

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON THE FINANCIAL PERFORMANCE OF SELECTED PRIVATE GENERAL INSURANCE

Ekta N. Mehta*
Dr. Vigna M. Oza**

ABSTRACT

Business is the part of the society. The born, development and end of the business takes place in the society which means business and society are inseparable. Corporate social responsibility is the base to understand the responsibilities of business towards the society where business executes their social welfare activities. Financial performance plays very important role to carry out social responsibility activities as the strong financial performance results in provision of necessary funds and investments to carry out their social activities. These activities towards the society not only enhance the firm's social reputation and value but also it increases the profitability. That's why corporate social responsibility and financial performance of the business are related with each other. Corporate social responsibility gives the benefit of long term sustainable development to the business and enhances the financial performance of it. This paper tries to explore the relationship between corporate social responsibility and financial performance of selected private general insurance companies of India, through secondary data sources by using correlation analysis which is useful to find out cause and effect of the relationship between corporate social responsibility and financial performance of the companies.

Keywords: *Corporate Social Responsibility, Financial Performance, Private, General Insurers.*

Introduction

In recent years the concept of Corporate Social Responsibility has grown quickly. Now-a-days many businesses face large number of changes and challenges from that corporate social responsibility being one of the key problems. It suggests the importance of understanding the CSR by the business towards the society which also affects the financial performance of it.

The aim of the business is not to earn profit but social welfare too. The CSR activities show the relationship between the business and its various stakeholders such as employees, customers, government, owners, creditors and society as whole. CSR activities are ultimately considered as an investment for the business organization instead of cost or expense. All companies have different relationship between CSR and financial performance because each company implements CSR differently. Size and type of business unit, corporate culture, stakeholders demand etc. are the factors which affects the corporate social responsibility policy of the company.

India has a background of developing countries with various economic problems which are to be faced by society in general. Thus, with the medium of CSR companies have an opportunity of social welfare for its investors and the society as whole which increases its growth and reputation in the market and ultimately leads to high profitability and better financial position. In this way CSR can contribute to solve the economic problems and challenges.

* Research Scholar, Kadi Sarva Vishwavidyalaya, Gandhinagar, Gujarat, India.

** Principal, Ashwinbhai A. Patel Commerce College, Kadi Sarva Vishwavidyalaya, Gandhinagar, Gujarat, India.

This paper shows the impact of CSR on the financial performance of selected private general insurance companies of India. The aim of the study is to find out the impact of CSR on the financial performance of selected private general insurance companies of India in terms of profitability (net profit and total assets).

Literature Review

Munaza Kanwal, Farida Khanam, Shagufta Nasreen, and Shahid Hameed (2013) studied on the topic named "Impact of corporate social responsibility on the firm's financial performance". The objectives of the study are to find the relationship between CSR cost and economic benefit and to find the relationship between CSR & firm's profitability (net profit & total assets). They have taken the sample of five year regarding earnings, total assets and CSR expenditure from 2008 to 2012 of 15 Pakistani listed corporations in Karachi stock exchange. They have found that there is positive relationship between CSR and firm's financial position. Due to increasing trend of competition in the market the firms should attract more and more customers by improving the CSR policy of the company so that the financial performance of the company can increase. (Munaza Kanwal, 2013)

Sarah Wairimu Ngatia (2014) has studied The effect of corporate social responsibility on financial performance of insurance companies in Kenya. The objective of the study is to determine the relationship between corporate social responsibility and financial performance of insurance companies in Kenya. He has used data covering for the time period of 2009 to 2013 of 20 registered insurance companies out of 51 companies in Kenya as at December 2013. He suggested that insurance companies diversify their investment portfolios in order to diversify their risks. He concluded that there is inverse relationship between financial performance of insurance companies as measured by ROA, interest on deposits and the rate of inflation. (NGATIA, 2014)

Kavita Vyas and Dr. S. P. Mathur (2016) have studied on the topic of An Important Step of Life Insurance Companies towards Corporate Social Responsibility. The objectives of the study are to understand the concept of corporate social responsibility, to emphasize the objectives & importance of it as well as to highlight the CSR initiatives taken by Selected Life insurance companies. They found that all Indian life insurance companies are actively participating in the corporate social responsibilities in their own manner. It all contributes in the field of education, environment sustainability, health, poverty, literacy etc. By contributing the society these companies can win the trust and get the support from society which increases their brand value to prevail the products and services. They suggested that instead of focusing on the economic health companies need to focus on its social welfare projects to sustain in highly competitive market. They concluded that the concept of CSR has gained affluent importance throughout the India. (Kavita Vyas, 2016)

Rajesh K. Yadav, Richa Jain and Shriti Singh (2016) studied on the topic of an overview of corporate social responsibility (CSR) in insurance sector with special reference to reliance life insurance. The objectives of the study are to study and analyze CSR activities performed by reliance life insurance, to analyze the level of popularity and trust in employees in respect of CSR activities performed by reliance life insurance and also to analyze the business performance of it after successful completion of CSR activities. They found that there is no major relationship between CSR activities and growth of the insurance industry. But with the improvement in CSR policy, a company can convert its potential customers into existing customers and expect a positive outcome in the brand value and profitability. (Rajesh K. Yadav, 2016)

Objectives of the Study

The main aim of this study is to find impact of CSR on financial performance of selected private general insurance companies of India. Other objectives are:

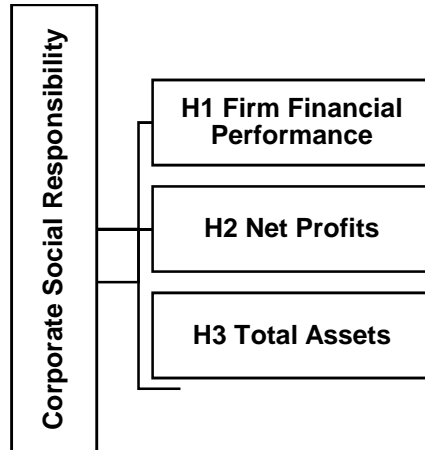
- To find the relationship between CSR and net incomes of selected private general insurance companies of India
- To find the relationship between CSR and total assets of selected private general insurance companies of India

Hypotheses

- H₁:** CSR has significant impact on the company's financial performance
H₂: CSR has significant impact on company's net profit
H₃: CSR has significant impact on company's total assets

Research Methodology

- **Research Model**



- **Research Instrument**

For the testing of profitability, correlation method is to be used to find out relationship between CSR and financial performance of selected private general insurance companies.

- **Sampling Size**

In this research the sample of five-year data from 2014-15 to 2018-2019 of selected 4 private general insurance companies of India has been taken. The Secondary data has been collected regarding earnings, total assets and the amount spent on CSR has been collected from annual reports of the selected companies.

Data Analysis

To find out the impact of CSR on the financial performance of the companies, the data regarding net profit, total assets and amount spent on CSR from 2014-2015 to 2018-2019 of selected 4 private general insurance companies of India has been collected in terms of rupees.

Table 1: Bajaj (Rupees in Crores)

<i>YEAR</i>	<i>CSR</i>	<i>NET PROFIT</i>	<i>TOTAL ASSETS</i>
2014-15	8.00	562.31	2225.48
2015-16	11.90	564.22	2789.71
2016-17	14.23	727.84	3534.63
2017-18	17.51	921.24	4466.36
2018-19	21.35	779.86	5164.01

Table 1 shows the data regarding CSR, net profits and total assets of Bajaj Allianz General Insurance Company Limited of last five years.

Table 2: Chola (Rupees in Crores)

<i>YEAR</i>	<i>CSR</i>	<i>NET PROFIT</i>	<i>TOTAL ASSETS</i>
2014-15	1.40	137.10	719.48
2015-16	2.61	147.95	852.86
2016-17	3.43	208.15	1,095.45
2017-18	4.52	242.61	1,410.33
2018-19	5.55	178.94	1,567.90

Table 2 shows the data regarding CSR, net profits and total assets of Cholamandalam MS General Insurance Company Limited of last five years.

Table 3: HDFC (Rupees in Crores)

YEAR	CSR	NET PROFIT	TOTAL ASSETS
2014-15	2.45	104.00	1023.66
2015-16	3.59	151.37	1061.42
2016-17	3.64	124.41	1885.17
2017-18	0.00	403.71	2134.15
2018-19	3.45	382.99	2304.91

Table 3 shows the data regarding CSR, net profits and total assets of HDFC ERGO General Insurance Company Limited of last five years.

Table 4: IFFCO (Rupees in Crores)

YEAR	CSR	NET PROFIT	TOTAL ASSETS
2014-15	3.15	206.01	1,091.64
2015-16	8.08	167.09	1,258.18
2016-17	5.80	426.82	1,685.46
2017-18	7.79	189.29	1,874.36
2018-19	7.52	178.62	2,252.71

Table 4 shows the data regarding CSR, net profits and total assets of IFFCO Tokio General Insurance Company Limited of last five years.

Table 5: (Rupees in Crores)

AVERAGE PROFITS OF THE COMPANY FOR THE LAST 3 YEARS	BAJAJ	CHOLA	HDFC	IFFCO
2014-15	401.00	68.694	122.18	157.00
2015-16	595.00	130.42	179.43	258.00
2016-17	711.00	171.78	182.25	289.00
2017-18	1078.00	225.96	0.00	389.00
2018-19	1067.00	277.63	172.55	376.00

Table 5 shows average profit of the selected private general insurance companies for the last five years.

Table 6: (Rupees in Crores)

AMOUNT SPENT	BAJAJ	CHOLA	HDFC	IFFCO
2014-15	8.00	0.94	2.45	2.92
2015-16	11.90	2.61	2.30	2.74
2016-17	14.23	3.65	3.64	3.28
2017-18	17.53	4.68	4.00	5.79
2018-19	21.35	5.69	4.01	6.00

Table 6 shows the amount spent on CSR of the selected private general insurance companies for the last five years.

Table 7: (Rupees in Crores)

AMOUNT UNSPENT	BAJAJ	CHOLA	HDFC	IFFCO
2014-15	3.65	0.46	NIL	0.23
2015-16	0.00	NIL	1.29	5.34
2016-17	0.00	NIL	NIL	2.52
2017-18	0.00	NIL	NIL	2.00
2018-19	0.00	NIL	NIL	1.52

Table 7 shows the unspent amount on CSR from the prescribed expenditure of the selected private general insurance companies for the last five years.

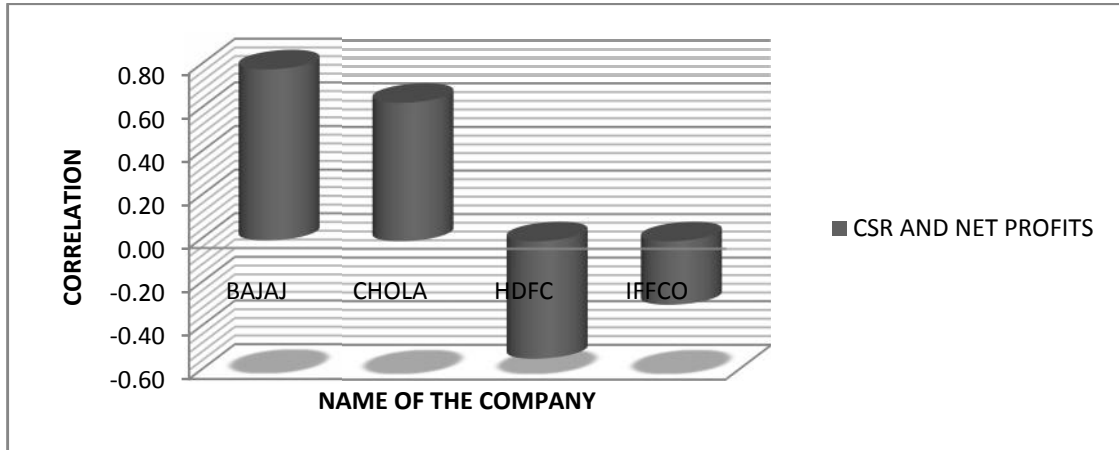
Table 8

COMPANY	CSR AND NET PROFITS
BAJAJ	0.78
CHOLA	0.64
HDFC	-0.54
IFFCO	-0.29

Table 8 shows the correlation between CSR and net incomes in terms of net profits of the selected companies during the time period of 2014-15 to 2018-19.

Bajaj Allianz General Insurance Company Limited has strong positive correlation; Cholamandalam MS General Insurance Company Limited has moderate positive correlation while HDFC ERGO General Insurance Company Limited and IFFCO Tokio General Insurance Company Limited have weak negative correlation and moderate negative correlation between its CSR and net incomes respectively.

Graph 1



Graph 1: shows the correlation between CSR and net incomes of the selected companies.

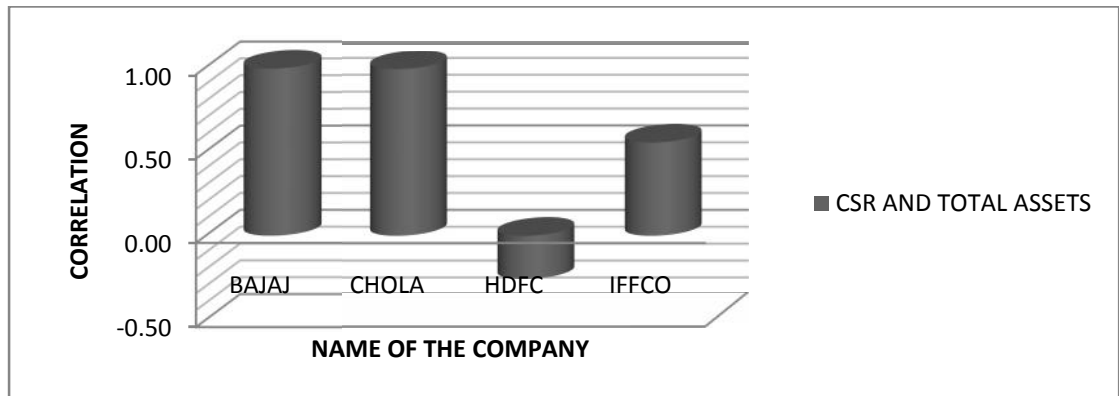
Table 9

<i>COMPANY</i>	<i>CSR AND TOTAL ASSETS</i>
BAJAJ	0.99
CHOLA	0.99
HDFC	-0.26
IFFCO	0.55

Table 9 shows the correlation between CSR and total assets of the selected companies during the time period of 2014-15 to 2018-19.

Bajaj Allianz General Insurance Company Limited and Cholamandalam Insurance Company Limited MS General have strong positive correlation, IFFCO Tokio General Insurance Company Limited has moderate positive correlation while HDFC ERGO General Insurance Company Limited has weak negative correlation between its CSR and total assets.

Graph 2



Graph 2: shows the correlation between CSR and total assets of the selected companies.

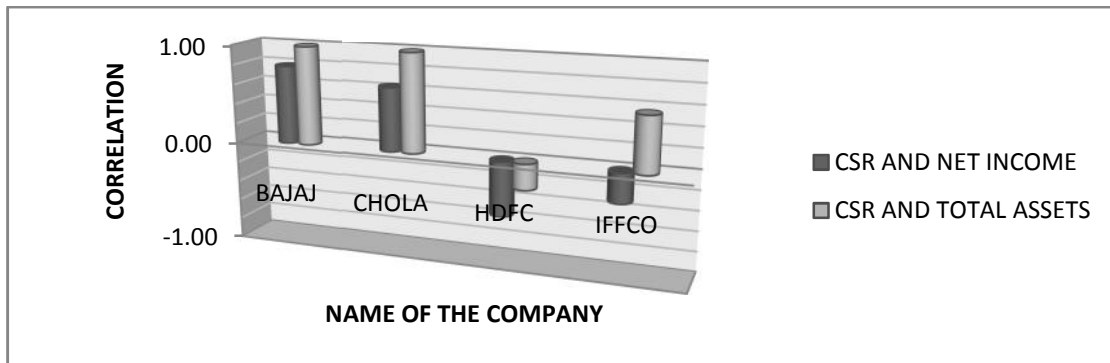
Findings and Discussion

Tables 1 to 4 Show the net profits, total assets and CSR amounts of selected 4 private general insurance companies of India during the time period of 2014-15 to 2018-19. Tables 1.8 shows correlation between CSR and its net income while table 1.9 shows correlation between CSR and total assets. Table 1.10 shows the Correlation between CSR and financial performance of Selected Private General Insurance Companies of India. Financial performance is measured through two indicators. In first measure, corporate social responsibility is compared with net profit of the companies while in second measure it is compared with its total assets.

Table 10: Correlations: (Correlation of Net Income & Total Assets with CSR)

COMPANY	CSR AND NET INCOME	CSR AND TOTAL ASSETS
BAJAJ	0.78	0.99
CHOLA	0.64	0.99
HDFC	-0.54	-0.26
IFFCO	-0.29	0.55

Graph 3



Graph 3: shows the correlation of net income and total assets with CSR of the selected companies.

- The results show that there is significant and strong positive relationship between CSR and FP of Bajaj Allianz and Cholamandalam. As the company increased its spending on CSR the financial performance of the firm enhanced.
- IFFCO Tokio General Insurance Company has negative relationship between CSR and net income while moderate positive relation between CSR and its total assets.
- HDFC ERGO has insignificant and negative relationship between CSR and its financial position.

Conclusion

The present study tried to provide the answer of the questions like, Is there any relationship of CSR on Financial position and if there is any relationship, then what is the nature of the correlation? The results show that different companies have different relationship between its CSR and FP. It may have varied as per the external environmental factors affecting the companies as well as depends upon its policy regarding corporate social responsibility. All three hypotheses are accepted in case of Bajaj and Cholamandalam while rejected in case of HDFC ERGO. But for IFFCO Tokio H2 is rejected while H3 is accepted. From H1 it can be said that weak positive relationship exists between CSR and financial performance of it.

The result of hypotheses indicates that CSR of Bajaj and Cholamandalam have positive impact while HDFC has negative impact with each variable of firm's financial performance which means the financial data of Bajaj and Cholamandalam show the positive corporate social behavior of them towards the society instead of IFFCO Tokio. HDFC ERGO shows the negative corporate social behavior. The conclusion is that Bajaj and Cholamandalam are aware towards CSR and spending more for the society well-being, health, and education and for the environmental protection also. Overall these all spending towards the society is not just for the reputation and long term development but for the economic benefits for the companies also.

Recommendations

- As CSR is considered as an investment for the companies, companies can get more financial benefits than the amount invested in CSR as a return. Along with the investing in CSR, companies should disclose its CSR activities to its stakeholders in a classified manner.
- Instead of spending more in advertisement, companies should spend its little portion on CSR which will help it to create good image on the society. CSR will enhance the trust of its stakeholders which will result into company's success and profitability.

References

- ✧ Kavita Vyas, D. S. (2016, September). An Important Step of Life Insurance Companies towards Corporate Social Responsibility. international journal of scientific research and education, 5938-5946.
- ✧ Munaza Kanwal, F. K. (2013). Impact of corporate social responsibility on the firm's financial performance. IOSR Journal of Business and Management (IOSR-JBM), 67-74.
- ✧ NGATIA, S. W. (2014, october). THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF INSURANCE COMPANIES IN KENYA . Nairobi, Nairobi: Department of Finance & Accounting, university of Nairobi.
- ✧ Rajesh K. Yadav, R. J. (2016). An overview of corporate social responsibility (CSR) in insurance sector with special reference to reliance life insurance. world scientific news, 196-223.
- ✧ <https://www.bajajallianz.com/Corp/aboutus/general-insurance-company-annualreport.jsp>
- ✧ <http://www.cholamandalam.com/annual-reports.aspx>
- ✧ <http://www.hdfcergo.com/about-us/financial/annual-reports>
- ✧ <https://www.iffcotokio.co.in/about-us/our-company/annual-reports>.

