

THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF COMPANIES LISTED IN MUSCAT STOCK EXCHANGE

Written by *Sara Mohammed AL Hanai**, *Miaad Hamed Al Hadhrami***, *Amima Ibrahim AL Maqbali**** & *Bakhtawar Durrani#*

* *Student, Oman College of Management and Technology Department of Administrative and Financial Science, Sultanate of Oman*

** *Student, Oman College of Management and Technology Department of Administrative and Financial Science, Sultanate of Oman*

*** *Student, Oman College of Management and Technology Department of Administrative and Financial Science, Sultanate of Oman*

Lecturer, Oman College of Management and Technology Department of Administrative and Financial Science, Sultanate of Oman

ABSTRACT

This study focuses on the flow of corporate social responsibility and on German enemies and corporate profitability. Several studies have been conducted to determine the impact of corporate social responsibility and focus mainly on what is the benefit if building corporate social responsibility has an impact on performance / profitability or not as a global company. The study is based on two pillars: corporate social responsibility and its impact on financial performance. Primeaux & Stieber points out that the behavioral perspective of an enterprise is to produce the correct quantity and quality of goods and services that consumers want within the legal and ethical standards prevailing in the society.

Keywords: German Enemies, Corporate Profitability, Financial Performance and Ethical Standards

RESEARCH QUESTIONS

What is the type of relationship between social responsibility and corporate financial performance?

Is profit achieved in financial companies through the social activities that you do?

RESEARCH OBJECTIVES

The main objective of the study is to understand the relationship between CSR spending and profitability of the Omani companies. The study aims to examine the profitability of the companies through CSR

SIGNIFICANCE OF THE STUDY

To know the financial performance and profitability of companies and that social responsibility in companies is linked to societal commitments and profitability of the company in addition to the profitability of society. Corporate responsibility is now treated as an essential element in the corporate world and is converted into strategic management approaches for the company. It has also contributed to educating young workers and producers who love to help.

LITERATURE REVIEW

The main purpose of the review of literature was to collect the theoretical evidence regarding the relationship between Corporate Social Responsibility and Financial Performance of Company and to identify the relevant variables in related to the study objectives and hypothesis.

Vance, S. (1975), conducted a study on CSR and financial performance, he focuses the perception ranking about CSR and correlation between CSR and Financial performance. The study result concludes that there is no significant correlation between CSR perceptions ranking and financial performance of Company. This proves that there is a negative correlation between CSR and Financial performance of a company.

Alexander & Buchholz, (1978) examined the relationship between the market performance of a firm 's common stock and its social responsibility. The social responsibility is measured by the rankings of businessmen and students. The result showed no significant relationship between stock risk levels and degree of social responsibility.

Friedman (1990), all businesses motto is to carryout operations which are designed to increase the profit of the business staying in the limits and rules of the game. This is the only social responsibility of any business to utilize its resources till a limit or we can accept the challenge and face the open and free competition without doing any fraud activity.

Preston L.E(1997) examined the relationship between social performance and financial performance. The variables under social performance were Fortune annual survey of corporate reputations and financial performance variable were accounting based financial measures. The result shows positive correlation between social performance and financial performance.

Guidry & Patten (2010) conduct the study about the market effects of first-time releases of sustainability reports in an effort to determine if investors assign value to the issuance of the report. In addition, the study also examines the importance of quality report. The study found that there is no correlation between CSR and financial performance and investor do not allocate value to sustainability reports. Nevertheless the study presents evidence stating that high quality reports with meaningful disclosure do have impact on the market as compared to the firms releasing poor quality report.

Shah, Bhaskar (2010), argued that Organization used the resources of the society. In reverse, the organization provides services to the society, hence it could be concluding that Organization has its existence only with the society. This study is illustrating a broad relationship between the organization and society.

RESEARCH DESIGN

In this study, an inductive strategy is employed, in which observations are made and ideas are offered because of those findings near the end of the research process.

Analytical research design is used in this work. The link between the dependent variable and the independent variable is examined utilizing secondary data in this study. Financial performance/profitability will be the dependent variable, and the metrics proposed to utilize are Return on Assets, Return on Equity, and Earnings per Share. Whereas CSR will be the independent variable, and CSR spending by corporations will be the indicator, both of which will be disclosed on their respective websites.

DATA COLLECTION

Companies from several industries are listed on MSX. However, the industrial sector is used as the study's population. The companies were chosen using a random selection process. In MSX's industrial sector, there are 114 enterprises listed.

For the period 2012 to 2021, the study will be done on a small sample of 13 companies listed in MSX's industrial sector. For this study, we took 36 observations from the 13 companies. Because CSR expenditure is not required in Oman, many companies do not include it in their financial statements. The sample companies are chosen using a random selection process. The data for this study is based solely on secondary sources.

DATA ANALYSIS AND INTERPRETATION

Data collection and resources

From the table displaying the year, company name, independent variables, and dependent variables, we can conclude the following:

Correlation between CSR and Return on equity.

Year	CSR	ROA
2017	1100	0.053842
2015	500	0.030458
2014	1700	0.002916
2013	2900	-0.05909
2017	1320	0.304369
2017	100000	0.135171
2016	100000	0.135174
2015	72000	0.136382
2014	62000	11.07967
2013	93000	0.135803
2012	49816	0.123152
2017	49500	0.054941
2017	216757	0.074498
2016	157990	0.08
2015	105332	0.08
2013	162763	0.28
2012	58012	1.00
2011	54916	2.75
2014	81638	0.08
2014	24488	0.03
2013	20300	0.28
2015	20000	0.23
2017	30000	0.32
2017	1800	0.19
2017	8072	0.31
2017	9900	0.02
2016	8700	0.03
2012	6750	0.29
2011	15000	0.33
2010	6053	0.35
2017	3500	0.08
2017	100000	0.24
2016	100000	2.38
2015	100000	0.29
2014	100000	0.31
2013	100000	0.32

Table showing details of CSR and Return on equity.

We note the variables from 2012 to 2019, and this can be summarized in the following table:

CSR	ROA	
		1 ROA
1	0.045863	CSR

Year	CSR	ROE
2017	1100	-0.032715208
2015	500	-0.01162281
2014	1700	-1.595688039
2013	2900	-19.73620397
2017	1320	0.112781288
2017	100000	0.078307299
2016	100000	1.421645639
2015	72000	2.203796331
2014	62000	0.00594471
2013	93000	0.163783532
2012	49816	0.32336855
2017	49500	-0.062335693
2017	216757	68,42,443
2016	157990	68,42,443
2015	105332	11,70,217
2013	162763	1,60,20,207
2012	58012	1,75,11,406
2011	54916	1,27,99,135
2014	81638	1,31,49,218
2014	24488	3,10,801
2013	20300	5,53,838
2015	20000	57,412
2017	30000	5,48,019
2017	1800	1,01,47,206
2017	8072	2,16,920
2017	9900	3,03,582
2016	8700	3,17,101
2012	6750	2,00,708
2011	15000	6,20,235
2010	6053	8,19,314
2017	3500	(90,750)
2017	100000	37,42,125
2016	100000	44,54,025
2015	100000	59,75,602
2014	100000	64,38,843
2013	100000	72,19,679

Data analysis and discussion

From Table there is a weak correlation between corporate social responsibility amount spent by the company and the return on assets. The value (0.045863) is an indication that even though there is a weak positive correlation, it's almost meagre in nature. It means that the money spent on corporate social responsibility by the company has no intense effect

the return on assets of the company. It means that as per current scenario CSR has a less significant influence on return on assets.

Interpretation

From Table 4.2 there is a weak correlation between corporate social responsibility amount spent by the company and the return on assets. The value (0.045863) is an indication that even though there is a weak positive correlation, it's almost meagre in nature. It means that the money spent on corporate social responsibility by the company has no intense effect on the return on assets of the company. It means that as per current scenario CSR has a less significant influence on return on assets.

FINDINGS, CONCLUSION AND RECOMMENDATIONS

Findings

1. ROA is an indicator on how much profit the company can generate from its assets. From various studies it has been proven time and again that when the company performs better in CSR reporting, they can be more profitable from utilizing the assets. From the analysis it is found that there is an effect on the corporate social responsibility amount spent by the company and its return on assets, but its quantum is less. It means companies can generate higher profits from its assets based on an increase in the CSR score.
2. ROE measures how efficiently a company is making profit from the money that shareholders have contributed to it. From the analysis it was found that the better the CSR score is, the higher the return on shareholder's equity. An increase of 1 point on the CSR score results in an increase of 0.45871 in ROE. This score enumerates how effectively the shareholders confidence can be gained by making fruitful CSR practices. This indicates that a good and efficient CSR practice will boost the morale of the company which in turn will enhance the shareholders interest in the organization.
3. EPS is a measure of profitability per outstanding share, serving as an indicator of the financial health. EPS is an indicator of how much money a company makes for each of its share and is endured as a method of analyzing the corporate profits.

From various studies reviewed it's true to word that good CSR practices are always going to be a boon for the organization. In understating the relationship existing between corporate social responsibility amount spent by the company and the return on assets, we can see that there is a positive relationship which is weak in nature. The focus needs to be laid on converting this weak positive relationship to moderate positive relationship. The result is an indicator that CSR has made inroads into making its significance known to the corporate world. More and more organizations should take an initiative to come forward and make their contributions to CSR activities which will help the society and their organization at large. As a result of such activities CSR will have a significant influence on return on assets.

From the results its very much evident that the CSR practices has had an impact on the EPS of the companies. But gain it is to be noted that there exists only a moderate positive relationship between the companies CSR practices and its EPS. As the EPS of an organization becomes higher in turn its corporate profits increase. Hence, it's phenomenal for companies to enhance their EPS. It is to be noted that if there is a higher investment in CSR activities it is set to hike the EPS of the organizations. So, every organization must lay its focus on investing more on CSR activities.

CONCLUSION

The study was a humble attempt to understand the relationship between Corporate Social Responsibilities and the financial performance of listed companies in MSX. On the basis of literature review conducted various factors were chosen for the study. The details of the variable of 30 observations were collected from their annual reports of these companies chosen from the MSX websites listed during the period 2012-2021. Return on Assets, Return on Equity and Earnings per Share were taken as a dependent variable whereas CSR amount spent by the company was considered as the independent variable. The result of the correlation states that Return on equity and Earnings per share have moderate positive correlation with CSR, whereas, Return on Assets has weak positive correlation with corporate social responsibility.

1-For the purpose of the study the sample size was limited to 13 companies from MSX. The number of observations from these 13 companies is only 36.

2-Only the individual sector is considered for the purpose of the study, which again curtails the number of companies to 10.

3-Only 3 variables namely- return on assets, return on equity and earnings per share were considered for the study.

4- Many of the companies not showing the CSR spending amount in their financial statement because in Oman it is not compulsory.

RECOMMENDATIONS

The perceptions about CSR in Oman still need to be fine-tuned a lot as there are greater avenues that exist for influencing youth in the society. Even though CSR is mostly supported and labelled by the corporate world, the educated younger generation has a lot to contribute to take it at the individual level, and all such initiatives are being supported to change the perceptions of the entire business approach.

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