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Diploma Thesis

Corporate Social Responsibility of Tata Consultancy Services (TCS)

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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DIPLOMA THESIS ASSIGNMENT

Sudhin Madhu Kunhippanan

Economics and Management

Thesis title

Corporate Social Responsibility of Tata Consultancy Services (TCS)

Objectives of thesis

To research the CSR regulations in India.

To comprehend the Tata Consultancy Services (TCS) CSR concept.

To examine different CSR activities undertaken by TCS, its adherence to CSR regulations, and its consulting services. Furthermore, the specific aims were to measure the impacts of CSR activities (CSR compliance metrics, beneficiaries of selected TCS' CSR activities) on the financial performance (profit after tax, return on asset, and return on equity) of TCS.

Methodology

The thesis will have two parts. The first part will be theoretical, where we will investigate the key theoretical aspects related to corporate social responsibility. The second part is research design which is correlation quantitative to determine the association between the CSR initiatives, Indian CSR regulations, and financial performance indicators of TCS. This consists of research design, sampling and data collection techniques, and target population (TCS's financial report). Furthermore, it comprises sample size and data analysis approaches.

The proposed extent of the thesis

70-80 pages

Keywords

Corporate social responsibility (CSR), profit after tax (PAT), return on asset (ROA), and return on equity (ROE)

Recommended information sources

Batra, R. & Bahri, A. (2018). Financial Performance and corporate social responsibility (CSR): empirical: Evidence from banks in India. International Journal of Business Ethics in Developing Economies, 7 (2), 37-42.

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Chaturvedi, K., Akhtar, S., Azhar, N., & Shamshad, M. (2021). Impact of corporate social responsibility on financial performance on selected banks in India: Based on CAMEL Model. Studies in Economics and Business Relations, 2(2), 1-14. DOI: 10.48185/sebr.v2i2.366

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Prague on 28. 03. 2024

Declaration

I declare that I have worked on my master’s thesis titled “ Corporate Social Responsibility of Tata Consultancy Services (TCS)“ by myself and I have used only the sources I have mentioned at the end of the thesis.

As the author of the master‘s thesis, I declare that the thesis does not break any copyrights.

28.03.2024

In Prague on Date

Kunhippanan Sudhin Madhu

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ABSTRACT

The study researches the Corporate Social Responsibility (CSR) regulations in India. Further, it investigates the impact of Corporate Social Responsibility (CSR) initiatives on the financial performance of Tata Consultancy Services (TCS). The study incorporates three independent variables Youth Employment Program (YEP), Ignite My Future (IMF), and CSR Regulations Adherence (CSRRA), and three dependent variables Profit after Tax (PAT), Return on Asset (ROA), and Return on Equity (ROE). Data analysis involves correlation and multiple regression analyses, revealing a positive relationship between CSR initiatives and financial performance. PAT and ROE exhibit a strong positive correlation with all CSR initiatives, while ROA demonstrates moderate to strong positive correlations. Multiple regression analyses indicate both positive and negative relationships between variables. The findings suggest that the specific selection of CSR initiatives is crucial in determining their impact on financial performance.

Keyword Words: Corporate social responsibility (CSR), profit after tax (PAT), return on asset (ROA), and return on equity (ROE)

ABSTRAKT

Studie zkoumá předpisy o společenské odpovědnosti firem (CSR) v Indii. Dále zkoumá dopad iniciativ Corporate Social Responsibility (CSR) na finanční výkonnost Tata Consultancy Services (TCS). Studie zahrnuje tři nezávislé proměnné Program zaměstnanosti mládeže (YEP), Ignite My Future (MMF) a Dodržování nařízení CSR (CSRRA) a tři závislé proměnné Zisk po zdanění (PAT), Rentabilita aktiv (ROA) a Návratnost vlastního kapitálu (JIKRY). Analýza dat využívá korelační a vícenásobnou regresní analýzu, a nachází pozitivní vztah mezi iniciativami CSR a finanční výkonností. PAT a ROE vykazují silnou pozitivní korelaci se všemi iniciativami CSR, zatímco ROA vykazuje střední až silné pozitivní korelaci. Vícenásobné regresní analýza ukazuje pozitivní i negativní vztahy mezi proměnnými. Zjištění ukazují, že konkrétní výběr iniciativ CSR je zásadní pro určení jejich dopadu na finanční výkonnost.

Klíčová slova: Společenská odpovědnost firem (CSR), zisk po zdanění (PAT), návratnost aktiv (ROA) a návratnost vlastního kapitálu (ROE)

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CHAPTER ONE: INTRODUCTION

1.1 Background

Tata Consultant Services, abbreviated as TCS, is one company that provides IT and consultancy services (TCS, n.d). The company is headquartered in Mumbi, India. It was formed as p art of the Tata Group in 1968 (Tata, n.d). Tata Group presides itself as one of India's largest and oldest conglomerates. TCS is available in forty-six countries and provides industry services to customers (TCS, n.d). The company offers IT services such as cybersecurity, cloud services, system integration, software development, etc. It provides consulting services to assist businesses in enhancing efficiency, rationalizing operations, and implementing digital transformation strategies (Tata, n.d).

Furthermore, TCS serves industries like telecommunication, healthcare, manufacturing, retail, banking and financial institutions, etc. Based on 2023 data, TCS employed about 616,000 workers globally. It is the second biggest Indian company according to market capitalization (TCS, n.d)

The Tata Group is a multinational corporation that operates in several industries, such as telecommunications, automotive, steel, and more. The late Jamshedji Tata established the business in 1868, and it has since expanded to become one of India's biggest multinational corporations (The Tata group. Leadership with Trust., no date). The Tata Group played a major role in the development of India by emphasizing sustainability and social responsibility. Through partnerships and strategic acquisitions, the company has increased its presence worldwide in recent years. The Tata Group, which is renowned for its innovation, moral business conduct, and dedication to excellence, is still a major force in the world of business. The main investment holding company and promoter of Tata companies is Tata Sons.

Philanthropic trusts that fund livelihood creation, health, education, and the arts and culture own sixty-six percent of the equity share capital of Tata Sons. Together, the Tata companies generated INR $150 billion in revenue in 2022–2023. Over a million workers are employed by these companies combined. Every Tata company or enterprise is run independently and is overseen by its own board of directors. There were 29 publicly traded Tata enterprises (The Tata group) with a combined market capitalization of $300 billion as of July 31, 2023 (The Tata group. Leadership with Trust., no date).

The success of the Tata Group has been largely attributed to its dedication to sustainability and social responsibility. With investments in fields like artificial intelligence, cloud computing, and digital infrastructure, the Tata Group has also made notable advancements in technology and the digital sphere in recent years. Because of this, the group has been able to maintain its competitive advantage and stay at the forefront of innovation in the quickly changing business environment (The Tata group. Leadership with Trust., no date).

With a broad range of businesses and a focus on corporate social responsibility, the Tata Group is still at the forefront of promoting sustainable development and inclusive growth. Its companies and subsidiaries have continuously shown a dedication to social justice and environmental stewardship, establishing standards for ethical leadership and corporate social responsibility in the international business community. With its innovative projects and calculated investments, the Tata Group is positioned to be an inspiration for positive change in India and around the world as it looks to the future. The conglomerate's development and prominence in the business sector are still directed by its unshakable commitment to its guiding ideals of integrity, excellence, and social impact (The Tata group. Leadership with Trust., no date).

In 2018, it appeared in eleventh position on the Fortune 500 list. The market capitalization of TCS as of September 2021 stood at US$ 200 billion, which makes it the first firm in India to achieve that (TCS, n.d). The company prioritizes its CSR activities on entrepreneurship, skilling, employment, and education. These CRS activities assist in bridging gaps between accessibility and opportunities. As a result, the company's management channels its resources to create initiatives and programs, including a comprehensive strategy into the firm's frameworks to address the needs of youth marginalized groups and women (Tata, n.d). For these reasons, the company management focuses on areas where it can make practical impacts, especially in what the company is best in, which addresses the needs of society. Additionally, it focuses on what the company can offer by leveraging its intellectual human, financial capital, and technology (TCS, n.d). Therefore, based on these various CSR programs, it is essential to understand their impacts on financial performance.

1.2 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) describes a business practice that integrates environmental and social concerns into an organization's operations and interactions with its stakeholders (Feng et al., 2021; Costa & Fonseca, 2022; Majer, 2019). Typically, CSR goes beyond compliance with regulations and laws, stressing ethical and responsible business practices that contribute to the well-being of society at large. Usually, CSR consists of different vital elements. For instance, organizations engage in initiatives to reduce their environmental impact (Mohd, 2019). Such initiatives assist in reducing carbon emissions, enhancing energy efficiency, and implementing sustainable supply chain practices. Firms can incorporate initiatives that promote the well-being of their workers by providing a safe and all-encompassing workplace (Cherian et al., 2019). In this perspective, CSR may encompass health and wellness, employee development programs, and efforts to encourage diversity and inclusion in the workplace. Furthermore, firms are involved in philanthropic programs by donating to charitable causes or establishing foundations (Gautam et al., 2016; Chaturvedi et al., 2021). In such cases, social investments are directed towards projects that address societal issues such as education, poverty, education, and healthcare.

CSR entails a commitment to providing safe and quality products to customers. This comprises responsible advertising, transparent product labeling, and measures to ensure the safety and reliability of products and services (Famiyeh, 2017). Every country has specific regulations and guidelines for incorporating ethical considerations in companies' operations. As a result, it is expected to ensure that its supply chains adhere to ethical and sustainable practices. These considerations include supply chain transparency, responsible sourcing, and labor practices.

Moreover, CSR encourages organizations to actively interact with and listen to their stakeholders, encompassing customers, investors, employees, and the wider society (Coelho et al., 2023). This participation assists in understanding and addressing the concerns and expectations of various stakeholders. Again, CSR initiatives require effective governance structures and mechanisms for accountability. For this reason, organizations are anticipated to have transparent reporting on their CSR activities and their impact on society and the environment (Volkova, 2017). Generally, CSR is perceived as an approach for businesses to contribute positively to the community while promoting their reputation and long-term sustainability. Usually, employees, investors, and customers are interested in socially responsible practices, making CSR a significant facet of the corporate approach in companies like Tata Consulting Services.

1.3 CSR on Financial Performance

Following Bowen's initial publication in 1953, the correlation between corporate social responsibility (CSR) and financial performance within the business realm has garnered substantial attention (Coelho et al., 2023). The concept and interpretation of CSR vary among companies, managerial perspectives, and diverse societies (Coelho et al., 2023). Nevertheless, a shared element persists: rather than directing resources to enhance profits and shareholder wealth, managers prioritize the well-being of stakeholders (Coelho et al., 2023). Therefore, this demonstrates a paradigm shift in the mindsets of stakeholders and managers. For example, Managers are becoming more conscious of leveraging social responsibility to outperform their rivals. Corporations are now formulating business strategies centered on corporate social responsibility (CSR) to attain a competitive edge (Coelho et al., 2023). Presently, various companies incorporate CSR activities in their top programs. ESG activities, in which E stands for Environmental, S refers to Social, and G denotes governance, are three cornerstones for sustainability. However, these advancements in social responsibility have prompted managers to question the long-term benefits of enhancing the effectiveness of CSR initiatives. Some companies' managers interrogate if channeling resources toward ESG activities will enhance a company's financial performance in a manner that benefits stakeholders and the company (Coelho et al., 2023). This question holds significance because a dedication to social responsibility entails expenses, necessitating companies to allocate finite resources that could otherwise be invested in alternative, potentially more lucrative ventures. In this perspective, it is the manager's responsibility to determine if CSR activities contribute to valuable investments for the company. According to Coelho et al. (2023), findings identified various benefits associated with CSR activities for stakeholders and managers. For instance, implementing CSR activities for stakeholders and managers has benefits (Coelho et al., 2023). They can integrate ESG and sustainability metrics into corporate strategic plans. This implies that companies should perceive social responsibility as a chance to positively impact creating a more sustainable world, promoting people's living standards while achieving improved financial outcomes (Coelho et al., 2023). Therefore, by adopting sustainable and socially responsible practices, companies build trust and credibility with crucial stakeholders like customers, employees, and the community, likely leading to enhanced financial performance. In summary, in the business context, social responsibility should not be regarded as an expense but rather as an investment that fosters a more sustainable world and enhances financial well-being.

Surprisingly, Sameer (2021) contradicts the findings of Coelho et al. (2023), which showed a positive correlation between CSR and financial performance. Sameer (2021) investigated the effects of CSR on the financial performance of public institutions (Maldives public limited companies) and established a negative correlation between corporate social responsibility and financial performance. On the other hand, Feng et al. (2021) demonstrated a positive correlation between sustainable business performance and CSR. Moreover, the results also suggested a noteworthy and favorable connection between a company's reputation and sustainable business performance. Additionally, a firm's reputation was found to exert a positive and substantial mediating influence between CSR and sustainable business performance (Feng et al., 2021). Costa & Fonseca (2022) indicated that the merging of CSR with innovation has a positive influence on financial performance. Furthermore, when comparing CSR and financial performance over time, there is evidence of a positive but gradual progression in adopting CSR.

As in the same case of Sameer (2021), Volkova (2021), who assessed the effect of CSR on the corporate financial performance of Dutch and Russian companies, established a weak correlation between CSR activities and the financial performance of these companies. Volkova

(2021) exploited these companies' return on equity ratio (ROE) and reputation index as measures of financial performance and CSR, respectively. Furthermore, Majer (2019) examined the impacts of CSR on the productivity of publicly traded companies in the USA and showed that a substantial positive correlation exists between specific historical profitability metrics and a company's ESG Disclosure Score, with the most vital connections observed in the Technology and Energy sectors. However, these relationships depend on specific companies (Majer, 2019). CSR practices positively impact a firm's profitability and reputation (Chapagain, 2022). Additionally, Chapagain (2022) revealed that external CSR practices better elucidate a firm's reputation, while internal CSR practices were more effective in explaining profitability.

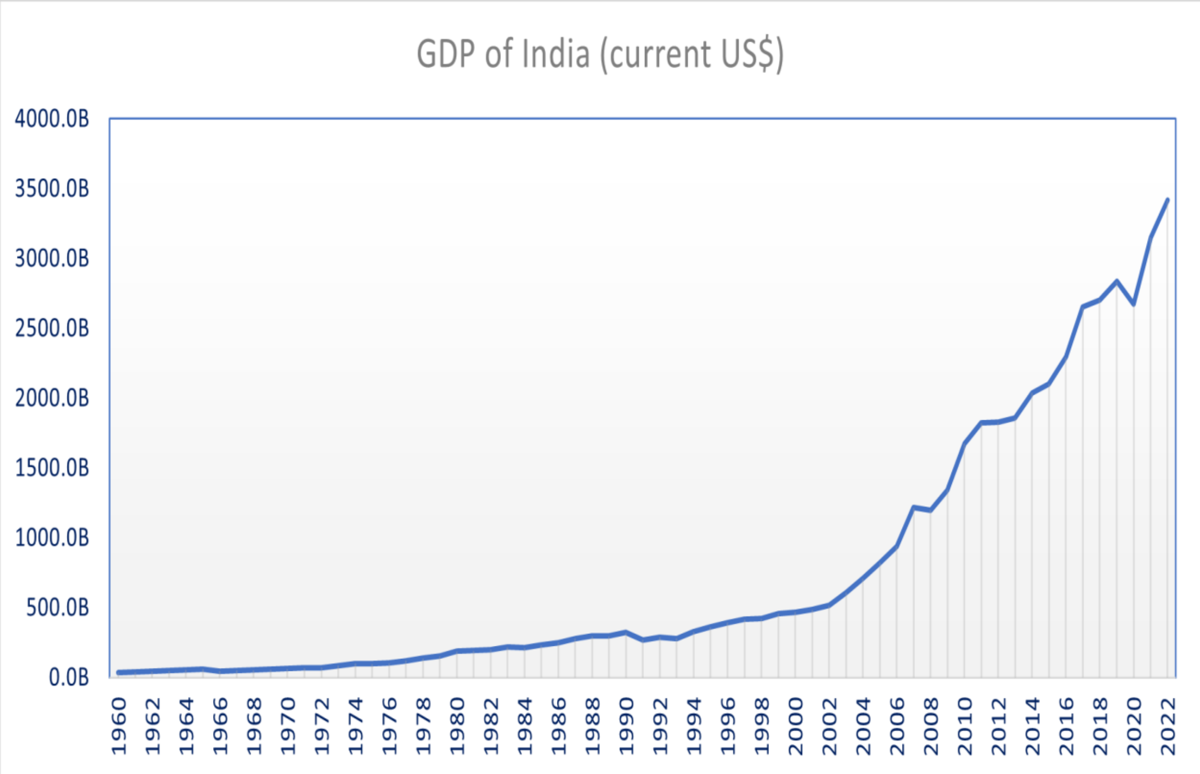
In India, academics have been discussing the relationship between corporate social responsibility (CSR) and financial performance from various angles. Strong CSR practices have been shown to positively correlate with profitability, according to some studies (Mishra and Suar, 2010). This is especially true when it comes to net profits, sales growth, and improved operational efficiency. According to this perspective, CSR increases customer loyalty, builds a positive brand image, and draws and keeps talent, all of which eventually boosts sales and market share (Mishra and Suar, 2010).

Another research, however, presents a less clear picture; studies Kesari and Rawat (2023) report either no significant association or even a negative correlation between CSR spending and return on equity (ROE). Detractors contend that corporate social responsibility (CSR) endeavors may entail substantial expenses, which could impede immediate financial outcomes, specifically return on assets (ROA) (Kesari & Rawat, 2023). Furthermore, there are potential data limitations that make it difficult to obtain conclusive results when measuring both financial performance and corporate social responsibility in the Indian context (Kesari & Rawat, 2023).

Moreover, there was a stronger correlation between CSR practices and a firm's reputation compared to its impact on profitability (Chapagain, 2022). Therefore, the benefits of CSR on financial performance are associated with the development status of the nation (Sameer, 2021; Volkova, 2021). Companies in developing nations experience a negative relationship between CSR activities and financial performance.

1.4 Brief Overview of India

Based on World Bank GDP data, the countries with the biggest economies worldwide in 2024 are the United States of America, China, Japan, Germany, and India. India, whose economy is among the world's fastest growing, hopes to reach high middle-income status by 2047, the year of its centenary of independence. The nation's extreme poverty rate has dropped significantly over the last 20 years, with a Gini index of about 35. But the rate of poverty reduction has slowed, especially in the wake of the COVID-19 pandemic and has since levelled off in 2021–2022. India wants to become a high-income country by 2047, but this will take a growth strategy that is resilient to climate change and benefits most of the population. Reforms focused on growth must be matched by an increase in well-paying jobs that keeps up with the number of people entering the labour market. It will also be necessary to address gaps in economic participation, including the entry of more women into the workforce. Together with the government, the World Bank is bolstering institutions, investments, and policies to promote green, resilient, and inclusive development that will improve the nation and its citizens' future. (*India Overview: Development News, Research, Data | World Bank*, n.d.)



Source: World Bank

Figure 1: GDP of India, historical data, 1960 to 2022.

1.5 CSR Regulations in India

In India, engaging in CSR is not solely a discretionary undertaking but also a compulsory requirement stipulated by the Companies Act of 2013 (Gandhi, n.d). This requires specific firms to set aside at least 2% of their average net incomes from the previous three fiscal years for initiatives associated with CSR (Gandhi, n.d). This requirement is for firms whose net worth is at least Rs. Five hundred crores, a minimum income of Rs. 1000 crores, or at least a net revenue of Rs. 5 crores during the previous fiscal year (TheCSRUniverse Team, n.d). The Indian CSR regulations require such firms to have a CSR board committee consisting of at least three directors and a minimum of one independent director (Gandhi, n.d). Nonetheless, in circumstances where the company does not meet the requirements of having one independent director as stipulated in section 149(4) of this Act, the said committee consists of a minimum of two directors.

Furthermore, the CSR Committee's responsibility is to create and propose a CSR policy to the board, outlining the company's intended activities in particular subjects or areas as described in Schedule VII of the Act (TheCSRUniverse Team, n.d). Additionally, the committee is tasked with overseeing the execution of the CSR policy. It is also accountable for generating an annual report on the company's CSR endeavors, which must be incorporated in the board's report to shareholders. This report ought to provide comprehensive details on the company's particular CSR initiatives or procedures during the year, the allocated funds for each initiative, and the societal impact of these activities (TheCSRUniverse Team, n.d).

The legislation stipulates that CSR initiatives should focus on advancing education, eliminating hunger and poverty, promoting gender equality, safeguarding the environment, and other subjects or areas as described in Schedule VII (TheCSRUniverse Team, n.d). In addition to the Companies Act, numerous other laws and regulations in India advocate for CSR. For example, the listed companies must furnish a Business Responsibility and Sustainability Report (BRSR) detailing their CSR activities (Gandhi, n.d). In addition, the Ministry of Corporate Affairs (MCA) has published a number of circulars and guidelines regarding CSR.

1.6 Problem Statement

Corporate social responsibility (CSR) has been a contentious and significant subject since the 1950s, steadily gaining prominence. It represents a rigorous area of research for both practitioners and academicians. The inception of CSR in the corporate realm can be traced back to Bowen, who first introduced the concept in his seminal work, "Social Responsibility of the Businessmen," published in 1953 (Sameer, 2021). Bowen emphasized the importance of understanding business ethics, asserting its role in fostering sustained superior performance (Sameer, 2021). Coelho et al. (2023) affirm the significance of CSR initiatives from the business ethics perspective, noting a positive association between a healthy attitude toward business ethics and CSR. Despite the extensive history of CSR, certain aspects of the discipline still need to be more content and developed. Notably, the relationship between CSR and corporate financial performance (CFP) is a central focus and subject to debate. Coelho et al. (2023), Feng et al. (2021), and Costa & Fonseca (2022) classify the literature in this area into three categories, with some studies indicating a positive correlation between CSR initiatives and FP, while others, such as Sameer (2021), establish a negative correlation.

Over the past six decades, various findings in CSR research have attracted the attention of practitioners and academicians (Coelho et al., 2023; Costa & Fonseca, 2022). These studies suggest that CSR acts as a form of insurance for financial performance, offering protection against adverse events. Furthermore, CSR initiatives have enhanced employee commitment and overall organizational performance (Volkova, 2021), making the organization more attractive to potential employees who value social responsibility (Chapagain, 2022).

Additionally, several studies have been conducted in India focusing on the effects of CSR practices on FP in different sectors encompassing banking manufacturing (Mohd, 2023; Sinha et al., 2022; Kim & Oh, 2019; Chaturvedi et al., 2021; Gautam et al., 2016; Cherian et al., 2019). Mohd (2023) assessed the impact of CSR activities on the FP of selected banks in India. The findings demonstrated that the CSR activities practiced in Indian banks focused on farmers' and community welfare initiatives. However, there needs to be more focus on the CSR programs associated with financial literacy, education, and the environment (Mohd, 2023).

Sinha et al. (2022) demonstrated an insignificant correlation between financial performance and CSR during the pre-and post-declaration of sustainability awards. This finding somewhat agrees with Sameer's (2021) outcomes, which revealed a negative correlation between the two variables. Kim & Oh (2019) used Indian companies listed from 2010 and 2015 to determine the relationship between financial performance and CSR among these firms (business group companies). Usually, business group companies pose unique characteristics dissimilar to features of Indian Stand-alone companies (Kim & Oh, 2019). They utilized the ESG disclosure score to examine this relationship. They established a U-shaped correlation with Tobin's Q. Thus, the relationship at lower and higher levels of CSR supports the Slack resource theory and Stakeholder theory, respectively (Kim & Oh, 2019). Moreover, empirical findings illustrate that enhancing CSR activities does not necessarily lead to higher firm value (Kim & Oh, 2019). CSR activities must exceed a particular level to impact firm value positively. The results indicate that the correlation between Tobin's Q and CSR is negative at a lower level, which weakens group affiliate firms (Kim & Oh, 2019). Moreover, this impact vanishes at a high level, and it weakens the correlation between Tobin's Q and CSR.

Furthermore, Chaturvedi et al. (2021) showed a positive relationship between CSR and the financial performance of Indian commercial banks. On the other hand, Gautam et al. (2016) revealed a reciprocal connection between the financial performance (profitability) of the company and its Corporate Social Responsibility (CSR) disclosure. This finding supports existing theories suggesting that CSR impacts the company's financial performance and vice versa. Cherian et al. (2019), who investigated 50 manufacturing companies in India, indicated a positive correlation between these Indian companies and their CSR activities. The CSR activities used in these companies enhance companies' reputation, social value, performance, and profitability (Cherian et al., 2019). Therefore, these mixed findings on the impacts of CSR on financial performance in companies in India create a research gap. Additionally, the absence of the effects of CSR on the financial performance of a firm providing consulting services in IT, such as Tata Consultant Services (TCS), prompts the need for research in this area, justifying the present research.

1.7 **Research Objectives**

The general objectives of the research were to examine different CSR activities undertaken by TCS, its adherence to CSR regulations, and its consulting services. Furthermore, the specific aims were to measure the impacts of CSR activities (CSR compliance metrics, beneficiaries of selected TCS' CSR activities) on the financial performance (profit after tax, return on asset, and return on equity) of TCS.

1.8 Hypothesis

These hypotheses were tested:

H_0: There is a positive relationship between CSR activities undertaken by TCS and government CSR regulations on its financial performance.

H_A: There is a negative correlation between CSR activities undertaken by TCS and government CSR regulations on its financial performance.

1.9 Implications

The present study results are significant for corporate management in examining the return on investment in CSR initiatives. Moreover, the findings provide insights into the company's direction to enhance its financial performance in its long-term goals. As a result, the stakeholders and management of the company should perceive CSR initiatives as approaches that waste the company's money. Still, they should consider them as fundamental strategies that improve the firm's financial performance. Moreover, based on the identified gaps and recommendations, the results provide insights for future research in the same study subject.

1.10 Limitations

The research depended on secondary data. For this reason, it may be influenced by errors or inaccuracies that occurred during the preparation of the primary data. Furthermore, the researcher needed control over the data, leading to limitations and biases in the data. Using this data made it impossible for the researcher to tailor its collection process to specific needs, potentially limiting the scope and depth of the research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section reviews previous studies associated with the impacts of CSR initiatives on the financial performance of Tata Consulting Services. The chapter commences by providing an overview of consulting services offered by TCS. Subsequently, it addresses the CSR regulations in India, theories associated with CSR initiatives, and empirical studies.

2.2 Tata Consulting Services

TCS provides e-business solutions, management services, architectural and technological consulting, engineering, application maintenance and development, infrastructure development, and security to companies in more than 53 countries worldwide (Tata, n.d). The firm's primary expertise, and why many leading businesses seek its services, lies in tailored software solutions. TCS caters to diverse industries, including finance, telecommunications, banking, insurance, retail, and others (TCS, n.d). Through TCS and its 67 affiliates, the firm provides various information technology-associated services and products, encompassing technology education services, business process outsourcing, software management, payment processing, application development, enterprise software, consulting, capacity planning, and hardware sizing (Tata, n.d). TCS has developed outstanding software products such as TCS MasterCraft and TCS BaNCS (TCS, n.d). The services at TCS are categorized into various service lines: IT infrastructure, enterprise solutions, asset leverage solutions, engineering and industrial services, application maintenance and development, assurance services, consulting, and business process outsourcing.

Tata Consultancy Services (TCS) has been selected for study due to its position as one of the top three leading contributors to Corporate Social Responsibility (CSR) initiatives in India.

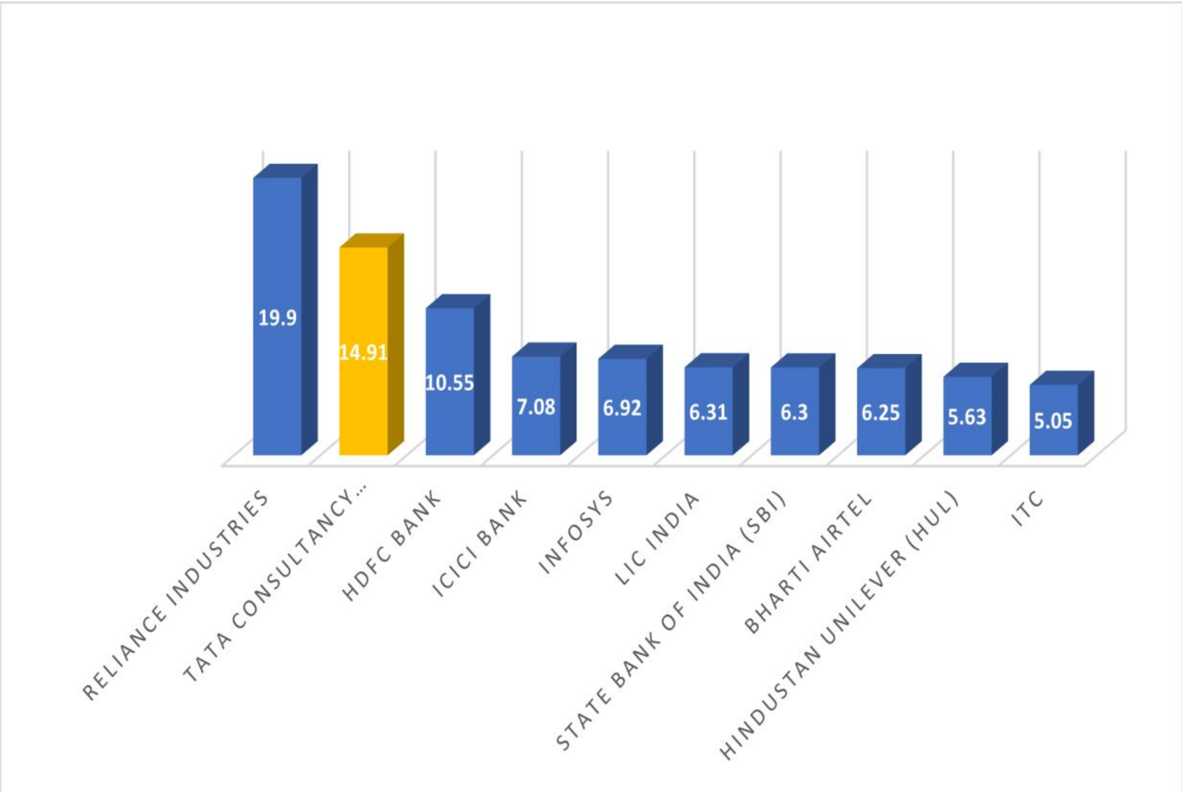
Here is the list of ten companies which contributed the most for CSR activities during Covid-19 pandemic period 2020-2021.

Figure:2

Source: csr.gov.in (Official CSR website of GOI)

Additionally, India, an economy that is growing quickly, is home to some of the most valuable firms in the world. Based on market valuation, TCS is ranked in the top three on the list. Majorly contributing to India's economic growth are these companies, which operate in a range of industries such as consumer goods, technology, and finance. Market valuation gauges the size and performance of a business. When making a business investment, it's an important factor for investors to cosnider. A company's high market valuation typically indicates profitability and success. On the other hand, a low market value may indicate that a company is struggling or that it is in a less thriving industry. (India, 2024)

Figure:3

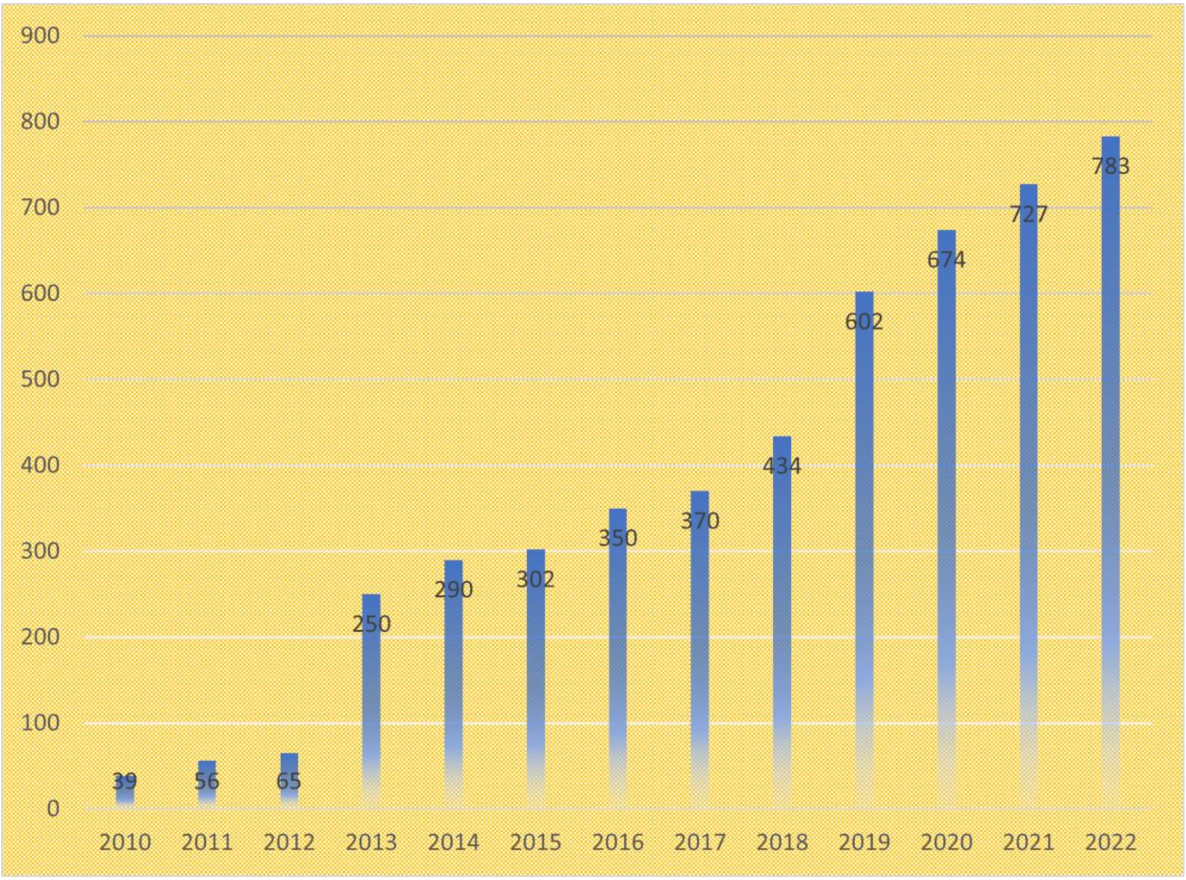


Source: Forbes India

The Forbes India list highlights the top Indian companies based on market capitalization, revealing the country's economic landscape. Reliance Industries leads with a market cap exceeding 19.88 lakh crore rupees, while TCS, the top information technology player, holds a prominent second place with a market valuation of 13.28 lakh crore rupees. The remaining companies, HDFC Bank, ICICI Bank, and Infosys, each command impressive market capitalizations exceeding 10 lakh crore rupees. The collective strength of the financial and technology sectors further cements their dominance in shaping the Indian business landscape. The presence of TCS alongside established financial giants highlights the growing importance and influence of the technology sector within the Indian economy. The list provides a crucial context for understanding the competitive landscape and future potential of various industries, particularly for companies like TCS operating within the dynamic Indian market. (India, 2024)

Over the period from 2010 to 2022, corporate social responsibility (CSR) spending of TCS has exhibited a consistent upward trajectory, mirroring the growing commitment of company to social and environmental initiatives. The graph illustrates a progressive increase in CSR spending across the years, highlighting the evolving corporate landscape towards sustainability and social impact. From 2010 onwards, the graph demonstrates a notable rise in CSR expenditure, reflecting a broader acknowledgment of corporate responsibility in addressing societal challenges.

Figure:4, TCS contribution for CSR activities



Source: TCS Annual report

2.3 CSR Regulations in India

From a global perspective, companies started to appreciate their roles towards earth and people, leading to the CSR concept. CSR is also called corporate citizenship, which demonstrates that companies should be responsible for the community it operates by addressing the interest of society and taking into account the effects of their activities on the environment, community, shareholders, stakeholders, customers, employees, and suppliers (Khandelwal & Bakshi, 2014). Initially, CSR was considered an activity associated with philanthropy and charity conducted by companies and organizations (Khandelwal & Bakshi, 2014). However, CSR is perceived based on CSR's three-dimensional framework suggested by Carrol as a multilayered model, in which the primary duty of businesses involves effectively implementing their economic role, focusing on aspects such as products, employment, and financial growth. The subsequent level of accountability involved carrying out this financial function while considering shared values and essential priorities. The ultimate level of accountability is addressing emerging business challenges to enhance the societal landscape (Khandelwal & Bakshi, 2014).

In India, laws and regulations promoting corporate social responsibility were established as early as the 1900s (Mitra, 2019). This is when the history of CSR regulations began. However, CSR guidelines were not made mandatory for some Indian companies until the Companies Act of 2013. This law signaled a dramatic change in the nation's approach to corporate social responsibility, making it more formalized and regulated. This law mandated that companies with average net profits of at least 2% set aside for corporate social responsibility (CSR) activities, provided they satisfied certain financial requirements. The legislation became operative on April 1, 2014. India became the first nation to require CSR through a statutory provision, so this was a historic moment in the country's CSR history (Shyam, 2016).

The private sector has voiced its support for social responsibility and the government's pledge to give the underprivileged access to more economic opportunities. Section 135 of the Companies Act, 2013 was introduced by the Ministry of Corporate Affairs after it became apparent that the corporate sector could play a significant role in addressing some of the obvious issues facing a developing country like India. Companies that met specific financial requirements were required by this section to set aside a portion of their profits to fund social development programs. The goal of the action was to address the nation's socioeconomic problems by utilizing the corporate sector's resources and expertise (Mitra, 2019).

India's CSR law, passed in April 2014, requires companies with yearly sales above 1000 crores to give away 2% of their net profit to charitable organizations Balch (2022). The purpose of the law is to free up money for social development. Nonetheless, corporations have been spending more overall on charity; following the law's passage, the private sector's total charitable spending increased from 33.67 billion rupees in 2013 to approximately 250 billion rupees (Balch, 2022).

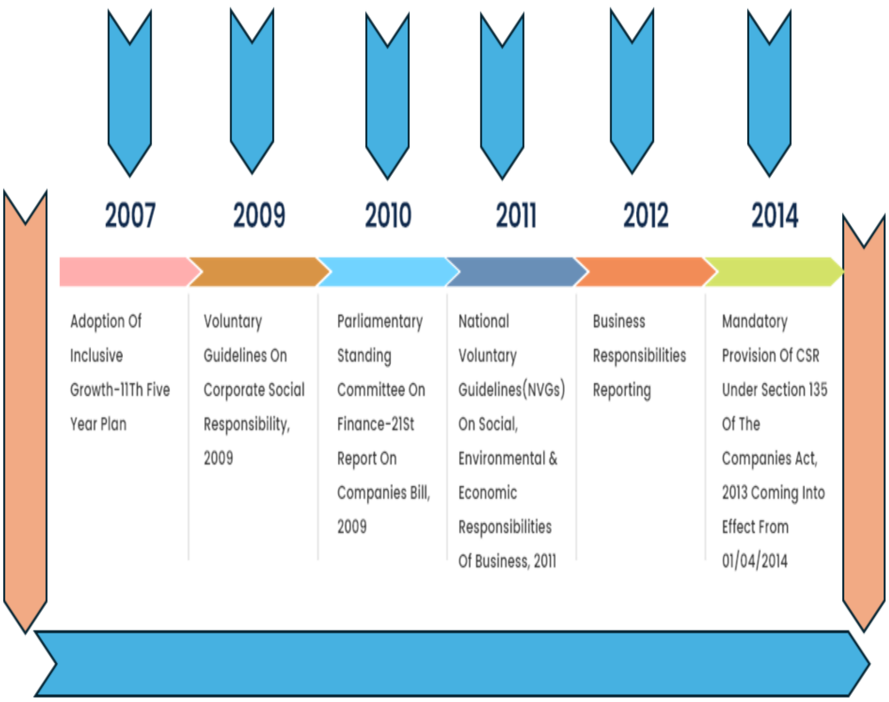
Concerns regarding the possibility of businesses refusing to donate to charitable causes are justified; according to a KPMG survey, 52 out of the top 100 companies in the nation did not meet the 2% requirement in 2018 Balch (2022). According to an investigation by the Economic Times, a smaller percentage has allegedly gone one step further and cheated the system by donating money to charitable foundations that then return the funds less a commission (Balch, 2022).

In the study, Gatti et al. (2018), explains CSR's legal standing has evolved, and most definitions now emphasize voluntary CSR. The concept of CSR as a managerial tool for self-regulation has been called into question by recent legislative changes. The Indian Companies Act 2013 (Section 135) is used as an example of how to combine voluntary and mandatory elements in CSR application. Additionally, Gatti et al. (2018), analyses the development of CSR in India in comparison to academic literature on voluntary versus mandatory CSR. In particular, taking into account the evolution of the relationship between business and society from a voluntary soft law approach to an increasingly hard law approach and transitory hybrid forms like soft-hard law and hard-soft law, the paper discusses implications for CSR theory development and presents practical implications for businesses. Mandatory corporate social responsibility (CSR) in India appears to have the potential to significantly advance the nation's development and tackle some of the major social and environmental problems it faces (Gatti et al., 2018).

The importance of inclusive growth to India's development initiatives is widely recognised. It restates our steadfast dedication to including into the process of growth those elements of society who are currently excluded from the mainstream of development.

The below picture depicts the history of Corporate Social Responsibility (CSR) in India:

Figure:5



Source: csr.gov.in (Official CSR website of GOI)

In line with this national ambition, corporate social responsibility, or CSR, was created as a tool to integrate social, environmental, and human development concerns across the corporate business value chain. To help bring corporate social responsibility into the mainstream, the Ministry of Corporate Affairs published the "Voluntary Guidelines on Corporate Social Responsibility, 2009." This was then refined to become the 'National Voluntary Guidelines'.

The Ministry of Corporate Affairs (MCA) published the National Voluntary Guidelines (NVGs) on Social, Environmental, and Economic Responsibilities of Business in July 2011. These rules, which are essentially a collection of nine principles, give Indian companies a structure and a way to promote moral corporate conduct.

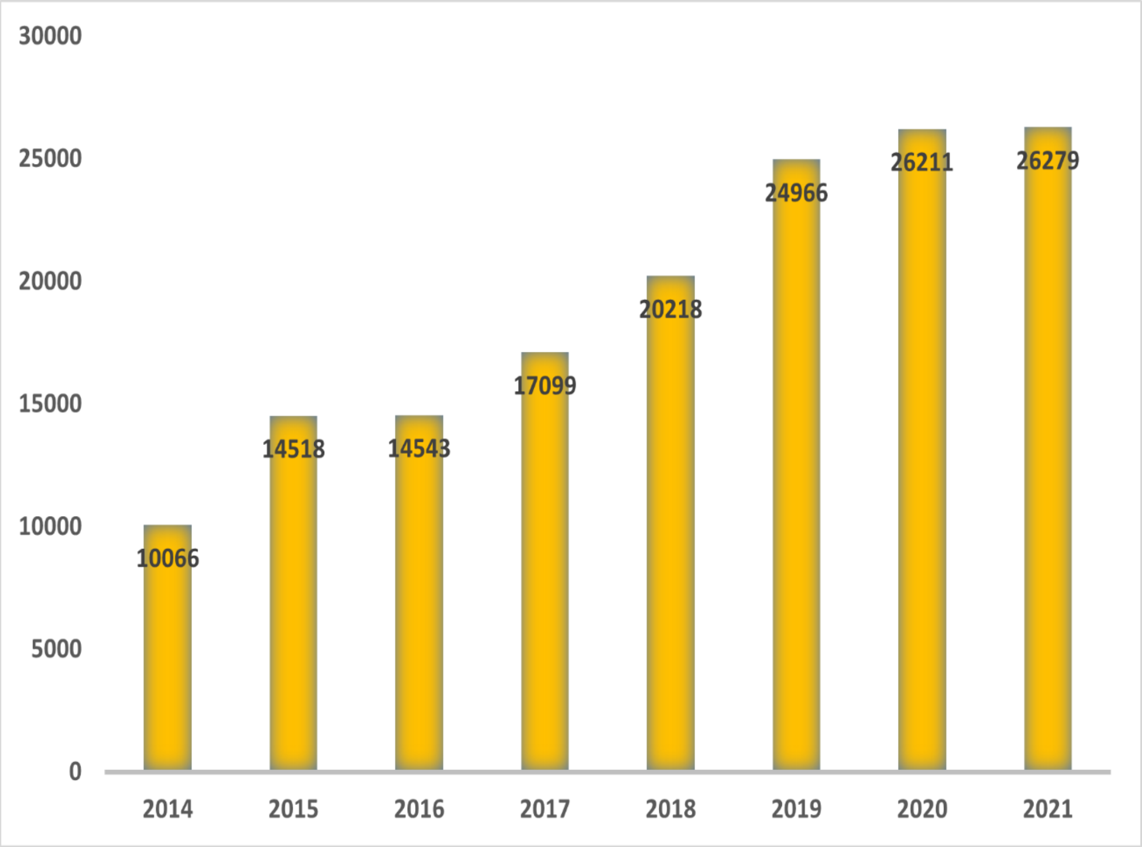
- Businesses ought to behave honorably and conduct their internal operations in a morally sound, open, and responsible manner.
- Businesses should provide goods and services in a sustainable and safe manner.
- All workers, especially those who are a part of their value chains, should be valued and their wellbeing should be advanced by companies.
- Businesses should take into account and address the demands of all of their stakeholders.
- Human rights should be upheld and supported by businesses.
- Businesses should respect the environment and make efforts to protect and enhance it.
- Businesses that have an impact on legislative and regulatory policies have to do so in a responsible and open manner.
- Businesses ought to promote inclusive growth and equitable development.
- Businesses ought to treat consumers with respect and engage with them responsibly.

Since the implementation of new CSR legislation by the Ministry of Corporate Affairs, Government of India, historical data on CSR contributions in India has been systematically published, spanning the years from 2014 to 2021. This comprehensive dataset offers valuable insights into the evolving landscape of corporate social responsibility within the country.

Notably, the data reveals a consistent and regular increase in CSR spending each year, indicating a growing commitment among Indian corporations to social and environmental initiatives. This trend underscores the significance of CSR as a fundamental aspect of corporate governance and sustainable business practices in India.

Moreover, the continuous rise in CSR expenditure reflects a broader acknowledgment of corporate responsibility in addressing societal challenges and fostering inclusive growth. Through meticulous analysis of this historical data, this thesis aims to shed light on the effectiveness of CSR legislation and its impact on corporate behavior and societal welfare in India.

Figure:6 India Countrywide CSR



Source: Ministry of corporate affairs official website, Government of India

From the perspective of Indian people, they still experience development challenges. A thorough examination has revealed that the Mixed Economic System, with recurrently varying objectives and government policies, has resulted in structural issues in the economy, giving rise to developmental challenges (Khandelwal & Bakshi, 2014). The shift from a certified raj to a liberalized economy and increased freedom underscores a change in government policies toward embracing a consumerist structure.

Additionally, the Indian government knows that its financial capability alone may not be sufficient to address the needs of its large population (Khandelwal & Bakshi, 2014). As a result, the Indian administration has taken steps to address poverty and promote wealth equality, starting with land reforms initiated in 1951 and influenced by communist goals and a philanthropic mindset (Khandelwal & Bakshi, 2014).

Since then, various policies have been implemented every three to five years to tackle poverty. Over time, as the capitalist structure has gained prominence in India, the government has come to view Corporate Social Responsibility (CSR) as a potent tool for fostering growth and reducing poverty, acknowledging the substantial influence that business entities wield over the population. The growth of CSR in India has occurred, as illustrated in Figure 6.

Figure:7

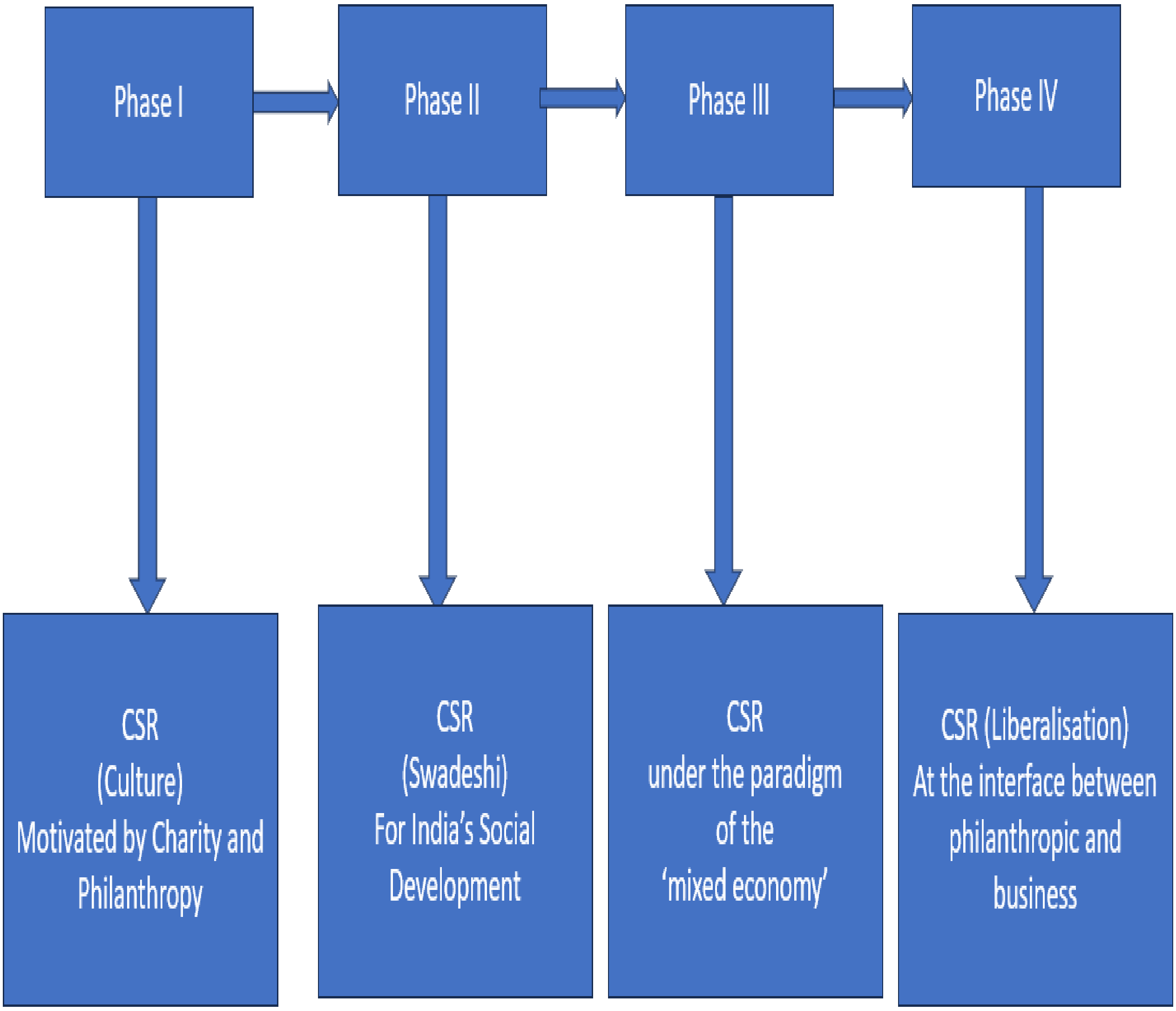


Figure 6: Progress of CSR in India (Khandelwal & Bakshi, 2014)

As the CSR concept advances in India, the government has embraced a comprehensive development approach to applying CSR initiatives through the corporate sector. As a result, the renowned bill mandating Corporate Social Responsibility (CSR) for corporations was approved by the Indian Parliament (Khandelwal & Bakshi, 2014). The rule requires companies of a specific size to allocate 2% of their profits for Corporate Social Responsibility (CSR) activities. The bill has contributed to the upsurge of various companies' CSR initiatives in the country. Furthermore, the bill has enabled the country to join countries such as Singapore, Malaysia, and Indonesia, which require the corporate sector to invest in CSR activities (Khandelwal & Bakshi, 2014).

2.4 Theories associated with CSR Initiatives

Various theories related to CSR programs provide perspectives and frameworks on the relationship between businesses and their social responsibilities. The presented paper reviewed the Stakeholder Theory, the Triple Bottom Line Theory (TBL), and the Carroll Theory. TBL theory stresses the three interconnected dimensions of sustainability: economic, social, and environmental. This theory suggests that businesses should be accountable for their impact on people, the planet, and profit (Brin & Nehme, 2019). John Elkington conceptualized the TBL theory in one of his books, "Cannibals with Forks." TBL theory is perceived as a CSR framework that includes three performance dimensions: environmental, social, and economic. As suggested by John Elkington, these three dimensions must lead to sustainable results (Brin & Nehme, 2019). Thus, the primary concept of TBL theory is sustainability. Incorporating TBL theory in business strategies ensures consistent profits and supports enduring social and environmental projects. In the sustainability framework of various companies and NGOs, an element of TBL theory improves their profitability (Brin & Nehme, 2019). In the economic dimension, TBL theory emphasizes not just maximizing profits but achieving sustained profitability in the long run. Businesses engaging in the TBL CSR framework strategically plan by assessing expenses and taxes, predicting business climate factors, determining market benchmarks, and mitigating risks (Brin & Nehme, 2019). A thorough analysis of these components contributes to the attainment of sustainable profits.

According to Brin & Nehme (2019), in the social dimension, companies must address social concerns alongside financial considerations within the TBL CSR framework. Social sustainability is deemed imperative, requiring corporations to obtain data from national organizations on various social pointers. These pointers are female labor participation, unemployment rates, healthcare services, and government-related educational services (Brin & Nehme, 2019). Upon the determination of the priorities of the community, the company's management makes decisions that address social needs, ensuring that a business's social activities align with societal requirements for long-term stability.

Environmental sustainability is a critical focus in the TBL framework. Corporations are urged to respect the environment to preserve the quality of life for future generations. This is realized by adhering to environmental laws, mindful use of natural resources, and renewable energy sources. Companies are also encouraged to safeguard air and water sources and responsibly manage toxic and solid waste to ensure environmental sustainability. The flexible TBL notion allows organizations to implement sustainable environmental and social strategies.

Despite the advantages, challenges exist in implementing the TBL theory, as noted by Timothy F. Slaper, an economic research analyst (Slapper & Hall, 2011). These problems include identifying these three categories, acquiring pertinent information, and acquiring a policy that promotes sustainability. Thus, addressing these problems is crucial for organizations to make conscious, long-term decisions aligned with the principles of the Triple Bottom Line.

Stakeholder theory, as articulated by Freeman & Dmytriyev (2017), defines stakeholders as groups or individuals influencing or affected by an organization's objectives. Freeman's "Strategic Management, A Stakeholder Approach" emphasizes that corporations have stakeholders, linking stakeholder theory to achieving corporate goals (Brin & Nehme, 2019). The theory posits that balancing stakeholder interests is essential for corporate success and has been used descriptively and instrumentally, connecting stakeholder management to Corporate Social Responsibility (CSR).

Implementing stakeholder theory involves incorporating stakeholders in board directors to align corporate and stakeholder goals. This inclusive approach aims to enhance responsiveness to societal interests. However, practical application requires informed stakeholder participation, as illustrated by the W. R. Grace Factory case, emphasizing the importance of transparency in corporate operations (Brin & Nehme, 2019). The risk in stakeholder theory lies in corporate directors favoring profit-maximizing stakeholders over others, potentially neglecting broader societal concerns.

Carroll developed a theory that illustrates the corporation and community relationship, as shown in Figure 2. Based on Carroll's theory, there are four obligations (economic responsibility, ethical responsibility, legal responsibility, and philanthropic responsibility) that develop infrastructure or foundation for the responsibilities of companies toward society (Brin & Nehme, 2019). Economic responsibility underscores the need for profitability to ensure business survival. Legal responsibility requires compliance with laws, while ethical responsibility urges businesses to act as good citizens (Crane & Matten, 2016). Philanthropic responsibility involves voluntary social contributions. Carroll suggests a sequential application, starting with economic goals and progressing to legal, ethical, and philanthropic commitments. Consideration of the surrounding environment and community needs is essential for effective CSR implementation, adapting to regional variations and societal expectations.

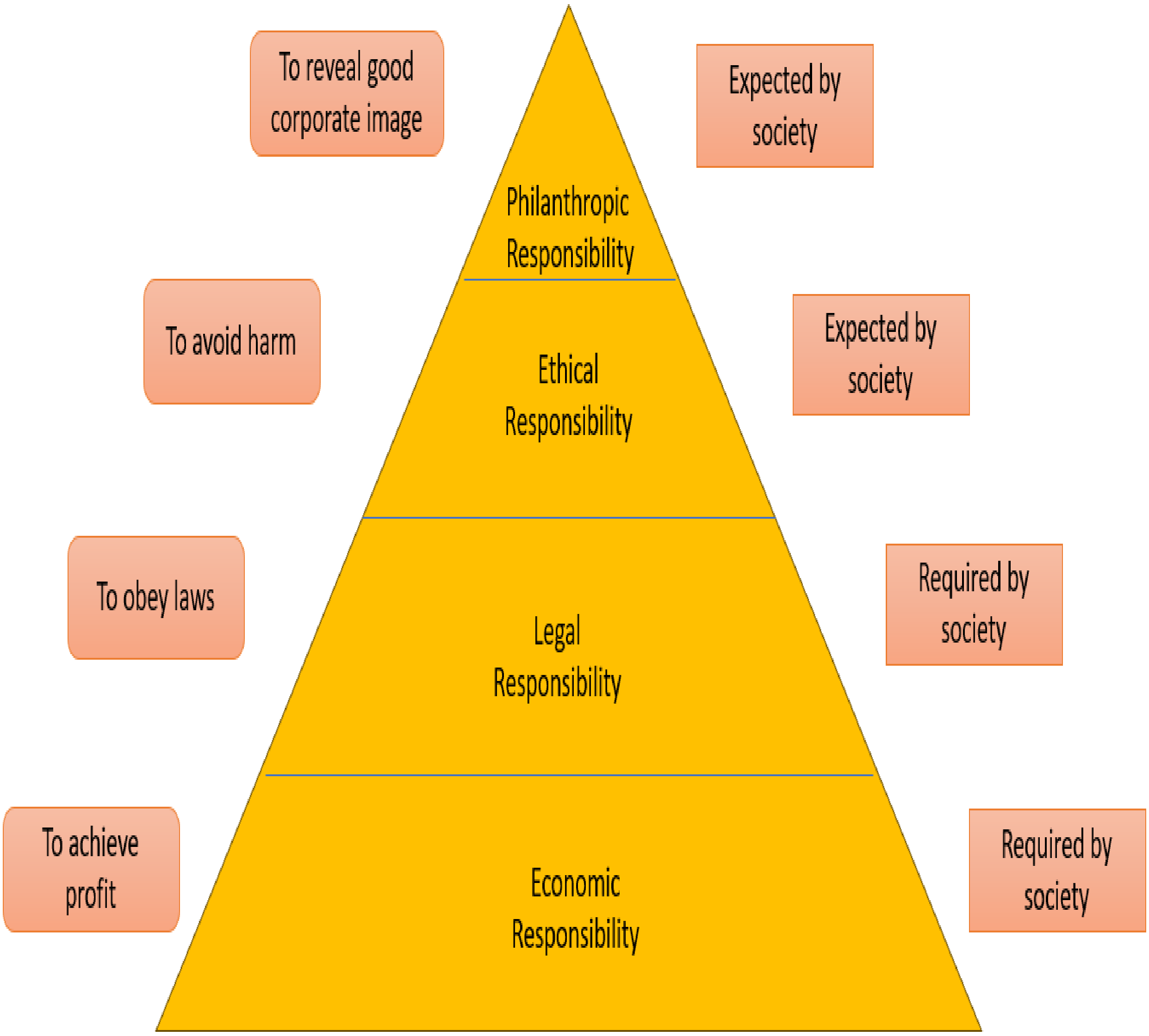
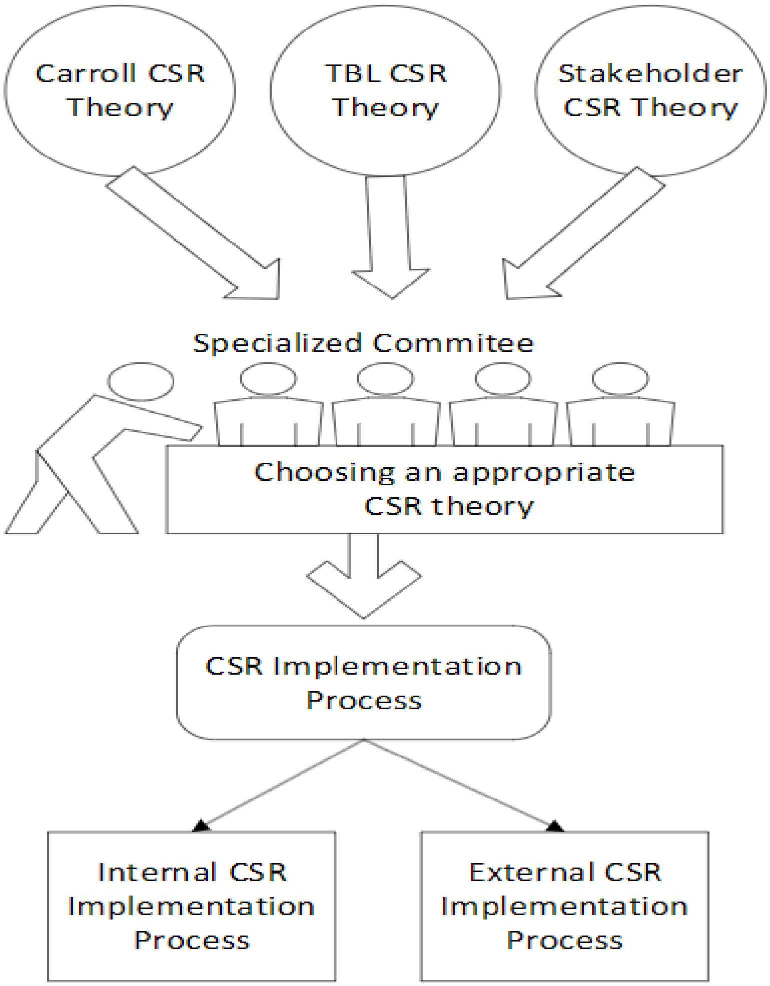


Figure 8: Carroll Pyramid proposed for CSR

In another article, (View of Corporate Social Responsibility: Analysis of Theories and Models, n.d.), three major CSR theories are examined: the Carroll Theory, the Triple Bottom Line Theory, and the Stakeholder Theory. It lists common traits and attributes, recommends two stages of application for CSR methodologies, and suggests establishing a committee with specific duties to choose the best CSR theory and devise an implementation plan (View of Corporate Social Responsibility: Analysis of Theories and Models, n.d.).

Figure 9: Decision making process in implementation of CSR



Source: (*View of Corporate Social Responsibility: Analysis of Theories and Models*, n.d.)

2.5 Empirical Studies

Numerous studies have investigated the correlation between Corporate Social Responsibility (CSR) and financial performance (FP). These studies reveal distinctive patterns in this relationship (correlation between FP and CSR). For instance, some of the studies (Coelho et al., 2023; Costa & Fonseca, 2022; Volkova, 2021; Chapagain, 2022; Feng et al., 2021; Kim & Oh, 2019; Gautam et al.,2016; Cherian et al., 2019) show positive correlation while others(Sinha et al.,2022; Sameer, 2021) indicate negative relationship. CSR is significant in enhancing the financial performance of different organizations (Kim & Oh, 2019). A research of 109 studies considered CSR activities as independent variables and FP as a dependent variable) fifty-four studies show a positive correlation between financial performance and corporate social responsibility (Chaturvedi et al., 2021). Moreover, seven of these research indicated a negative relationship between the variables (CSR and FP), while 20 and 28 studies demonstrated mixed findings and insignificant correlations, respectively (Chaturvedi et al., 2021). Nonetheless, the researchers argued that these findings are controversial based on the deficient model specifications and flawed evaluation (Chaturvedi et al., 2021).

Researchers such as Gillan et al., 2010; and Benabou & Tirole, 2010, show a positive growth pattern in the revenue of organizations that have adopted CSR initiatives. CSR is perceived as having a positive relationship with FP regarding Return on Equity (ROE), non-interest income, and Net Interest Income (Chaturvedi et al., 2021). FP and CSR have shown a direct correlation between upward and downward patterns. As a result, those companies concentrated on financial performance while neglecting CSR initiatives cannot keep their reputation and image in the public's perception. Furthermore, those firms struggling with financial performance are not ready to contribute to CSR initiatives because doing so would negatively affect their revenues (Chaturvedi et al., 2021).

Therefore, these findings show a mixed reaction to the association between financial performance and CSR. Some studies revealed strong and insignificant associations between CSR and CSR initiatives (Chaturvedi et al., 2021; Benabou & Tirole, 2010). Most of these findings are based on the Panel data regression and content analysis. Furthermore, Famiyeh (2017) investigated the correlation between competitive operational activities, comprehensive organizational performance, and CSR using SEM (Structural Equation Modelling). Famiyeh's (2017) findings indicated that market share, sales volume, and return on investment (ROI) increase when an organization implements CSR activities.

Some researchers, like Chih et al. (2010), assessed 520 financial institutions from 30 nations to determine the correlation between CSR and financial performance and showed no relationship between these two variables. Bahra & Batra (2018) examined the impacts of CSR on financial indicators by correlation and regression analysis. They demonstrated that PAT (profit after tax) positively influences CSR activities (Bahra & Batra, 2018). This finding shows that an upsurge in profits contributes to a firm's CSR awareness. According to these findings, there is a mixed finding linking CSR and financial performance.

However, studies that support a positive relationship between the variables are more than those that reveal a negative or no correlation between financial performance and CSR. Furthermore, a country's unique circumstances influence how CSR affects financial performance. For instance, studies on companies in developing countries are likely to reveal a negative association between financial performance and CSR, as demonstrated in the case of

Sameer (2021). Therefore, the interpretation of findings should be based on specific industries and nations.

- Studies on the correlation between Corporate Social Responsibility (CSR) and financial performance (FP) show varied patterns: some indicate positive correlations, while others suggest negative relationships.
- Positive correlations between CSR and FP have been noted in several studies, emphasizing the significance of CSR in enhancing financial performance.
- There are also studies indicating negative relationships between CSR and FP, along with mixed or insignificant findings.
- Researchers argue that discrepancies in findings may stem from deficient model specifications and flawed evaluations.
- Positive growth in revenue is observed in organizations adopting CSR initiatives, indicating a favorable relationship between CSR and FP, especially regarding Return on Equity (ROE) and income metrics.
- Companies focused solely on financial performance may suffer reputational damage, while those struggling financially might be hesitant to invest in CSR due to potential negative impacts on revenue.
- Studies on specific industries and nations reveal variations in the relationship between CSR and FP, with developing countries often showing a negative association.

2.6 Research Gaps

These studies' findings concentrated on the banking sector and a few on other sectors, such as manufacturing. Research needs to examine the impacts of CSR initiatives on the financial performance in the IT industry, leading to study gaps in this sector. Furthermore, from the reviewed studies, no research examines the influence of government policies on the relationship between CSR and financial performance. Hence, investigating how regulatory frameworks shape CSR practices and financial outcomes is essential. According to literature findings, there needs to be standardized metrics for measuring CSR practices and financial performance. Research could contribute to developing universally accepted measurement standards for a more consistent evaluation. For these reasons, addressing these research gaps will enhance understanding of the intricate relationship between CSR and financial performance in the Indian context, contributing valuable insights for businesses, policymakers, and researchers.

2.7 Theoretical Framework

The theoretical framework functions as a map that directs the researcher in designing the study, collecting data, and drawing conclusions. The theoretical framework is developed from prevailing theories or concepts associated with the research topic. This research used three approaches (Stakeholder Theory, the Triple Bottom Line Theory, and Carroll Theory), selected research gaps from the literature, and research questions to develop a theoretical framework, as illustrated in Figure 3.

As a result, the paper focused on only two identified research gaps(limited studies on the impacts of CSR regulations adherence on FP, absence or little research on the relationship between CSR and FP in the IT sector in India), and selected CSR initiatives(Ignite My Future and Youth Employment Program) by TCS to develop this theoretical framework. Furthermore, it utilized literature encompassing related theories and research questions to create a theoretical framework. The financial performance of TCS is measured based on the profit after tax (PAT), return on asset (ROA), and return on equity (ROE).

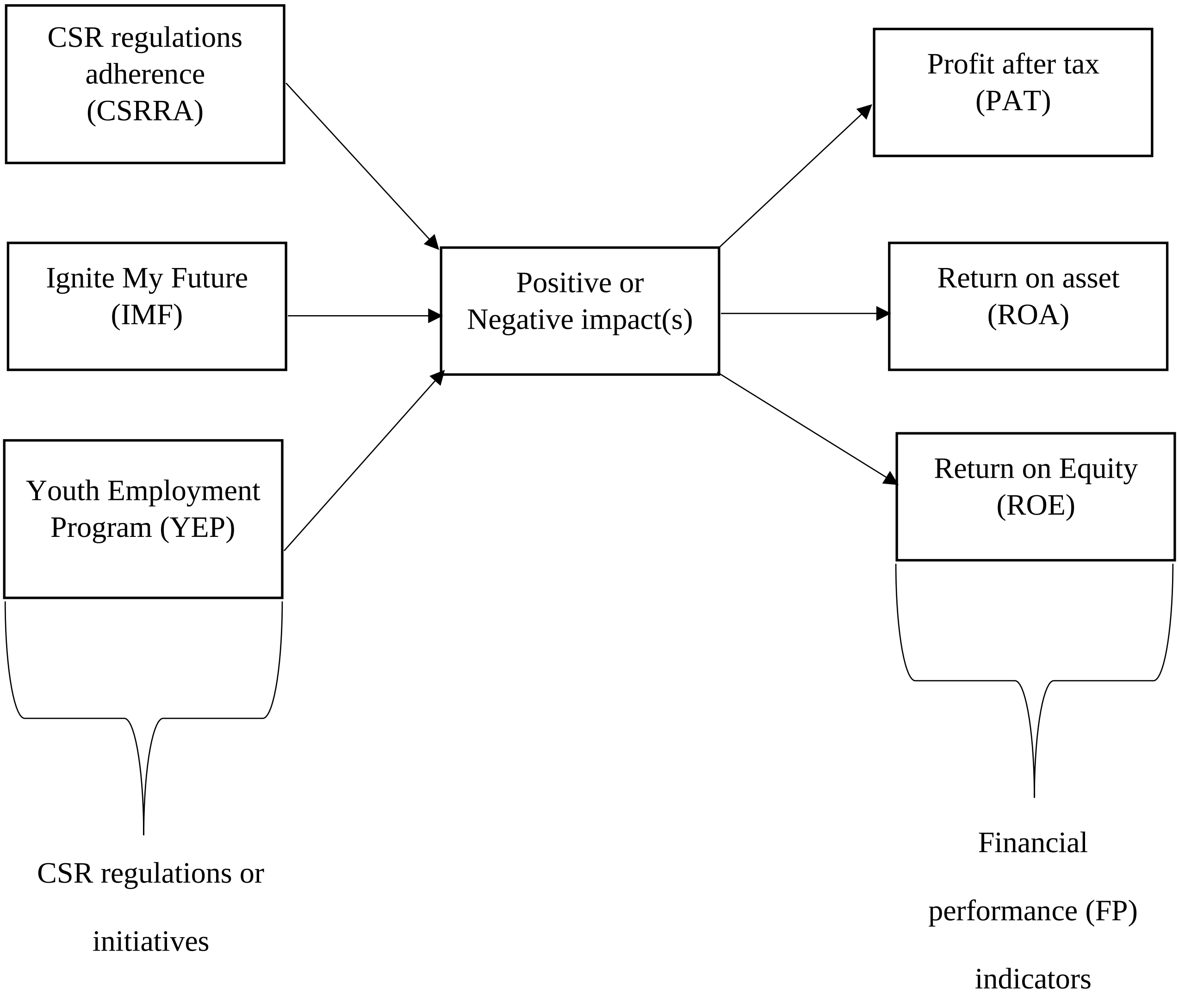


Figure 10: Theoretical framework for assessing the impacts of CSR activities of government CSR regulations on financial performance (PAT, ROA, and ROE of TCS)

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This section covers methods used to achieve the objectives of the research. As a result, it consists of research design, sampling and data collection techniques, and target population (TCS's financial report). Furthermore, it comprises sample size and data analysis approaches.

3.2 Research Design

The study exploited a quantitative research design. The research design narrowed to correlation quantitative to determine the association between the CSR initiatives, Indian CSR regulations, and financial performance indicators of TCS. Usually, correlation quantitative design entails observing two or more variables to recognize statistically related associations between the variables, which is descriptive (Devi et al., 2022).

3.3 Description of the Data

The financial performance indicators were the dependent variables. On the other hand, CSR initiatives or CSR regulations adherence were the independent variables. The number of beneficiaries of the selected CSR initiatives (IMF and YEP) of TCS was used to measure CSR programs. Additionally, CSR regulations adherence was determined based on percentage according to their impacts in specific years. FP's two indicators (ROA and ROE) are presented in ratio forms according to Equations 1 and 2, while PAT is in crores.

$$\text{ROE} = \frac{Net\ income}{\frac{Shareholder\ Equity\ beginning + Shareholder\ Equity\ end}{2}}$$ **Equation 1**

$$\text{ROA} = \frac{Net\ income}{\frac{Total\ Asset\ beginning + Total\ Asset\ end}{2}}$$ **Equation 2**

3.4 Data Sampling and Collection

The researcher used a probability sampling technique (systematic sampling), in which financial annual reports (target population) were selected at regular intervals of (N/n=10/5=2, where N is the number of the target population, and n is the sample size). So, the financial report was chosen between 2010 and 2023 at intervals of two years, between 1(2010-2023) and Kth (2010-2011). Based on this calculation, annual financial reports from these years (2010-2011, 2013-2014, 2016-2017, 2019-2020, and 2022-2023). Furthermore, data was collected using an archival data collection technique, in which the data of interest was obtained from existing annual financial reports of Tata Consultancy between 2010 and 2023. These annual financial reports were retrieved from Tata Consultancy Services Website. However, some economic indicators were obtained from peer-reviewed journals.

3.5 Target Population and Sample Size

The researcher used the annual financial reports of TCS as the target population. As a result, ten of TCS's fiscal yearly reports (between 2010 and 2023) were targeted. Consequently, a sample size of 5 TCS annual financial statements was incorporated into the study. The CSR initiatives (IMF and YEP) and financial performance indicators of interest were obtained from the sample size.

3.6 Data Analysis

After retrieving data from TCS' website, the number of CSR beneficiaries, financial performance indicators, and CSR regulations adherence were appropriately organized in Excel, ready for analysis using SPSS Version 23. The data for CSR regulations commitment was presented in percentage form according to their impacts. Correlation and multiple regression analysis were used to determine if there was a relationship between CSR initiatives and financial performance. Hence, economic performance was used as the dependent variable, while CSR initiatives were used as the independent variable. Equations 3, 4, and 5(multiple regression) were applied to show the correlation between the variables of interest.

$$PAT=\beta 0+\beta 1IMF+\beta 2YEP+\beta 3CSRRA +\varepsilon$$ **Equation 3**

$$ROA=\beta 0+\beta 1IMF+\beta 2YEP+\beta 3CSRRA +\varepsilon$$ **Equation 4**

$$ROE=\beta 0+\beta 1IMF+\beta 2YEP+\beta 3CSRRA +\varepsilon$$ **Equation 5**

In these equations, ε defines the error term, β0, β1, β2, and β3 are the coefficients representing changes in dependent variables (PAT, ROA, and ROE) for one-unit differences in independent variables(IMF, YEP, and CSRRA). Moreover, the correlation between the variables (dependent (Y) and independent(X) is described in Equation 6. In this equation, Xi and Yi are individual independent and dependent variables, respectively. Furthermore, X̌ and Y̌ are the means for independent dependent variables. R is the correlation coefficient between -1 and 1 and reveals the relationship between variables of interest (the impacts of CSR initiatives on the financial performance (ROA, ROE, and PAT).

$$r = \frac{\sum (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum (X_i - \bar{X})^2 \sum (Y_i - \bar{Y})^2}}.$$

Equation 6

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

This section provides the findings and discussion of the research. As a result, the results presented are related to correlation and multiple regression analysis. For multiple regression analysis, Equations 3, 4, and 5 represent the relationship between the CSR initiatives of CSR regulation adherence and financial performance (PAT, ROA, and ROE).

4.2 Correlation Analyses

The findings show a positive correlation between PAT and CSR initiatives (IMF, r=0.878, YEP, r=0.854, and CSSRA, r=0.987). The correlation between PAT and IMF is statistically significant at *p-value*=0.01 (shown in Table 1 with double asterisk marks). Moreover, the relationship between PAT and YEP important at *p-value*=0.05, as illustrated in Table 1 with a single asterisk mark.

ROA also demonstrated a moderately positive relationship with the independent variables (IMF, r=0.633, YEP, r=0.572, and CSSRA, r=0.431). The correlation between ROA and CSSRA is statistically significant at *p-value*=0.05.

Consequently, the relationship between ROE IMF, and YEP is strong positive (IMF, r=0.846, YEP, r=0.817). Interestingly, there is a moderately positive correlation between ROE and CSSRA(r=0.519), and it is statistically significant at *p-value*=0.05. Based on this analysis, it is apparent that there is a strong positive correlation between two financial performance indicators (PAT and ROA) than CSR initiatives and CSR. On the other hand, ROE indicates a moderate to strong positive correlation with CSR initiatives.

Table 1: The relationship between CSR initiatives or CSR regulations adherence and financial performance (ROA, ROE, and PAT)

Correlations

		PAT	ROA	ROE	IMF	YEP	CSRRA
PAT	Pearson Correlation	1	.460*	.598	.878**	.854*	.987
	Sig. (2-tailed)		.436	.287	.050	.066	.002
	N	5	5	5	5	5	5
ROA	Pearson Correlation	.460*	1	.918	.633	.572	.431*
	Sig. (2-tailed)	.436		.028	.252	.313	.469
	N	5	5	5	5	5	5
ROE	Pearson Correlation	.598	.918	1	.846	.817	.519*
	Sig. (2-tailed)	.287	.028		.071	.091	.370
	N	5	5	5	5	5	5
IMF	Pearson Correlation	.878**	.633	.846	1	.973**	.795
	Sig. (2-tailed)	.050	.252	.071		.005	.108
	N	5	5	5	5	5	5
YEP	Pearson Correlation	.854*	.572	.817	.973**	1	.773
	Sig. (2-tailed)	.066	.313	.091	.005		.125
	N	5	5	5	5	5	5
CSRRA	Pearson Correlation	.987	.431*	.519*	.795	.773	1
	Sig. (2-tailed)	.002	.469	.370	.108	.125	
	N	5	5	5	5	5	5

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.3 Multiple Regression Analyzes

PAT=-26462.113+23.879 IMF-17.089YEP+67612.352CSRRA **Equation7**

For one unit change in IMF, there is an increase of 23.879 in profit after tax (PAT). On the other hand, for a one-unit change in YEP, there is a decrease of 17.089 in PAT. Additionally, a one-unit change in CSRRA is related to an increase of 67612.352 in PAT. Thus, two CSR initiatives (CSR regulations adherence and IMF) lead to a positive profit increase after tax, indicating a positive correlation between these variables. Nonetheless, YEP is negatively associated with profit after tax (PAT).

Table 2: Multiple regression analysis between PAT and IMF, YEP, and CSSRA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-26462.113	4889.895		-5.412	.116
	IMF	23.879	22.097	.260	1.081	.475
	YEP	-17.089	644.498	-.006	-.027	.983
	CSRRA	67612.352	7531.546	.784	8.977	.071

a. Dependent Variable: PAT

ROA=31.736+.031IMF-0.490YEP-3.592CSRRA **Equation8**

For one unit change in IMF, there is an increase of 0.031 in ROA. On the other hand, for a one-unit change in YEP, there is a decrease of 0.490 in ROA. Additionally, a one-unit change in CSRRA is related to an decrease of 3.592 in ROA. Thus, two CSR initiatives (CSR regulations adherence and YEP) lead to a negative ROA, indicating a negative correlation between these variables. Nonetheless, IMF is positively associated with ROA.

Table 3: Multiple regression analysis between ROA and IMF, YEP, and CSSRA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	31.736	14.479		2.192	.272
	IMF	.031	.065	1.594	.474	.718
	YEP	-.490	1.908	-.827	-.257	.840
	CSRRA	-3.592	22.301	-.197	-.161	.898

a. Dependent Variable: ROA

ROE=51.983+0.078IMF-0.222YEP-23.445CSRRA **Equation9**

For one unit change in IMF, there is an increase of 0.078 in ROE. On the other hand, for a one-unit change in YEP, there is a decrease of 0.222 in ROE. Additionally, a one-unit change in CSRRA is related to an decrease of 23.445 in ROE. Thus, two CSR initiatives (CSR regulations adherence and YEP) lead to a negative ROE, indicating a negative correlation between these variables. Nonetheless, IMF is positively associated with ROE.

Table 3: Multiple regression analysis between ROE and IMF, YEP, and CSSRA

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	51.983	28.260		1.839	.317
	IMF	.078	.128	1.295	.608	.652
	YEP	-.222	3.725	-.122	-.060	.962
	CSRRA	-23.445	43.527	-.416	-.539	.685

a. Dependent Variable: ROE

In the comparison between correlation and multiple regression analyses, there is a positive relationship between financial performance and some CSR initiatives. However, the correlations revealed a positive relationship between all CSR initiatives and financial performance. On the other hand, multiple regression indicated that there is a negative relationship between financial performance and some CSR initiatives (ROE and IMF, PAT and YEP). Additionally, *the p-value* for multiple regression analyses is higher than 0.05, as demonstrated in Tables 2, 3, and 4. Furthermore, the correlation between financial performance variables and CSR initiatives' variables is statistically significant at either 0.05 or 0.01, as illustrated in Table 1.

4.4 Discussion

The study investigated the impacts of CSR initiatives of TCS on its financial performance. For this reason, a multiple regression analysis was conducted to test the hypotheses (null and alternative hypotheses). The null hypothesis suggested that there are positive impacts of CSR initiatives and CSR regulations on the financial performance of TCS. On the other hand, the alternative hypothesis indicates that there are adverse effects of CSR initiatives and CSR regulations on the financial performance of TCS. Moreover, the correlation was conducted to determine the nature of the relationship between dependent and independent variables. Therefore, based on the correlation analyses, there were solid and moderate positive correlations between CSR initiatives or CSR regulations adherence and financial performance (PAT, ROE, and ROA). Hence, the findings show that implementing CSR initiatives or adhering to CSR regulations leads to positive impacts on financial performance (ROA, ROE, and PAT).

Contrary to correlation analyses that show a positive relationship between CSR initiatives or CSR regulations adherence, multiple regression analyses established that a negative association exists between financial performance and some CSR initiatives. For example, PAT and YEP demonstrated a negative association between them. Furthermore, there was a negative relationship between ROA and YEP. Therefore, spending money on YEP (Youth Employment Program) leads to negative impacts on the profit after tax (PAT). Additionally, investing in YEP (Youth Employment Program) contributes to adverse effects on the return on assets.

The *p-value* for all the independent variables (PAT, ROA, and ROE) was more significant than 0.05, justifying the retention of the null hypothesis. For this reason, adherence to TCS regulations and implementing CSR initiatives by TCS improve its financial performance. CSR efforts may therefore be seen as influencing improved financial performance.

An additional regression analysis is performed to determine the impact of industry growth (Industrygrowth) and corporate social responsibility (CSR) spending (CSRSPENDING) on profitability after tax (PAT), a critical dependent variable in assessing organizational performance. By incorporating these variables into the model, I seek to discern their respective impacts on the financial health and sustainability of companies.

Industry growth, derived from the Nifty IT index in India, serves as a crucial metric in assessing the performance of the Information Technology (IT) sector. Nifty IT represents the weighted average of select IT companies' stock prices listed on the National Stock Exchange (NSE). Industry growth calculated using below specified formula,

$$\%\ \text{increase} = 100 \times \frac{(\text{final} - \text{initial})}{|\text{initial}|}$$

Table:1 Nifty IT Sector Index

DATE	OPEN	HIGH	LOW	CLOSE	IndustryGrowth
31-Mar-23	28379.75	28741.6	28277	28698.6	-20.98
31-Mar-22	36517.95	36663.2	36164.9	36317.2	40.46
31-Mar-21	26130.6	26130.6	25788	25855	102.57
31-Mar-20	12681.75	12930.8	12466.6	12763.65	-18.33
31-Mar-19	15681.6	15729.5	15578.2	15628.2	24.91
28-Mar-18	12468.7	12573.1	12424.55	12511.55	16.9
31-Mar-17	10735.6	10752.35	10634.9	10703	-5.36
31-Mar-16	11240.6	11387.9	11216.45	11309	-6.41
31-Mar-15	12159.05	12206.8	12005.2	12083	29.95
31-Mar-14	9297.95	9325.05	9184.35	9298	28.8
28-Mar-13	7153.6	7232.1	7147.25	7219	10.79
30-Mar-12	6392	6533.3	6392	6516	-8.84
31-Mar-11	7021.45	7192.35	7021.45	7148.1	22.07
31-Mar-10	5947.6	5967.55	5842.3	5855.9	

Source: Data obtained from National stock exchange of India, own computation

Multiple Regression Analyzes

PAT=7878.984+40.897CSRSPENDING-17.162INDUSTRYGROWTH **Equation 10**

For one unit change in CSRSPENDING, there is an increase of 40.897 in profit after tax (PAT). On the other hand, for a one-unit change in INDUSTRYGROWTH, there is a decrease of 17.162 in PAT. Thus, the CSR spending lead to a positive profit increase after tax, indicating a positive correlation between the (PAT). Nonetheless, Industry growth is negatively associated with profit after tax (PAT).

Table: Multiple regression analysis between PAT and CSRSPENDING, and INDUSTRYGROWTH

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	7878.984	2868.361		2.747	.111
	CSRSPENDING	40.897	6.573	.966	6.222	.025
	INDUSTRYGROWTH	-17.162	83.699	-.032	-.205	.857

a. Dependent Variable: PAT

The findings reveal a noteworthy trend, indicating a positive effect of CSR spending on PAT, suggesting that investments in socially responsible initiatives contribute positively to the bottom line. Conversely, the analysis reveals a contrasting relationship, whereby industry growth demonstrates a negative effect on PAT, implying potential challenges or constraints associated with rapid industry expansion.

The findings of the present study are in agreement with the results in the literature. For example, several studies such as Coleho et al., 2023; Costa & Fonseca, 2022; Volkova, 2021;

Chapagain, 2022; Feng et al., 2021; Kim & Oh, 2019;Gautam et al., 2016; Cherian et al., 2019 indicate a positive relationship between financial performance and CSR initiatives.

The findings also concur with studies (Sinha et al., 2022; Sameer, 2021) that show a negative association between CSR initiatives and financial performance. There were also insignificant relationships between financial performance and CSR initiatives undertaken by Tata Consultancy Services; for example, the correlation between return on equity (ROE) and IMF or YEP (Table 4). The results demonstrate that a one-unit change in YEP (Youth Employment Program) contributes to -0.222, which is a negative correlation between these variables.

Moreover, a one-unit change in IMF results in an insignificant positive relationship with return on equity. An insignificant positive association is also evidenced between ROA and IMF or YEP (Table 3). These insignificant relationships are in agreement with the findings of researchers such as Benabou & Tirole, 2010.

Contrary to previous findings, the current study reveals a strong association between CSR regulations adherence and financial performance, suggesting that by following Indian CSR regulations, companies are more likely to improve their financial performance than organizations or companies that do not follow these regulations. Moreover, it was surprising to find contradictory results between correlation and multiple regression analyses. In correlation analyses, there were solid and moderate positive relationships between CSR initiatives and CSR regulation adherence. However, multiple regression analyses were associated with both positive and negative correlations between finance performance and CSR initiatives or CSR regulations adherence. These contradicting outcomes occurred because of the selected variables for CSR initiatives or CSR regulation adherence and financial performance variables. The contradicting outcomes justify the need for having universal variables for measuring the financial performance of institutions and CSR initiatives.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The present research assessed the CSR practices in India and the impacts of CSR initiatives on the financial performance of TCS. As a result, the study scrutinized the CSR Act 2013 in India, also known as the Companies Act 2013, significantly impacted corporate social responsibility practices in India. It mandated companies to allocate a portion of their profits to CSR activities, leading to increased investment in education, healthcare, and environmental sustainability. The Act also encouraged transparency in CSR initiatives and active community engagement, resulting in a proactive approach to social and environmental issues. This has fostered a culture of responsible business practices, contributing to the nation's overall development.

The study focused on the YEP (Youth Employment Program), IMF (Ignite My Future), and CSRRA (CSRA regulations adherence) as indicators for CSR initiatives. Additionally, return on equity, profit after tax (PAT), and return on asset (ROA) were used as indicators for financial performance. As a result, three independent variables (YEP, IMF, and CSRRA) and dependent variables (PAT, ROA, and ROE) were incorporated into the study. Secondary data (annual financial reports of TCS) obtained from TCS' website was utilized in the study. The researcher used Quantitative research design (correlation research design) to examine the correlation between financial performance and CSR initiatives undertaken by TCS.

Moreover, the archived data approach was exploited as a data collection technique, systematic sampling, and a sample size of five annual financial reports (systematically selected between 2010 and 2023) were used. Furthermore, the data was analyzed using correlation and multiple regression analysis. The correlation analysis established a solid and moderate positive relationship between CSR initiatives and financial performance. Two of the CSR initiative indicators (PAT and ROA) showed a strong positive relationship with all CSR initiative indicators (YEP, IMF, and CSRRA). However, ROE revealed moderate and strong positive correlations with CSR initiatives (IMF and YEP) and CSRRA, respectively.

There is a positive correlation between PAT and CSR initiatives (IMF, r=0.878, YEP, r=0.854, and CSSRA, r=0.987). ROA also demonstrated a moderately positive relationship with the independent variables (IMF, r=0.633, YEP, r=0.572, and CSSRA, r=0.431). The relationship between ROE, IMF, and YEP is strong positive (IMF, r=0.846, YEP, r=0.817). Interestingly, there is a moderately positive correlation between ROE and CSSRA(r=0.519). TCS's profit after tax (PAT) and return on equity (ROE) show particularly strong positive correlations with all three CSR initiatives (IMF, YEP, and CSSRA). This suggests that implementing these specific social responsibility programs might be strategically beneficial for TCS, potentially leading to increased profitability and shareholder returns.

On the other hand, multiple regression analyses revealed mixed findings (positive and negative relationship between the variables). For instance, there was a positive relationship between PAT and CSR initiatives except YEP. For one unit change in IMF, there is an increase of 23.879 and an increase of 67612.352 of CSRRA in profit after tax (PAT). Moreover, for a one-unit change in YEP, there is a decrease of 17.089 in PAT. However, ROA has a positive association only with IMF. Return on equity showed a positive association between IMF and but a negative correlation with IMF and CSRRA. The study examined the correlation between TCS's CSR initiatives and its financial performance, finding positive associations. However, multiple regression analyses revealed mixed results, highlighting the need for further research to understand the nuances of the relationship between CSR and financial performance, considering potential causal factors and long-term impacts.

Moreover, the *p-value* in multiple regression analyses was higher than *the p-value*=0.05, validating the retention of the null hypothesis, which indicates that CSR initiatives and adherence to CSR regulation positively affect the financial performance of Tata Consultancy Services. Therefore, based on the findings, negative associations between variables have insignificant impacts on the testing of the hypotheses. The selection of specific CSR initiatives influences the relationship between it (CSR programs) and financial performance. Again, a strong positive relationship between CSRRA and financial performance indicator indicates the significance of adhering to CSR regulations in India.

5.2 Recommendations

The research revealed that there is a strong positive association between CSR regulations in India and the financial performance of TCS. Moreover, the review of the literature demonstrated that limited studies are focusing on the impact(s) on the financial performance of organizations. Most of the studies concentrated on the effects of CSR programs on financial performance, neglecting the consideration of the effects of CSR regulations. For these reasons, future research should investigate the impacts of CSR regulations in different sectors in India to justify the present findings.

Moreover, there are contradictory results between the methods of analyses used (correlation and multiple regression analyses). For example, correlation analysis reveals a positive relationship between CSR initiatives or CSR regulations and the financial performance of TCS.

Nonetheless, multiple regression analysis has positive and negative associations. Thus, there is a need for studies focusing on the methods used to assess the relationship between CSR initiatives and financial performance. Again, universal indicators for investigating the association between financial performance and CSR initiatives are necessary to provide valid and reliable data. Finally, incorporating stakeholder perspectives, including employees, customers, and communities, would offer a more holistic understanding of the impact of CSR on TCS's overall value creation.

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APPENDICES

Appendix 1

Table 2: Dataset used to calculate ROA.

YEAR	NET INCOME	AVERAGE TOTAL ASSET	ROA
2022-23	39106	119847	32.63
2021-22	38187	121268	31.49
2020-21	30960	109400	28.3
2019-20	33260	104988	31.68
2018-19	30065	99521	30.21
2017-18	25241	91057	27.72
2016-17	23653	89765	26.35
2015-16	23075	77433	29.8
2014-15	19256.96	63076	30.53
2013-14	18474.92	57609	32.07
2012-13	12786.34	43023	29.72
2011-12	10976	34268	32.03
2010-11	7569.99	26050	29.06
2009-10	5632.49	22494	25.04
2008-09	4799	18954	25.32

Appendix 2: Used dataset in SPSS

Table 3: Dataset used for correlation and regression analysis.

Financial Year	**PAT**	**ROA**	**ROE**	**IMF**	**YEP**	**CSRRA**	**Total CSR Impacts**
2010-2011	7570	29.06	38.86	200	428	0.5	1256
2013-2014	18475	32.07	41.93	400	632	0.68	1518
2016-2017	23653	26.35	30.31	850	1120	0.73	2699
2019-2020	33260	31.68	44.72	176792	4470	0.82	221051
2022-2023	39106	32.63	52.46	293697	10869	0.87	350076

Appendix:3

Table 9: Dataset used to calculate ROE.

YEAR	NET INCOME	SHAREHOLDER EQUITY	ROA
2022-23	39106	745.44	52.46
2021-22	38187	771.77	49.48
2020-21	30960	748.01	41.39
2019-20	33260	743.74	44.72
2018-19	30065	789.11	38.1
2017-18	25241	758.67	33.27
2016-17	23653	780.37	30.31
2015-16	23075	650.18	35.49
2014-15	19256.96	454.17	42.4
2013-14	18474.92	440.61	41.93

2012-13	12786.34	324.69	39.38
2011-12	10976	247.6	44.33
2010-11	7569.99	194.8	38.86
2009-10	5632.49	150.56	37.41
2008-09	4799	136.41	35.18

Appendix: 4

Table 10: Dataset used for regression analysis for discussion part.

Year	PAT	CSRSPENDING	INDUSTRYGROWTH
2010	7570	39	22.07
2011	10976	56	-8.84
2012	12786	65	10.79
2013	18475	250	28.80
2014	19257	290	29.95
2015	23075	302	-6.41
2016	23653	350	-5.36
2017	25241	370	16.90
2018	30065	434	24.91
2019	33260	602	-18.33s
2020	30960	674	102.57
2021	38187	727	40.46
2022	39106	783	-20.98

Appendix:5

Table 10: Dataset, India, total countrywide CSR amount after CSR legislation.

Year	CSR AMT
2014	10066
2015	14518
2016	14543
2017	17099
2018	20218
2019	24966
2020	26211
2021	26279

Appendix:7

Table 11: Model summary (PAT dependent variable)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.997	.989	1314.434

a. Predictors: (Constant), CSRRA, YEP, IMF

Appendix:8

Table 12: Model summary (ROA dependent variable)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.672[a]	.451	-1.196	3.892

a. Predictors: (Constant), CSRRA, YEP, IMF

Appendix:9

Table 13: Model summary (ROE dependent variable)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883[a]	.780	.121	7.596

a. Predictors: (Constant), CSRRA, YEP, IMF