

Corporate Social Responsibility And Its Impact on Financial Performance: A Case Study of Dabur Company

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Abstract: Corporate social responsibility is a strategy in which business gives emphasis to social responsibility and voluntarily contributes to better society and a cleaner environment. This includes sustainability strategies business employs to ensure that company's work is carried out ethically. CSR can help improve society and promote a positive brand image for companies. India is the first country to make it compulsory for the companies under special circumstances of companies act sec 135 to contribute in CSR. The provisions of CSR apply to every company which has a net worth of more than Rs. 500 crore, gross revenue cross Rs. 1000 crore and net profit above Rs. 5 crores in the preceding financial year. The companies should contribute in every financial year minimum 2% of its average net profits generated during preceding three financial years. The research paper deals with an understanding of CSR and its importance in the corporate world for long term sustainability and in financial performance of a business. For this purpose, previous research is reviewed from different perspective and accounting-based approach is also used to find the effects of CSR. The method applied to conduct research is regression analysis taking CSR as independent variable and main performance indicators (ROI, ROA, NBT) as dependent variable over a period of time in case of a single business house. Data for the research is collected from company's annual reports, CSR portals, and moneycontrol.com and from other reliable sources. The result shows almost positive relation between CSR and financial performance. But as the studied is about a single business house the research can differ from business to business working under different condition and a common inference cannot be drawn.

Keywords: Business performance, Profit, CSR, Financial performance

I. Introduction

In India serving humanity is base of our society. Corporate Social responsibility (CSR) is a term which is specifically defined now. "Business houses are socially responsible only in one way of generating the profits by engaging in activities that properly utilize the resources and abide by all the rules that are ethically necessary for a sustainable environment and future, provide healthy competitive environment and free from misconduct. (Milton Friedman, 1970). Our Govt. has understood the need of CSR and made it compulsory to contribute for CSR at least 2% of past three preceding years profit for the companies fulfilling necessary condition. The CSR policy applies to every business having a net worth of more than 500 crore, revenue of more than 1000 crore and net profit more than Rs. 5 crores in the preceding financial year, in the research paper about the DABUR Company. Dr S K Burman was the founder of Dabur Company who worked on ideology of serving society said: "What is that life worth which cannot bring comfort to others". These words stood as the base for company's CSR policy. Mainly products of company are ayurvedic and provide the health and work for well-being of people. Company also focuses to reduce the impact of products on environment along with the contribution for well-being of community. The main area of focus by the company are poverty elimination, reduction of hunger, providing means to increase earning means for poor and taking measures to control malnutrition, improving health benefits including preventive health care through awareness programs, health check-ups, provision of medicine & treatment facilities, Ensuring Environmental Sustainability and ecological balance etc. Contribution in CSR provides many kinds of benefits to companies. These can be in form of decreased production cost, lower employee's turnover, customer loyalty and retention, accelerated turnover and revenues, increase profits and financial growth and efficient use of renewable resources reutilization of waste in some productive work" (Richa Gautam, A.S, 2010). In this research paper profits before tax, return on assets return on capital employed of Dabur Company are used to draw the results and to conclude the relation.

II. Review of Literature

As the concept of CSR has been a topic of research for many researchers for the last many years there is a difference of opinions of researchers. Many articles are published studying relation between CSR and financial performance of companies and there remains an unsettled debate among researchers regarding the relation between CSR and firm performance. Zhi Tang, Clyde Eirikur Hull and Sandra Rothenberg (2012) collected data from 130 firms from 1995 to 2007, concluded that firms benefit accelerate when a continuity in CSR policy is adopted and put in application for the all kind of work a business is involved. When a firm consistently engages in internal CSR, the benefit to financial performance may be stronger than if it engages in internal CSR dimensions inconsistently. Kamatra, Novrianty & Kartikaningdyah, Ely. (2015) conducted study to understand the relation and to measure the effect of CSR on financial performance as measured by profitability ratios. The ratio is of income with assets (ROA), with equity (ROE), net profit margin (NPM) and EPS used for research. The results explained that CSR and many control variables (leverage, expenditure) simultaneously create impact on financial ratios. ROA and NPM are affected partially by CSR and not any significant effect is observed on ROE and EPS by CSR. Anna Linnea Helena Bråtenius, Emelie Josefin (2015), studied the direct impact of CSR on working and profitability in form of stock return. The study found that top ranking companies have no positive effect of

CSR as their prices do not increase whereas a bottom ranking has a negative impact. It indicated that even though top-performers within the area of CSR were not rewarded, but poor performers were punished with decreased in prices. Awaysheh Amrou, Heron Randall A., Perry Tod, Wilson Jared I, (2020) studied the relation in an industry and stated that there is a positive association between CSR and financial performance. But when error term and endogeneity factors are controlled, the relation disappears with operational indicators. and the best firm receives benefits over the peer firms. Bhakti Naik (2020) studied the impact of CSR on financial performance and concluded that there is a strong link between CSR and a company's financial success and the wealth of its shareholders. The study was from secondary data from the Futurescape Report 2017 on India's Top 10 firms for Sustainability and CSR in 2014-17. It was recommended that corporations devote more resources to CSR efforts had a major positive influence on both financial and non-financial success. Dr. Anurag Sharma, Vinod Kumar (2020) conducted research to study impact CSR has on the financial performance of companies using annual data ranging from 2014 to 2017 in India by correlation and regression. The paper suggested that Net profits of the company are positively correlated with CSR. Nripinder Kaur, Vikramjit Singh (2021) examined the association between corporate social responsibility (CSR) and financial performance (FP) of Indian steel industry in terms of value-added (VAM), profitability and market growth measures. . The study revealed that there is positive correlation between higher CSR and the benefits we get from contribution in CSR. These benefits are in increased brand reputation, customer loyalty, employees' positive attitude, enhanced capital, increased turnover etc. Tyagi, Madhu & Nagarajachari, Abhilasha. (2021) conducted the study to analyze the impact of CSR on financial performance of top 10 companies of company and their contribution in CSR according to CSR policy by Indian government. The study revealed that relation is positive between CSR and financial performance with respect to financial ratios like PBT, ROC, ROE and ROA and quite significant. The implementation of limit of CSR as per the act was also fulfilled by the most of companies which is 2%. Kesari, Bikrant & Rawat, Nimisha. (2023) investigated the relation between corporate social responsibility (CSR) and financial performance indicators of Indian firms from 2017 to 2021. The findings revealed a positive association of CSR on the financial indicators and working of Indian firms. The study revealed that investing significantly in CSR enhances a company's brand image and goodwill, contributes to its long-term sustainability and competitive advantage in the market. Rui Coelho, Shital Jayantilal, Joao J. Ferreira (2023) suggested that CSR has a direct impact on company financial performance this impact has a positive impact in improvement of company's environmental, social, and governance (ESG) scores. It stated that a positive relationship is maximized or optimized as the company pays more attention to its primary stakeholders: employees, customers, and the community

Objective of The Study:

The main purpose of this study is to understand the importance of CSR in long run and to study the systematical relationship between CSR performance of a company with its profit measure (PBT, ROA, and ROE AND ROI); to measure the effect of CSR on financial performance of company and what can be its managerial implications

III. Research Methodology:

To conduct research data is collected for tenure of 10 years from the money control .com, company annual reports and CSR portals of Dabur Company. The method used for research is regression analysis in SPSS where CSR is independent variable and other measuring units are dependent variables.

Analysis: As stated above we have used regression analysis and financial tools are dependent variables. The variables used to study be:

1. PBT (profit before tax): The actual profits a company earns from its operations before paying taxes. The amounts are collected from the company's annual report.
2. ROA (Return on Assets): A profitability ratio that provides how much profit a company is able to generate from its assets is Return on Assets (ROA). The data is collected from moneycontrol.com.

$$\text{ROA} = \text{Net Income} / \text{End of Period Assets}$$

- 3 ROE (Return on Equity): Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

$$\text{ROE} = \text{Net income} / \text{Average shareholder's equity}.$$

4. ROCE (Return on capital employed): ROCE shows how efficiently a firm generates profit from the capital utilized. It is a profitability ratio that determines how the profits are generated with effective utilization of capital.

$$\text{ROCE} = \text{EBIT} / \text{Capital Employed}$$

Table 1 Dabur Company Financial Ratio

year	CSR EXPENDITURE	PBT	ROA	ROE	ROCE	CSR/PBT
2013-14	20.63	862.05	17.2	34.41	30.28	2.39%

2014-15	14.71	976.53	17.45	31.77	28.9	1.51%
2015-16	17.44	1,212.74	18.04	29.99	26.74	1.44%
2016-17	20.38	1,294.35	16.51	26.34	23.18	1.57%
2017-18	23.74	1,387.67	15.56	23.73	28.08	1.71%
2018-19	26.35	1,503.35	17.09	25.61	32.18	1.75%
2019-20	27.80	1,408.47	15.44	21.87	27.24	1.97%
2020-21	28.70	1,683.31	15.61	22.09	26.38	1.70%
2021-22	31.20	1,896.31	14.15	20.75	26.71	1.65%
2022-23	33.40	1828.67	12.50	19.02	22.88	1.83%

Source: moneycontrol.com, company annual report

Table 1 is showing the CSR expenditure and financial ratio of company for 10-year period. Company invested more than 2% only in the year when the law was implemented after that it is never 2% but is near about 1.50% to 1.70%. In monetary terms CSR are consecutively increasing after (2016-17) despite of reduced PBT in (2019 -20). So, it can be concluded that it is positively significant to contribute in CSR despite low profit as it has definitely some intangible benefit as company is not cutting down CSR expenditure.

After that there is a hypothesis testing study to understand the relationship in different financial ratio and CSR.

1. CSR and PBT:

H₀: CSR expenditure has no significant positive effect on Profit before tax.

H₁: CSR expenditure has a significant positive effect on Profit before tax.

Table 2: model summary of relation between CSR and PBT

Model	R	Adjusted Square	RF	Sig.(p)	Standardized Coefficients Beta	T	Sig.
1	.889	.765	30.227	.001	.889	5.498	.001
a. Predictors: (Constant), CSREXPENDITURE							
b. Dependent Variable: PBT							

In table 2 value of r is .889 which represent correlation coefficient between CSR and PBT. Here value is more than (0.4). This means these are highly correlated. Here adjusted r square is considered as sample size is small. R square shows the total variation that could be explained in dependent variable. It is higher than (0.5) which is a good indicator of CSR explanation of PBT. The result of Anova table presents that "The regression model for PBT was significant ($F=30.227$, $p=.001$), with CSR expenditure explaining 76.5% of the variance in PBT (Adjusted $R^2 = .765$). The relationship was positive and significant ($\beta = .889$, $p=.001$).". Therefore, the null hypothesis is rejected and alternative hypothesis is accepted.

2. CSR and ROA:

H₀: CSR expenditure has no significant positive effect on ROA.

H₁: CSR expenditure has a significant positive effect on ROA.

Table 3: model summary of relation between CSR and ROA

Model	R	Adjusted Square	RF	Sig.(p)	Standardized Coefficients Beta	T	Sig.
1	.868	.722	24.383	.001	.868	4.938	.002
c. Predictors: (Constant), CSREXPENDITURE							
d. Dependent Variable: ROA							

Table 3 presents a relation between CSR and ROA. The results present that "The regression model for ROA was significant ($F=24.383$, $p=.001$), with CSR expenditure explaining 72.2% of the variance in ROA (Adjusted $R^2 = .722$). The relationship was positive and significant ($\beta = .868$, $p=.002$).". Therefore, the null hypothesis is rejected and alternative hypothesis is accepted.

CSR and ROE:

H₀: CSR expenditure has no significant positive effect on ROE.

H₁: CSR expenditure has a significant positive effect on ROE.

Table 4: model summary of relation between CSR and ROE

Model	R	Adjusted Square	RF	Sig.(p)	Standardized Coefficients Beta	T	Sig.
1	.881	.747	27.612	.001	.881	5.255	.001

Predictors: (Constant), CSREXPENDITURE

Dependent Variable: ROE

Table 4 presents a relation between CSR and ROE. The results of ANOVA table present that "The regression model for ROE was significant ($F=27.612$ $p=.001$), with CSR expenditure explaining 74.7% of the variance in ROE (Adjusted $R^2 = .747$). The relationship was positive and significant ($\beta = .881$, $p=.001$)." Therefore, the null hypothesis is rejected and alternative hypothesis is accepted that CSR expenditure has a significant positive effect on ROE.

3.CSR and ROCE:

H₀: CSR expenditure has no significant positive effect on ROCE.

H₁: CSR expenditure has A significant positive effect on ROCE.

Table 5: model summary of relation between CSR and ROCE

Model	R	Adjusted Square	RF	Sig.(p)	Standardized Coefficients Beta	T	Sig.
1	.288	.032	.722	.420	-.288	-.850	.420.

Predictors: (Constant), CSREXPENDITURE

Dependent Variable: ROCE

Table 5 represents the result of regression analysis for CSR and ROCE. The results of the above table present that "The regression model for ROCE was significant ($F=.722$ $p=.420$), with CSR expenditure explaining 3.2% of the variance in ROCE (Adjusted $R^2 = .032$). The relationship was not positive and insignificant ($\beta = -.288$, $p=.420$)." Therefore, the null hypothesis is accepted and alternative hypothesis is rejected that CSR expenditure has no significant positive effect on ROCE.

After hypothesis testing results shows that there is a positive relation between financial performance and CSR of DABUR Company as most of ratio are highly positive correlated with CSR.

Now the point to understand is that why CSR is improving financial performance if it is expenditure. The answer to the question lies on the benefits that CSR provides in long run that helps to sustain and flourish a business with higher returns. After studying the work done by previous scholar's major benefits that comes with CSR contribution can be summaries as follows;

1. Brand Awareness
2. Company acceptance or acknowledgement
3. Increased public faith
4. Dedicated consumers
5. Improved capital formation
6. Benefits over rivals
7. Lower employees' turnover and boosted employees

1. Brand awareness: Brand awareness means the recognition of brand. Brand awareness is how much people are aware of the brand. As Dabur is a well-known brand over 125 years in ayurveda and fourth largest company in FMCG sector in India. A lot of efforts are done by company for welfare of society that gives it due recognition.

2. Company acceptance or acknowledgement: Only awareness of brand cannot be beneficial in long run. It should be associated with some positive deeds that are beneficial to society that leads to acceptance of brand. A number of years ago Coca-Cola unveiled

its first bottle made from 100% plant-based plastic. This gave it acceptance as a company which is working for 'a world without waste'.

3. Increased Public Faith: If you want to walk fast, walk alone. But if you want to walk far, walk together" RATAN TATA. These words by Ratan Tata describes the Tata companies as a whole. Tata has done a lot for environment prevention, society and its employees. People of India recognize Tata as their own and has with belief that its works can never be harmful to society.

4. Dedicated consumers: Dedicated consumers mean a consumer who is stuck to a brand and cannot be manipulated to any other brand. It is possible if the brand is working for regularly for the betterment of them. Dedicated consumers are long run assets of companies. Google as an industry giant mainly focus on its users as without users there is no Google. They have also donated over \$100 million to causes that they deem important, focusing predominantly on global public health, global poverty, and climate change.

5. Improved capital formation: Awareness of brand, increased reputation, acceptance to company business and products, deeper public faith and loyal consumers are the key of successful business. If the business is running successfully it will lead to improved profit and higher share value and equity value of company therefore it helps in capital formation. General Electric launched Ecomagination, its renewable business strategy with a mission to double down on clean technology and generate \$20 billion in revenue from green products which led to capital acceleration.

6. Benefits over rivals: CSR contribution builds an image of firm that they are not working only for profit making but are also sensible towards environment and society. This reputation gives them advantages over their rivals. Society is ready to pay high for a company which helps to build a sustainable and safe society. As per the Forbes report BMW holds the top spot over its rival companies. From the customer base of 15 target markets almost (49%) of the consumers agreed on the fact that the BMW behaves ethically and in a socially responsible manner. Its dealing is fair and transparency is the main consideration.

7. Lower employees' turnover and boosted employees: Companies investing in CSR even consider the betterment of their employees and provide healthy and a safe environment and due recognition to their efforts. These efforts lower down their employees' turnover and cost of retention for employees reduce. Moreover, Employees feel motivated working for the companies that are involved in social responsibility. They feel sensible and a feel of belongingness to society which boost their morale. GOOGLE is the company which is believed to be the best company for the working environment it provides to its employees. Company is perceived as a best workplace for manpower. They treat their people very well. That is the reason 51% of consumers believes that Google is attracting for the people to work in 15 target market.

IV. Findings:

After conducting research and the findings can be divided into two parts theoretical implications and practical implications.

Practical implications: The research develops an understanding about impact of CSR on financial performance. This understanding can help in developing future strategies for business. Its implications help in deciding how to invest in different area of CSR to win a customer base, reduce cost, advantages over rival and to capture a market base. The present study can also be used as a base for further research in other areas considering other factors also.

Theoretical implications: the study provides a theoretical base for understanding relationship of CSR and financial performance. It gives understanding of positive relation between CSR and financial performance with empirical evidence. The study can be used further as a base to develop understanding for other companies also. Different sector and different companies or country's comparative study can also be conducted for analysis to understand if relation is positive in all circumstances.

Overall implications suggest that company should not consider this as expenditure but as an investment for long term sustainability and financial growth of business. All the stakeholders like management, employers or shareholders should be considered while taking decisions regarding CSR contribution. Future research should also be conducted to explore and develop more understanding of CSR that can be used to improve financial performance.

V. Conclusion:

In conclusion this study establishes an association between CSR and financial performance indicators of Dabur Company for a period of 10 years (2013-2023). The finding indicates a positive impact of CSR on financial performance. The findings shows that CSR and (PBT, ROA and ROE) are highly positive correlated which means with increase in CSR these indicators also increase. But ROCE is negatively related but not very high related which means other factors also have an impact on ROCE. Along with establishing relation the paper also develops understanding of benefits CSR provides to business in form of awareness, brand recognition, public faith or capital formation etc. with help of research presented in different papers about different companies which are actually gainers of these benefits in different prospects.

Overall, the paper develops understanding of relationship of CSR and financial indicators and provides economics and social benefits of CSR and the use of findings for future strategy development of business.

Limitations: There are certain limitations of the research paper. Firstly, sample size is very small and with respect to only one company. So, inferences cannot be generalized for each sector or company and overall implication are not applicable in every

situation. The result may vary in different condition. Secondly in conducting research CSR is considered only factor for the variations in different financial indicators. This is not the only factor that affects the profitability of business. So, this can be a limitation also.

But still after this limitation the research provides and understanding of CSR and its relation with profitability. The research can be used for further research and future decision making.

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