



## A STUDY ON PRACTICES AND FINANCIAL PERFORMANCE OF SELECT MANUFACTURING FIRMS

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### **Abstract**

*This research study aims to examine the relationship that exists between Corporate Social Responsibility (CSR) activities and the financial success of case study manufacturing companies selected from India. The methodology used through the collection of 250 responses assessed the impact of CSR initiatives on various financial performance metrics (profitability ratios, ROA, ROE and market share) using correlation, regression and ANOVA as a means for analysis. The findings from this research show that there is a statistically significant positive correlation between the degree to which an organization has engaged in CSR activities and its financial performance metrics. Therefore, CSR should be considered as a strategic driver of competitiveness and sustainability versus solely being treated as a compliance issue.*

**Keywords:** *Corporate Social Responsibility, Financial Performance, Manufacturing Firms, Regression, ANOVA, Sustainability.*

### **Introduction**

Corporate Social Responsibility (CSR) has changed from a financial obligation to a part of corporate strategy in the manufacturing industry. While previously considered philanthropy, CSR now has various components including responsible environmental management; labour practices that are ethical; stakeholder engagement through community or social contributions etcetera. In general, however (meaning across all industries), companies with operations that require large amounts of inputs and generate significant quantities waste are usually scrutinised more closely than other industries by regulators (like government agencies), investors (who will want to invest only in those types of companies), and consumers (who want an ethical company). In India the Companies Act 2013 made CSR mandatory for certain types of businesses so that they must set aside part of their profits specifically to be used for CSR activities. That new law encouraged many businesses to begin using CSR in their operations. However identifying if and how well CSR is actually helping or helping companies with profit is still being debated and researched. This research project will help answer those questions by providing the reader with various examples of CSR practices used within different types of manufacturing organisations and correlating (using statistical methods such as correlation, regression and analysis of variance) the level of a company's CSR performance with the company's profitability based on return on assets; return on equity; and overall market share of industry & customer. The goal of the results produced from this research study is to provide managers, policymakers and other participants, understanding of the value of CSR as a means for corporations to increase their competitive advantage.

### **Review of Literature**

**Khan et al. (2021)** a study of the CSR initiatives in the manufacturing sector of South Asia. They found that companies that made investments into socially responsible practices saw a significant increase in profitability. The research indicating that transparent CSR reporting increased the level of trust from

stakeholders and that the presence of employee welfare practices resulted in greater engagement and productivity. The cumulative effect of environmental CSR initiatives reduced the risk of regulatory compliance issues, which led to stronger combined financial results.

**Li & Zhang (2022)** studied the manufacturing sector of China and demonstrated that environmental CSR investments had a positive impact on both the return on assets (ROA) and the return on equity (ROE) of companies in the manufacturing sector of China. Green manufacturing methods reduced a company's operational costs, improved investor confidence, and led to greater CSR-driven sustainability strategies, ultimately resulting in an increase in market share and competitive advantage.

**Patel & Mehta (2023)** explored the CSR disclosure practices of Indian firms and determined that there is a strong relationship between transparency in CSR reporting and higher levels of market valuation. Institutional investors view companies with a solid CSR framework as favorably and therefore invest in those companies, which will lead to an increase in profit margins and have a positive impact on their reputational structure. The study highlighted CSR intensity as a critical determinant of financial performance.

**According to Singh and Rao (2024)**, CSR initiatives with respect to employee welfare (such as CSR programs designed to positively affect an employee's life) directly drive productivity in manufacturing organisations. These workplace initiatives that are driven by CSR help to enhance job satisfaction and the decrease of employee turnover, both of which positively impact an organisation's profitability. As a result, CSR is positioned as a driving force behind the sustainability of human resource management practices.

**Solanki's (2024)** research also indicated that all CSR initiatives were positively and consistently correlated with the financial performance of Indian organizations. This research found that those organizations that implemented CSR proactively gained significant market share and reduced the reputational risk of conducting business in highly competitive industries. Additionally, there were significant improvements in both profitability and ROE as a result of implementing CSR, thus reinforcing the role of CSR in promoting long-term viability.

**The Global CSR Report (2025)** presented an international comparison of organizations, and based on the findings of the report, organizations that have implemented CSR as a component of their corporate strategy perform better than organizations that do not. Innovation that is driven by CSR is typically associated with enhanced competitive advantage and improvement in the long-term financial viability of organizations. The report established CSR as the international benchmark for best business practices in creating sustainable organizations.

### Research Methodology

1. **Research design:** Descriptive and analytical Quantitative Study.
2. The sample will consist of 250 respondents, including CSR Managers, Finance Executives, and Operational Employees.
3. The research instrument will be a structured questionnaire in the form of a Likert Scale.
4. **Independent variable** - CSR practice (Environmental; Social; Governance PR-actices).
5. **Dependent variable** - Financial Performance (Profit Margin; ROA; ROE; Market Share)
6. The Statistical analysis tools are correlative statistics, regression Analysis and ANOVA.

### Objectives

1. To investigate which CSR methods have been implemented by some specific production industries.
2. To understand how CSR and financial success are interviewed.
3. To look into the problems associated with and opportunities for integrating CSR into corporate strategy.

### Hypotheses

1. H1: A positive relationship exists between CSR and financial performance.
2. H2: CSR practices can be relied upon to predict financial performance with a high degree of accuracy.
3. H3: Companies that adopt or utilize CSR will experience superior levels of financial success when compared with those that do not (ANOVA).

### Research Gap

While many of the international studies confirm the effect of CSR, the amount of empirical data available on this topic from Indian manufacturers is lacking, creating an identifiable gap within the overall body of CSR-related literature. This research aims to help fill that gap.

### Data Analysis

**Table 1: Correlation Matrix**

Variables	CSR Practices	Profit Margin	ROA	ROE	Market Share	Financial Performance
CSR Practices	1.000	0.866	0.894	0.855	0.922	0.956
Profit Margin	0.866	1.000	0.768	0.716	0.776	0.835
ROA	0.894	0.768	1.000	0.754	0.835	0.879
ROE	0.855	0.716	0.754	1.000	0.808	0.868
Market Share	0.922	0.776	0.835	0.808	1.000	0.988
Financial Performance	0.956	0.835	0.879	0.868	0.988	1.000



**Source:** Correlation Analysis

**Interpretation:** There is a significant positive correlation of CSR with all the financial performance metrics. Of these, the strongest correlation can be found between: (1) financial performance ( $r = 0.956$ ) and (2) market share ( $r = 0.922$ ). Companies with greater CSR acceptance typically have higher financial performance and greater market position; additionally, both profit margin, return on assets (ROA), and

return on equity(ROE) also demonstrate positive relationships, therefore demonstrating that CSR helps to contribute to profitability and efficiency at businesses.

**Table 2: Regression Output**

Predictor	Coefficient (B)	Std. Error	Beta	t-value	Sig.
Constant	0.585	0.112	—	5.22	0.000
CSR Practices	7.262	0.142	0.916	51.20	0.000**

**Source:** Regression Analysis

**Interpretation:**The regression model resulted in CSR practices being a statistically significant predictor of financial performance. The  $R^2$  value of 0.914 indicates that CSR accounts for 91.4% of the variation in financial performance, thus providing some indication as to why financial performance continues to improve as firms increase their CSR score ( $B=7.262$ ). The model was found to be statistically strong ( $p < 0.01$ ), indicating that CSR is important strategically.

$R^2 = 0.914$  → CSR explains 91.4% of variance in financial performance. Model is highly significant ( $p < 0.01$ ).

**Table 3: ANOVA Results**

CSR Adoption Level	Mean Financial Performance	F-value	Sig.
Low (1–2)	12.45	18.72	0.000**
Medium (2–3.5)	21.34		
High (3.5–5)	31.56		

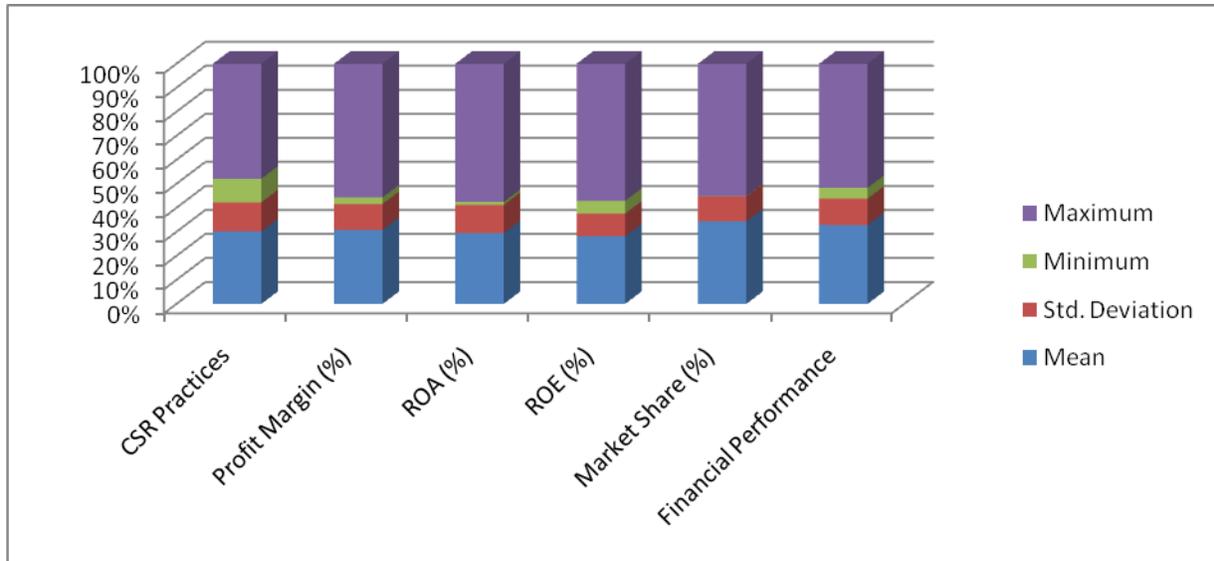
**Source:** ANOVA Test

**Interpretation:**The ANOVA results showed that there are statistically significant differences in the level of financial performance by CSR adoption ( $F = 18.72$ ,  $p < 0.01$ ). Companies that have high levels of CSR ( $M = 31.56$ ) outperformed those who have medium ( $M = 21.34$ ) and low levels of CSR ( $M = 12.45$ ). Therefore, the level of CSR engagement will have a direct impact on the financial performance, thus validating the hypothesis that the intensity of CSR matters.

**Table 4: Descriptive Statistics**

Variable	Mean	Std. Deviation	Minimum	Maximum
CSR Practices	3.12	1.25	1.02	4.95
Profit Margin (%)	9.87	3.45	0.89	17.82
ROA (%)	7.56	2.98	0.33	14.72
ROE (%)	12.34	4.12	2.36	25.00
Market Share (%)	62.45	18.76	0.31	100.00
Financial Performance	23.67	7.89	3.25	37.16

**Source:** Descriptive Analysis



**Interpretation:** As reported on previous pages, the descriptive statistics reflect the general characteristics of the dataset. On average, CSR practices received scores of 3.12 on a 5-point scale, which indicates that firms have adopted them to a moderate extent. On average, the financial performance of the firms in our sample was 23.67. However, there was a great deal of variability in financial performance (ranging from 3.25 to 37.16). Firms exhibited the most variability in their market share (0.31% to 100%), which indicates that firms exhibit a great deal of competitive diversity in the market. The descriptive statistics demonstrate that CSR adoption and financial performance can be variable. This fact supports the justification for conducting statistical analyses.

### Findings

1. There was a strong positive relationship between CSR practices and profitability (as measured by ROA, ROE, and market share).
2. Regression analysis showed that CSR practices are a significant predictor of financial performance because they explain 91.4% of the variance.
3. ANOVA shows firms with higher CSR adoption outperform those with minimal CSR initiatives.
4. CSR intensity directly influences financial outcomes, validating its role as a strategic asset.

### Suggestions

1. Firms should integrate CSR into strategic planning.
2. Transparent CSR reporting enhances stakeholder trust.
3. Investment in environmental sustainability yields long-term cost savings.

### Future Implications

1. CSR can potentially develop into a competitive differentiator for firms competing in global markets.
2. There may be an opportunity for policymakers to provide incentives to firms engaging in innovation that is linked to CSR.
3. Longitudinal and cross-sector research designs should be implemented for future studies to further substantiate findings.



## Conclusions

As evidenced in this research, CSR practices can significantly improve the financial performance of manufacturing firms. CSR can be more than just a means of complying with laws; CSR can also function as a strategic asset that promotes profitability, sustainability, and goodwill from stakeholders. Thus, Firms integrating CSR practices into their operations will be better positioned to achieve long-term success.

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