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IMPACT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON FINANCIAL PERFORMANCE: A CASE STUDY OF LEADING COMPANIES

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ABSTRACT

Over the course of the years, a great number of companies have taken steps to become more socially aware. In the past, the only thing that mattered to businesses was generating as much money as they could. increasing number of firms are beginning to recognise this fact. A overview of previous research on the relationship between corporate social responsibility and bottom-line outcomes is presented in this article. This link is then put to the test by using data from a reliable source that pertains to the performance of CSR. The investigation of financial performance measurements that are generated from accounting as well as the market is a unique component of this study. The dataset includes almost all of the companies that are included in the S&P 500, and it covers a wide range of A model that is based on empirical evidence incorporates the factors that were shown to be significant in the study conducted by Capon, Farley, and Hoenig. For the purpose of evaluating the connections, we execute cross-sector/panel data time-series regressions.
Keywords: *Corporate, Financial, Performance, Shareholders*

INTRODUCTION

It would seem that the idea of Corporate Social Responsibility, which is sometimes referred to as CSR, is one that is gaining more and more traction in the current corpus of research. There are a lot of writers who have investigated this term from a variety of different perspectives, and they have done so in plenty positive contribution to the growth of the economy, and enhance the quality of life for their employees, their families, and the communities in which they live.

There are many who believe that corporate social responsibility (CSR) is an ethical attitude, while there are others who argue that it is a strategy for businesses. Both of these groups disagree on how to define CSR. "The central tenet of corporate social responsibility (CSR) is to demonstrate how ethical principles, regardless of their source, can strengthen reasoning, bring decisions into harmony, and ultimately boost performance," according to Stainer. In addition, we are aware of the ambiguity that now surrounds the concept of corporate social responsibility. It is now a necessary need for companies to address difficulties that impact a large number of stakeholders, whether such challenges are connected to the market or to the company itself. Within the context of their study of corporate social responsibility (CSR), makes a reference to the present societal optimism that stakeholders would stop forcing managers to guide their business towards long-term social responsibility in favour of seeking inexpensive costs in the near future. This optimism is a function of the close interaction and demands of stakeholders.

However, the corporate social responsibility (CSR) programme of a corporation must be connected to the firm's financial well-being and performance. responsibility and the economics are not incompatible with one another; rather, they are complementary to one another. Nevertheless, the elements of the business are giving careful consideration to the corporate social responsibility (CSR) efforts that the firm is doing. The market will take into consideration the implications that corporate social responsibility has on reputation, cash flow, and strategy. In the event if the public's view of the firm does not change as a result of the company's undisclosed charity efforts, the stock market will not put much weight to such contributions. Alternatively, as a result of corporate social responsibility (CSR) activities, a corporation could discover new possibilities and see an increase in value. A decrease in short-term profitability and the possibility of clashes between social and commercial aims are two of the negative outcomes that executives believe to occur as a result of this. Executives anticipate that their reputation will improve and that they will feel more connected to the social community.

The potential benefits that companies may get from corporate social responsibility (CSR) remain a controversial topic. Renowned economist and debater Milton Friedman said in 1970 that a company's main social responsibility is to satisfy the demands of its shareholders and increase profits in a manner that is morally and legally acceptable. According to Friedman, companies shouldn't prioritise corporate social responsibility (CSR) unless it benefits society and satisfies shareholder demands. When companies strategically more easily. Businesses now find it simpler to make wise investments as a result. The increasing number of stakeholders who are attempting to persuade businesses to participate in corporate social responsibility (CSR) initiatives is another reason why companies should be doing so. Given the increasing level of interconnectedness throughout the globe and the accessibility of digital information, it is imperative to realign stakeholders' traditional roles.

Corporate social responsibility and financial results

Since the 1970s, more and more people have been paying excessive amount of money spent on corporate social responsibility might lower a company's ability to compete in its industry. The findings of their investigation indicate that while Alexander and Buchholz used a reputation index in order to assess the effectiveness of CSR initiatives, Cochran and Wood came to the conclusion that this approach was insufficient due to the fact that it was subjective and did not provide an accurate depiction of the real performance of the organisation. Following that, there was a delay in generalising the findings since academics have not yet resolved their dispute on the several approaches that are used to evaluate the efficacy of corporate social responsibility and financial success. Considering that there are a great deal of components, and the selection of variables has the potential to significantly impact the findings of the investigation, this is a challenging circumstance for researchers to be in.

REVIEW LITERATURE

Samira Islam Resmi (2017) Corporate social responsibility initiatives are essential to most firms. Many major firms participate in CSR programmes to achieve their social responsibilities or for the public benefit. This research examined whether corporate social responsibility (CSR) boosts business profits, despite its widespread adoption. This research known companies. Researchers adopted a relational method. Several secondary sources provided the information. Regression and correlation were used to analyse data and results. According to the study, return on equity (ROE) and net income (NI) have a greater impact on the financial performance of CSR enterprises than ROA or EPS. These recommendations may aid academics in this fictional area. This study supports the idea that corporate social responsibility (CSR) drives development and improves financial planning in Bangladesh's agriculture industry. This research will benefit financial sector regulators and policymakers, as it adds to current knowledge and has important implications for developing nations. Most CSR research focuses on established countries and businesses.

Marly Mentor (2016) Businesses have historically led in social responsibility. In the past, companies worked hard to increase profits. The benefits of corporate social responsibility (CSR) have been debated. Businesses understand they must prioritise social responsibility to succeed. Previous research has linked socially responsible corporate practices to financial performance. This study will be detailed below. Next, we examine this association using data from a credible source that tracks company CSR. Accounting metrics and market-based financial performance indicators are studied independently in this study. The 2005–2014 dataset includes most S&P 500 firms. We employ Capon, Farley, and Hoenig (1990) results to develop an empirical model. profits but lowers long-term stock returns, according to our study. A drop in demand for socially responsible stocks might replace the regular rate of return. Corporate social responsibility (CSR) stocks are expected to perform worse as investors become more interested in them. The results, which support the idea, match previous research.

Mubeen Mujahid (2014) Our study aims to explore their financial performance or the wealth of their owners. According to our research, corporate social responsibility (CSR) significantly affects an organization's bottom line as well as the wealth of its investors.

Robert Fabac (2016) Throughout this research project, we will look for companies that are listed on the Zagreb Stock Exchange's official share index and examine whether or not financial success and corporate social responsibility are related. Ten companies with their headquarters located in Croatia are part of the Croatian Stock Exchange's CROBEX10® index. Customers are greatly impacted by a company's social responsibility activities when it comes to choosing the products and services they buy. The following is the reason why corporate social responsibility (CSR) is becoming increasingly significant: it helps businesses stand out from the competition. Even while not all of the most prosperous companies are equally adept at putting CSR into practice, it is nevertheless crucial for all of them. Despite the fact that some researches have linked corporate social responsibility to financial performance, the results have been contradictory due to the presence of confounding factors. It was assumed at the beginning of the study endeavour that there was no relationship between CSR and FO for the firms that made up the CROBEX10® index. The method of document analysis is used in this study to find common indicators, which include instances.

OBJEACTIVES

1. To evaluate the connection between the best performing Nifty index firms' financial results and their corporate social responsibility (CSR).
2. To investigate how financial performance is affected by corporate social responsibility (CSR).

RESEARCH METHODOLOGY

The Futures cape Report 2017 analysed secondary data from 2014 to 2017 to identify the top 10 Indian companies in terms of sustainability and corporate social responsibility. Ten of the most prosperous corporate social responsibility (CSR) businesses were chosen for this study in order to examine the effect that CSR has on the bottom line of India's 100 most sustainable and CSR-focused businesses. We shall utilise Futures cape as an example. The sole foundation utilised in this analysis originates from secondary data sources. The following documents were gathered from Moneycontrol.com and the firms' official websites: annual reports, director reports, notes to accounts, schedules of accounts, reports on sustainability and corporate social responsibility, and auditors' reports for the years 2014–2017. The influence of corporate social responsibility (CSR) on the financial performance of the top 10 sustainable and CSR firms in India is evaluated using a simple regression model. The PBT, ROCE, ROE, and ROA variables are the independent variables, whereas the CSR variable is the dependent variable. The current research employed SPSS version 20, and to assure the correctness of the results, confidence levels were established at 90%, 95%, and 100%.

DATA ANALYSIS

Only the impacts of this release on CSR involvement and its influence on stock price are the subject of research conducted following the publication of the Folksam CSR Ranking Report. Since the year 2006, public reports that are based on the corporate social responsibility (CSR) policies and actions of Swedish listed firms have been examined and analysed on an annually or semiannual basis. For the purpose of determining whether or not a company's corporate on this research presents an ideal moment to disseminate these findings.

A study of events will be carried out in order to ascertain the impact that the publication of Folksam's CSR ranking report, which will be referred to as the release in this context, has on the stock value of companies. There are a total of 144 firms that corporation in terms of environmental stewardship and human rights is taken into consideration in order to establish a rating for that company. For each of the alternative hypotheses, we will use a research technique that is equivalent to the one we will adopt, but we will only look at data from the years 2006 till 2013. The years leading up to, during, and after a crisis are all included in this sub-hypothesis into consideration in 2013.

El Ghoul, Guedhami, Kwok, and Mishra (2011) provide a last and one-of-a-kind advantage of corporate social responsibility (CSR) that is related to the value and risk of a firm. According to the authors' argument, businesses that have a history of high corporate social responsibility participation ought to have lower stock costs in comparison to those who do not. Companies that have CSR procedures that are either ineffective or nonexistent have a more difficult time recruiting investors, and investors perceive a greater level of risk when investing in these companies. Given the information asymmetry and preferences of investors, it is reasonable to assume that a greater number of investors would be interested in a business's shares if the firm publicised its corporate social responsibility (CSR) activities. The findings of the research indicate that a greater number of investors are inclined to put their money into businesses that participate in corporate social responsibility operations (ibid). CSR involvement 17 results in a reduction in the amount of money that businesses spend on capital expenditures, which in turn leads to financial savings and an increase in the value of the company.

There are two columns that make up the "R Square" column in the R2 table. These columns are ROE and CSR. ROE is the dependent variable, whereas COS is the independent variable in this equation. R2 indicates that ROE has changed if there has been a change in CSR data. It can be deduced from the improved R-squared value of 0.299 that the model fit is correct to the extent of 29.9%. When there is a change of 0.363 units in CSR activity, there is a 36.3% swing in the return on equity of the agricultural industry.

Table 1: Overview of the ROE and CSR Model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.602[a]	.363	.299	2.23027

In order to provide you with a point of reference, Table 2 displays the connection between CSR and ROE, which is 0.038. Due to the fact that the value is lower than 0.05, it can be concluded that the regression model accurately predicts the influence that the CSR variable has on ROE. The prospect of rejecting hypothesis 1 and 2 may be eliminated from consideration at this point.

Table 2. ANOVA for ROE & CSR

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.306	1	28.306	5.691	.038[b]
	Residual	49.741	10	4.974		
	Total	78.047	11			

Only seven percent of the 122 reports were able to meet the HKEX Index criteria, and sixty percent of those reports could not meet the normally required pass criterion of sixty points. According to the requirements of a complete report, there must be room for a qualified and quantitative index. This implies that the pages of the report cannot reflect quality, but they may disclose the score of the report. Only thirty-five percent of the reports are longer than thirty pages, and each report contains eleven basic disclosures and thirty-two critical performance measures. presentation of these findings.

Table 3 The connection between CSR performance and ROA

VARIABLES	(1) OLS	(2) Fixed Effects	(3) Fixed Effects	(4) Full Data
Report Score	0.000702***	0.000608*	0.000629	0.00115***
	(0.000260)	(0.000346)	(0.000720)	(0.000376)
Pharmacy*Report Score			0.000210	
			(0.000844)	
Finance*Report Score			-0.00102	
			(0.00116)	
Greenhouse Gas Emission Density				0.00211*
				(0.00112)
Energy Use Density				2.56e-05
				(1.54e-05)
Electricity Use Density				-1.69e-06*
				(8.66e-07)
Water Use Density				2.92e-05
				(2.69e-05)
Constant	0.00928	0.0144	0.0256	-0.0432*
	(0.0149)	(0.0191)	(0.0221)	(0.0222)
Observations	124	124	124	26
R-squared	0.056	0.048	0.072	0.636
Number of ID		62	62	
Company FE		YES	YES	
Year FE		YES	YES	

It is possible to determine how much money a corporation may produce from its assets by using a method known as return on assets (ROA). When a corporation enhances the quality of its corporate social responsibility (CSR) reporting, it boosts its potential to convert its assets into profits. Once the unobservable firm-level variability has been taken into account, there is a chance that ROA might improve by 0.000608 for every one-point rise in CSR score. able to make a bigger profit from their assets by increasing their CSR ratings. Outperforming the whole group in terms of return on assets, the 26 organisations that have given all of their information have a CSR score of 0.00115. A reduction in ROA may also be caused by other environmental factors in addition to energy use.

CONCLUSION

Although we concur with every assumption put forth, which indicates that corporate social responsibility (CSR) positively affects the total financial performance of some companies (PBT, ROC, ROA, and ROE), we also acknowledge that CSR has a distinct effect on each of these metrics. This is because higher contributions to corporate social responsibility (CSR) one of the chosen companies complies with the 2% requirement specified in Section 135 of the same act. The research's conclusions show that there is a discrepancy between the methods that are actually used and the standards that are substituted. These results indicate that companies should increase their spending Securities and Exchange Board of India (SEBI) must also move decisively.

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