dominated the business-society interface for quite some time, many other alternative concepts have made their way into the academic literature to study the same thing. Some of these concepts include corporate citizenship, corporate governance, corporate social responsiveness, and corporate social performance. Even in the case of CSR, numerous definitions have been suggested in order to describe both the structure and the content of the report. CSR has historically been a murky concept, with murky boundaries and legitimately questionable support (Lantos, 2001, Cramer et al., 2006).

Importantly, the approach to corporate social responsibility has shifted from one based on agency theory to one based on stakeholder theory. However, current trends in academia as well as industry strongly indicate a shift in paradigm from the normative altruistic bias of CSR to a positivist strategic orientation to CSR. The strongest indication comes from the terminology itself that is used to describe the concept, which is "Corporate Social Responsibility." The concept of CSR has a normative altruistic basis, and the strongest indication comes from the terminology itself.

Since the 1950s up until the present day, the idea of corporate social responsibility has amassed a significant amount of support, and its scope of application has expanded to incorporate a variety of new aspects.

CSR IN INDIA- In India, CSR is not a novel idea by any means. What is new, however, is the shift in focus away from producing money and toward meeting the difficulties that society faces. It is quite difficult to give a definition of CSR that is universally accepted because there is no definition of corporate social responsibility that is universally accepted. However, it is typically described in terms of a company taking into consideration, managing, and striking a balance between the economic, social, and environmental impacts of its activities. CSR is a measurement that determines how an organization's actions affect the community. It makes a manager responsible for the impacts that his actions have anyplace in the social system and requires that he evaluate the context of his actions within the context of the entire social system.

OBJECTIVE OF THE STUDY- In this paper we have examined the relation between financial performance and corporate social responsibility (CSR). And compare the dependency of corporate social expenditure on financial performance.

HYPOTHESIS- H1-CSE and FP (Financial Performance) is an independent from each other and CSE does not depends upon FP.

RESEARCH DESIGN- The study is descriptive in nature because the study is a comparative analysis of expected with actual expenditure incurred and an attempt has been made to explore the relation between CSR expenditure and financial performance. Top 1000 firms are examined for the financial year 2017-18, which are rated by karmyog (Non- Government Organization), but for the purpose of research only 37 companies were considered and then relationship between their financial performance and expenditure on corporate social responsibility is measured. Data has been analysed by using correlation and regression.

Results and Analysis- According to the findings of a number of studies, there is a positive correlation between a country's financial performance and the amount of money it spends on social programmes. In order to confirm the same, it has been applied to financial performance (FP), which stands for net profit after tax, as well as corporate social expenditure (CSE). When the Pearson correlation is used at the 0.01 level, the correlation coefficient for the same is found to be 0.974, which indicates that Hypothesis-I is not correct.



Table-I Expenditure by Indian Companies on CSR

S. No	Company	Segment	NPAT (Rs in Crore) (2017-18)	CSR Exp (Rs in Crore) 2017-18
1	Aarti Industries	Pharmaceuticals	40.8	0.3
2	ACC Ltd	Cement	1427.3	12.2
3	Andhra Bank	Banking	579.6	7.6
4	Ashapura Minechem	Mining	161.6	5
5	Ballarpur Industries	Paper	303.5	3.7
6	Bongaigaon Refinery & Petrochemicals Ltd (Now Merged with IOC)	Oil and Gas	294.3	1.3
7	Edelweiss Capital	Financial Services	292.6	4.5
8	Gail	Oil and Gas	2761.16	26
9	GMR Infra	Construction	262.6	3.5
10	GTL	Telecommunications	154.15	1.3
11	Gujrat Fluorochemicals	Oil and Gas	349.88	0.6
12	Hindustan Copper	Metal	267.4	1.3
13	HDFC	Financial Services	2369.01	5.4
14	Indian Hotels	Hotels	431.88	1
15	Infosys	Software	4659	20
16	Jain Irrigation	Polymers and Plastic	134.94	4.2
17	Jubilant Organosys	Pharmaceuticals	389.9	5
18	Kansai Nerolac Paints Ltd	Chemicals	117.03	0.5
19	L & T	Heavy Engg	2257.8	26

Table-II CSR and Indian Corporates

S.NO	Companies	Segment	Recommended Expenditure.	Actual Amount Spent (Rs in Crores)	Amount spent in the Area.
1	Aarti Industries	Pharmaceuticals	1.9	0.3	Education, Health Care.
2	ACC Ltd	Cement	19.3	12.2	Community welfare, Health care, Education
3	Andhra Bank	Banking	8.6	7.6	Rural development, Education, Training
4	Ashapura Minechem	Mining	3	5	Education, health care, donations
5	Ballarpur Industries	Paper	2.1	3.7	Community welfare, Livelihood, Education, Health, Environment & Women
6	Bongaigaon Refinery & Petrochemicals Ltd	Oil and Gas	1.8	1.3	Community welfare, Education
7	Edelweiss Capital	Financial Services	2.2	4.5	Children, donations, education.
8	Gail	Oil and Gas	36	26	Environment, Education, Community welfare
9	GMR Infra	Construction	0.4	3.5	Education, Health care, community welfare, Self help groups
10	GTL	Telecommunication	2.8	1.3	Education, Physically Challenged, Children.
11	Gujrat Fluorochemicals	Oil and Gas	1.4	0.6	Community welfare,
12	Hindustan Copper	Metal	3.6	1.3	Education, Livelihood
13	HDFC	Financial Services	16	5.4	Community welfare
14	Indian Hotels	Hotels	3.6	1	Education, Health care, Community welfare
15	Infosys	Software	30	20	Community welfare, poverty eradication
16	Jain Irrigation	Polymers and Plastic	3.2	4.2	Education, Children, community welfare
17	Jubilant Organosys	Pharmaceuticals	4	5	Rural development, community welfare, education, environment
					Community welfare, Environment, Education, Health



The suggested expenditure for 22 Companies is 0.02 percent of the total sales, which comes to 513.9 crores. However, these companies have spent just 318.6 crores for this purpose, which is 61 percent of the recommended expenditure. If we take out one business from the sample, Infosys, the number changes to 30 percent. In addition, the amount of money spent on social programmes is extremely low. There aren't many businesses in India who publish their CSR reports, and the ones that do tend to be more descriptive than they are informative. They also don't include any specific details about the company's contributions to the community.

Conclusion- The findings of the study indicate that there is a positive association between CSR and financial performance, and both the descriptive and inferential measures demonstrate that corporate social expenditure is dependent upon the financial performance of the Company. However, at the same time, we are able to draw the conclusion that the vast majority of the leading Indian firms do not spend any money on any aspect of their social duties. There were 22 corporations who spent less money on social projects than the recommended budget, and there were 11 companies that spent more money than the suggested amount. We are following the descriptive measures for reporting, and just specifying in the report the area where the company is having its projects. However, at the same time, almost all of the Indian companies are not providing detailed information about the money they spend on social projects. Instead, we are following these reporting guidelines. Companies do not reveal any information regarding the specifics of their annual spending, budgets, or social projects. In the long run, the business will come out ahead if it supports and participates in efforts to preserve the environment. Many businesses have come to the conclusion that protecting the natural environment is essential to the long-term success of the enterprise in which they are invested. If every resource is used up and lost, it will be impossible to achieve success in the future. The organisation ought to centre its efforts on finding new and improved ways to improve the manufacturing process of the items, with the goal of reducing air pollution to the greatest extent possible. In addition to this, it should take an active part in the community and fund projects that aim to improve society and help those who are less fortunate.

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