

Original Article

The Study of Impact of Corporate Social Responsibility Expenses on Market Capitalization of Hindustan Unilever Limited

Dr. Vijay Maruti Sukate

G. E. Society's, R. N. C. Arts, J. D. B. Commerce & N. S. C. Science College, Nashik Road

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Abstract:

This research paper focuses on two aspects first the ethical practices of companies and market capitalization as a result of gaining popularity. The research paper is based on corporate social responsibility expenses and market capitalization of Hindustan Unilever Limited. In this paper market capitalization is an dependent variable and corporate social responsibility expenses is an independent variable. There are various legal provisions governing the corporate social responsibility of a company as per the Company's Act 2013. In this paper the hypothesis shall be tested by using regression analysis. On testing the hypothesis it's aptly clear that corporate social responsibility expenses has an impact on market capitalization of Hindustan Unilever Limited.

Key Words: Corporate Social Responsibility (CSR), market capitalization, Hindustan Unilever Limited, Profit after tax, profit before tax, Price earning ratio (P / E ratio).

Introduction:

The introduction of corporate social responsibility could be traced with the enactment of Cadbury Commission to investigate in the closure of big giants in England. With privatization enrolling itself in the Indian economy the corporate social responsibility of the companies is an important aspect. Apart from this social responsibility the corporate social responsibility has been made Mandatory in the Company's Act 2013. As per the Companies Act 2013, Section 135 (1) makes it mandatory for the constitution of corporate social responsibility committee for every company whose either net worth of rupees five hundred crore or more; or turnover of rupees one thousand crore or more; or a net profit of rupees five crore or more during any financial year Consisting of three or more directors, out of which at least one director shall be an independent director.

Corporate Social Responsibility Rules 2014

These rules reaffirm the corporate social responsibility task to be undertaken by the company the importance of the CSR committee and also lays down format for the annual report on CSR activities to be included in the board's report.

Objectives of the study:

- To study the legal concept the corporate social responsibility.
- To study the amount contributed by Hindustan Unilever towards corporate social responsibility.
- To study the impact of corporate social responsibility on the market capitalisation.

Limitation of the study:

- The study will cover only ten listed companies at the Mumbai stock exchange.
- The study shall cover a period from 2014-15 to 2023-24.

Hypothesis:

Ho: Null Hypothesis: there is a significant relationship between expenses capitalised towards corporate social responsibility and market capitalization.

H1: Alternative hypothesis - There is no significant relationship between expenses capitalised towards corporate social responsibility and market capitalization.

Research Methodology: The research paper is primarily based on secondary data. . Information for Creative Commons (CC BY-NC-SA 4.0)

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Address for correspondence:

Dr. Vijay Maruti Sukate, G. E. Society's, R. N. C. Arts, J. D. B. Commerce & N. S. C. Science College, Nashik Road

Email: vijay.sukate31@gmail.com

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the purpose of study was collected from the annual report of Hindustan Unilever Limited. The testing of hypothesis was carried out by utilizing regression analysis as a statistical tool

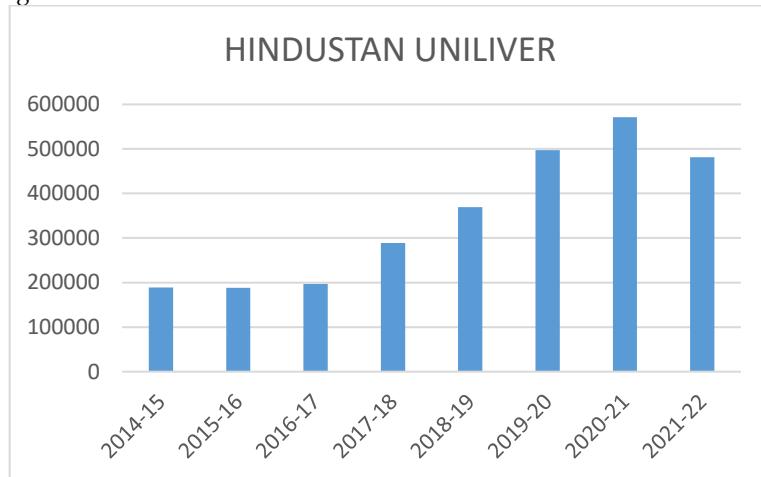
TABLE 1.1 MARKET CAPITALIZATION FIGURES IN CRORES

YEAR	HINDUSTAN UNILIVER
2014-15	188849
2015-16	188154
2016-17	196902
2017-18	289159
2018-19	369688
2019-20	497514
2020-21	571133
2021-22	481396

Source: Secondary Data- Annual Report

Graphical Presentation:

Following is the histogram of the same:



From the above histogram it is clear that the market capitalization of Hindustan Unilever is constantly going up over the period commencing from 2014 - 15 to 2021 – 2022.

TABLE 1.2 EXPENDITURE ON CSR

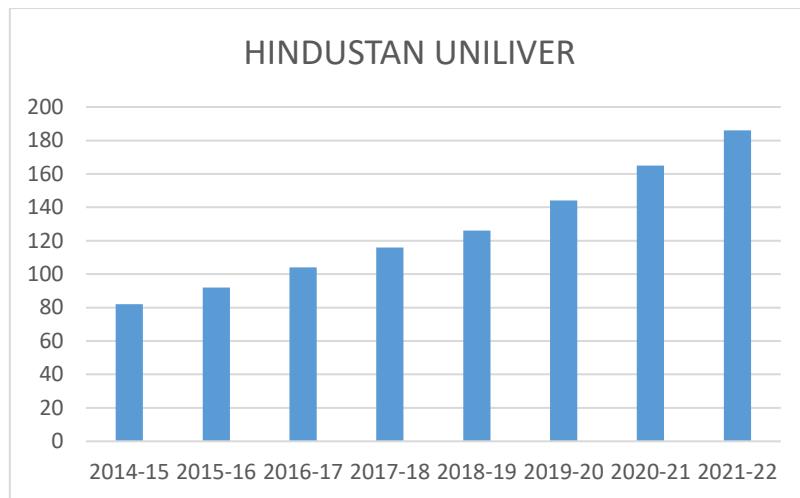
FIGURES IN CRORES

YEAR	HINDUSTAN UNILIVER
2014-15	82
2015-16	92
2016-17	104
2017-18	116
2018-19	126
2019-20	144
2020-21	165
2021-22	186

Source: secondary data

The above table shows the expenditure of Hindustan Unilever on CSR in crores. From the above table it is clear that the corporate social responsibility expenses of Hindustan Unilever is increasing with each passing year.

Graph 1.2: Histogram of Expenditure on CSR



The above histogram throws light on the diagrammatic presentation of corporate social responsibility expenses of Hindustan Unilever. It is clearly noted that every successive year there is an upward trend in the corporate social responsibility expenses by Hindustan Unilever.

Table: 1.3: Profit After Tax

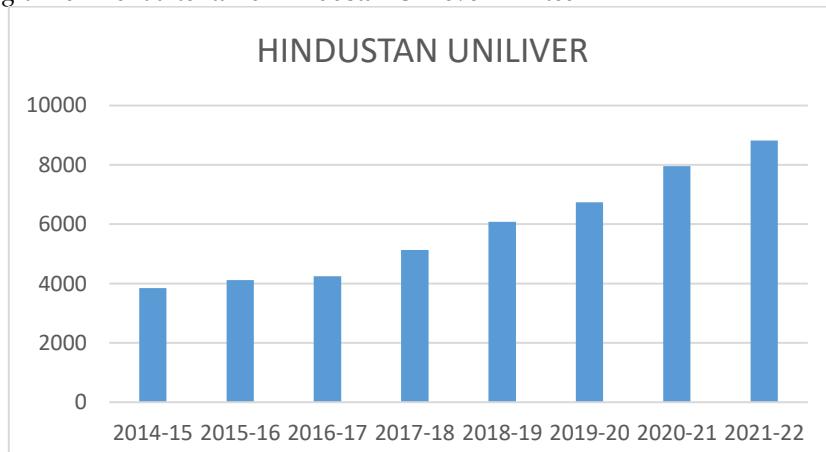
FIGURES IN CRORES

YEAR	HINDUSTAN UNILIVER
2014-15	3843
2015-16	4116
2016-17	4247
2017-18	5135
2018-19	6080
2019-20	6743
2020-21	7954
2021-22	8818

Source: secondary data

The above tables Gives the information about profit after tax of Hindustan Unilever Hindustan Unilever recorded the highest profit after tax in the year 2021 – 22.

Graph: 1.3: Histogram of Profit after tax of Hindustan Unilever Limited



The above histogram shows the profit after tax of Hindustan Unilever Limited. The profit after tax of Hindustan Unilever Limited is constantly rising with each passing year in the year 2021 22 it recorded the highest growth.

Table: 1.4: P / E Ratio and CSR to MC Ratio

YEAR	P / E RATIO	MCR / CSR
2014-15	49.14	2303
2015-16	45.71	2045
2016-17	46.36	1893
2017-18	56.31	2493
2018-19	60.8	2934

2019-20	73.78	3455
2020-21	71.8	3461
2021-22	54.59	2588

Source: secondary data

The above table shows PE ratio and corporate social responsibility to market capitalization ratio of Hindustan Unilever Limited.

Testing of hypothesis:

Correlation:

	P / E RATIO	MCR / CSR	
P / E			
RATIO	1		
MCR /			
CSR	0.985434	1	

The correlation analysis establishes A positive relationship between PE ratio and MCR to CSR ratio

Regression:

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.985434
R Square	0.971079
Adjusted R Square	0.966259
Standard Error	1.991732
Observations	8

ANOVA

	Df	SS	MS	F	Significance
					F
Regression	1	799.2089	799.2089	201.46447	7.64E-06
Residual	6	23.80198	3.966997		
Total	7	823.0109			

	Coefficien ts	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	9.747331	3.42422	2.84658	0.0293126				
MCR /			4	21	1.368567	18.12609	1.368567	18.12609
CSR	0.017972	0.001266	14.1938	7.64258E- 06	0.014874	0.021071	0.014874	0.021071

As the P Value is lower than 5% level of significance the null hypothesis "Ho: Null Hypothesis: there is a significant relationship between expenses capitalised towards corporate social responsibility and market capitalization" is accepted.

Conclusion:

Though The idea of spending more on corporate social responsibility may prove burdensome for the corporate sector but it is in their best interest to promote the corporate social responsibility. Our example of a corporate entity, Hindustan Unilever Limited, has ultimately proven that there is a

relationship between corporate social responsibility and the profitability of the organization.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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