



AN ANALYSIS OF CSR AND ITS LINKAGE WITH FINANCIAL PERFORMANCE - SELECTED MAHARATNA COMPANIES

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Abstract

The study is to analyze the CSR and its linkage with financial performance of selected Maharatna companies in India. The convenience sampling method was used. The study has been selected five Maharatna companies in India. The study is based on the secondary data and data collected from companies' annual reports from 2020-21 to 2024-25. Correlation and regression analyses were used in SPSS software. The findings revealed that the involvement in socially responsible initiatives has a significantly positive effect on the financial performance of the selected Maharatna companies.

Keywords: CSR, Initiatives, Financial Performance, Maharatna Companies.

Introduction

The company's financial performance increases, it will have more money to spend on CSR initiatives. A number of factors can affect a company's financial performance. One of the key elements influencing a company's profitability is CSR. Corporate social responsibility and financial performance are connected to each other, much like a two-way correlated. If a company performs its CSR activities to a high standard, its financial performance may increase as a result. CSR increases financial performance in two ways: through reducing waste and energy and operation and maintenance savings. On the other hand, a corporation can indirectly impact its financial performance by using CSR to strengthen its relationships with the government, increase customer loyalty, and motivate its workforce, among other things. Through corporate social responsibility (CSR), companies want to strengthen not just their long relationships with all stakeholders but also their reputation and also attracts more customers. Because a company can show concern for all stakeholders through corporate social responsibility, it may draw in and retain a large number of workers and provide reasonable working conditions, all of which increase productivity and eventually affect a company's financial performance. According to Section 135 of Schedule VII of the New Company Act 2013, CSR is now required in India. This requirement came into force on April 1st, 2014, every company must allocate 2% of their average profit over the previous three years. The Department of Public Enterprises released guidelines for corporate social responsibility (CSR) for Central Public Sector Enterprises in India. The guidelines require all Maharatna companies to engage in CSR activities, although it is evident that many of these companies were already engaged in CSR prior to the implementation of the new Company Act and the DPE guidelines. Since Maharatna companies are now required to engage in CSR, it is critical to examine how CSR is affecting their financial performance presently, following the implementation of the new Company Act and the DPE guidelines. As a result, an investigation of how CSR affects Maharatna enterprises' financial performance has been conducted.

Review of Literature

Mohammed, S.S., et al. (2025) their study explores the association between CSR and CFP within BSE 500 companies in India, offering insights into the impact on business sustainability and profitability. The study analyzed data from the annual reports of 204 Indian firms, yielding 1,632 observations. The research design was explanatory, and the findings indicate that CSR has no significant impact on CFP.

Kaur, R., and Dave, T. (2020) this study is to investigate the impact of corporate social responsibility (CSR) on the financial performance of selected companies listed in the BSE in India. This study was based upon the secondary data collected from companies' annual reports from 2016–2017 to 2018–2019. The results indicated that socially responsible initiatives have a significantly positive effect on the financial performance of the firms.

Sharma, A., and Kumar, V (2020) their study examined the impact of CSR on financial performance of companies using annual data from 2014 to 2017 in India. In order to determine the link and its impact on the variables, this study used regression analysis and correlation analysis. The findings show that CSR significantly and favorably affects the company's net earnings.

Bhunia, A and Das, L. (2015) their study investigates into how seven Maharatna Companies in India's profitability are affected by corporate social responsibility. Secondary data from the annual reports for the years 2004 to 2013 served as the foundation for this investigation. The effects of corporate social responsibility on a firm's profitability have been examined by correlation, simple regression, and multiple regression analysis. The findings show that corporate social responsibility has a positive impact on a company's profitability in the instance of Gas Authority of India Ltd. and a negative impact on the profitability of the remaining companies in the study.

Objectives of the study

1. To know the relationship between CSR and financial performance of selected Maharatna companies.
2. To analyze the impact of CSR on financial performance of selected Maharatna companies.

Hypotheses

1. H_0 - There is no significant relationship between CSR and Financial Performance of selected Maharatna companies.
2. H_1 - There is significant relationship between CSR and Financial Performance of selected Maharatna companies.

Research Methodology

The study is to determine the relationship between CSR and financial performance of selected Maharatna companies in India, as well as the impact of corporate social responsibility on financial performance of the sample units. The convenience sampling method was used. The study has selected five Maharatna companies from Maharatna companies in India such as Bharat Heavy Electricals Limited, GAIL India Limited, Hindustan Petroleum Corporation Limited, Oil and Natural Gas Corporation Limited and Steel Authority of India Limited (SAIL). The data has been taken for the period from 2020-21 to 2024-25. The study is based upon secondary data. The collected data were using Correlation and regression analyses. The necessary information was gathered from various websites, company annual reports, magazines, articles, journals and so on. The study considered following variables used for the study:

- a) Dependent Variable - Net Profit
- b) Independent variable - Corporate Social Responsibility (CSR)

Data Analysis and Interpretation

Table No.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Net Profit	25	333.29	28591.00	8690.2880	8515.63185
CSR	25	10.40	5718.14	1121.5768	2016.61986

Source: Computed data

The above table 1 shows the average net profit 8690.28 and standard deviation is 8515.63. The minimum profit is 333.39 and maximum is 28591. The average CSR expenditure is 1121.57 with the standard deviation 2016.61 mean while the minimum 10.40 and maximum 5718.14.

Table No. 2: Correlation Analysis

		CSR	Net Profit
CSR	Pearson Correlation	1	.807**
	Sig. (2-tailed)		.000
	N	25	25
Net Profit	Pearson Correlation	.807**	1
	Sig. (2-tailed)	.000	
	N	25	25

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

Source: Computed data

The above table 2 displays correlation analysis of the dependent and independent variable. The correlation between the CSR has positive (0.807) significant relationship with net profit at 0.01 level.

Regression Analysis

Table No. 3 - Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807 ^a	.652	.637	5132.07119

a. Predictors: (Constant), CSR

Source: Computed data

The above table 3 shows R² value 0.807 and the value for adjusted R² is 0.652.

Table No. 4: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1134606101.443	1	1134606101.443	43.078	.000 ^b
Residual	605777558.384	23	26338154.712		
Total	1740383659.826	24			

a. Dependent Variable: Net Profit
 b. Predictors: (Constant), CSR

Source: Computed data

Table No. 5: Co-efficients

Model	Unstandardized Co efficients		Standardized Co efficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4866.253	1180.247		4.123	.000
CSR	3.410	.519	.807	6.563	.000

a. Dependent Variable: Net Profit

Source: Computed data

The above table 5 shows coefficient of CSR is (3.410) positive and have significant value 0.000. It implies increase in profit increases the CSR expenditure of the companies. Therefore the null hypothesis is rejected and alternate hypothesis is accepted.

Conclusion

Stakeholders pay attention to the CSR activities of companies. This study attempts to find the relationship between CSR and financial performance for the selected five Maharatna companies were chosen, found from the analysis that these companies CSR expenditure has the significant positive relationship on the net profit. Therefore, higher profits will be reflected in higher CSR expenditure.

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