



## **A STUDY ON FACTORS MOTIVATING CSR PRACTICES IN SELECT PUBLIC LIMITED COMPANIES: A MULTIVARIATE APPROACH**

**A. Sabeena\* & Dr. N. A. Krishnamurthi\*\***

\* Assistant Professor, Department of Corporate Secretaryship, Vellalar College for Women, Erode, Tamilnadu

\*\* Associate Professor, Department of Corporate Secretaryship, Erode Arts & Science College, Erode, Tamilnadu

### **Abstract:**

*Over the past few decades there have been significant changes in the social expectation from the businesses and the society. Modern business organizational effectiveness requires more than just financial and individualistic emphasis, and business behavior has both economic and relational impact. Hence, more and more businesses have started looking at their Corporate Social Responsibility (CSR) activities as an integral strategy to maintain their long-term business growth. CSR practices in small enterprises are likely to be somewhat different from large enterprises. Particularly it has been suggested that CSR in business is more driven by the personal beliefs and values of the people running the. Hence, understandings of the factors that motivate the companies to practice CSR have been identified. The purpose of this study is to investigate the factors motivating CSR practices in select public limited companies. The proposed hypotheses are tested empirically using the data collected through a survey wherein a pretested structured questionnaire was administered to 67 public limited companies. The rest of this paper is organized as follows: In the next section, the existing literature related to the study is summarized. This is followed by a discussion on the methodology and the constructs used in the study. Further, the paper presents the study results followed by conclusion*

**Key Words:** Corporate Social Responsibility & Motivational Factors

### **1. Introduction:**

With the emergence of civilization of mankind, social behavior became an integral part of life and every activity. The last 50 years have witnessed a revolutionary change in the world's business environment. This necessitated the business to realign its objectives and goals from the historical objective of profit or wealth maximization to social objectives. Business has felt that unless it cares for the society, it is difficult for the business to grow. Gradually, social responsibility has become an integral part of wealth creation process. CSR is also called corporate responsibility, corporate citizenship, responsible business, sustainable responsible business or corporate social performance.

This issue of CSR is of great importance as a good public image is a crucial marketing asset and its importance just cannot be underestimated. The proposed research study is aimed at identifying CSR practices of select 67 public companies in Coimbatore region.

There has been a significant increase in interest of Corporate Social Responsibility (CSR) for the past few years and it is now regarded to be at its most prevalent representing an important topic for research. Recent corporate scandals have attracted public attention and highlighted once more the importance of CSR. This topic has received more academic attention but it is becoming a mainstream issue for many organizations. This research represents a study of motivational factors of CSR in select public limited companies in Coimbatore region. This helps to know in details about the factors that influenced to practice Corporate Social Responsibility activities

## **2. Objectives of the Study**

- ✓ To study the CSR practices followed by the select public limited companies.
- ✓ To analyse the factors that motivate the companies to practice CSR activities.

### **2.1 Review of Literature:**

Richa and Anju (2010) in their study entitled “Corporate Social Responsibility Practices in India: A Study of Top 500 Companies” examines how India’s top 500 companies view, and conduct their CSR, identifies key CSR practices and maps these against Global Reporting Initiative standards. The study suggests that business and CSR strategy appear to be on a convergent path, towards business and CSR integration across the company. Arevalo and Deepa (2011) carried out a study on “Corporate social responsibility practices in India: approach, drivers, and barriers” and examines how corporations in India interpret corporate social responsibility (CSR). Further, the results indicate that the most significant obstacles to CSR implementation are those related to lack of resources, followed by those related to the complexity and difficulty of implementing CSR.

Anupam and Ravi (2012) in their study entitled “Corporate Social Responsibility Initiatives of Major Companies of India with Focus on Health, Education and Environment”. All initiatives factors have been rated on the scale of 1 to 5. Results of the study depicts that IT and Auto industry is more going for taking up CSR initiatives while FMCG sector has focused yet not too much into the social responsibility initiatives.

#### **2.1.1 Research Methodology:**

##### **Data Collection:**

**Primary Data:** A well structured questionnaire was used for the collection of primary data. The questionnaire was served to the respondents of public companies practicing corporate social responsibility. One senior executive from one company constitutes a sample in this study. A total of 67 questionnaires were sent to the respondents

**Secondary Data:** The secondary data were collected from related research works, published books, Journals and other authorized sources of data and internet web sources. The collected data were analyzed with reference to the specific objectives of the study. The researcher has used the statistical tool Factor analysis to execute the study.

## **3. Factor Analysis:**

Factor analysis is used to study a complex behavior or character in order to identify the major characteristics or factors considered important by the respondents. In the present research, factor analysis was employed by selecting 20 statements.

### **3.1 Major Statements Motivating the Respondents for Implementing CSR Activities:**

To study the major statements influencing the respondents to implement CSR activities, the motivating factors are phrased into twenty different statements which were collected with the help of five point scaling technique ranked from 5-1.(Strongly Agree – 5, Agree – 4, Neutral -3, Disagree – 2, Strongly Disagree – 1).

The statements given in the table were taken as twenty variables and they are numbered from 1 to 20 for the analysis with the help of SPSS package.

#### **3.1. Statistics Associated With Factor Analysis:**

##### **Bartlett’s Test of Sphericity:**

Bartlett’s Test of Sphericity was used to test the null hypothesis that means that the variables chosen are not correlated with the sample population. The test of sphericity is based on the Chi-square transformation of the determinant of the correlation matrix. A large value of test statistics favors the rejection of null hypothesis.

**Kaiser-Meyer-Olkin Measure of Sampling:**

This index compares the magnitude of the observed correlation coefficient to the magnitude of positive correlation coefficient. Instance small values indicate that the correlation between pairs of variables cannot be explained by order variables and that factor analysis for evaluating a particular aspect will not be appropriate.

**Eigen Values and Communalities:**

A factors of Eigen value are latent to route is sum of the squares of its factor loading. It helps us to understand how and when given factors fix the data gathered from all the sample respondents on all statements. Communalities were the sum of squares of a statement’s factor loading i.e., it explains how much each variables accounts for the factors taken together.

Table 1: Communalities

	<b>Initial</b>	<b>Extraction</b>
Poor Health and Sanitation in the congested Rural areas	1.000	.763
Lack of infrastructural facilities in the remote villages	1.000	.731
Lack of literacy among the youths	1.000	.555
Dirt and Poor Environment	1.000	.673
Poor maintenance of Public Sector Properties	1.000	.590
Education to all	1.000	.749
Good returns from market share	1.000	.654
Importance towards Natural health centers.	1.000	.558
Mobile Clinic to remote Villages	1.000	.662
Providing safe drinking water	1.000	.542
Assistance for the community development	1.000	.831
Lack of awareness in child health and nutritious food	1.000	.679
Financial contribution for mass marriage	1.000	.752
Financial support for water storage schemes and deepening the lakes and ponds	1.000	.638
Medical support for HIV/TB patients	1.000	.772
Creating special awareness on Global Warming	1.000	.766
Timely help during Tsunami / Flood / Draught	1.000	.536
Renovating the monuments	1.000	.724
Providing suitable vehicles / artificial limbs for physically handicapped.	1.000	.730
Increasing job skills and employment opportunities for women.	1.000	.513

Extraction Method: Principal Component Analysis.

Factor analysis was carried out by using SPSS package for twenty factors. The Principle Component Extraction Method with Varimax Quotation for motivating factors to implement CSR activities for analysis

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.857
Bartlett's Test of Sphericity	Approx. Chi-Square	722.863
	df	190
	Sig.	.000

Table No.2 shows the results of Bartlett’s Test of Sphercity and Kaiser-Meyer-Olkin measures of sample adequacy were used to test the appropriateness of the factor model. Bartlett’s test was used to test the null hypothesis that the variables of this study are not correlated. Since the appropriate chi-square value is 722.863 which are significant at 1% level, the test leads to the rejection of null hypothesis.

The value of KMO statistics (0.857) was also large and it revealed that factor analysis might be considered as an appropriate technique for analyzing the correlation matrix the commuality table shows the initial and extraction values.

Table 3: Total Variance Explained

Comp onent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.056	45.281	45.281	9.056	45.281	45.281	4.658	23.290	23.290
2	1.701	8.503	53.783	1.701	8.503	53.783	3.365	16.826	40.116
3	1.534	7.669	61.452	1.534	7.669	61.452	2.901	14.507	54.623
4	1.126	5.630	67.082	1.126	5.630	67.082	2.492	12.459	67.082
5	.884	4.421	71.503						
6	.794	3.971	75.474						
7	.722	3.610	79.084						
8	.650	3.251	82.335						
9	.613	3.065	85.399						
10	.483	2.414	87.813						
11	.411	2.054	89.867						
12	.354	1.768	91.635						
13	.312	1.562	93.197						
14	.278	1.392	94.588						
15	.269	1.345	95.933						
16	.217	1.084	97.017						
17	.213	1.065	98.082						
18	.163	.817	98.900						
19	.117	.586	99.486						
20	.103	.514	100.000						

Extraction Method: Principal Component Analysis.

From the above table it was observed that the “labeled initial Eigen values” gives the Eigen values. The Eigen value for a factor indicates the “total variance” attributed to the factor. From the extraction sum of squared loadings, it was learnt that the first factor counted for a variance 9.056 which was 45.281%, the second factor accounted for the variance 1.701 which was 8.503%, the third factor counted for the variance 1.534 which was 7.669% and the fourth factor accounted for the variance 1.126 which was 5.630%. The four components extracted accounted for the total cumulative variance of 67.082.

**The Determination of factors based of Eigen Values:**

In this approach only factors with Eigen values greater than 1.00 are retained and the other factors are not included in this model. The four component possessing the Eigen values which were greater than 1.00 have taken as the components extracted.

Table 4: Rotated Component Matrix

	Component			
	1	2	3	4
Lack of infrastructural facilities in the remote villages	.797			
Dirt and Poor Environment	.755			
Education to all	.727	.427		

Poor maintenance of Public Sector Properties	.684			
Lack of literacy among the youths	.635			
Timely help during Tsunami / Flood / Draught	.629			
Importance towards Natural health centers.	.545	.419		
Increasing job skills and employment opportunities for women.	.418			.401
Medical support for HIV/TB patients		.765		
Creating special awareness on Global Warming		.755		
Financial support for water storage schemes and deepening the lakes and ponds		.689		
Renovating the monuments		.602	.527	
Mobile Clinic to remote Villages		.531		.444
Assistance for the community development			.844	
Financial contribution for mass marriage		.466	.684	
Lack of awareness in child health and nutritious food			.593	.545
Good returns from market share	.549		.588	
Providing safe drinking water			.513	
Providing suitable vehicles / artificial limbs for physically handicapped.				.813
Poor Health and Sanitation in the congested Rural areas	.562			.660

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The rotated component matrix shows in table no. 4 is a result of Varimax procedure of factor rotation. Interpretation is facilitated by identifying the variables that have large loading on the same factor. Hence those factors with high factor loading in each component i.e., values greater than 0.4 were selected. The selected factors were named separately and highlighted in the following table.

Table 5: Component Transformation Matrix

Component	1	2	3	4
1	.644	.524	.436	.348
2	.239	-.205	-.655	.686
3	-.722	.308	.239	.572
4	.086	-.767	.569	.284

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 6: Naming of Statements Extracted

Factors and Total Variance	Sl.No.	Statement	Rotated Factor Loading
I. Infrastructure Facilities	1	Lack of infrastructural facilities in the remote villages	0.797
	2	Dirt and Poor Environment	0.755
	3	Deepening the lakes and ponds	0.689
	4	Poor maintenance of public sector properties	0.684
	5		0.602

		Renovating the monuments	
II. Training and Development on health and nutritious	6	Creating special awareness on global warming	0.755
	7	Education to all	0.727
	8	Lack of literacy among the youths	0.635
	9	Importance towards natural health centers	0.545
	10	Lack of awareness in child health and nutritious food	0.545
	11	Increasing job skills and employment opportunities for women	0.418
III. Timely support	12	Assistance for the community development	0.844
	13	Providing suitable vehicles / artificial limbs for physically handicapped	0.813
	14	Financial support for water storage schemes	0.688
	15	Financial contribution for mass marriage	0.684
	16	Timely help during Tsunami / Flood / Draught	0.629
	17	Providing safe drinking water	0.513
IV Medical support	18	Medical support for HIV / TB patients	0.765
	19	Poor health and sanitation in congested rural areas	0.660
	20	Mobile clinic to remote villages	0.531

In Table No.6, the statements “Lack of infrastructural facilities in the remote villages, Dirt and Poor Environment, Deepening the lakes and ponds, Poor maintenance of public sector properties, renovating the monuments” were grouped together as factor I and accounted for 45.281% of total variance and have been named as “Infrastructure Facilities”. The statements “Creating special awareness on global warming, Education to all, Lack of literacy among the youths, Importance towards natural health centers, Lack of awareness in child health and nutritious food, Increasing job skills and employment opportunities for women” were grouped together as factor II and accounted for 8.503% of total variables and has been as “Training and Development on health and nutritious”.



The statements “Assistance for the community development, Providing suitable vehicles / artificial limbs for physically handicapped, Financial support for water storage schemes, Financial contribution for mass marriage, Timely help during Tsunami / Flood / Draught, Providing safe drinking water” were grouped together as factor III and accounted for 7.669% of total variables and has been as “Timely support”.

The statements “Medical support for HIV / TB patients, Poor health and sanitation in congested rural areas, Mobile clinic to remote villages” were grouped together as factor IV and accounted for 5.630% of total variables and has been as “Medical support”.

#### **4. Findings & Conclusion:**

In recent years, the societal guiding model sustainable development and its corporate derivative known as Corporate Social Responsibility (CSR) have become popular concepts. In the last two decades, Corporate Social Responsibility has played a vital role in the business community. Corporate Social Responsibility has been defined first, as a concept whereby companies decide voluntarily to contribute themselves for the development of a better society and cleaner environment and, second, as a process by which companies manage their relationship with stakeholders. From the analysis, it is evident that out of twenty statements of the respondents opinion on motivation to implement the CSR activities only four factors are highly influencing and these factors named after grouping are Infrastructure facilities, Training and Development on health and nutritious, Timely support, Medical support.

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