A STUDY ON ASSESSING THE IMPACT OF CSR UNDER ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA ON CORPORATE FINANCIAL PERFORMANCE – LOHIA GROUP GUWAHATI

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ABSTRACT

Environmental, Social and governance (ECG) factors are vital in India for corporate performance. ESG factors enhance reputation, brand, financial benefits, and strategic benefits along with risk management. Corporate Social Responsibility (CSR) within ESG parameters include company's initiatives aimed at enhancing community welfare. The significance lies in more satisfied employees, loyal customers, access to new markets, and business opportunities.The purpose of the proposed study is to look into how CSR affects business financial performance of Lohia group. The research design will be descriptive, with a sample of size of 50, and the data will be collected using primary sources. The study will assess CSR towards employees, CSR towards customers, CSR towards local community, and financial performance. The results of this study will help to clarify as measured by ESG standards affects the Lohia Group's Financial performance.

Keywords: ESG Framework, Corporate Social Responsibility, Corporate Financial Performance

INTRODUCTION

ESG criteria have become essential pillars for business striving for sustainable growth in today's competitive world. These standards encourage organizations to adopt ethical practices, environmentally responsible measures and meaningful contributions, creating a balance between profit and purpose. The concept of ESG came into focus with the 2004 United Nations Global Compact report, "Who Cares Wins" which emphasized the importance of integrating sustainability into corporate strategies to ensure long-term value creation.

Corporate Social Responsibility (CSR), refers to a company's dedication to community Welfare through targeted initiatives. CSR under ESG is not merely a regulatory obligation; it represents a shift towards responsible business practices that benefitall stakeholders-employees, customers, local communities, and investors.

This commitment translates into several tangible advantages, such as enhanced employee satisfaction, stronger customer loyalty, better access to markets, and increased businessopportunities. Companies that actively engage in CSR enhance trust, improve their brand reputation, and achieve a competitive edge in the market.The significance of CSR under ESG extends beyond intangible benefits. The effect of Corporate Financial Performance (CFP) is a subject of ongoing study and debate. Manyorganizations have demonstrated that embracing ESG criteria, particularly through strong CSR practices, not only support societal goals but also delivers measurable financial gains.

This study focuses on analyzing the role of CSR under ESG criteria and its influence on the financial performance of the Lohia group, a leading business Conglomerate based in Guwahati, Assam. Established in 1981, the Lohia group has grown into a diversified entity with a strong presence across various sectors in India's northeast region. Known for its commitment to innovation and responsibility, the group represents and ideal case study to explore the dynamic exchange between CSR and CFP.

LITERATURE REVIEW

The transaction between CSR and CFP has been the subject of widespread research, revealing interesting views across industries and regions. Studies show that the impact of CSR differs based on the country and sector, with certain industries deriving more significant benefits [1]. Many researchers have highlighted that strong ESG performance positively influences key financial indicators for example Return on Equity (ROE) [2],while also enhancing enterprise value by easing financial constraints[3]and lowering debt financing costs[4]. However, not all findings are uniform – some studies suggest no direct link between ESF factors and stock market returns, highlighting the importance of industry-specific and contextual analysis[5].

CSR initiatives are closely tied to profitability, with evidence indicating that they help reduce costs and improve operational efficiency[6].In the Indian context, ESG practices have been linked to significant improvements in firm performance, reinforcing the idea that sustainability is a key business strategy[7]. Beyond financial metrics, ESG efforts alsoenhance a company’s reputation, creating a positive signal for stakeholders[8]. However, the outcomes may vary; for example, In the Healthcare sector, the financial impact of CSR initiatives has been found to be negative, reflecting the unique dynamics of different industries[9].

Organizations with higher ESG scores often benefit from reduced audit costs[10] and greater shareholder value[11]. Moreover , these practices yield tangible benefits, such as enhanced governance, improved risk management, and greater market competitiveness[12]. Some studies further emphasize the role of CSR in promoting stability and resilience, particularly during economic disruptions, as it helps mitigate risks like earnings volatility and bond defaults[13]. Positive ESG practices also boost investor confidence, while encouraging higher company valuations globally[14]. Specific industries, such as banking, have shown a significant relationship between CSR efforts and increased market value[15], whereas in manufacturing, adherence to sustainability principles has led to measurable financial gains[16].

CSR initiatives also extend beyond financial outcomes, influencing internal operations and stakeholder relationships. Companies that prioritize employee well-being, gender pay equity, and constructive feedback report higher employee satisfaction and productivity[17]. Similarly, organizations that implement responsible purchasing policies and uphold customer privacy increase trust and loyalty among customers[18][19].Governance plays a critical role as well, practices like board independence and transparency supporting ethical standards and improving financial performance[20].

Although some research points to limited short-term financial gains from CSR[21], the overwhelming consensus is that such initiatives create enduring value for both shareholders and stakeholders[22]. By embracing sustainability and social responsibility, companies not only meet regulatory requirements but also strengthen community ties and operational resilience[23]. Firms with strong governance and thoughtful CSR strategies are better positioned to attract investors, retain employees, and enhance their financial standing over the long term[24]. Ultimately, CSR is not just an ethical choice but a strategic imperative that enables businesses to grow in an increasingly competitive world[25].

OBJECTIVES OF THE STUDY

- To evaluate the effect of the “Social” component of ESG on financial performance.
- To examine the influence of Corporate social Responsibility on Financial Performance.

RESEARCH METHODOLOGY

This research adopts a descriptive method to explore the impact of Corporate Social Responsibility (CSR) under ESG criteria on financial outcomes. The study focuses on the Lohia Group, a prominent conglomerate based in Guwahati, assam to assess how CSR activities influence financial outcomes and the local community.

Research Design

The descriptive research design was chosen to provide a detailed analysis of the correlation between CSR practices and financial performance. This method allows for an in-depth examination of the various dimensions of CSR, including its effects on employee satisfaction, customer loyalty, community engagement, and overall organizational sustainability.

Data Collection

Primary data serves as the backbone of this research. A systematic questionnaire was developed to gather responses from a sample of 50 participants, including employees, customers, and other stakeholders associated with the Lohia Group. The questionnaire was framed to cover key aspects of CSR under ESG, such as the organization’s commitment to employee well-being, customer privacy, community investments and governance practices.

Sample Design

A convenience sampling method was employed to identify respondents who are either directly or indirectly affected by the CSR initiatives of the Lohia Group. While the participants providemeaningful insights, the study acknowledges that its findings may not be generalizable to a larger population. Despite this limitation, the sample effectively represents the group’s immediate stakeholders, making it suitable for the scope of the research.

Plan of Analysis

The date collected through the questionnaire was systematically analyzed to uncover patterns and correlations between CSR practices and financial performance. Statistical tools and descriptive analysis methods were used to interpret the data, ensuring accurate and meaningful conclusions. The analysis focused on identifying the direct and indirect impacts of CSR on financial performance.

Scope and Limitations

This study primarily evaluates the effectiveness of the "Social" factor of ESG criteria in enhancing financial performance. The study is limited by its small sample size and geographic focus on the northeastern region of India. Moreover, the research is subject to potential biases arising from the respondents' willingness to provide accurate and honest feedback.

Significance of the Research

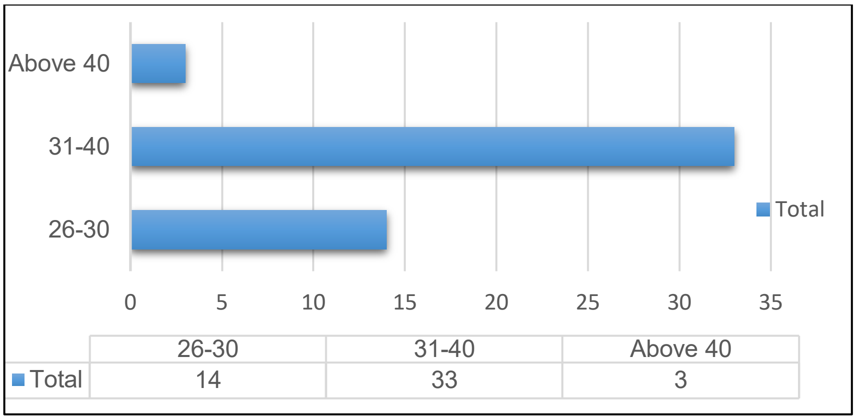
In the era of sustainable business practices, understanding the coordination between CSR and financial performance is crucial for organizations aiming to balance profitability with societal impact. By examining the case of the Lohia Group, this study offers recognition into how businesses can integrate ESG principles into their operations to drive sustained value generation. Furthermore, it highlights the potential of CSR initiatives, serving as a blueprint for other organizations seeking to synchronize their strategies with Global Sustainability Goals.

DATA ANALYSIS

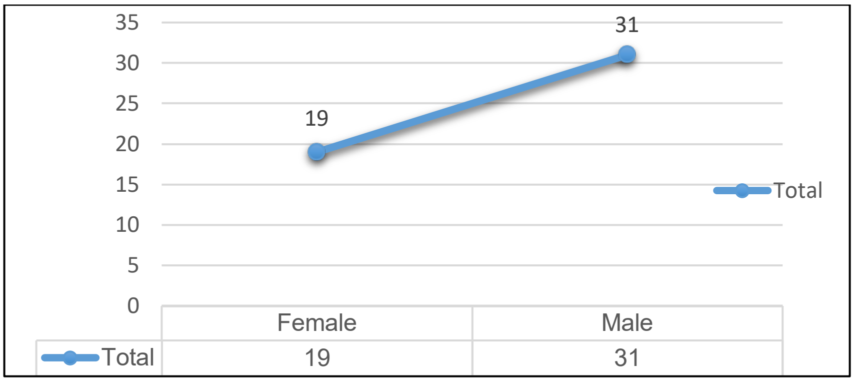
The data analysis for this study focuses on understanding the relationship between Corporate Social Responsibility (CSR) activities under ESG criteria and the financial performance of the Lohia Group. Responseswere systematically analyzedtolook into the organization's CSR initiatives and their impact on stakeholders and financial metrics. The findings are organized into themes reflecting employee well-being, customer satisfaction, community engagement, and financial outcomes.

Demographic and Workforce

The analysis begins with an overview of the respondents' demographic profile. A significant portion of the workforce surveyed comprises individuals in their mid-to-late 30s, indicating a mature employee base. Additionally, the data reveals a notable presence of both male and female employees, reflecting efforts toward gender inclusivity.



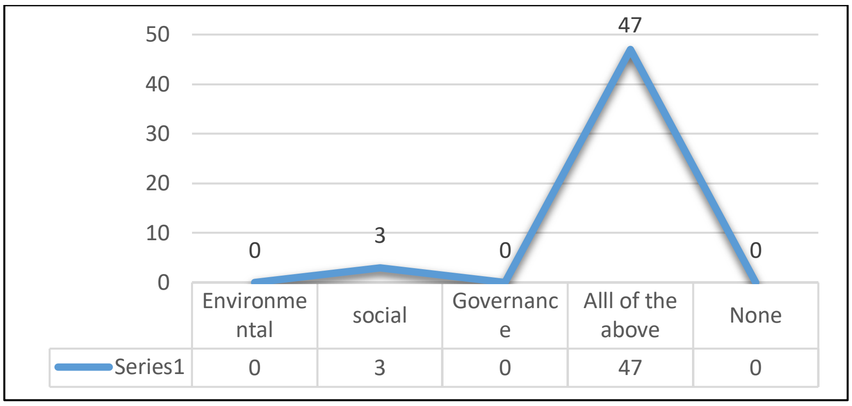
Graph 1 : Which age group do you belong?



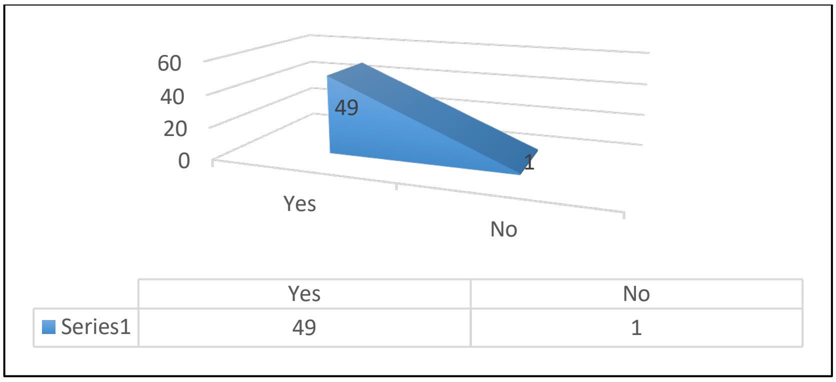
Graph 2 : What is your Gender?

Employee-Centric CSR Practices

When evaluating employee- focused CSR practices, the findings highlight the organization’s commitment to creating a safe and equitable work environment. Nearly all respondents acknowledged the presence of a healthy and secure workplace that prioritizes the well-being of employees.



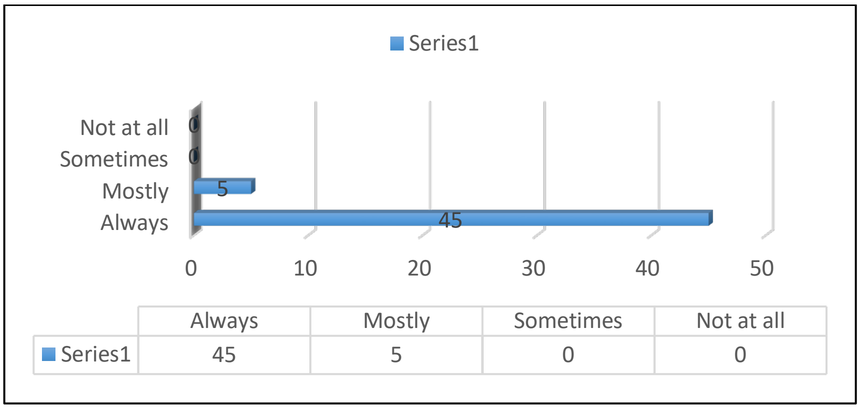
Graph 3 : Which of the following factor is considered by your organization?



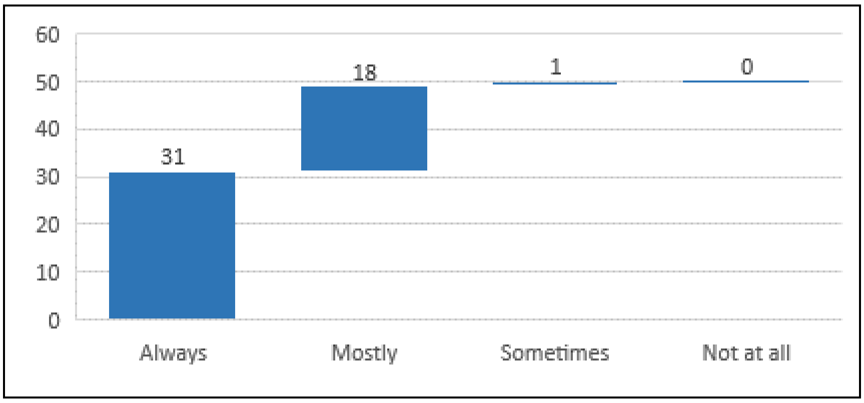
Graph 4 : Does the organization have a Healthy & Safety environment, avoiding abuse of the labor force, harsh and inhumane treatment of employees?

Customer Engagement and Privacy

The data reflects the organization's dedication to customer-centric. A large proportion of respondents noted that the company consistently maintains customer and supplier data privacy, building trust and loyalty among stakeholders. Additionally, the organization adheres to responsible purchasing policies and strives to deliver high-quality products at fair prices. Such practices demonstrate a strong alignment with ESG principles, ensuring long-term customer satisfaction and brand reputation



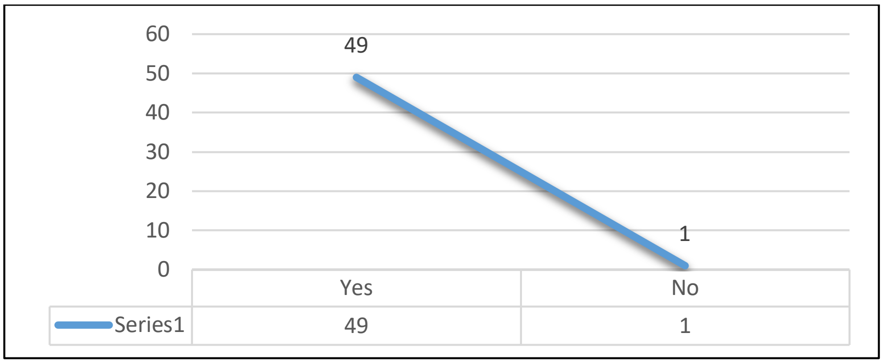
Graph 5 : Does the organization maintain privacy of customers/ supplier's data?



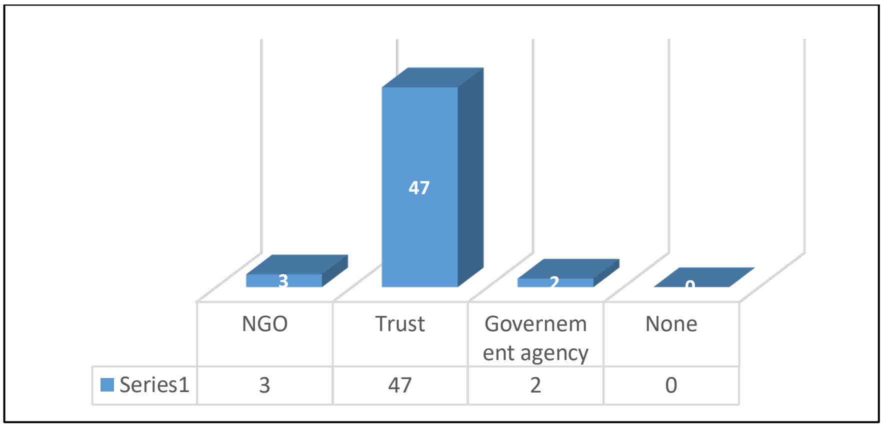
Graph 6 : Does the company have a responsible purchasing policy/code of conduct for suppliers?

Community Engagement and Social Impact

Community-focused CSR activities were found to be a keystone of the organization's ESG strategy. The vast majority of respondents affirmed the company's active involvement in community investment and stakeholder engagement initiatives. Most respondents highlighted the organization's preference for trust-based partnerships with NGOs and other agencies, showcasing its commitment to transparency and social responsibility. These efforts contribute tostrengthening the company's relationship with the local community and addressing societal needs effectively.



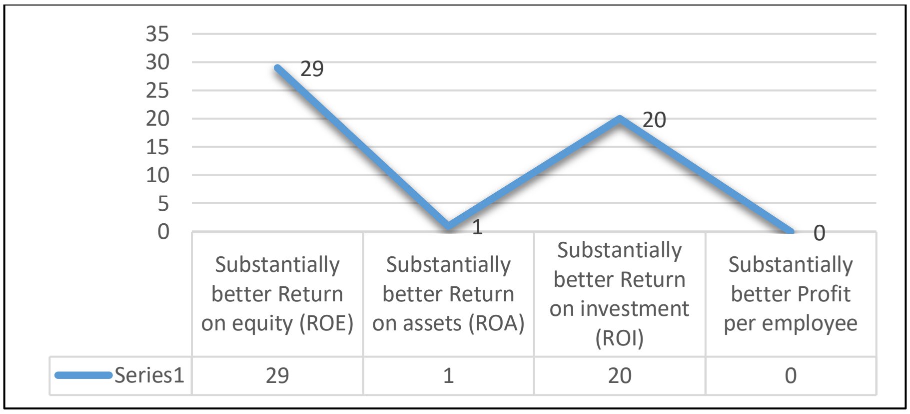
Graph 7 : Is your organization involved in any community investment/ stakeholder engagement activities?



Graph 8 : The organization is considered with which of the following community engagement sector?

Financial Performance

Positive public perception attracts more customers and investors, driving growth and profitability. Key financial metrics such as return on Equity (ROE) and return on Investment(ROI), were reported to have improved relative to competitors, suggesting that CSR efforts directly contribute to the company's financial success.



Graph 9 : Relative to most important competitor, during last year achieved

FINDINGS

Beyond the above core findings, the study uncovered following information that emphasize the significance of CSR in shaping Corporate Financial Performance:

CSR initiatives despite no legal obligation

The first observation is that the Lohia Group is not legally bound by the Companies Act, 2013, to undertake CSR activities, as it does not meet the mandatory financial thresholds. However, despite this, the company voluntarily engages in various activities, demonstrating a genuine commitment to social responsibility rather than just regulatory compliance.

Charitable Contributions and Community Development

The Lohia Group channels a portion of its profit into social welfare through its Lohia Charitable Trust. The trust actively donated significant amount of funds for causes such as healthcare (free medical camps, eye check-ups, and cancer awareness programs), disaster relief and environmental sustainability initiatives.

Business Sustainability and Competitive Advantage

The Lohia Group's strong focus on sustainability, ethical practices and social impact have strengthened its brand reputation and improved investor confidence. It positioned as a responsible corporate entity.

Challenges and Opportunities for future CSR initiatives

The study identifies opportunities for the Lohia Group to expand its initiatives further. Areas such as employee recognition for contributions, and greater transparency in CSR spending. Conducting a Social Return on Investment (SROI) analysis could also help the company measure the tangible and intangible benefits of its CSR efforts more effectively.

CONCLUSION

This study examines the impact of CSR and highlights how CSR practices contribute to employee satisfaction, customer loyalty, community engagement, and overall financial success. The findings clearly demonstrate that the Lohia group's commitment to CSR is not limited to regulatory compliance but extends to fostering long term sustainability and stakeholder trust. Employee-centric initiativeshave enhanced workforce morale and productivity. Similarly, the company's focus on customer privacy, responsible purchasing policies, and quality products has strengthened its brand reputation. Active involvement in community investment further boosts the group's dedication to societal well-being, creating a positive social impact.

From a financial perspective, the organization's CSR efforts have directly contributed to improved performances metric for example Return on Equity (ROE) and Return on Investment(ROI). The strong alignment between CSR activities and ESG principles has enhanced the Lohia Group's reputation,attracting customers and investors, and strengthen its competitiveedge in the market.

In conclusion, this study reflects the idea that integrating CSR under ESG criteria represent not only a moral obligation but also a strategic requirement for achieving sustainable growth and success over the long term. The Lohia Group serves as a model for how businesses can balance profitability with social responsibility, demonstrating that doing good for society can also mean doing well financially.

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