



Corporate Social Responsibility (CSR) practices, profitability & sales growth: A comparative study of JSW Steel Limited

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Abstract

This research paper analyse and compare corporate social responsibility practices, Profitability aspects and growth aspects, before and after mandatory implementation of corporate social responsibility practises - as per schedule-VII of the Companies Act 2013. For this research purpose JSW Steel Ltd. selected for study. From 2007-2008 to 2020-2021, total 14 years selected for study. To make comparison, Paired T-test has been used. Result of the study shows that there is no significant difference between Profitability aspects. Significant but Negative difference between Growth aspects, and Clear Significant difference between CSR Practices for JSW Steel Ltd. before and after mandatory implementation of CSR practises as per schedule-VII of the Companies Act 2013.

Keywords: Corporate social responsibility (CSR), sales growth, profitability, CSR score, the companies Act, 2013

Introduction

Corporate Social Responsibility and Sustainable development and are well related to each other. Corporate Social Responsibility is strategic part of sustainable development. In modern time doing business not only limited to profits. It's also about people & society along with profitability expectations. Company doing efforts for the society, impact the overall performance of the business? In short CSR is key strategy which makes business organisation think beyond business.

To achieve long term growth, Corporate Social Responsibility plays an important role. It could be a good tool to create good business image and goodwill. Lots of researches showed that corporate social responsibility (CSR) Affect Company's financial performance.

(India, n.d.) The Companies Act 2013 ^[3], describes meaningfulness of corporate social responsibility (CSR) activities. Government of India also understands the value creation which company could achieve by implementing corporate social responsibility (CSR) effectively.

Schedule VII mandates CSR activities that should be included in (CSR) investment. Financial year 2014-2015 afterwards, Indian government made investment in (CSR) activities compulsory for companies falling under prescribed criteria: (Constitution, 2013) ^[2]

- Co. Having Turnover \geq 500 cr.
- Co. Having Net worth \geq 1000 cr.
- Co. Having Net profit \geq 5 cr.

If Indian company fulfils above criteria, that company has to follow regulation mentioned in Schedule VII of the Companies Act 2013. Company has to invest at least 2% of their average net profit from immediately Three (3) preceding financial years in CSR activities.

There are total Twelve (12) activities/areas described in Schedule VII. In which CSR should be spent. Which are classified as below:

- Activity 1 - Eradicating Poverty, Healthcare Programs. Malnutrition, Sanitization.

- Activity 2 - Education, Vocational Skills Projects & Livelihood.
- Activity 3 - Women Empowerment & helping backward groups.
- Activity 4 - Environmental Sustainability.
- Activity 5 - National Heritage.
- Activity 6 - Benefits for Armed Forced Veterans, widows.
- Activity 7 - Rural Sports Development.
- Activity 8 - Contribution in PM Relief Fund.
- Activity 9 - Contributions in Technology Incubators.
- Activity 10 - Rural Developments Projects.
- Activity 11 - Slum Development Projects.
- Activity 12 - Disaster Management Projects / Relief.

Review of Literature

(ASHISH TRIPATHI, (2015) ^[1] CSR and its impact on sales as well as profitability. Comparing sales and profitability with CSR very crucial topic to study. Study stated that company's solid wastes which harmful for the human beings should invest in certain activities through CSR so that it can minimise its effect on social environment. Interestingly these study give new aspect of CSR. It stated the how organizations can really become good citizens. This study elaborated, Global scope of CSR as well as evaluation changes of CSR in India. Another objective of the study was too find out whether CSR improve confidence level for the customers and employees. Study was based on primary research. Structure questionnaire is used in this study 300 Questionnaire got distributed. Sample area was completely based on Delhi NCR. Research Study suggested that most and majority of the company mentioned that they implements it CSR policy and activities into core corporate strategy technique.

(NITHIN REDDY, November 2018) ^[7] Jointly presented a Study Impact of corporate social responsibility with aspect of financial performance. CSR is measured as Summation of environmental cost and donation. Data was taken from the annual reports of the companies. Research study eventually

suggested that CSR very much influence financial performance. ITC Ltd. and Nestle Ltd. taken for sample. Result showed ITC Ltd. showed significance relation whereas Nestle Ltd. showed no significant relation. Data from the year of 2009-2017 was taken. Two hypothesis were made for the study. Researchers concluded that profit after tax of the companies and CSR expenditure, may not determine significant Relation.

(Namita Rajput, 2012) ^[6] Research article on, link between CSR and financial performance - An empirical validation. To gain public support and to gratify the demand, Companies were forced to being socially responsible. Stakeholders demand is escalating in social performance. Such kind of demand forcefully made company to do clear disclosure of the data Regarding CSR activities. The aim of the study article was to learn relationship between CSR and financial performance. Regression analysis method selected to justify the study. Primarily Study revealed significant relationship between CSR and company's financial performance. Five companies were measured for profits & sales revenue. This study concluded financial benefit can derived for organization special for which are innovative in CSR investment.

Identification of Research Problem

From The above Literature Review It is found that there is scope of studying Corporate Social Responsibility Strategy and Finance Aspects Before and After Compulsory Implementation of Corporate Social Responsibility Practices. Special Reference to Schedule-VII of The Companies Act 2013. (M.C.A., n.d.) This is an uncovered area, not much Research work is done in this Area So Researcher Found and selected this Gap for Study.

Objective of The Study

- To Analyse & Compare Profit Measurement Ratios such as Operating Profit Ratio (OP), Net Profit Ratio (NP), Earning Per Share (EPS) for JSW Steel Ltd. Before and After Implementation of Mandatory CSR Provisions.
- To Analyse & Compare Sales Growth (SG) for JSW Steel Ltd. Before and After Implementation of Mandatory CSR Provisions.
- To Analyse & Compare Corporate Social Responsibility Strategy as CSR Score of JSW Steel Ltd. Before and After Implementation of Mandatory CSR Provisions.

Sample Selection and Time Period of The Study

JSW Steel Ltd. is selected as a sample. Researcher Used Non-Probability or Convenient Sampling Method. Total

Fourteen (14) Years of Study period has taken into consideration for research work. I.e. From 2007-2008 to 2020-2021. First Seven years (2007-2008 to 2013-2014) considered as Pre-CSR mandatory period and after that total Seven years (2014-2015 to 2020-2021) considered as Post-CSR mandatory period.

Hypothesis of The Study

Null Hypothesis

- $H_0 (1)$ There is no significant difference between Operating Profits Ratio (OP), Net Profits Ratio (NP) & Earning Per Share (EPS) Of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- $H_0 (2)$ There is no significant difference between Sales Growth (SG) of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- $H_0 (3)$ There is no significant Difference between Corporate Social Responsibility Strategy (CSR Score) of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Alternate Hypothesis

- $H_1 (1)$ There is a significant difference between Operating Profits Ratio (OP), Net Profits Ratio (NP) & Earning Per Share (EPS) Of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- $H_1 (2)$ There is a significant difference between Sales Growth (SG) of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- $H_1 (3)$ There is a Significance Difference between Corporate Social Responsibility Strategy (CSR Score) of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Statistical Tool For The Study

Paired T-test method has been taken as statistical tool with 5% level of significance, for Comparison of Profitability Ratios Such as Operating Profit Ratio (OP), Net Profit Ratio (NP), Earning per Share (EPS), Sales Growth, and CSR Activities (CSR SCORE) between Pre-CSR mandatory Period and Post-CSR mandatory Period For JSW Steel Ltd.

Collection of Data

Data is collected & calculated from Annual reports of the Selected Indian companies (REPORTS, 2010 TO 2018) ^[8] and financial statements of Selected Indian companies (LTD., 2010 TO 2018) ^[4]

Table For Ratio Analysis

Year	Operating Profit	Net Profit	EPS	Sales Growth
2007-2008	23.16%	13.68%	95.26	35.83%
2008-2009	9.72%	3.02%	22.70	20.19%
2009-2010	18.91%	10.40%	106.34	28.18%
2010-2011	13.84%	8.00%	97.17	29.16%
2011-2012	9.45%	4.68%	71.42	38.16%
2012-2013	10.88%	4.63%	79.28	11.94%
2013-2014	9.53%	2.71%	53.86	26.83%
AVG.	13.64%	6.73%	75.15	27.18%
2014-2015	12.22%	4.30%	88.24	2.23%
2015-2016	-0.76%	-8.64%	-147.50	-18.92%
2016-2017	15.42%	6.28%	148.90	39.29%
2017-2018	15.75%	6.83%	192.40	18.99%

2018-2019	20.23%	10.76%	343.50	13.29%
2019-2021	13.08%	8.33%	220.30	-17.18%
2020-2021	22.28%	11.87%	349.20	11.30%
AVG.	14.03%	5.68%	170.72	7.00%

Table Showing Csr Score Calculation (Year Wise)

Csr activities as per (schdule vii)	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Activity 1	0	0	0	0	1	1	1	1	1	1	1	1	1	1
Activity 2	0	0	0	0	1	1	1	1	1	1	1	1	1	1
Activity 3	0	0	0	0	0	0	0	1	1	1	1	1	1	1
Activity 4	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Activity 5	0	0	0	0	1	0	0	1	1	1	1	1	1	1
Activity 6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 7	0	0	0	0	0	0	0	1	1	1	1	1	1	1
Activity 8	0	0	0	0	0	0	0	0	1	0	0	0	0	0
Activity 9	0	0	0	0	0	0	0	0	1	1	0	0	0	0
Activity 10	0	0	0	0	0	0	0	1	1	1	1	1	1	0
Activity 11	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Activity 12	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total score / 12	1	1	1	1	4	3	3	7	9	8	7	7	7	6
Csr score In %	8.33	8.33	8.33	8.33	33.33	25.00	25.00	58.33	75.00	66.67	58.33	58.33	58.33	50.00

Analysis And Interpretation

Paired T-Test For Operating Profit Ratio (Op)

Column1	Column2	Column3
t-Test: Paired Two Sample for Means		
	PRE	POST
Mean	13.64142857	14.03142857
Variance	29.31258095	55.71928095
Observations	7	7
Pearson Correlation	-0.036491711	
Hypothesized Mean Difference	0	
df	6	
t Stat	-0.110006461	
P(T<=t) one-tail	0.457995724	
t Critical one-tail	1.943180281	
P(T<=t) two-tail	0.915991448	
t Critical two-tail	2.446911851	

Operating Profit Ratio - Interpretation of T-Test

For Operating Profit Ratio P value is 0.91 which is higher Than 0.05 Significance Level So Null Hypothesis (H₀) is failed to Rejected. There is no significant difference

between Operating Profits Ratio of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Paired T-Test For Net Profit Ratio (NP)

Column1	Column2	Column3
t-Test: Paired Two Sample for Means		
	PRE	POST
Mean	6.731428571	5.675714286
Variance	16.98688095	46.6323619
Observations	7	7
Pearson Correlation	0.03751971	
Hypothesized Mean Difference	0	
df	6	
t Stat	0.356149404	
P(T<=t) one-tail	0.366958514	
t Critical one-tail	1.943180281	
P(T<=t) two-tail	0.733917029	
t Critical two-tail	2.446911851	

Net Profit Ratio - Interpretation of T-Test

For Net Profit Ratio P value is 0.73 which is higher Than 0.05 Significance Level So Null Hypothesis (H₀) is failed to

Rejected. There is no significant difference between Net Profits Ratio of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Paired T-Test For Earning Per Share (EPS)

Column1	Column2	Column3
t-Test: Paired Two Sample for Means		
	PRE	POST
Mean	75.14714286	170.72
Variance	849.5574905	28863.21147
Observations	7	7
Pearson Correlation	0.356406218	
Hypothesized Mean Difference	0	
df	6	
t Stat	-1.562693233	
P(T<=t) one-tail	0.084576558	
t Critical one-tail	1.943180281	
P(T<=t) two-tail	0.169153116	
t Critical two-tail	2.446911851	

Earning Per Share - Interpretation of T-Test

For Earning Per Share P value is 0.16 which is higher Than 0.05 Significance Level So Null Hypothesis (H_0) is failed to Rejected. There is no significant difference between

Earnings Per Share of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Paired T- Test For Sales Growth

Column1	Column2	Column3
t-Test: Paired Two Sample for Means		
	PRE	POST
Mean	27.18428571	7
Variance	80.25722857	420.6216667
Observations	7	7
Pearson Correlation	0.573306404	
Hypothesized Mean Difference	0	
df	6	
t Stat	3.134785061	
P(T<=t) one-tail	0.010100666	
t Critical one-tail	1.943180281	
P(T<=t) two-tail	0.020201331	
t Critical two-tail	2.446911851	

Sales Growth - Interpretation of T-Test

For Sales Growth P value is 0.02 which is Lower Than 0.05 Significance Level So Null Hypothesis (H_0) Rejected. There is a significant difference (Negative) between Sales Growth

of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Paired T-Test For Csr Score

Column1	Column2	Column3
t-Test: Paired Two Sample for Means		
	PRE	POST
Mean	16.66666667	60.71428571
Variance	115.7407407	62.83068783
Observations	7	7
Pearson Correlation	-0.542896714	
Hypothesized Mean Difference	0	
df	6	
t Stat	-7.077101515	
P(T<=t) one-tail	0.000199512	
t Critical one-tail	1.943180281	
P(T<=t) two-tail	0.000399023	
t Critical two-tail	2.446911851	

Csr Score - Interpretation of T-Test

For CSR Score P value is 0.0003 which is Lower Than 0.05 Significance Level So Null Hypothesis (H_0) Rejected. There is a significant difference between CSR Practices of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Findings

- For Operating Profit Ratio (OP) Null hypothesis (H_0) is Failed to reject which means that there is no significant difference between Operating Profits Ratio (OP) Of JSW Steel Ltd. Before and after Mandatory CSR Provisions.

- For Net Profit Ratio (NP) Null hypothesis (H_0) is Failed to reject which means that there is no significant difference between Net Profits Ratio (NP) of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- For Earning Per Share (EPS) Null hypothesis (H_0) is Failed to reject which means that there is no significant difference between Earning Per Share of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- For Sales Growth Null hypothesis (H_0) rejected which means that there is a significant difference (Negative) between Sales Growth of JSW Steel Ltd. Before and after Mandatory CSR Provisions.
- For CSR Score Null hypothesis (H_0) rejected which means that there is a significant difference between CSR Activities Performed by JSW Steel Ltd. Before and after Mandatory CSR Provisions.

Conclusion

This study was all about comparison of Operating Profit Ratio (OP), Net Profit Ratio (NP), Earning Per Share (EPS), CSR Score & Sales Growth in-between Pre-CSR mandatory period and Post-CSR mandatory period. Study concluded that there is positive Change in Corporate Social Responsibility Practices of JSW Steel Ltd. as JSW Steel Ltd. Improves its CSR Score in Post-CSR Mandatory Period, but Negative Sales Growth Can be seen In Post-CSR Period. Also there is no significant change in Operating Profit Ratio (OP), Net Profit Ratio (NP), Earning Per Share (EPS) in between Pre-Post Time period of JSW STEEL LTD.

As a further Scope of study, by taking more number year's data and more companies from various industries could generate more clear results. Taking sample from multiple industry could generate more clarity about CSR

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