



Impact of corporate social responsibility on financial performance: A study of listed petroleum industries

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Abstract

Since last few years the companies are more interested in social responsibility, known as corporate social responsibility. The main objective of any business is to earn profit and wealth creation. Creating wealth is the primary objective now a day, for this company need to incur some expenses which have impact on its financial performances. Taking this in mind, the objective of the study is to find the relation between CSR and its financial performance by taking variable like net profit, total asset, earning per share. Secondary source has been used for data collection. The correlation and regression is used for analysis of the data. The study shows that BPCL and HPCL are having positive effect on all the parameters as compared to other companies. RIL earned more profits, more valuable assets and more earning per share as compared to other companies but having not much positive impact on its CSR.

Keywords: x

1. Introduction

Finance is a backbone of any business. Traditionally the main objective of any business is profit maximization but in modern business they are giving more importance for wealth creation. After globalization the requirement of financial report changes with the requirement of different countries. Harmonization of recording the annual report of companies is the main aim. After globalization it has been checked that other developed nations giving more importance to corporate social responsibility. Then after, CSR is compulsory for first 100 listed companies but from 1st April, 2014 it is mandatory for all listed companies. According to companies act, 2013 the companies having Rs. 500 crores of net worth, Rs. 1000 crore of Sales turnover and Rs. 5 crore of net profit have to spend at least 2% of their three years average return on corporate social responsibility. There are so many researcher studied and found that CSR having positive impact on financial performance. So, for providing the research evidence further research is required. The current study has mainly focused on CSR contribution and its impact on profitability, total assets and shareholders earnings of selected petroleum companies.

2. Review of Literature

(Bafana, 2017) ^[1], the impact of CSR as an independent variable on different financial performances taken as dependent variable. The data has been collected for 2 years and correlation and regression has been applied to find relationship and impact on variables. This study shows CSR has a positive impact on net profit but no relation between earning per share and return on assets of the companies.

(Garai, 2017) ^[2], the impact of corporate social responsibility on firm's financial performance measured in the study, in this study secondary annual data has been taken by annual report of RIL. The study shows the positive relationship between CSR & profitability, shareholders

value and firm's value but the profit increases only due to managerial decisions and not through increase in CSR.

(Samra Kiran, 2015) ^[3], the main objective of the study is to find the impact of CSR practices on financial performances of Pakistani Oil & Gas sector. Total eight years secondary data has been collected from annual report of the companies and applied correlation and regression for finding relationship between CSR & financial performance. They analysed positive relation between CSR & net profit but no positive relation between CSR & total asset of the companies.

3. Objective of the study

1. To find the relationship between CSR and Net profit.
2. To find relationship between CSR and Total assets.
3. To find the relationship between CSR and Earning per share.

4. Hypothesis of the study

1. There is no significant relationship between CSR and net profit.
2. There is no significant relationship between CSR and Total assets.
3. There is no significant relationship between CSR and Earning per share.

5. Methodology of the study

Data Collection Methods: In this study secondary annual data of CSR, NP, TA & EPS of selected companies have been taken from April, 2012 to March, 2018. The selected petroleum companies were RIL, IOC, BPCL, HPCL and MRPL.

6. Result and Analysis

To fulfill the objectives of the study, crux of all data was collected on the different variables like net profit, total assets and earning per share.

6.1 Reliance Industries

Table 1: Correlation

RIL	CSR	NP	TA	EPS
CSR	1			
NP	0.471	1		
TA	0.580	0.987758	1	
EPS	-0.0827	-0.52081	-0.53368	1

From the above table it can be seen that correlation between CSR and NP is 0.471, CSR and TA is 0.580 and having negative correlation between CSR and EPS (-0.0827). two variables are positively correlated.

Table 2: Regression

Multiple R	R Square	Adjusted R Square	Standard Error	Significance F
0.9259	0.85729	0.643225	92.76997	0.206235

In the above table R square value is moderately good 0.857 which means that the model is good fitted or 85.73 % of variation in CSR is caused by NP, TA and EPS. It is positive sign. By checking the significance value 0.206 which is more than 0.05 significant level. It shows that the independent variables do not significantly affect CSR.

Table 3: Regression Coefficient

	Coefficients	Standard Error	t Stat	P-value
Intercept	591.929	473.566	1.24994	0.337752
NP	-0.126	0.050235	-2.50751	0.12898
TA	0.007	0.00237	2.898512	0.101269
EPS	4.371	3.889261	1.123913	0.377826

Above table represents the regression coefficients of five petroleum industries.

Regression Equation:

$$Y = a + b_1 * X_1 + b_2 * X_2 + b_3 * X_3 + e$$

Here,

Y = dependent variable (CSR)

a = the “y intercept”

b1 = the change in y for each 1 increment change in X1(NP)

b2 = the change in y for each 1 increment change in X1(TA)

b3 = the change in y for each 1 increment change in

X1(EPS)

X1 =An X score on first independent variable (NP) for which it used to predict a value of y.

X2 =An X score on first independent variable (TA) for which it used to predict a value of y.

X3=An X score on first independent variable (EPS) for which it used to predict a value of y.

E= error

$$CSR = 591.929 + (-0.126)x_1 + (0.007)x_2 + (4.371)x_3 + e$$

The coefficient of NP is -0.126. So for every unit increase in NP, a 0.126 unit decrease in CSR is predicted. Considering all other variables are constant. Same way the coefficient of TA is 0.007, which means every unit increase in TA, a 0.007 unit increase in CSR. Whereas the EPS coefficient is 4.371. for every unit increase in EPS, a 4.371 unit increase

in CSR considering all other variable constant.

The beta value of TA and EPS is significant. This shows that for CSR of RIL, TA and EPS has significant effects.

6.2 Indian Oil Corporation

Table 4: Correlation

IOC	CSR	NP	TA	EPS
CSR	1			
NP	0.212634	1		
TA	0.531599	0.689904	1	
EPS	-0.0114	-0.3737	0.124727	1

Table 5: Regression

Multiple R	R Square	Adjusted R Square	Standard Error	Significance F
0.637132	0.405937	-0.48516	122.913	0.741365

In the above table R square value is low 0.406 which means that the model is not proper fitted or only 40.6 % of variation in CSR is caused by NP, TA and EPS. It is not a positive sign. By checking the significance value 0.741 which is also more than 0.05 significant level. It shows that the independent variables do not significantly affect CSR.

Table 6: Regression Coefficient

	Coefficients	Standard Error	t Stat	P-value
Intercept	-491.899	676.352	-0.72728	0.542665
NP	-0.006	0.009258	-0.62817	0.594062
TA	0.004	0.003664	1.093755	0.388219
EPS	-11.563	22.56258	-0.51249	0.659296

CSR= -491.899 + (-0.006)x1 + (0.004)x2 + (-11.563)x3 + e
The coefficient of NP is -0.006. So for every unit increase in NP, a 0.006 unit decrease in CSR is predicted. Considering all other variables are constant. Same way the coefficient of TA is 0.004, which means every unit increase in TA, a 0.004 unit increase in CSR. Whereas the EPS coefficient is -11.563. For every unit increase in EPS, a -11.563 unit decrease in CSR considering all other variable constant.

The beta value of only TA is significant. This shows that for CSR of IOC, TA has significant effects.

6.3 Bharat Petroleum Company Ltd.

Table 7: Correlation

BPCL	CSR	NP	TA	EPS
CSR	1			
NP	0.904945	1		
TA	0.978952	0.822365	1	
EPS	-0.18827	0.206042	-0.33894	1

Table 8: Regression

Multiple R	R Square	Adjusted R Square	Standard Error	Significance F
0.994686	0.9894	0.973499	11.71588	0.015858

In the above table R square value is moderately good 0.989 which means that the model is good fitted or 98.9 % of variation in CSR is caused by NP, TA and EPS. It is positive sign. By checking the significance value 0.016 which is less than 0.05 significance level. It shows that the

independent variables has significantly affect CSR.

Table 9: Regression Coefficient

	Coefficients	Standard Error	t Stat	P-value
Intercept	-257.68	108.1324	-2.38302	0.140034
NP	0.012	0.009588	1.211449	0.349436
TA	0.004	0.001684	2.120218	0.168083
EPS	-0.107	0.516843	-0.20852	0.854132

$$CSR = -257.68 + (0.012)x_1 + (0.004)x_2 + (-0.107)x_3 + e$$

The coefficient of NP is 0.012. So for every unit increase in NP, a 0.012 unit increase in CSR is predicted. Considering all other variables are constant. Same way the coefficient of TA is 0.004, which means every unit increase in TA, a 0.004 unit increase in CSR. In EPS coefficient is -0.107 it means for every unit increase in EPS, a -0.107 unit decrease in CSR considering all other variable constant.

The beta value of NP and TA is significant. This shows that for CSR of BPCL, NP and TA has significant effect.

6.4 Hindustan Petroleum Company Ltd.

Table 10: Correlation

HPCL	CSR	NP	TA	EPS
CSR	1			
NP	0.948243	1		
TA	0.678637	0.500814	1	
EPS	-0.10936	0.005114	-0.67852	1

Table 11: Regression

Multiple R	R Square	Adjusted R Square	Standard Error	Significance F
0.983777	0.967817	0.919542	15.40926	0.047884

In the above table R square value is moderately good 0.968 which means that the model is good fitted or 96.8 % of variation in CSR is caused by NP, TA and EPS. It is positive sign. By checking the significance value 0.047 which is less than 0.05 significance level. It shows that the independent variables has significantly affect CSR.

Table 12: Regression Coefficient

	Coefficients	Standard Error	t Stat	P-value
Intercept	-283.105	152.5591	-1.85571	0.204639
NP	0.017	0.004159	4.1625	0.053155
TA	0.003	0.001914	1.858937	0.204131
EPS	0.313	0.34499	0.907164	0.460074

$$CSR = -283.105 + (0.017)x_1 + (0.003)x_2 + (0.313)x_3 + e$$

The coefficient of NP is 0.017. So for every unit increase in NP, a 0.017 unit increase in CSR is predicted. Considering all other variables are constant. Same way the coefficient of TA is 0.003, which means every unit increase in TA, a 0.003 unit increase in CSR. In EPS coefficient is 0.313 it means for every unit increase in EPS, a 0.313 unit increase in CSR considering all other variable constant.

The beta value of NP, TA and EPS is significant. This shows that for CSR of HPCL, NP, TA and EPS has a significant effect.

6.5 Manglore Refinery Pvt Ltd.

Table 13: Correlation

MRPL	CSR	NP	TA	EPS
CSR	1			
NP	-0.05065	1		
TA	-0.29006	-0.36266	1	
EPS	-0.05064	1	-0.36271	1

From the above table it can be seen that correlation between CSR and NP is -0.051, CSR and TA is -0.290 and CSR and EPS -0.051. Here, all variables are negatively correlated

Table 14: Regression

Multiple R	R Square	Adjusted R Square	Standard Error	Significance F
0.337396	0.113836	-1.21541	4.402323	0.961592

In the above table R square value is low 0.114 which means that the model is not proper fitted or only 11.4 % of variation in CSR is caused by NP, TA and EPS. It is not a positive sign. By checking the significance value 0.962 which is also more than 0.05 significant level. It shows that the independent variables do not significantly affect CSR.

Table 15: Regression Coefficient

	Coefficients	Standard Error	t Stat	P-value
Intercept	10.734	11.96899	0.896828	0.464454
NP	0.479	7.648667	0.062578	0.955794
TA	-0.0002	0.000375	-0.48653	0.674688
EPS	-83.935	1340.525	-0.06261	0.955769

$$CSR = 10.734 + (0.479)x_1 + (-0.0002)x_2 + (-83.935)x_3 + e$$

The coefficient of NP is 0.479. So for every unit increase in NP, a 0.479 unit increase in CSR is predicted. Considering all other variables are constant. Same way the that other two coefficient of TA and EPS is -0.0002 and -83.935, which means every unit increase in TA and EPS, a 0.0002 unit and 83.935unit decrease in CSR considering all other variable remains constant.

The beta value of only NP is significant. This shows that for CSR of MRPL, NP has a significant effect.

7. Findings and Conclusions

This study examined the “Impact of CSR on financial Performance of the selected Petroleum Companies”. Last six years data from balance sheet of the listed companies has been collected and analyzed by applying correlation and linear regression. The major findings of the study showed that the CSR has positive relationship with the two variables NP and TA in all the selected Companies. There is a significant relationship between CSR and Net profit and CSR and TA has been found in BPCL and HPCL

companies. In other three companies there is no significant relationship found between and CSR and other variables. RIL earned more profits, more valuable assets and more earning per share as compared to other companies but having not much positive impact on its CSR. From this it is clearer that the companies CSR have not always impact on its financial performances.

8. References

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