CHAPTER - VII

UPSHOT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SOCIAL AND FINANCIAL PERFORMANCE
CHAPTER - VII

UPSHOT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SOCIAL AND FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Introduction</td>
<td>189</td>
</tr>
<tr>
<td>7.2</td>
<td>Upshot of CSR practices</td>
<td>190</td>
</tr>
<tr>
<td>7.3</td>
<td>CSR initiatives and its outcomes</td>
<td>204</td>
</tr>
<tr>
<td>7.4</td>
<td>Relationship between the CSR practices and Financial Performance</td>
<td>206</td>
</tr>
<tr>
<td>7.5</td>
<td>Summary</td>
<td>214</td>
</tr>
</tbody>
</table>
CHAPTER - VII

UPSHOT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SOCIAL AND FINANCIAL PERFORMANCE

7.1 Introduction

Corporate Social Responsibility (CSR) practices involve the social, environmental and financial success of a company with the aim of achieving social development while achieving the business success. Such kind of CSR practices benefit the business houses in several ways viz., enhancing brand image and reputation; increasing ability to attract and retain the talents; improving financial performance; easier success to global markets; gaining confidence to global partners and environmental sustainability (Sudhir Chandra Das, 2009). As a result of benefits on CSR practices, the large business houses have involved in CSR practices according to their mission, which is also influenced by the company size and the type of industry (Newson and Deegan, 2002). It is remarked further that there no uniformity among the business houses with respect to their CSR policies and practices. For instance in India there is different CSR models viz., Cause-related marketing, Creation of ancillary units, Volunteerism, Micro-Credit, Stakeholder involvement and Philanthropy (Sudhir Chandra Das, 2009). As a result business houses in India may adopt any of these CSR model according to their requirements and convenient because CSR practices in India is not embedded with the business practices until the incorporation of mandatory CSR policies in clause 135 of the Companies Act 2013. This act also does not ensure it compulsory for all the business houses in India. The following are the standards/guidelines for CSR practices available for the business organizations, which involve in the CSR initiatives voluntarily.
i. The UN Global Compact  
ii. ILO conventions  
iii. The OECD Guidelines for Multinational Enterprises  
iv. ISO 14000 Series  
v. Account-Ability 1000  
vi. The Global Reporting Initiative  
vii. The Global Sullivan Principles  
viii. Social Accountability 8000  
ix. International Organization for Standardization (ISO) 26000  
x. Principles for Responsible Investment (PRI)  
xi. National Voluntary Guidelines from MCA, India  
Xii. Indian Companies Act 2013  

7.2. Upshot of CSR initiatives

Since the CSR practices in India was voluntary for all the business organizations till 2013, the latest Companies Act, 2013 ensured that the CSR practices made compulsory for certain companies subject to fulfilling certain conditions (refer the section 135 of the Act). So all the companies in India including the Public and Private companies selected for the study have not disclosed their CSR practices in Companies Annual Reports (CARs), even if they do, which is influenced by factors like nature of ownership of the company, nature of industry and the like (Hackston and Milne, 1996⁴; Neu et al., 1998⁵). Therefore, the researcher has studied various CSR initiatives and its eventual outcomes of selected companies in society and then an analysis of the relationship between CSR practices and financial performance of the selected companies is also carried out.
7.2.1. Neyveli Lignite Corporation Limited - NLC

Neyveli Lignite Corporation Limited, Neyveli, a “Navratna” Public Sector Enterprise, incorporated in the year 1956 is a pioneer among the public sector companies, which believes that “Community is not another entity but it is part and parcel of its very existence.” NLC does not believe in profit alone as its prime objective but follows the policy of integrating People, Planet and Profit. Corporate Sustainability vision addresses Society, Environment, and Economy for the success of the company and for the well being of the various stakeholders. Its philosophy on sustainability is to contribute for a greener and healthier planet and hand it over to the future generations. NLC has been practising CSR in its best form for around 6 decades, well integrated with its day to day business and focused on people and the planet. NLC’s operations are Technology and Projects Driven with extensive land requirements. NLC is aware of the three dimensions of the CSR which are specific and conspicuous as natural corollary to its large scale Mining and Power Station Projects, namely:-

1. The production and supply of electricity at low cost with minimum impact on the environment
2. The Community Development by regular extra-business contributions to the society.

7.2.1.1. Focusing areas of CSR

Though NLC has been following the National Voluntary Guidelines (NVGs) as principles of its Business Responsibility, the thrust areas are identified and documented in NLC’s CSR Policy. The company has a practice of investing one per cent of PAT on the identified thrust areas for the previous three financial years. In 2013-14, the Company has spent 1.80 per cent (26.30 crore) of PAT of the previous year 2012-13 on CSR activities. The details are given in the table 7.1 below.
TABLE 7.1

NLC’s focusing areas of CSR

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Focusing Area</th>
<th>Expenditure in 2013-14 Rs. In Crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Medical, Health, Sanitation and Family Welfare</td>
<td>6.14</td>
</tr>
<tr>
<td>2</td>
<td>Drinking Water Supply Facilities</td>
<td>1.24</td>
</tr>
<tr>
<td>3</td>
<td>Water Resource Augmentation, Irrigation and Food Control</td>
<td>1.59</td>
</tr>
<tr>
<td>4</td>
<td>Capacity Building / Skill Development</td>
<td>6.44</td>
</tr>
<tr>
<td>5</td>
<td>Education and Scholarship</td>
<td>3.18</td>
</tr>
<tr>
<td>6</td>
<td>Community Development</td>
<td>2.30</td>
</tr>
<tr>
<td>7</td>
<td>Formation of Link Road</td>
<td>0.35</td>
</tr>
<tr>
<td>8</td>
<td>Construction of School/Library/Laboratory</td>
<td>0.17</td>
</tr>
<tr>
<td>9</td>
<td>Sustainable Development Initiatives</td>
<td>1.62</td>
</tr>
<tr>
<td>10</td>
<td>Relief / Rehabilitation of areas Affected by disasters</td>
<td>2.78</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Source: Annual Report

7.2.2. Tamil Nadu Newsprint and Papers Limited (TNPL)

Tamil Nadu Newsprint and Papers Limited (TNPL) was established by the Government of Tamil Nadu during early eighties to produce Newsprint and Printing & Writing Paper using bagasse, a sugarcane residue, as primary raw material. The company has constituted the Corporate Social Responsibility Committee after implementation of the Companies Act 2013 consisting of five independent directors as members of the Committee. The Committee has formulated a CSR Policy, which aims to promote Economic, Social, Environmental and Cultural growth of the community at large in an equitable and sustainable manner. The Company’s goal is to protect and nourish the interests of all its stakeholders and contribute to sustainable development. Ethics, Values and
Transparency will underpin all its interactions within the community in which it operates. All its activities are of social aspirations and the Nation’s needs and these will be carried out with integrity, honesty, dignity and decorum.

7.2.2.1. Investment in CSR

The company has a practice of investing certain per cent of PAT on the identified thrust areas of CSR initiatives. It has invested three percent of PAT (3.27 crore) for CSR activities for the year 2012-13, which is more than expected level as per the clause 135 of Companies Act 2013. The details of focusing areas of CSR activities are

1. Education
2. Health
3. Infrastructure
4. Economic Development
5. Environment
6. Culture and Heritage
7. Other Community welfare services

7.2.2.2. Beneficiaries of CSR activities

The company is consistently taking up various community welfare initiatives for the benefit of the people living in neighbouring villages. TNPL’s CSR activity mainly covers Punjai Pugalur, Kagitha Aalai, Punjai Thottakkurichi, Punnam, Vettamangalam, Nanjai Pugalur, Thirukkaduthurai and Kombupalayam Panchayat areas situated around TNPL factory premises. In addition to the above, need based activities are also be carried out in peripheral areas, which can be the locations in other districts within Tamil Nadu.
7.2.3. Chennai Petroleum Corporation Limited (CPCL)

Chennai Petroleum Corporation Limited (CPCL), formerly known as Madras Refineries Limited (MRL) was formed as a joint venture in 1965 between the Government of India (GOI), AMOCO and National Iranian Oil Company (NIOC) having a share holding in the ratio of 74%: 13%: 13% respectively. After getting many changes in its capital structure, presently IOC holds 51.89% while NICO holds 15.40% and rest is held by Unit Trust of India, Mutual Funds, Insurance Companies and banks.

7.2.3.1. Policy and Focusing areas of CSR

The CPCL aligns its organizational objectives and business goals with the social objectives in order to achieve inclusive sustainable growth. Being a responsible corporate citizen, the CPCL has implemented a number of Corporate Social Responsibility (CSR) activities, benefitting many stakeholders. The focus areas of CSR activities are:

1. Skill development,
2. Education,
3. Health and hygiene facilities and
4. Women Empowerment

7.2.3.2. Investment in CSR

During the year of 2013-14, the company has spent an amount of 1.1 crore on various CSR activities for the benefit of community around its factory at Manali and Cauvery Basin (CBR), Nagapattinam, which include the following
1. Running four Community Health Centers serving 50,000 people, Conducted two General Medical Camps and One Eye Care Camp in association with various Hospitals.

2. Merit Scholarships to the students of Rural Educational Institutions and Sponsorship of “Home Management for Visually Challenged Students” program.

3. Installation of One 10KW grid connected Solar Photo Voltaic system at Polytechnic College, Manali and Sponsorship of sports meet for promoting sports among the school students.

4. Provision of toilet and drinking water facilities for school students and for public

5. Provision of placement linked computer training programme for 100 beneficiaries, in association with M/s ITCOT, Chennai at Computer Sciences Corporation (CSC) Nagapattinam at a cost of ` 10 Lakh. Of the 100 youths trained, around 72 have been gainfully employed.

6. Mobile Science Lab Education Program for the schools in Nagapattinam District conducted in association with M/s. Agastya International Foundation, Bangalore at a cost of ` 4.00 lakhs benefitting around 15,000 school students.

7.2.4. Madras Fertilizers Ltd (MFL)

The company was incorporated on December 8, 1966 as a joint venture between GOI and AMOCO India incorporated of U.S.A (AMOCO) in accordance with the Fertilizer Formation Agreement executed on 14.5.1966 with equity contributions of 51% and 49% respectively. Presently after the allotment of shares to the public the shareholding pattern is that the government of India has 59.50
percent, Naftiran Intergraded Co Ltd (affiliate of NIOC) has 25.77 percent and the public has 14.73 percent. MFL is engaged in the manufacture of Ammonia, Urea, Complex Fertilizers and Biofertilizers. MFL’s activities include marketing of these fertilizers and trading in Agro Chemicals in accordance with the corporate objective.

7.2.4.1. CSR practices of MFL

The corporate social responsibility initiative of the MFL has tradition of conducting informative and educational programs for the farmers and dealers as a part of social responsibility in upliftment of farming community. During 2011-12, 89 promotional programs were conducted benefiting 25,190 farmers. MFL continued to have demos on Biofertilizers, follow up on soil tests results with farmers and participation in Government exhibitions and the like.

7.2.5. Indian Bank (IB)

Indian Bank was established on 15th August 1907 as part of the Swadeshi movement and serving the nation with a team of over 19429 employees in 2250 branches as on March 31th, 2014. It is the pioneer bank in introducing Self Help Groups and Financial Inclusion Project in the country and won the Best Performer Award for Micro-Finance activities in Tamil Nadu and Union Territory of Puducherry from NABARD. The bank has been playing an important role in the rural India by means of its CSR initiatives.

7.2.5.1. Focusing areas of CSR

The bank has spent an amount of Rs. 241.89 lakh (0.21 percent of PAT) on CSR activities for the 2013-14, which include the following thrust areas:

1. Green initiative to promote the green concept
2. Providing equipments towards clean and green city drive
3. Awareness among students created through competition on Sustainable energy and powering sustainable growth.

4. Bringing smiles by celebrating festivals with senior citizens at old age homes and children at orphanages.

5. The Bank has conducted Voluntary Blood Donation Camps and was awarded the Rolling Shield, and Bank maintains its Number One Position for the 26th consecutive year since 1988.

7.2.6. Indian Overseas Bank (IOB)

Indian Overseas Bank (IOB) was founded on February 10th, 1937 with three branches simultaneously - at Karaikudi and Chennai in India and Rangoon in Burma (presently Myanmar), by Shri M.C.T.M. Chidambaram Chettyar, a pioneer in many fields - Banking, Insurance and Industry with the twin objectives of specialising in foreign exchange business and overseas banking.

7.2.6.1. CSR Initiatives of IOB

The bank has involved in CSR activities directly as well as with the association of NGO called Sakthi - Indian Overseas Bank Chidambaram Chettiyar Memorial Trust. Its major CSR project include the IOB-Sampoorna Project – A Total Village Development Project and Educating Tribals scheme.

7.2.6.2. IOB-Sampoorna Project – A Total Village Development Project

IOB Sampoorna is an innovative rural development project aimed at Total Village Development. IOB-Sampoorna is a unique Project encompassing several livelihood initiatives in the villages to ensure all-inclusive growth of rural population. It comprises credit and non-credit components such as Financial Inclusion, IT-enabled banking operations with Bio-metric Smart Cards under Business Correspondent model, Tree Planting and Social Forestry, Cleaning Water
Bodies, Health Care, Skill Training for youth in computer, Rural Business Process Outsourcing, Promotion of nonconventional energy and Rural Tourism.

7.2.6.3. Educating Tribals

During the year 2013-14, the Bank has sponsored 98 Ekal Vidyalaya School in association with M/s Friends of Tribals Society, an NGO to attack illiteracy at the grass root level through a unique concept viz. “One teacher School” or Ekal Vidyalaya. The Bank in association with Max Academy implemented the project on uplifting educational standards of the under privileged children in five villages during the year 2013-14.

7.2.6.4. Sakthi - Indian Overseas Bank Chidambaram Chettyar Memorial Trust

The Trust, set up jointly by the Management of the Bank, Indian Overseas Bank Officers Association and All India Overseas Bank Employees Union to perpetuate the memory of Bank’s Founder Shri M. Ct. M. Chidambaram Chettyar, continued to provide Entrepreneurial Development Training to women, thereby empowering them socially and financially to meet the challenges. During 2013-14, nine Skill Development Programmes were conducted in various Regions under aegis of Sakthi - IOB Chidambaram Chettyar Memorial Trust, 245 women have been trained. The Trust has so far conducted 71 Entrepreneurship Development Programmes (EDP) and skill based training programmes exclusively for women at various centres, benefitting 3,576 women.

7.2.7. Apollo Hospitals Enterprise Ltd

Apollo Hospitals opened its doors in 1983 and ever since nurtured a goal which read as "Our mission is to bring healthcare of international standards within the reach of every individual. We are committed to the achievement and maintenance of excellence in education, research and healthcare for the benefit of
humanity”. Apart from the major social initiatives and programmes that Apollo hospitals has initiated, every individual hospital in the group does its bit for the community it serves. Its CSR initiatives channelized through the NGO called Apollo Telemedicine Networking Foundation (ATNF) as well as directly which include:

1. DISHA - Distance Healthcare Advancement Project
2. CURE - An Apollo Hospitals Cancer Care Initiative
3. SACHi - Saving a Child's Heart Initiative
4. Disaster Relief Programmes – Floods, Earthquake, Tsunami and the like
5. Awareness Campaigns

7.2.8. Sakthi Sugars Limited

Sakthi Sugars Limited is one of the important members of the Sakthi Group contributing a large share of revenue to the group's turnover. In its pursuit for business excellence, the Sakthi Group, ever since its inception in 1921 at Pollachi, Coimbatore has been staunchly inclined towards fulfilling its social commitments. As a dutiful corporate, Sakthi Group has set up “The Mahalingam – Mariammal Manivizha Charitable Trust” in the year 1983 at the Kasturba Gandhi National Memorial Buildings, Coimbatore. Under the aegis of this trust, it has reaching out to more people every day, extending their help to destitute women, children and the socially neglected and down-trodden individuals. The foundation has involved in CSR activities in the following manner:

1. Kasturba Gandhi Oral School for the Hearing Impaired, Varadarajapuram, Coimbatore
2. Kasturba Gandhi Memorial De-addiction and Rehabilitation and Research Centre, Coimbatore
3. Kasturba Gandhi Memorial Siddha Hospital and Research Institute, Varadarajapuram, Coimbatore.

4. Mahatma Gandhi Museum

5. Suicide Prevention Counselling Centre

6. Sakthi Thiranalayam (Sakthi Skills Development Centre)

7. Sakthi Higher Secondary School, Sivaganga

8. Sakthi Polytechnic College

9. Sakthi PURA (Providing Urban amenities in Rural Areas)

7.2.9. TVS Motor Company

TVS Motor Company is the third largest two-wheeler manufacturer in India and one among the top ten in the world, with annual turnover of more than USD 1.4 billion in 2011-2012. TVS Motor Company Ltd (TVS Motor), member of the TVS group, is the largest company of the group in terms of size and turnover. The company has constituted a Corporate Social Responsibility Committee during the year 2013. However the CSR activities have already been textured into the Company's value system through Srinivasan Services Trust (SST), established by the group companies in 1996 with the vision of building self-reliant rural community.

7.2.9.1. The Srinivasan Services Trust – SST

The trust has played a pivotal role in changing lives of people in rural India by creating self-reliant communities that are models of sustainable development. At present, SST is working in 2,501 villages spread across Tamil Nadu, Karnataka, Maharashtra, Himachal Pradesh and Andhra Pradesh. Its major focus areas are: Economic development, Health care, Quality education, Environment and Infrastructure. Its significant achievements are:
1. Through partnership with the community, over 5,300 Self Help Groups (SHG) were formed.

2. 100% enrolment in schools, 0% drop-outs, 93% students pursue higher studies and over 60,145 adult women were made literate.

3. Illiteracy amongst women reduced from 47% to 12%.

4. 1,75,205 hectares under afforestation.

5. 12,938 hectares covered for soil and water conservation.

6. Proper solid and liquid waste management practices adopted in 1,418 villages.

7. SHG members have a group saving of Rs.25.57 Cr.

8. Over 1,47,136 of the families living in these villages have a monthly income of around Rs.15,000/- per family.

9. 1,296 villages have access to safe drinking water.

10. Enriching 2,501 villages across five states. Creating the most effective synergies for socio-economic development in India.

7.2.10. E.I.D-Parry (India) Limited

E.I.D. Parry has been synonymous with dynamism since 1788. It became a part of the Murugappa Group in 1981 and its businesses now cover a wide range of products including sugar, microalgal health supplements from Parry Nutraceuticals and bio products from Bio Products Division. E.I.D-Parry (India) Limited is part of the Tamil Nadu-based INR 225 Billion Murugappa Group and the largest sugar producer in South India and is one of the top five sugar producers in the country.
7.2.10.1. Corporate Social Responsibility Initiatives

E.I.D-Parry, being a constituent of "The Murugappa Group" has upheld its ancient family tradition of earmarking and spending a portion of its income for social service in its business enterprise as well. E.I.D-Parry firmly believes that social responsibility is not just a ritual, but it is fulfilling one's dharma. Therefore, in all its philanthropic endeavours, the Murugappa Group reflects its spiritual conscience and not just corporate obligation.

7.2.10.2. Investment in CSR

E.I.D-Parry, through Murugappa Group invests a portion of its wealth - one percent of profit after tax (PAT), for the welfare of society since it went into business. In addition to this, it also conducts a lot of welfare measures for the needy residing in and around its various units.

7.2.10.3. The AMM Foundation

The AMM Foundation, earlier known as the AMM Charities Trust, an autonomous, charitable trust, is dedicated to community-friendly initiatives in the fields of education and healthcare. Founded in 1953, the trust embodies the family's concern for the underprivileged. The AMM Foundation's philanthropy is unique; the giver's humility as well as concern for the beneficiary's dignity exemplifies its altruism. It has manages a polytechnic college, four schools and four hospitals, each a benchmark in its area.
7.2.11. Shriram Transport Finance Company Limited (STFCL)

Shriram Transport Finance Company Limited as a India's largest player in commercial vehicle finance, was established in the year 1979. The company has a network of 620 branches and 515 rural centres. The company practices various social, environmental and economic responsibilities towards its stakeholders. The company has adopted all the nine principles provided by National Voluntary Guidelines (NVGs) by the Ministry of Corporate Affairs (MCA) as its CSR policy. These principles have been disclosed in its website as Business Responsibility Statement\textsuperscript{12}.

7.2.12. MRF Ltd

K.M. Mammen Mappillai started MRF’s journey as a toy balloon manufacturing unit in a shed in Tiruvottiyur in Madras in 1946. Since then the company has been growing well in different dimensions. The MRF Ltd has consistently involved in CSR initiatives since the inception of “The MRF Pace Foundation” in 1987. It was set up to make up for the fact that the Indian cricket team lacked quality pace bowlers. Combined with the Australian pace legend Dennis Lillee it provided world-class training to potential bowlers, together with the understanding that it would be a long term process requiring patience and commitment. Its major CSR initiatives include

a. Funding and developing the sports activities

b. Concentrating on educational developments of rural people

c. Concentrating on health care services to the local community
7.3. CSR initiatives and its eventual Outcomes

It is observed during the investigations that none of the private companies in the study disclosed their CSR practices either in website or annual report, whereas in the case of public companies in the study area, a small number of companies – Neyveli Lignite Corporation Limited (NLC), Tamil Nadu Newsprint and Papers Ltd (TNPL) are disclosing their CSR practices completely, some of them disclosing it partially – Chennai Petroleum Corporation Ltd, Madras Fertilizers Ltd and some of them not disclosing it completely – Indian bank and Indian Overseas Bank. In spite of this kind of CSR disclosure by the companies in the study area, the researcher has collected the data relating to CSR practices from different sources, compiled them and represented in the following manner as given in the table 5.2.
## TABLE 7.2
CSR Practices and its Outcomes of selected companies in Tamilnadu

<table>
<thead>
<tr>
<th>S. No</th>
<th>Company</th>
<th>Ownership</th>
<th>Industry</th>
<th>Focus Area</th>
<th>Business Linkage</th>
<th>Methodology adopted</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chennai Petroleum Corporation Ltd</td>
<td>Public</td>
<td>Refineries</td>
<td>Women Empowerment, Edn, Community Welfare</td>
<td>Indirect</td>
<td>Directly</td>
<td>Community services</td>
</tr>
<tr>
<td>2</td>
<td>Indian Bank</td>
<td>Public</td>
<td>Bank</td>
<td>Rural development, Poverty eradication, Sports</td>
<td>Direct</td>
<td>Directly</td>
<td>Community services</td>
</tr>
<tr>
<td>3</td>
<td>Indian Overseas Bank</td>
<td>Public</td>
<td>Bank</td>
<td>Women empowerments and Rural develop,</td>
<td>Direct</td>
<td>NGO – IOB-CCMT&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Community services</td>
</tr>
<tr>
<td>4</td>
<td>Madras Fertilizers Ltd.</td>
<td>Public</td>
<td>Fertilizers</td>
<td>Community welfare, Rural develop, Vocational training</td>
<td>Indirect</td>
<td>Directly</td>
<td>Community services</td>
</tr>
<tr>
<td>5</td>
<td>Neyveli Lignite Corporation Ltd.</td>
<td>Public</td>
<td>Power generation</td>
<td>Community Welfare, Education, Healthcare</td>
<td>Indirect</td>
<td>Directly</td>
<td>Community services</td>
</tr>
<tr>
<td>6</td>
<td>Tamil Nadu Newsprint &amp; Papers Ltd.</td>
<td>Public</td>
<td>Paper products</td>
<td>Community Welfare, Education, Healthcare</td>
<td>Indirect</td>
<td>Directly</td>
<td>Community services</td>
</tr>
<tr>
<td>7</td>
<td>Apollo Hospitals Enterprise Ltd.</td>
<td>Private</td>
<td>Hospital</td>
<td>Children, Healthcare, Community welfare</td>
<td>Direct</td>
<td>NGO – ATNF&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Community services</td>
</tr>
<tr>
<td>8</td>
<td>Sakthi Sugars Ltd</td>
<td>Private</td>
<td>Sugar</td>
<td>Community Welfare, Education, Healthcare</td>
<td>Indirect</td>
<td>NGO - MMCT&lt;sup&gt;c&lt;/sup&gt;</td>
<td>Community services</td>
</tr>
<tr>
<td>9</td>
<td>TVS Motor Company Ltd.</td>
<td>Private</td>
<td>Automobile</td>
<td>Health, Education, Environment</td>
<td>Direct</td>
<td>NGO – Srinivasan Services Trust</td>
<td>Environment al protection</td>
</tr>
<tr>
<td>10</td>
<td>EID Parry (India) Ltd</td>
<td>Private</td>
<td>Sugar</td>
<td>Water, Rural develop, Environment</td>
<td>Direct</td>
<td>NGO -- The MM Foundation</td>
<td>Environment al protection</td>
</tr>
<tr>
<td>11</td>
<td>MRF Ltd</td>
<td>Private</td>
<td>Auto Ancillary</td>
<td>Sports, Healthcare, Education</td>
<td>Indirect</td>
<td>NGO - MRFpace foundation</td>
<td>Community services</td>
</tr>
<tr>
<td>12</td>
<td>Shriram Transport Finance Co. Ltd</td>
<td>Private</td>
<td>Fin. service</td>
<td>Education, Children, Community Welfare</td>
<td>Direct</td>
<td>Directly</td>
<td>Community services</td>
</tr>
</tbody>
</table>

Source: Compiled from primary and secondary data; <sup>a</sup>IOB-CCMT - Sakthi - Indian Overseas Bank Chidambaram Chettyar Memorial Trust; <sup>b</sup>ATNF – Apollo Telemedicine Networking Foundation; <sup>c</sup>MMCT - The Mahalingam – Mariammal Manivizha Charitable Trust
It is observed from table 7.2 that most of the companies in the study area both public and private are focusing the CSR on women empowerment, education, community welfare, poverty eradication and health care, which has direct impact in the society. A few companies viz., TVS Motor and EID Parry (India) Ltd are focusing in Water, Health care services and environmental activities, which has impact in the environmental protection. All the private companies except Shriram Transport Finance Company Ltd (STFCL) are involving in CSR practices indirectly with the assistance of their own Non-government Organizations (NGOs), whereas (STFCL) is alone practising its CSR activities directly. In case of public companies, IOB has NGO for its CSR practices, the rest of the companies have involved directly. NGOs can act as an avenue to fulfill the CSR activities in India, the role playing by NGOs to the corporate and the society are not quantifiably easily (Jothi M, 2013). It is remarked that the rest of the companies can also adopt this strategy in order to have sustainable CSR practices thereby they may have the benefits of CSR practices for the long run period. Further the CSR practices of these companies have link to their business directly for companies like Indian bank, Indian Overseas Bank, EID Parry (India) Ltd and the like and indirectly for some companies like NLC, TNPL and the like. So it is observed that the CSR practices of companies are related to their nature of the business activities.

7.4. Relationship between the CSR practices and financial performance

The relationship between CSR practices and financial performance of the companies are mostly inconclusive, but positive relations between the two have been reported in most of the studies (Margolis and Walsh, 2003). The significant level of S value additions in the companies’ financial or overall performance is possible by building strong stakeholder relations. Management theorists argue that by improving CSR towards stakeholders, firm performance is augmented (Waddock and Graves, 1997). Empirical research confirms the lack of evidence
showing that good CSR deeds lead to good profits (Aaron K. Chatterji, 2007)\textsuperscript{16}. Even studies that demonstrate a correlation between socially responsible corporate behaviour and superior financial performance cannot always realistically illustrate which way the causal arrow points because financially successful companies simply have more money to dispense for social initiatives and larger marketing budgets to publicize their CSR programme (Thomas P. Lyon & John W. Maxwell, 2006)\textsuperscript{17}. While some studies reveal a positive relation between the two constructs - Corporate Social Performance and firms performance (Graves and Waddock, 1994\textsuperscript{18}; Griffin and Mahon, 1997\textsuperscript{19}; Waddock and Graves, 1997)\textsuperscript{20}, some others indicate a negative relation between these two constructs (Bromiley and Marcus, 1989; Wright and Ferris, 1997)\textsuperscript{21}, and still others (Aupperle et al., 1985; Teoh et al., 1999)\textsuperscript{22} establish no relation between the two constructs. Though a positive relation between CSR and firm performance has prevailed in many studies, results still remain inconclusive (Margolis and Walsh, 2003; Vogel, 2005)\textsuperscript{23}. Lack of a proper conclusion ensures the ground for further investigation. Therefore, the researcher has studied and analysed the relationship between CSR practices and financial performance of the selected companies in the study area.

7.4.1. CSR Indicator

Globally, there are CSR Indicators existed like Global Reporting Initiative (GRI) guidelines, Account-Ability 1000, ISO 14001, OHSAS 18001, Dow Jones Sustainability Index and the Domini Social Index 400. Among these GRI index has been widely accepted reporting guidelines\textsuperscript{24} since this guidelines emphasizes performance indicators with various parameters of CSR practices. The GRI reporting guidelines are measured according to the reports on the following headings that companies would need to disclose – Economic, Environmental, Social, Human rights, Society and Product responsibility
In India CSR reporting was voluntary till the end of March 2013, which has been made compulsory for the companies from April 2014 onwards by incorporating necessary provisions in the new Company Act 2013. India is the first country to emerge into CSR practices legally. Only a small number of companies are disclosing the details of CSR practices in their annual reports. But they are not up to the level of GRI reporting guidelines as discussed in the chapter IV. As such the measuring of CSR practices is practically difficult everywhere. However some organizations like Karmayog rate the companies according to their CSR activities. This organization rates the Indian companies' on a ‘0-5’ scale based on the information from the website of respective company and annual report. Hence in this study the researcher has developed his own CSR index based on the data collected from annual reports of the selected companies and from personal interaction with the respondents. The CSR assessment was based on five criteria namely Social, Environmental, Economic, Product Responsibility and Society (SEEPS). Each of the above said criteria have equal weightage. Hence Companies CSR index is based on how many areas the company was involved. For example those companies involving all criteria are classified as five points rated company; those companies involving any four criteria are classified as four points rated company and so on. The measured CSR index has been presented in table 7.3 below.
### TABLE 7.3

**Corporate Social Responsibility Index**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Company Name</th>
<th>Ownership</th>
<th>CSR Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chennai Petroleum Corporation Ltd</td>
<td>Public</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Indian Bank</td>
<td>Public</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Indian Overseas Bank</td>
<td>Public</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Madras Fertilizers Ltd.</td>
<td>Public</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Neyveli Lignite Corporation Ltd.</td>
<td>Public</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Tamil Nadu Newsprint &amp; Papers Ltd.</td>
<td>Public</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Apollo Hospitals Enterprise Ltd</td>
<td>Private</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>Sakthi Sugars Ltd</td>
<td>Private</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>TVS Motor Company Ltd.</td>
<td>Private</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>EID Parry (India) Ltd</td>
<td>Private</td>
<td>4</td>
</tr>
<tr>
<td>11</td>
<td>MRF Ltd</td>
<td>Private</td>
<td>3</td>
</tr>
<tr>
<td>12</td>
<td>Shriram Transport Finance Co. Ltd</td>
<td>Private</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Compiled from primary and secondary data

Accordingly the CSR measurement index for both public and private companies has been identified and given against each of the respective companies, which have been presented in charts 7.1. The table and charts reveal that CSR practices by means of CSR index has been recorded well for the public companies than the private companies in the study area. All the public companies except the Madras Fertilizers Ltd and the Indian Overseas Bank are well, particularly the Tamil Nadu Newsprint and Papers Ltd was measured by 5 out 5. In the case of private companies, all the companies are disclosing their activities at a moderate level that is upto the maximum of 4 out of 5.
The basic idea of any company to concentrate in CSR is to enhance their economic growth, increase competitiveness and to make positive impact on society. This helps companies involve themselves in socially responsible activities and also acts as a business strategy to maximize their wealth on long-term return investment. In short CSR is a strategy to give companies a competitive edge. This strategy can yield maximum return to shareholders. Previously considerable studies revealed that there was an adverse relationship between CSR and financial performance of the companies but at the same time much more studies have argued that companies which are socially responsible obtain internal benefits that influence financial performance. It means there is a positive and statistically significant relationship between CSR
and financial performance. So, previous studies are not giving clear idea about CSR impact in the financial performance of the companies. It is therefore important to examine the CSR impact in the performance in the Indian context. For this purpose, the measured CSR Index based on GRI guidelines has been considered as the dependent variable and the financial performance by means of Earning Per Share (EPS) is assumed as an independent variable to influence the CSR practices of the companies. The financial performance by means of five years EPS and calculated CSR Index have been presented in table 6.8 for the sake of analyzing the relationship between the CSR practices and financial performance of selected public and private companies in the study area.

7.4.2. Corporate Financial Performance

According to Bourguignon (1995)\textsuperscript{25} Performance can be defined as achievement of organizational objectives. It is also referred as anything which contributes to ameliorate value-cost couple and contributes to cost decrease or value increase.\textsuperscript{26} According to Orlitzky, et al., (2003)\textsuperscript{27}, the financial performance of a company has been measured into three different ways viz., market, accounting and survey measurements. In the case of market, it represents the appreciation of the shareholders; the second one shows the internal efficiency of the management and the last one provides a subjective estimation of its performance. Boaventura, et al., (2012)\textsuperscript{28}, in their meta analytical review between Corporate Social Responsibility Practices and Corporate financial Performance reported, that Return on Asset (ROA), is the financial performance measure most widely used, followed by Return on Equity (ROE), sales growth, Return on Sales (ROS), contribution margin, Tobins Q, Market Share, risk of the firm, ROCE, Operational Profit, Cash Flow and finally Earning Per Share (EPS). The researcher has the EPS as measurement of financial performance of the companies.
Table 7.4 reveals the relationship between the average EPS and the CSR practices by means of index of both public and private companies in the study area. The result shows that CSR index for the public companies are better than the private companies during the study period whereas, the mean scores for EPS of private companies are better than those of the public companies during the study period. Therefore, the results reveal that comparison between the financial performance by means of EPS and CSR practices by means of CSR index remains inconclusive. So, the researcher has in analyzing put the Research Question “Is there any association between earning per share and CSR policy index of selected companies?” A statistical tool called product moment correlation coefficient has been applied to measure the strength and direction of the association between the selected variables.

Ho: There is no significant relationship between the financial performance and CSR practices of the selected companies in Tamilnadu

H1: There is significant relationship between the financial performance and CSR practices of the selected companies in Tamilnadu
TABLE 7.5

Correlation between Financial Performance and CSR Practices

<table>
<thead>
<tr>
<th>Nature of Companies</th>
<th>Calculated R² value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>0.46</td>
<td>Moderate Positive correlation</td>
</tr>
<tr>
<td>Private Sector</td>
<td>-0.33</td>
<td>Moderate Negative correlation</td>
</tr>
<tr>
<td>Overall</td>
<td>-0.19</td>
<td>Weak negative correlation</td>
</tr>
</tbody>
</table>

Source: Computed data

Table 7.5 reveals the correlation between the financial performance as independent variable and the CSR practices as dependent variable, since the calculated ‘R²’ for the public companies is 0.46, which shows that there is a moderate positive correlation between the financial performance and CSR practices. Hence the Ho is rejected (R² is 0.46). Whereas in the case of private companies, the calculated ‘R²’ is -0.33, which reveals that there is a moderate negative correlation exists between their financial performance and CSR practices. Hence the Ho is accepted (R² is -0.33) for private companies. Further it is evident from the investigation that most of the private companies are not disclosing their CSR practices completely. Finally the ‘R²’ for both public and private companies in the study area is -0.19, which shows that there is a weak negative correlation existing between their financial performance and CSR practices in the study area. Hence the Ho is accepted (R² is -0.19). Therefore, it is concluded that the CSR practices of the selected companies both public and private in the study area have not been influenced by their financial performance buts the CSR practices of the public companies have been influenced by their financial performance at moderate level.
7.5. Summary

In this chapter the eventual upshot of CSR practices of selected respondent companies have been listed out and analysed. The CSR practices and its outcomes in society of all the selected companies have been analysed separately. It was found that there was overall impact in society made by most of the companies in the study area. As far as overall upshot of CSR practices in financial performance of the selected companies, it was found that there was moderate positive relationship between financial performance and CSR practices only in the public sector.
End Note


216


