Impact of Corporate Social Responsibility on Financial Health of Indian Companies: An Empirical Analysis

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Abstract

Traditionally, investment decisions used to mainly rely on the financial indicators of a business. But, now non-financial factors like corporate social responsibility (CSR), have also left their footprints on the decision-making process. The focus is on the long-term sustainable goal of wealth maximization, involving awareness about societal obligations. For more than forty years, the relationship between CSR and financial performance has been an issue of debate and research among academia. But the results are equivocal. Therefore, this study aims to gauge the impact of CSR practices on the financial health of companies based on cross-sectional data relating to the year 2020-21. The financial health of 160 Indian companies across select industries has been measured by Tobin Q as market-based and Return on Assets as accounting-based indicators. CSR practices have been represented by the "Social Score" calculated by Credit Rating and Information Services India Limited, and the pattern of the social score has been depicted by a Boxplot graph. The financial data has been extracted from the PROWESS database. The Multiple Regression analysis has been used to capture the link between the underlying variables. The control variables used in the study are capital structure, size, and gross profit of the company. The results have revealed the positive relationship between CSR practices and the financial health of the companies, but are statistically significant only for Tobin Q. It draws attention towards the fact that good CSR practices work as an essential vitamin supplement to uplift the financial health of the companies by enhancing their reputation. The findings are important not only to investors, managers, and other stakeholders; but also, to the regulator to increase the size, and height of mandatory walls of CSR dimensions to further improve such practices by the corporate sector.

Keywords:

Accounting Measure, Financial Health, Regression, Social Score; Tobin Q, Cross-sectional Data, Stakeholder Theory

INTRODUCTION

The shape and size of the world economy are being fast expanded and revolutionized, and access to financial resources has been the central key to more prosperity in the corporate world. But, to have the required amount of capital is a struggle due to intense market competition. The public perception of a business or its market value, apart from other factors, plays a pivotal role in the decision-making process of providers of the fund. One such dimension which makes a remarkable difference in public opinion about the business is the initiatives undertaken by it on Corporate Social Responsibility (CSR) front.

CSR is an activity that is carried out to augment the quality of life of the community residing in the vicinity of the enterprise. It may be defined as a firm's sense of responsibility towards the society in which it operates rather than harming it adversely. Earlier, CSR was expected from companies as a voluntary initiative, or

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a philanthropy activity; but now, it has been considered as one of the important responsibilities directed to improve and upgrade the socio-economic status of the society and made mandatory in different countries. According to the European Commission (2015), CSR is a process through which corporates avoid leaving a negative impact through business activities on all stakeholders. The attention of the corporate sector is drawn towards social consciousness through which a more equitable society may be built to provide basic necessities for all. In other words, CSR implies the commitment of businesses to integrate policies with socially responsible behavior. According to World Business Council for Sustainable Development (1998), CSR is an ongoing commitment, and effort by businesses to boost economic development along with improvement in the quality of life of all stakeholders. Therefore, it may be viewed as a phenomenon to accommodate and safeguard the needs and interests of those who are directly or indirectly associated and concerned with an entity.

The traditional or fundamental objective of business to maximize profit is focused solely to fulfill the aspirations of shareholders. However, the companies are affected by other stakeholders also, who have non-monetary concerns and expectations from the organization, such as the effect of smoke or dirty water caused, and released through its commercial operations, on the life of people living in nearby areas. The concept of CSR underlines that corporates should not only focus on their traditional objective but are also likely to contribute to enriching the society at large or at least should not leave nasty footprints to hurt others, while striding in the direction of achieving its basic economic goal. This thought has been highlighted and supported by the stakeholder theory, which has cast aspersions on the manner of conduct of business determined only to please owners.

Promulgated by Freeman (1984), the newly emerged and talked about stakeholder theory is drawing the attention of firms towards business ethics that focus values, morals, and relationship management with all stakeholders without resorting to compromises or trade-offs; to be more profitable, valuable, and efficacious. Here, a stakeholder has been described as an individual or group who may influence or be influenced by the business activities of a company, and other voluntary welfare actions and tasks; carried out to fulfill its organizational obligations. This theory has enlightened the basic necessity of association between a company and stakeholders (Donaldson & Preston, 1995). It has broadened and emphasized the domain of focus of companies from 'stockholders' to 'stakeholders' by bringing in the prominence of the concept of responsibility toward all (Laplume, Sonpar & Litz, 2008). This theory questioned the traditional objective of business to maximize the wealth of owners. It has stressed the need for realization on the part of a firm to create as much value as possible for its financers, employees, suppliers, government, trade union, customers, business partners, and society at large that are interconnected with business (Freeman, 2015). Even the competitors may be viewed as one of the stakeholders to take care of because they have the capability to affect the entity and the interests of other stakeholders. Great companies sustain because they provide the utmost priority to get the interests of stakeholders aligned and pursued in the direction of corporate objectives (Attanasio et al., (2022). This theory has broadened and advanced the size of the "think-tank" of corporate leaders; to consider CSR as one of the managerial tools to connect, interact, and realize the importance of stakeholders.

The entities are indirectly compelled to develop a suitable business strategy to embed CSR dimensions in their core planning and execution, to maximize or at least maintain the interest of all stakeholders. Continuous two-way communication is encouraged and warranted in the organization between corporate brains and stakeholders. Special attention is paid not to violating regulations at any cost on various social segments of society, like child labor, and maternity benefits to women employees. Suitable actions are initiated to empower the women employees by enhancing their number in the total workforce, and representation on the board of directors. To achieve these objectives, top management may form a CSR team to identify, administer, and assume social responsibilities to channelize relevant efforts into the desired direction.

The importance of CSR activities is increasingly recognized and highlighted in the global arena. Socially responsible behavior has emerged as an important non-financial pillar that has the potential to dwindle or improve the bottom line. Due to globalization and increased awareness, companies are being continuously pushed to embrace CSR activities to reduce costs and create value for it (Pradhan & Ranjan, 2010). Bhattacharya & Sen (2004) and Minor & Morgan (2011) underscored that companies who spend more on CSR activities or address societal challenges, relish a competitive edge over others due to enhancement in public image or goodwill; and are more effective in generating profits or return on investment. Likewise, Servaes and Tamayo (2013) examined the importance of CSR activities for the survival and growth of the business. The higher amount of investment in social activities generated more wealth for owners; and a surge in profitability, and sales indicators (Kaur & Singh, 2020). Substantial progress was witnessed in the financial performance of entities whose socially responsible portfolios were assigned higher rating (Van et al., 2005). CSR practices have emerged as an essential instrument in producing higher stock returns and profitability in the Indian context; and established that certainly, market compensates companies that behave socially responsibly (Maqbool, 2019). These achievements are disseminated to stakeholders through corporate disclosures.

Based on the disclosures made by companies, the emphasis is to deliberate on how the organizations are managing their workforce diversity, customers, vendors, human rights, and community through philanthropy and/or corporate citizenship. It has been established that the disclosure of information regarding CSR activities improves the financial value of the enterprise (Shukla & Geetika, 2022). Therefore, the companies are supposed to make timely, fair, and adequate disclosures on various issues, such as initiatives on safe products development for consumers, corporate strides on employee empowerment, workforce details, equal opportunities extended, training and skills development programs organized, industrial relations in terms of strikes and lockouts observed, health and safety measures undertaken, number of fatalities occurred, status on employment of child labor, customer orientation, sexual harassment complaints, shareholder's grievances, number of incidences or criticisms regarding data security or privacy breaches, and quality and quantity of community welfare projects initiated and completed. But the pattern of spending for a societal cause; and the disclosures made through annual reports, press releases, or otherwise regarding various parameters of CSR initiatives; differ widely among the Indian corporate sector. Mishra & Suar (2010) explored that listed companies spend more on CSR, and reported better performance than non-listed entities, and suggested that involvement of Indian companies in socially responsible activities is more beneficial, profitable, and improves their financial health. Maqbool, Mitra & Chaudhury (2022) have examined the pattern of CSR reporting of top-listed companies in India in the post-mandatory era i.e., after 2013. They explored that the most disclosed dimension of CSR was on "community development," and the least information was disseminated on issues pertaining to "product development". Further, the oil exploration and refineries industry was on the top in terms of maximum disclosures on CSR, and the pharmaceutical industry was found lowest in ranking. The study revealed that Indian companies improved reporting on CSR content after the introduction of mandated disclosures by the government.

Realizing the importance of CSR initiatives, Indian companies are being made to appreciate that they cannot flourish without focusing on societal aspects; hence, CSR has been made mandatory in India in 2013. The social responsibilities of the organizations are governed by various Acts and Regulations issued by the Indian government from time to time. This aspect has gained momentum in India since 2007 when the Reserve Bank of India advised commercial banks to pay attention to CSR activities, sustainability, and non-financial disclosures. In 2009, Ministry of Corporate Affairs published guidelines for CSR for corporates to adopt voluntarily. Later, Section 135 of Companies Act, 2013 introduced the concept of CSR with "mandatory tag", based on the ideology of "give and take". The provisions of CSR are applicable equally to the public as well as private companies; and also, to foreign companies operating in India. It is applicable to a company having a net worth of rupees 500 crores or more, or turnover of rupees 1000 crores or more, or a net profit of rupees 5 crores or more; during the immediately preceding financial year. Such a company is mandated to constitute a CSR committee of the Board of Directors, which will formulate and monitor CSR policy; and recommend the amount to be incurred on such activities. The Board of each of such companies is required to spend on CSR activities at least 2% of its average net profit for the three immediately preceding financial years. Schedule VII of Companies Act has identified the wide range of CSR activities that may be undertaken by companies, such as, promoting health care and sanitation, education, gender equality, facilities for senior citizens, arts and handicrafts; ensuring environmental sustainability; protection of national heritage, art and culture; training to promote sports; slum area development; and contribution to specified funds, etc. In 2019, contribution to government-funded research and development activity has also been added to the list of CSR activities. However, Sharma & Aggarwal (2021) found that mandatory expenditure on CSR after the amendment in companies Act, 2013 has been viewed as a burden on the on-going activities of non-financial listed Indian companies and has affected the profitability of the companies negatively.

At present, the top 1000 listed Indian companies by market capitalization are mandated to furnish Business Responsibility Report (BRR) to stock exchanges as part of annual reporting, but for others, its submission is voluntary. From the financial year 2022-23, the BRR has been replaced by Business Responsibility and Sustainability Report. It requires the organizations to engage with all stakeholders and make disclosures on environmental, social, and governance dimensions. Corporates are being enthused to cross the borderline of "mandatory wall" in terms of overall footsteps moved towards the welfare of stakeholders, and the reporting of same.

The study has been discussed under five main sections. First of which being the present one and is dedicated to the introductory part of core issue. The second section deliberates on the existing literature relating to the effect of CSR on financial health of enterprise. The research methodology has been summarized in section three. The section four is devoted to the analysis and interpretation of empirical results. But no human effort is bound to be free from limitations; therefore, the study has been concluded in section five by discussing on the same; along with its implications, and a few suggestions for future research work.

LITERATURE REVIEW

The exponential increase in the amount of funds spent on corporate social responsibility (CSR), by corporates over the years, suggests that management has considered CSR programs to improve the financial health of an enterprise. Many empirical research studies have been steered to explore the relationship between the two at the national and international level. The findings are not uniform; rather researchers have highlighted positive, negative, zero, or even curvilinear relationship. Having through an extensive review of literature, Galant & Cadez (2017) also pointed out towards the accumulation of equivocal evidence in the body of literature in this regard, although the debate has been ongoing. The various reasons attributed to these mixed empirical results include, inter alia, the use of different variables to measure the underlying concepts, a statistical tool employed, nature and number of entities included in the study, the time period, and the place of study. The diverse existing research findings between primary variables are being discussed here.

Positive relationship between CSR and financial health

In spite of the existence of inconsistent findings, Orlitzky, Schmidt, and Rynes (2003), Margolis, Elfenbein, Walsh (2007), and Barauskaite & Streimikiene (2021) reported on the basis of meta-analysis of existing studies that a positive relationship between CSR and financial indicators is more often spotted than other types.

Van et al., (2005) established a better performance of highly rated socially responsible portfolios. Lin, Yang, & Liou (2009) investigated 1000 Taiwanese firms whose strategic business policies identified spending on research and development (R&D) as a vital instrument for sustainable development. After incorporating R&D costs as one of the independent variables in the regression model, they suggested that CSR offers extraordinary long-term financial benefits. Bedi (2009) concluded that financial performance is pushed up by spending a higher amount on CSR activities in Indian firms. The study also demonstrated that expenditure on CSR is a function of the financial performance of the organization. Karagiorgos (2010) explored that improvement in CSR activities is leading to higher returns on stocks of Greek companies; and can be considered as one of the drivers to boost market efficiency. In another study conducted in the same year, he demonstrated a positive and significant link between CSR and the financial performance of companies in Indian Steel industry, when financial health was measured by accounting indicators of profitability, market growth, and value-added measures. Maqbool & Zameer (2018) examined 28 commercial banks which were listed on Bombay Stock Exchange of India; and indicated that the financial performance was positively linked to CSR initiatives. Cherian et al., (2019) revealed that the Indian manufacturing companies which behaved socially responsible were distinguished with better financial indicators and attributed higher valuation. Maqbool (2019) examined that CSR leads to higher stock returns and profitability in Indian context, implying that certainly market reimburses those companies which respect CSR dimensions. The positive effects were also diagnosed for future potential returns; pointing out that time, money, and effort expended on societal activities involves long-term effects on financial health. Awaysheh et al., (2020) identified best-in-class firms using CSR ratings in a given year by benchmarking against industry counterparts; and claimed that such firms relatively outperformed in terms of fetching higher market valuations measured by Tobin's Q. Kaur & Singh (2020) indicated that more investment for a social cause is an instrument for making more wealth, and escalates profitability and sales in Indian Steel Industry. Maqbool & Hurrah (2020), and Szegedi, Khan & Lentner (2020) examined the banking sector in Pakistan. They found that commercial banks which are involved in CSR engagements and make proper disclosure of the same; have witnessed higher returns on equity and assets. Shukla & Geetika (2022) investigated a positive relationship between the amount spent on CSR movements and the financial parameters of the energy firms. They also established that the disclosure of CSR information helps in maintaining and strengthening this relationship.

The stakeholder theory supports a positive association between the two underlying variables (Freeman, 2015) because entities immersed in CSR arrangements result in satisfying different stakeholders, which leads to improvement in the goodwill or image of the entity; and thus, in its "financial health with energy levels".

Mixed relationship between CSR and financial health

Many research studies have found a mixed kind of relationship between the two core variables under discussion. Lioui & Sharma (2012) assessed that the organizations perceived CSR as a prospective cost, and the analysis indicated a negative association with economic parameters. But, found that firms could generate additional indirect economic value through R&D initiatives that are fostered by CSR happenings. Kamatra & Kartikaningdyah (2015) conducted a study on mining and chemical companies, listed in Indonesia Stock Exchange. The significant effect was appreciated when profitability was measured by return on assets (ROA), and net profit margin, but the same was missing when return on equity and earning per share were substituted for financial performance. Sekhon & Kathuria (2019) enquired negative effect of CSR on return on equity. But exhibited neutral relationship between the two, when profitability was measured with ROA, and net profit margin. Mangalagiri & Bhasa (2022) found a positive impact of CSR on accounting based financial measure, but revealed a very weak link with market-based measures of return. They suggested Indian companies to spend more than the compulsory requirement of CSR expenditure to enrich their goodwill and market value.

Neutral or little relationship between CSR and financial health

McWilliams & Siegel (2000) demonstrated the neutral effect of CSR on financial performance of the firm after controlling the effect of investment in R&D activities in regression model. In Australia, preliminary results by Brine, Brown, & Hackett (2007) displayed no statistically significant relationship between CSR and financial indicators, but indicated that CSR may be voluntarily adopted by companies due to other economic reasons. Mittal, Sinha & Singh (2008) testified little evidence of linkage in the context of Indian firms, between CSR in2itiatives and market value. Employing a time-series fixed effects approach, Nelling & Webb (2009) determined that financial performance of an entity is not affected by CSR activities undertaken by it. Rather, they found that robust stock market performance is one of the determinants of investment in CSR activities; focused to improve relationship with employees. Madorran & Garcia (2016) analyzed penal data derived from the IBEX 35 stock market index of Spain, and demonstrated that the two underlying variables are independent of each other and no causal relationship occurs between them.

Negative or curvilinear relationship between CSR and financial health

There is lesser number of research studies which backs such relationship. The associated CSR costs are considered as a negative advantage for companies as compare to those who spend little or no funds on this aspect. Aras, Aybars, & Kutlu (2010) explored such relationship after examining Istanbul Stock Exchange 100 index companies in Turkey. However, they found that large sized companies are embracing and focusing more on societal activities as compared to their smaller counterparts. Sung Kim & Oh (2019) concluded a U-shaped link of CSR with Tobin Q in Indian business group firms. They found out that enhancement in CSR efforts does not always induce higher performance of an entity, rather should cross a specific threshold of CSR to achieve positive impact in firm's value.

To sum up, the existing vast pool of literature has thrown light that no study is thriving enough to provide conclusive reply to the principal subject under discussion; and most of them have addressed the issue in developed countries; and a smaller number of research efforts have been engrossed in Indian context. Therefore, in this study, I seek to fill this gap; and an attempt is made to diagnose the causal relationship between CSR practices and financial health of Indian companies in select industries.

RESEARCH METHODOLOGY

This section is throwing light on various elements of research methodology, such as, objectives, and research hypothesis of study; universe, sample size, and sources of data; and research design.

Statement of Problem

It has been widely recognized and accepted that companies are dependent on society to exist and grow in the corporate world. Therefore, they must pay back to it, and to achieve this goal, its planning, policies, procedures, methods, and actions should shadow socially responsible behavior. Otherwise, ignorance to social responsibility may pose a risk to the business, which has very well been diagnosed by the widespread outbreak of Covid-19; and its impact on the financial health of businesses worldwide. Nowadays, companies are supposed to focus on long-term financial growth embedded with welfare for all stakeholders. Therefore, the need of the hour is to empirically identify the association between CSR movements and the economic prospects of a commercial entity.

Objectives of Study

Traditionally, the focus has been only on the financial parameters of an organization to judge and assign value to it. But now non-fiscal dimensions of an entity have also gained a prominent place or ranking in the financial decision-making process. They dominate the minds, specifically, of providers of funds where financial resources are considered as a lifeline to any business entity. One such significant aspect is the efforts put in by corporates to fulfilling societal obligations to satisfy all stakeholders. This study aims to investigate the direction and degree of influence of CSR practices on the financial health of select Indian companies.

Hypothesis of Study

H_0: CSR practices do not impact the financial health of a corporate sector in select Indian industries.

H_A: CSR practices impact the financial health of a corporate sector in select Indian industries.

Universe for Study

The analysis has been initiated with a universe of 225 companies listed in the "CRISIL ESG Compendium", published in June 2021 by Credit Rating and Information Services India Limited (CRISIL); an Indian subsidiary company of S&P Global, U.S.A. It was incorporated in 1988 as the first "credit rating agency" of India.

Sample Selection

A sample of 160 companies was selected for empirical examination from all sectors except the "financial" one. The "judgment sampling" technique has been used to pick the sample size.

Sources of Data

The secondary sources of data have found a place in the study. The CSR practices have been represented by the "Social Score" which has been computed on a scale of 0 to 100; and has been extracted from the "CRISIL ESG Compendium", published online by CRISIL, in June 2021. However, the financial data of selected companies have been derived from the online Prowess IQ database, maintained by the Centre for Monitoring Indian Economy Private Limited; which constructs it basically from annual reports, quarterly results, and press releases of Indian private or public companies.

Period of study

The data for all identified variables, forming the base for analysis, relates to the financial year 2020-21.

Research Design

Boxplot graph has been used to have an inkling of the spread of the "Social Score", a variable identified to represent CSR initiatives of selected companies; and Multiple Regression analysis has been employed on the data to empirically explore the association between CSR practices and corporate financial health.

CSR has been identified as an exploratory variable along with other control variables, and the financial health of the company has been recognized as the dependent variable. The different selected variables for the study are defined as follows:

1. Dependent Variables – The financial health of the companies have been represented by Tobin's Q (TOBQ) as the market measure and Return on Assets (ROA) as an accounting one. The natural logarithm of the ratio of "market capitalization" to "book value of total assets" has been used to measure the Tobin's Q. Similarly, the ROA has been viewed as a ratio of "Earnings before depreciation, interest, and tax" to "total assets" of the enterprise.
2. Explanatory variable - Social Score (S_SCORE) is the explanatory variable of the study and has been calculated by CRISIL. It may take value from zero to hundred depending upon the societal efforts conceded on by corporates.
3. Control variables – The identified control variables are defined below:

a) Size of company (SIZE_ASSE) – It has been calculated as the natural logarithm of the total assets of the company. It is a fair natural assumption that larger companies have a tendency to earn more profits; as they are generally, multi-product, multi-plant, more informed entities, having their commercial operations far and wide.

b) Capital Structure (CAP_STC) – It has been measured as the ratio of debt to the equity capital of the company. The general idea is that cost of capital is a function of leverage. This variable has been introduced in the model to capture the effect of this cost on financial health. Its coefficient may be positive or negative.

c) Gross profit (GRO_PRO) – It has been taken as net sales minus cost of goods sold; and represents the contribution of the firm's commercial operations at a preliminary stage. It is expected to be positively related to the value of the enterprise.

On the basis of these identified variables, the regression equation framed for analysis is as follows:

$Y = a + b_1 (S\_SCORE) + b_2 (SIZE\_ASSE) + b_3 (CAP\_STC) + b_4 (GRO\_PRO) + e$ where,

Y is the measure of the financial health of the enterprise, and is being represented by TOBQ, and ROA;

a is the intercept; b_1, b_2, b_3 and b_4 are partial slope coefficients; and

e is the regression random error term.

ANALYSIS OF DATA AND RESEARCH FINDINGS

This section contains the analysis of data; and interpretation of the results of regression analysis. More precisely, a boxplot graph has been drawn to provide a bird eye view regarding the spread of the values of "Social Score" obtained by companies. The results of the statistical tool, and the regression analysis have also been tabulated and discussed.

Analysis of Social Scores obtained by Companies

The scores secured by the sample companies on a scale of 0 to 100, as a reward of its engagements on "Social" front; have been evaluated under this head. The scores assigned by CRISIL are pointing out the level of policies and practices embedded with the CSR framework by business entities; and the resultant degree of fair and equitable treatment extended to all stakeholders. The greater the score, the better it is; as the higher value of the score secured by a firm implies the presentation of a more beautiful, motivating, and decent bouquet; of CSR dimensions to its stakeholders.

The selected 160 companies have been classified into seven industries, on the basis of their main or related commercial activities. These are Chemical and Pharmaceutical, Engineering and Capital Goods, Fast Moving Consumer Goods (FMCG), IT and Telecommunication, Metals and Mining, Power Oil and Gas, and Real Estate and Cement.

Figure I depicted the highest social score as 70, which has been obtained by the IT and Telecommunication industry, and the second highest score has been assigned to the Chemical and Pharmaceutical industry. Similarly, the FMCG industry is the lowest scorer by receiving a score of 29; and the second lowest rank 34 has been allocated to Real Estate and Cement industry. However, the pattern of scores is certainly indicating that there is awareness and acknowledgment regarding social responsibility initiatives among the corporate sector in all select industries. In other words, the data is indicating that firms have very well realized the significance of the CSR framework; and accepted that business is interdependent, interrelated, and interconnected to all stakeholders for overall progress.

However, wide variations are seen in CSR practices pursued by companies. It has been depicted by the different values of score secured by them, and the calculated "range" value of score being 41(Table I). It implies that CSR actions are not uniform across industries. It is emphasizing that companies with weak CSR scores require immediate policy support from top management and the incurrence of huge costs for the societal cause. If we look at the average social score (Table I) obtained by all sample companies, it comes out to be 51.49 with a standard deviation as 7.96. Being a moderate value, it implies that more meaningful, concrete, and continuous efforts on this front are prerequisites for all Indian companies. In other words, corporates need to stress robust CSR actions at the core of all organizational schemes. Since all companies are not under the "obligatory dose" of governmental regulations, voluntary CSR initiatives may be assumed to boost business popularity, reputation, and health; while the larger companies may move beyond essential requirement of CSR spending.

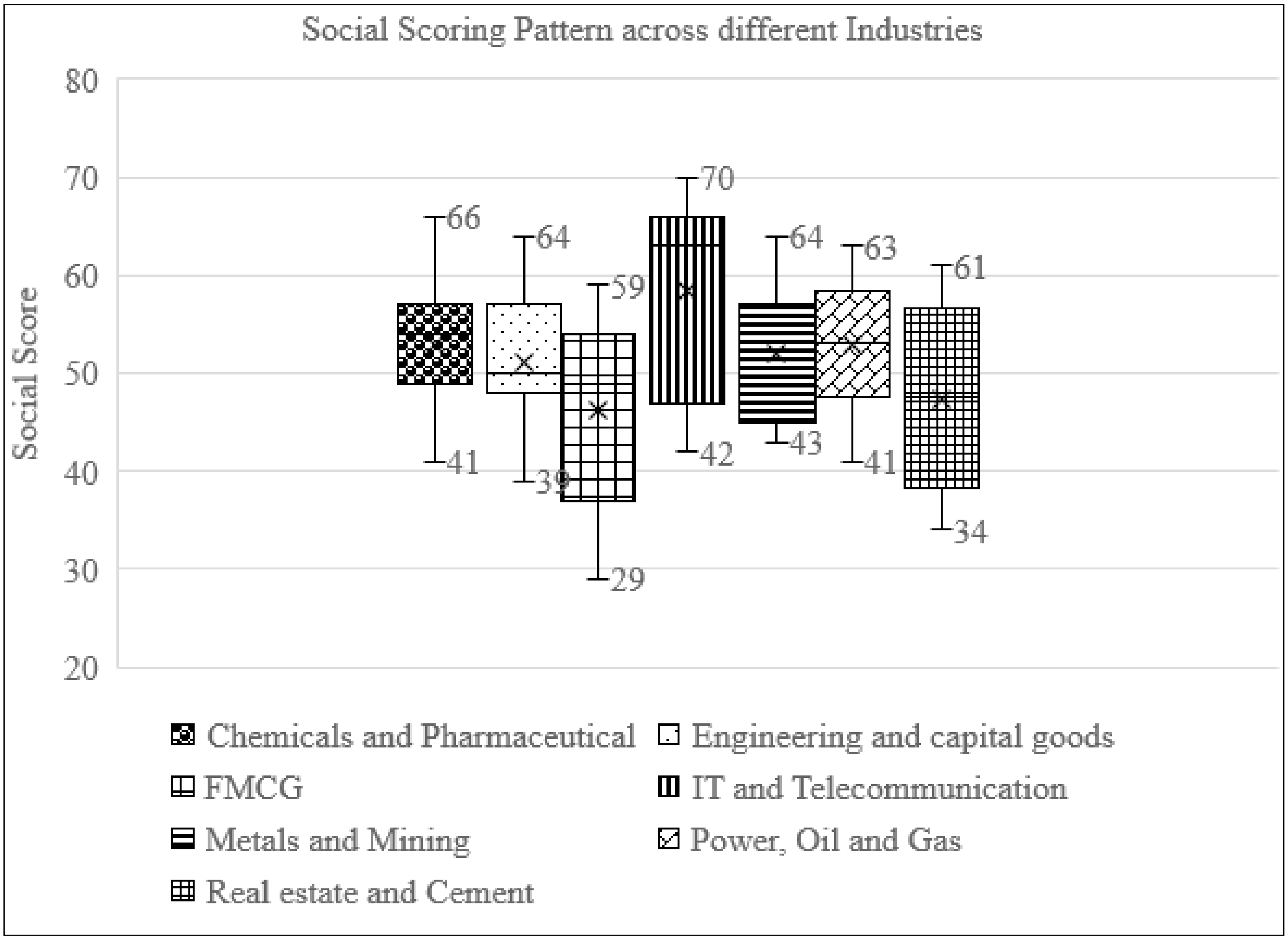

Figure I

Results of Regression Analysis

Table I is displaying the descriptive statistics of variables used in empirical investigation. The values related to selected statistics have been depicted, such as mean, standard deviation, and range, etc. The mean values of all selected variables are not equal to zero or approaching zero, and the standard deviation values are also not moving toward one.

Table I: Descriptive Statistics of Variables

TOBQ	TOBQ	ROA	S_SORE	SIZE_ASSE	CAP_STC	GRO_PRO
Mean	0.470902	0.162683	51.493750	5.006597	0.154008	0.225054
Standard Deviation	0.415858	0.088961	7.965331	0.551524	0.185251	0.147424
Kurtosis	0.569154	0.002602	-0.206877	0.334928	6.602443	0.599065
Skewness	-0.620881	0.532812	-0.223783	0.690163	2.029387	0.765652
Range	2.439061	0.438060	41.000000	2.986146	1.229900	0.702622
Minimum	-0.925397	-0.018958	29.000000	3.958244	0.000000	-0.000210
Maximum	1.513664	0.419101	70.000000	6.944389	1.229900	0.702412

Table II has been describing Karl Pearson's coefficient of correlation between the selected research variables. The results have pointed out that the correlation value of most independent variables is below 0.5. It entails that the existence of the possibility of multicollinearity is not an issue in the data. The same has been substantiated by the values of the Variance Inflation Factor (VIF) which has been demonstrated in Table III under the sub-head "Collinearity Statistics". The emergence of VIF values as less than ten for all independent variables is further reiterating that multicollinearity is not present in the data.

The Table III is also reporting the value of Durbin-Watson statistics as 2.056546; which is not perfectly equal to two, but very close to it. It is clearly indicating that the possibility of autocorrelation in the residual terms arising out of regression analysis is not visible.

Table II: Correlation Matrix of Regression Variables

	TOBQ	**ROA**	**S_SCORE**	**SIZE_ASSE**	**CAP_STC**	**GRO_PRO**
TOBQ	1.000000					
ROA	0.508415	1.000000				
S_SCORE	0.021559	0.097436	1.000000			
SIZE_ASSE	-0.552801	-0.273829	0.418315	1.000000		
CAP_STC	-0.452630	-0.301172	0.057451	0.383627	1.000000	
GRO_PRO	0.491703	0.616577	0.073437	-0.334049	-0.268128	1.000000

The Table III is elaborating on the results of multiple regression analysis. The dependent variable has been taken as TOBQ which is considered a market-based measure of the financial health of the company. The values of R-square and Adjusted R-square are moderate and explain about half of the variability in the dependent variable. The outcome of F-value as statistically significant at 1% level of significance, inferring that the model is well-fitted to the data; and has explanatory power to trap the causal relationship between explained and explanatory variables.

The coefficient values of all selected independent variables have turned out as highly statistically significant. The prime explanatory variable i.e. "Social Score" is bearing a positive sign which implies that there is a positive link between the CSR practices and the financial health of the company. It has been diagnosed that firms with better CSR initiatives tend to enjoy better financial health and a preferred destination for parking funds by investors. Other things being equal, the findings are exposing that the increase in "Social Score" by one unit, will improve the financial health of the enterprise by 0.011 units. Therefore, it rejects the null hypothesis i.e. "CSR practices do not impact the financial health of the corporate sector in select Indian industries". These findings have confirmed and reinforced the empirical results explored by Van et al., (2005), Lin, Yang, & Liou (2009), Bedi (2009), Karagiorgos (2010), Maqbool & Zameer (2018), Cherian et al., (2019), Maqbool (2019), Awaysheh et al., (2020), Kaur & Singh (2020), Maqbool & Hurrah (2020), Szegedi, Khan & Lentner (2020), and Shukla & Geetika (2022); although, diverse research techniques have been employed by these researchers to test the relationship between the two principal variables. To draw an analogy with a cricket match, these findings are suggesting that firms should indulge in aggressive batting by hitting the ball of CSR spending as hard as possible, so as to cross the line of mandatory boundary set by the government to reap the benefit of probable "six" in one go; for survival, growth, and better financial health.

Table III: Multiple Regression Results

Dependent Variable – TOBQ

	Coefficients	**Standard Error**	**t Stat**	**P-value**	**Collinearity Statistics**	
					Tolerance	**VIF**
Intercept	1.591931	0.254371	6.258311	0.000000		
S_SORE	0.011084	0.003415	3.246256*	0.001433	.768	1.302
SIZE_ASSE	-0.356263	0.054972	-6.480807*	0.000000	.618	1.618
CAP_STC	-0.479466	0.141698	-3.383712*	0.000906	.825	1.213
GRO_PRO	0.736263	0.178763	4.118657*	0.000062	.818	1.222
R-square	0.490783	F-statistic	37.347184*		Durbin-Watson	2.056546
Adjusted R-square	0.477642	Significance F	0.000000			

*Statistically Significant at 1% Level of Significance

The behavior of control variables is quite dissimilar. The coefficients of the two variables i.e., SIZE_ASSE and CAP_STC have come out statistically significant but with a negative sign. It implies that the financial health of the company will deteriorate by increasing the dose of these variables. Although larger companies are theoretically expected to be relatively better informed, and more capable of accessing scarce resources, such as material, skilled workforce, and finance which helps to boost the value of the enterprise. But it seems from regression results that large-sized companies could not reap these benefits. Similarly, there is no adequate proof to suggest that highly leveraged firms are more profitable than firms with a low degree of debt. However, the results of regression analysis are indicating that a higher proportion of loans in capital structure, are perceived negatively by investors due to heavy interest payments; thereby pulling down the profitability. The coefficient value of the variable GRO_PRO is bearing a positive sign, as per expectations; and is one of the prominent instruments to push the value of an entity.

The multiple regression findings on the basis of accounting measures i.e. ROA as a dependent variable are summarized in Table IV. The calculated value of R-square has come up as 68%, and that of adjusted R-square as 67%. The F-value is also statistically significant at 1% level of significance. Therefore, it may be established that the selected independent variables of the study are explaining about two third of the variation in the dependent variable.

However, the coefficient values of most independent variables have not turned out statistically significant, when the financial health of the enterprise has been measured by ROA. The t-value of S_SCORE, the explanatory variable bears a positive sign, which indicates that CSR practices have the capability to move upward the financial value of the companies but could not justify this relationship statistically.

Table IV: Multiple Regression Findings

Dependent Variable - ROA

	Coefficients	**Standard Error**	**t Stat**	**P-value**
Intercept	0.030758	0.043396	0.708762	0.479537
S_SCORE	0.000453	0.000583	0.777578	0.438003
SIZE_ASSE	0.001629	0.009378	0.173678	0.862345
CAP_STC	-0.045700	0.024174	-1.890457	0.060563
GRO_PRO	0.477591	0.030497	15.660060*	0.000000
R-square	0.676132107	F-statistic	80.897550*	
Adjusted R-square	0.667774226	Significance F	0.000000	

*Statistically Significant at 1% Level of Significance

Among the control variables, only CAP_STC possesses a negative sign implying an inverse relationship with profitability. Other variables are holding a positive sign, specifying that the financial health of the entity may be enriched by increasing the quantum of these variables.

To summarize, a positive and statistically significant relationship is explored when financial health was measured by the market measure of financial health (Tobin Q), but this bond is not found statistically significant with ROA measure. However, it is pertinent to mention here that market measures derive more preference nowadays than their accounting counterparts because the perception of investors about business is reflected in these measures; and thereby, the amount of funds garnered through the stock market. According to Short & Keasey (1999) market-based measures of the financial health of an enterprise takes into account the prospective capability of management to generate future profits from a given asset base. Moreover, these measures are less affected by accounting variations in terms of generally accepted accounting principles. Therefore, it may be argued that the Tobin Q measure of financial health carry more weightage than the ROA measure. It reiterates that there are sufficient statistically significant evidences to suggest that a positive link exists between CSR practices and the financial well-being of the enterprise. Therefore, it has been diagnosed and established that human-centric efforts may be prescribed as essential "vitamin supplements"; to be consumed by corporates on a priority basis or without fail to maintain or improve their financial health. In other words, the analysis stresses that corporates that value society or focus on CSR activities by philanthropy or corporate citizenship are bound to reap commercial advantages by fetching higher or improved valuations. Managers should understand that CSR performance has evolved over time and that investors place higher valuations on the best-in-class CSR firms within an industry.

CONCLUSIONS

Traditionally, the financial health of a business enterprise has been the standard to make prudent investment decisions, and the role of corporates in a societal cause was not in the public eye. But, in the last forty years, a diverse set of stakeholders has recognized the importance of CSR actions. The non-financial aspects like CSR have started leaving their footprints on the decision-making process of investors, and fund managers. More specifically, they seem to be more particular about CSR disclosures to choose the right type of security for their portfolio. On the other hand, corporates have also realized their role and the importance of being socially responsible. The entities have recognized that ignorance to societal welfare activities may risk the bottom line. It has very well been exposed by the impact of Covid-19 on commercial activities around the globe. Therefore, the increasing focus of firms is on the long-term sustainable goal of wealth maximization by conveying due priorities to societal obligations. The "Social Scores" obtained by companies in different industries, is also pointing out that Indian companies are mollycoddling CSR engagements. The pattern of "social score' in select industries is depicted by a Boxplot graph. It is directing that the need of the hour is to concentrate on human-centric efforts with robust plans which further the welfare of all stakeholders along with sustainable economic growth.

A number of research studies have been directed to examine the impact of CSR practices on the financial health of companies. But the results have shown conflicting views from no relationship between underlying two variables to a very high statistically significant connection. Therefore, an effort has been made in this paper to diagnose and comprehend the association between the two issues. The ongoing massive interest stimulated by CSR actions at the national and international level lays the foundation of this study. It will enhance the area of research by emphasizing the importance of non-financial factors, such as CSR practices on the financial health of an entity. A sample of 160 companies has been selected for the year 2020-21 to employ Multiple Regression analysis. The financial data has been extracted from the Prowess IQ database, maintained by the Centre for Monitoring Indian Economy Private Limited. The CSR score used in this paper is collected and compiled by Credit Rating and Information Services India Limited. Both, the market-based (TOBQ) and accounting-based (ROA) measures of financial health of companies have been used as dependent variable in regression analysis. The identified explanatory variable is "Social Score" as proxy to CSR practices; and control variables are capital structure, size of company, and gross profits. The empirical analysis has demonstrated a statistically significant positive link between CSR practices and financial health of the company. However, the relationship was found positive but not statistically significant, when the financial health of an entity was measured by accounting measures. But a market-based measure entails more value as compared to the accounting one because it reflects the perception of stakeholders about business. Therefore, it has been diagnosed and proved by empirical evidences that good quality CSR practices play an important role in maintaining and improving the financial health of the enterprise.

Implications of the study

The findings of the study are in conformity with and fully support of stakeholder theory which has occupied a prominent place in the literature and has emerged as a leading paradigm shift in the approach to doing business by the corporate world on the globe. An increasing number of companies are considering CSR as a strategic tool to manage commercial operations and interact with stakeholders to improve their public image or market perception. The results of the present study are certainly useful in providing guidance to the decision-making process of all stakeholders, especially investors. The great comprehension is being delivered to management to integrate societal issues with strategic plans of the enterprise; and renovate, implement, and evaluate their business attitude from a traditional profit-oriented approach to socially responsible behavior to work with a long-term vision in collaboration with all stakeholders. Realizing the importance of CSR, the companies will be stirred to take up CSR dimensions as a voluntary movement rather than imposition through rules and regulations; and/or move beyond legislative compulsions. The government may resort to brainstorming sessions to increase the height and width of regulatory walls to further advance spending on CSR projects for all companies across the board. Also, industry-specific regulations may be considered where societal efforts are meager, and immediate action is required on this front. Lastly, the findings are presenting a useful guide to the stakeholders who are interested in energizing the corporate's financial health. It may be stated that the way financial performance is eventually to continue with a business enterprise; CSR is indisputably one of the fundamental medications to recover or improve its financial health.

Limitations of the Study

The following may be considered as the limitations of the study which may trigger side effects to the relationship between CSR and the financial health of enterprise:

1. The analysis is based on cross-sectional data, so empirical results may differ from pooled or penal data.
2. The study is piloted on the data relating to the year 2020-21, which is characterized by business upheavals due to the wide-spread outbreak of the Covid-19 pandemic.
3. The secondary sources of data have been the backbone of analysis which suffers from inherent limitations.
4. The researcher's subjectivity in the selection of dependent and independent variables for analysis, and their chosen measure; may affect the empirical results.

Scope for Further Research

The study has significance for different stakeholders but is not inclusive enough to discuss and diagnose all microscopic issues pertaining to CSR, and their impact on the financial health of the entity. Therefore, more research may be undertaken on a panel or pooled data, with a larger sample size, more variables, and by incorporating primary sources of data as well. Industry-specific research may be carried out in the future because CSR varies across industries due to the nature of their operations. Further research is expected to suggest a more effective tablet, containing molecule of CSR to improve and energize financial health of corporates, with lesser side-effects.

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