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Impact of Corporate Social Responsibility on Financial Performance: A Comprehensive Analysis of Indian Firms

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Abstract

This research paper presents a comprehensive analysis of the impact of corporate social responsibility (CSR) on the financial performance of Indian firms. The study examines the integration of social and environmental concerns in firms' business operations. It explores the effectiveness of the New Companies Act 2013 amendment regarding CSR. The primary objective is to determine the level of CSR disclosure and investigate the association between CSR and financial performance (FP) among India's top 15 CSR spending firms. The study utilizes data collected from annual reports of listed companies in the National Stock Exchange (NSE), Annual CSR reports, and the website www.CSRbox.in. Secondary data analysis uses SPSS, employing linear regression and correlation analysis techniques. The findings reveal a significant and very low positive relationship between CSR and key financial indicators, including return on assets (ROA), return on equity (ROE), and profit before tax (PBT), when controlling for firm size. Therefore, it can be concluded that there exists a significant low positive relationship between CSR and financial performance. The implications of this study are relevant for academicians and the corporate world, providing insights into the relationship between CSR and financial performance in developing countries like India. Furthermore, the study highlights that CSR represents the efforts of companies in India to address societal issues, going beyond mere legal compliance. The data is used to analyse solvency and profitability indicators such as PBT, ROI, ROE, ROA, and liquid ratio.

Keywords: Corporate social responsibility, PBT, EBIT, ROI, ROE, ROA, LR, Financial performance

1. Introduction

In recent years, there has been a growing awareness of environmental and social issues as a result of rapid industrialization and globalization. Consequently, businesses increasingly recognise the need to invest in corporate social responsibility (CSR) to gain a competitive edge in the market. CSR, also known as corporate conscience or citizenship, involves a company's commitment to self-regulation and integrating responsible business practices into its operations (Dakhli, 2021). CSR encompasses a range of activities to ensure that a company's actions positively impact the environment and its stakeholders (Al-Shammari et al., 2022). This includes evaluating the company's economic, social, and environmental policies and making necessary efforts to improve their impact according to stakeholder requirements. By actively monitoring and addressing these aspects, businesses aim to contribute to sustainable development and fulfill their responsibilities towards society (Beck et al., 2018).

Numerous studies have investigated the relationship between CSR and corporate financial performance. However, these studies have yielded varying conclusions, leaving researchers with differing perspectives on the impact of CSR on a firm's financial position (Fahad & Busru, 2020). Some studies have shown a positive correlation between CSR activities and financial performance, while others have found no significant relationship or adverse effects. The changing role of companies in the social context, driven by globalization and pressing ecological concerns, has influenced their approach to CSR. Stakeholders, including investors, customers, managers, regulators, NGOs, governments, and society, increasingly demand transparent disclosure of CSR information. This demand for transparency is essential for companies to maintain their CSR reports and remain relevant in the business world (Kalaitzoglou et al., 2021). Considering the importance of understanding the relationship between CSR and financial performance, this study aims to contribute to the existing body of knowledge. Specifically, the study seeks to answer three research questions: Why do companies engage in CSR? How do companies apply CSR? And what is the correlation between the use of CSR and financial performance?

By addressing these research questions, the study aims to provide a deeper understanding of the motivations behind CSR engagement, the implementation strategies employed by companies, and the impact of CSR on a firm's financial performance (Deb et al., 2022). The findings of this study can offer valuable insights to businesses, policymakers, and other stakeholders interested in integrating CSR into business practices, ultimately contributing to the advancement of sustainable and responsible business conduct (Goel & Misra, 2017).

This study aims to investigate the relationship between corporate social responsibility (CSR) and financial performance through three research questions. It will explore the motives driving companies to engage in CSR activities and examine the strategies employed for CSR implementation. Additionally, the study will analyze the correlation between CSR practices and a firm's financial performance. By comprehensively analyzing these aspects, this research seeks to provide valuable insights for businesses, policymakers, and stakeholders seeking to incorporate CSR into their operations. The subsequent sections will cover the theoretical framework, research methodology, data analysis, and findings, culminating in a thorough discussion and conclusion.

2. Literature Review

Corporate Social Responsibility (CSR) has garnered significant attention as a strategic business practice in recent years. Various studies have explored the relationship between CSR and firm performance, particularly financial performance, leading to mixed empirical evidence (Rhou et al., 2016). Definitions of CSR vary among researchers, highlighting its focus on aligning policies and decisions with societal norms, values, and expectations. Partalidou et al. (2020) describe CSR as raising enterprise behavior to a level consistent with prevailing social norms, while Waworuntu et al. (2014) emphasize fulfilling ethical and philanthropic expectations of society. These diverse definitions reflect the multidimensional nature of CSR and its intersection with stakeholder interests. The environmental dimension of CSR signifies how firms employ good management practices to mitigate environmental risks and create long-term shareholder value (Dakhli, 2022). Nyeadi et al. (2018) highlight the significant positive impact of CSR and financial performance, which is primarily influenced by the governance index. The governance index is the only component of CSR that exhibits a significant positive effect on corporate financial performance. The correlation matrix reveals that institutional investors have a statistically significant correlation with Return on Assets (ROA) but an insignificant correlation with CSR (Maqbool & Zamir, 2021). Additionally, there is a weak but positive correlation between mandatory CSR reporting and Tobin's q (Oware & Mallikarjunappa, 2022). CSR initiatives have a negative impact on the book leverage ratio, while socially responsible companies enjoy a lower cost of equity, better access to financial markets, insurance protections, and increased attractiveness to investors (Ben Saad & Belkacem, 2022).

Furthermore, research suggests that the impact of CSR initiatives on non-financial performance is stronger than on financial performance (Oduro et al., 2022). It is important to note that proactive CSR initiatives require significant investment, and their outcomes may only be observed in the long term. The stakeholder theory suggests a time lag between environmental performance and financial performance (Hamdoun et al., 2022). The relationship between CSR and financial performance has been a central theme in CSR research. Sinha et al. (2018) conducted a study on multinational companies and found a positive relationship between CSR expenditure and financial performance. Similar findings were reported by Ekatah et al. (2011) in their analysis of Royal Dutch Shell Plc in the UK, and by Basuony et al. (2014) when examining CSR activities of multinational companies in MENA countries. Sayekti (2015) discovered that socially responsible business performance contributed to the efficiency of Croatian enterprises. The influence of CSR on organizational performance has also been investigated in research. Mahrani and Soewarno (2018) found a positive relationship between CSR and organizational performance. Kim et al. (2018) analyzed Chinese companies and identified a negative relationship between corporate social performance and financial performance, influenced by factors such as ownership structure and governance.

Studies specific to India have explored the relationship between CSR and financial performance. Kapoor and Sandhu (2010) examined Indian companies and identified a statistically significant relationship between CSR and financial performance, suggesting financial benefits for companies investing in CSR. Despite extensive research on CSR, inconsistent results have been reported. Critics argue that companies should focus solely on profit maximization, leaving social issues to be addressed by the government (Sharma et al., 2023). These contrasting perspectives contribute to the ongoing debate regarding the impact of CSR on firm performance.

The literature review demonstrates that CSR is a complex concept with varied definitions and impacts on firm performance. While some studies suggest a positive relationship between CSR and financial performance, others have found mixed or negative associations. The context, industry, and specific dimensions of CSR considered in each study can contribute to these divergent findings (Alam & Tariq, 2022). Understanding the relationship between CSR and firm performance necessitates further exploration, considering the specificities of different regions, industries, and stakeholder expectations. Future research should focus on developing comprehensive frameworks to assess the multidimensional impact of CSR on various aspects of firm performance.

3. Hypothesis Development

This study aims to contribute to the discussion on the relationship between CSR performance and financial performance, specifically focusing on the impact of CSR factors on accounting and market financial performance. The study aims to provide valuable insights for managers, stakeholders, and future research (Ray & Mitra, 2018). As the increase in CSR initiatives indicates that managers believe in its value, this study seeks to investigate the effects of CSR on financial performance to provide managers with information that can be used in formulating business strategies. While numerous studies have been conducted on CSR and financial performance, this study stands out by examining the most recent years (2017-2021). The financial performance indicators used in this study include Profit Before Tax (PBT), Earnings Before Interest and Taxes (EBIT), Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), and Liquid Ratio. The aim is to test the relationship between these financial measures and CSR, which may imply negative, positive, or neutral associations (Kaur & Dave, 2020). Based on the literature review findings, which predominantly report a positive association between CSR and financial performance, hypothesis proposes a positive and negative relationship between CSR and these financial performance indicators (Laskar & Maji, 2016).

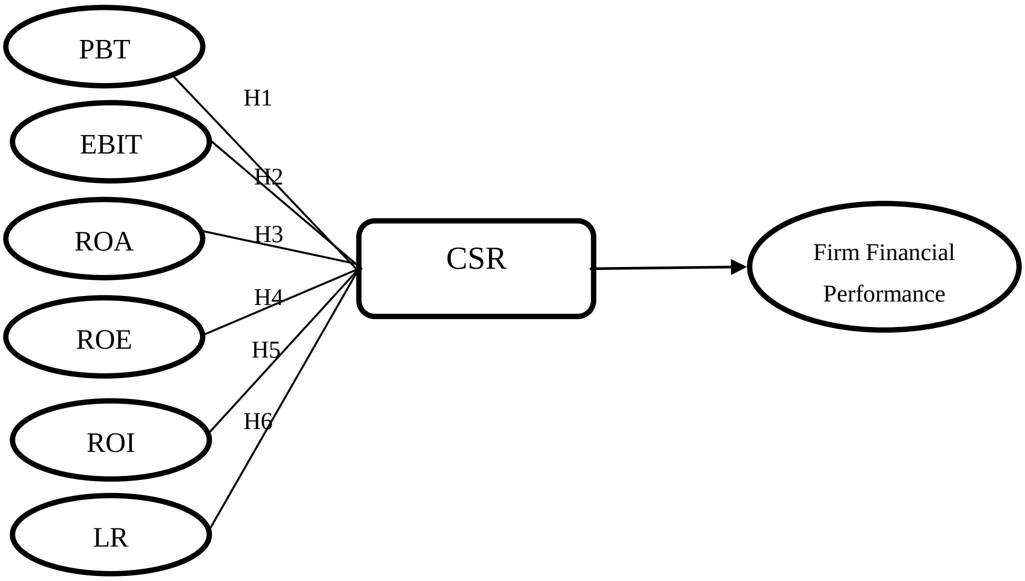

Figure 1. Theoretical model impact of financial performance indicators on CSR

The literature review highlights the standard financial measures used to calculate financial performance, such as PBT, EBIT, ROA, ROE, ROI, and the liquid ratio. The hypothesis of the study is as follows:

H1: The level of Corporate Social Responsibility (CSR) engagement is positively associated with Profit before Tax (PBT) in companies.

H2: Corporate Social Responsibility (CSR) initiatives have a positive impact on Earnings before Interest and Tax (EBIT) in companies.

H3: The level of Corporate Social Responsibility (CSR) involvement is positively related to Return on Assets (ROA) in companies.

H4: Corporate Social Responsibility (CSR) practices are positively associated with Return on Equity (ROE) in firms.

H5: There is a positive relationship between Corporate Social Responsibility (CSR) and Return on Investment (ROI) in organizations.

H6: There is a positive relationship between Corporate Social Responsibility (CSR) and Liquid Ratio (LR) in firms.

H0: There is a negative relationship between corporate social responsibility and financial performance indicators (PBT, EBIT, ROA, ROE, ROI and LR,).

To conduct this study, the researchers utilized the annual CSR reports of the top 15 CSR spending companies over a period of 5 years. These companies include Tata Chemicals, Tata Steel, Tata Power, Shree Cement, Reliance Industries Limited, HDFC Bank Ltd, ITC, ONGC, NTPC Limited, Ambuja Cement, Mahindra, HDFC Ltd, IOCL, SBI, Infosys Limited.

4. Data Analysis and Interpretation

Data analysis for this study involved examining the relationship between CSR spending and financial performance indicators for the selected 15 companies. The analysis utilized correlation analysis and regression modeling to assess this relationship's strength, direction, and significance. Correlation analysis was conducted to determine the degree of relationship between CSR spending and the financial variables (PBT, EBIT, ROA, ROI, ROE, and LR) for the years 2017-2021. The results of the correlation analysis provided insights into the extent to which CSR spending and financial performance were associated with each other. Regression modeling was employed to further analyze the significance of CSR spending on the financial performance indicators. The regression model allowed for a more comprehensive understanding of the impact of CSR spending on financial performance, considering the interplay between the independent variable (CSR spending) and the dependent variables (PBT, EBIT, ROA, ROI, ROE, and LR). By running the regression analysis, the researchers could assess the statistical significance and directionality of the relationship between CSR spending and financial performance. The independent variable in this study was Corporate Social Responsibility (CSR) spending.

In contrast, the dependent variables were the financial performance indicators, namely Profit Before Tax (PBT), Earnings Before Interest and Taxes (EBIT), Liquid Ratio (LR), Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). The study aimed to determine whether there was a significant relationship between CSR spending and these financial performance indicators. A confidence level of 95% was used in the study, indicating a high confidence level in the obtained results (Oware & Mallikarjunappa, 2023). This confidence level suggests a strong probability that the observed relationships between CSR spending and financial performance indicators are not due to chance but rather reflect a genuine association (Shahzad & Sharfman, 2017).

Table 1. Correlation matrix

	CSR	PBT	EBIT	ROA	ROE	ROI	LR
CSR	1	.215	.116	.360	.292	.316	.042
PBT	.215	1	.506**	.451**	.619**	.570**	.437**
EBIT	.116	.506**	1	-.047	.125	.498**	.516**
ROA	.360	.451**	-.047	1	.901**	.271*	.431**
ROE	.292	.619**	.125	.901**	1	.288*	.485**
ROI	.316	.570**	.498**	.271*	.288*	1	.608**
LR	.042	.437**	.516**	.431**	.485**	.608**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Based on the results shown in Table 1, the correlation coefficients (r) between CSR and the various financial performance indicators were calculated for the selected 15 companies over a

5-year period. The results indicate the strength and direction of the relationship between CSR and each financial performance indicator. The Pearson correlation coefficient between CSR and Profit Before Tax (PBT) is 0.215, indicating a very low correlation or negligible correlation between them. Similarly, the correlation coefficient between CSR and Earnings Before Interest and Taxes (EBIT) is 0.116, also indicating a very low correlation. On the other hand, the correlation coefficient between CSR and Return on Assets (ROA) is 0.360, suggesting a positive correlation between ROA and CSR. This positive correlation implies a significant association between CSR and ROA. The correlation coefficient between CSR and Return on Equity (ROE) is 0.292, indicating a significant association between them. Additionally, the correlation coefficient between CSR and Return on Investment (ROI) is 0.316, showing a positive correlation between CSR and ROI. Regarding the correlation between CSR and Liquid Ratio (LR), the coefficient is 0.042, indicating a very weak positive correlation between CSR and LR. Overall, the results suggest that there is a positive association between CSR and financial performance indicators such as ROA, ROE, and ROI. However, the correlations with PBT, EBIT, and LR are weak or negligible. Furthermore, the analysis reveals that CSR does not moderate the influence of liquidity on firm value, but it does strengthen the influence of profitability on firm value. The statistical significance of these relationships is indicated by a p-value of ≤ 0.01, suggesting that the observed relationships are unlikely to be due to chance.

Based on these findings, the hypothesis (H1) stating a positive relationship between CSR and financial performance indicators can be accepted.

4.1 Impact of CSR on Dependent Variables

Table 2. Impact of PBT on CSR

PBT= $\alpha + \beta$ CSR

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.606	2.880		5.072	.000
	CSR	.016	.008	.215	1.879	.000

The regression analysis provides insights into the relationship between CSR and PBT (Profit Before Tax). The constant term, representing the expected PBT when all independent variables are zero, has an unstandardized coefficient of 14.606 (SE = 2.880). However, the standardized coefficient for the constant term was not reported. Regarding the independent variable, CSR, it has an unstandardized coefficient of 0.016 (SE = 0.008) and a standardized coefficient (Beta) of 0.215. This suggests that for every one-unit increase in CSR, there is a corresponding increase of 0.016 in PBT. The standardized coefficient of 0.215 indicates the strength and direction of the relationship between CSR and PBT, showing a moderate positive association. The t-value for CSR is 1.879, and the associated p-value is 0.000, indicating that the relationship between CSR and PBT is statistically significant. This suggests that the observed relationship is unlikely to have occurred by chance.

In summary, the regression results demonstrate a statistically significant positive relationship between CSR and PBT. This implies that companies with higher CSR performance tend to have higher PBT, indicating the potential financial benefits associated with implementing CSR initiatives.

Table 3. Impact of CSR on EBIT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	26.125	3.520		7.422	.000
	CSR	.010	.010	.116	1.001	.320

In Table 3, the coefficients of the regression model are presented. The unstandardized coefficients (B) and standard errors are provided for the constant term and the independent variable CSR (Corporate Social Responsibility). Additionally, the standardized coefficients (Beta), t-values, and significance levels are reported. For the constant term, the unstandardized coefficient is 26.125 with a standard error of 3.520. This indicates that when all independent variables are zero, the predicted value of the dependent variable (EBIT) would be 26.125. The t-value associated with the constant term is 7.422, and the p-value is reported as 0.000, indicating that the constant term is statistically significant. For the independent variable CSR, the unstandardized coefficient is 0.010 with a standard error of 0.010. The standardized coefficient (Beta) for CSR is 0.116. This suggests that for a one-unit increase in CSR, the predicted value of EBIT would increase by 0.116 units. The t-value for CSR is 1.001, and the corresponding p-value is reported as 0.320. The p-value above the conventional threshold of 0.05 indicates that the relationship between CSR and EBIT is not statistically significant.

Based on these results, it can be concluded that the constant term has a significant impact on the dependent variable EBIT, while the independent variable CSR does not have a statistically significant relationship with EBIT in this model.

Table 4. Impact of CSR on ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.043	1.379		5.834	.000
	CSR	.002	.004	.046	.390	.698

The regression model results, as shown in Table 4, reveal important insights about the relationship between Corporate Social Responsibility (CSR) and Return on Assets (ROA). The constant term in the model has a statistically significant impact on the dependent variable ROA, indicating that factors other than CSR contribute significantly to the variation in ROA. However, the independent variable CSR does not demonstrate a statistically significant relationship with ROA. The constant term, with a coefficient of 8.043, suggests that when all other variables are held constant, there is an expected baseline value of 8.043 for ROA. The t-value of 5.834 and a p-value of 0.000 confirm the statistical significance of the constant term. In contrast, the coefficient for CSR is 0.002, indicating that for a one-unit increase in CSR, the predicted change in ROA is 0.002. However, the t-value of 0.390 and a p-value of 0.698 suggest that the relationship between CSR and ROA is not statistically significant. Therefore, the results indicate that CSR does not have a meaningful impact on the return on assets in the analyzed context, while the constant term significantly affects ROA, the inclusion of CSR as an independent variable does not contribute to a statistically significant relationship with ROA.

Table 5. Impact of CSR on ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.361	.439		7.662	.000
	CSR	.000	.001	-.036	-.311	.757

In Table 5, the regression model coefficients are presented, focusing on the relationship between Corporate Social Responsibility (CSR) and Return on Equity (ROE). The model includes a constant term and the independent variable CSR. The constant term has a coefficient of 11.195, indicating that when all other independent variables are zero, the predicted value of ROE is 11.195. The associated t-value of 6.794 and a p-value of 0.000 suggest that the constant term is statistically significant, indicating its impact on ROE. For the independent variable CSR, the coefficient is 0.004 with a standard error of 0.005. The standardized coefficient (Beta) for CSR is 0.092, suggesting that for a one-unit increase in CSR, the predicted value of ROE is expected to increase by 0.092 units. However, it's important to note that the t-value for CSR is 0.788, and the corresponding p-value is 0.433, indicating a lack of statistical significance. Considering these results, it can be concluded that the model, including the constant term and the independent variable CSR, has limited explanatory power for the dependent variable ROE. The non-significant relationship between CSR and ROE, as indicated by the p-value above the conventional threshold of 0.05, suggests that CSR does not have a significant influence on the return on equity in this analysis. Therefore, the impact of CSR on ROE may be influenced by other factors not captured in the model.

Table 6. Impact of CSR on ROI

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.361	.439		7.662	.000
	CSR	.000	.001	-.036	-.311	.757

In Table 6, the regression model coefficients are presented, focusing on the relationship between Corporate Social Responsibility (CSR) and Return on Investment (ROI). The model includes a constant term and the independent variable CSR. The constant term has a coefficient of 3.361, indicating that when all other independent variables are zero, the predicted value of ROI is 3.361. The associated t-value of 7.662 and a p-value of 0.000 indicate that the constant term is statistically significant, suggesting it has a meaningful impact on ROI. On the other hand, the coefficient for CSR is 0.000 with a standard error of 0.001. The standardized coefficient (Beta) for CSR is -0.036. This implies that for a one-unit increase in CSR, the predicted value of ROI is expected to decrease by 0.036 units. However, it's important to note that the t-value for CSR is -0.311, and the corresponding p-value is 0.757, indicating no statistical significance. In conclusion, the constant term significantly influences ROI, indicating the presence of other factors apart from CSR that affect ROI. The inclusion of CSR as an independent variable does not show a statistically significant relationship with ROI. Therefore, based on these results, it can be inferred that CSR does not have a meaningful impact on the return on investment in the analyzed context.

Table 7. Impact of CSR on LR

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.424	.237		5.997	.000
	CSR	.000	.001	.042	.358	.722

The results presented in Table 7 indicate that the constant term in the regression model significantly affects the dependent variable, Liquid Ratio (LR). This means that when all other independent variables are held constant, the predicted value of LR is 1.424. The statistical significance of the constant term, as evidenced by the t-value of 5.997 and p-value of 0.000, confirms its substantial impact on LR. However, when examining the independent variable CSR, the analysis reveals a non-significant relationship with LR. The unstandardized coefficient of 0.000 suggests that for every unit increase in CSR, the predicted value of LR would only increase by 0.000 units. The standardized coefficient (Beta) of 0.042 further supports this finding, indicating a minimal positive association between CSR and LR. It is important to note that the statistical significance of this relationship is lacking. With a t-value of 0.358 and a corresponding p-value of 0.722, which exceeds the conventional threshold of 0.05, the results do not provide evidence of a statistically significant relationship between

CSR and LR. Consequently, it can be inferred that CSR has limited explanatory power in influencing the liquid ratio of firms in the analyzed context. The overall findings, characterized by a low R-square value and a non-significant relationship between CSR and LR, suggest that factors beyond CSR might play a more substantial role in determining the liquid ratio of companies (Salehi et al., 2018).

5. Discussion

The present study employed regression analysis to explore the relationship between corporate social responsibility (CSR) and various financial performance measures. The findings offer valuable insights into the impact of CSR on these measures. Firstly, the results indicate a significant positive correlation between CSR and profit before tax (PBT). The coefficient of 0.016 suggests that a unit increase in CSR is associated with a 0.016 unit increase in PBT, demonstrating the favorable influence of CSR on profitability. In contrast, the analysis reveals no statistically significant association between CSR and earnings before interest and tax (EBIT). The coefficient of 0.010, coupled with a p-value exceeding the conventional threshold, suggests that CSR does not have a significant impact on EBIT. This finding implies that other factors may play a more substantial role in determining EBIT. Similar non-significant relationships are observed between CSR and return on assets (ROA) and return on investment (ROI). The coefficients of 0.002 and 0.000, respectively, coupled with p-values above the significance level, indicate that CSR does not exert a statistically significant influence on these financial performance metrics. This implies that factors beyond CSR may contribute more significantly to ROA and ROI. Furthermore, the study identifies no statistically significant correlation between CSR and return on equity (ROE), as measured by the ROE metric. The coefficient of 0.004, along with a p-value exceeding the threshold, suggests that CSR does not significantly affect ROE. Thus, the study indicates that other factors may have a more prominent impact on ROE than CSR. Lastly, the analysis reveals no statistically significant relationship between CSR and the liquidity ratio (LR). The coefficient of 0.000, combined with a p-value above the threshold, indicates that CSR does not have a significant influence on LR. This finding suggests that factors other than CSR may be more influential in determining a firm's liquidity.

Overall, the findings highlight the nuanced nature of the relationship between CSR and financial performance metrics. While CSR demonstrates a positive impact on PBT, its influence on other metrics such as EBIT, ROA, ROI, ROE, and LR is not statistically significant. These results suggest that additional factors beyond CSR should be considered when examining financial performance. Further research is needed to explore these factors and their intricate interplay with CSR in order to gain a comprehensive understanding of their combined effects on financial performance.

6. Implications

6.1 Practical Implications

Companies should view CSR as a strategic decision and invest in CSR initiatives to enhance financial performance, reputation, and competitive advantage (Velte, 2022). Resource allocation should be aligned with organizational values and stakeholder expectations, focusing on areas that have the greatest potential for positive impact. Involvement of all levels of management is crucial for the effective implementation of CSR initiatives, ensuring integration into overall organizational strategy and decision-making processes. Managers should foster a culture of social responsibility, actively engage employees, and encourage their participation in CSR-related activities (Ang et al., 2022)

6.2 Theoretical Implications

The study contributes to the understanding of the CSR-performance relationship, particularly in the Indian context, providing empirical evidence of its positive impact on financial indicators. Future research can expand on these findings by exploring additional variables, sectors, and countries to further advance theoretical knowledge in the field. Longitudinal studies can provide insights into the long-term effects and sustainability of CSR initiatives on financial performance. Comparative studies across industries and countries can uncover contextual factors and variations in the outcomes of CSR initiatives, enhancing our understanding of the complex nature of the CSR-performance relationship (Ghanbarpour & Gustafsson, 2022).

Overall, these implications suggest that companies should strategically invest in CSR initiatives and involve all levels of management to maximize the benefits. Future research can continue to explore and refine our understanding of CSR's impact on financial performance in different contexts.

7. Conclusion

In conclusion, this study investigated the association between corporate social responsibility (CSR) and financial performance indicators of Indian firms from 2017 to 2021. The findings indicate a positive impact of CSR on the financial performance of Indian firms. The financial performance indicators, including profit before tax (PBT), earnings before interest and taxes (EBIT), return on assets (ROA), return on equity (ROE), return on investment (ROI), and liquidity ratio (LR), demonstrate a significant relationship with each other. Among the fifteen selected companies, Reliance Industries Limited stood out for its strong focus on CSR activities from 2017 to 2021. It is worth noting that higher profits enable companies to invest more in CSR practices, and vice versa. Moreover, all the selected companies met the minimum requirement of contributing at least 2% of their profits to CSR activities, as mandated by the New Companies Act of 2013. Investing significantly in CSR not only enhances a company's brand image and goodwill but also contributes to its long-term sustainability and competitive advantage in the market. On the other hand, every company has a crucial role to play in carrying out operations that benefit society, manage the economy, and promote sustainable development.

Overall, this study provides valuable insights into the relationship between CSR and financial performance in the Indian context, highlighting the importance of incorporating responsible business practices for both societal and economic benefits.

8. Limitation and Future Scope

This study is subject to certain limitations. Firstly, relying on secondary data introduces potential inaccuracies and biases. The small sample size of 15 Indian companies may not adequately represent the entire corporate landscape, limiting the generalizability of the findings. Additionally, the selected financial performance indicators may not capture the full scope of CSR practices, potentially overlooking other relevant variables. Despite these limitations, this study provides avenues for future research. Exploring customer interest and demand for CSR can provide insights beyond financial performance. Investigating the role of regulatory bodies in enforcing CSR funding and studying management engagement in CSR practices would enhance our understanding of implementation approaches. Incorporating non-financial variables, such as customer satisfaction, would provide a more comprehensive evaluation of CSR. Future research should consider primary data collection, larger samples, diverse variables, and customer perspectives to deepen our understanding of CSR's impact on financial performance and sustainable business practices.

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Glossary

PBT =Profit before tax

LR=Liquid ratio

EBIT=Earnings before interest and tax

ROI= Return on interest

ROE=Return on equity

ROA=Return on assets

SEBI= Stock exchange board of India

CSR=Corporate social responsibility

CFP=Corporate financial performance

α = regression coefficient

β = slope of a line

Appendix 1.

s.no	YEAR	Company name	CSR
1	2017	TATACHEMI	15
2	2018	TATACHEMI	14.28
3	2019	TATACHEMI	25.68
4	2020	TATACHEMI	37.81
5	2021	TATACHEMI	20.92
6	2017	TATASTEEL	193.61
7	2018	TATASTEEL	231.6
8	2019	TATASTEEL	314.94
9	2020	TATASTEEL	192.99
10	2021	TATASTEEL	221.9
11	2017	TATAPOWER	22.7
12	2018	TATAPOWER	15.24
13	2019	TATAPOWER	12.66
14	2020	TATAPOWER	3.8

15	2021	TATAPOWER	3.4
16	2017	SHRCEMENT	19.29
17	2018	SHRCEMENT	27.81
18	2019	SHRCEMENT	31.32
19	2020	SHRCEMENT	40.47
20	2021	SHRCEMENT	45.73
21	2017	RIL	659.2
22	2018	RIL	745.04
23	2019	RIL	849.3
24	2020	RIL	908.71
25	2021	RIL	922
26	2017	HDFC	305.42
27	2018	HDFC	374.5
28	2019	HDFC	443.7

Appendix 2.

28	2019	HDFC	443.7
29	2020	HDFC	535.3
30	2021	HDFC	634.9
31	2017	ABJCEMENT	58.7
32	2018	ABJCEMENT	53.4
33	2019	ABJCEMENT	62.5
34	2020	ABJCEMENT	53.9
35	2021	ABJCEMENT	64.41
36	2017	ITC	275.9
37	2018	ITC	290.9
38	2019	ITC	306.9
39	2020	ITC	326.4
40	2021	ITC	365.4
41	2017	ONGC	525.9

42	2018	ONGC	503.4
43	2019	ONGC	614.6
44	2020	ONGC	606.9
45	2021	ONGC	552.9
46	2017	NTPC	277.8
47	2018	NTPC	241.5
48	2019	NTPC	285.4
49	2020	NTPC	304.9
50	2021	NTPC	418.8
51	2017	M&M	83.3
52	2018	M&M	81.9
53	2019	M&M	93.5
54	2020	M&M	126.6
55	2021	M&M	92.7
56	2017	IOCL	213.9
57	2018	IOCL	331.05

Appendix 3.

58	2019	IOCL	490.6
59	2020	IOCL	543.3
60	2021	IOCL	460.3
61	2017	SBI 109.82	
62	2018	SBI 112.9	
63	2019	SBI 6.24	
64	2020	SBI 8.62	
65	2021	SBI 71.18	
66	2017	INFOSYS	289.44
67	2018	INFOSYS	312.6
68	2019	INFOSYS	342.04

69	2020	INFOSYS	359.94
70	2021	INFOSYS	325.32
71	2017	WIPRO	186.3
72	2018	WIPRO	186
73	2019	WIPRO	185.3
74	2020	WIPRO	181.8
75	2021	WIPRO	251.19