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Role of Corporate Social Responsibility in Improving Financial Performance: A Cross Sectional Study

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Abstract
This study explores the relationship between corporate social responsibility (CSR) and the financial performance of businesses. CSR, a self-sustaining business model, enables companies to be held accountable for the effects of their operations on the social, economic, and environmental elements of society. Companies can fulfil their obligation to demand moral standards and behavior in the workplace through CSR, which will have a big impact on how the board of directors formulates its strategies. CSR-focused businesses go above and above what is required by law to reduce their negative social and environmental impacts. The study divides CSR initiatives into two categories: those that focus on symbolic and opportunistic CSR governance and those that are more determined and rigorous. The study highlights four CSR categories: economic responsibility, philanthropic responsibility, environmental responsibility, and ethical responsibility. In highlighting the relationship between CSR and a company's financial success, effects on the environment, employee and customer satisfaction, management of the firm's social connections, and societal influence, the investigation draws to a close.

Keywords: CSR, Financial Performance, Stakeholders, Corporate Governance, Cross-Sectional Study

Introduction:
Business enterprises are resolving to optimize economic performance to satisfy shareholders and act in a socially responsible manner for the benefit of society, while focusing more and more on issues that are of social significance. Due to social, economic, and environmental concerns, businesses are being pushed to build systems that take the execution of the law in all settings into account as well as give priority to the interests of stakeholders in general and society. A company's ethics and social responsibility is upheld by the fact that to gain something from society and the environment, it needs to provide returns as well. This is ensured by Corporate social responsibility, or CSR, is an integrative business model that enables organizations to be aware of the influence they are having on the economic, political, and social dimensions of society. Companies that practice CSR may hold themselves, their stakeholders, and the public to a higher standard of social and environmental responsibility than is legally required. As a result, it is crucial to take these sustainability and effectiveness factors into account when integrating CSR into the business environment. There are two types of CSR strategies that organizations may employ. One strategy for implementing CSR governance is to act firmly and rigorously. Organizations that have a higher propensity to "walk the talk" and create noteworthy CSR outcomes may spend a lot of money setting up CSR governance. The alternative CSR strategy focuses on symbolic and opportunistic CSR governance to improve business image or address new difficulties rather than providing the resources needed to carry out CSR activities completely or intentionally. (Wang and Sarkis, 2017).
As a result, organisations fulfil the duty to demand moral standards and behaviour at the corporate level through CSR, which has a big impact

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on how the board of directors proposes its strategies. They want managers to act in a transparent, effective, and efficient style in order to maximise financial gains and preserve the long-term survival of the business. They also urge that organisations should embrace socially conscious practices (Rodriguez-Fernandez, 2016).

A cross-sectional study is a form of observational study that analyses data from various people at one particular moment. With reference to CSR and financial performance, a cross-sectional study contrasts the performance of companies that engage in CSR, with respect to those which do not and analyzes whether participating in CSR makes a difference or not.

Literature Review: -

The concept of CSR is based on clarity, receptivity and broad-mindedness. CSR lowers client risks, boosts market value and corporate reputation, and maintains staff satisfaction in an atmosphere built on openness and transparency. CSR has an impact on a firm's financial performance, their consequences on the environment, on employees which drives them to fulfill company goals, on consumer satisfaction and on the community. Whether CSR is implemented by a firm or not can be assessed by how the firm manages its social relationships and its societal impact and whether that helps them to boost their revenue. The main goal of CSR is to maximize the social and economic value of a company, decreases its environmental dependency while taking into consideration the interests of the stakeholders and customers while working in a sustainable and viable manner.

There are two methods that are frequently employed to evaluate CSR. The first method is the reputation index. By using one or more social performance variables, qualified observers evaluate businesses using this methodology. Content analysis is the second CSR assessment technique. Content analysis typically assesses how well CSR initiatives are covered in various company publications, especially the annual report. (Cochran and Wood, 1984).

Corporate social responsibility (CSR) can be approached in three different ways, each of which has a different impact on corporate performance (CP). To accomplish short-term CP goals, managers who employ an instrumental approach are more likely to interact with stakeholders according to their preferences and give priority to some groups over others. While using the descriptive approach, businesses pursue social initiatives that may or may not be directly related to CP goals to satisfy the needs of various stakeholder groups. However, the strategic approach views CSR and stakeholder management as rational ideas, acknowledging that businesses have limited resources and managers must manage the conflicting demands from various stakeholder groups effectively. (Giacomo et al., 2013).

Corporate social responsibility can be divided into four main categories in general. The first is environmental responsibility, which entails reducing production-related waste, emissions, resource use, and pollution as well as aiding environmental concerns. The second category is ethical responsibility, which focuses on treating all parties fairly and morally, including clients and staff. The third area, philanthropic responsibility, looks at how an organisation uses its resources to give back to society, such as through donations to charities, sponsorships, or volunteer labour. Financial responsibility, which ensures that a business can support its environmental, ethical, and charitable objectives through funding and product development, is the final element that unites the three categories.

CSR is divided into four areas, according to a study by Feng et al in 2017: market-oriented CSR, society-oriented CSR, environment-oriented CSR, and employees-oriented CSR. Employee-focused CSR projects that address workplace health, better working conditions, training and development, equality and diversity, and work-life balance are centred on the important internal stakeholders, the employees. Environment protection,

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sustainable development, and waste management are given top priority in environmental efforts. Collaboration with neighborhood CSR programs that are focused on society, community participation, and social integration. Examples of market-oriented initiatives include ethical advertising, quality or safety of products, responsible supply chain management, and innovation.

Asian companies usually fall behind their Western counterparts in CSR initiatives. However, the rise in customer demands for businesses, the beginning of the global economy and reform, the entry of MNCs into Asian markets, and the emergence of advocacy groups have strengthened the case for CSR in Asian countries like India. Philanthropic CSR is the most used type of CSR in India since it is engrained in the culture and business practises of Indian entrepreneurs (Mishra and Suar, 2010).

The benefits of CSR include the necessity that companies follow its principles and offer sustainable goods and services. A business may be required to embrace a new technology in order to create high-quality and appealing ecologically friendly items. Product differentiation and greater financial performance might result from this. CSR might also encourage the growth of human capital. A company with a greater level of CSR typically attracts more talent and has a relatively low rate of turnover for new workers, which reduces the costs incurred by hiring and training fresh talent. However, CSR initiatives may have a negative effect on how well businesses perform. According to them, investing in CSR activities will increase costs, which will put enterprises in competitive markets at a disadvantage. Therefore, businesses that engage in CSR will incur higher costs and lose some of their competitive advantage (Lin et al., 2015).

According to a 2017 study by Selcuk and Kimyaz, a corporation's primary goal should be to increase shareholder wealth as measured by the market value of the company's shares. Management must act ethically and refrain from acts intended to manipulate the financial markets in order to raise the company's stock price in order to achieve this goal. In the current economic climate, businesses are under pressure from customers and employees to give CSR programmes more attention.

Customer fulfilment, reputation, and edge over competitors are the three CSR outcomes that are also interconnected variables, and a firm's performance is based on these three variables. Studies by Saeidi et al. (2015) have shown that a company's reputation improves when customer satisfaction is high, giving it a competitive and economic advantage over other businesses operating in the same domain. Institutional financiers in the company as well as corporate reputation, which serves as a stand-in for the publicity around the firm's social initiatives, have a stabilising influence. According to a study by Alshammari (2015), private equity and reputation will improve the connection between CSR and company performance. Therefore, a company will benefit most from CSR initiatives when it has a good reputation among its key stakeholders. The link can be measured using a local CSR index (CSRI) based on two ideas, ethical investment and monetary donations to stakeholders (Wang et al., 2011).

One hypothesis holds that businesses must decide between their social responsibility and financial profitability. This point of view's proponents contends that companies who engage in socially responsible behavior must pay a price that places them at a competitive disadvantage with companies that don't take such actions. According to a different, opposing perspective, firms may gain from socially responsible acts in terms of staff satisfaction and efficiency and that the explicit costs of CSR are negligible. A third viewpoint argues that even when socially conscious decisions are expensive, overall company costs are reduced (McGuire et al., 1988). Long-term economic success requires managers to be able to balance the interests of the key stakeholders by creating enough value, money, and satisfaction to meet

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their needs (Akisik and Gal, 2014).

Objective of the Study

To measure the role of corporate social responsibility in improving financial performance.

Methodology

This study utilized a structured questionnaire to conduct a survey, and statistical methods such as mean & t-test were used to analyze the responses from 223 participants. The sampling method used in this research was convenience sampling, where individuals were selected based on their accessibility & willingness to participate.

Table 1 Role of corporate social responsibility in improving financial performance

Serial No.	Statement of Survey	Mean Value	t-value	p-value
1	CSR initiatives can lead to increased customer loyalty and higher sales, ultimately improving financial performance.	4.10	7.723	0.000
2	CSR can lead to increased trust and support, which can positively impact the company's financial performance.	4.31	9.806	0.000
3	Reduced turnover can help a company save costs associated with recruiting and training new employees, improving financial performance.	4.48	11.570	0.000
4	CSR can increase customer loyalty by demonstrating a company's commitment which can lead to increased sales & repeat business.	4.07	5.748	0.000
5	CSR may help a company identify and manage risks related to social and environmental issues, reducing the likelihood of negative events that could harm the company's financial performance.	3.73	2.434	0.008
6	Companies that place a high value on corporate social responsibility are more likely to attract investors who are also committed to social responsibility.	4.44	11.218	0.000
7	CSR initiatives can lead to cost savings by reducing waste, improving energy efficiency, and enhancing supply chain management.	4.06	6.944	0.000
8	CSR can encourage innovation by promoting the development of sustainable products and services, which can generate new revenue streams.	4.14	8.777	0.000
9	CSR can help companies access new markets by meeting the expectations of socially conscious consumers.	3.78	3.654	0.000
10	Government incentives can reduce costs and improve financial performance.	4.43	12.215	0.000

Table1 demonstrates the mean values for each of the statement of the study done on the “role of corporate social responsibility in improving financial performance”, examining the average scores, the statement that obtains the highest mean score can be described as “Reduced

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turnover can help a company save costs associated with recruiting and training new employees, improving financial performance", which has the mean score of 4.48, Looking at the next statement which is "Companies that place a high value on corporate social responsibility (CSR) are more likely to attract investors who are also committed to social responsibility" the mean score is found to be 4.44. Looking at the mean value of 4.43 for the statement "Government incentives can reduce costs and improve financial performance" shows that Government incentives is also responsible for improving financial performance. Looking at the other benefit of CSR is, "CSR can lead to increased trust and support, which can positively impact the company's financial performance" which displays the mean score of 4.31, and the statement "CSR can encourage innovation by promoting the development of sustainable products and services, which can generate new revenue streams" showcase the mean value of 4.14. Then the statement "CSR initiatives can lead to increased customer loyalty and higher sales, ultimately improving financial performance" obtains mean value of 4.10 and the statement "CSR can increase customer loyalty by demonstrating a company's commitment to social and environmental issues which can lead to increased sales and repeat business" has 4.07. The statement "CSR initiatives can lead to cost savings by reducing waste, improving energy efficiency, and enhancing supply chain management" showcase the mean score of 4.06. Therefore, the last two statements fall within the lowest category or level, "CSR can help companies access new markets by meeting the expectations of socially conscious consumers" mean value of 3.78, the statement "CSR may help a company identify and manage risks related to social and environmental issues, reducing the likelihood of negative events that could harm the company's financial performance" has 3.73. The significance of the t-value for each statement in the investigation on the role of corporate social responsibility in improving financial performance is significant. The t-value statements were positive, and their significance value was less than 0.05, indicating a significant relationship between the two variables.

Conclusion:

The study's conclusion emphasizes how important corporate social responsibility (CSR) is to businesses today. As consumers become more concerned of the consequences their purchasing decisions have on society and the environment, businesses must prioritize corporate social responsibility (CSR) programs if they want to remain competitive and attract a clientele of socially conscious individuals. The study also shows that adopting effective CSR practices enhances a company's brand, fortifies its relationships with stakeholders, and ultimately helps it achieve long-term financial success in addition to benefiting the community and the environment. In order to succeed, businesses must integrate CSR into their routine operations and link their strategies to those of sustainability, social justice, and ethical responsibility.

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