

Impact of CSR on Financial Performance of Public Limited Companies – A Case Study of BPCL and HPCL

Naveen Kumar

Research Scholar

Department of Applied Economics and Commerce
Magadh University, Bodh-Gaya (Bihar)

Abstract: The concept of corporate social responsibility has become dominant in business reporting. It is a growing and important part of an organisation's overall strategy. It refers to the obligations of business houses to pursue those policies to make decisions which are desirable in terms of the organizational and societal objectives and add value to our society. The present paper is an attempt to study the impact of CSR on financial performance of Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL).

Keywords: Corporate Social Responsibility (CSR), BPCL, HPCL, Stakeholders.

INTRODUCTION

Corporate Social Responsibility (CSR) is not a new concept. It has become a fundamental business practice and has gained much attention from all the avenues. It is basically a concept whereby companies decide to contribute for a better society and a clean environment. Companies integrate social and environmental concerns into their business operations and their interaction with different stakeholders. It has impact on financial performance and corporate decisions of a company. There has been a continuous debate among the academicians and researchers about the effect of CSR on companies, their sales, net profit and interest of other stakeholders.

Objectives of the study

The present research study has the following objectives:

1. To know the meaning of CSR
2. To study the impact of CSR on financial performance of BPCL and HPCL.
3. To find out some concrete conclusion of the study with some vital suggestions

Methodology of the study

This empirical study is based on primary as well as secondary data. It is based mainly on secondary data collected from annual reports of BPCL, HPCL; Economic Survey (GoI) and other publications. The sources of data also depend on books, leading journals, websites and newspapers. However, primary data has been collected through personal interview with the officials of the concerned companies.

This study offers a preliminary exploration of the relationship between corporate social responsibility (CSR) and financial performance for listed companies in a developing country. This is an Empirical Study designed to investigate

the correlation using quantitative method of analysis. It is based on samples of companies like BPCL and HPCL. We have used CSR Expenditures indicators as independent variables and the Sales and Net Profit as dependent variables. The independent variables concern CSR performance on Sales volume and Net Profit of these companies. Statistical measure Correlation Coefficient is used to investigate the correlation between the dependent variables (sales and net profit) and CSR Expenditure as independent variable. By analysing and using 't' test to test the significance of relationship between the data studied, we got a clear picture of how CSR performances on each group of stakeholders have affected them in different dimensions. To test the significance of relationship critical method of t test is applied at 5% level of significance.

Review Literature

Moses L. Pava, Joshna Krausz (1996) tried to establish relation between CSR and traditional financial performance through long term financial performance using the Council of Economic Priorities Ratings based on assessment of 12 specific components as a measurement of corporate social responsibility and then putting the criteria for measurement of financial performance depending on market base, accounting base, measure of risk and other specific features. They found a positive association between corporate social responsibility and traditional financial performance.¹

Sandhu, S.H. and S. Kapoor (2005) tried to study the relationship of CSR and financial performance of 20 leading companies in India for the period 2000-03 by using correlation and regression techniques. They found that there was no significant relationship between CSR and financial performance of these companies.²

V.L. Govindrajan and S. Amilan (2013) in their joint study tried to make a linkage between corporate social responsibility initiative, with financial performances in context of oil and gas product industry in India by using several statistical techniques like Anova, Chi-Square and Karl Pearson's Coefficient of Correlation. They observed that corporate social responsibility initiatives have certain impact on financial performances of this industry.³

Tyagi, Rupal and Anil K. Sharma (2013) have the relationship between Corporate Social Performance and Corporate Financial Performance in Indian context. The results of the study show neutral negative relationship between the CSP and CFP which eventually informs that if there would be any relationship, it would be negative.⁴

Yadav M.P. and M. Gupta (2015) had studied on linkage between Corporate Social Responsibility and Return on Net Worth (RONW) of selected companies while examining the influence of CSR activities on financial performance. They took five private companies in India such as Tata Steel, RIL, Mahindra & Mahindra, Infosys and Larsen & Toubro with the use of regression analysis and Anova. They observed that CSR has an insignificant relationship with return on net worth but it has positive relationship EPS of these companies.⁵

Amalendu Bhunia and Lakshmi Das (2015) analysed the impact of Corporate Social Responsibility on firm's profitability with reference to Maharatna Companies in India including Bharat Heavy Electrical Limited (BHEL), Coal India Limited (CIL), Indian Oil Corporation Limited (IOCL), Oil & Natural Gas Corporation (ONGC), Gas Authority of India Limited (GAIL), National Thermal Power Corporation (NTPC) and Steel Authority of India Limited (SAIL). The variables taken under study were corporate social responsibility expenditures, profit after tax and earnings per share. The result of the study shows that profit after tax is positively associated with CSR in CIL, GAIL, NTPC and SAIL while it is negatively associated in BHEL, IOCL and ONGC.⁶

Kumar, Naveen (2020) has analysed the impact of CSR on financial performance of public limited companies with reference to ONGC and IOCL. According to him, it is a concept whereby companies decide to contribute for a better society and clean environment through CSR initiatives.

FINDINGS OF THE STUDY

In this section, an attempt has been made to study the impact of corporate social responsibility on some select companies namely; BPCL and HPCL. The impact has been found through correlation coefficient between CSR and sales and further between CSR and net profit of the respective companies and they also have been tested by t-test technique.

Bharat Petroleum Corporation Limited (BPCL)

Bharat Petroleum Corporation Limited (BPCL) is a company committed to achieve sustainable development goals by nurturing and practicing a philosophy of social handholding to invigorate communities. For social inclusion, the company has crafted and supported initiatives in areas like education, water conservation, wealth and hygiene, skill development and community development which are the key indicators of Human Development Index.¹¹The CSR expenditure of the company was recorded at Rs. 203.32 crores in the year 2019-20.

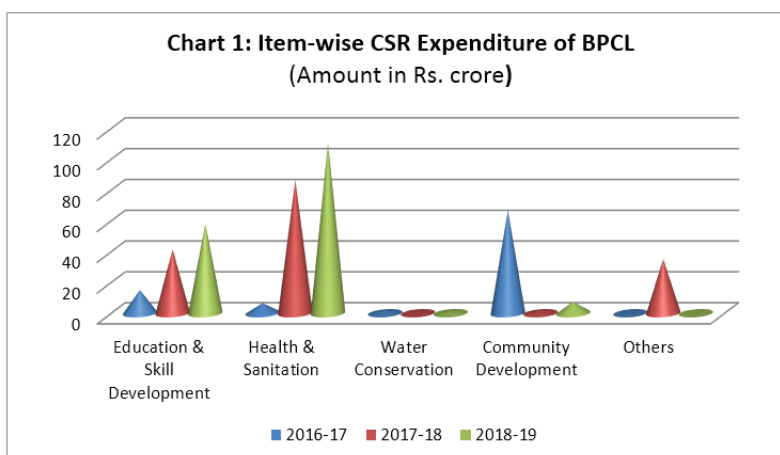
An attempt has been made to study item-wise CSR expenditure spent by BPCL. Table 1 and Chart 1 show the item-wise CSR expenditure by BPCL. It shows that the thrust area of CSR expenditure is changing from year to year according to the need and direction of the government. In 2016-17, the thrust area was community development with expenditure of Rs. 66.86 crore which came down to Rs. 1.94 crore in 2017-18 and further increased to Rs. 7.41 crore in the year 2018-19. This item was followed by education and skill development. In the year 2017-18 and 2018-19, the scenario has been changed and the thrust area moved to health and sanitation and education and skill development. The CSR expenditure for health and sanitation was recorded at Rs. 86.59 crore in 2017-18 which increased to Rs. 110.51 crore in the year 2018-19. Health and sanitation is followed by education and skill development. The CSR expenses for this item was marked at Rs. 15.14 crore in 2016-17 which increased to Rs. 41.63 crore in 2017-18 and further to Rs. 58.10 crore in the year 2018-19.

Table 1: Item-wise CSR Expenditure of BPCL (Amount in Rs. crore)

Item	2016-17	2017-18	2018-19
Education & Skill Development	15.14	41.63	58.10
Health & Sanitation	6.55	86.59	110.51
Water Conservation	2.20	0.67	1.65
Community Development	66.86	1.94	7.41
Others	0.23	35.20	0.27
Total	90.98	166.02	177.94

Source: <http://www.bharatpetroleum.com>

The study further reveals the position of CSR expenditure, sales and net profit of BPCL during 2014-15 and 2019-20 which has been mentioned in Table 5.3. It shows that CSR expenditure for 2014-15 was marked at Rs. 33.95 crore which increased to Rs. 95.59 crore in the year 2015-16 but it decreased to Rs. 90.98 crore in the year 2016-17. Thereafter, it has maintained an increasing trend and reached to Rs. 166.02 crore in 2017-18, Rs. 177.94 and finally to Rs. 203.32 crore in the year 2019-20 thus registered an increase of about 6 times during the period under study.



Source: Based on Table 1.

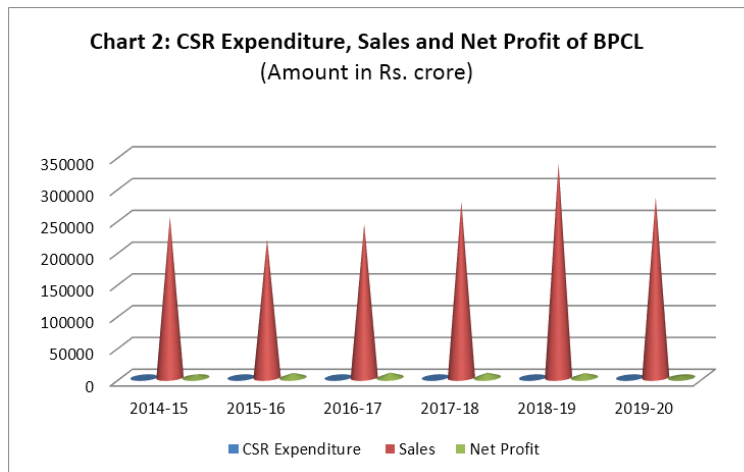
Table 2 and Chart 2 further reveal the position of sales of BPCL during the same period. The sales of BPCL was recorded at Rs. 253254.86 crore in 2014-15 which decreased to Rs. 218011.04 crore in 2015-16 and then went upto Rs. 33762.53 crore in 20018-19 and finally came down to Rs. 284382.95 crore in the year 2019-20 thus registered an overall increase of about 1.1 times during the year under study.

The net profit of BPCL has also been presented in the same table. It was marked at Rs. 5084.51 crore in the year 2014-15 which increased to Rs. 8039.30 crore in 2016-17 and then it maintained a declining trend and finally came down to Rs. 2683.19 crore in the year 2019-20 thus registered an overall decrease in net profit of Rs. 2401.32 crore during the year under study.

Table 2: CSR Expenditure, Sales and Net Profit of BPCL (Amount in Rs. crore)

Year	CSR Expenditure	Sales	Net Profit
2014-15	33.95	253254.86	5084.51
2015-16	95.59	218011.04	7431.88
2016-17	90.98	242047.82	8039.30
2017-18	166.02	277270.54	7976.30
2018-19	177.94	337622.53	7132.02
2019-20	203.32	284382.95	2683.19
Coefficient of Correlation between CSR Expenditure & Sales (r) = 0.674445			
Coefficient of Correlation between CSR Expenditure & Net Profit (r) = -0.22542			

Source: <https://csrbox.org>, Source: <http://www.bharatpetroleum.com>
<https://www.moneycontrol.com>



Source: Based on Table 2.

Like ONGC, the researcher has also tried to find out the coefficient of correlation between CSR and sales and further CSR and net profit of BPCL. The coefficient of correlation between CSR and sales of BPCL = +0.67 which signifies moderate degree of positive correlation. By applying t-test, it was found that correlation coefficient between CSR and sales is not significant. We can interpret that CSR is not the only factor that affects sales of BPCL.

Further, the coefficient of correlation between CSR and net profit of BPCL = (-) 0.23 which shows that there is inverse relationship between CSR and net profit. If CSR increases, net profit decreases. By applying t-test, it signifies that there is no correlation between the CSR and net profit of BPCL.

Hindustan Petroleum Corporation Limited (HPCL)

Hindustan Petroleum Corporation Limited (HPCL) is also committed to achieve economic, ecological and social objectives of sustainable development through varied CSR activities mainly concerned with childcare, healthcare, education, community development and skill development covering the lives of weaker section of the society. The company has objective to focus its CSR activities on local communities and implement these activities to empower weaker, less privileged and marginalized section of the society to build social capital.¹² The Company has spent Rs. 159.81 crore as CSR expenditure during the 2018-19.

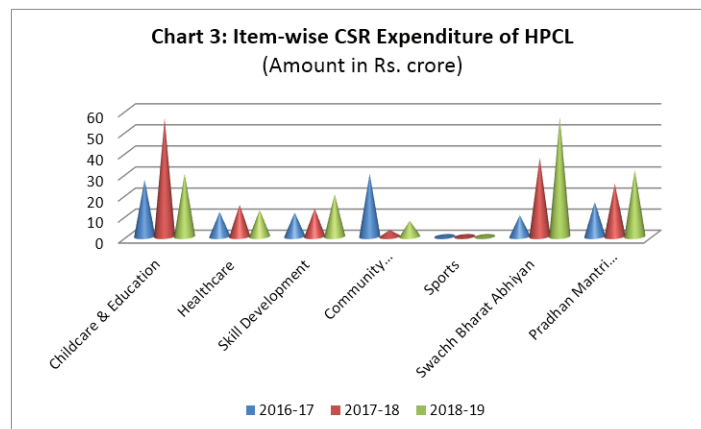
The researcher has also made an attempt to study item-wise CSR expenditure of HPCL during three years i.e. 2016-17 and 2018-19. Table 3 and Chart 3 reveals that community development and environment was marked at the top of the list with Rs. 29.97 crore followed by childcare and education with 27.18 crore and Pradhan Mantri Ujjawal Yojna (PMUY) with Rs. 16.58 crore in the year 2016-17. Further in the year 2017-18, childcare and education held the first position among different items of CSR expenditure with Rs. 56.20 crore followed by Swachh Bharat Abhiyan with Rs. 37.57 crore and PMUY with Rs. 25.57 crore. In the year 2018-19, Swachh Bharat Abhiyan moved on the first position in CSR expenditure with Rs. 56.83 crore followed by PMUY with Rs. 31.77 crore and childcare and education with Rs. 29.93 crores and skill development with Rs. 20.23 crore.

Table 3: Item-wise CSR Expenditure of HPCL (Amount in Rs. crore)

Item	2016-17	2017-18	2018-19
Childcare & Education	27.18	56.20	29.93
Healthcare	11.76	15.24	12.71
Skill Development	11.48	13.38	20.23
Community Development & Environment	29.97	3.15	7.57
Sports	0.99	1.05	0.78
Swachh Bharat Abhiyan	10.15	37.57	56.82
Pradhan Mantri Ujjawala Yojana (PMUY)	16.58	25.27	31.77
Total	108.11	156.86	159.81

Source: <https://www.moneycontrol.com>
<https://www.hindustanpetroleum.com>

Further, an attempt has also been made to study year-wise CSR expenditure, sales and net profit of HPCL during the period 2014-15 and 2018-19 which has been shown in Table 5.5. The amount spent as CSR expenditure for the year 2014-15 was marked at Rs. 34.07 crore which maintained an increasing trend during the whole period and reached to Rs. 159.81 crore in the year 2018-19 thus, registered an overall increase of 4.69 times during the period under study.



Source: Based on Table 3.

The Table 4 and Chart 4 also show the sales of HPCL during the same period. It shows that the sales of HPCL was marked at Rs. 217306.92 crore during the year 2014-15 which decreased to Rs. 198034.40 crore in the year 2015-16. It again increased to Rs. 213869.82 crore in 2016-17, Rs. 244085.12 crore in 2017-18 and further to Rs. 296929.06 crore in 2018-19 thus, registered an increase about 1.37 times during the period under study.

The net profit of HPCL shows that it was marked at Rs. 2733.26 crore in the year 2014-15 which increased continuously to Rs. 6357.07 crore in the year 2017-18 but it came down to Rs. 6028.66 crore in the year 2018-19 thus, registered an overall increase about 2.2 times during the period under study.

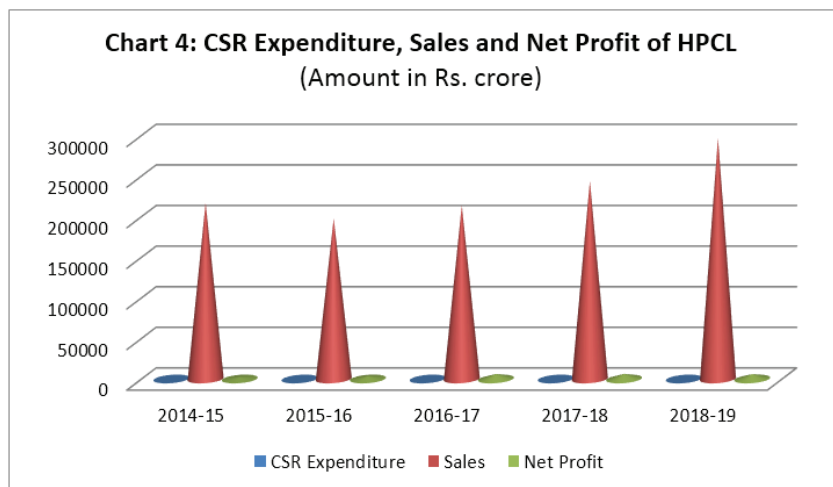
Table 4: CSR Expenditure, Sales and Net Profit of HPCL (Amount in Rs. crore)

Year	CSR Expenditure	Sales	Net Profit
2014-15	34.07	217306.92	2733.26
2015-16	71.76	198034.40	3862.74
2016-17	108.11	213869.82	6208.80
2017-18	156.87	244085.12	6357.07
2018-19	159.81	296929.06	6028.66
Coefficient of Correlation between CSR Expenditure & Sales (r) = 0.743915			
Coefficient of Correlation between CSR Expenditure & Net Profit (r) = 0.920629			

Source: <http://www.moneycontrol.com>
<https://www.hindustanpetroleum.com>

Similar to ONGC and BPCL, an attempt has also been made to study the coefficient of correlation between CSR and sales and further CSR and net profit of HPCL during the period taken under study. The coefficient of correlation between CSR and sales (r) of HPCL = +0.74 which signifies moderate degree of positive correlation between them. By applying t-test, it was found that correlation coefficient between CSR and sales is not significant. We can interpret that CSR is not the only factor which affects the volume of sales of the company.

With respect to correlation coefficient between CSR and net profit of HPCL, it was found that the value of coefficient correlation (r) = 0.92 which signifies high degree of positive correlation coefficient between them. After applying t-test, it was found that there is significant correlation between CSR and net profit of HPCL Company. In this particular case, there is significant relation and the correlation coefficient is significant.



Source: Based on Table 4

Suggestions

1. Corporate Social Responsibility is associated with different stakeholders. Hence, the information regarding CSR must be transparent and audited by the concerned authority. Companies must provide real information of corporate social responsibility in terms of quantity and quality.
2. Companies should give advertisement highlighting the CSR activities in the organization. It will be in the interest of different stakeholders and increase the profit of the company in the future.
3. Companies should take initiative for 'Atmanirbhar' concept in India through CSR.
4. Attention must be given on structure of CSR projects for the long term period. It will improve the financial performance of the company and will enhance the benefits for beneficiaries at large through CSR activities.
5. Companies must minimise the risks, improve the customer trust and create a long term value through positive relation between CSR and profitability.
6. Companies must educate the public and other stakeholders for their commitments. Companies should involve the communities in planning, organizing, implementing and evaluation of CSR projects. It will create a good relation among the stakeholders.
7. Companies should involve community as principal stakeholder in policy formation.
8. While focusing on the needs of urban areas, companies also must consider the issues like education, Health, childcare, etc of the slum and weaker sections of the society in rural areas.
9. Companies should maintain good governance which will result in better relation between employer and employees.
10. CSR projects must be framed keeping the slogan 'Vocal for Our Local' given by the present government especially in the light of COVID-19. It will also strengthen the concept of self dependence in the country.

CONCLUSION

Thus, it may be concluded that CSR has become an important factor for companies and its importance is growing day by day. Companies are availing the resources of the society and environment and hence, they must have some responsibility towards them. People are also giving preference to these companies and even ready to pay more prices of their products which are adopting CSR initiatives. But it is also a matter of fact that CSR is not only the sole factor for sales and net profit of the company. There are some other factors which have influence over the sales and net profit of the companies. It is clear from the study that CSR is not significant with sales and net profit of all the companies. In some cases, it is significant either with both or none or anyone of them. Hence, companies should give proper care and attention to other factors also like organizational structure, decision making process of board of directors, goodwill and performance of companies in other areas which has become an integral part and success of the company in today's world.

REFERENCES

1. Moses L. Pava, Joshua Krausz, (1996), "The Association between Corporate Social-Responsibility and Financial Performance" The Paradox of Social Cost", *Journal of Business Ethics* 15: 321-357.
2. Sandhu, S. H. and Kapoor, S. (2005), Corporate Social Responsibility and Financial performance: Exploring the Relationship, *Management and Labour Studied*. 30 (3). 211- 223.
3. V.L Govindrajan and S. Amilan (2013) A Study on Linkage between Corporate Social Responsibility Initiatives with Financial Performances: An Analysis from Oil and Gas Product Industry in India, *Pacific Business Review International*, Volume 6, Issue 5, pp. 81-93.

4. Tyagi, Rupal and Anil K. Sharma (2013), Corporate Social Performance and Corporate Financial Performance: A Link for the Indian Firms, *Issues in Social and Environmental Accounting*, Vol. 7, No. 1 March pp. 4-29
5. Yadav M.P. and Gupta M. (2015) A Study on Linkage between Corporate Social Responsibility and Return on Net Worth (RONW) of Selected Companies: An Empirical Analysis, *IOSR Journal of Business and Management*, 17(1), pp. 13-17.
6. Amalendu Bhunia, Lakshmi Das (2015)The Impact of Corporate Social Responsibility on Firm's Profitability- a Case Study on Maharatna Companies in India, *American Research Journal of Humanities and Social Sciences*, Volume 1, Issue3, 8-21.
7. Kumar, Naveen (2020), "Impact of CSR on Financial Performance of Public Limited Companies – A Case Study of ONGC and IOCL", *Journal of Shanghai Jiaotong University*, Vol. 16, No. 7, July, 2020, pp.942-952.
8. <http://www.bharatpetroleum.com>
9. <http://www.latestlaws.com>