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# RESEARCH THE RELATIONSHIP BETWEEN NET PROFIT AND CONTRIBUTION FOR CSR BY SPINNING MILL

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## Abstract

CSR is one of the key drivers to attain Sustainable Development Goals (SDGs). Textile industry is a major contributor for CSR and it depends on net profit of the industry.. It induces the researchers to research the relationship and dependency between net profit and CSR contribution. The source for the research collected from Annual Report of the textile industry from 2014-22 and analysed by using Correlation and Regression analysis.

**Keywords:** Sustainable Development CSR, SDG's, Net Profit and Textile Industry.

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## INTRODUCTION

Sustainable development is an essential for the world to accumulate the resources for the next generation. There are 17 goals with 169 targets in sustainable development goals formulated in 2015 by United Nation General Assembly. UNGA builds agenda for CSR strategies for the global corporate sector<sup>1</sup>. But, India is the premier nation which implements the CSR is a mandatory function in the world on 1<sup>st</sup> April 2014 to become a developed nation<sup>2</sup>. It increases the responsibility of corporate sector to implement CSR to attain social, economic and environmental sustainability. Textile industry plays a pivotal role after agriculture. It is a leading contributor towards Indian economy, foreign exchange earnings, and to the GDP. Hence the textile industry is one of the foremost contributors towards CSR activities.

The industrial sector contribution for CSR activities exclusively depends on net profit. The bottom line of textile industry contribution for CSR relies on the consistency of volume the net profit. It induces the researchers to study the compassion of the textile industry contribution towards the CSR to facilitate the stakeholders. The result of the study gives suggestion to the Textile Industry, Policy Makers and Government to enhance the CSR strategies.

## STATEMENT OF THE PROBLEM

CSR activities lead the corporate sector towards the enrichment of society and it increases the accountability of the industrial sector including textile industry. The CSR activities rely on net profit. The relationship between contribution of textile industry for CSR and net profit may be direct or inverse. Hence, the researchers search the relationship between the net profit and contribution of textile industry towards CSR activities. The study propounds the following research question:

- ❖ Is there any relationship between net profit and contribution for CSR by Spinning Mills?

## OBJECTIVES

- ❖ To scrutinize the contribution on CSR activities by spinning mills during the study period.
- ❖ To examine the correlation between net profit and CSR contribution of spinning mills.

## SCOPE OF THE STUDY

The present study has focused on listed organized Textile Mills in Tamil Nadu. There are Twenty Six (26) mills listed in stock exchanges among them five mills playing key role in Tamil Nadu were selected study by adopting Judgement Sampling method. The CSR implemented as a mandatory as per the norms of the Companies Act 2013 Sec.135 from 2014 onwards. Hence, the present study covers the data from 2014 -22 and data were collected from the annual report of the selected industry. .

## LIMITATION OF THE STUDY

- ❖ The present study analysis limited up to five spinning mills in Tamil Nadu only.
- ❖ The period of the study is limited from 2014-22.

## REVIEW OF LITERATURE

The existing studies recount the corporate social responsibility practices and financial performance of the industry, CSR influences the financial performance of the textile industry and SGDs vs. CSR were explained below:

**Nithin Reddy *et.al* (2018)<sup>3</sup>** examined “Impact of corporate social responsibility on financial performance”. The purpose of this study was study the effect of corporate social duty at the profitability of firms in India. The data were

collected from annual report of ITC Ltd, Nestle India Ltd and analysed by Karl Pearson correlation. The study has found out ITC Ltd showed a significance relation whereas Nestle India Ltd did not show a significant relation. Hence, through this paper it can be concluded that a significant relation may not be determined between CSR expenditure and profit after tax of companies.

**Tanushree Gupta (2019)<sup>4</sup>** has conducted study entitled “An Analysis of Corporate Social Responsibility on Organisation Profitability With Reference To Indian Textile Industry”. The purpose of the study was impact of CSR on textile industry sector, found the sector that invested more on CSR and found the correlation between CSR and performance level of organisation. Data were collected from secondary sources and analysed by Karl Pearson correlation. The study has found that enforcement of CSR increased the companies contribution; the most attractive avenue for CSR investment is Education sector by 49% and there is strong positive correlation between annual profit and CSR investment. The study concluded by CSR is innovative concept which based on concept of development of entire society. It must be treated as holistic subject otherwise development is not possible.

**Srishti Shah et.al (2020)<sup>5</sup>** scrutinized” Impact of corporate social responsibility on firms financial performance”. The study has aim to found the financial performance of the firm, consumer perception towards firm’s CSR activities and how the CSR affects the society. This study is based on primary and secondary data and analyzed via correlation regression. The study has selected Information Technology, Power, Mining, and Consumer Goods sector for secondary data and primary data were collected from the respondents those who are all above age of 18. The study has found that CSR performance is increased if sales and net profit are increased; CSR not influenced by

ROA; most of the respondents were purchase products from the industry those who are followed CSR. According to the domain-wise distribution of the amount spent on CSR by firms, it was observed that the Education and Vocation skills, Hunger, Poverty and Healthcare, Rural Development and Environmental Sustainability, are sectors that are benefitted the most from firms’ CSR spending. The study has concluded CSR gives positive impact on society.

**Abilasha. N and Madhu Tyagi (2019)<sup>6</sup>** conducted a study on “Impact of CSR on Financial Performance of Top 10 Performing CSR Companies in India”. The aim of the study was to find the effects of CSR as per the new companies act and examine the impact of CSR on financial performance of the top10 CSR performing industry. This study was based on secondary data and analysed by using percentage analysis and simple regression. The study found that the selected companies are disclosing their CSR reporting in their Annual Report and also formed CSR Committee as per Schedule VI of Companies Act, 2013. Overall, results shows that, contributing towards CSR is having positive impact on financial performance of the firm. When CSR contribution increases there financial performance also increases. One of the major findings is that all the selected companies contributing more or equal to 2% of their average profits towards CSR and fulfilling the mandatory rule of Companies Act, 2013 with respect to CSR contribution. The study has suggested concluded that companies are advised to contribute more towards CSR activities which significantly impacts on both financial and non-financial performance. Also, SEBI should take strict actions to boost CSR disclosure practices.

**Anurag Sharma and Vinod Kumar (2020)<sup>7</sup>** conducted a study on impact of CSR on financial performance of companies in India with aim to found

relationship and impact between CSR and financial performance. This study was based on secondary data from 2014-2018 about top 5 IT companies and analysed by correlation and regression. The study has found and concluded that CSR has positive influence on net profit of the selected companies.

**Malini R and Sivagami N (2022)**<sup>8</sup> scrutinized “Corporate Social Responsibility Is a Live Leverage to Attain Sustainable Development Goals - A Study with Special Reference to Spinning Mills in Tamil Nadu”. The study has the purpose to estimate and evaluate the spinning mills contribution for CSR and SDGs, to explore the CSR is a live leverage to attain SDGs. The present study was based on secondary data during 2016-21 of top ten spinning mills by adopting judgement sampling method and analyzed by using simple percentage analysis and graph. The study has found that selected mills were adopted SDGs 2, 3 4, 10 and 13, all the selected mills contributed towards SDGs 4 (education), Rajaplayam and Bannari Amman mills are the pioneer industries for CSR contribution and selected mills contribution rural development was good. The study suggested and concluded that the industry should consider the remaining goals instead of largest contribution for education and industries enhance their strategies to attain sustainable development efficiently.

The research background of the existing studies indicates industries contribution for CSR was an innovative

concept to develop the society and it influenced by financial and nonfinancial performance of the industry. Hence, the present study induces the researchers to test the reliability of the reviews and to research the relationship.

## RESEARCH METHODOLOGY

The reliability and validity of this study was exemplified by the researchers as follows.

### Source

The present study was based on secondary data and the data were collected from the annual report of selected companies and web sources.

### Study Period

The study was collected the secondary data from 2014-22.

### Sample size

Top five spinning mills were selected for study in Tami Nadu by adopting judgemental sampling method.

### Statistical tool

The data analysed by using correlation and regression techniques.

## ANALYSIS AND INTERPRETATION

The selected spinning mills Average Net Profit and their contribution for CSR has analysed and illustrates via the following tables and figure.

**TABLE 1**  
Net Profit and Contribution for CSR by Spinning Mills

Years	Lambodhara			Super Sales			Bannari Amman			Siva Tex yarn			Sambandam		
	Avg. NP	CSR	Avg.	Avg. NP	CSR	Avg.	Avg. NP	CSR	Avg.	Avg. NP	CSR	Avg.	Avg. NP	CSR	Avg.
2014-15	380.54	10.54	2.77	500.46	10	2.00	1417	28	1.98	791	15.8	2.00	135	2.7	2
2015-16	530.43	10.61	2.00	1908.58	38.25	2.00	2390.41	48	2.01	1734	34.69	2.00	731	14.62	2
2016-17	566.07	11.53	2.04	2133.65	42.75	2.00	2098.15	41.96	2.00	1353	27.06	2.00	665	13.31	2.00
2017-18	742.44	15	2.02	2217.65	45	2.03	2376	47.52	2.00	1009	20.18	2.00	513.89	10.26	2.00
2018-19	824.05	16.34	1.98	2066.9	42	2.03	1660	33.2	2.00	1081	21.63	2.00	458.11	9.16	2.00
2019-20	923.83	20.52	2.22	1422.26	29	2.04	1371	27.43	2.00	953	18	1.89	598.71	11.97	2.00
2020-21	910.69	18.21	2.00	962.43	19	1.97	1417	28	1.98	652	13.04	2.00	389	7.78	2
2021-22	1122.63	23	2.05	922.64	18	1.95	2390.41	48	2.01	684	13.68	2.00	621.44	12.43	2.00
Average		2.13			2				1.99		1.98			1.99	

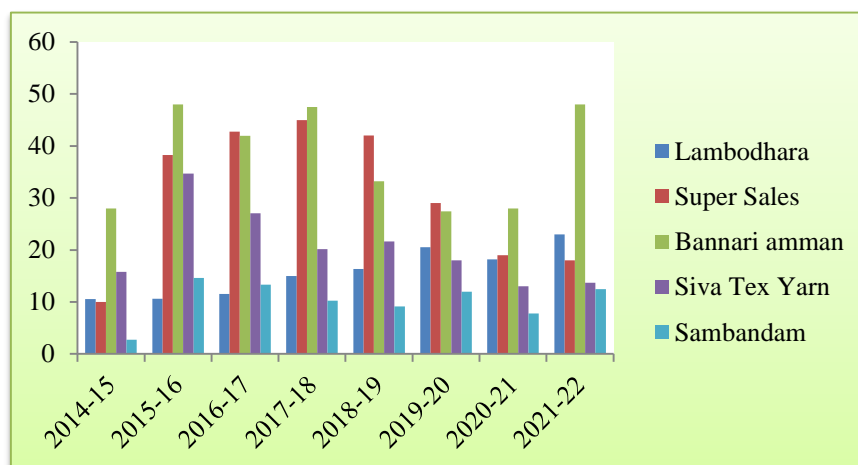


Table 1 and Figure 1 exhibit that the Spinning Mills Net profit and contribution for CSR during 2014-22 in Tamil Nadu. All the selected spinning mills contributions for CSR are not more than 3% on the average net profit of them throughout the study period. The volume of net profit of Lambodhara and Bannari Amman mills are too good throughout the study period and the remaining mills net profit ratio got fluctuated during the pandemic period, their contribution for CSR is not much harmonized with the norms of the companies Act 2013.

The above discussion revealed that the companies have potential interest to take part into sustainable development on the basis of their profitability position. It induces the researchers to research the relationship between Net Profit and contribution of spinning mills towards CSR the following hypothesis are framed.

- H<sub>0</sub> There is no correlation between the selected spinning mills net profit and their contribution on CSR.**
- H<sub>1</sub> There is a correlation between the selected spinning mills net profit and their contribution on CSR**

**Table 2**  
**Correlation between spinning mills contribution for CSR and Net profit**

S.No	Name of the Company	Correlation coefficient	Result
1	Lambodhara	0.972812	Rejected
2	Super sales	0.999721	Rejected
3	Bannari Amman	-0.647634	Rejected
4	Siva Tex Yarn	0.998705	Rejected
5	Sambandam	0.999998	Rejected

The result of Correlation test disclosed that the linear relationship exists between spinning mills contribution for CSR and their average net profit. Hence, the null hypothesis is rejected. The above result increases impel of the researchers to estimate how the industry Net Profit influence the CSR contribution by using Regression test and the following hypotheses framed.

**H<sub>0</sub>** The selected spinning mills contribution for CSR not influenced on their average Net profit

**H<sub>1</sub>** The selected spinning mills contribution for CSR influence their average Net profit

**Table 3**  
**Regression analysis**

S.No.	Name of the company	R Value	R <sup>2</sup> Value	F Value	Sig.
1	Lambodhara	.973	.946	105.86	.000
2	Super sales	1.000	.999	10732.9	.000
3	Bannari Amman	.644	.414	4.25	.09
4	Siva Tex Yarn	.999	.997	2312.4	.000
5	Sambandam	1.000	1.000	146389.4	.634

The above table illuminate that the result of regression analysis of selected spinning mills. R<sup>2</sup> and F value and proved that the dependent variables (contribution for CSR) are extremely relied on the independent variable (Average Net profit).

### FINDINGS

- ❖ All selected spinning mills are contributed towards CSR throughout the study period constantly even though in pandemic period too, because the effects of pandemic affects industries net profits.

- ❖ Among the selected spinning mills Lambodhara mill average contribution for CSR is ambitious (more than 2% on their average net profit )
- ❖ Sambandam spinning mills contribution for CSR proved that they never fail their accountability as per the norms of new companies act related to CSR.
- ❖ There was a positive correlation between net profit and contribution on CSR of the selected spinning mills.
- ❖ Based on the result the level of contribution for CSR by the selected spinning mills are depend on the average net profit of them.

#### SUGGESTIONS

- ❖ The selected spinning mills are listed in the stock exchanges they have the financial potential to meet the future obligations so they should gives increase the contribution for CSR.
- ❖ The Government should amend the CSR policies only for listed industry to increase the consistency of the CSR contribution.

#### CONCLUSION

The present study research the relationship between Net Profit and contribution for CSR by Spinning Mill during 2014-22. The spinning mills contribution towards CSR was good as per the norms. The relationship between Net Profit and CSR contribution of selected spinning mills was perfectly correlated. These industries are the role model for the peer industries and it induces the other industry sector to contribute towards CSR

activities. Textile Industry should sustain their contribution towards CSR to transform the society and support Government to travel sophisticatedly in the road map of **SDGs** layout

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