International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 09 Issue: 04 | April - 2025 SJIF Rating: 8.586 ISSN: 2582-3930

Corporate Social Responsibility and Financial Performance

Neelu Yadav [1], Richa Sonkar[2], Nandini Singh[3], Rituja Singh[4]

BBA 4th semester, FOCM, United University, Prayagraj

Abstract

This research aims to explore the impact of corporate social responsibility on financial performance. Its impact negative or positive on financial performance, how does it show the relationship between corporate social responsibility and financial performance. Does organization, company or any firm earn profits, or it is the lose initiative towards the company or organization.

KEYWORDS

Corporate social responsibility, financial performance, CSR and its financial impact.

INTRODUCTION

What is CSR??

Philip Kotler and Nancy Lee define CSR as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources" Archie Carroll in 1991 describes "CSR as a multi-layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities."

Advantages of CSR

1. **Enhanced Reputation**: Engaging in CSR sports can increase a company's reputation. When a business demonstrates a dedication to moral practices and social reasons, it gains the acceptance and recognition of customers and stakeholders. This tremendous notion can result in multiplied patron loyalty and brand costs.

2. **Competitive Advantage**: CSR can provide a competitive advantage. Companies that incorporate sustainability into their operations often discover fee saving opportunities and an accelerated consumer demand for socially accountable merchandise. This can lead to a more potent market position and better profits.

3**. Employee Engagemen**t: CSR tasks can improve worker morale and engagement. When employees see their employer making a high-quality impact on society, they tend to be more motivated and happier about their roles. This, in turn, can bring about higher productivity and decrease turnover costs.

4. **Attracting Investors**: Investors are thinking more and more about CSR's overall performance when making funding selections. Companies with strong CSR information are more likely to attract socially accountable investors and steady funding. Access to capital becomes easier, facilitating an increase.

5. **Risk Mitigation:** CSR can act as a buffer against capability risks and crises. By proactively addressing social and environmental issues, agencies lessen the likelihood of poor incidents. When issues do arise, a robust CSR framework can assist in dealing with and mitigating those issues effectively.

Disadvantages of CSR

1. **Financial Costs:** One of the primary disadvantages of CSR is the economic burden it imposes on organizations. Implementing sustainability initiatives and philanthropic applications frequently requires considerable investments. In the short term, this may pressure financial assets.

2. **Inconsistent Implementation**: Ensuring constant CSR practices across an organization may be hard. Different departments may interpret CSR in a different way, leading to inconsistencies in execution. This can dilute the effect of CSR efforts and harm a company's reputation.

3**. Greenwashing:** Some groups engage in "greenwashing," where they exaggerate or falsely promote their CSR initiatives. This can result in accusations of dishonesty and damage to the organization's credibility.

4**. Measurement Complexity:** Measuring the effect of CSR tasks is a complicated undertaking. Quantifying social and environmental blessings may be tough, making it hard to evaluate the actual price of those efforts. This loss of clarity can preclude decision-making.

5. **Balancing Stakeholder Expectations:** Meeting the various expectations of diverse stakeholders may be difficult. Customers, investors, employees, and groups may have one-of-a-kind priorities and perspectives on what constitutes effective CSR. Balancing those expectations can be a sensitive undertaking.

Problems face by CSR

IPLF Companies Act, Corporate Governance (March 15, 2024)

Lack of public knowledge about CSR initiatives: the public is not interested in supporting or taking part in corporate social responsibility (CSR) initiatives. This is a result of a lack of awareness or ignorance regarding CSR. The situation is made worse by the dearth of communication that exists at the grassroots level between the public and corporations engaged in corporate social responsibility.

The requirement to develop local capabilities: Building the capacity of local nongovernmental organizations is necessary since there is a severe lack of qualified and effective organizations that can successfully support the ongoing corporate social responsibility initiatives. This restricts the breadth of CSR projects and jeopardizes their ability to be scaled up.

Transparency concerns: One of the main concerns facing corporations is a lack of transparency, which is exacerbated by small businesses' inadequate efforts to reveal information about their programs, audit issues, impact assessments, and fund utilization. This has a detrimental effect on the companies' process of developing trust, which is essential to any CSR initiative's success.

Lack of effectively run non-governmental groups: In remote and rural locations, it is difficult to find well-run nongovernmental organizations that can evaluate and identify the true needs of the community and collaborate with businesses to successfully execute corporate social responsibility initiatives.

Objective of study

Through this research we will know the impact of corporate social responsibility on financial performance, what is the relationship between the CSR and the financial performance. Through this research we will get to about the importance of corporate social responsibility, what are its philanthropic responsibility of corporate social responsibility, what are its Prons and Cons of CSR. How it Improves the firm's financial reputation and increment in customer loyalty, trust by CSR initiative, improve efficiency by reducing waste and enhancing productivity by allocating funds in beneficial area and increasing sales and goodwill.

LITERATURE REVIEW

Adam Lindgreen and Valérie Swaen' Professor of Marketing at Hull University Business School and Research Fellow at BEM Bordeaux Management School, c/o Hull University, 2010 Blackwell Publishing Ltd and British Academy of Management.

Corresponding author email: A.Lindgreen@hull.ac.uk j.1468-2370.2009.00277.x.fp.png

Its states that CSR have importance in in both research and business field, in simple term CSR means to do "good work" and to do your work according to society norms. Earlier CSR practice was the and ideal concept but now companies took their social norms and responsibility serious.

In this CSR development influence by the theory

- **Institutional theory**
- **Resource-based view of the firm**
- **Stakeholder theory**
- **Stewardship theory**
- **Theory of the firm**

Due to different theory and approaches CSR has become complex and confused. The concept of CSR is evolving, but there is still a need for theoretical clarity. The aim of this special issue is to help people better understand CSR and to encourage better research on it in the future.

Corporate Social Responsibility and Financial Performance

Permalink. https://escholarship.org/uc/item/111799p2

Author Tsoutsoura, Margarita Publication Date 2004-03-01

McGuire, J. B., A. Sundgren, and T. Schneeweis (1988) "Corporate social responsibility and firm financial performance." Academy of Management Journal, 31 (4): 854-872

Corporate social responsibility and financial performance relationship: a review of measurement approaches. Pages 676-693 | Received 02 Sep 2016, accepted 17 Mar 2017, Published online: 08 May 2017

Rahitya Iswanandha & Sudarmi tin & I Wayan Jaman Adiputra, 2017. Philanthropic Corporate Social Responsibility:

A Case Study Journal of Corporate Finance Volume 12, Issue 5 December 2006, Pages 855-877

Corporate Social Responsibility: A Three-Domain Approach

Published online by Cambridge University Press: 23 January 2015 Annals of the University of Petrosian, Economics, 10(3), 2010, 167-174 167

METHODOLGY

The investigation is based on quantitative method studying about the corporate social responsibility and its financial performance. The study was conducted through a survey established to obtain data directly from students and employees.

1. Research Design:

The research is conducted by descriptive survey method, which is used to understand the behavior, opinions and experiences of students and employees about the csr and financial performance.

2. Population and Sample:

Students currently enrolled in company and college, university pursuing education with bachelor's and master's degree and working in organization are the target population.

Sample size :100 and 150 students and employees to get fair and unbiased opinions from students of different backgrounds, gender, age, occupation and fields of study.

3. Data Collection Method:

Preferred tool for data collection was a structured questionnaire. This questionnaire was shared online through diverse platforms such as Google forms and WhatsApp, to reach a higher number of students to get the unbiased opinion.

The questionnaire had multiple choice questions and open-ended questions to get detailed opinions.

4. Data Analysis:

Responses acquired were analyzed using simple statistical tools. These included percentages and pie charts. Data was interpreted to understand the relationship between corporate social responsibility and financial performance.

RESULT

Case in point is the survey that was carried out among 105 students as well as employes from different colleges and universities and organization, these students and employees came from organization and institutions of higher learning. The survey sought to find out how the corporate social responsibility impacts on financial performance.

Frequency of Use:

90.5% of respondent prefer to buy from the company who are engage with csr initiatives.

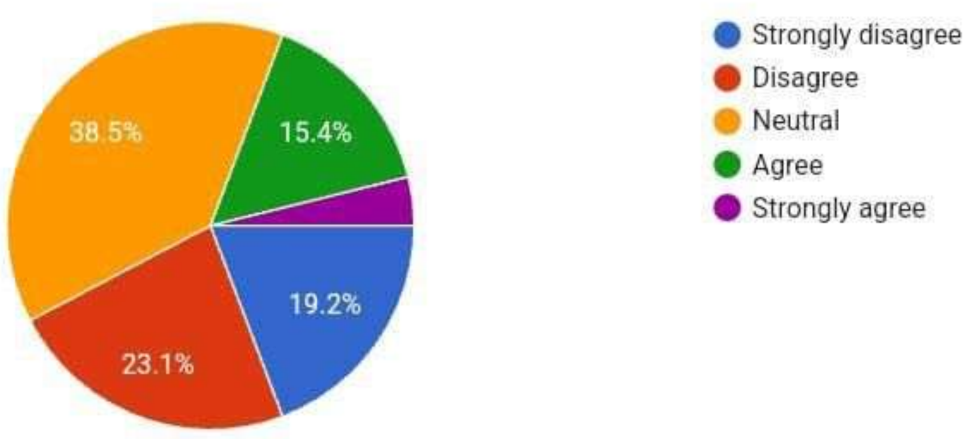
19.2% respondent strongly disagrees that csr initiative have negative impact on financial performance.

23.1% respondent disagrees that csr initiative have negative impact on financial performance.

38.5% respondent shows neutral response about that the csr initiative have negative impact on financial performance.

15.4% respondent agrees that csr initiative have negative impact on financial performance.

Rest strongly agrees.



REFERENCES:

Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. International Journal of Management Reviews, 12(1), 85–105. https://doi.org/xxx

Freeman, R. E. (1984). Strategic management: A stakeholder approach. Boston: Pitman.

Godfrey, P. C., Merrill, C. B., & Hansen, J. M. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. Strategic Management Journal, 30(4), 425–445.

Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. Administrative Science Quarterly, 48(2), 268–305.

Olitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. Organization Studies, 24(3), 403–441.

Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. Harvard Business Review, 84(12), 78–92.