CHAPTER 5 FINDINGS AND IMPLICATION

5.1 INTRODUCTION

This chapter details the various findings based on the extensive analysis in the preceding chapter. The chapter also summarizes the general objective & analysis, summarizes the analysis on the demographic variable. To conclude the chapter provides the various implications along with the limitation and possible future direction for the study.

5.2 OBJECTIVES OF THE STUDY

- To present a theoretical framework for establishing a research model in regard to corporate social responsibility influence on financial performance;
- To identify the impact of corporate social responsibility on employee attraction & retention, customer loyalty, reputation and access to capital;
- To assess the impact of employee attraction & retention, customer loyalty, reputation and access to capital on financial performance;
- To evaluate the empirical validation of proposed model on corporate social responsibility;
- To examine the impact of select demographic variables on corporate social responsibility.
Based on the objective and the research questions the following hypothesis was tested in the study.

H1 – There is a significant positive relationship between CSR and employee attraction & retention

H2 - There is a significant positive relationship between CSR and customer loyalty

H3 - There is a significant positive relationship between CSR and reputation

H4 - There is a significant positive relationship between CSR and the ability to access capital

H5 - There is a significant positive relationship between employee retention and attraction and the financial performance

H6 - There is a significant positive relationship between customer loyalty and the financial performance

H7 - There is a significant positive relationship between reputation and the financial performance

H8 – There is a significant positive relationship between access to capital and the financial performance

H9 – There is a significant positive relationship between CSR and the financial performance

H10 – There is a significant difference in perception of CSR based on the turnover
H11  –  There is a significant difference in perception of CSR based on the Number of employees.

H12  –  There is a significant difference in perception of CSR based on the Years of existence in the location.

5.3 RESEARCH QUESTIONS

Kothari (2004) explains the research problem as “some difficulty the researcher finds to explain the context either in a theoretical or practical situation and wants to obtain a solution for the same”. The general research problem is broken down into various research questions.

The various research questions of the study stemming from the nature of the problem are stated as under:

i. What is the influence of organisations corporate social responsibility on Employee attraction & retention?

ii. What is the influence of organisations corporate social responsibility on Customer Loyalty?

iii. What is the influence of organisations corporate social responsibility on Reputation?

iv. What is the influence of organisations corporate social responsibility on Access to capital?

v. What is the influence of organisations corporate social responsibility on Financial Performance?

vi. What is the influence of Employee attraction & retention on Financial Performance?

vii. What is the influence of customer loyalty on Financial Performance?
viii. What is the influence of Reputation on Financial Performance?

ix. What is the influence of Access to capital on Financial Performance?

x. Is there any significant difference in the perception of corporate social responsibility by relevant demographic variables namely turnover of the outlet, Nature of the organisation (Proprietary/ Private Ltd/Public Ltd), Number of employees in the outlet, Years of existence of the outlet in the location?

5.4 SUMMARY OF OBJECTIVE & ANALYSIS

Prior to analyzing the data were coded and put through screening and cleansing. Screening is to check for error, finding error in the data file and correcting the error.

The first objective was accomplished through the retrospection of extant literature on the different models developed by various researchers around the world. Based on the review of literature the CSR model was developed influencing the financial performance of a firm.

The second objective of this study was to find out the impact of corporate social responsibility on employee attraction & retention, customer loyalty, reputation and access to capital. This was carried out by applying Structural Equation Modelling.

The third objective was to analyze the impact of CSR, employee attraction & retention, customer loyalty, reputation and access to capital on financial performance. It was carried out by the application SEM.

The fourth objective set for establishing empirical evidence of the proposed CSR model was accomplished through the deployment of advanced statistical tools namely, Exploratory Factor Analysis, Confirmatory Factor Analysis and Structural Equation Modelling.
The final and fifth objective was about assessing the difference in perception of CSR by select demographic factors, namely, Turnover, Number of Employees, Years of existence was studied applying ANOVA

5.5 SUMMARY OF ANALYSIS - DEMOGRAPHIC PROFILE

1) To present a theoretical framework for establishing a research model in regard to corporate social responsibility influence on financial performance;
2) To identify the impact of corporate social responsibility on employee attraction & retention, customer loyalty, reputation and access to capital;
3) To assess the impact of CSR, employee attraction & retention, customer loyalty, reputation and access to capital on financial performance;
4) To evaluate the empirical validation of proposed model on corporate social responsibility;
5) To examine the impact of select demographic variables on corporate social responsibility.

5.5.1 Summary of Findings-Demographic Variable

The F value of turnover is insignificant. Since the F value is insignificant, the perception of CSR in terms of demographic variable turnover does not significantly vary. The hypothesis H10 ie” There is a significant difference in perception of CSR based on the turnover “is rejected

The F value of number of variable is significant at 5% level. The significant value reveals that there is a significant difference in perception of CSR based on the number of employees. The hypothesis H11 ie “There is a significant difference in perception of CSR based on the Number of employees” is accepted.

The F value for number of years of existence is significant at 1% level. The significant value reveals that there is a significant difference in perception of CSR based on the number of years of existence.
The hypothesis H12 ie “There is a significant difference in perception of CSR based on the Years of existence in the location “is accepted.

<table>
<thead>
<tr>
<th>Demographic profile</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td></td>
</tr>
<tr>
<td>Less than 10</td>
<td>37.6%</td>
</tr>
<tr>
<td>10 to 20</td>
<td>21.3%</td>
</tr>
<tr>
<td>20 to 50</td>
<td>28.7%</td>
</tr>
<tr>
<td>50 and above</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

Figure 5.1 Distribution of the demographic variable number of employees
Table 5.2 Distribution of demographic variable turnover

<table>
<thead>
<tr>
<th>Demographic profile</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 1Crore</td>
<td>61.8%</td>
</tr>
<tr>
<td>1Crore to 5Crore</td>
<td>23.6%</td>
</tr>
<tr>
<td>5Crore to 20Crore</td>
<td>9.6%</td>
</tr>
<tr>
<td>20Crore and above</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Figure 5.2 Distribution of demographic variable turnover
### Table 5.3 Distribution of variable years of existence

<table>
<thead>
<tr>
<th>Demographic profile</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of existence</td>
<td></td>
</tr>
<tr>
<td>Less than 5 year</td>
<td>9.0%</td>
</tr>
<tr>
<td>5 year to 20 year</td>
<td>52.2%</td>
</tr>
<tr>
<td>20 year and above</td>
<td>38.8%</td>
</tr>
</tbody>
</table>

![PERCENTAGE DISTRIBUTION - YEARS OF EXISTENCE](chart.png)

**Figure 5.3 Distribution of variable years of existence**
### Table 5.4 Summary of Hypotheses Testing Results

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Testing Methods</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H5</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H7</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H8</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H9</td>
<td>SEM</td>
<td>Supported</td>
</tr>
<tr>
<td>H10</td>
<td>ANOVA</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H11</td>
<td>ANOVA</td>
<td>Supported</td>
</tr>
<tr>
<td>H12</td>
<td>ANOVA</td>
<td>Supported</td>
</tr>
</tbody>
</table>
Figure 5.4 Hypothesis testing Results
5.7 MAJOR FINDINGS OF THE STUDY

Based on the data analysis, it is proved that almost all the hypotheses are accepted in the study, except one for the demographic variable. The major findings and their actual impact on business are listed below;

The employee attraction and retention is significantly impacted by Corporate Social Responsibility. Hence Employee attraction and retention can be considered as a key benefit of Corporate Social Responsibility in stock broking industry. All activities towards the employees are well received and have a positive impact on attracting new talents and also to retain the existing talents. This would not only help to reduce the recruitment cost but also helps to bring down the training cost and quality issues. In stock broking industry the employees ie mainly the dealers are the main contact points for the customers. All motivated employees will do a good service to the customers. Any mistakes by the dealers are considered very costly in a stock broking environment. CSR also helps to attract good talents from the market. Next to the infrastructure, human resources form the key for a stock broking firms. The stock broking business is considered to be one of the well organised industry globally, whose future is based on IT infrastructure and human resource.

The finding of this study quotes that CSR has a very moderate impact on customer loyalty compared to other benefits of CSR like employee attraction and retention and reputation. The respondents of this study perceive that the customer has less interest in the social behaviour of the firm and is not a key factor to be loyal. The effect of CSR on the consumer loyalty is weak compared to other benefits of CSR & the impact can be considered very moderate or neutral comparatively.

The findings of this study identify a very significant positive impact on reputation. Reputation can also be considered one of the key benefits of CSR in line with employee attraction and retention.
Corporate Social Responsibility has a very moderate impact on access to capital similar to customer loyalty. The findings states that there are also other key items which influence the access to capital and CSR does not have a significant impact comparable with employee attraction & retention and reputation.

The benefits of CSR employee attraction and retention, customer loyalty, reputation and access to capital all have a positive impact on financial performance of the stock broking firm.

In general the profit or financial performance of a stock broking firm depends on the volume of business either as investment or trading happened through them as a broker in a day. Employee forms the key resource to ensure a high volume. The reputation of the firm also brings in new business to the firm and existing business is retained through the loyal customers. Access to cheap capital helps to build good infrastructure and improve additional base capitals in the exchanges.

From the findings it clearly states that these four benefits of CSR have a positive impact on financial performance. Hence the firm needs to concentrate on CSR activities to have a positive impact on the financial performance.

From the finding it also clearly states that CSR has a direct impact on Financial Performance. The impact is very moderate compared to the CSR impact on reputation, Employee attraction and retention. Hence the firm needs to understand that CSR has both direct and indirect impact on Financial Performance.

Three demographic variables are considered for the study. The findings reveal that the perception of CSR varies with number of employees in the stock broking firm. Totally four interval ranges were considered. There are many stock broking firms which runs their business with less than ten employees and similarly there are many stock broking firms with more than fifty employees. The perception on CSR is not common ie it varies with different size of the firm. The corporate social responsibility of the firm also significantly varies with the
number of years of existence of the firm. Three ranges are been considered for the study. There are stock broking firms which are new in the market and their existence is less than five years. There are stock broking firms who are there in the same location for more than twenty years. The perception on CSR varies based on the number of years of existence. The third demographic variable turnover proved to be a non significant ie there is no significant difference in perception of CSR by the demographic variable turnover. There are broking firms which do a business of less than one core in a day and there are broking firms on an average do more than twenty core of business a day. The study proves turnover of a firm will not have a impact on the perception of CSR.

5.8 IMPLICATIONS OF THE STUDY

It is clearly understood from the literature that even though CSR is an old area of research there are lot of un-interpreted research questions & scope for new researches. In particular there is very less research studies in this area in Indian industries including financial services industries.

Below are the implications of the study:

• Model can be adopted by stock brokers to define the CSR agenda and understand their impacts
• Application of this model can be directly used in other financial sectors.
• Managers of stock brokers can influence Financial Performance based on this pragmatic and tested model
• Usage of advanced tools ie Sequential Equation Modelling, CFA, EFA, etc.
• Many researchers have studied the impact of CSR on financial performance but it is very scant in India.
• Many Industry sectors like manufacturing sector, small scale industries were considered for various studies to study the benefits of CSR. This is not observed in stock broking industry
• Two percentage of the profit has to be spent in CSR activities according to the regulator SEBI. This study focuses on the implied benefits of CSR for stock broking firms.
• The study can be extended to other lines of business
• The research process used a procedural purification process for scale development and can be used by other studies in India.
• Employee attraction and retention and reputation are the key benefits of CSR, according to the findings of the study. The firms with objective of improving these two factors can take insights from the study.
• The study also specifies that customer loyalty and access to capital are not the key benefits of CSR comparably. The stock broking firms have to consider this finding while framing their vision behind any CSR activities.
• The demographic variables like the years of existence and the size of the firm in terms of number of employees plays a major role in the perception of CSR. This factors have to be considered by stock broking firms while framing the CSR agenda

5.9 LIMITATION AND FUTURE DIRECTIONS OF THE STUDY

Limitations

(i) The sample was restricted to only stock brokers in Chennai.
(ii) Factors contributing to CSR performance of the stock brokers were not considered for the study. Only the benefits of the CSR are in scope of the research.

Future Directions of the Study

This research has made an attempt to find the CSR influence on financial performance in stock broking industry. The same study can be replicated in other areas of capital markets. The population of this study is limited to only Chennai, based brokers. The same study can be replicated to other major cities/ states of
India. This study can also attempt to study CSR influence based on the specific type of brokers like proprietary, private limited or public limited. The study covered some benefits of CSR and their influence on financial performance. The future study can try to include additional benefits of CSR and their influence in financial performance

The key future scopes are listed below

i. The future research is required to validate the scale if it is to be used in a different area of financial sector.

ii. Financial performance of the commodity stock brokers and other market segment of capital markets can be analysed.

iii. Additional benefits of CSR can be analysed in future studies.

5.10 CONCLUSION

The research findings of this study can be extended further to other areas of financial services. The financial services sector in India is one of the most structured turfs with most civilised stakeholders. Hence the corporate social responsibility of these industries must be in coherent with the general public needs and the government agenda to help the poor. Any other benefits of the corporate social responsibility are a welcome factor for these industries. Hence this research should be considered as a starting point on exploration of the benefits of CSR in the actual business objectives.