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# The Influence of CSR on Financial Performance

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**ABSTRACT:** It is a common perception that better the financial performance of a corporate, better is its contribution to the society in the form of CSR. But, challenge is to understand this vice versa. This research examines the impact of Corporate Social Responsibility (CSR) on financial performance, laying emphasis on such components as environmental, social and governance. The study presents the positive relationship between the financial outcomes and social initiatives adopted by businesses through the analysis of survey data and existing literature. It argues that CSR must be integrated in the business models to improve the brand image and the trust of stakeholders but in turn shows that CSR leads to long-term profitability and sustainability of organisations.

**KEYWORDS:** Corporate Social Responsibility (CSR), Financial Performance, Stakeholder Engagement, Ethical Governance, Environmental Sustainability.

## I. INTRODUCTION

Corporate Social Responsibility (CSR) plays a vital role in shaping contemporary business strategies, affecting ethical practices and financial performance. Given the fact that stakeholders tend to demand accountability, it is in the best interest of the organisations which embrace their CSR aspects such as environmentalism and ethical governance to build customer loyalty, strengthen their competitive position and pursue their strategies in a manner expected by the social community.

## II. LITERATURE REVIEW

Lots of researches have been conducted to study the relationship between Corporate Social Responsibility and the financial performance of corporates. It was inferred that differences exist among research scholars and practitioners concerning the matter.

Their proponents claim that customers and clients who are managed in a socially responsible manner become more loyal to the organisation, a factor that improves the financial bottom lines of such organisation. Some studies have also established a positive relationship between financial performance and CSR in industries that are consumer oriented as consumer behaviour is greatly impacted by brand image and goodwill. From the analysis, it is evident that companies commit resources to environment domains and begin to create more sales and market share from supportive customers . On the contrary, such policies might be effective, yet they cannot be short-term return enhancing due to the expense involved in instilling such practices . Such cynicism is however regrettable as it provokes challenges to the argument on contentment in formulating investment strategy.

Critics believe that the concern shown towards social responsibilities is unnecessary and any resources associated with these can be directed to add-value by improving operational efficiency or developing products which makes such organisations anxiously re-evaluate their line in the sand of social commitment to business practices, more so in highly competitive environments . Trend studies on CSR haven't focused on internal efficiency to reap profits despite the criticisms brought to their attention on lowering profit margins. The organisations with progressive social responsibility goals achieve less business operational risks, a better working climate for the employees and excellent relationships with the stakeholders who are essential for their growth . In addition, good governance indicators have been defined as enabling conditions of CSR as they explain and define how CSR operationalises in the organisation due to advocates of stakeholder governance based on the ethical way of viewing the activities and increasing CSR to within the boundaries of the organisation .

## III. METHODOLOGY

This research uses mixed method approach of data analysis combining both qualitative and quantitative analysis. Primary data is analysed

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quantitatively and secondary data is analysed qualitatively in order to address the issue of exploring the link between Corporate Social Responsibility (CSR) and financial achievements. Primary quantitative component was a survey conducted providing fifty professional industry-related persons with the opportunity to quantify their perceptions of the amount of financial impact which various dimensions of CSR have on the firm. This method generates quantitative data that may be generalised, and which may be analysed statistically to determine relationships and associations. This method, a secondary qualitative analysis, has been carried out by reviewing available online journals and articles pertaining to the subject matter bringing into perspective the quantitative results.

This qualitative approach makes easier understanding of how CSR activities impact the sectoral financial performance.However, the amalgamation of quantitative analysis that provides evidence on the patterns and the qualitative analysis with respect to the motivations and lack of interest enhances the research. This manner of gathering information enhances comprehension of CSR and its benefits to various stakeholders as well as the advantages of integration of CSR to business for better returns over time.

## IV. FINDINGS, INFERENCE AND DISCUSSION

This section presents survey data results on how various dimensions of social responsibility influence the financial performance. This part deals with all the objectives of the current study while giving the descriptive statistics, correlation, and regression outcomes of CSR initiatives and financial performance.

**Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| 1. Our company's environmental CSR initiatives (e.g., energy conservation, waste management) have positively influenced our financial performance. | 50 | 1 | 5 | 3.90 | 1.359 |
| 3. The ethical standards and corporate governance practices in our company positively affect our financial performance. | 50 | 1 | 5 | 3.90 | 1.344 |
| 4. Our company's governance practices improve investor confidence and contribute to our financial growth. | 50 | 1 | 5 | 3.88 | 1.394 |
| 5. The transparency and reporting of our CSR | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 2. The social CSR activities undertaken by our company (e.g., community engagement, employee welfare programs) have enhanced our company's financial performance. | 50 | 1 | 5 | 3.86 | 1.355 |
| activities significantly influence the financial performance of the company. | 50 | 1 | 5 | 3.78 | 1.360 |
| 6. Stakeholder perceptions of our CSR reporting have a measurable impact on our company's financial outcomes. | 50 | 1 | 5 | 3.64 | 1.411 |
| Valid N (listwise) | 50 | | | | |

**Table 1: Descriptive statistics**

(Source: SPSS)

The descriptive statistical data presented in **Table 1** reveals insights into the perceptions of CSR initiatives and their influence on financial performance. The sample size consists of 50 respondents, with likert scale responses ranging from 1 (strongly disagree) to 5 (strongly agree). The mean scores indicate a generally positive perception of the environmental CSR initiatives (Mean = 3.90, Std. Dev. = 1.359) and the ethical standards in corporate governance (Mean = 3.90, Std. Dev. = 1.344). Additionally, social CSR activities and governance practices also scored positively, with means of 3.86 and 3.88, respectively, suggesting that these factors are viewed as beneficial to financial performance.

## Correlation Analysis

Correlations

| | 1. Our company's environmental CSR initiatives (e.g., energy conservation, waste management) have positively influenced our financial performance. | 2. The social CSR activities undertaken by our company (e.g., community engagement, employee welfare programs) have enhanced our | 3. The ethical standards and corporate governance practices in our company positively affect our financial performance. | 4. Our company's governance practices improve investor confidence and contribute to our finan | 5. The transparency and reporting of our CSR activities significant | 6. Stakeholder perceptions of our CSR reporting have a measurable impact |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| | | our company's financial performance. | e. | ancial growth. | ntly influence the financial performance of the comp | ct on our company's financial outcomes. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1. Our company's environmental CSR initiatives (e.g., energy conservation, waste management) have positively influenced our financial performance. | Pearson Correlation | 1 | .701** | .777** | .521** | .783** | .683** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| | N | 50 | 50 | 50 | 50 | 50 | 50 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| community engagement, employee welfare programs) have enhanced our company's financial performance. | N | 50 | 50 | 50 | 50 | 50 | 50 |
| 3. The ethical standards and corpo | Pearson Correlation | .777** | .732** | 1 | .723** | .669** | .766** |

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|---|---|---|---|---|---|---|---|
| 2. The social CSR activities undertaken by our company (e.g., | Pearson Correlation | .701** | 1 | .732** | .531** | .692** | .688** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| practices improve investor confidence and contribute to our financial growth. | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 |
| | N | 50 | 50 | 50 | 50 | 50 | 50 |
| 5. The transparency and reporting of our CSR activities significantly influence | Pearson Correlation | .783** | .692** | .669** | .589** | 1 | .735** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| governance practices in our company positively affect our financial performance. | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 |
| | N | 50 | 50 | 50 | 50 | 50 | 50 |
| 4. Our company's governance | Pearson Correlation | .521** | .531** | .723** | 1 | .589** | .683** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| measurable impact on our company's financial outcomes. | N | 50 | 50 | 50 | 50 | 50 | 50 |

**. Correlation is significant at the 0.01 level (2-tailed).

**Table 2: Correlation**

(Source: SPSS)

The correlation analysis depicted in **Table 2** illustrates significant relationships among various CSR dimensions and their perceived impact on financial performance. Notably, the highest correlation exists between environmental CSR initiatives and ethical standards ($r = 0.777$, $p < 0.01$). This is followed by stakeholder perceptions of CSR reporting, which significantly correlate with both environmental CSR initiatives and ethical standards, highlighting the interconnectedness of these constructs. Each correlation is statistically significant at 0.01 level, indicating a robust association between the dimensions of CSR and their perceived contributions to financial performance.

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|---|---|---|---|---|---|---|---|
| the financial performance of the company. | N | 50 | 50 | 50 | 50 | 50 | 50 |
| 6. Stakeholder perceptions of our CSR reporting have a | Pearson Correlation | .683** | .688** | .766** | .683** | .735** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |

a. Predictors: (Constant), 6. Stakeholder perceptions of our CSR reporting have a measurable impact on our company's financial outcomes. , 4. Our company's governance practices improve investor confidence and contribute to our financial growth. ,2. The social CSR activities undertaken by our company (e.g., community engagement, employee welfare programs) have enhanced our company's financial performance. , 5. The transparency and reporting of our CSR activities significantly influence the financial performance of the company. , 3. The ethical standards and corporate governance practices in our company positively affect our financial performance.

b. Dependent Variable: 1. Our company's environmental CSR initiatives (e.g., energy conservation, waste management) have positively influenced our financial performance.

### Table 3: Model summary

(Source: SPSS)

**Model Summary:** The model demonstrates a strong correlation (R = 0.865) and a substantial proportion of variance explained ($R^2$ = 0.749), indicating that approximately 74.9% of the variation in perceived financial performance due to environmental CSR initiatives can be accounted for by the predictors selected. The adjusted $R^2$ value equal to 0.720 suggests that the model is a good fit for the data.

## Regression Analysis

### V. MODEL SUMMARY

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .865a | .749 | .720 | .719 | .749 | 26.253 | 5 | 44 | .000 | 1.964 |

b. Predictors: (Constant), 6. Stakeholder perceptions of our CSR reporting have a measurable impact on our company's financial outcomes. , 4. Our company's governance practices improve investor confidence and contribute to our financial growth. , 2. The social CSR activities undertaken by our company (e.g., community engagement, employee welfare programs) have enhanced our company's financial performance. , 5. The transparency and reporting of our CSR activities significantly influence the financial performance of the company. , 3. The ethical standards and corporate governance practices in our company positively affect our financial performance.

### Table 4: ANOVA

(Source: SPSS)

**ANOVA:** The ANOVA results confirm the overall significance of the regression model (F(5, 44) = 26.253, $p < 0.001$). This indicates that at least one of the independent variables significantly predicts the dependent variable, validating the relevance of the included CSR dimensions in influencing financial performance.

**Coefficients[a]**

| Model | Unstandardised Coefficients | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|

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**ANOVA**[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 67.780 | 5 | 13.556 | 26.253 | .000[b] |
| | Residual | 22.720 | 44 | .516 | | |
| | Total | 90.500 | 49 | | | |

a. Dependent Variable: 1. Our company's environmental CSR initiatives (e.g., energy conservation, waste management) have positively influenced our financial performance.

| | B | Std. Error | Beta | | |
|---|---|---|---|---|---|
| (Constant) | .384 | .354 | | 1.085 | .284 |
| 4. The social CSR activities undertaken by our company (e.g., community engagement, employee welfare programs) have enhanced our company's financial performance. | .078 | .123 | .078 | .636 | .528 |
| 5. The ethical standards and corporate governance practices in our company positively affect our financial performance. | .545 | .146 | .539 | 3.739 | .001 |
| 7. The transparency and reporting of our CSR activities significantly influence the financial performance of the company. | .490 | .122 | .490 | 4.032 | .000 |
| 8. Stakeholder perceptions of our CSR reporting have a measurable impact on our company's financial outcomes. | -.015 | .133 | -.015 | -.110 | .913 |

a. Dependent Variable: 1. Our company's environmental CSR initiatives (e.g., energy conservation, waste management) have positively influenced our financial performance.

**Table 5: Coefficients**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 6. Our company's governance practices improve investor confidence and contribute to our financial growth. | -.184 | .113 | -.188 | -1.632 | .110 |

(Source: SPSS)

**Coefficients:** The coefficients section reveals individual contributions of the independent variables. Ethical standards and corporate governance practices have a significant positive impact on financial performance (B = 0.545, p = 0.001), highlighting their importance. Conversely, stakeholder perceptions and social CSR activities did not demonstrate significant contributions to financial outcomes, with p value equal to 0.913 and 0.528, respectively. The coefficient for transparency and reporting (B = 0.490, p = 0.000) also indicates a significant positive effect, emphasising the importance of clear CSR communication in enhancing financial performance.

## VI. CONCLUSION

The findings reveal a strong positive relationship between Corporate Social Responsibility (CSR) initiatives and financial performance. Organisations that prioritise environmental sustainability, social equity and ethical governance enhance their reputations and build stakeholder trust, leading to improved financial outcomes. Thus, CSR emerges as a strategic investment crucial for long-term success and meeting the evolving expectations of stakeholders.

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