

CSR Affects the Stock Market Investors' Attitude for Investing: A Study on Berhampur Town

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Abstract

Corporate Social Responsibility (CSR) has been evolving from remaining its altruistic motivation to core strategic management concept in the modern management. We have sizable examples of Corporate Social Responsibility activities been effectively integrated with marketing communication and companies attempting for an ethical brand building with the same. There are many equivocal research results regarding CSR and its impact in building brand of the organization in the current day's management literature. The present paper tries to extend the perception regarding organizations' CSR activities in the mind of shareholders' who are not only an important stake holder, affected by the firms performance but who are the real investors for CSR activities in the Ganjam district of Odisha. The paper aims at understanding shareholders' perception regarding the need of CSR activities by the companies as well as their perception and awareness about the CSR activities of the companies in which they invest their earnings. Shareholders have been classified in the various demographic segmentats and we have also tried to test the correlation between their demographic profile and their perception at the later part of the study.

Keywords: Corporate Social Responsibility, Shareholder, Perception, Brand, Marketing Communication.

Introduction

Management research and literature perceived to have equivocal results of the correlation between company's Corporate Social Responsibility (CSR) and its reputation. In the year 2009 India's one among the leading and reputed firm of Information Technology Industry SATYAM's mega corporate fraud shocked the investors' world. Their founders played with the trust of the investors, and even the controlling agencies were caught accounted and involved. Satyam failed miserably in its responsibility towards investors and stake holders. The corporate fraud cases like Satyam certainly questions company's responsibility towards its stake holders and the society. Is it all enough to perform financially better or growing capital and profits are adequate for the firms? However the arguments are made that the investors' focus first on the financial analysis, stability and the probability of their better returns on the investment and not on the holistic view of the organization. In the present research paper it has been attempted to understand the perception of the investor towards the socially responsible firms

and towards the CSR efforts of the companies. It has been tried to understand that whether companies with good extrinsic CSR activities are found more valuable than the companies without CSR activities, from and Investors' perspective?

Corporate Social Responsibility (CSR) of the companies here is understood as company's sense of responsibility towards the community and environment (both ecological and social) in which it operates as well towards their own stake holders. Perception is understood and defined as the, "process by which people translate sensory impressions into a coherent and unified view of the world around them. An investor is someone who allocates capital to a company. One who invests in shares of a company becomes its shareholder, and in turn owner of the company."

Research Methodology

Present research uses descriptive research methodology with preliminary data collection through the questionnaire through convenient sampling methodology. The major purpose of descriptive research is description of the state of affairs as it exists at present. The methods of communication with respondents were self-administered questionnaire and telephonic interview and mail questionnaire. For the study convenient random sampling method has been used, and looking towards the population of the Berhampur Town and possible investors' universe 80 samples have been studied (Around 2%) as per the perception study scale developed by Hay and Gray (1977).

Preliminary data obtained from the questionnaires were tabulated, interpreted and analyzed to derive conclusions with the help of statistical tools like finding out percentages and averages. The correlations hypothesis was tested with the help of Chi-Square test.

The purpose of this study is, to find out the importance of CSR in investor's mind and to know their perception towards it, with the same perspective following research objectives were formed.

Research Objectives

1. Study of investors' perception regarding desirability of CSR activities by the companies.
2. Study of investors' perception regarding need of analysis of financial and CSR reports before investments.
3. Study of Investors' awareness regarding CSR activities done by the companies before they invest.
4. To understand the correlation between investors' profile and their CSR awareness.

Literature Review

The 2002 World Summit on Sustainable Development (WSSD) marked the crowning of CSR. Carroll's (1979) classic definition of CSR included four parts: economic, legal, ethical, and voluntary. Good ethics can have a positive economic impact on the performance of firms (Brendar and Dinah, 2002).

CSR depends on the relationship between business and society and how businesses responds towards their key stakeholders such as employees, customers, investors, suppliers, communities, and special interest groups (Hick, 2000). Businesses have a moral obligation to give back to society and enhance it, as they draw their resources from society, (Barnett, 2007). According to Burke and Logsdon (1996), tougher competitive conditions in recent years have put pressure on firms to examine their philanthropy and social responsibility activities. If companies can shift one-time philanthropic donations into a focused program of community partnering, it can be a good first step to develop a comprehensive approach to social responsibility (Tapan & Ravneet, 2007). Over the past decades, CSR has grown to a complex concept which is increasingly central to today's corporate decision making (Cochran, 2007).

In the behavioral science literature perception is defined as an act of being aware of "one's environment through physical sensation, which denotes an individual's ability to understand", or "Perception refers to the process by which we form impressions of someone or something"

In today's market place, Corporate Social Responsibility (CSR) has strategic significance to companies. In India, the Companies Bill 2011 proposes that, companies with a net worth of Rs.500 crore or more, or turnover of over Rs.1,000 crore or more, or a net profit of Rs.5 crore in any financial year, will spend at least 2% of the average net profit in the preceding three years on CSR, every financial year.

Data Analysis

The data were collected using the pre-designed questionnaire and the investors were the respondents, collected data from the questionnaire were tabulated and have been interpreted as follows for deriving statistical conclusions.

(A) Respondents' Profile Analysis

(a) Gender

Table 1

Sl. No.	Gender	Actual Sample Response	% Of the Sample
1	Male	62	77%
2	Female	18	23%
	Total	80	100%

Source : Survey

Analysis & Interpretation:

The above figure in Table 1 reflects that, out of total respondents 23% respondents were female and the rest 77% were males. Out of total population surveyed, the number of female investors was less; means, only 18 females out of 80 and the rest 62 are males. This difference may be because of the fact that still in most of the Indian family's males were earning member and were involved in investment decision making process, comparative to the female members.

(b) Age**Table 2**

Sl. No	Age	Actual Sample Response	% Of the Sample
1	<i>Below 21 Years</i>	<i>Nil</i>	-
2	<i>21-45 Years</i>	70	87%
3	<i>Above 45 Years</i>	10	13%
	<i>Total</i>	80	100%

Source : Survey

All the respondents were above the age of 21 years. Those who were below 21 years of age seemed to take least interest in investing in share market and even some of them believed it to be risky and so avoided investment in share market. Form the Table 2 we can see that 87% of the respondents are within the age group of 21 - 45 years and only 13% of them are above the age of 45 years.

(c) Educational Qualification**Table 3**

Sl. No	Educational Qualification	Actual Sample Response	% Of the Sample
1	<i>Under Graduate</i>	6	07%
2	<i>Graduate</i>	32	40%
3	<i>Masters and Professionals</i>	42	53%
	<i>Total</i>	80	100%

Source : Survey

As seen from the Table 3; out of 80 respondents, 6 of them are under graduate, 32 are Graduate and 42 are Masters and above by their qualification. The most interesting thing is, among the under graduate there were 2-3 who were diploma holders and yet took interest in investing share market. And when we see graduates and masters, there isn't much difference in the numbers.

(d) Occupation**Table 4**

Sl. No	Occupation	Actual Sample Response	% Of the Sample
1	<i>Self Employed</i>	16	20%
2	<i>Service</i>	46	57%
3	<i>Others (Students, Contractual Labor)</i>	18	23%
	<i>Total</i>	80	100%

Source : Survey

Table 4 indicates that 57% of the respondents who invest in to the primary stock market are employees, whereas 20% of them are Entrepreneurs and the rest 23% are students. Here there is a huge gap between the number of people doing job and business, as visible people in the business prefers to invest in the business than the stocks, while people as employee takes it as a matter of investment with added risk and invest in to the stock market.

(e) From how many years have you been investing in stock market?**Table 5**

Sl. No	Work Experience	Actual Sample Response	% Of the Sample
1	<i>One year or Less</i>	22	27%
2	<i>1 - 5 Years</i>	38	48%
3	<i>More than 5 Years</i>	20	25%
	<i>Total</i>	80	100%

Source : Survey

The data in the Table 5 reflects that those who have been investing in share market from more than 5 years are 25%, but 48% of them have been investing since last 1-5 years and those who have recently started investing constitute 27%. This figure shows a positive output, because the numbers of people taking interest to invest into share market are increasing.

(B) Investors Perception Regarding Need of Financial Report and Analysis.**Table 6**

Sl. No	Respondents' Perception Regarding Need of Financial Report Analysis	Actual Sample Response	% Of the Sample
1	<i>Never</i>	42	52%
2	<i>Some times</i>	18	22%
3	<i>Often</i>	16	23%
4	<i>Always</i>	04	03%
	<i>Total</i>	80	100%

Source : Survey

As shown in the Table 6 it is important to note that only 2 out of 80 respondents have agreed to have always analyzed the financial report of the company before investing. We saw that the numbers of fresh investors are increasing but most of them are never analyzing the financial reports before investing. 52% of them never analyze the financial report before investing and 18% of them analyze sometimes and often respectively.

(C) Investors Awareness towards CSR Report and its Analysis**Table 7**

Sl. No	Respondents' Awareness Towards CSR Report Analysis	Actual Sample Response	% Of the Sample
1	<i>Never</i>	72	90%
2	<i>Some times</i>	08	10%
3	<i>Often</i>	00	00%
4	<i>Always</i>	00	00%
	<i>Total</i>	80	100%

Source : Survey

The data tabulated in Table 7 indicates that, very few investors go through and read or analyzed the CSR reports before investing, in the previous question's answer we saw that more than 50% are never analyzing the financial report before they invest in a company's share. Here we see that 90% of the investors never analyze the CSR report before investing and rest 10% analyze it, but that to sometimes.

D) Investors Perception Regarding Desirability of CSR by the Companies

Table 8

Sl. No	Perception towards the Desirability of CSR	Actual Sample Response	% Of the Sample
1	<i>Very Much Desired</i>	22	27%
2	<i>Desired</i>	36	45%
3	<i>Neutral</i>	12	15%
4	<i>Not Desired</i>	10	13%
5	<i>Extremely Undesired</i>	00	0%
	<i>Total</i>	80	100%

Source : Survey

It is interesting to note that around 72% of them agrees that CSR activities are desirable by the companies i.e., company is desired to contribute to society in one or the other way and around 15% of the respondents are of the neutral opinion, and only 13% of them disagreed with the need of CSR by the companies.

(E) Investors Perception Towards CSR Activities in the Stocks They Are Investing.

Table 9

Sl. No	Awareness regarding CSR Activities by the Companies	Actual Sample Response	% Of the Sample
1	<i>Never Tries to Know</i>	58	73%
2	<i>Collect Information</i>	22	27%
	<i>Total</i>	80	100%

Source : Survey

Data reveals that only around 27% respondents collect and they sometimes analyze CSR report before they invest. Still the figure above clearly indicates that 73% of them are not aware about CSR is being done by the company in which they have invested or not or have never tried to know about the same, that is because, once invested in a company they care to look at what the company is doing in the operations and they are only concerned with how stock prices and nature of dividend varies and how are they managing their finance.

F) Investors' Perception Regarding Need Of Extrinsic CSR By The Companies In Which They Invest.

Table 10

Sl. No	Perception Regarding Need of CSR Activities by the Company in Which They Invest.	Actual Sample Response	% Of the Sample
1	<i>Very Much Desired</i>	00	00%
2	<i>Desired</i>	12	15%
3	<i>Neutral</i>	42	52%
4	<i>Not Desired</i>	18	23%
5	<i>Extremely Undesired</i>	08	10%
	<i>Total</i>	80	100%

Source : Survey

As we have seen earlier in the analysis of the data of Table 9, Investors are not focusing or prioritizing at all towards the CSR activities of the organization, while collecting data regarding their perception and need of CSR activities in the stock they invested more than 50% of the respondents have been neutral to this question as they themselves don't really find it that needful always; whereas 25% agreed to it and 23% disagreed to this question.

(G) Perception towards Extrinsic CSR as Key Differentiating Factor for Investor to Invest.

Table 11

Sl. No	Perception towards Extrinsic CSR as the Key Differentiating Factor.	Actual Sample Response	% Of the Sample
1	<i>Yes</i>	00	00%
2	<i>No</i>	80	100%
	<i>Total</i>	80	100%

Source : Survey

There is no respondent who believes that extrinsic CSR is differentiating the organization with the organization which is not doing any CSR. Most of the investors have agreed to feel that they have never tried to know about the CSR activities of the organization in the stocks they have invested in a company nor they are of the opinion that they will invest because of the good extrinsic CSR records of the company. This clearly tells that the fluctuation in share price of a company doesn't have any direct relation with the CSR it does.

(H) Investors' Perception Regarding CSR as Competitive Advantage.

Table 12

Sl. No	Perception Regarding CSR as a Competitive Advantage.	Actual Sample Response	% Of the Sample
1	<i>Strongly Agree</i>	04	05%
2	<i>Agree</i>	36	45%
3	<i>Neutral</i>	32	40%
4	<i>Disagree</i>	06	07%
5	<i>Strongly Disagree</i>	02	03%
	<i>Total</i>	80	100%

Source : Survey

While answering this question, 5% respondents strongly agree that CSR has a competitive advantage and 45% agrees that CSR activities done by a company will act as competitive advantage for the company but at the same time around 50% other respondents are either unclear or not in favour of the belief that CSR activities act as a competitive advantage.

(I) Investors' Awareness Regarding "Companies Bill for CSR" and its Major Provisions

Table 13

Sl. No	Awareness regarding Companies Bill Of CSR	Actual Sample Response	% Of the Sample
1	<i>Yes</i>	58	73%
2	<i>No</i>	22	27%
	<i>Total</i>	80	100%

Source : Survey

As tabulated in the Table 13, it is important to note that more than 70% of the respondents were aware about the recently passed "Companies Bill on CSR investment" and its major provisions, however around 30% investors were not aware about the same.

(J) Investors Perception Regarding CSR Expenditure as a Cost to Their Profit**Table 14**

Sl. No	Perceptions Regarding CSR as Spending are Cost on Their Profit.	Actual Sample Response	% Of the Sample
1	<i>Strongly Agree</i>	14	17%
2	<i>Agree</i>	30	38%
3	<i>Neutral</i>	16	20%
4	<i>Disagree</i>	16	20%
5	<i>Strongly Disagree</i>	04	05%
	<i>Total</i>	80	100%

Source : Survey

Almost 55% of the respondents believes that the compulsory CSR investment under the companies bill provision is a cost to their profit (17% strongly agrees and 38% agrees that CSR activities done by a company is cost on profit for the investors), as shown in the Table 14 as these activities reduces the net profit and indirectly the dividends for them. But 25% disagrees with this point and remaining 20% remains neutral on this.

(V) Hypothesis and Hypothesis Testing.

Corporate Social Responsibility (CSR) is an emerging strategic management concept in India , and gaining awareness among the Indian investors. In the present research paper it has been attempted to understand the various correlations between investors perception regarding need and usefulness of CSR report analysis and understanding before investing in a particular stock and their demographic profile. To understand the same following hypothesis were formed and the same has been tested on Chi-Square test with a significance level of 5%.

Hypothesis: 1**Null Hypothesis:**

H0 - Investors investment experience has no correlation with analysis of CSR report before investments

Alternative Hypothesis:

H1 - Investor's investment experience has correlation with analysis of CSR report before investments

Level of significance = 0.05, Degree of freedom = 6

Data has been interpreted and calculated Chi-Square result has been tabulated as shown in the Table No 15 and Table 16.

Table 15 (Investors' Experience)

	Less than 1 year	1 to 5 years	More than 5 years	Total
Never	22	36	14	72
Sometimes	0	2	6	8
Often	0	0	0	0
Always	0	0	0	0
Total	22	38	20	80

Source : Survey

Table 16 (Chi-Square Calculations)

Observed (o)	Expected (e)	(o-e)	(o-e) ²	((o-e) ² / e
22	19.8	2.2	4.84	0.244444444
0	2.2	-2.2	4.84	2.2
0	0	0	0	0
0	0	0	0	0
36	34.2	1.8	3.24	0.094736842
2	3.8	-1.8	3.24	0.852631579
0	0	0	0	0
0	0	0	0	0
14	18	-4	16	0.888888889
6	2	4	16	8
0	0	0	0	0
0	0	0	0	0
Total				12.28070175

$X^2_{cal} = 12.28070175$, $X^2_{tab} = 12.6$, as, the $X^2_{tab} > X^2_{cal}$, we will accept the Null hypothesis (H_0).

H_0 - Investor's investment experience has no relation with analysis of CSR report before investing

Hypothesis - 2,

Null Hypothesis:

H_0 - The age of investors has no correlation with need of CSR report analysis before investment.

Alternative Hypothesis:

H1 - The age of investors has correlation with need of CSR report analysis before investment.

Level of significance = 0.05, Degree of freedom = 8

Table 17

	Less than 21 years	21 to 45 years	45 years and above	Total
Strongly Agree	0	22	0	22
Agree	0	30	6	36
Neutral	0	8	4	12
Disagree	0	10	0	10
Strongly Disagree	0	0	0	0
Total	0	70	10	80

Source : Survey

Table 18 : Chi Square Calculations

Observed (o)	Expected (e)	(o-e)	(o-e)^2	((o-e)^2)/ e
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
22	19.25	2.75	7.5625	0.392857143
30	31.5	-1.5	2.25	0.071428571
08	10.5	-2.5	6.25	0.595238095
10	8.75	1.25	1.5625	0.178571429
0	0	0	0	0
0	2.75	-2.75	7.5625	2.75
6	4.5	1.5	2.25	0.5
4	1.5	2.5	6.25	4.166666667
0	1.25	-1.25	1.5625	1.25
0	0	0	0	0
Total				9.904761905

X2 cal = 9.904761905,

X2 tab = 15.5,

As, the X2 tab > X2 cal, we will accept the Null hypothesis (H0).

H0 - The age of investors has no correlation with the belief that CSR activities are desirable by every company

Hypothesis 3

Investor's qualification has correlation with analyzing CSR report before investing

Null Hypothesis:

H0 - Investor's qualification has no correlation with analyzing CSR report before investing

Alternative Hypothesis:

H1 - Investor's qualification has correlation with analyzing CSR report before investing

Level of significance = 0.05, Degree of freedom = 6

Table 19

	Under Graduate	Graduate	Master & above	Total
<i>Never</i>	6	32	34	72
<i>Sometimes</i>	0	0	8	8
<i>Often</i>	0	0	0	0
<i>Always</i>	0	0	0	0
Total	6	32	42	80

Source : Survey

Table 20 : Chi Square Calculations

Observed (o)	Expected (e)	(o-e)	(o-e) ²	((o-e) ² / e)
6	5.4	0.6	0.36	0.066667
0	0.6	-0.6	0.36	0.6
0	0	0	0	0
0	0	0	0	0
32	28.8	3.2	10.24	0.355556
0	3.2	-3.2	10.24	3.2
0	0	0	0	0
0	0	0	0	0
34	37.8	-3.8	14.44	0.382011
8	4.2	3.8	14.44	3.438095
0	0	0	0	0
0	0	0	0	0
Total				8.042328

X2 cal = 8.042328

X2 tab = 12.6

As, the X2 tab > X2 cal, we will accept the Null hypothesis (H0).

H0 - Investor's qualification has no correlation with analyzing CSR report before investing

Hypothesis -4

Correlation between Investor’s occupation & their perception that CSR is cost on profit for them

Null Hypothesis:

H0 - Investor’s occupation has no correlation with their perception that CSR is cost on profit for them

Alternative Hypothesis:

H1 - Investors’ occupation has correlation with their perception that CSR is cost on profit for them

Level of significance = 0.05

Degree of freedom = 8

Table 21

	Entrepreneur	Service	Other	Total
Strongly Agree	6	6	2	14
Agree	6	24	0	30
Neutral	4	12	0	16
Disagree	0	0	16	16
Strongly Disagree	0	4	0	4
Total	16	46	18	80

Source : Survey

Table 22 : Chi Square Calculations

Observed (o)	Expected (e)	(o-e)	(o-e)^2	((o-e)^2)/e
6	2.8	3.2	10.24	3.657143
6	6	0	0	0
4	3.2	0.8	0.64	0.2
0	3.2	-3.2	10.24	3.2
0	0.8	-0.8	0.64	0.8
6	8.05	-2.05	4.2025	0.52205
24	17.25	6.75	45.5625	2.641304
12	9.2	2.8	7.84	0.852174
0	9.2	-9.2	84.64	9.2
4	2.3	1.7	2.89	1.256522
2	3.15	-1.15	1.3225	0.419841
0	6.75	-6.75	45.5625	6.75
0	3.6	-3.6	12.96	3.6
16	3.6	12.4	153.76	42.71111
0	0.9	-0.9	0.81	0.9
Total				76.71014

X² cal = 76.71014

X2 tab = 15.5

As, the X2 tab < X2 cal, we will reject the Null hypothesis (H0).

H1 - Investors' occupation has correlation with their perception that CSR is cost on profit for them

Findings and Conclusion

From the current research important finding is that, most of the investors believe that the Corporate Social Responsibility is desired for the society but the same is not in favour of their own interest. They also have a clear belief that the CSR orientation or activities of the companies cannot add advantage to the organization in attracting investments. Most of the investors don't read or analyze the financial report before investment, which indicates that they provide insignificant importance to the organization's CSR activities and prioritize financial performance while they invest. It is quite disappointing also to note that many of them just invest without much financial analysis or understanding but invest in the stock market only relying on market tips. Most of the investors were unaware and ignorant about CSR activities in the stock they have invested as well regarding the important statutory development in that context. Through the hypothesis statistical test it has been derived that there are no significant correlations between age, gender, experience of investment etc. and their belief regarding Corporate Social Responsibilities.

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