



IMPACT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON FINANCIAL PERFORMANCE OF SELECT NSE-LISTED FMCG COMPANIES IN INDIA: AN EMPIRICAL STUDY

Mr. S. Shreedhar¹, Dr. Ramesh O Olekar²

¹Research Scholar, ²Professor

Department of Studies in Commerce, V.S.K. University, Jnana Sagara Campus, Ballari-583105

Abstract

This study investigates the impact of Corporate Social Responsibility (CSR) disclosures on the financial performance of FMCG companies listed on the National Stock Exchange (NSE) of India. Employing a quantitative and empirical research design, the study analyses secondary data from 17 purposively selected firms over four years (2020–21 to 2023–24), resulting in 68 observations. CSR disclosures were measured using a CSR Disclosure Index (CSRDI), constructed through binary content analysis across four categories Environmental, Consumer, Community Involvement, and Employee Disclosures aligned with GRI standards. Multiple linear regression analysis was conducted through R using four financial performance indicators: Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), and Net Profit Margin (NPM). The findings indicate that Environmental Disclosure (ENVD) has a statistically significant negative impact on ROA, ROE, and ROCE, suggesting short-term cost implications. Community Involvement Disclosure (COMID) shows a positive and significant relationship with NPM, while Consumer Disclosure (COND) has a significant positive effect on ROE and ROCE. Employee Disclosure (EMPD), however, shows no significant influence on any performance measure. Control variables such as Firm Size positively influenced all financial indicators, while Company Age was significant only for NPM. The models demonstrated statistical significance with acceptable R² values for exploratory studies. Based on the regression outcomes, the null hypothesis (H₀) that CSR Disclosure has no significant impact on the financial performance of select NSE-listed FMCG companies is rejected.

Keywords: CSR Disclosure, Financial Performance, ROA, ROE, ROCE, NPM, FMCG, NSE India, Content Analysis, Multiple Regression.

1. INTRODUCTION

The modern era of globalization prioritizes the interests of management, shareholders, and a diverse range of stakeholders, including employees, creditors, consumers, governments, society at large, and the environment. Corporate Social Responsibility (CSR) is perceived as a crucial aspect of business ethics and sustainability (Akal et al., 2023). Corporate Social Responsibility (CSR) has evolved from a voluntary ethical initiative to a strategic imperative. Increasing stakeholder expectations, regulatory pressures, and sustainability imperatives are driving firms to integrate CSR into their operations and reporting. The corporate social responsibility disclosure (CSR D) has emerged as a significant factor influencing financial performance. Numerous studies suggest that financial performance is a crucial element in attracting stakeholders. The perception of a firm's financial performance is intricately linked to both its CSR actions and the transparency of those actions through disclosure. Within this context, the information routinely disclosed in annual reports regarding Corporate Social Responsibility (CSR) plays a pivotal role in shaping corporate reputation. The concept of Corporate Social Responsibility Disclosure (CSR D) is defined as the process of communicating the social and environmental impacts resulting from an organization's economic activities to specific interest groups within society and to the broader general public. In India, the concept of CSR disclosure is gaining momentum as firms acknowledge its key role in organizational performance. Section 135(4) of the Companies Act 2013 mandates that every company qualifying under section 135(1) make a statutory disclosure of CSR in its Annual Report of the Board. However, the question of whether CSR initiatives positively influence organizational financial performance remains a subject of debate. This paper aims to investigate the

influence of four categories of Corporate Social Responsibility Disclosure (CSR) on the financial performance of NSE-listed FMCG in India. Through empirical analysis, the research aims to determine the effect of CSR disclosures concerning Environmental, Consumer, Community Involvement, and Employee on the ROA, ROE, ROCE, and NPM of select NSE-listed banks in India.

2. REVIEW OF LITERATURE:

1. **Suman Rajest & Regin (2024)** investigated the impact of institutional ownership, managerial ownership, and audit committees on firm value, with CSR disclosure as a moderating variable. The research focuses on LQ-45 companies listed on the Indonesia Stock Exchange (IDX) between 2017 and 2022, analysing data from 35 firms across 112 firm-year observations. Ordinary Least Squares (OLS) regression and Moderated Regression Analysis (MRA) were employed for data analysis. The results show that institutional ownership and audit committee presence significantly influence firm value. CSR disclosure strengthens the effect of institutional ownership but weakens the impact of managerial ownership. It has no significant moderating effect on audit committees. The findings highlight CSR's nuanced role in moderating governance mechanisms and their effects on firm value in emerging markets.
2. **Eriqat et al. (2024)** focused on exploring the moderating role of national culture in the relationship between Corporate Social Responsibility Disclosure (CSR) and corporate reputation within the financial sector in the MENA region. Using data from 96 financial firms listed in Jordan, Palestine, Qatar, and Kuwait from 2016 to 2020, the study employs the Generalized Method of Moments (GMM) to estimate dynamic corporate reputation models. The results reveal that CSR positively influences corporate reputation. Furthermore, individualism as a cultural dimension strengthens this relationship, while generalized trust weakens it.
3. **Prayanthi & Budiarso (2022)** conducted a study focusing on the influence of corporate social responsibility (CSR) disclosure on financial performance during the pandemic era in Indonesia. They gathered secondary data from 36 companies in the consumption industry listed on the Indonesian Stock Exchange from 2019 to 2021. Utilizing multiple linear regression analysis, they discovered a consistent and positive impact of CSR disclosure on return on assets, return on equity, and Tobin's Q.
4. **Althaf & Dalimunthe (2022)** conducted a study on the influence of Corporate Social Responsibility (CSR) on the financial performance of companies listed on the Kompas 100 Index from 2018 to 2020. The research employed purposeful sampling to collect data, and both regression analysis and path analysis were utilized for data analysis. The findings revealed that CSR has a significant impact on Return on Assets (ROA), while Tobin's Q remains unaffected by CSR activities.
5. **Aziz & Haron (2021)** conducted a comprehensive examination of Corporate Social Responsibility Disclosure (CSR) among Shariah-compliant Public Listed Companies (PLCs) in Malaysia, and its association with financial performance. The study utilized a sample of 175 Shariah PLCs listed on Bursa Malaysia's Main Market spanning from 2007 to 2017. Regression analysis was employed to analyse the data, revealing a positive correlation between CSR and financial performance metrics such as Return on Assets (ROA) and Tobin's Q.

3. THE RELATIONSHIP BETWEEN CSR AND FINANCIAL PERFORMANCE:

Corporate Social Responsibility Disclosure (CSR) plays a crucial role in shaping a company's reputation and gaining investor trust. By expanding CSR, firms build societal trust, which enhances investor confidence and supports financial success. Although CSR activities may involve short-term costs, they offer long-term benefits like customer loyalty, employee morale, and stronger community ties—ultimately contributing to improved financial performance (Masita Dewi et al. 2014). CSR is expected to improve ROA, ROE, ROCE, and NPM, etc. of a firm.

4. OBJECTIVES OF THE STUDY:

1. To assess the extent of CSR disclosures among select NSE-listed FMCG Companies in India.
2. To examine the impact of CSR disclosures on the financial performance of select NSE-listed FMCG Companies in India.

5. METHODOLOGY:

5.1 Research Design: This study adopts a quantitative and empirical research design to examine the impact of Corporate Social Responsibility (CSR) disclosures on the financial performance of FMCG companies listed on the National Stock Exchange (NSE) of India.

5.2 Data and Sample Selection: The study relies entirely on secondary data collected from annual reports, CSR reports, and business responsibility and sustainability reports of selected firms. A purposive sampling technique was used to select 17 NSE-listed FMCG companies. The final dataset comprises 68 observations over 4 years (2020–21 to 2023–24). To evaluate CSR disclosure, a CSR Disclosure Index was developed. The index is structured around four key categories: Environmental, Consumer, Community Involvement, and Employee Disclosures, covering a total of 28 subcategories aligned with GRI standards. Content analysis was carried out using a binary scoring method, where each subcategory was assigned a score of 1 if disclosed and 0 if not.

5.3 Variables and Measurement

Category	Variable	Formula / Scale
Dependent Variables	ROA	ROA = Net Income / Total Assets*100
	ROE	ROE = Net Income / Shareholders' Equity*100
	ROCE	ROCE = EBIT / (Total Assets – Current Liabilities) *100
	NPM	NPM = Net Profit / Revenue*100
Independent Variables (CSR Index of Sub-Categories) ENVD – Environmental Disclosure COMID – Community Involvement Disclosure EMPD – Employee Disclosure COND – Consumer Disclosure	ENVD	$CSRDI_j = \frac{\sum X_{ij}}{N_j}$ CSRDI _j = CSR Disclosure Index of the individual category of firm j in the period t. $\sum X_{ij} = \text{Dummy Variable, 1 if item is disclosed, 0 if not disclosed.}$ N _j = total number of items of the individual category of firm j in the period t.
	COMID	
	EMPD	
	COND	
Control Variables	Firm Size	Firm Size = ln(Total Assets)
	Company Age	Company Age = Current Year – Year of Incorporation

5.4 Hypothesis of the study:

H0: CSR Disclosure has no significant impact on the financial performance of select NSE-listed FMCG companies.

5.5 Data Analysis Techniques

In this study, data analysis was conducted using descriptive statistics, correlation, and multiple regression analysis. To test the hypothesis, the analysis proceeded with multiple regression analysis employing a panel data approach to examine the relationships between variables using R. By incorporating both dependent and independent variables alongside control variables, the researcher constructed the following multiple regression models for empirical analysis.

$$ROA = \beta_0 + \beta_1 \cdot ENVD + \beta_2 \cdot COMID + \beta_3 \cdot EMPD + \beta_4 \cdot COND + \beta_5 \cdot FirmSize + \beta_6 \cdot CompanyAge + \varepsilon$$

$$ROE = \beta_0 + \beta_1 \cdot ENVD + \beta_2 \cdot COMID + \beta_3 \cdot EMPD + \beta_4 \cdot COND + \beta_5 \cdot FirmSize + \beta_6 \cdot CompanyAge + \varepsilon$$

$$ROCE = \beta_0 + \beta_1 \cdot ENVD + \beta_2 \cdot COMID + \beta_3 \cdot EMPD + \beta_4 \cdot COND + \beta_5 \cdot FirmSize + \beta_6 \cdot CompanyAge + \varepsilon$$

$$NPM = \beta_0 + \beta_1 \cdot ENVD + \beta_2 \cdot COMID + \beta_3 \cdot EMPD + \beta_4 \cdot COND + \beta_5 \cdot FirmSize + \beta_6 \cdot CompanyAge + \varepsilon$$

Where, β_0 = intercept term, β_1 to β_6 = the regression coefficients for each predictor variable, ε = error term, ENVD, COMID, EMPD, COND = CSR Disclosure Index computed using binary content analysis (1 = disclosed, 0 = not disclosed),

Firm Size = Size of the company (log of total assets), and Company Age = Number of years since incorporation (Ahmed et al., 2016).

6. RESULTS AND DISCUSSION:

6.1 Descriptive Statistics:

Variable	N	Mean	SD	Skew	Kurtosis	SE
ROA	68	17.06	9.58	0.80	-0.20	1.16
ROE	68	29.91	20.45	1.31	0.52	2.48
ROCE	68	40.26	30.54	1.26	0.33	3.70
NPM	68	12.78	7.20	0.05	-1.11	0.87
ENVD	68	0.87	0.13	-0.62	-0.39	0.02
COMID	68	0.78	0.18	-0.69	0.33	0.02
EMPD	68	0.99	0.05	-5.59	34.11	0.01
COND	68	0.91	0.16	-1.81	2.78	0.02
Firm Size	68	4.58	0.82	-0.20	-1.48	0.10
Company Age	68	64.56	40.00	0.48	-1.05	4.85

(Source: R Output)

Interpretation:

The descriptive analysis of the dataset (N = 68) reveals notable insights into the financial performance and CSR disclosure practices of the sampled firms. Among the financial indicators, Return on Assets (ROA) has a mean of 17.06% with a moderate positive skew (0.80), while Return on Equity (ROE) and Return on Capital Employed (ROCE) exhibit higher averages of 29.91% and 40.26%, respectively, with noticeable right-skewed distributions. Net Profit Margin (NPM) averages 12.78% and is nearly symmetric, indicating a balanced distribution among firms. The CSR sub-categories demonstrate high levels of disclosure: Employee Disclosure (EMPD) and Consumer Disclosure

(COND) show near-universal reporting, with means of 0.99 and 0.91, respectively, and strong negative skewness. Environmental Disclosure (ENVD) and Community Involvement Disclosure (COMID) also have high disclosure rates (means of 0.87 and 0.78), suggesting widespread commitment to CSR communication across dimensions.

Regarding firm characteristics, the average firm size, measured as the natural logarithm of total assets, is 4.58, with minimal skewness, indicating consistency in scale among firms. Company age varies widely, with a mean of 64.56 years and a large standard deviation (40 years), reflecting a mix of both mature and younger firms in the sample. Overall, the descriptive statistics suggest that most firms are actively disclosing CSR information, particularly on employees and consumers, while showing varied financial performance outcomes.

5.2 Correlations with Performance Metrics:

Variable	ROE	ROA	ROCE	NPM	Interpretation
ENVD	-0.33	-0.28	-0.20	-0.08	Negative across all, strongest with ROE
COMID	-0.22	-0.10	+0.06	+0.23	Possibly helps NPM slightly
EMPD	+0.12	+0.07	+0.13	-0.01	Generally weak or negligible
COND	+0.13	+0.05	+0.19	-0.02	Weak-to-moderate positive with ROCE
FirmSize	+0.22	+0.27	+0.28	+0.34	Positively correlated across all
CompanyAge	+0.24	+0.19	+0.20	+0.27	Slight positive trend with all metrics

(Source: R Output)

5.3 Regression Analysis:

(Source: R Output)

Interpretation:

Variable	ROA			ROE			ROCE			NPM		
	β	t	p	β	t	p	β	t	p	β	t	p
Intercept	20.38	0.905	0.369	43.27	0.952	0.345	12.60	0.180	0.858	12.20	0.750	0.456
ENVD	-25.78	-2.502	0.015	-65.04	3.127	0.003	-91.58	-2.853	0.006	-9.51	-1.277	0.206
COMID	-0.97	-0.144	0.886	-14.57	1.068	0.290	22.54	1.071	0.288	11.31	2.318	0.024
EMPD	-6.91	-0.287	0.775	-13.35	0.275	0.785	-18.54	-0.247	0.806	-14.72	-0.846	0.401
COND	10.81	1.219	0.227	38.63	2.159	0.035	62.62	2.267	0.027	-1.28	-0.199	0.843
FirmSize	3.14	2.254	0.028	5.85	2.081	0.042	9.72	2.243	0.029	2.63	2.617	0.011
CompanyAge	0.037	1.264	0.211	0.086	1.456	0.151	0.098	1.080	0.284	0.057	2.724	0.008
Metric	ROA	ROE	ROCE	NPM								
R ²	0.204	0.288	0.239	0.264								
Adjusted R ²	0.126	0.218	0.164	0.192								
F-statistic	2.61	4.11	3.20	3.65								
F-statistic p	0.026	0.002	0.009	0.004								
Residual Std. Error	8.96	18.08	27.91	6.47								

The multiple linear regression models were employed to examine the relationship between different dimensions of Corporate Social Responsibility (CSR) disclosure and financial performance indicators, namely Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), and Net Profit Margin (NPM). The findings reveal that Environmental Disclosure (ENVD) has a statistically significant negative effect on ROA ($\beta = -25.78$, $p = 0.015$), ROE ($\beta = -65.04$, $p = 0.003$), and ROCE ($\beta = -91.58$, $p = 0.006$), implying that while firms engage in environmental CSR activities, the financial returns may be compromised in the short term due to associated costs. However, ENVD's effect on NPM was not significant ($p = 0.206$). Community Involvement Disclosure (COMID) had a positive and significant relationship only with NPM ($\beta = 11.31$, $p = 0.024$), suggesting that such activities might boost consumer goodwill and profitability. Its impact on other financial metrics (ROA, ROE, ROCE) remained statistically insignificant. Employee Disclosure (EMPD) showed no statistically significant impact across any performance measures, indicating that the benefits of internal CSR practices may not be immediately reflected in firm financial outcomes. Conversely, Consumer Disclosure (COND) exhibited a positive and significant influence on ROE ($\beta = 38.63$, $p = 0.035$) and ROCE ($\beta = 62.62$, $p = 0.027$), indicating that customer-focused CSR activities can enhance returns to shareholders and capital efficiency. The impact of COND on ROA and NPM was not statistically significant. Among the control variables, Firm Size was found to have a significant positive impact on all performance indicators—ROA ($\beta = 3.14$, $p = 0.028$), ROE ($\beta = 5.85$, $p = 0.042$), ROCE ($\beta = 9.72$, $p = 0.029$), and NPM ($\beta = 2.63$, $p = 0.011$)—highlighting that larger firms are better positioned to leverage CSR activities for financial gain. Company Age showed significance only with NPM ($\beta = 0.057$, $p = 0.008$), indicating older firms may experience better profitability, likely due to established market presence and efficiency. In terms of model

performance, the R-squared values ranged from 0.204 (ROA) to 0.288 (ROE), with adjusted R² values between 0.126 and 0.218. The F-statistics for all models were statistically significant (p-values < 0.05), confirming the overall fitness of the models. Though the R² values are modest, this is acceptable given the exploratory nature of CSR-financial performance research. Based on the regression results presented, we reject the null hypothesis (H₀) that "CSR Disclosure has no significant impact on the financial performance of select NSE-listed FMCG companies.

6. CONCLUSION

Based on the empirical analysis, the study concludes that Corporate Social Responsibility (CSR) disclosures have a mixed impact on firm financial performance. Specifically, Environmental Disclosure (ENVD) was found to have a significant negative effect on ROA, ROE, and ROCE. This suggests that while environmental initiatives are ethically and socially commendable, they may involve substantial costs that reduce short-term financial performance. On the other hand, Consumer Disclosure (COND) demonstrated a positive and significant influence on ROE and ROCE, indicating that transparency and engagement with consumers can enhance returns and capital efficiency. Community Involvement Disclosure (COMID) positively influenced NPM, implying that investments in social programs may contribute to improved profitability. However, Employee Disclosure (EMPD) showed no statistically significant effect across any financial indicator, highlighting a potential lag between internal CSR practices and visible financial outcomes. Among control variables, Firm Size consistently showed a positive and significant relationship with all performance metrics, affirming that larger firms are better equipped to absorb CSR-related costs and convert them into financial advantages. Company Age was only significant to NPM, suggesting that more established firms may operate with greater cost efficiency or consumer trust. Although the explanatory power of the models, reflected by R² values (ranging from 0.204 to 0.288), is moderate, the significance of F-statistics across all models confirms their reliability. The results reinforce the notion that not all CSR activities equally influence financial outcomes, and firms should strategically align their CSR investments based on expected economic returns. These findings contribute to the growing literature on CSR by offering nuanced insights into which CSR dimensions are financially meaningful. It also suggests that companies and stakeholders should view CSR not just as a compliance or philanthropic activity but as a strategic tool that, if effectively implemented, can create value for both business and society.

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