A STUDY OF RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AND ITS DISCLOSURE(S) AND CORPORATE FINANCIAL PERFORMANCE OF SELECT COMPANIES IN AUTOMOTIVE SECTOR IN INDIA

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INTRODUCTION

A recent upsurge of illegal and ethical misconduct incidents spanning the globe has intensified public scrutiny of corporate behavior. Corporate Social Responsibility (CSR) is not a mere business buzzword or a fad, rather it is one of the most promising management topics of mounting significance for businesses. Proponents argue that there is a robust business case for CSR, as the corporations benefit in multiple ways by operating with a wider perspective which goes beyond their short-term profits. Some critics argue that CSR sidetracks from the essential economic role of businesses; others opine that it is nothing more than artificial window-dressing; others yet are of the belief that it is an endeavor to pre-empt the role of governments as a watchdog over influential multinational corporations. In the foreign studies studied till date, possibly the maximum studied facet of CSR has been its link to Corporate Financial Performance (CFP). India has a lot of scope for research in this area. There is a dearth of such literature and need for the study on CSR Initiatives and its disclosure and CFP, is being deeply felt, especially in the Automotive Sector. (Unlike prior research, this study, out of the total population of 492 companies, examined 26, automotive companies for a period of five years, to study the relationship between Disclosure(s) of CSR initiatives and the Financial Performance of the companies using Content Analysis and Multiple Regression Analysis.) Then, through questionnaires served to 450 middle level and senior level employees, the perception of employees regarding the implementation of the new Companies Act 2013 provisions being followed by the companies was studied and analysed using Percentage and Pie Charts followed by a detailed analysis of the relationship between CSR initiatives and the CFP through Exploratory Factor Analysis (EFA) and Structural Equation Modelling (SEM) using statistical program IBM SPSS (Statistical Product and Service Solutions, developed by SPSS Company of America,) Statistics 20 and AMOS 22. The results indicated that there has been a substantial increase in the disclosure of CSR initiatives by the companies. However the results are not evident of any relationship between the CSR information disclosure and CFP of the firm. The study also found that the employees' perception about the CSR initiatives taken by their companies confirm that there exists a weak but significant and positive relationship between corporate social responsibility initiatives taken by the companies and corporate financial performance.

Since, not much research has been done in the field of CSR and its disclosure in India, especially in the automotive sector, this study would be a significant contribution to the existing body of knowledge. The managers of the Indian companies can be acquainted with the reporting guidelines followed internationally and the same can be made a strict and mandatory internal policy, to make themselves globally competitive in the area of social responsibility. The study of relationship between CSR and CFP may give an insight to the companies to take a judicious decision regarding investment in CSR initiatives.

RESEARCH GAP

In India, among accessible literature, only few studies on CSR and CFP exists. Therefore, the lack of authentic measures in Indian studies impelled a study with more dependable measures and indicators, thereby crafting a rationale for conducting further research and providing empirical evidence. The other research gaps that have been identified are:

1. No research has been conducted till date that examines the degree of CSR disclosure by companies in the Automotive Sector. Various researches have been conducted to analyze CSP and CFP in mining companies, FMCG Companies, textile companies, etc. establishing a negative or positive or a neutral relation. But examining the association of CSR Initiatives and its disclosure with the financial performance of the companies in automotive sector has rarely been in the purview of there researches.

2. The CSR Disclosure has not been examined through a Self-Composed Disclosure Index formed by considering both the Global Guidelines and Indian Guidelines. The GRI-G-3 guidelines have been the basis of understanding the CSR Reporting for many studies. Some studies had also considered ISO-26000, AA-1000 and the Ministry of Corporate Affairs issued National Voluntary Guidelines. No study has made an attempt to compare both the global and Indian guidelines to establish the CSR Reporting dimensions.

3. India has a lot of scope for research in this area. CSR, known as the concept of West, is deliberated to be more of an emerging activity in the Indian commercial sector than a recognized trend in general. Although wide-ranging research on CSR-CFP has been conducted in advanced and established countries, there is a paucity of similar researches in India.

4. The new Companies Act 2013 has made CSR expenditure to be a mandate. It becomes necessary to understand the perception of the employees of the automotive companies towards the implementation of the new provisions.

LITERATURE REVIEW

The global development of the concept of CSR has led to more scholars pay their consideration for CSR in the arena of business practices. Among these studies, the major focus has been the association between corporate social responsibility and corporate financial performance enabling corporate to fulfill the most fundamental target of an organization i.e. to generate monetary benefits, and the most fundamental social responsibility i.e. responsibility to stockholders (Qui Yang 2012) between 1971 and 2001, more than hundred published studies observed the relationship between corporate social responsibility and financial performance (Margolis and Walsh, 2002) with a negative relationship (Wright and Ferris, 1997) or a positive relationship (Posnikoff 1997) or no relationship (Welch and Wazzan 1999) between CSR and financial performance

(Tsoutsoura 2004).

Ghosh Sumona (2015) conducted an analytical study which explored the design of disclosures of corporate social responsibility (CSR) activities made by the private sector corporations in the public documents. CSR participation was measured by analyzing the companies' websites for a period of two years and 'number of sentences' was used as a unit of measurement. Correlation, multiple regression analysis along with conjoint analysis was applied and it was determined that the major contributing and favored CSR areas were education, health and environment.

Ahamed et.al (2014) examined three Malaysian firms for the period from 2007 to 2011 to understand if the CSR dimensions like environment, community, market place and work place have positive, negative or neutral relationship with corporate financial performance dimensions like Return on Asset (ROA) and Return on Equity (ROA). The secondary data collected from corporate annual report was analysed using content analysis and then the relationship was tested by using regression analysis. The study concluded a positive relationship between CFP and CSR practices collectively with the size of the firm and the revenue of the firm as control variables.

Moenna (2014) investigated the top fifty listed companies from the European Union (E.U.) for the association of CSR with CFP using one accounting-based measure ROA and one market-based measure EPS. Risk, firm size, industry, R and D intensity were taken as controlled variables. The relationship was analysed applying two regression models and the results suggested a positive association between CSR and CFP.

Singh Shruti (2014) investigated the corporate social responsibility (CSR) disclosure impact on the firm's financial performance in three UK industries viz., crude petroleum and natural gas, mining and pharmaceutical products manufacturing, over five years ranging from 2008 to 2012. The CSR disclosures were measured in terms of published CSR keywords in the annual reports of the firms and the financial dimensions were return on assets(ROA) and total shareholder returns (TSR). A linear regression on the data validated no significant CSR disclosure impact on the financial performance for the chosen industries in the UK.

Valmohammadi Changiz (2014), in his study of 207 Iranian organisations provided valid paradigms of CSR and a dimension instrument of the core subjects of ISO 26000 standard. The statistical analysis using structural equation modeling revealed number of noteworthy relationships between organizational performance and CSR initiatives. The practices like community participation and progress plays a significant role in augmenting performance of the organizations.

Zaborek Piotr(2014) explored the link between social responsibility involvement and financial performance between Polish small and medium manufacturing companies in food and cosmetics industries. A structural model was developed and tested on the data from a survey of 187 managers. The outcomes suggested a weak and significant positive correlation between the CSR construct and sales profit margin, no discernible direct effect of CSR on ROA.

Aile and Bausy (2013) examined the relationship between CSR activities subdivided in five categories (workplace, market place, environment, community and other CSR) and firm financial performance measured through ROA in the Baltic States of Latvia, Lithuania and Estonia. The content analysis methodology to measure CSR and regressions are run and results showed that certain CSR categories had an impact on ROA. CSR activities related to market place and environment seem to decrease firm is financial performance, while other CSR activities, like adherence to CSR standards increase ROA. In the Baltic societies, people are apprehensive to pay more for products delivered by socially responsible companies.

Ghelli Caterina (2013) understood the existence of “industry effect” by examining the direction of the correlation between CSR and CFP. The regression results confirm the presence of a significant positive relationship between corporate social responsibility and financial performance. This relationship focused on both directions, as CSR is influenced by the firms' financial performance and at the same time influences it too.

Khanand Hassan (2013) engrossed on understanding a relationship between CSR and CFP for Pakistani public companies. These annual reports were descriptively analysed and it was observed that CSR activities of the companies involved in areas regarding these activities cover at least two or three pages of reports but are not completely covering the monetary aspect. The focus was on the association between quantity consumed on CSR activities and association with the ROE and Net Income.

Abiodun (2012) examined the association between corporate social responsibility and firms' profitability in Nigeria. Ten (10) firms were randomly selected and their annual reports between“1999-2008”were studied for the research. Ordinary least square method was used for the analysis and it was showed that the investment by sample firms to social responsibility is less than ten percent of their profits in a year. It was also analysed that the variations in selected firms' corporate social responsibility (CSR) in Nigeria caused changes in performance (PAT).

Cahan et.al (2012) investigated a global sample of companies drawn from 22 countries to understand the connection between CSR disclosures and firm’s performance. There sults indicated no relation between the two which suggested that these disclosures are uninformative. It was summarized that profits from CSR activities are not realized with immediate effect. Hence, firms with not so good CSR accounts might emulate the increased level of disclosures of great CSR performers, lowering the significance of CSR disclosures.

Iqbal and Ahmad (2012) estimated the relationship of CSR, CFP, financial leverage and market value of the share. They studied 156 companies listed on Karachi Stock Exchange (KSE) from chemical, textile, tobacco and cement sectors for the period 2010 and 2011. The study concluded that corporate social performance (CSP)has negative effect on the share's market value, no effect on corporate financial performance (CFP) as well as D/Ebehavior.

Qui Yang (2012) used regression analysis on the accounting indicators of 839 Chinese listed companies in 2010 and measured the association between the companies' social responsibilities and their financial performance and established that social responsibilities to employees had moderate positive influence on the financial performance unlike that to other investors who do not significantly influence the financial performance of Chinese listed companies. There is not so optimistic CSR situation in China.

Razaet.al.(2012)using content analysis to examine the connection between corporate social responsibility (CSR) and corporate financial performance (CFP) from 1972 to 2012. They concluded the existence of a strong and positive relationship between CSR and CFP. Tobin's Q was used as a financial performance measure and the study consented the other researches which found positive relationship between CSR and CFP using ROA, ROE and ROS as financial performance measure. The study differentiated from the studies which by stock market returns as financial performance measures, found relationship between CSR and CFP to be negative.

Yin (2012) researched to comprehend CSR development in China over the last few years and measured the CSR effects on performance of the firm by inspecting the CSR reports for 2008-2009. With Chinese companies progressing in their CSR practices, the research exhibited that the financial performance of the previous year is positively connected to CSR disclosure and in the next year the CSR disclosure has a positive noteworthy effect on the firm's financial performance.

Esra Nemli Caliskan and Yusuf Ayturk (2011) examined the relationship between financial performance and reputation of the businesses in Turkey for the period (2000 and 2010). The results of this research indicated that there is no causal association between corporate reputation and corporate financial performance measures of MBV and ROA. The results also indicated that ROE improves corporate reputation but corporate reputation has no impact on ROE.

Montoya Monica (2011) conducted the study to inspect the effect of innovation on the CSP-FP relationship. CSR data was collected from Sustainalytics (for 2008 and 2009) and the financial data from Capital IQ (2007 and 2009) was used to carry out regression analysis. The analysis suggested that there is no effect of role of innovation on the CSR-FP. Also, there does not exist statistical significance on the relationships among CSP, FP and innovation.

Singhania (2011) determined the influence of score of corporate governance on financial performance of Indian corporate on Nifty 50 companies between the years 2000 and 2009. The study gauged the effect of corporate governance on performance of firm by computing corporate governance score. The study also analyzed the influence of the newly constructed corporate governance score and eight variables on financial performance. The analysis highlights that corporate governance scores, when controlled with other variables, significantly impacts Tobin's Q of Indian companies.

Choi and Kwak (2010) studied the connection between corporate social responsibility (CSR) and corporate financial performance, empirically on 1222 Korean firms for a period of 6 years. The methods used were both an equal-weighted CSR index and a stakeholder-weighted CSR index. Return on assets, return on equity, and Tobin's Q were variables used for measuring CFP. The relationship between corporate financial performance and the stakeholder- weighted CSR index were found to be positive and significant but not positive with the equal-weighted CSRindex.

Harpreet Singh Bedi (2010) examined for the financial year 2007-08, 37 companies rated by Karmyog (Mumbai base NGO), using correlation and regression as a statistical tool. The study revealed the existence of a positive relationship between CSR and financial performance and the inferential measures showed the dependence of Corporate social expenditure on the financial performance of the company. A minimal and negligible spending on part of the companies' social responsibilities was observed.

Gamerschlag Ram et.al (2010) showed a positive association between CSR disclosure and shareholder ownership arrangement. The company's profitability and firm size affects the CSR disclosure. (It was observed that a higher level of environmental disclosures was made by the ''polluting industries'' companies the disclosure by small companies was less than that by big companies).

Mishra and Suar (2010) studied whether CSR towards primary investors had an influence on the Financial Performance (FP) and the Non-Financial Performance (NFP) of Indian firms. The CSR and NFP information was collected through a questionnaire survey (6 CSR dimensions) from 150 senior level Indian managers and the data related to financial variables of the firms was sourced from secondary sources. It was found that listed firms displayed better socially responsible practices and financial performance than the firms which were not-listed.

Saleh Mustarding and Muhamad Rusnah (2010) using longitudinal data analysis, examined the link of CSR to financial performance for Malaysian companies. Although CSR disclosure concept is at a budding stage in Malaysia, still it was established that CSR disclosure and financial performance are positively related. The findings confirmed that the social activities by local firms help them achieve advanced levels of financial performance.

Yang Fu-Ju, Lin Ching Wen and Chang Yung-Ning (2010) studied corporations listed in the TSEC Taiwan 50 Index and using regression analysis analyzed the connection between CSP and CFP. The study highlighted that former CSP impacted

ROA positively.

Sweeney L (2009) through semi structured interviews with some large firms and SMEs in Ireland, found that CSR was established to have a strong association with social reputation, motivation and retention, employee attraction and consumer attraction and loyalty and with other business profits projected to result from CSR, a weaker relationship

ESEARCH METHODOLOGY

Research objectives

1. To examine the Corporate Social Responsibility initiatives of the select companies in Automotive Sector in India.

2. To analyse the relationship between Disclosure(s) of Corporate Social Responsibility initiatives and the Financial Performance of the companies.

3. To examine the perception of employees regarding the implementation of the provisions of the new Companies Act 2013 being followed by the companies.

4. To analyse the relationship between Corporate Social Responsibility initiatives and the Financial Performance of the companies.

Target Population

The target population was the Indian companies in the Automotive Sector and the foreign automotive companies with operations in India. For research purposes, four hundred ninety two companies listed in PROWESS DATABASE were taken as the total population.

Sample for the Study

The Section 135 and Schedule VII of the Companies Act, 2013 effective from 29th August 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 effective from April 1, 2014 imposed obligatory corporate social responsibility provisions upon Indian companies and foreign companies operating in India. The criteria to be met by companies for any financial year, for a mandatory CSR contribution to the society are:

a) Having net profit of five crores rupees or more; or

b) Having net worth of five hundred crores rupees or more; or

c) Having turnover of thousand crores rupees or more

Out of the target population of 492 companies, 278 companies satisfied the mandatory criteria for CSR contribution imposed by the Companies Act 2013. The requirement of listing of the companies and the availability of the financial data of these companies for five years (2009-2014) further reduced the sample to 59 companies. Thereafter, the websites of these companies were visited for exclusive CSR reports or annual reports disclosing CSR initiatives of the companies. It was noted that the companies were not disclosing the CSR initiatives in their reports. Some of the companies had just started reporting 1-2 years back, the reporting framework of the selected 59 companies was not available and all could not fall within the scope of the study. Hence, a list of 26 companies was finalized as a sample for the study for justifying Objective 1 and Objective 2 of the study. To justify Objective 3 and Objective 4 of the study, primary data was collected through questionnaires and the total population comprised of the middle level and senior level employees of 26 companies. The survey was sent to 450 employees.

Period of Study

Data was collected for a period of five years from 2009-10 to 2013-14

Data Collection

The data for the study was collected both from primary sources and secondary sources. Since the nature of study was purely exploratory in nature, the primary data had to be collected from the employees of the sample companies in the automotive sector, in the form of surveys which were designed using the website “monkey survey.com” and the link of the same was sent to the employees.

The secondary data was collected from CSR/Sustainability reports, annual reports and web pages of the companies, management journals, business magazines, newspaper articles etc.

Identification of variables

a. Independent Variables: Disclosure of CSR information (economic, environmental and social) made by the companies. A Self- Composed CSR Disclosure Index which has formed the base for many studies, has been created taking into account the National Voluntary Guidelines prescribed by Ministry of Corporate Affairs (NVG-MCA), G-3 Guidelines given by Global Reporting Initiative (GRI-G-3), UN Global Compact, ISO- 2600, OECD Guidelines, AA1000 and CSR provisions of Companies Act, 2013.

b. Dependent Variables: Return on Equity (ROE), Return on assets (ROA), Debt-Equity (D/E) , Profit after Tax (PAT).

c. ControlledVariables: Firm Size

Hypotheses Development

Hypothesis 1: There is a positive relationship between the disclosure of Sustainability performance information and Return on Equity.

Hypothesis 2: There is a positive relationship between the disclosure of Sustainability performance information and Profit after Tax.

Hypothesis 3: There is a positive relationship between the disclosure of Sustainability performance information and Return on Assets.

Hypothesis 4: There is a negative relationship between the disclosure of Sustainability performance information and Debt/Equity.

Hypothesis 5: There is a positive relationship between the disclosure of Sustainability performance information and Return on Equity after controlling the size of the firm.

Hypothesis 6: There is a positive relationship between the disclosure of Sustainability performance information and Profit after tax after controlling the size of the firm

Hypothesis 7: There is a positive relationship between the disclosure of Sustainability performance information and Return on Assets after controlling the size of the firm

Hypothesis 8: There is a negative relationship between the disclosure of Sustainability performance information and Debt/Equity after controlling the size of the firm.

Hypothesis 9: There is a positive relationship between the Corporate Social Responsibility initiatives taken by the firms and the Corporate Financial Performance of the firm.

Statistical Tools and Techniques

- To test Hypothesis1 to Hypothesis 8
- Content Analysis
- Multiple Regression Analysis
- To test the Hypothesis 9
- Exploratory Factor Analysis (EFA)
- Structural Equation Modelling (SEM)

are used as the statistical techniques that are used in the present study.

The statistical program IBM SPSS (Statistical Product and Service Solutions, developed by SPSS Company of America,) Statistics 20 and AMOS 22 is employed.

INDINGS AND CONCLUSIONS

CSR has become a buy-in at all levels of the company (Oron Emmanuel 2011). Merely following CSR as a strategy by the companies is not enough, its reporting to the Stock holders is equally significant. CSR reports are a communication tool not merely to help stakeholders' understand how the companies pursue CSR activities, but also to make companies globally competitive and sustainable. With the introduction of CSR provision in the Companies Act, India Inc. is increasingly getting involved in conducting and reporting of CSR activities that contribute to the society and various stakeholders. The new act is a welcome step and all companies satisfying the CSR criteria will have to undertake CSR activities under the new CSR regime. The step would eventually, boost much required social projects with some professional management of the private sector (Lal Mansukh 2013).

The conclusions that may be drawn from the present study, objective wise are discussed below:

Objective 1: To examine the Corporate Social Responsibility initiatives of the select companies in Automotive Sector in India.

The companies in the automotive sector are active in taking CSR initiatives fulfilling the 3Ps of Triple Bottom Line: economic (profit), environmental (planet) and social (people). Most of the automotive companies disclose their CSR initiatives in the form of a separate section 'Corporate Social Responsibility' in their annual reports or in Director's report. Most of the sample companies are not following some stipulated guidelines or a standard reporting structure for CSR disclosure. A few automotive companies follow global guidelines given by GRI and UNGC. With the increased awareness of the significance of CSR contribution, the companies have eventually increased their CSR initiatives. There has been marginal increase in the CSR (Economic) disclosure score from 2009-10 to 2013-14. The CSR (Environmental) disclosure score has also increased from 2009-10 to 2013-14. The CSR (Social) disclosures core has increased to a large extent during the period of five years. A major reason is also the latest clause of Companies Act 2013, that every company satisfying a certain criteria is mandatorily required to invest 2% of their average profits of the preceeding three years in CSR activities, failing which the company has to submit a report to the Ministry of Corporate Affairs stating the reason of non-contribution.

Objective 2: To analyse the relationship between disclosure of Corporate Social Responsibility initiatives and the Financial Performance of the companies.

This objective has been fulfilled by doing content analysis followed by multiple regression analysis on 26 sample automotive companies. The CSR Disclosure Index was created and the effect of the disclosure of sustainability information was studied on the CFP variables (ROE, PAT, ROA, D/E) with and without controlling the size of the firm. The conclusion drawn was that: There is no positive relationship between the CSR information (economic, environmental and social) variables and CFP (return on equity, return on assets and debt on equity) before and after controlling the size of the firm. However, there exists a positive relationship between the CSR information (economic and social) variables and profit after tax before controlling the size of the firm but there is no significant relation between CSR information (environmental) and profit after tax, after controlling the size of the firm.

Objective 3: To examine the perception of employees regarding the implementation of the provision of the new Companies Act 2013, being followed by the companies.

The study revealed the employees' perception of the provisions of Companies Act 2013 regarding the mandatory expenditure on CSR activities. The employees of all the sample automotive companies perceive that their companies should follow all the provisions of Companies Act 2013, relating to CSR initiatives.

Objective 4: To analyse the relationship between Corporate Social Responsibility initiatives and the Financial Performance of the companies.

The said objective was fulfilled using Exploratory Factor Analysis and Structure Equation Modelling. The analysis was done by conducting a survey on 153 employees (middle level and senior level management) of select automotive companies. The CSR initiatives (Economic, Environmental and Social) taken by the select automotive companies were listed and the employees' perception was studied to analyse the relationship between CSR and CFP of the select companies. The conclusions that may be drawn from the analysis were:

- The companies are actively demonstrating their participation in the CSR initiatives for the economic, environmental and social benefit.
- The economic activities that may affect the profitability of the companies are : Customers and consumers satisfaction, protecting Stockholders and investors interest, community focusing on quality as a core value and handling investor grievances.
- The CSR initiatives (Environmental) that may affect the profitability of the firm are: Following the system of reduce, reuse and recycle, development and diffusion of environmentally friendly technologies.
- The CSR initiatives (Social) that may affect the profitability of the firm are: Taking greater employee satisfaction measures, following occupational health and safety policies, skills and career development of employees, providing a good work-life balance for employees (flexible working hours or work from home facility), non-discrimination, diversity and equal opportunity, prevention of forced and compulsory labour and adopting poverty alleviation measures.
- It may also be concluded that there exists a weak but significant and positive relationship between corporate social responsibility initiatives taken by the companies and corporate financial performance.

RECOMMENDATIONS

On the basis of the findings of the study, the following suggestions can be made to the companies:

1. With respect to the provisions of Companies Act,2013

a. The companies should conduct research for undertaking CSR activities in an effective manner, irrespective of the high cost involved.

b. The companies should follow CSR practices and the practices should not be a one-time charity or donation but should be project based.

c. The companies should join hands with some other organization (like an NGO) for conduct of CSR activities in a more effective manner.

d. The companies should have a separate CSR Department to conduct CSR activities.

e. The companies should invest every year, 2% of their average profits of preceding three years for CSR activities.

2. Companies should be responsible for adding value to the community through their operations. The corporate world commitment towards CSR can give them an opportunity to explore the potentially viable areas to augment the company's profits portfolio. It should be taken as a strategic decision by the companies and to deepen it as a core business.

3. It is of utmost importance to the companies to share with their Stockholders, the kind and amount of investment they are making in the field of CSR and how are they working towards betterment of the society. This necessitates the creation of awareness of CSR amongst the general public. The companies should increase the intensity and frequency of making CSR disclosure through reporting.

4. Organizations must realize that upliftment of the society is not the sole responsibility of the government; corporates have a dominant role instead. Hence, the companies should invest more in the projects which help in societal development at large.

5. The government should also mandate the provisions of the new Companies Act 2013, obligating the companies to take initiatives and then disclose them on a regular basis.

6. The Government should introduce a regulatory mechanism through an independent agency for main streaming and institutionalizing CSR in the main business framework of the companies.

The companies should aim at ingraining CSR into the DNA of the core business activities.

FUTURE RESEARCH

There is a substantial amount of research that still needs to bed one concerning the link between corporate social responsibility and financial performance.

1. The corporate financial performance is studied only on accounting based financial variables, which are considered to be a better indicator of profitability. However, market based financial variables like earning per share and Tobin Q can be used as a measure for corporate financial performance.

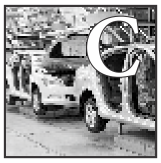
2. It can be observed from the results in this research that companies' CSR scores predominantly increased in the years 2009-2014 and future research could be more significant in coming years as companies will expand its CSR investments following the latest provisions of new Companies Act 2013, relating to mandatory CSR investments by companies fulfilling a certain criteria.

3. Another suggestion for future research is to study a larger

sample than the one observed in this research. Due to the adoption of criteria as per new Companies Act 2013, the sample was limited to 26 companies. Considering that the total number of companies in the automotive companies in the PROWESS data is 492, future research could apply another research design, which allows the inclusion of the total population of the companies. An increased sample size in future studies may allow higher levels of generalization.

4. The present study is confined to only automotive sector in India, the future researchers can select some other industries for the purpose of study and some more options of implementation of the concept of CSR.

5. This research should act as a guiding force for the managers in the companies to formulate strategies for implementing CSR as a full time activity.



CONTRIBUTION OF THE STUDY

Apart from increasing the number of scholarly works with neutral outcomes as far as the link between CSR and CFP is contemplated, this study contributes, theoretically and practically, to the existing literature body of CSR and financial performance relationship research field in a number of ways:

1. The results outline that during the time span of 2009-2014, there was no significant relationship between CSR performance and financial performance (in terms of ROA, ROE, PAT and D/E) across the Indian automotive companies. The information about the existence of this insignificant relationship has a significant practical implication. This in turn, could influence the extent to which companies choose to invest in CSR activities if these financial measures are considered important.

2. The findings of the study that investment in CSR activities by the companies has an effect on profitability, sales and credibility of the firm, provides further evidence for managers that CSR may develop customer trust, mitigate reputation risks, and create long-term share holder value.

3. The detailed examination of the global and Indian guidelines for CSR disclosure in the study, has offered an insight to the companies that to be globally competitive and sustainable, not only Indian guidelines but global guidelines like GRI or UNGC guidelines should be followed for CSR reporting. Moreover, inconsistency with the international standards makes cross-border comparisons difficult.

4. The outcomes are arguably more trustworthy than some other studies because of directly asking managers about their perceptions of how CSR is used in their companies rather than relying on more general ratings derived from third-party databases.

Although CSR is still at a nascent stage in India, management should be cognizant of the strategic benefits that firms may realize from engaging in CSR activities. A better understanding and practice of CSR among companies will not only augment companies' sustainability, but also advance the development of CSR in India.

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