IJARASEM

ISSN: 2395-7852

International Journal of Advanced Research in Arts, Science, Engineering & Management (IJARASEM)

Volume 11, Issue 3, May-June 2024

INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

IMPACT FACTOR: 7.583

International Journal of Advanced Research in Arts, Science, Engineering & Management (IJARASEM)

| ISSN: 2395-7852 | www.ijarasem.com | Impact Factor: 7.583 | Bimonthly, Peer Reviewed & Referred Journal|

| Volume 11, Issue 3, May-June 2024 |

An Analysis of Effects of CSR on Business Performance and Value Generation?

C.S. Nancy Verma

Research Scholar, Department of MBA (Net), M.Com, LLB

ABSTRACT: Companies have taken the initiative to be socially responsible over the years. In the past, the focus for companies has been on maximizing wealth. With the growth of corporate social responsibility (CSR), there has been many debates regarding its benefits. More companies are beginning to realize the value of being socially responsible and how critical it is to business function. This paper researches past studies on the relationship between corporate social responsibility and financial performance. This relationship is then tested using a reliable source of data on corporate social responsibility performance. This study uniquely looks at the accounting and market-based measurements of financial performance. The dataset includes most of the S&P 500 firms and covers years 2005-2014. An empirical model is constructed which includes factors that were found significant in the works of Capon, Farley, and Hoenig (1990). The relationships are tested using cross-sector/panel data time-series regressions. Results indicate that CSR and the accounting measurements of financial performance are positively related. CSR and the market-based measurements of financial performance are negatively related. This suggests that CSR positively affects a company's profits and negatively affects future stock returns

KEYWORDS: CSR, business, value, generation, performance, analysis

I. INTRODUCTION

Since Bowen's (1953) first work, the relationship between corporate social responsibility (CSR) and financial performance in the business context has become a topic of significant relevance. The idea and perception of CSR change from company to company, between managers, and in different societies (Lau, Hulpke, To and Kelly, 2007). However, a common aspect exists: instead of companies channelling their resources to maximise profits and shareholder wealth, managers focus on stakeholder welfare (Becchetti & Trovato, 2011). In this context, we can affirm that the mind-sets of managers and shareholders are changing. Managers are becoming increasingly aware of using social responsibility to get ahead of their competition. Companies have begun to develop CSR business strategies to gain competitive advantages (Carroll, 2008). Many companies prioritise CSR [7,8,9]activities on their agendas (Maretno, 2018). They implement these activities in their strategy and use their resources to enhance or correct their social and environmental impacts as they improve the communities around them. Environmental, social, and governance (ESG) activities are the three pillars of sustainability (Staub-Bisang, 2012). However, these developments in social responsibility have caused managers to wonder how improving the performance of CSR activities is fruitful in the long run. In other words, can allocating company resources to address ESG issues increase business value and improve financial performance to benefit a company and its shareholders? This question is relevant, as commitment to social responsibility is costly and requires companies to spend limited resources that could be invested in other, more profitable projects (Maretno, 2018). Therefore, it is incumbent on managers to know whether such initiatives will be valuable for investments in this area (Kurucz et al., 2008).

Given the significance of this topic, we conducted a literature review to systematise and examine the impact of social responsibility on companies' financial performance. Thus far, only two literature reviews have been identified (Table 1).

TABLE 1. Literature review overview

Authors and year	Title	Source	Key contributions
Huang (2021)	An integrated theory of the firm approach to environmental, social, and governance performance	Accounting & Finance	ESG factors are a major element of company strategy with regard to developing and maintaining the company's social licence, managing and mitigating risks, and building

Authors and year	Title	Source	Key contributions
			competitive advantage
Cunha et al. (2021)	Sustainable finance and investment: Review and research agenda	Business Strategy and the Environment	A conceptual model with the ESG players' (Providers, Recipients, Supporters, Beneficiaries) profiles and strategy, who act together to promote global development through sustainable finance and investment

The first review by Huang (2021) explained why companies undertake ESG activities. According to this author, despite the substantial and growing body of literature, it remains underdeveloped, and there are significant theoretical gaps related to attempts to build an explanatory theory on ESG metrics and financial performance based on Friedman's (1970) seminal study. Regardless of the interest in this relationship, the author further demonstrates that there is still no consensus on its nature, intensity, and direction. ESG activities occur in an institutional context and are characterised by different organisational constraints and individual decision makers (Huang, 2021). Thus, there is a window of opportunity for a theory relative to external motivations for ESG activities and their internal drivers.

In the second literature review, Cunha et al. (2021) assert that the literature on sustainable finance is excessively fragmented, making it difficult to identify its scope and, most importantly, differentiate it from traditional finance. Despite extensive academic production, the authors note that several questions remain unanswered and succinctly indicate three major challenges: an under-theorization of the concept of sustainable finance and investment (SFI), the persistence of traditional short-term financial logic, and a lack of evidence of the impacts of SFIs on society and the environment. [10,11,12]For Cunha et al. (2021), SFIs are key to promoting sustainable global development. Thus, they asked the following research question: What is the difference between SFIs and traditional finance? Understanding this difference is fundamental to the effectiveness of the SFIs. Based on the systematic review, the authors identified four groups of players within SFIs:(1) providers (investors and financial institutions), (2) recipients (companies that present a good financial performance by adopting sustainability and CSR practices), (3) supporters (governments, NGOs, and consulting groups), and (4) beneficiaries (society and the planet/environment enjoy positive impacts, thereby legitimising further action with SFIs).

CSR has been gaining relevance in the academic, business, and political worlds; however, there are gaps in the literature regarding the nature, intensity, and direction of the relationship between CSR and financial performance. This study aimed to answer the following research question: What is the relationship between CSR and companies' financial performance? To this end, we conducted a systematic literature review using the Web of Science database, followed by bibliometric and content analyses using the VOSviewer tool to generate clusters of co-citations of cited references. Fifty-three articles were included in the analysis based on the eligibility criteria, and the 53 articles were considered for the analysis. This study suggests that social responsibility directly and positively affects financial performance, and this impact increases as a company's ESG scores improve.

This study makes an immediate contribution to the literature as some authors (Lu et al., 2014) argue that the true relationship between CSR and financial performance has not yet been determined. Simultaneously, it discusses the most current research on this relationship, which creates the possibility of new empirical studies. Practically, this study succinctly and objectively describes the benefits of engaging in social responsibility practices and how managers and shareholders can integrate them into corporate strategies. Social responsibility is a highly relevant factor in investment and funding decisions and it is essential to determine its contribution to a company's future financial performance. In short, social responsibility should be viewed as an investment opportunity rather than a cost for companies to contribute positively to a more sustainable world while achieving better financial results.

II. DISCUSSION

In today's society, there is a growing interest in, and demand for Corporate Social Responsibility (CSR). Reasons for this can be multinational corporations' increasing influence on world economy as well as scandals revealing horrible working conditions in different industries. In spite of the fact that the demand for CSR is growing, there has always been critics. The most influential critic is Noble Prize winner Milton Friedman, who claims CSR to be a waste of stockholders' money. However, several articles claim, opposite Friedman, that CSR rather increases a company's financial performance in the long run. These claims have made us curious about in what way CSR is related to a company's performance. Moreover, it has led to us wanting to find out how CSR can influence customer perceptions on a product or service offering, and how these influenced perceptions affect company performance. In order to concretize our problem we have chosen to use the clothing industry as a framework for our study. The choice of industry has its reasons in an increasing public interest in how clothes are manufactured, which is largely because of continuous scandals concerning poor working conditions in the clothing industry. To find out [13,14,15]how CSR can influence customer perceptions and company performance we have studied literature concerning the subject. Furthermore, these theoretical studies have led to us coming up with a model for how CSR can influence customer perceptions and ultimately affect company performance. This model is influenced by Heskett, Jones, Loveman, Sasser and Schlesinger's (1994) the Service-Profit Chain as well as by Carroll's (1991) Pyramid of CSR and Levitt's (1980) Total Product Concept. We call the model the Value Linking Chain and it depicts how different elements are put into an offer. Furthermore, how this offer is evaluated, both before and after the purchase, by customers and how those evaluations affect the company performance. In order for us to test this model empirically, we have interviewed representatives from companies, customers and non-government organizations. The analysis indicates that customers are ready to boycott companies that do not behave socially responsible. This has lead to us widening our theoretical scope and revising the Value Linking Chain, which evolved into the CSR-Performance Chain. CSR can influence customer perceptions on a product or service offering and in the end affect company performance through the links in the CSR-Performance Chain. Furthermore, we have found that companies' level of CSR must lie on or above customers' baseline (i.e. minimal acceptable level) in order for them to avoid boycotts, since boycotts affect company performance negatively.

Crawford and Scaletta (2005) states that CSR has been gathering momentum for the past 10 years. However, Ullmann stated as early as 1985 that CSR by no means is a new issue. This would indicate that corporations' taking social responsibility is not a new phenomenon. Nevertheless, CSR is more in the spotlight now than ever since multinational corporations' power over world economy is stronger than ever and with that society's demands on social and environmental responsibility (Forsberg, 2003). Martin (2002) claims that globalization heightens society's anxiety over corporate conduct. McGuire, Sundgren and Schneeweis (1988) claim that companies need to satisfy not only stockholders but also those with less explicit or implicit claims. This is known as stakeholder theory and is further described by Enquist, Johnson and Skålén (2005) as a strategy that does not separate ethics from business, and argues that the needs and demands of all stakeholders must be balanced. CSR is a way for a company to take care of all the stakeholders in the organization. Sims (2003) defines CSR and that it requires: The continuing commitment by business to behaving ethically and contributing to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large (p. 43). Furthermore, Sims (2003) argues that there is an expectation on business to be a good corporate citizen and with that to fulfil voluntary philanthropic (discretionary) responsibility. Further, to contribute financial and human resources to the community and to improve the quality of life. Moreover, Sims states that overall, social responsibility is an organization's obligation to engage in activities that guard and contribute to the welfare of society. Carroll (1979, through Meijer & Schuyt, 2005) defines CSR as: Social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organization at a given point in time (p. 444). However, Whitehouse (2006) claims that there exists no universally accepted definition of the term CSR. Marrewijk (2003) partially explain this fact by stating that vagueness and inconsistency of CSR is to some extent because of language[16,17,18] problems. Andriof and McIntosh (2001) want to avoid the limited interpretation of the term Corporate Social Responsibility, and therefore introduce the term Corporate Societal Responsibility. Furthermore, the term includes all dimensions of a company's relationships with, impact on and responsibilities to society altogether. Marrewijk (2003) also present the view that the word responsibility should be replaced by accountability, because it causes problems in the same manner as social did. Marrewijk (2003) continues by stating that this would make Corporate Societal Accountability (CSA) the new term for CSR. However, Marrewijk himself believe it would be hard to make involved people accept a new generic term.

Turning back to Sims (2003), he presents four different aspects of CSR. Sims states that the term Corporate Citizenship is gaining in popularity and further that it collectively embraces the host of concepts related to CSR. Carroll (1998) claims that some observers call businesses social responsibility CSR, whilst others call it corporate ethics. However, more recently the term of Corporate Citizenship has emerged. Furthermore, according to Sims (2003) Corporate Citizenship includes CSR, which emphasizes action and activity; Corporate Social Responsiveness, which emphasizes activity and action; and Corporate Social Performance (CSP), which emphasizes results and outcomes. Wood (1991) defines CSP as: A business organization's configuration of principles of social responsibility processes of social responsiveness, and policies, programs and observable outcomes as they relate to the firm's societal relationships (p. 693). This view stands relatively well in line with both Sims (2003) and Carroll and Buchholtz's (2003) views, who state that CSP is more of a focus intended to suggest that what really matters is what companies are able to accomplish. Furthermore, CSP is meant to be the result of the companies' acceptance of social responsibility and adoption of a responsiveness philosophy. As we stated earlier there is no one definition for CSR. Marrewijk (2003) elaborates on the subject and states that the thought of a "one solution fits all" definition for CSR should be abandoned. However, the key-terms in the different definitions presented are responsibility and sustainability.

III. RESULTS

According to [27], there were a vast number of definitions of CSR that have emerged in the academic literature. Some of the notable contributors that have defined CSR include [21, 30, 56, 91]. In general, CSR can be defined as its responsibility toward its ecosystem.

Although there is a diverse definition given by scholars around the globe about CSR, there is no universally accepted definition of CSR [45]. Dahlsrud analyzed 37 most commonly used definitions of CSR. He concluded that there is a lot of congruency in the description and suggested that there are five dimensions in all the explanations and those are environmental, social, economic, stakeholders, and charity dimension. In the same tone [161] stated that there is no unique definition of CSR that can be acceptable around the globe. Finally, Hamidu et al. [72] reviewed CSR definition, its core characteristics, and theoretical perspective. They have suggested that in the academic world, there is no clear agreed definition of CSR, and the lack of homogeneity in the definition of CSR is due to the ever-shifting roles of CSR in the corporate world.

Researchers that are in favor of CSR and FP linkage argue that when company initiates CSR activities, it creates positive image in the mind of stakeholders; hence, the more company satisfy its stakeholders, the better financial performance of the company [51, 53]. Likewise, the other proponents on this linkage advocate that by satisfying the interest of stakeholders and being more accountable to them can have positive effects on the financial performance of the company [38, 151, 201]. In light of stakeholder's theory, [19, 135] stated that consumers are willing to pay premium price for CSR initiatives companies' products, and CSR activities can improve the image of the company among consumers and it help to improve customer loyalty [123, 150, 158, 173]. Likewise, Turban and Greening [184] posit that CSR firms can attract more potential applicants, which in turn can be a competitive advantage for the organization. Another recent research done by them [68] documented that socially responsible companies can attract more talented employees to work on that organization, and also CSR firms can retain their employees over a long period, hence, it can lead to a competitive advantage over other companies. The proponent believed that engaging CSR-related programmed can benefit the organization in several ways, such as reduction in labor turnover [206], enhance reputation of company and achievement of business strategy [86, 207], created sense of belongingness [34], attract more talented staffs [92, 117], job satisfaction [109] and Sharma and Mishra [162] and be more committed to their work [20, 54].

Conversely to the above argument, [58] advocates that there is only one responsibility of a corporate firm that maximizes shareholders' wealth. In line with this argument, [143] supports [58] claim stating that CSR is motivated by a socialist-collectivist agenda which are in paradox with capitalist/libertarian values of free enterprise and individualism. Furthermore, [132] suggest that the consumer does not check whether it is an SR company or not when making purchase decisions. But [140] documented that when making purchase decision consumer do take whether it is an SR company or not but the positive attitudes of consumer not transferred into actual purchase decision of consumer and this further being supported by [64] stating that buying SR product is a "moral duty" and this duty can be overridden by other preferences of consumer especially if it is budget consumer. Hence, this line of argument was stress by [58] documented that organization manager use firms' resources for non-profit social activities at the expense of shareholders, and this has been supported by [88] in the "agency cost problem" which stated that the CSR cost incurred outweigh the benefits it brings to the company.

In the academic literature, the early research that supports the inverse relationship between CSR and FP is [105, 157, 188]. Vance's [188] support [58] preposition founds that being socially responsible does not bring any economic benefits to the company, rather, it reduces company stock returns. Further, this has validated by [11] who documented that the firm level of SR hinders FP compared to rivals. Likewise, [157] stated that engaging CSR activities lead wasting firms' resources that can use in more productive opportunity for the firms. Further, they argue that managers of the company may engage in CSR not to increase shareowners' wealth, instead gain personal benefits. Looking into more recent studies on this line of the argument states that CSR is a manifestation of agency problem and is done at the expense of shareowner [80]. Moreover, [102] supported the findings of [157] and stated that the organization manager gets a good reputation at the expense of shareowner by investing more in CSR and also suggest that when the organization releases positive CSR news, then investors react slightly negative to those disclosures. Bhandari and Javakhadze [18] reveal that when an organization wants to satisfy its broad stakeholder's entire group, then it may need to forgo lots of positive NPV project that may increase the shareholder's wealth.[18,19]

The academic debate on CSR and FP has another possibility that both these are mutually exclusive, meaning CSR has no significant impact on FP of a company [122, 139]. The scholars of this line of reasoning argue that CSR has no effect on financial performance of companies [61, 95, 137]. There are several studies conducted across the globe in finding the linkage between CSR and FP of specific industries or countries [55] and industries or countries specific research is incomplete up to date [44]. Kiliç [99] investigated online CSR disclosure practices by 25 banks in Turkey, the results suggest that all the banks in the country do at least disclose one dimension of CSR on the corporate website and also documented that highly visible banks disclose more information compared to the less visible bank. Furthermore, Pérez and Del Bosque [148] and Pratihari and Uzma [156] investigated CSR disclosure in Spain (former), and India (latter) founds that CSR positively impacts a customer in identifying the bank and CSR helps company in building brand and customer loyalty. Due to stated reasons, [14, 83] found a positive association between CSR and FP. On the other hand, the influence on industry characteristics is also another area that has been investigated by scholars. For example, [15] called for more research to be done on potential heterogeneity of CSR's influence on organizational performance across different industries. The reason for that is due to the impact the organization that brings to society is different. For instance, compared to other industries (such as banking, tourism and retail), the controversial sector (e.g., tobacco, alcohol, petroleum, utility, and steel) harms the environment more [89]. Therefore, [177] suggested that controversial industries are exposed more to the environment and social risk; therefore, companies in these industries need to do more CSR activities to gain the confidence of stakeholders.

Looking into empirical side of CSR and FP indicated positive relation mostly in developed and developing nation [14, 42] and Maqbool and Bakr [162]. Conversely, some empirical studies show the inverse relationship between CSR and FP [169] and Hirigoyen and Rehm [78]. Yet there is body of empirical knowledge that do not support either of the above argument and those scholars found neutral or no relation between CSR and FP [95, 109, 137, 163].
Though there are controversies in the above empirical studies, [32, 142] conducted two different meta-analysis using 30 years of data. The authors have documented that CSR positively correlated with CFP. Further, another meta-analysis conducted by [17] also found that there is clear empirical evidence for a positive relation between CSR and FP. Conversely [123] meta-analysis of 251 studies documented positive (but small) association between CSR and FP. But meta-analysis of [146] included 159 reviews and recorded that 63% of the studies show positive, 15% indicated the contrary, and 22% shows a neutral or mixed association between CSR and FP.

IV. CONCLUSION

Despite the growing emphasis on Corporate Social Responsibility (CSR) as a pivotal aspect of contemporary business practices, there exists a discernible gap in our understanding of the specific dynamics and mechanisms through which CSR initiatives influence various dimensions of business performance. This gap forms the crux of the problem this study seeks to address. While the general importance of CSR is widely acknowledged, there is a need for a more nuanced exploration of how CSR practices translate into tangible outcomes for businesses. One aspect of the problem lies in the ambiguity surrounding the impact of CSR on financial performance. While it is often assumed that responsible business practices positively correlate with profitability, the specific nature and extent of this relationship require deeper scrutiny. This study seeks to unravel the complexities surrounding the financial implications of CSR, providing insights that go beyond surface-level assumptions and shedding light on the intricacies that define this relationship.

Operational efficiency, another crucial facet of organizational success, is also entwined with the CSR discourse. However, the precise ways in which CSR influences operational aspects and resource management remain unclear. The problem, therefore, extends to understanding how CSR can be integrated seamlessly into business operations to enhance efficiency and contribute to sustainable resource utilization. Furthermore, the link between CSR and corporate reputation is not well-defined. Although it is commonly accepted that socially responsible actions contribute to a positive corporate image, the specific factors and mechanisms at play in shaping reputation need to be dissected. This study aims to dissect this relationship, providing a comprehensive understanding of how CSR activities can be strategically aligned to enhance corporate reputation and brand image.2 The problem is compounded by the lack of a clear framework for creating shared value through CSR initiatives. While there is a conceptual acknowledgment of the idea that businesses can simultaneously generate economic value and contribute to societal wellbeing, the practical strategies for achieving this dual objective are underexplored. This study, therefore, seeks to address this gap by examining successful models and strategies for creating shared value through CSR. Additionally, the problem encompasses the need to explore challenges and potential failures associated with CSR implementations. Understanding the pitfalls and barriers that companies may encounter in their CSR endeavors is crucial for developing a realistic and effective roadmap for businesses aiming to adopt socially responsible practices. In summary, the statement of the problem revolves around the gaps in understanding the specific links between CSR and financial performance, operational efficiency, corporate reputation, and the creation of shared value. This study aims to contribute to the existing body of knowledge by addressing these gaps and offering insights that can guide businesses in navigating the complex landscape of CSR for optimal outcomes.

Corporate Social Responsibility (CSR) has emerged as a cornerstone of corporate governance, fostering sustainable development and societal well-being. In India, the Companies Act, 2013, along with Schedule VII and the CSR Rules, 2014, delineates the regulatory framework for CSR implementation by qualifying companies. This extensive analysis explores the CSR provisions of the Companies Act, Schedule VII, and the CSR Rules, 2014, elucidating their significance, scope, and impact on corporate behavior and societal development. 1. Introduction to Corporate Social Responsibility (CSR): Corporate Social Responsibility (CSR) embodies the ethical and moral responsibility of corporations towards society, encompassing voluntary actions aimed at fostering sustainable development, environmental stewardship, and community welfare. CSR initiatives are instrumental in addressing socio-economic challenges, promoting inclusivity, and advancing the United Nations Sustainable Development Goals (SDGs).3 2. Evolution of CSR Provisions in India: The evolution of CSR provisions in India reflects a paradigm shift towards institutionalizing CSR within the corporate framework. The Companies Act, 2013, marked a watershed moment by mandating qualifying companies to allocate a portion of their profits towards CSR activities, thereby fostering a culture of responsible corporate citizenship and accountability. 3. Provisions of the Companies Act, 2013: The Companies Act, 2013, introduced Section 135, which delineates the CSR provisions applicable to qualifying companies.4 Key provisions include: a. Applicability Criteria: Qualifying companies meeting specified financial thresholds are obligated to allocate a minimum of 2% of their average net profits towards CSR activities, as specified under Schedule VII of the Act.

b. Constitution of CSR Committee: Qualifying companies are required to constitute a CSR Committee comprising at least three directors, including an independent director, to oversee CSR initiatives, formulate CSR policies, and monitor CSR expenditure. c. Scope of CSR Activities: Schedule VII of the Companies Act, 2013, outlines a comprehensive list of CSR activities, including eradicating hunger and poverty, promoting education, gender equality, environmental sustainability, healthcare, and rural development, among others. d. CSR Reporting: Companies are mandated to include a CSR report in their annual financial statements, disclosing their CSR policy, initiatives undertaken, and the amount spent on CSR activities. The CSR report must also detail the implementation status, impact assessment, and future outlook of CSR initiatives. e. Penalties for Non-Compliance: Non-compliance with CSR provisions may attract penalties, including fines and regulatory actions, underscoring the importance of adherence to CSR obligations. 4. Schedule VII of the Companies Act, 2013: Schedule VII of the Companies Act, 2013, provides an exhaustive list of activities that qualify as CSR expenditure. Key areas specified under Schedule VII include: a. Eradicating Hunger and Poverty: CSR initiatives aimed at providing food security, livelihood enhancement, and poverty alleviation programs. b. Promoting Education: CSR interventions focused on promoting education, literacy, and vocational training, enhancing access to quality education, and supporting educational infrastructure development. c. Gender Equality: CSR initiatives aimed at promoting gender equality, empowering women, and supporting initiatives for women's education, healthcare, and economic empowerment. d. Environmental Sustainability: CSR activities encompassing environmental conservation, sustainable development, afforestation, renewable energy projects, and initiatives to mitigate climate change impacts. e. Healthcare: CSR interventions aimed at improving healthcare access, enhancing healthcare infrastructure, and supporting healthcare services, including preventive healthcare, sanitation, and hygiene initiatives. f. Rural Development: CSR initiatives targeting rural development, agricultural sustainability, rural infrastructure development, and livelihood enhancement in rural communities. g. Social Business Projects: CSR initiatives supporting social entrepreneurship, community-driven development projects, and initiatives aimed at fostering inclusive growth and sustainable livelihoods. h. Any Other Activity: [1,2,3]Schedule VII provides flexibility for companies to undertake CSR activities not explicitly mentioned, provided such activities align with the overarching principles of CSR and contribute to societal welfare and sustainable development. 5. CSR Rules, 2014: The CSR Rules, 2014, issued under the Companies Act, 2013, provide detailed guidelines and procedures for the implementation, monitoring, and reporting of CSR activities.5 Key aspects of the CSR Rules, 2014, include: a. CSR Policy Formulation: Qualifying companies are mandated to formulate a CSR policy, specifying the modalities of CSR implementation, areas of focus, and the mechanism for monitoring and evaluation of CSR initiatives. The CSR policy must be approved by the CSR Committee and disclosed on the company's website. b. Eligible CSR Expenditure: The Rules delineate eligible CSR expenditure, encompassing activities specified under Schedule VII of the Companies Act, 2013, and other permissible CSR initiatives aligned with the company's CSR policy.

c. CSR Expenditure Allocation: Companies have the flexibility to allocate CSR expenditure directly or through implementing agencies, including registered trusts, societies, or Section 8 companies. The Rules emphasize the importance of monitoring and evaluating CSR projects to ensure effective utilization of CSR funds and maximize social impact. d. Monitoring and Reporting Mechanism: Companies are required to establish a robust monitoring and reporting mechanism to track the progress of CSR initiatives, assess their impact, and ensure transparency and accountability in CSR expenditure. The CSR report must be included in the company's annual financial statements and submitted to the board for approval. 6. Compliance and Challenges: Compliance with CSR provisions necessitates meticulous planning, execution, and reporting of CSR activities. However, companies encounter various challenges in fulfilling their CSR obligations, including resource constraints, alignment of CSR initiatives with business objectives, stakeholder engagement, and measuring the tangible impact of CSR interventions. Overcoming these challenges requires a concerted effort by companies, regulators, and civil society stakeholders to foster a conducive environment for CSR implementation and reporting. The integration of CSR provisions within the Companies Act, 2013, and the accompanying Schedule VII and CSR Rules, 2014, underscores India's commitment to promoting responsible corporate citizenship and sustainable development. By mandating CSR expenditure and adherence to reporting requirements, these regulations seek to harness the transformative potential of corporations in addressing societal challenges and fostering inclusive growth. Embracing CSR as a strategic imperative, corporations can proactively contribute towards building a more equitable and resilient society, thereby advancing the ethos of responsible corporate citizenship. The future trajectory of CSR in India entails fostering synergies between corporate entities, government agencies, and civil society organizations to amplify the impact of CSR initiatives. Leveraging technology and innovation can enhance the efficacy and scalability of CSR interventions, thereby catalyzing socio-economic progress and sustainable development. Moreover, promoting knowledge sharing, capacity building, and best practices exchange can further strengthen the CSR ecosystem and facilitate collective action towards achieving the SDGs and fostering inclusive growth. This comprehensive analysis elucidates the salient provisions of the Companies Act, Schedule VII, and [4,5,6]the CSR Rules, 2014, highlighting their significance in shaping corporate behavior and promoting inclusive development in India. Embracing CSR as a strategic imperative, corporations can play a pivotal role in addressing pressing societal challenges and advancing the agenda of sustainable development and social justice[20]

REFERENCES

1. Sheehy, Benedict (2015-10-01). "Defining CSR: Problems and Solutions". Journal of Business Ethics. 131 (3): 625–648. doi:10.1007/s10551-014-2281-x. ISSN 0167-4544. S2CID 144904171.
2. ^ [b] Lee, Nancy; Kotler, Philip (2013). Corporate social responsibility doing the most good for your company and your cause. Hoboken, NJ: Wiley. ISBN 978-1118045770.
3. ^ Liang, Hao; Renneboog, Luc (2016-12-06). "On the Foundations of Corporate Social Responsibility: On the Foundations of Corporate Social Responsibility". The Journal of Finance. 72 (2): 853–910. doi:10.1111/jofi.12487.
4. ^ Dann, Jeremy (July 1, 2009). "Business Ethics Integral to Corporate Strategy, says Stanford's Malhotra". cbsnews.com. Archived from the original on March 18, 2017. Retrieved September 15, 2020. [BNET:] Ethics as central to overall corporate strategy—is that conventional wisdom or is that a new approach? [Professor:] I think a lot of students think, "Ethics is a constraint on profits". A lot of corporate social responsibility is taught as a part of marketing.
5. ^ Sheehy, Benedict (2012). "Understanding CSR: An Empirical Study of Private Regulation" (PDF). Monash University Law Review. 38: 103–127.
6. ^ Menghwar, Prem Sagar; Daood, Antonio (October 2021). "Creating shared value: A systematic review, synthesis and integrative perspective". International Journal of Management Reviews. 23 (4): 466–485. doi:10.1111/ijmr.12252. hdl:11385/206035. ISSN 1460-8545. S2CID 233641604.
7. ^ [d] Johnson, Zachary; Mao, H.; Lefebvre, S.; Ganesh, J. (2019). "Good Guys Can Finish First: How Brand Reputation Affects Extension Evaluations". Journal of Consumer Psychology. 29 (4): 565–583. doi:10.1002/jcpy.1109. S2CID 150973752.
8. ^ McWilliams, Abagail; Siegel, Donald (2001). "Corporate social responsibility: A theory of the firm perspective". Academy of Management Review. 26 (1): 117–127. doi:10.5465/amr.2001.4011987.
9. ^ Johnson, Zachary; Ashoori, Minoo; Lee, Yun (2018). "Self-Reporting CSR Activities: When Your Company Harms, Do You Self-Disclose?". Corporate Reputation Review. 21 (4): 153–164. doi:10.1057/s41299-018-0051-x. S2CID 170000354.
10. ^ Farrington, Thomas; Curran, Ross; Gori, Keith; O'Gorman, Kevin D.; Queenan, C. Jane (2017). "Corporate social responsibility: reviewed, rated, revised". International Journal of Contemporary Hospitality Management. 29 (1): 30–47. doi:10.1108/IJCHM-05-2015-0236.
11. ^ Paumgarten, Nick (2016-09-12). "Patagonia's Philosopher-King". The New Yorker. ISSN 0028-792X. Retrieved 2018-04-24.
12. ^ McWilliams, Abagail; Siegel, Donald (6 April 2000). "Corporate social responsibility and financial performance: correlation or misspecification?". Strategic Management Journal. 21 (5): 603–609. doi:10.1002/(SICI)1097-0266(200005)21:5<603::AID-SMJ101>3.0.CO;2-3. JSTOR 3094143.
13. ^ Beatty, Jeffrey F.; Samuelson, Susan S. (2009). Introduction to Business Law. Cengage Learning.
14. ^ Rosenberg, Matthew J. (1 April 2002). "Review of Misguided Virtue: False Notions of Corporate Social Responsibility". International Affairs. Archived from the original on 2013-05-29. Retrieved 2013-04-26.
15. ^ Henderson, David (2001). Misguided Virtue: False Notions of Corporate Social Responsibility. Institute of Economic Affairs. p. 171. ISBN 978-0-255-365109.

16. ^ De George 2011.
17. ^ Jeurissen, R., Institutional Conditions of Corporate Citizenship, Journal of Business Ethics, August 2004, Vol. 53, No. 1/2, Building Ethical Institutions for Business: Sixteenth Annual Conference of the European Business Ethics Network (EBEN), pp. 87-96, accessed 6 December 2022
18. ^ Wood, Donna J. (1991). "Corporate Social Performance Revisited". The Academy of Management Review. 16 (4): 691–718. doi:10.2307/258977. JSTOR 258977.
19. ^ Mackey, John; Sisodia, Rajendra (2013). Conscious Capitalism.
20. ^ Lin, Tom C.W. (1 December 2018). "Incorporating Social Activism". 98 Boston University Law Review. Social Science Research Network. Retrieved 15 September 2020.

IJARASEM

INTERNATIONAL STANDARD SERIAL NUMBER INDIA

निस्केयर NISCAIR

International Journal of Advanced Research in Arts, Science, Engineering & Management (IJARASEM)