STM JOURNALS

E-Commerce for Future & Trends

https://journals.stmjournals.com/ecft/

ISSN: 2454-9347
Volume 11, Issue 2, 2024
May-August
DOI (Journal): 10.37591/ECFT

Review ECFT

A Study on Impact of Profitability on Performance of CSR in Selected Public Sector Units of India

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Abstract

As it is a clear fact that a business is a part of society, it cannot aloof itself from the society, it becomes its moral duty to take a very good care of the different sections of the society. No matter what the circumstances are, a business cannot deny to accept the responsibilities of performing the social responsibilities. Whatever a business is today, it is but obvious that the efforts of different sections of the society play a pivotal role in the establishment and success of it. Businesses have received many resources from the society in the form of finance, human resource, demand, materials, machines etc.; then it becomes the moral duty of a business to return the same to the society in the form of performing the social responsibilities. As the performance of social responsibilities does not benefit in the short run but in the long run also the business gets the advantages of the same. During the pandemic period of Corona, the corporations of the whole world truly realized that it is the market on which we are dependent, if that market survives, then and then only the corporations can find the way of their survival. The thinking of 'The main Business of a Business is doing Business' has become outdated today. It is not only the government companies but the private businesses also have to think about the performance of social responsibilities too and even the same has become compulsory for them in recent years. In this research work, the comparative study of selected PSUs indicates that how different parameters of business do affect the implementation of CSR of the particular business. Although, there are various advantages to perform the CSR and of course the scope of CSR is large too!!

Keywords: Corona pandemic, CSR, moral responsibility, corporations, responsibility, profit

INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has evolved from being merely a moral obligation to becoming an essential component for businesses striving to thrive in intense competition. Companies now derive various advantages such as enhanced financial performance, reduced operational costs, improved brand image, increased sales, and customer loyalty [1]. Factors like product safety, material recyclability, and a greater emphasis on renewable resources further contribute to the significance of CSR. In both the Indian corporate landscape and the global business arena, CSR is no longer considered an innovative notion; rather, it is a crucial element for the development, growth, and survival of businesses in today's competitive environment. During the pandemic period of Corona, the corporations of the whole world truly realized that it is the market on which we are dependent, if that market survives then and then only the corporations can find the way of their survival. Those businesses which previously were not that much serious about performance of CSR before Corona pandemic, are now that much concerned about that because now they have realized the importance of taking care of society. In India and globally, there is a rising recognition that capital markets and corporations are products of

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Received Date: January 15, 2024
Accepted Date: March 02, 2024
Published Date: June 10, 2024

Citation: Jagdish M. Mulchandani. A Study on Impact of Profitability on Performance of CSR in Selected Public Sector Units of India. E-Commerce for Future & Trends. 2024; 11(2): 1–8p.

society and, as such, should not only seek to profit from it but also serve it. For the development of this concept, entrepreneurs must shift their mindset from solely focusing on profit-making. The primary catalysts for Corporate Social Responsibility (CSR) include the diminishing role of government, calls for greater transparency, heightened customer interest, escalating investor expectations, intense competition in labor markets, and improved supplier relationships. In the earlier days, the mantra for businesspeople was 'The business of Business is Business'. According to economists Adam Smith and Milton Friedman, in a capitalist society, maximizing profit through continuous efficiency improvement is the most socially responsible approach to conducting business. Therefore, in today's business landscape, if a company intends to thrive, the adoption of CSR has become indispensable. Although, there are various advantages to performing the CSR and of course the scope of CSR is large too!!

As the business life of any country is closely concerned with society, it is increasingly determining the welfare and happiness of the people of the nation. In addition to this, adequate and proper returns on capital, every business had many types of responsibilities, i.e. to itself, its employees, customers, suppliers, shareholders, and the whole society at large [2].

The approach to implementing Corporate Social Responsibility (CSR) depends on the specific circumstances, requiring a thorough and impartial examination before determining the most effective solution to ensure that businesses genuinely acknowledge and fulfill these responsibilities. CSR is no longer solely about moral obligations; it has evolved into an essential component for businesses to endure intense competition. Companies derive numerous benefits from CSR, including enhanced financial performance, reduced operational costs, improved brand image and reputation, increased sales, customer loyalty, product safety, material recyclability, and an increased emphasis on renewable resources [3]. Those businesses which previously were not that much serious about performance of CSR before Corona pandemic, are now that much concerned about that because now they have realized the importance of taking care of society. In both India and globally, there is an increasing recognition that society is the creator of capital markets and corporations, and consequently, these entities should serve society rather than solely extracting profits from it. To advance this concept, entrepreneurs need to shift their perspective away from exclusively pursuing profit in their business endeavors [4]. Key catalysts for Corporate Social Responsibility (CSR) include the reduced involvement of the government, calls for enhanced transparency, rising customer interest, mounting investor expectations, intense competition in labor markets, and improved relationships with suppliers. In earlier times, the guiding principle for business individuals was encapsulated in the motto 'The primary purpose of Business is to engage in Business'.

In this research work, the impact of financial performance of selected PSUs of India is tested on the amount of social responsibility they perform. CSR-Research Data on the Issue of Corporate Trust is shown in Figures 1 and 2.

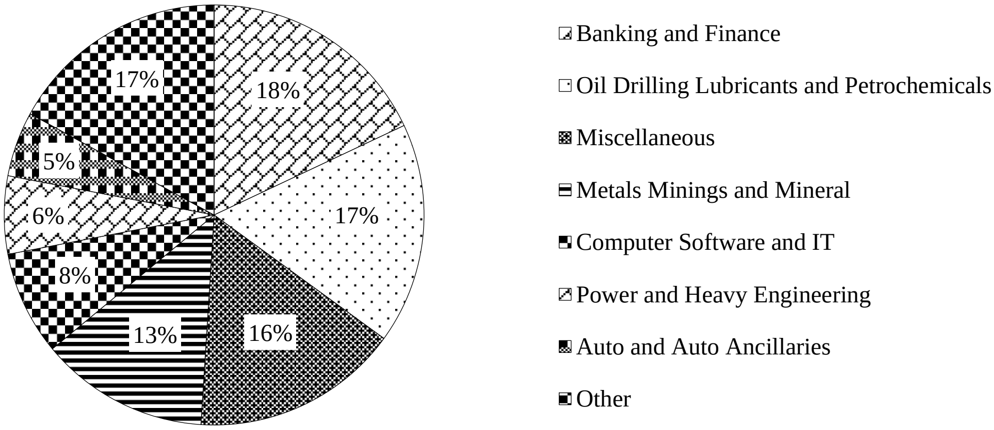

Figure 1. Sectoral Distribution of Estimated Prescribed CSR for Year 2021–22.

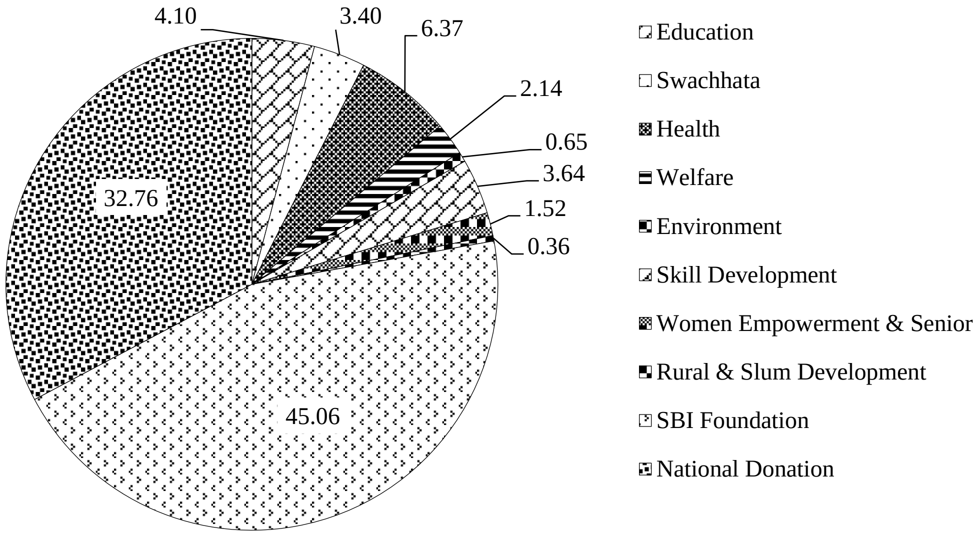

Figure 2. Focus Area-wise Spend 2019–20.

OBJECTIVES OF THE STUDY

The main objectives of the study are to find out the extent to which the corporate social responsibility has been fulfilled by the selected public sector units of India [5]. The other objectives of the study are as under:

1. To make the evaluation of the CSR concept in selected units.
2. To obtain the CSR score for the evaluation.
3. To draw the conclusion for the applicability of CSR based on PAT in the selected units.
4. To evaluate transparency and related disclosure.
5. To record the level of performance of CSR in selected public sector units.

RESEARCH METHODOLOGY

Sampling

It was difficult to find out the CSR concept of every company so the researcher selected different public sector units from Maharatna, Navratna and Miniratna statuses given by government to different public sector units to evaluate the CSR concept. These selected public sector units at national level have large earning capacity; the profits of these companies are higher compared to other public sector units at national as well as state level [6]. They also spend the higher value behind fulfilling the Corporate Social Responsibility. The selected public sector units for the research purpose and the statuses of public sector units like Maharatna, Navratna and Miniratna are explained as follows:

Selected Public Sector Units for the Study of the Research Topic

The researcher has selected the different PSUs for the study of the research purpose by considering all the three categories of PSUs issued by Central Government. The researcher has taken samples from all categories of PSUs i.e. Maharatna, Navratna and Miniratana. The selected PSUs for the purpose of research are as follows:

1. Indian Oil Corporation Limited (IOCL).
2. Oil and Natural Gas Corporation Limited (ONGC).
3. Coal India Limited (CIL).
4. Bharat Petroleum Corporation Limited (BPCL).
5. Hindustan Petroleum Corporation Limited (HPCL).
6. Gas Authority of India Limited (GAIL).
7. Bharat Earth Movers Limited (BEML).
8. Engineers India Limited (EIL).
9. Hindustan Machine Tools (International) Limited (HMT).
10. Hindustan Copper Limited (HCL).

Hypothesis

H0: There would be no correlation in CSR score and financial parameters like PAT in Selected PSUs.
H1: There would be correlation in CSR score and financial parameters like PAT in Selected PSUs.

Data Collection

The data is based fully on secondary data those are collected and other information is evaluated along with their CSR preference for this purpose; the annual reports of last 10 years are studied and used by the researcher to collect the data to find out the impact of CSR concept and evaluate the same relative years' statements [7]. Financial statements and annual reports of the concerned years were analyzed for research purposes. The parameters to test the level of CSR of the particular PSU are taken from the different activities of CSR performed by the different PSU.

Method of Data Analysis

The data collected from annual reports are properly formatted and tabulated and analyzed as well by using the appropriate and relevant statistical techniques. The researcher has taken 10–0 scale technique for the analysis of data. In the analysis, 35 parameters have been taken and if the parameter has been fulfilled by the sampled units, then 10 points have been assigned to the company and if it is not fulfilled then 00 points have been assigned. The total for each year by considering the points assigned to all the 35 parameters is considered and this is done for each year for 10 years. Then the total points gathered by the company at the end of 10 years have been calculated for all the selected public sector units for this research work. The total score in % is found out for CSR by applying the appropriate formula [8].

The formula applied for finding out he score in % for CSR is as under:

$$\text{CSR Index} = \frac{\text{Obtained Score by the unit}}{\text{Total score of last 10 years}} \times 100$$

Disclosure of Parameters

List of Parameters

1. Employees welfare fund.
2. Contribution to PF.
3. VRS.
4. Staff welfare expense.
5. Employee retirement benefit expense.
6. Social and cultural activities expense.
7. Club and recreational expense.
8. Bus hire charges.
9. Employee insurance expense.
10. Leave encashment expense.
11. Job security expense.
12. Employee education expense.
13. Employee health expense.
14. Workers' safety expense.
15. Ecology/Environment protection expense.
16. Workers' participation in management.
17. Expense for implementation of Hindi.
18. Entertainment expense.
19. Reserved posts for SC/ST candidates.
20. Pollution control expense.
21. Employee training expense.
22. Industrial relations.
23. Women employment.

24. Welfare of weaker section of the society.
25. Expense for sports encouragement.
26. Gratuity scheme.
27. Post retirement medical expense.
28. Public relation expense.
29. Expense for community development.
30. R & D expense.
31. Donations/Charities to social organizations.
32. Other Funds.
33. Social awareness programs expense.
34. Children and women empowerment expense.
35. Help in natural calamities.

The above are the 35 parameters which show the extent of social responsibility fulfilled. According to these parameters shown in the above list, 10 points will be assigned if the particular parameter has been fulfilled by selected public units and 00 points will be assigned if the parameter is not fulfilled. This is done in each of the units for 10 years. Then the total for 10 years will be calculated and from that the % of social responsibility will be found out for each of the units [9].

The data have been analyzed and hypotheses have been tested at 5% level of significance by applying t-Test and f-Test accordingly.

In the given Table 1, the score of CSR obtained by all the selected public sector units is explained. The score of CSR obtained by each PSU is out of all the parameters fulfilled i.e. 35 parameters, each containing 10 points. So, the total score would be 350 points; e.g., IOCL has got 260 points out of 350 points in the year March 2004, 260 points out of 350 points in the year March 2005 and as the same it got 300 points out of 350 points in the year March 2013. The same method is applied to all the remaining selected public sector units for this study.

In the given Table 2, the % score of CSR obtained by all the selected public sector units is explained. The % score of CSR obtained by each PSU is out of all the parameters fulfilled i.e. 35 parameters, each containing 10 points. So, the total score would be 350 points. The % score of CSR is found out by dividing the score of CSR obtained by each unit in the particular year by the total score of CSR i.e. 350 points; e.g., the % score of IOCL in March 2011 is 74.29, in March 2012 is 74.29 and as the same it is 85.71 in March 2020. The same treatment is given to all the remaining selected public sector units [10–12].

Table 1. CSR score (points) of last 10 years of Selected Public Sector Units (Out of 350 Points).

S.N.	**Name of PSU**	**March 2004**	**March 2005**	**March 2006**	**March 2007**	**March 2008**	**March 2009**	**March 2010**	**March 2011**	**March 2012**	**March 2013**
1	IOCL	260	260	270	270	270	270	290	300	300	300
2	ONGC	280	280	290	290	290	310	300	310	320	330
3	CIL	270	270	270	280	290	290	300	280	290	300
4	BPCL	230	230	230	230	250	270	270	270	270	270
5	HPCL	210	210	210	220	220	270	270	270	270	270
6	GAIL	200	200	210	240	260	280	270	270	280	270
7	BEML	150	150	150	160	180	210	220	210	220	220
8	EIL	130	130	130	140	150	210	210	220	230	230
9	HMT	140	140	140	190	190	220	220	230	220	220
10	HCL	130	130	140	180	200	200	220	220	220	230

Source: Jagdish M. J. (2016). A comparative study of Corporate Social Responsibility in selected Public Sector Units of India. Thesis [12].

Table 2. CSR score (in %) of last 10 years of Selected Public Sector Units.

S.N.	Name of PSU	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011	March 2012	March 2013
1	IOCL	74.29	74.29	77.14	77.14	77.14	77.14	82.86	85.71	85.71	85.71
2	ONGC	80	80	82.86	82.86	82.86	88.57	85.71	88.57	91.43	94.29
3	CIL	77.14	77.14	77.14	80	82.86	82.86	85.71	80	82.86	85.71
4	BPCL	65.71	65.71	65.71	65.71	71.43	77.14	77.14	77.14	77.14	77.14
5	HPCL	60	60	60	62.86	62.86	77.14	77.14	77.14	77.14	77.14
6	GAIL	57.14	57.14	60	68.75	74.29	80	77.14	77.14	80	77.14
7	BEML	42.87	42.87	42.87	45.71	51.43	60	62.86	60	62.86	62.86
8	EIL	37.14	37.14	37.14	40	42.87	60	60	62.86	65.71	65.71
9	HMT	40	40	40	54.29	54.29	62.86	62.86	65.71	62.86	62.86
10	HCL	37.14	37.14	40	51.43	57.14	57.14	62.86	62.86	62.86	65.71

Source: Jagdish M. J. (2016). A comparative study of Corporate Social Responsibility in selected Public Sector Units of India. Thesis [12].

Table 3. Hypothesis testing with ROI and CSR score among Sampled Units.

PSU	Avg. Score of CSR of last 10 years (%) x	Avg. Amt. of ROI of last 10 years (%) y
IOCL	79.71	15.99
ONGC	85.72	22.34
CIL	81.14	24.07
BPCL	72.00	13.19
HPCL	69.14	11.39
GAIL	70.57	20.15
BEML	53.43	11.31
EIL	50.86	23.17
HMT (International)	54.57	9.93
HCL	53.43	13.98

Source: Jagdish M. J. (2016). A comparative study of Corporate Social Responsibility in selected Public Sector Units of India. Thesis and Annual Reports [12].

After making the calculations thoroughly and making the conclusions, one of the most important portions of any research is called Findings because this portion gives us the actual meaning and result of the particular research conducted. Likewise, the research work is always recognized by its findings made by its researcher after the research work has been completed. For the research work, various hypotheses had been constructed by the researcher. The researcher has provided different findings on the basis of Hypothesis testing. The summary of the findings are begging shown here under, in Table 3 as well as in theoretical form.

Here, Table 3 shows the tabulated values for the calculation of correlation (r). In Table 3 for finding the correlation between ROI and CSR score, the ROI and CSR score are assumed to be x and y respectively. From the variables i.e. x and y the deviation of x and y i.e. dx and dy are calculated. Then after squaring both dx and dy the value of d^2x and d^2y will be achieved and finally the multiplication of deviations of x and y i.e. dx and dy, the value of dxdy will be achieved. The value of correlation (r) is found between the two variables i.e. ROI and CSR score. The correlation found in all the selected units between ROI and CSR score shows that whether there is a good or bad effect of ROI volume in performing the CSR. The formula for ‘r’ is taken as follows.

$$r = \frac{\mathrm{n}\sum \mathrm{dxdy} - (\sum \mathrm{dx})\,(\sum \mathrm{dy})}{\sqrt{\mathrm{n}\sum \mathrm{d2x} - (\sum \mathrm{dx})2}\ \sqrt{\mathrm{n}\sum \mathrm{d2y} - (\sum \mathrm{dy})2}}$$

Summary of Hypothesis testing (At 5% level of significance, based on F-Test and One Way ANOVA) is as follows:

Hypothesis testing with ROI and Performance of CSR score among sampled units, for e.g.:

F–Cal (22.98)≥F–Tab (1.99)

So, Hypothesis Rejected.

So, there would be no correlation in CSR score and financial parameters like ROI in selected PSUs.

In the above given Hypothesis, for the information regarding the applicability of CSR and performance of CSR among all the sampled units, H0 (Null Hypothesis) is rejected. It means the significant difference exits in the applicability of CSR and performance of CSR among selected public sector units.

Limitations of the Study

1. The study is limited to selected public sector units of Maharatna, Navratna and Miniratna statuses given by government to them.
2. The research relies entirely on information found in annual reports, company websites, and other financial statements disclosed by the selected entities.
3. The study utilizes secondary data, which is less reliable compared to primary data.
4. Figures of particular parameters of CSR are not taken in this study, instead that the points are given to each parameter fulfilled.
5. Different methods of calculations may be taken by different people.

CONCLUSION

Today, we can say it has become almost compulsory for a business to perform the social responsibilities for the different sections of the society. In today's era where the competition has reached to its peak, performing social responsibilities is one of the strongest weapons that is available for today's corporate world. Some of the businesses take it very seriously but still many of the business units have to concentrate hard on performing the social responsibilities in a best way not only for their survival purpose but for the secured and healthy future also. So, it is rightly said that the CSR is not a liability but an investment for a corporate world.

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