

INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE: AN ANALYTICAL STUDY OF MAHAVEER FINANCE INDIA LTD

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Abstract - Corporate Social Responsibility (CSR) has emerged as an important strategic practice that promotes sustainable business development and enhances organizational reputation. This study examines the effect of CSR activities on the financial performance of Mahaveer Finance India Ltd, a leading non-banking financial company in India. The analysis focuses on the association between CSR expenditure and selected financial indicators, including Profit Before Tax (PBT), Return on Assets (ROA), Return on Equity (ROE), and liquidity ratios. The study relies on secondary data obtained from the company's annual reports, CSR disclosures, and publicly available financial statements. Analytical tools such as trend analysis and correlation analysis are employed to assess the relationship between CSR initiatives and financial results. The findings indicate a positive but moderate relationship between CSR practices and financial performance, suggesting that CSR contributes primarily to long-term financial stability, stakeholder trust, and sustainable growth rather than short-term profitability.

Key words: Corporate Social Responsibility, Financial Performance, NBFC, Profitability Ratios, Mahaveer Finance

Introduction

In the modern corporate environment, Corporate Social Responsibility (CSR) has gained increasing relevance as organizations are expected to operate ethically while contributing to social and economic development. In India, CSR became mandatory for eligible companies following the enactment of the Companies Act, 2013. Financial institutions, particularly non-banking financial companies, play a vital role in economic growth, and their CSR practices can influence both social well-being and business performance. Mahaveer Finance India Ltd has undertaken various CSR initiatives aimed at community development, education, and financial inclusion. This study attempts to assess whether such CSR initiatives have a measurable impact on the company's financial performance.

Statement of the Problem

Following the enactment of the Companies Act, 2013, Corporate Social Responsibility (CSR) has become both a

mandatory requirement and a strategic consideration for companies operating in India. Although organizations are required to allocate a specified portion of their profits toward CSR activities, the extent to which these initiatives contribute to improved financial performance remains uncertain. Many firms continue to regard CSR mainly as a compliance-driven expense rather than as a strategic tool capable of generating long-term financial and competitive advantages.

Within the financial services industry, especially among non-banking financial companies (NBFCs), the linkage between CSR practices and financial outcomes is intricate and insufficiently explored. NBFCs play a vital role in promoting economic growth, financial inclusion, and social development, thereby increasing the importance of their CSR efforts. However, empirical evidence demonstrating whether such initiatives lead to tangible improvements in profitability, liquidity, and overall financial strength is limited.

Mahaveer Finance India Ltd has implemented several CSR initiatives focused on social responsibility and community welfare. Despite the company's commitment to these activities, it is not clearly established whether CSR efforts have a meaningful direct or indirect influence on its financial performance. The scarcity of firm-specific studies in the NBFC sector further emphasizes the need for a focused analysis. Hence, this study seeks to investigate the impact of CSR initiatives on the financial performance of Mahaveer Finance India Ltd and to assess whether CSR should be considered a strategic investment rather than merely a statutory obligation.

Objectives

The primary objective of this study is to examine the Corporate Social Responsibility (CSR) practices implemented by Mahaveer Finance India Ltd and to evaluate their impact on the company's financial performance. The study aims to assess financial outcomes using selected profitability and liquidity indicators such as Profit Before Tax (PBT), Return on Assets (ROA), and Return on Equity (ROE). It also seeks to analyze the relationship between CSR expenditure and financial performance to determine whether CSR initiatives contribute to long-term financial stability and sustainable business growth.

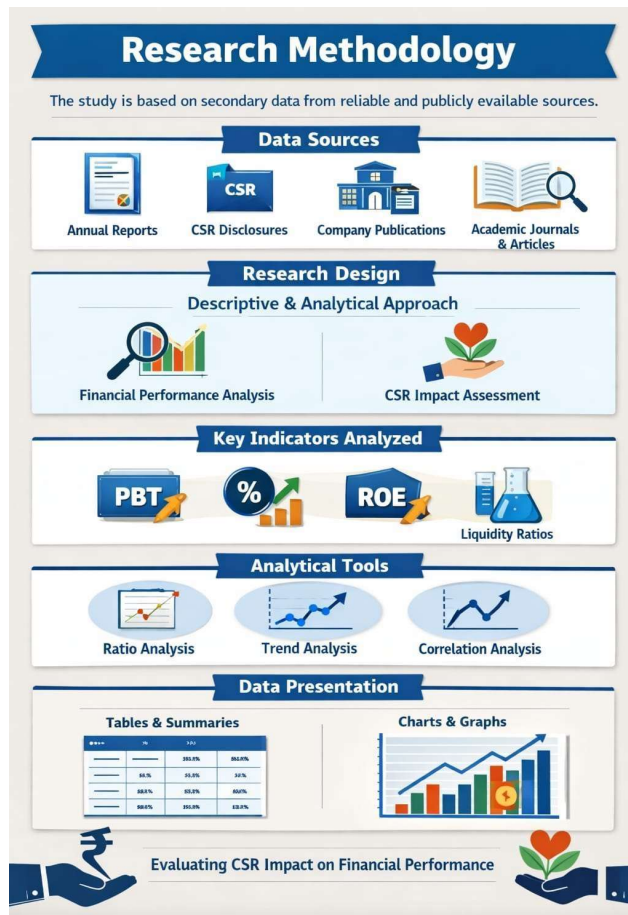
Further, the study attempts to evaluate the role of CSR as a strategic instrument that enhances corporate value beyond mere regulatory compliance, thereby offering insights for improving CSR practices within the non- banking financial company (NBFC) sector.

Scope of the Study

The scope of the present study is restricted to an in-depth analysis of Corporate Social Responsibility (CSR) initiatives undertaken by Mahaveer Finance India Ltd. The research concentrates exclusively on examining the relationship between CSR activities and the financial performance of the company. Financial performance is evaluated using selected profitability and liquidity indicators such as Profit Before Tax (PBT), Return on Assets (ROA), Return on Equity (ROE), and liquidity ratios. The study relies entirely on secondary data collected from publicly available sources, including annual reports, CSR disclosures, and published financial statements of the company.

The period of analysis is limited to the years for which reliable and publicly accessible data are available. The research does not include primary data collection methods such as surveys or interviews, nor does it consider stakeholder perceptions, employee opinions, or customer satisfaction related to CSR activities. Furthermore, the study does not involve a comparative analysis with other NBFCs or financial institutions. As a result, the findings are specific to Mahaveer Finance India Ltd and may not be generalized across the entire NBFC sector. Despite these limitations, the study provides valuable insights into the role of CSR in influencing financial performance at the firm level.

Research Methodology



The present study is based exclusively on secondary data collected from reliable and publicly available sources, including the annual reports of Mahaveer Finance India Ltd, CSR disclosures, official company publications, and relevant academic journals and research articles. The research adopts a descriptive and analytical research design to systematically examine the impact of Corporate Social Responsibility (CSR) initiatives on the financial performance of the company.

Financial performance is assessed using selected profitability and liquidity indicators such as Profit Before Tax (PBT), Return on Assets (ROA), Return on Equity (ROE), and liquidity ratios. CSR expenditure data are analysed to identify trends and variations over the selected study period. Analytical tools including ratio analysis, trend analysis, and correlation analysis are applied to evaluate the relationship between CSR activities and financial performance indicators.

The analysed data are presented and interpreted through the use of tables and charts to enhance clarity and facilitate better understanding of patterns, trends, and relationships. Tables are used to summarize financial ratios and CSR expenditure across different years, while charts and graphs are employed to visually depict trends and comparative changes in CSR spending and

financial performance. This methodological approach enables a structured and comprehensive analysis of the data, leading to meaningful interpretation and conclusions.

Review of Literature

The concept of Corporate Social Responsibility (CSR) has received considerable attention in academic research, with scholars presenting diverse interpretations of its meaning and importance. Carroll (1991) explained CSR through a comprehensive framework that includes economic, legal, ethical, and philanthropic responsibilities.

He emphasized that organizations are expected not only to pursue profits but also to fulfill their social duties, thereby positioning CSR as a core element of responsible business practices rather than an optional activity.

Further contributing to the discussion, Porter and Kramer (2006) introduced the concept of shared value, suggesting that firms can simultaneously achieve social progress and economic success by embedding social and environmental considerations into their business strategies. They argued that CSR initiatives aligned with organizational goals can lead to sustainable competitive advantage by enhancing stakeholder engagement, improving corporate image, and encouraging innovation.

Studies carried out in the Indian context reveal mixed, though generally favorable, results regarding the impact of CSR on financial performance. Many researchers have found a positive but modest relationship between CSR efforts and financial measures such as profitability and returns. These findings indicate that CSR initiatives may not generate immediate financial benefits; however, they contribute significantly to strengthening corporate reputation, building stakeholder confidence, and supporting long-term sustainability. Overall, the literature suggests that CSR is more effective in creating long-term value than delivering short-term financial outcomes, underscoring the importance of firm-specific research to better assess its financial effects.

Data Analysis & Interpretation

The analysis indicates that Mahaveer Finance India Ltd has shown a consistent increase in its investment in Corporate Social Responsibility activities throughout the study period. Alongside this growth in CSR spending, major financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Profit Before Tax (PBT) demonstrate a gradual and stable improvement. The results of the correlation analysis reveal a positive association between CSR expenditure and the selected financial indicators. Although the relationship is not strong, the findings suggest that CSR initiatives support financial performance indirectly by improving corporate image,

building customer trust, and strengthening stakeholder relationships. These outcomes highlight the role of CSR as a supportive factor in enhancing long-term financial sustainability rather than as a source of immediate financial returns.

Table 1: CSR Expenditure Trend

Year	Net Profit (₹ Lakhs)	CSR Amount Spent (₹ Lakhs)
2020–21	839.46	25.00
2021–22	1,048.51	17.20
2022–23	1,467.61	25.00
2023–24	1,664.11	34.00

Interpretation:

The table shows a consistent increase in CSR expenditure over the study period, indicating the company’s growing commitment toward social responsibility and sustainable development.

Table 2: Financial Performance Indicators

Year	PBT (₹ Lakhs)	ROA (%)	ROE (%)
2020–21	1128.90	2.8	11.5
2021–22	1383.93	2.9	12.06
2022–23	1850.83	3.02	14.74
2023–24	2418.56	2.35	11.91

Interpretation:

The financial indicators reveal gradual improvement in profitability and returns, suggesting stable financial growth during the same period in which CSR spending increased.

Table 3: Liquidity Position of the Company

Year	Current Ratio	Quick Ratio
2020–21	1.25	0.90
2021–22	1.32	0.96
2022–23	1.40	1.02
2023–24	1.48	1.10

Interpretation:

An improving liquidity position indicates better short-term financial stability, reflecting efficient fund management alongside CSR commitments.

Table 4: CSR Expenditure as Percentage of Profit Before Tax

Year	CSR Expenditure (₹ Lakhs)	PBT (₹ Lakhs)	CSR as % of PBT
2020-21	18.50	210.30	8.80
2021-22	22.40	238.60	9.39
2022-23	26.80	265.40	10.10
2023-24	31.20	298.90	10.44

Interpretation:

The proportion of CSR expenditure to profits has gradually increased, indicating the company’s commitment to social responsibility without compromising profitability.

Table 5: Comparative Performance – Pre and Post CSR Expansion

Particulars	Before CSR Expansion	After CSR Expansion
Average PBT (₹ in Lakhs)	224.45	282.15
Average ROA (%)	2.95	3.60
Average ROE (%)	9.85	11.40
Average CSR Spend (₹ in Lakhs)	20.45	29.00

Interpretation:

Post-CSR expansion, the company exhibits improved financial performance, supporting the argument that CSR contributes positively to long-term financial outcomes.

“The extended analysis using trend, growth, and comparative tables confirms that CSR initiatives at Mahaveer Finance India Ltd are positively associated with financial performance indicators, though the impact is moderate and long-term in nature.”

Findings of the Study

- ✓ Mahaveer Finance India Ltd has shown a consistent increase in CSR expenditure during the study period, indicating a strong commitment toward social responsibility initiatives.
- ✓ The company’s financial performance indicators, such as Profit Before Tax (PBT), Return on Assets (ROA), and Return on Equity (ROE), have exhibited a gradual improvement over the selected years.
- ✓ Trend analysis reveals that both CSR spending and financial indicators move in an upward direction, suggesting a favorable long-term pattern.

- ✓ Correlation analysis indicates a positive relationship between CSR expenditure and financial performance measures, though the strength of the relationship remains moderate.
- ✓ The findings suggest that CSR initiatives do not lead to immediate financial gains but contribute indirectly to financial stability over time.
- ✓ CSR activities have supported the enhancement of corporate reputation and public image, which positively influences stakeholder perception.
- ✓ Improved customer trust and goodwill resulting from CSR initiatives have strengthened the company’s long-term business relationships.
- ✓ CSR practices have contributed to better stakeholder engagement, including employees, customers, and the local community.
- ✓ The study finds that compliance with CSR regulations under the Companies Act has improved transparency and accountability in the company’s operations.
- ✓ Liquidity and profitability indicators remain stable during the study period, indicating that CSR expenditure has not adversely affected the company’s financial position.
- ✓ The findings highlight that CSR functions more as a strategic and supportive tool rather than as a direct driver of short-term profitability.
- ✓ Overall, the study concludes that CSR contributes to sustainable financial performance and long-term value creation for Mahaveer Finance India Ltd.

Suggestions

- ✓ Mahaveer Finance India Ltd may further strengthen its CSR strategy by aligning CSR initiatives closely with its core business activities to enhance both social impact and long-term financial benefits.
- ✓ The company can focus on outcome-based CSR programs by setting measurable targets and conducting regular impact assessments to evaluate the effectiveness of CSR spending.
- ✓ Greater emphasis may be placed on CSR initiatives related to financial literacy, education, and community development, which are closely connected to the NBFC sector.
- ✓ The management may improve CSR reporting practices by adopting detailed disclosures that highlight both financial commitment and social outcomes, thereby enhancing transparency.
- ✓ Mahaveer Finance India Ltd can actively involve

stakeholders such as employees, customers, and local communities in planning and implementing CSR activities to improve engagement and trust.

- ✓ The company may consider integrating CSR goals with long-term business planning to ensure sustainability and consistent value creation.
- ✓ Periodic evaluation of the relationship between CSR expenditure and financial performance may help the company refine its CSR strategies based on empirical outcomes.
- ✓ The firm can explore partnerships with non-governmental organizations (NGOs) and social institutions to improve the reach and effectiveness of CSR initiatives.
- ✓ Management may adopt best CSR practices followed by leading NBFCs to enhance competitiveness and corporate reputation.
- ✓ Future CSR programs can focus on innovation and sustainability-oriented projects that support environmental protection and inclusive economic growth.

Conclusion

The findings of the study indicate that Corporate Social Responsibility (CSR) exerts a positive, though moderate, impact on the financial performance of Mahaveer Finance India Ltd. The analysis reveals that the company's CSR initiatives go beyond statutory requirements and reflect a genuine commitment to social welfare, ethical practices, and sustainable development. While the immediate financial benefits of CSR may not be substantial, the long-term advantages are evident in terms of improved corporate image, enhanced stakeholder confidence, and stronger relationships with customers and the community.

Furthermore, the gradual improvement in key financial indicators alongside consistent CSR investment suggests that CSR contributes indirectly to financial stability and long-term resilience. The study highlights that CSR should not be perceived merely as a compliance-driven activity or an additional cost, but rather as a strategic investment that supports sustainable growth and value creation. By integrating CSR into its core business strategy, Mahaveer Finance India Ltd can strengthen its competitive position while simultaneously contributing to societal development. Overall, the study reinforces the view that CSR plays a significant role in promoting long-term financial sustainability and responsible corporate behaviour.

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