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"Impact of Corporate Social Responsibility on Financial Performance of Selected Housing Finance Companies in India"

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Abstract: This research paper analyses the effect of CSR on financial performance of Housing Finance sector Companies in India. Secondary data was gathered from companies website and its annual report. This study is for a duration of five years i.e. from 2018-19 to 2022-23. The researcher has taken CSR contribution as an independent variable and Net Profit Margin, Return on Asset & Return on Capital Employed were taken as dependent variable. To study the relationship and impact between CSR Contribution & financial performance statistical tools like ANOVA and correlation analysis have been employed. Thus, results show positive relationship between CSR contribution and Return on Capital Employed & Return on Asset and negative relationship between CSR contribution and Net Profit Margin. Further, findings show that CSR contribution has significant impact on Net Profit Margin and Return on Capital Employed whereas CSR contribution has insignificant impact on Return on Asset.

Key Words: CSR contribution, financial performance, Return on Asset, Return on Capital Employed, Net Profit Margin, Housing Finance Companies.

INTRODUCTION

CSR was first implemented as a corporate charity in India. Business has created connections with society by donating to charitable activities, constructing temples and educational facilities along with providing relief during emergencies like famine or epidemic. The companies consider their responsibilities towards the owners, manager and employees by offering them housing and Medical Services.

In other words, companies earn profit from society and it is their responsibility to give back to the society by investing amount in CSR activities. From 1st April 2014, India was the first country in the world who has made CSR compulsory. Companies in India whose net worth is 500 crore or a turnover is 1000 crore or net profit is 5 crores has to spend minimum 2 % of average net profit of the last 3 years on CSR activities of schedule VII of Companies Act 2013.

LITERATURE REVIEW

Kesari and Rawat (2023) has tries to investigate how CSR affects financial performance of top 15 selected companies from NSE. The time period for a study was five years. During this study researcher has taken PBT, EBIT, ROA, ROI and ROE as dependent variable & CSR spending as independent variable. Regression analysis and Correlation was used in the research. Thus, findings shows that low significant relationship between CSR and PBT, EBIT, ROA, ROI and ROE.

Alessandri and Cyganska (2021) try to assess CSR and financial performance among 219 energy sector companies of the world. Descriptive statistics, correlation and regression analysis has been utilized to test the objectives. ROA, EBIT, ROE, EBITDA per share measure financial performance. Thus, outcomes shows that CSR has favourable impact on ROA and EBIT whereas CSR has unfavourable impact on ROE and EBITDA per share.

Pal and Dutta (2021) try to analyse CSR and financial performance of top 10 leading Indian companies. This study has been undertaken for a period of 4 years from 2014 to 2017. Here, CSR was considered as an independent variable whereas Sales growth and profitability as dependent variable. To test the hypothesis statistical tools panel regression model was used. Thus, finding show that CSR has favourable impact on Sale growth and profitability of the companies.

Sharma and Kumar (2020) try to know the impact of Corporate Social Responsibility on financial performance of top five IT companies for a time period of 4 years i.e. from 2014-15 to 2017-18. CSR was considered as an independent variable whereas Net Profit as dependent variable. To study the relationship and impact among CSR and financial performance of the selected companies statistical tools of correlation and regression analysis was performed by the researcher. Thus, CSR has significant impact on Net Profit of the companies.

Kaur and Kathuria (2019) examine CSR with financial performance of top 137 companies in India. Time period for study is 10 years i.e. from 2008-2017. In this research CSR was taken as independent variable while Net Profit Margin, Return on Asset and Return on Equity was taken as dependent variable. Regression analysis has been used to study the objective. Thus, result reveals that there is a positive effect between CSR and ROA and NPM. Further findings also show that there is a negative effect between CSR and ROE.

SCOPE OF THE STUDY

The present study is about the relationship and impact between CSR and financial performance of selected top four Indian Housing Finance Companies. The companies are selected from BSE on the basis of profitability.

RESEARCH METHODOLOGY

Research Objectives

1) To know the relationship between CSR contribution and financial performance of Indian Housing Finance Companies.
2) To know the impact of CSR contribution on financial performance of Indian Housing Finance Companies.

Research Hypothesis

Null Hypothesis:

1) Ho: There is no significant impact between CSR contribution and Net Profit Margin.
2) Ho: There is no significant impact between CSR contribution and Return on Capital Employed.
3) Ho: There is no significant impact between CSR contribution and Return on Assets.

Alternative Hypothesis:

1) H1: There is significant impact between CSR contribution and Net Profit Margin.
2) H1: There is significant impact between CSR contribution and Return on Capital Employed.
3) H1: There is significant impact between CSR contribution and Return on Assets.

Research Design

Research Design shows the way in which research takes place. Descriptive and Causal research design are taken for the study.

Sample size

Convenience sampling method is used to select the companies for the study. To study the impact of CSR on financial performance, top four Housing Finance Companies which are selected from BSE on the basis of profitability. They are

1) LIC Housing Finance Ltd. (LIC)
2) Indiabulls Housing Finance Ltd.
3) Housing and Urban Development Corporation Ltd. (HUDCO)
4) PNB Housing Finance Ltd.

Data Collection

Data are collected on the basis of secondary sources from annual report and official companies website for a time period of 5 years that is from 2018-19 to 2022-23.

Variables under the study

The following are variables used for the study:

- **Independent Variable** - CSR contribution
- **Dependent Variable** - Net Profit Margin, Return on Capital Employed and Return on Assets

Tools and Techniques

Correlation and ANOVA are used to test the hypothesis.

LIMITATIONS OF THE STUDY

Limitations for the study are as follows:

1) This study is undertaken only for top four Housing Finance Companies in India that are selected from BSE on the basis of profitability.
2) This study is undertaken only for 5 years i. e. from 2018-19 to 2022-23.
3) Only secondary data has been used for the study.
4) Net Profit Margin, Return on Capital Employed & Return on Asset are financial parameters only used for the study.

DATA ANALYSIS AND INTERPRETATION

Table 1.1 Correlation matrix and financial performance ratio

Particulars	CSR Contribution	NPM	ROCE	ROA
CSR Contribution	1			
NPM	-0.0338	1		
ROCE	0.3462	-0.3733	1	
ROA	0.2064	0.9012	-0.1786	1

Table 1.1 shows that CSR contribution of selected Housing Finance Companies in India is positively correlated with ROCE and ROA whereas negatively correlated with NPM. The value of correlation coefficient of CSR contribution and financial ratio is -0.0338, 0.3462 and 0.2064 for NPM, ROCE and ROA respectively for five years i.e. from 2018-19 to 2022-23. Thus, CSR Contribution is moderately correlated with ROCE and ROA and negatively correlated with NPM.

Table 1.2 ANOVA for CSR and NPM

Anova:Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
CSR Contribution	20	707.65	35.3825	656.9679
Net Profit Margin	20	315.08	15.754	30.8490

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3852.7801	1	3852.78	11.2029	0.0019	4.0982
Within Groups	13068.5209	38	343.9084			
Total	16921.3010	39				

Here, 5% level of significance is undertaken for the study. From the above table,1 and 38 degree of freedom F Cal is 11.2029 > F tab 4.0982.

Here p value is 0.0019 that is less than α value that is 0.05, so Null Hypothesis (H0) is rejected. Thus, there is significant impact between CSR contribution and Net Profit Margin of selected Indian Housing Finance Companies.

Table 1.3 ANOVA for CSR and ROCE

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
CSR Contribution	20	707.65	35.3825	656.9679
Return on Capital Employed	20	339.42	16.971	205.3583

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3389.8333	1	3389.833	7.8621	0.0080	4.0982
Within Groups	16384.1978	38	431.1631			
Total	19774.0311	39				

Here, 5% level of significance is considered for the study. From the above, table 1 and 38 degree of freedom F Cal is 7.8621> F tab 4.0982.

Here p value is 0.0080 that is less than α value that is 0.05, so Null Hypothesis (H0) is rejected. Thus, there is significant impact between CSR Contribution and Return on Capital Employed of chosen Housing Finance Companies in India.

Table 1.4 ANOVA for CSR and ROA

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
CSR Contribution	20	707.65	35.3825	656.9679
Return on Asset	20	30.64	1.532	0.364048

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	11458.56	1	11458.56	34.86386	7.69598	4.098172
Within Groups	12489.31	38	328.666			
Total	23947.87	39				

Researchers have taken 5% level of significance. From the above table ,1 and 38 degree of freedom F Cal is 34.86386> F tab 4.098172.

Here p value is 7.69598 which is higher than α value that is 0.05, so Null Hypothesis (H0) is accepted. Thus, there is no significant difference between CSR contribution and Return on Assets of selected Housing Finance Companies in India.

RECOMMENDATIONS AND SUGGESTIONS

Researcher has conducted research only for four Housing Finance sector companies that are listed on BSE. Further research can be conducted on so many different industrial sectors. Here, companies were selected on the base of profitability, one can select the companies through Turnover, Market Capitalisation etc. Here research is conducted only for 5 years, further one can do in depth analysis by expanding the time span. Here, financial performance is measured by NPM, ROCE & ROA whereas further one can conduct research by considering EPS, market value per share, ROE etc to derive different results. One can also take non-financial parameters for conducting further research.

CONCLUSION

The above studies conclude that CSR contribution has a significant impact on financial performance i. e. Net Profit Margin and Return on Capital Employed whereas CSR contribution has insignificant impact on Return on Asset. Thus, there is a positive relationship between CSR contribution and Return on Capital Employed & Return on Asset whereas CSR contribution has negative relationship with Net Profit Margin.

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