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# Impact of CSR on Financial Performance of Selected Two-Wheeler Companies in India

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## ABSTRACT

*Corporate Social Responsibility (CSR) has become an essential part of modern business strategy, especially in industries that have a significant impact on society and the environment. The automobile sector is one such industry, as it plays a major role in economic development. In India, the importance of CSR increased significantly after the implementation of the Companies Act, 2013, which made it mandatory for qualified companies to spend at least 2% of their average net profits on CSR activities. The present study aims is to analyse the impact of CSR on the financial performance of selected two-wheeler companies in India for the study time period from 2019 to 2024. It examines whether companies that invest more in CSR activities shows a better financial result and employed financial ratios such as Net Profit Ratio (N.P), Return on Equity (ROE), Return on Assets (ROA) and Return on Capital Employed (ROCE). Understanding this relationship is valuable for managers, policymakers, investors and society. The present study concluded that coefficient of N.P was positive but weak and statistically insignificant which indicates that CSR spending does not improve short-term profit. Similarly, Return on Capital Employed (ROCE) and Return on Equity (ROE) shows that no significant impact of CSR activities on company performance. The R-square values were very low across all models, pointing to minimum explanatory power of CSR in predicting financial outcomes. The correlation results also reveals that CSR spending does not create noticeable short-term financial benefits. However, profitability ratios like ROE, ROCE, and ROA were strongly related with each other which shows a consistent internal financial patterns of the two-wheeler companies. Overall, the study suggests that CSR expenditure does not act as a short-term financial performance driver. The results imply that CSR may provide long-term non-financial advantages such as goodwill, reputation, stakeholder trust and ethical positioning, rather than immediate profit or return benefits.*

***Keywords**: CSR, Profitability Ratios, Financial Outcomes, Regression.*

## Introduction

Corporate Social Responsibility (CSR) has become an essential part of modern business strategy, especially in industries that have a significant impact on society and the environment. The automobile sector is one such industry, as it plays a major role in economic development but also contributes to pollution, resource consumption and road-safety concerns. As a result, automobile companies face growing expectations from governments, consumers and communities to operate responsibly and contribute to sustainable development. CSR is therefore no longer just a voluntary activity, it has become an important indicator of a company's commitment to social and environmental well-being. In India, the importance of CSR increased significantly after the implementation of the Companies Act, 2013, which made it mandatory for qualified companies to spend at least 2% of their average net profits on CSR activities. This legislation brought a structured approach to CSR and required companies to disclose their spending and initiatives transparently. For the automobile sector known for its sizeable revenues, supply chains and environmental impact the law encouraged firms to adopt purposeful CSR initiatives. These include road-safety campaigns, community development projects, skill training programs, environmental sustainability efforts and initiatives to reduce carbon emissions. Through these activities, companies aim not only to fulfil legal obligations but also to build their reputation, strengthen stakeholder relationships and support long-term growth. With CSR becoming an integral part of corporate planning, a key question arises: Does CSR have any measurable impact on a company's financial performance? Researchers across the world have debated this topic for years. Some argue that CSR enhances financial performance by improving brand image, customer loyalty, investor confidence and operational efficiency. They believe socially responsible companies attract more customers, better employees and greater support from stakeholders, all of which improve profitability. However, others argue that CSR increases costs and may reduce short-term profits, especially when companies invest heavily in environmental protection or community development. These conflicting views highlight the need for more industry-specific studies. In the Indian context, the automobile industry provides an interesting field for investigation. It is one of the largest contributors to GDP and employment and it has strong linkages with several supporting industries such as steel, electronics and energy. At the same time, the sector faces challenges related to pollution control, fuel efficiency, safety standards and technological change. CSR initiatives undertaken by two-wheeler companies directly influence these areas, making the relationship between CSR and financial performance more complex and worth studying.

The present study aims is to analyse the impact of CSR on the financial performance of selected two-wheeler companies in India for the study time period from 2019 to 2024. It examines whether companies that invest more in CSR activities shows a better financial results and employed financial ratios such as Net Profit Ratio (N.P), Return on Equity (ROE), Return on Assets (ROA) and Return on Capital Employed (ROCE). By studying data over multiple years, the study attempts to identify patterns and determine whether CSR acts as a strategic investment that enhances financial performance or remains merely a compliance requirement. Understanding this relationship is valuable for managers, policymakers, investors and society. For companies, it provides guidance on how CSR can be aligned with financial goals. For policymakers, it offers insights into the effectiveness of mandatory CSR regulations. For investors and consumers, it highlights how socially responsible behaviour influences corporate success. Overall, the present study contributes to the ongoing discussion on whether CSR can truly create value for businesses in the two-wheeler automobile sector.

**Literature Review**

**Nayak and Patjoshi (2020)** examined the effect of CSR contribution on financial performance of Indian Automobile Companies for the study time period from 2014-15 to 2017-18. For analysing the data, Researchers have employed descriptive statistics, correlation and regression analysis and found that CSR contributions have a measurable influence on the financial performance of automobile companies in India. By evaluating key financial indicators over a four-year period, the study demonstrate that CSR was not simply an expenditure but can positively contribute to financial efficiency. Although previous research showed that inconsistent results, this study supports the view that a symbiotic relationship exists between CSR and financial performance. The study also indicates that CSR investments may enhance profitability, asset utilization and overall financial returns. Overall, the study reinforces the importance of integrating CSR into business strategy and suggests that sustained CSR engagement can generate long-term financial and societal benefits for companies in the automobile sector.

**Kritika and Anand (2022)** analysed Corporate Social Responsibility (CSR) performance of selected automobile Companies in India namely Maruti Suzuki, Tata Motors, Mahindra & Mahindra and Hero MotoCorp. The Previous research shows that these companies contribute significantly to CSR spending, often exceeding the mandatory 2% requirement. Their CSR interventions typically align with their brand identity, operational footprint, and long-term sustainability goals. CSR spending trends in the automobile sector also reveals diversification, where companies increasingly adopt structured CSR programs, build partnerships with NGOs, and implement long-term developmental projects rather than short-term donations. Both qualitative and quantitative studies emphasized that CSR in the automobile sector reflects not only compliance but also commitment to improving socio-economic indicators. The study further suggests that CSR reporting and transparency have improved in recent years. Now, Automobile Companies were more focused on demonstrating the outcomes and impacts of their CSR initiatives. This shift towards accountability, stakeholder engagement and measurable results reflects a maturing CSR culture within the Indian corporate landscape. Overall, the study concluded that CSR in the automobile companies was evolved from a compliance-oriented activity to a strategic and impactful practice, contributing significantly to sustainable and inclusive growth.

**Awaysheh et al. (2020)** examined the relationship between company's commitment towards CSR and its financial performance and also compared companies within the same industry to identify the best and worst performance in terms of financial success. Researchers used Benchmarking approach, CSR ratings and financial performance ratios for analysing the data. They found that companies with strong CSR practices tends to have better financial performance and higher market valuations compared to their peers.

**Govindarajan and Amilan (2013)** explored the relationship between CSR initiative score and its impact on financial performance of the selected 12 companies from oil and gas industry. Data was collected from secondary sources. For analysing the data, researchers have used One-Way ANOVA, CSR rating (given by Karmayog), chi-square and Pearson's correlation and regression analysis. The researchers found that CSR initiative score was significant with financial performance at 0.05 levels. Moreover, CSR initiative score influences EPS at 19% and market capitalisation at 9.1% in this oil and gas industry. Overall, Researchers concluded that there is positive relationship between CSR initiatives score with financial performance as well as stock market performance.

**Chaturvedi (2025)** examined the role of corporate ethics and Corporate Social Responsibility (CSR) of selected Fast-Moving Consumer Goods (FMCG) companies in India. The Study included leading FMCG companies such as Hindustan Unilever, ITC and Dabur which shows that CSR initiatives in areas like environmental sustainability, health and hygiene, rural development and skill enhancement helps strengthen stakeholder confidence and improve company image. Furthermore, the study highlights the increasing importance of CSR reporting and sustainability disclosures, which promote transparency and allow stakeholders to assess the consistency between a company's actions and its ethical commitments. The study concluded that corporate ethics and CSR were essential drivers of sustainable growth in the FMCG sector. Ethical behaviour combined with impactful CSR initiatives helps companies to build stronger stakeholder relationships, gain consumer trust and improve long-term competitiveness. For FMCG companies, where brand perception directly influences market performance, socially responsible and ethically aligned practices not only ensure compliance but also create strategic advantages. Thus, the integration of ethics and CSR forms the foundation for enhanced organizational performance and long-term sustainability within the FMCG sector.

**Abilasha and Tyagi (2017)** examined the impact of CSR on financial performance of selected FMCG and Pharmaceutical sector for the study time period from 2008-09 to 2018-19. The Researchers used key financial indicators such as net profit margin, return on assets and return on sales in FMCG and pharmaceutical companies in India. The study found that FMCG companies shows a significant financial improvements and stronger correlations between CSR spending and performance, whereas pharmaceutical companies shows a limited or no consistent effects. Moreover, the study concluded that CSR activities have a positive impact on the financial performance of FMCG companies, while the effect is weaker or insignificant for pharmaceutical companies. Financial measures such as N.P, ROA and ROS generally improved after CSR implementation which indicates that socially responsible practices can support profitability and long-term value creation. The study also suggests that companies should continue integrating CSR into their business strategies, using both quantitative and qualitative initiatives. Overall, CSR not only builds goodwill and stakeholder confidence but also contributes to sustainable growth for organizations and society.

**Shreedhar and Olekar (2025)** analysed the impact of Corporate Social Responsibility (CSR) disclosures on financial performance of selected FMCG companies in India. The Researchers have used secondary data from 2020–21 to 2023–24 across 17 companies and employed multiple regression techniques to evaluates the relationship. The study contributed nuanced evidence which indicates that CSR's financial effects differ depends upon the type of disclosure. The study concluded that CSR disclosure does influence the financial performance of FMCG companies, but the impact varies across different categories. Environmental disclosure negatively affects profitability measures because of short-term cost burdens. In contrast, community involvement and consumer-related disclosures positively contribute to indicators like NPM, ROA, ROE and ROCE. Employee disclosure has no significant financial impact. Firm size plays a positive role, while company age influences only net profit margin. Overall, the results reject the hypothesis that CSR disclosure has no effect, confirms that transparent and strategic CSR reporting can enhance financial outcomes for NSE-listed FMCG companies.

## Research Methodology

### Objectives of the Study

- To analyse the impact of CSR on financial performance of selected two-wheeler Companies in India for the study time period.
- To examine the relationship between CSR and Profitability Ratios of selected two-wheeler Companies.

### Data and Sample Size

Top 2 leading Two-Wheeler companies (Hero & Bajaj) were taken for the present study on the bases of their market capitalisation and data availability at BSE. Data was collected from various secondary sources such as www.bseindia.com, journals and company annual reports. This study aims is to analyse the impact of CSR on financial performance in terms of profitability. In the present study four profitability ratios were used N.P, ROA, ROE and ROCE for analysing the financial performance of selected two-wheeler companies.

### Study Time Period

The present study used Five-Year data during the period from 2018-2019 to 2023-2024.

### Tools & Techniques

The following tools and techniques are used for the data analysis-

- Ratio Analysis
- Regression Analysis
- Correlation Analysis

### Data Analysis

**Table 1: Regression Analysis of ROA**

| Dependent Variable | | | | |
|---|---|---|---|---|
| **Variables** | **Coefficient** | **Std. Error** | **T-Statistic** | **Prob.** |
| **Intercept** | 16.17734 | 3.165102 | 5.111159 | 0.0005 |
| **CSR Amount** | -0.00034 | 0.035607 | -0.00947 | 0.9926 |
| | | | | |
| **R squared** | 0.00009 | **Mean Dependent var** | 16.14917 | |
| **Adjusted R-Squared** | -0.09999 | **S.D Dependent var** | 3.573932 | |
| **S.E of Regression** | 3.748355 | **Durbin-Watson Stat** | 1.253995 | |
| **F-statistics** | 8.97E-05 | | | |
| **Prob (F-statistic)** | 0.992629 | | | |

Here,

Dependent Variable: ROA

Independent Variable: CSR Amount

The above table 1 represents that Intercept (16.17) indicates that when CSR spending is zero, the expected average ROA remains around 16.17%. The results reveals that CSR expenditure does not have a significant effect on the Return on Assets (ROA) of the selected companies. The coefficient for CSR spending was negative but extremely small and statistically insignificant (p = 0.9926). Additionally, the R-Squared value (0.000009) was almost zero which indicates that CSR activities do not described the differences in ROA. Therefore, it can be concluded that CSR investment does not contribute to profitability in terms of ROA for the selected companies during the study time period.

**Table 2: Regression Analysis of N.P**

| Dependent Variable | | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Std. Error** | **T-Statistic** | **Prob.** |
| **Intercept** | 12.78247 | 3.040787 | 4.20367 | 0.0018 |
| **CSR Amount** | 0.001806 | 0.034209 | 0.052796 | 0.9589 |
| | | | | |
| **R-squared** | 0.000279 | **Mean Dependent var** | 12.93333 | |
| **Adjusted R-Squared** | -0.09969 | **S.D Dependent var** | 3.434023 | |
| **S.E of Regression** | 3.601132 | **Durbin-Watson Stat** | 0.521909 | |
| **F-statistics** | 0.002787 | | | |
| **Prob(F-statistic)** | 0.958934 | | | |

Here,

Dependent Variable: Net Profit Ratio

Independent Variable: CSR Amount

The above table of regression analysis shows that CSR expenditure does not have any significant impact on Net Profit for the selected two-wheeler companies. The relationship between CSR spending and Net Profit is positive but statistically insignificant (p = 0.9589). The extremely low R-squared value (0.000279) indicates that CSR spending does not determined the variations in profitability as measured by NP. Thus, CSR investments fail to show any meaningful contribution to short-term financial performance of the selected companies.

**Table 3: Regression Analysis of ROCE**

| Dependent Variable | | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Std. Error** | **T-Statistic** | **Prob.** |
| **Intercept** | 30.98316 | 5.03087 | 6.158609 | 0.0001 |
| **CSR Amount** | -0.04264 | 0.056597 | -0.75332 | 0.4686 |
| | | | | |
| **R squared** | 0.053701 | **Mean Dependent var** | 27.42167 | |
| **Adjusted R-Squared** | -0.04093 | **S.D Dependent var** | 5.839634 | |
| **S.E of Regression** | 5.957939 | **Durbin-Watson Stat** | 1.222634 | |
| **F-statistics** | 0.567488 | | | |
| **Prob(F-statistic)** | 0.468623 | | | |

Here,

Dependent Variable: ROCE

Independent Variable: CSR Amount

The above table 3 shows that CSR expenditure has a negative (-0.04264) but statistically insignificant impact on ROCE. This suggests that CSR initiatives do not contribute to improving capital efficiency for the selected companies. The very low R-squared value (0.053701) which confirms that CSR spending fails to determine the difference in ROCE and the overall regression model was not statistically significant (Prob (F-statistic) = 0.4686). Therefore, CSR investment does not appears to generate operational efficiency benefits in the short term for the selected two-wheeler companies.

**Table 4: Regression Analysis of ROE**

| Dependent Variable | | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Std. Error** | **T-Statistic** | **Prob.** |
| **Intercept** | 22.6178 | 3.961102 | 5.709977 | 0.0002 |
| **CSR Amount** | -0.01219 | 0.044562 | -0.27365 | 0.7899 |
| | | | | |
| **R squared** | 0.007433 | **Mean Dependent var** | 21.59917 | |
| **Adjusted R-Squared** | -0.09182 | **S.D dependent var** | 4.489445 | |
| **S.E of Regression** | 4.691039 | **Durbin-Watson Stat** | 1.371461 | |
| **F-statistics** | 0.074883 | | | |
| **Prob(F-statistic)** | 0.789924 | | | |

Here,

Dependent Variable: ROE

Independent Variable: CSR Amount

The above regression model indicate that CSR expenditure has a very weak and statistically insignificant influence on ROE among the selected two-wheeler companies. The coefficient of CSR spending is positive but negligible, with a high p-value (0.7899) which indicates that CSR does not significantly impact shareholders' returns. The model also shows that extremely poor explanatory power with an R-squared value of only 0.74%. Hence, CSR investment fails to demonstrate any meaningful contribution to ROE for the selected companies in the short term.

**Table 5: Pearson Correlation Matrix**

| | CSR Amount | N.P | ROE | ROCE | ROA |
|---|---|---|---|---|---|
| **CSR Amount** | 1 | | | | |
| **N.P** | 0.016693 | 1 | | | |
| **ROE** | -0.08621 | 0.464545 | 1 | | |
| **ROCE** | -0.23174 | 0.391178 | 0.923503 | 1 | |
| **ROA** | -0.003 | 0.70205 | 0.939837 | 0.849166 | 1 |

The above table 5 represents Pearson correlation coefficients between CSR, N.P, ROE, ROCE and ROA of the selected two-wheeler companies which shows that CSR Amount indicates no meaningful relationship with any of the financial performance indicators. The correlations between CSR spending and Net Profit (0.0167), ROE (–0.0862), ROCE (–0.2317) and ROA (–0.003) were all extremely weak which shows that CSR activities neither positively nor negatively influences the short-term financial outcomes for the selected companies. In contrast, the financial performance variables demonstrates a strong internal consistency. Net Profit shows moderate positive correlations with ROE (0.4645), ROCE (0.3912) and especially ROA (0.7021) which suggests that higher profitability tends to have a accompany better assets and capital efficiency. Moreover, ROE has very strong correlations with both ROCE (0.9235) and ROA (0.9398), while ROCE also strongly correlates with ROA (0.8492). These high correlations implies that companies efficient in generating returns for shareholders are also efficient in managing capital and utilizing assets. Overall, the above table indicates that while the financial ratios were closely linked with each other, CSR spending does not exhibit a significant short-term association with financial performance in the selected two-wheeler companies.

**Conclusion**

The present study analyses the impact of Corporate Social Responsibility (CSR) expenditure on financial performance of selected two-wheeler companies for the study time period from 2019 to 2024 by employed regression analysis and correlation analysis. The present study concluded that CSR spending does not shows any statistically significant relationship with profitability or return measures. For ROA, the coefficient of CSR amount was very small and negative that indicates a negligible inverse relationship. The probability value (0.9926) was far above the significance threshold which reveals that CSR expenditure has no meaningful impact on asset-based financial returns. Similarly, for Net Profit the coefficient was positive but extremely weak, with a high p-value (0.9589) which shows that CSR spending does not influence the company's short-term profit generation. Further, the results for ROCE and ROE also support the insignificant impact of CSR activities on corporate financial outcomes. The ROCE regression showed a negative coefficient (−0.04264) with an insignificant p-value (0.4686) that suggests a CSR does not improve overall capital efficiency. The R-squared was very low and negative adjusted R-squared values across all four models indicates a minimal to zero explanatory power of CSR in predicting financial performance. Whereas, the Pearson correlation matrix indicates that CSR spending in the selected two-wheeler companies does not have a significant short-term effect on profitability or returns. However, traditional financial ratios such as ROE, ROCE and ROA were strongly interrelated which shows a consistent internal financial performance patterns. Overall, the regression model significance in every case was weak as indicated by high Prob (F-statistic) values which implies that CSR expenditure fails to serve as a financial performance determinant in the short term. This may be due to CSR producing long-term non-financial benefits such as social goodwill, brand value, stakeholder trust, employee satisfaction and regulatory advantages which does not instantly translate into financial growth. Thus, the present study concluded that for the selected companies and study time period, CSR spending does not significantly impact on profitability or return measures which indicates that CSR was more aligned with ethical responsibility and reputation enhancement rather than immediate financial gain.

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