

THE IMPACT OF CSR ON FINANCIAL RESULTS: A SURVEY OF THE LITERATURE

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Abstract

Corporate social responsibility (CSR) has expanded rapidly in recent years. One of the key issues in the discussion of whether CSR is valuable for the company in terms of its impacts on financial performance (FP) has been extensively studied and experimentally investigated. Various academics have conducted a number of studies to look at the connection between CSR and FP. The findings of these research have been shown to be quite inconsistent. This can be because various approaches and strategies have been used to research the connection between CSR and FP. This study makes an effort to compile the earlier empirical research articles and papers that explain how CSR affects a firm's financial performance. The major emphasis of the essay is on the several kinds of variables— independent, dependent, and control—that have been used to investigate the connection between CSR and financial performance. According to the current study, the majority of research articles/papers (66%) show that corporate social responsibility has a positive impact on a company's financial performance, while only 5% of the articles/papers examined show that there is no significant correlation between CSR and FP. While 10% of the research articles/papers examined indicate conflicting findings on the influence of CSR on FP, the remaining 18% suggest that CSR has a detrimental effect on FP of a business.

Key Words: Financial Performance, Literature Review, Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE

The definition of corporate social responsibility has been attempted by many writers. Error! Reference source not found. Davis described it as the company's study of, and reaction to, challenges outside the confines of economic, technical, and legal constraints in order to achieve social advantages in addition to the typical financial gains the company pursues. In other words, CSR refers to a company's ongoing commitment to act morally, promote economic growth, and enhance the lives of its employees, their families, the local community, and society at large (The World Business Council for Sustainable Development, 1999). Corporate social responsibility is described as attaining financial success in methods that uphold ethical ideals and respect individuals, communities, and the environment by Business for Social Responsibility (BSR). In contrast, McWilliams and Siegel define CSR as efforts that seem to advance some social benefit, beyond what is necessary to meet legal and business obligations[1]. The society expects that firms will behave responsibly. Businesses should make choices in an ethical way and make sure they don't have a detrimental impact on society. Therefore, it is required of corporations to help society in some way.

According to the report, many companies have increased their CSR spending above what they were legally allowed to do in response to social welfare concerns. CSR is being seen by businesses as a source of competitive advantage. It might be a proactive marketing or commercial approach that creates a competitive edge. Businesses are worried about the advantages provided by CSR efforts, however, concurrently[3]. The strategy and operations of the companies in the market environment have an impact on their performance. As a result, while making choices, managers must take the CSR efforts into account. Error! No

such source was found. Furthermore, many nations and businesses now place a higher value on CSR. Enhancing CSR initiatives may improve financial success for the company, although this is still up for debate. Review of the prior research revealed an ambiguous link between CSR and FP. No such source was found. The goal of this essay is to evaluate the relevant empirical literature on the connection between CSR and FP. The methodology that was employed for conducting the review is discussed in the following section of the paper, followed by the taxonomy of the 39 empirically tested research covering variables understudied, methodology for defining and choosing the CSR and FP variables, and results in terms of the relationship between CSR and FP. The review's key conclusions and ramifications have been presented in the conclusion.

METHODOLOGY

The methods used in this research are typical of literature studies. The current research in a particular subject field serves as the basis for the literature review. The link between CSR and FP has been extensively researched, including the search for pertinent research publications. Online databases including EBSCO, J-Gate, SSRN, Shodhganga, Researchgate, Google Scholar, and Google Book were investigated for searching research articles and papers. The main phrases used in the search were "Corporate Social Responsibility and Financial Performance," "CSR and Business Performance," "Ethical Behavior and FP," and "CSR and Corporate Social Performance and Corporate Financial Performance," among others. Based on the articles/papers that were searched, a taxonomy was created that includes information about the author(s) and the year of the research, sample size, time required for data collection, control variables and their measurement (if applicable), method of analysis, and the relationship between CSR and FP.

DISCUSSION

The current analysis demonstrates that, in the majority of research articles/papers, corporate social responsibility has a positive impact on a company's financial performance (66%) whereas just 5% of them demonstrate that there is no significant correlation between CSR and FP. While 10% of study articles/papers indicate conflicting findings about the impact of CSR on FP, the remaining 18% demonstrate a negative association. The research that found no statistically significant association really found a positive relationship, but it was extremely minor and not statistically significant. Further, if we discuss the inconsistent data, we find that CSR and FP had a reciprocal influence on one another. In addition, these articles/papers investigated how different CSR characteristics affected financial performance. In several of these research, it was discovered that although some of the CSR aspects had a beneficial impact on FP, others did not. Furthermore, there aren't many studies or papers that demonstrate the antagonistic link between CSR and FP. The majority of research employed a CSR index or rating to quantify corporate social responsibility by applying content analysis, according to the aforementioned study. While many accounting and market indicators, such as ROE (Return On Equity), ROA (Return On Assets), ROS (Return On Sales), Net Profit, Tobin's Q, Stock Price, EPS (Earning Per Share), and P/E ratio (Price Earnings Ratio) were employed to assess the firm's financial performance. To evaluate the impact of CSR on FP, several studies also took into account the firm size, industry, age, and risk level as control factors.

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