

Effect Of CSR Activities On The Stock Price Of Indian Corporate (Energy Sector)

Ankita Kumari

*Research Scholar, Symbiosis Institute of Management Studies, Symbiosis International
(Deemed University), Pune, India*

Email: anku2762@gmail.com

Abstract

In this era of rapid industrialisation and globalisation, it is becoming increasingly difficult for public companies to allow its stock gain more attention and attraction in the live market. Henceforth, many companies have been increasingly focusing Such activities that may enhance the value of that organisation all the more on one hand and ensure investor protection on the other. Recent past have revealed reports how enormous sudden spike in the stock prices is because of accounting frauds and financial scams. As a result, The need to protect the interest of the shareholders is gaining momentum. Hence, many companies have been relying on engaging in activities whose underlying concept throws emphasis on corporate social responsibility. The term corporate social responsibility can be defined as a major strategic goal that an organisation seeks to achieve by maintaining its integrity and undertaking activities that creates quintessential value for all its stakeholders. Any organisation that engages in voluntary as well as mandatory corporate responsibility activities Is sure to gain attention from both its potential as well as existing stakeholders. Hence, the degree of financial impact on the share prices can be reported as parallel and straightforward (Abdullah & Said, 2017).

The following project is about the relationship between the organisations share prices and its involvement in corporate social responsibility actions. It clearly explains how the Indian corporate entities wilfully engages themselves in such strategic plans to operate on a long-term basis by attracting more and more investors through such environmentally friendly as well as philanthropic model (Lee, 2019).

1. INTRODUCTION

With increased industrialisation, global markets have been shrinking on a noticeable trend thereby bringing in many positive opportunities for several businesses to grow and expand surpassing trade restrictions on an international platform. Although this may also bring in intense competition, many corporate Entities have understood the importance of con petition as a positive trend that may allow themselves to grow and undertake such actions and plans that may not only attract potential stakeholders but also stand strong on ethical standards. With the passage of time the management and the owners of the company have understood the importance of shareholder wealth maximisation and profit maximisation objective. Profit maximisation objective is one of the core areas that the owners focus on what they have understood with time and again that it is not the sole criteria for existence on a long-term basis. Hence with regards to shareholder wealth maximisation objective, every financial organisation has been focusing on creating value for the stakeholders to stand strong against increasing competition in the market (Sherwood, 2019).

The concept of corporate social responsibility erupted in the early 20th century but its importance can be seen now as more outgrown and exceeded than ever before. Many developed countries wilfully engaging themselves in such activities do not only protect the interests of the stakeholders but also contribute towards a more sustainable and economically friendly world. The concept of stakeholder theory as evolved by Freeman explains the importance to consider the needs of the stakeholders without solely focusing on the profit maximisation interests of the shareholders. He considers social responsibility as one of the major corporate action that is likely to enhance the success of the business without compromising on any of its intrinsic as well as extrinsic factors (Michaela, 2017).

2. SURVEY

The following is a thorough investigation on top five public listed company on the Indian stock exchange market that has been increasingly contributing towards adherence of COVID social responsibility policy.

The sequence has been mentioned on a ranking basis where the companies have been scored on the basis of their spending patterns, responsibility metrics and performance measures towards the contribution of a better sustainable environment. Since this year has witnessed a great havoc both in terms of economic efficiency and personal growth, the need to abide by such activities has increased manifold. COVID-19, floods and cyclones hitting the coasts of West Bengal, Kerala, Assam and Bihar, unemployment and several other economic problems have cropped up thereby increasing the needs investor of the investors to be protected and also urging on the need of the companies to relate with the external environment with empathy. Some of such corporate entities are listed as below –

1. Infosys Limited-the chairperson of the organisation, Sudha Murthy claims that incorporating social responsibility as one of the major corporate strategy is not merely a mandatory action but it is a drive from within. The company has been reportedly spending more than 350 crores towards several such schemes associated with the policy. It also includes several relief measures associated with the pandemic and other educational as well as health-related programmes. One of the major initiatives undertaken by the organisation was setting up a quarantine facility in Bengaluru for 100 beds in partnership with the Narayana health city. Another such major move was towards creation of 182 bed facility for coronavirus patients for the BLC medical College and research Institute. The company is known to primarily work in association with several non-governmental organisations to ensure proper implementation and execution of such programmes including water restoration in Karnataka, disaster relief management in Tamil Nadu, Karnataka, Kerala and introducing the Arohan social innovation awards.

2. Mahindra and Mahindra Ltd – it is one of the biggest names in the Indian stock market with regard to taking leading initiative for relevant actions and practises towards climatic change and a sustainable business environment. Investigations conducted revealed that the company has been spending this amount amounting to INR 93.5 crores on several corporate social responsibility initiatives during the previous year. They consider sustainability as one of the basic underlying concepts towards both financial and economical stability. This increased dedication and ultimate devotion flows from the leader, Anand Mahindra who believes in setting examples through actions for the employees to follow. He has not only been an ultimate source of guide for the entire internal management of the organisation but has also said ultimate benchmarks on international podium for corporate sustainability as well. He is known to initiate the project named Nani Kali in the year 1996 towards promotion of girl child education. The project aims to provide free education to

female children in rural and semi urban areas by empowering their families to achieve financial security. With the passage of time this became one of the biggest CSR movement across the nation. He is also known to associate the organisation with NGOs that helps 13,00,00 government school children through achieving their daily meals (Kim, 2014).

3. Tata chemicals-the year ending 2020 witnessed the company spend a whopping 37.80 crores towards the development of its community enhancement projects versus a budgeted 21.39 crores. Not only does it aimed towards improving the degree of living standard, the activities also concentrate on enhancing sustainability and economical cohesion. The usual budget includes the company spending INR 12 crores on an annual basis towards social responsibility which includes wildlife conservation as well. Such amount is basically concentrated across Gujarat (Mithapur), West Bengal (Haldia), and Uttar Pradesh (Babralla). This corporate group has also established a society to develop the rural zones way back in the year 1980 to emphasise on the spirit of participative development. It aims to involve several beneficiaries at every single stage to ensure sustainability and feasibility of the program throughout the development process (Michaela, 2017).

4. ITC Ltd-this corporate entity has been playing a big role in its contribution towards rural development. ITC Chopal is one of the primary flagship programmes initiated by the organisation towards community development on international platforms. It has been impacting millions of farmers through digital awareness as well as empowering them on economical aspects. The company has spent a huge sum of INR 326 crores on corporate social responsibility activities and programmes conducted in the year ending 2020. It has surpassed its investment to the maximum this year to engage in active social programmes based on education, sustainability, development in agriculture and healthcare, Digital literacy and education, environmental protection and conservation, sports and reached operation of our heritage culture. The vision of the company is full of commitment towards abiding by the need to protect social responsibility and build a business that is a model of sustainability and environmental development. This dedication stems from the chairman of the organisation named Sanjiv Puri who believes in achieving ambition with humility. The value chains built by the brand imbibe ethical and environmental standards empowering women driven program, vocational training, promoting agricultural related programmes, creating forest as well as water resources.

(Source: www.itc.com)

5. Vedanta Ltd-this particular business organisation is engaged not only to develop rural areas and agricultural resources but also plays a major role in producing initiatives towards water and energy management. This corporate group is known to imbibe advanced technologies over the years to optimise their consumption of water resources, mitigating climatic changes, enhancement of energy production as well as safeguarding diversities among its group companies (Murthy, 2015). Vedanta has reportedly generated an approximate 1600 units of renewable energy resources. It has been an active mode to manage its carbon beds such as fly ash, slag and other forms. Its projects based on solar power is aimed to produce 22 MW each year.

3. ANALYSIS

Implementing CSR activities in the year 2020 has proved to be a bag full of responsibility, havoc and increased awareness. As a result of which many companies have been changing their activities to voluntarily provide relief measures to the local community in this difficult

time. Since the past three years Tata chemicals have been dominating the position of the Corporate social responsibility driven companies listed on the Indian stock exchange. Now the company has deep down to the third position on this list. The listed company topping the charts in corporate social responsibility aspect amongst several other public listed companies Infosys. Clearly, the chairman and the internal management of the organisation has been effectively implementing and instituting activities that conform to social responsibility and ethical principles. Not only has this created brand value for the business but has also generated enough wealth for the shareholders due to stock prices since the pandemic hit. Mahindra and Mahindra has climbed up two runs to claim its second position in the list. Earlier, the organisation was facing the fourth position but now due to its severe indulgence in social activities specially when the country was facing problems dealing with corona virus. The fourth position is not been occupied by ITC which was earlier capturing the fifth position. Clearly, this company has also been mandatorily following CSR activities within its internal operations to help domestic population. The fifth position is now been occupied by Vedanta Ltd. (Chandra, 2019)

After clear study of the above analysis and thesis, it is quite clear that CSR place a pivotal role in fluctuating the stock prices of any listed organisation. There is a clear positive relationship between the two determinants and hence stock prices usually go upwards once the company starts to indulge itself in corporate social responsibility actions and plans. The above-mentioned five companies have been ranked as the top five among the list of organisations incorporating social responsibility as their major strategic plan. As a result, these companies have acceleration in share prices on and year-to-year basis and sometimes on quarterly basis as well.

4. CONCLUSION

The topic of corporate social responsibility is an undoubtedly most debatable topic which has expanded its importance and meaning both in terms of relevance and acceptance. Many investors have been wilfully trying to invest their funds in such organisations were involved majorly in corporate social responsibility and there is no black spot on its operations based on ethical as well as environmental standards. Investors are increasingly appreciating such activities and analyse it as an efficient and most effective tool for increasing the stock prices on the long run. A corporate entity that engages itself irrespective of the type in form of corporate social responsibility action is sure to impact its share price in the same manner as well. For example, an entity that engages itself in activities to produce its inventory is unfinished goods in a more reusable, recyclable and conforming to other ethical standards is likely to have a lasting impact on the investors mind and hence, it may play a pivotal role in increasing its share prices sooner or later. Likewise, such organisations may also indulge themselves in environmentally friendly activities to abide by its CSR policy. The Indian stock market is considered as one of the major primary market that consists of More than 500 public listed companies playing funds of domestic as well as foreign investors. With increasing awareness to protect the monitory interests of its shareholders, the internal management of such Indian publicly listed companies have been engaging themselves in such actions and operations that may not only generate value to their business but may also enhance the value of funds invested in to such shareholders. (Fernandes, 2020)

Keeping at par with the global market, the management of Indian companies have also incorporated the policy of corporate social responsibility voluntarily and on several notes, mandatorily. After aligning to such policies and procedures, there has been a noticeable acceleration in the stock prices as the brand value enhancing immensely. Such actions prove fruitful and beneficial not only for its shareholders and employees, but it also creates value

for the local community the business operates in and targets to fulfil the needs and expectations. With the announcement of adherence to such social responsibility policy, investors have been responding on a highly positive note and hence, are actively helping the business progress towards a better environment altogether. Hence, any organisation that is ready to help its local community and its external stakeholders in any which way possible surely to dominate the stock market on a long-term basis. Since, corporate social responsibility is a voluntary activity which cannot fraud its stakeholders, the brand image and value of the business out grows and out the phones its peer companies in the industry thereby creating value to its shareholders on a long-term basis. (Murthy, 2015)

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