

# Exploratory research on CSR implementation and its impact on Financial Performance concerning Asian Paint Co Ltd

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## **Abstract**

The study mainly aims to figure out the significance of CSR Expenditure in Environmental Reports and investigate the effect of CSR expenditure on the Financial Performance of Asian Paints Ltd. The study is based on secondary data collected from the integrated annual report from the company's website from the years 2017-2022. The study is limited to the data related to the total CSR expenditure and also limited to the availability of quantitative data available in annual reports published on the website for the said period. The finding of the study included that the company's total CSR expenditure and total turnover are highly correlated with each other and the company put efforts into maintaining its social responsibility which is a role model for others.

**Keywords:** Greenwashing, Corporate Social Responsibility, Environmental Accounting

## **1. Introduction**

Companies use corporate social responsibility (CSR) as a strategy to not only boost profits but also play a constructive and active social role in the world around them. The term "Corporate Social Responsibility" (CSR) refers to a company's approach to industry management and social responsibility. Corporate social obligation envelops different attributes like monetary reliance, lawful similarity, moral necessity, and cultural impacts. The four principal types of CSR are Ecological Responsibility, Ethical Responsibility, Philanthropic Responsibility, and Economic Responsibility

### **Benefits of CSR.**

- Increased employee engagement is a better primary concern for financials.
- More assistance for communities both locally and globally
- More opportunities for investing.
- Expanded client maintenance and faithfulness.
- A more prominent employer brand.

An organization's environmental accounting is itself a social responsibility to the environment around it. Pearce and Robinson call attention to that: "Corporate social obligation is the possibility that an organization must serve the local area as well as the monetary interests of its investors."<sup>1</sup>

Corporate Social Obligation (CSO) is regularly described as an association's obligation to its accomplices across its all achieving sensible improvement in the money related, and social.

### **CSR and Environmental Accounting**

Corporate Social Responsibility is the groundwork of compelling corporate administration and moral strategic approaches. At present days organizations are making a positive commitment towards society and climate to fabricate trust in their brands, major areas of strength for fostering with their partners, and to make long haul an incentive for society and its business. There are five significant mainstays of CSR procedure Corporate Administration, Business Morals, Workers, Society, and Climate.

### **Green washing in CSR Activities**

Greenwashing is the practice of making a company appear to be more environmentally friendly than it is by spending more money, time, and effort marketing its products as "green," rather than minimizing its negative environmental impact. Companies use environmental reporting as a means of disclosing progress on each of the five core pillars of CSR strategy.

## **2. Review of Literature**

Singh, J., Kapoor, D., and Sharma, P.,(2018)<sup>1</sup> in their study Environmental Accounting: Pillar of Corporate Social Responsibility and Disclosure discloses that Globalization and privatization standards have arisen corporate social Responsibility as one of the huge measures. According to the Hindu Way of thinking, Climate is to be esteemed and safeguarded like guardians. Consequently, Ecological revealing has turned into an element for the supportable turn of events. One of the most important aspects of achieving corporate social responsibility is environmental accounting and protection. In today's world, sustainability in the global market is demonstrated by satisfying customer requirements through the provision of health and safety standards. Every business is required to disclose information about how they help the environment. From the CSR concept, this paper provides a conceptual framework for the foundation of environmental accounting. The point of the study is to inspect the degree of corporate ecological revelations by the recorded organizations. The concentrate additionally centers on examining the effect of benefit on ecological divulgence. Content investigation and relapse instruments are utilized for directing the examination. EAR isn't viewed as agreeable as the vast majority of organizations are making subjective exposure rather than quantitative revelations in their yearly reports.

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Hence, to further develop the EAR rehearses in the organizations, the legitimate power need to execute the natural norms and rules.

Aggarwal, P., and Kadyan, A.,(2014)<sup>2</sup>, in their study Greenwashing: The Darker Side Of CSR, emphasized that Greenwashing is a training followed by associations in which unconfirmed or it is made to misdirect claims of the natural and social credits of an item, administration or the organization as a brand. Greenwashing practice is embraced to make the organization look more climate cordial than it is, by spending more cash, and time also, endeavors on promoting its items as 'green', as opposed to limiting its unfavorable effect on the climate. Through an examination of their advertisements, company websites, and sustainability reports, the authors of this paper examine the eco-friendly marketing practices of a select group of companies in four industries: the automotive, electronics, food and beverage, and personal care sectors. The primary target of the paper is to recognize the degree of greenwashing done by the organizations also, to rate their ecological cases on a weighted size of 1 to 5. Cross-sector analysis of their greenwashing scores is also included in the paper, as is a correlation between the greenwashing score and the overall CSR score. The paper views that even the organizations with a high by and large CSR score are engaged in some type of greenwashing rehearses. The creators additionally propose available resources for organizations to keep away from greenwashing, for shoppers to recognize it, and for controllers to check it.

### **3. Research Methodology**

#### **Objective**

- To figure out the significance of CSR Exposure in Environmental Reports
- To assess the effect of CSR exercises on the Financial Performance of Asian Paints Ltd.

#### **Sampling**

Convenience sampling has been used for the study purpose.

#### **Statistical Tools**

Correlation and Regression tools have been applied to the study.

#### **Data Collection**

Secondary data has been used from the company's integrated annual report for the study.

#### **Limitation**

- The study is limited to Asian Paints Ltd.
- The study is based on the secondary data available from the Business Responsibility and Sustainable reports of Asian Paints Ltd.
- The study is limited to the period from 2018-2023.

## 4. Data Analysis

### Correlation Analysis

**Table1:** Table showing profit after taxes and Total Earning Per share (EPS), Total Turnover, Profit after Tax (PAT) & CSR Expenditure of Asian Paints Ltd for five Years

	Earnings per share	Total Turnover (In Crores)	Profit after Taxes (In Crores)	Total Expenditure for CSR (In Crores)
2017-18	21.40	16,408.25	1,894.80	46.51
2018-19	22.48	18,584.65	2,134.76	52.7
2019-20	28.20	25,188.51	2654	74.64
2020-21	32.73	21,375.27	3,052.51	62.98
2021-22	31.59	25,188.51	3134.7	70.8

Source: Annual Reports Asian Paints Ltd.

### Output

	Earnings per share	Total Turnover (In Crores)	Profit after Taxes (In Crores)	Total Expenditure for CSR (In Crores)
Earnings per share	1			
Total Turnover (In Crores)	0.771715404	1		
Profit after Taxes (In Crores)	0.98797941	0.818175077	1	
Total Expenditure for CSR (In Crores)	0.777259107	0.991269291	0.807030099	1

### Interpretation

The coefficient of correlation lies between +0.75 to 1 hence it can be concluded that a high degree of positive correlation exists between the dependent variable total expenditure on CSR with other independent variables i) EPS ii) Total Turnover iii)PAT

### Regression Analysis

#### Hypothesis

**H0:** There is no significant relationship between Total Turnover and Total Expenditure on CSR of Asian Paints India Ltd.

**H1:** There exists a significant relationship between Total Turnover and Total Expenditure on CSR of Asian Paints India Ltd.

Table 2: Table showing Total Turnover and Total Expenditure of Asian Paints Ltd. for Five years

	<b>Total Turnover (In Crores)</b>	<b>Total Expenditure for CSR (In Crores)</b>
<b>2017-18</b>	16,408.25	46.51
<b>2018-19</b>	18,584.65	52.7
<b>2019-20</b>	25,188.51	74.64
<b>2020-21</b>	21,375.27	62.98
<b>2021-22</b>	25,188.51	70.8

Source: Annual Reports Asian Paints Ltd.

### Summary Output

#### Regression Statistics

Multiple R	0.991269
R Square	0.982615
Adjusted R Square	0.97682
Standard Error	597.1691
Observations	5

#### ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	6046717.356610.	6046717.356610.	169.5606	0.000978
Residual	3	1069833.6153700	356610.9		
Total	4	6153700.6			

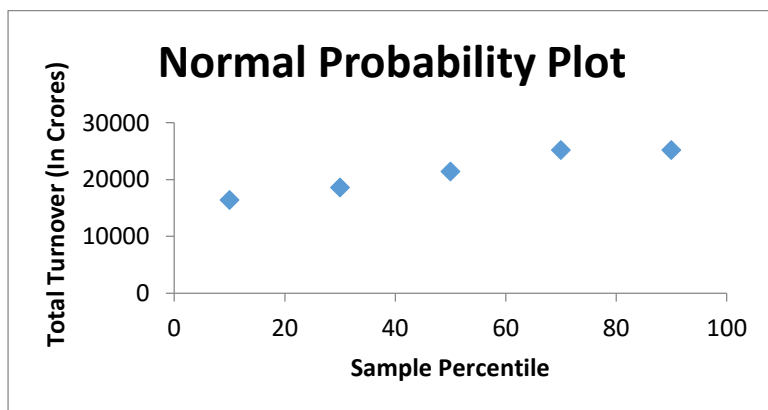
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1194.144	1570.682	0.760271	0.502384	-3804.47	6192.755	-3804.47	6192.75
Total Expenditure for CSR (In Crores)	327.5834	25.15703	13.02155	0.000978	247.5225	407.6443	247.5225	407.644

RESIDUAL OUTPUT

PROBABILITY OUTPUT

<i>Observation</i>	<i>Predicted Turnover (In Crores)</i>	<i>Total (In Residuals)</i>
1	16430.05	21.7962126.862
2	18457.79	8
3	25644.97	456.456
4	21825.34	450.074801.463
5	24387.05	8

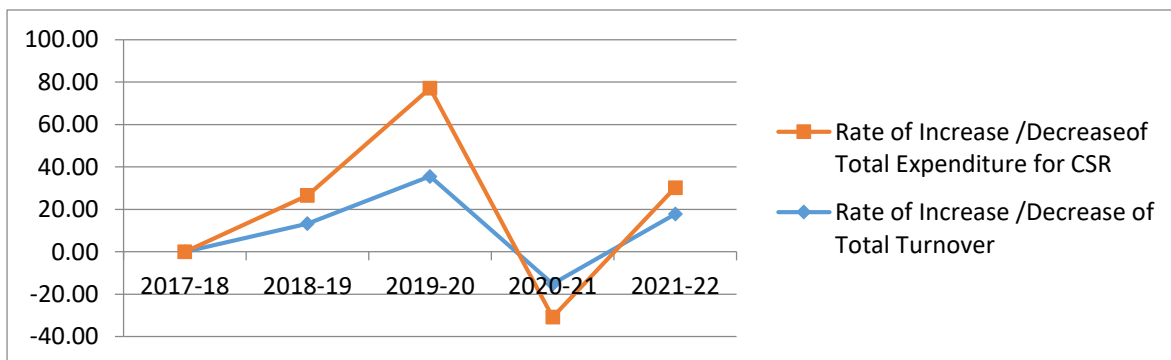
<i>Percentile</i>	<i>Total Turnover (In Crores)</i>
10	16408.25
30	18584.65
50	21375.27
70	25188.51
90	25188.51



**Interpretation**

R <sup>2</sup>	0.98	R <sup>2</sup> =0.98 indicates that 98% of the variation in total expenditure in CSR is explained by the Total Turnover
Intercept $\alpha$	1194.14	The average level of CSR Expenditure is 1194.14 crores the coefficient of X variable i.e. $\beta_1 = 327.58$ measures the slope of the CSR expenditure line.
Slope $\beta$	327.58	
Regression Equation	$Y = 1194.14 + 327.58 X$	
SE $\alpha$	1570.68	The standard error is an estimate of the standard deviation of the coefficient and is a measure of precision coefficient of 1194.14 is smaller as compared to 1570.68 and so it varies much the slope coefficient 327.58 is larger compared to its standard error.
SE $\beta$	25.16	
P value $\alpha$	0.502	The P value is less than 0.05 for the $\beta$ coefficient and greater than 0.05 for the intercept, hence the null hypothesis is rejected for the $\beta$ coefficient, and accept the null hypothesis for $\alpha$ , hence $\beta$ is statistically significant.
P Value $\beta$	0.000	
CI $\alpha$	-3804.47 to 6192.76	95% confidence is there that the real underlying value of intercept lies between -3804.47 to 6192.76 and the real underlying value of slope lies between 247.52 to 407.64.
CI $\beta$	247.52 to 407.64	

**Chart showing the Rate of increase and decrease in total CSR expenditure and Rate of Increase and Decrease of total turnover over years by Asian Paints Ltd.**



Source: Table 1

**5. Findings And Suggestions**

- As a serious level of positive connection exist between variables, when there is an expansion in EPS, Total Turnover, and Profit after Tax there is a rise in the level of CSR Expenditure
- R<sup>2</sup> is 98% This implies the model is an excellent fit, and the CSR consumption of the Asian Paints Ltd for the study period lies upon the turnover of the organization.

- There is a positive connection between complete turnover and CSR Use which implies on the off chance that turnover builds the CSR use likewise increments at a higher rate.
- The significance level P value is  $<0.05$  which shows that there is no significant difference between total turnover and CSR Use caused.
- The organization ought to keep up with the degree of CSR practice so different organizations can likewise follow the training
- Asian paints ought to think of new CSR initiatives rehearses with the goal that they can turn into a good example for different organizations
- Asian Paints Ltd. can implant key CSR exercises with the earnest backing of their stakeholders there will be a business opportunity for righteousness

## 6. Conclusion

Corporate Social Responsibility in India is embraced by a larger number of people in corporate area organizations, it assumes a huge part in making arrangements like current and further developed preparations, offices, schooling, medical care, and so on. A firm can apply the positive social change in society and team up with accomplices who have the express ability to set off such change between the company's financial goals and the social targets of society, Firms should have inside and out comprehension of the conditions that lead to the seek after of various CSR exercises and carry out those exercises that show a combination

The Individuals-driven approach in CSR makes the CSR practices of Indian companies unique, while India imparts to other non-industrial countries in its CSR encounters and practices certain traits that accompany the course of improvement. There are no particular worldwide appropriate principles for forestalling and checking greenwashing rehearses. Customers, advertisers, organizations, and administrative bodies manage this hazard of greenwashing.

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