CORPORATE SOCIAL RESPONSIBILITY FOCUSING ON HEALTH CARE AND ITS IMPACT ON THE FINANCIAL PERFORMANCE OF SELECTED IT COMPANIES.

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Abstract: The study explores Corporate Social Responsibility focusing on health care and its impact on the financial performance of selected IT companies. The research is done by analyzing the effect of CSR on the economic performance (Net Profits, Return on Assets, Return on Equity and Earnings per Share. The research is done by using correlation test which helps to tell the relationship between CSR and the financial performance. Although the results show insignificant results but then, contribution towards CSR will definitely result positive in long term of the companies.

Keywords: **financial performance, corporate social responsibility (CSR)**

Introduction

In India corporate social responsibility is evolving, however, the Ministry of Corporate Affairs and Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain companies who fulfil the principle as mentioned under Sub Section 1 of Section 135 to satisfy with the provisions relevant to Corporate Social Responsibility. Today, the main objective of CSR is to maximize the company's overall impact on the society as well as on the stakeholders. Large numbers of companies are systematically integrating CSR policies, practices and programs during their business operations and processes. CSR is alleged not just another form of indirect expense but it's an important tool for shielding and improve the goodwill, defending attacks and increasing competitiveness.

Financial performance of a company comprise of overall financial analysis of a firm whereas In this study the focused areas in financial performance analysis includes Net profits, Return on Assets, Return on equity, Earnings per share. The financial health of the company is measured in the following areas and they are as follows:-

i. **Net Profits:**
   Net profit occurs after deducting expenses from the revenues. Net profit in terms of an organization is shown after deducting the interest expenses and taxes on the profit.

ii. **Return on Assets (ROA):**
   Return on Assets is also called as Return on Investment (ROI). It indicates the profit Return on Assets shows the profit created by the assets of companies annually. It is an indicator that shows how much an organization is earning over its total.

iii. **Return on Equity (ROE):**
   Return on Equity help in measuring the return earned on preferred and common share holder's investment in the financial organizations annually. It shows the capability of generating profits from every unit of shareholder's equity.

iv. **Earnings per Share (EPS):**
   Earnings per Share show how much profits a company earns in one year on the basis of each outstanding share of ordinary stock.

Statement of the problem

In the present scenario, companies are bound by law to undertake corporate social responsibility initiatives which have become very popular. These activities are showing a positive result for the companies that have already undertaken and have motivated other competing companies to undertake this activity. In order to find out the motives behind corporate social responsibility initiatives a large number of researches have done on CSR initiatives and financial performance but, studies done in IT companies are rare. Thus, this research is confined in order to know the effect of CSR towards women empowerment on the financial performance of selected nine IT companies in India. Hence an attempt has been made to do "A Study on Corporate Social Responsibility focusing on health care and Its Impact on the Financial Performance of Selected IT companies."

Objectives of the study

The main objectives of the study are:
1. To examine the various Corporate Social Responsibility initiatives undertaken by selected IT Companies.
2. To examine the relationship between expenditure incurred on CSR and Net profits, EPS, ROA and ROE.

Research Methodology

The study is conducted using the secondary data. Yearly data is taken from 2011 to 2017. This research is an empirical and descriptive study and is conducted by studying the annual reports of Nine Information Technology companies. The data is collected to know the impact of CSR on the financial position (Net Profits, Return on Assets, Return on Equity and Earnings per Share) of the companies.

For the purpose of study secondary data was used i.e. quantitative details like balance sheet, profit and loss accounts are collected from money control and the company website. Apart from this different journals and websites are used. In order to examine the impact of corporate social responsibility on the financial performance of selected Information Technology companies, correlation test has been used which tells the effect of independent factor on dependent factors. Based on the study, the findings are summarized and suitable recommendations are suggested.

Hypothesis

Hypothesis 1
H_0: There is no significant relationship between CSR and the Financial Performance of Compuage Infocom Limited.
H_1: There is a significant relationship between CSR and the Financial Performance of Compuage Infocom Limited.

Hypothesis 2
H_0: There is no significant relationship between CSR and the Financial Performance of Cyient.
H_2: There is a significant relationship between CSR and the Financial Performance of Cyient.

Hypothesis 3
H_0: There is no significant relationship between CSR and the Financial Performance of HCL Technologies.
H_3: There is a significant relationship between CSR and the Financial Performance of HCL Technologies.

Hypothesis 4
H_0: There is no significant relationship between CSR and the Financial Performance of Infosys.
H_4: There is a significant relationship between CSR and the Financial Performance of Infosys.

Hypothesis 5
H_0: There is no significant relationship between CSR and the Financial Performance of Mindtree.
H_5: There is a significant relationship between CSR and the Financial Performance of Mindtree.

Hypothesis 6
H_0: There is no significant relationship between CSR and the Financial Performance of Mphasis.
H_6: There is a significant relationship between CSR and the Financial Performance of Mphasis.

Hypothesis 7
H_0: There is no significant relationship between CSR and the Financial Performance of Tata Consultancy Services.
H_7: There is a significant relationship between CSR and the Financial Performance of Tata Consultancy Services.

Hypothesis 8
H_0: There is no significant relationship between CSR and the Financial Performance of Tech Mahindra.
H_8: There is a significant relationship between CSR and the Financial Performance of Tech Mahindra.

Hypothesis 9
H_0: There is no significant relationship between CSR and the Financial Performance of Wipro.
H_9: There is a significant relationship between CSR and the Financial Performance of Wipro.

Tools for the date collection

The data collected is secondary and examined using Correlation tool which is used to determine the relationship between CSR and Financial Performance (Net profits, EPS, ROA, and ROE).

Sample size

In this study, the financial performance (Net profits, EPS, ROA, and ROE) of five years data is obtained from annual reports of selected nine IT companies.

a)   **Statistical Analysis**

Correlation Test:

Pearson correlation is also called as the Pearson correlation coefficient (PCC). Pearson's r is a measure of the linear dependence (correlation) between two variables CSR and Net Profit; EPS, ROA, ROE. It has a value between +1 and -1 inclusive,

+1 indicate total positive linear correlation
-1 indicate total negative linear correlation
0 there is no linear correlation

COMPUAGE INFOCOM LIMITED:

Hypothesis 1

H_0: There is no significant relationship between CSR and the Financial Performance of Compuage Infocom Limited.

H_1: There is a significant relationship between CSR and the Financial Performance of Compuage Infocom Limited.

$r = 0$

Interpretation:

The above table shows that there is a weak negative correlation between Net profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is -0.271 at the significance level of 0.729 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is 0.100 at the significance level of 0.900 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is 0.488 at the significance level of 0.512 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is 0.102 at the significance level of 0.898 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Compuage Infocom Limited.

CYIENT:

Hypothesis 2

H_0: There is no significant relationship between CSR and the Financial Performance of Cyient.

H_2: There is a significant relationship between CSR and the Financial Performance of Cyient.

$r = 0$

Interpretation:

The above table shows that there is a weak positive correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is 0.357 at the significance level of 0.643 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is 0.339 at the significance level of 0.661 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a moderate negative correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is -0.649 at the significance level of 0.351 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is 0.342 at the significance level of 0.658 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Cyient.

HCL -TECHNOLOGIES:

Hypothesis 3

H_0: There is no significant relationship between CSR and the Financial Performance of HCL Technologies.

H_3: There is a significant relationship between CSR and the Financial Performance of HCL Technologies.

$r = 0$

Interpretation:

The above table shows that there is a weak negative correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is -0.072 at the significance level of 0.928 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a strong positive correlation between inflation and exchange rate variability. The correlation coefficient (r) for EPS with CSR variability is 0.905 at the significance level of 0.095 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a moderate positive correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is 0.648 at the significance level of 0.352 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a strong positive correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is 0.904 at the significance level of 0.096 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of HCL Technologies.

INFOSYS:

Hypothesis 4

H_0: There is no significant relationship between CSR and the Financial Performance of Infosys.

H_4: There is a significant relationship between CSR and the Financial Performance of Infosys.

r = 0

Interpretation:

The above table shows that there is a moderate positive correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is 0.626 at the significance level of 0.374 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a strong negative correlation EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is -0.718 at the significance level of 0.282 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a weak negative correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is -0.335 at the significance level of 0.665 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a strong negative correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is -0.718 at the significance level of 0.282 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Infosys.

MINDTREE:

Hypothesis 5

H_0: There is no significant relationship between CSR and the Financial Performance of Mindtree.

H_5: There is a significant relationship between CSR and the Financial Performance of Mindtree.

r = 0

Interpretation:

The above table shows that there is a strong positive correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is 0.791 at the significance level of 0.209 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a strong negative correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is -0.945 at the significance level of 0.055>0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a strong negative correlation between CSR and ROA. The correlation coefficient (r) for ROA with CSR variability is -0.954 at the significance level of 0.046<0.05, the correlation is significant at 0.05 level. So the CSR and ROA variability are correlated

Interpretation:

The above table shows that there is a strong positive correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is 0.963 at the significance level of 0.037<0.05, the correlation is significant at 0.05 level. So the CSR and ROE variability are correlated.

Since, p>0.05 for Net profits and EPS, p<0.05 for ROA and ROE whereas in this case H_0 can be accepted since there is no significant relationship between CSR and the Financial Performance (Net profits and EPS) and H_1 can be accepted since there is significant relationship between CSR and the Financial Performance (ROA and ROE) of Mindtree.

MPHASIS:

Hypothesis 6

H_0: There is no significant relationship between CSR and the Financial Performance of Mphasis.

H_6: There is a significant relationship between CSR and the Financial Performance of Mphasis.

r = 0

Interpretation:

The above table shows that there is a weak negative correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is -0.307 at the significance level of 0.693 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a weak negative correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is -0.306 at the significance level of -0.694>0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a weak negative correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is -0.357 at the significance level of 0.643 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a weak negative correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is -0.306 at the significance level of 0.694 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Mphasis.

TATA CONSULTANCY SERVICES:

Hypothesis 7

H_0: There is no significant relationship between CSR and the Financial Performance of Tata Consultancy Services.

H_7: There is a significant relationship between CSR and the Financial Performance of Tata Consultancy Services.

r = 0

Interpretation:

The above table shows that there is a strong positive correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is 0.838 at the significance level of 0.162 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a strong positive correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is 0.839 at the significance level of 0.161 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a moderate negative correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is -0.637 at the significance level of 0.363 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a strong positive correlation between ROE and CSR. The correlation coefficient (r) for ROE with CSR variability is 0.837 at the significance level of 0.163 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Tata Consultancy Services.

TECH MAHINDRA:

Hypothesis 8

H_0: There is no significant relationship between CSR and the Financial Performance of Tech Mahindra.

H_8: There is a significant relationship between CSR and the Financial Performance of Tech Mahindra.

r = 0

Interpretation:

The above table shows that there is a strong positive correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is 0.903 at the significance level of 0.097 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a weak negative correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is -0.051 at the significance level of 0.989 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated. **Interpretation:**

The above table shows that there is a moderate positive correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is 0.650 at the significance level of 0.350 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between inflation and exchange rate variability. The correlation coefficient (r) for ROE with CSR variability is 0.310 at the significance level of 0.690 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Tech Mahindra.

WIPRO:

Hypothesis 9

H_0: There is no significant relationship between CSR and the Financial Performance of Wipro.

H_9: There is a significant relationship between CSR and the Financial Performance of Wipro

r = 0

Interpretation:

The above table shows that there is a moderate positive correlation between Net Profits and CSR. The correlation coefficient (r) for Net Profit with CSR variability is 0.785 at the significance level of 0.215 >0.05, the correlation is insignificant at 0.05 level. So the CSR and Net Profits variability are not correlated.

Interpretation:

The above table shows that there is a strong positive correlation between EPS and CSR. The correlation coefficient (r) for EPS with CSR variability is 0.922 at the significance level of 0.078 >0.05, the correlation is insignificant at 0.05 level. So the CSR and EPS variability are not correlated.

Interpretation:

The above table shows that there is a weak positive correlation between CSR and ROA variability. The correlation coefficient (r) for ROA with CSR variability is 0.438 at the significance level of 0.562 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROA variability are not correlated.

Interpretation:

The above table shows that there is a strong positive correlation between inflation and exchange rate variability. The correlation coefficient (r) for ROE with CSR variability is 0.785 at the significance level of 0.215 >0.05, the correlation is insignificant at 0.05 level. So the CSR and ROE variability are not correlated.

Since, p>0.05 for all four variables we can accept H_0 that is there is no significant relationship between CSR and the Financial Performance of Wipro.

Findings

After conducting "A Study on Corporate Social Responsibility and Its Impact on the Financial Performance of Selected IT companies" it can be said that:

➢ The Corporate social responsibility concept has recently widespread as per the company's act, 2013 section 135(1). One of the reasons for the companies to undertake CSR initiatives can be attributed to globalisation. It is evident that the companies incorporate corporate social responsibility as one of the main activities to be performed which includes the environmental development, education, rural development, country welfare, poverty eradication, women empowerment.

➢ The present study has revealed that corporate social responsibility activities are very active in most of the IT companies. These activities are done with an intention to spend a share of profits earned by the company for the benefit of the society. It is also evident that the company makes better contribution to the society irrespective of its earnings.

➢ The correlation study tells that there an insignificant relationship between CSR and financial performance of Compuage Infocom Limited, Cyient, HCL Technology, Infosys Limited, Mphasis, TCS, Tech Mahindra and Wipro.

➢ In case of company, Mindtree tells that there a significant relationship between CSR and financial performance (ROA and ROE) whereas insignificant relationship between CSR and financial performance (Net Profits and EPS)

Suggestions

➢ Based on what is shown and discussed above, it can be argued that IT companies should fulfill their social responsibilities then it will improve the society, environmental conditions and overall economy of India which leads to create positive image of IT sector and all other stakeholders' regarding the organizations.

➢ The activity supporting CSR must be encouraged in IT sector companies in order to make them aware of its benefits to both societies as well as to the companies.

➢ Companies should also take initiatives to create the awareness of CSR among their customers.

➢ It is essential for all the companies to allocate funds out of the profits earned to undertake CSR initiatives.

➢ Though the study does not establish a significant relationship between CSR and firm's financial performance, CSR initiatives will definitely have a positive impact on the reputation of the firm in the long run. Hence, CSR activities should be continued with full interest.

➢ Future studies should use data with a longer period to obtain a more valid measurement results.

CONCLUSION

There has been tremendous work in this area of Corporate Social Responsibility and financial performance as it has been discussed earlier of different researchers in different fields. Many of them found the results as it found in this thesis that there is no significant association between the social responsibilities of firms and their performance.

The current study has helped to understand the relationship of CSR activities with the financial performance of the IT companies. The research is done on the selected nine IT companies for a period of five years from 2011-2016. There has always been a debate that corporate social responsibility has a positive impact on financial performance of the corporate companies that undertakes such initiatives. By conducting this study it is found that there are many number of corporate activities carried on by the selected IT companies.

This study gives a picture about the CSR initiatives undertaken by the selected companies. By using the data of amount spent on CSR initiatives and financial performance (Net profits, ROA, ROE, and EPS) researcher can conclude that the study does not establish a significant relationship between CSR and firm's financial performance. CSR initiatives will definitely have a positive impact on the reputation of the firm in the long run. Hence, CSR activities should be continued with full interest.

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