

Financial Strength and Social Commitment: A Comparative Study of CSR and Tax Contribution of Major Companies in Mumbai

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Abstract: *This study examines the connection between corporate financial performance, Corporate Social Responsibility (CSR) expenditure and tax contribution among the largest companies incorporated in Mumbai. The objective is to identify whether financial strength as determined by revenue and net profit has a major impact on company tax payment and CSR contribution. Descriptive and analytical research has been employed. Pooled Ordinary least squares(OLS) multiple regression analysis is used to assess how revenue and net profit affect corporate tax paid and CSR expenditures. The F-test for overall model adequacy at the 5% level and t-test for individual coefficient are used to determine statistical significance*

The findings indicate that Corporate tax and Corporate Social Responsibility are both highly influenced by the financial capacity. The Tax model explains 74.9% variation in corporate tax paid and 46.8% variation in CSR expenditure

Keywords: CSR, Financial performance ,tax, Profitability, revenue

1. Introduction

Social responsibility and financial performance are becoming more and more intertwined in today's business worlds. Businesses are now assessed on their contribution to the economy and society in addition to their profitability. Following the enactments of section 135 of the Companies Act 2013, which requires the qualified companies to allocate at least 2 % of their average net profits to CSR initiatives.¹

As India's financial capital, Mumbai is a home to the headquarters of numerous prominent companies in industries including energy, banking, information technology, manufacturing and fast moving consumer goods. Reliance Industries Ltd, Tata consultancy Services (TCS) HDFC Bank, State Bank of India (SBI), Infosys Ltd, ITC Ltd, Tata Steel Ltd, Oil and natural gas Corporation, Kotak Mahindra Bank and Axis Bank play a significant role in shaping the economy.

Conceptual Framework

Financial Strength: The ability of business to provide a steady Income and Profit is referred to as financial strength. It is frequently assessed using Revenue, Net profit, Earnings etc.

Corporate Social Responsibility: CSR is the ethical duty of the company to support sustainable development.

Corporate Tax: Company's direct contribution to the government's revenue is reflected in its corporate tax payment which support the national development initiatives

Need for the Study

¹ "Acts." *Www.mca.gov.in*, www.mca.gov.in/content/mca/global/en/acts-ules/ebooks/acts.html?act=NTk2MQ==.



Although there are many studies in the CSR field but only few of them integrate CSR, Tax and Profit. This study is important because it assesses the linkages between Financial growth and social contribution and also provides empirical evidence over a ten-year period.

Scope of the study

The study covers 10 companies incorporated in Mumbai for over a period of 10 years.

2. Research Methodology

Research Design: The study adopts quantitative, analytical and explanatory research design to examine the relationship. It is empirical in nature and is based on secondary panel data covering a period of Ten years.

Sources of Data: All the sources are secondary from Annual Published reports, Official websites, Reports and disclosure filed with Ministry of Corporate Affairs, Government of India. It consists of 10 companies observed over 10 years forming a data set of 100 firm-year observations.

Variables of the study:

Independent variables: Revenue and Net Profit

Dependent variables: CSR Expenditure, Corporate Tax paid

Objective of the study:

To analyze the relationship between corporate financial performance (revenue and Net profit) and social contribution (CSR and Corporate Tax)

Hypothesis:

H₀₁: There is no significant relation between financial performance and CSR expenditure.

H₁₁: There is significant relation between financial performance and CSR expenditure.

H₀₂: There is no significant relation between financial performance and Corporate Tax Paid.

H₁₂: There is a significant relation between financial performance and Corporate Tax Paid.

Statistical techniques and tools

Statistical techniques like Descriptive statistics, Pearson correlation Analysis, Panel Regression analysis (Fixed/Random Effects Model). Level of significance is set at 5%.

3. Review of Literature

Kesari and Rawat (2024) investigated the impact of financial performance among the Indian Firms and found a significant positive but low relation between financial performance and CSR.²

Singhal et al (2024) found that CSR is positively correlated with key performance measures.³

Journal of International Auditing, Accounting and Taxation (2025) showed that higher ESG performance is positively correlated with effective Tax.⁴

² Bikrant Kesari, and Nimisha Rawat. "Impact of Corporate Social Responsibility on Financial Performance: A Comprehensive Analysis of Indian Firms." *World Journal of Business and Management*, vol. 9, no. 1, 30 June 2023, pp. 1–1, <https://doi.org/10.5296/wjbm.v9i1.21107>. Accessed 11 Nov. 2023.

³ Singhal, Neeraj, et al. "Corporate Social Responsibility: Impact on Firm Performance for an Emerging Economy." *Journal of Risk and Financial Management*, vol. 17, no. 4, 22 Apr. 2024, pp. 171–171, <https://doi.org/10.3390/jrfm17040171>. Accessed 2 May 2024.

⁴ Binhadab, Nouf. "ESG Performance and Cash Effective Tax Rates: Evidence from UK Listed Firms." *Journal of International Accounting, Auditing and Taxation*, vol. 58, 28 Jan. 2025, p. 100683, www.sciencedirect.com/science/article/pii/S1061951825000060, <https://doi.org/10.1016/j.intaccaudtax.2025.100683>.



Azhara & Handyani (2023) showed that CSR disclosure negatively affects tax avoidance through earnings management.⁵

Data Collection

Data for 10 companies for last 10 years was collected from the websites.

Data Interpretation & Hypothesis testing

Regression Results

Model 1: Impact of Financial performance on CSR

Model equation: $CSR = \beta_0 + \beta_1(Revenue) + \beta_2(Net Profit)$

Regression Results – Dependent Variable: CSR Spend

Variable	Coefficient	Std. Error	t-Statistic	p-Value	Significance
Constant	142.70	40.86	3.493	0.001	Significant
Revenue	0.0012	0.000	4.677	0.000	Significant
Net Profit	0.0049	0.002	2.680	0.009	Significant

Table 1

Model Summary

Statistic	Value
R ²	0.468
Adjusted R ²	0.457
F-Statistic	42.64
Prob (F)	5.16e-14
Observations	100

Interpretation:

Revenue has a **positive and highly significant impact** on CSR expenditure ($p < 0.001$).

Net Profit also has a **positive and statistically significant impact** on CSR ($p = 0.009$).

The model explains **46.8% of variation** in CSR spending.

The overall model is statistically significant (F-test $p < 0.001$).

Model 2: Impact of Financial Performance on Corporate Tax Paid

Model

Equation $Tax = \alpha_0 + \alpha_1(Revenue) + \alpha_2(Net Profit)$

Regression Results – Dependent Variable: Tax Paid

Variable	Coefficient	Std. Error	t-Statistic	p-Value	Significance
Constant	2402.13	399.73	6.009	0.000	Significant
Revenue	-0.0062	0.003	-2.416	0.018	Significant
Net Profit	0.2512	0.018	14.027	0.000	Highly Significant

Table 2

Model Summary

Statistic	Value
R ²	0.749
Adjusted R ²	0.744

⁵ Azahra, Wanda, and Sri Handayani. "The Effect of CSR Disclosure on TaxRegression Results – Dependent Variable: Tax Paid** Avoidance through Earnings Management: Indonesian Evidence." *Journal of Contemporary Accounting*, 3 Mar. 2023, pp. 179–192, <https://doi.org/10.20885/jca.vol4.iss3.art5>. Accessed 17 Feb. 2025.



F-Statistic	145.0
Prob (F)	7.16e-30
Observations	100

Interpretation:

Net Profit has a strong positive and highly significant impact on corporate tax paid ($p < 0.001$).

Revenue shows a negative but statistically significant coefficient ($p = 0.018$), which may indicate multicollinearity between revenue and profit.

The model explains 74.9% of variation in tax paid.

The model is highly statistically significant overall.

Hypothesis Decision (H_{02}) : Reject H_{02} .

Financial performance significantly affects corporate tax contribution.

4. Conclusion

The study confirms that financial strength is a critical determinant of corporate social and fiscal responsibility. It demonstrates that the firm with greater financial capacity are more capable of sustaining social commitments

