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Corporate Social Responsibility: Impact on Firm Performance for an Emerging Economy

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Abstract: Corporate Social Responsibility (CSR) was usually referred to as a concept where companies initiate voluntary action towards social and environmental concerns in the context of business operations related to the stakeholders of the company prior to the CSR Act 2013 in India. Post-2013, the voluntary initiative was replaced by regulatory guidelines to address social and environmental concerns. The CSR applicability–investment gap was used as a base concept in this study with instrumental theory; the study offers a strategic perspective of CSR and how organizations emphasized maximizing stakeholders' value. In order to further investigate the effect of CSR on corporate financial performance (CFP) through the measure of shareholders' value, i.e., the return on equity (ROE), the study used the sample from the National Stock Exchange (NSE)-Nifty-100 indexed companies of Emerging Economy—India for a span of fourteen years (2009–2023). The vast majority of research in this domain is conducted in developed countries; the research gap is filled by this study by considering India and drawing samples from multiple industries. The empirical model was developed by using panel data regression, where the dependent variable was ROE, and the independent variables were earning per share (EPS), log total income (LTI), CSR applicability/profit after tax (CRSAPPPAT), and CSR investment/profit after tax (CSRIPAT). The findings also highlighted the CSR applicability and investment of the firms during pre- and post-Sustainable Development Goal (SDG) periods. The same was also analyzed for the firms committed to CSR and not committed to CSR. The results indicated that there is no significant impact of the CSR/ESG initiatives (applicability and investment) on the ROE of the firms. The performance could be better if the companies minimize the CSR/ESG promise–performance gap through effective communication with stakeholders.

Keywords: corporate social responsibility (CSR); CSR applicability; CSR investment; firm performance

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1. Introduction

Corporate Social Responsibility (CSR) has had a long journey with lots of debate and discussions among policymakers, corporations, and society. Economic and financial thinkers highlighted the different aspects of CSR with research contributions from different parts of the globe. Berle (1931) and Dodd (1932) had two different perspectives published in the Harvard Business Review; Berle focused on the shareholder's primacy while Dodd argued for the wider perspective of the organization, covering the concern for employment, good quality products for customers, and concern for society. Twenty years later, Berle (1954) conditionally conceded with Dodd's contention.

Nobel laureate Friedman (1970) mentioned that shareholders owned the corporation and that the social responsibility of the business is to increase its profit. The shareholder's perspective is covered as part of the agency theory, many researchers and scholars claimed, and managers served as shareholder's agents (Jensen and Meckling 1976). Over a period of decades, economics and finance scholars published many articles on shareholder return. The shareholder's perspective emerged as a central theme among business academics and managers (Rönnegard and Smith 2019; Wicks et al. 2019).

Freeman's (1984) contribution highlighted the shift towards the stakeholder's perspective and the wellbeing of employees, customers, society, and all those associated with business including shareholders. However, this contribution led to some confusion between stakeholder theory and corporate social responsibility. Further contributions also claimed and created some distraction for managers and kept them away from maximizing shareholder's returns (Harrison 2011). Stout (2012) focused on the law perspective for shareholders and stakeholders and concluded that the claim that directors have a legal obligation to maximize the shareholder's return was largely unfounded. The recent contributions are capturing a shift towards the stakeholder's betterment.

In India, CSR continued; since the Vedic periods, 1500 BCE to 600 BCE (Sundar 2000), Indian business families and corporate houses were doing CSR as a part of philanthropy and social work. Gradually, CSR shifted towards state-led development and social work for uplifting society. Since 1990 onwards, CSR activities were more streamlined and were given due importance by corporations and policymakers. In most parts of the world, CSR activity is performed on a voluntary basis, and the same was the case with India; since April 2014, CSR is a mandatory requirement under the Companies Act 2013. Since it took effect on 1 April 2014, companies must spend 2% of their profit for socially beneficial projects and activities (eradicating hunger, poverty, and malnutrition; promoting education; promoting gender equality; empowering women; ensuring environmental sustainability; ecological balance; protection of national heritage, art, and culture; measures for the benefit of armed forces veterans, war widows, and their dependents; training to promote rural sports, nationally recognized sports, Paralympic sports, and Olympic sports; contributions to the prime minister's national relief fund; contribution to incubators or research and development projects in the field of science, technology, engineering, and medicine; contribution to academic institutions; etc.), as per schedule VII of the Companies Act 2013 (Dharmapala and Khanna 2016). The positive relationship between CSR and financial performance is well explored and proven by many researchers over this period (McWilliams and Siegel 2001; Wang et al. 2016).

According to the (PwC 2018) report, companies are incorporating Sustainable Development Goals (SDGs) in their corporate strategies for better contributions towards sustainable development. The seventeen SDGs were adopted in the year 2015 as part of the United Nations (UN) agenda towards sustainable development and signed by 191 countries. The UN-suggested road map started to be followed by policymakers, corporations, and societies for addressing the concerns about environmental, social, and economic challenges. Primarily and superficially, SDGs were adopted by CSR or communication departments of corporations (PwC 2018).

The study conducted by (Mintzberg et al. 2009) identified the corporations' intention–realization gap for corporate strategy execution; (Van de Ven 2008) further explored the same in the context of the CSR promise–performance gap. Our study also phrased a question around the CSR applicability–investment gap for one hundred NSE-listed companies (National Stock Exchange of India Ltd., India) to see whether they complied with environmental, social, and governance (ESG) norms. The first research goal of the study is detailed in the following section.

1.1. Explore the Impact of CSR-Complied/Non-Complied Companies on Corporate Financial Performance (CFP)

According to (Sehrawat et al. 2020), CSR intensity and financial performance had a positive relationship, though it is insignificant. However, the results were significant and positive in pre-CSR regulation time in the context of India, i.e., before 2014. The CSR mandate came into effect in India from 2013 onwards. Al Lawati and Hussainey (2022) conducted a study on the Muscat Stock Exchange and drew a conclusion that SDGs have a positive and significant impact on corporations' performance. The parameters identified for corporate financial performance were ROE (return on equity) and other financial indicators.

CSR impact on corporate financial performance was measured by different authors across different countries and markets (Wu and Shen 2013; Velte 2017; Laskar and Gopal Maji 2018; Anifowose et al. 2020; Vafaei et al. 2011; Lo and Kwan 2017). In most of the studies, CSR was positively associated with ROA, ROE, net interest income and non-interest income, performance on market-to-book ratio, revenue growth, earnings per share (EPS), total income, stock value, etc.

Friede et al. (2015) conducted a study and mentioned that the first article on ESG and financial performance was published in 1970; according to Drempetic et al. (2019), until now, more than 2200 articles have been published on a similar theme. Several studies highlighted the positive impact on financial performance (Barnett and Salomon 2006; Peiris and Evans 2010; Jo and Harjoto 2011). Some studies captured the negative impact of ESG/CSR on the financial performance of the company (Brammer et al. 2006; Lee et al. 2009; Nollet et al. 2016; Garcia and Orsato 2020; Folger-Laronde et al. 2020; Mittal et al. 2008; Crisóstomo et al. 2011; Velte 2017). Brammer and Millington (2008) found a mixed impact of corporate social performance on company financial performance. According to a study conducted by (Atan et al. 2018; Galema et al. 2008; Humphrey et al. 2012), no correlation exists between ESG and financial performance. The second question for the study is detailed in the following section.

1.2. Exploring the Impact of CSR on Corporate Financial Performance in Pre- and Post-SDG Periods

The second question for the study is, to *explore the CSR impact on Corporate Financial Performance in the pre and the post SDG period*.

2. Theoretical Perspective

Over the previous decades, different researchers and scholars captured various definitions of CSR, with some contributions addressing societal concerns, such as Fitch (1976), and some studies focusing on ethical practices adopted by organizations for the betterment of society (Ismail 2009). Yoon et al. (2018) captured the CSR as a voluntary activity for the betterment of society. A study by Carroll (1999) measured the corporate efficacy for investing in CSR; the study considered ethical, economic, and legal dimensions (the environmental dimension was covered as a part of ethical and legal). This contribution evolved many synonyms of CSR, such as sustainability, corporate responsibility, corporate governance, socio-environmental governance, and environmental, social, and governance (ESG). Yoon et al. (2018) addressed the CSR perspective through ESG analysis. Institutional theory suggested that regulatory pressure has a positive impact on firm heterogeneity and competitive advantage (DiMaggio and Powell 1983, 1991; Scott 1987).

According to a KPMG (2017) survey of corporate responsibility reporting on corporate practices, the mentioned ESG adaptation rate in emerging markets was around 75% compared to 93% by the world's largest companies. Limited research has been conducted in emerging markets on the ESG efficacy rate and its impact on corporate financial performance. According to (Odell and Ali 2016), companies in emerging markets were facing different challenges on the front of environmental, social, and governance issues, and the companies incorporating sustainability practices may get higher financial benefits in the long run.

Friedman (1970) captured the traditional mindset of the corporations; they aim to maximize the shareholder's wealth and spending for a social cause was a reduction in the shareholder's money. The opposite of this perspective was captured by Freeman (1984) in a stakeholder's theory focused on employees, customers, society, and other major stakeholders. Jones (1995) discussed CSR expenditure for the betterment of the stakeholders such as employees, consumers, the local community, environmental activists, and others.

Socially responsible investment (SRI) as a concept emerged during the nineteenth century and traveled a long distance until being investigated in a study conducted by Martínez-Ferrero et al. (2015). According to Garriga and Melé (2004), CSR theories were classified into four categories: instrumental, political, integrative, and ethical. Instrumental theory emphasized the strategic perspective of CSR and how organizations enhanced wealth creation and focused on economic objectives. The theory further focused on maximizing the shareholder's value, achieving a competitive advantage and cause-related marketing. Political theory focused on the impact of excessive corporate power on society. Integrative theory addresses the stakeholder's perspective and social concerns. Ethical theory covered the ethical relationship between business and society. Our study is based on the instrumental perspective of CSR theory and will further explore the impact of CSR on shareholder return.

According to García et al. (2020), corporate financial performance (CFP) can be measured through two methods: accounting-based measures and market-based measures. Accounting-based measures are based on ROA, ROE, and return on sales (ROS); market-based measures include share price, Tobin's Q, and beta. The study also mentioned that companies spending more on CSR get better ESG scores. Our study measured corporate performance through ROE, EPS, and total income (TI).

3. Literature Review

3.1. Journey from CSR to SDG and ESG

Over the last few decades, corporations, policymakers, and society have had serious concerns with respect to their social footprints due to the economic, environmental, and financial downturn. All major stakeholders are looking back to classic economic theories and business practices to explore the solutions for enhancing social contributions. In the twentieth century, a philanthropic perspective emerged as an initiative for addressing social concerns; based on the evidence, in 1960 and 1970, the major reasons for CSR were the social concerns. In the present day, the instrumental and performance aspects of CSR have gained more relevance (Carroll and Shabana 2010). According to Zubeltzu-Jaka et al. (2018), presently, CSR is interpreted as a prerequisite for developing competitive and sustainable enterprises. According to Carroll (1999), CSR definitions and the empirical research era were started in 1950, and from 1980 onwards, it entered the modern era.

During the CSR journey, another debate also evolved around the stockholder vs stakeholder perspective. Freeman (1984) captured the same in the stakeholder's theory and talked about organizations' responsibility not only towards stockholders but also towards employees, customers, the company, the environment, and many more. Until the present day, no appropriate theory emerged that can quantify the appropriate level of social responsibility. Behavioral finance researchers have explored some theories to capture the investor's perspective; Brunen and Laubach (2022) used the theory of consistent behavior for exploring the investor sustainability perspective in investment decisions, Sultana et al. (2018) used the theory of planned behavior, Diouf et al. (2016) used the theory of complexity, and Perez-Gladish et al. (2012) explored utility theory for exploring the same perspective.

According to Ansoff (1965), the stakeholder's theory is focused on stakeholder value maximization; Bhattacharyya and Rahman (2019) used the theory for examining the relationship between CSR activities and firm performance. Grewal et al. (2019) mentioned that prior research captured the voluntary perspective of CSR, while recent research emphasized mandatory CSR. Bhattacharyya and Rahman (2019) examine the correlation between mandatory CSR and firm performance. According to Liu et al. (2019), whether mandatory ESG is beneficial for business or not is an empirical research question.

CSR has been a voluntary activity in India since the Vedic periods; it took the shape of a mandatory activity from 2014 onwards by introducing changes in section 135 of the Companies Act in 2013. The journey of CSR amendments for addressing SDG concerns and the compliance of ESG is captured in Table 1.

Table 1. Evolution of CSR journey in India.

Year	Concern	Action
2009	National Voluntary Guidelines (NVGs)	Ministry of Corporate Affairs (MCA) issued NVGs for CSR
2012	Business Responsibility Report (BSR)	Security Exchange Board of India (SEBI) mandated that top 100 listed companies by market capitalization file BRR based on NVGs along with annual report
2014	Corporate Social Responsibility (CSR)	CSR is mandated and CSR rules come into force
2015	BRR extension to top 500 listed companies	Requirement for filing BRR was extended to 500 listed companies by market capitalization
2017	Integrated reporting	SEBI issued guidelines of Integrated reporting for BRR on voluntary basis from financial year 2017–2018
2019	National Guidelines on Responsible Business Conduct (NGRBC)	NGRBC release in 2019
2019	BRR extension to top 1000 listed companies	SEBI extended BRR to top 1000 listed companies from financial year 2019–2020
2021	Business Responsibility and Sustainability Report (BRSR)	BRSR introduced from May 2021
2023	Mandatory BRSR for top 1000 listed companies	Mandatory BRSR for top 1000 listed companies from 2023

Source: PwC (2021, p. 5) Adapted and modified.

Waddock and Graves (1997) explored the relationship between CSR and company financial performance and concluded that it is possible to find positive, negative, and no relation between the two depending on what performance metric is used for the research. Giannopoulos et al. (2022) also captured the literature based on positive, negative, and no relationship between ESG and firm performance. Dalal and Thaker (2019) conducted a study in the Indian context with the parameters of ESG measurement; they used sustainability ratings by the NSE 100 and indices and performance measurements of ROA and found a positive relationship between the two. According to Derwall et al. (2005), a positive relationship was found between eco-efficiency and stock price for the study conducted in the USA. Lee et al. (2009) derived a negative relationship between Dow Jones Sustainability Indexes and ROA and ROE; the study covered multiple countries. Mittal et al. (2008) considered CSR disclosure as a representative of ESG measures and found a negative relationship between economic value added (EVA) and market value added (MVA), the study was conducted in an Indian context. A study conducted by Crisóstomo et al. (2011) in Brazil found a negative relationship between CSR index and ROA and ROE.

Brammer and Millington (2008) found both a positive and negative relationship between corporate social performance (CSP) and financial performance; the study mentioned higher financial performance in the case of both high and low CSP. The study also captured that low CSP performed better in the short run and higher CSP performed better in the long run. According to Han et al. (2016), a positive relationship exists between governance and financial performance and a negative relationship exists with environmental score. Some studies captured that no relationship exists between financial performance and ESG (Atan et al. 2018; Galema et al. 2008; Humphrey et al. 2012).

As per PwC (2021), India started its sustainability journey in 2009, as mentioned in Table 1, and moved to business responsibility reporting (BRR) in 2012 and 2014. India introduced the amendment of the Companies Act in 2013 and extended the standards of BRR to 1000 listed companies on the Indian stock exchange in 2023.

3.2. Hypothesis Development

3.2.1. CSR Applicability/PAT Has No Significant Impact on the Shareholder's Return

The literature had mixed responses on the ESG/CSR impact on the corporate firm's performance. Therefore, it can be examined whether the CSR applicability and CSR investment concerning the profit of the firm (PAT) has a significant impact on the corporate firm's performance or not. To understand the corporate firm's performance, the shareholder's return has been used (Lee et al. 2009; Crisóstomo et al. 2011). CSR was financially useful to shareholders since it increased their returns (Luo and Bhattacharya 2009). Firms should focus on CSR disclosure since, if done correctly, there are several chances to boost investor confidence, resulting in an improvement in shareholder returns (Zumente and Bistrova 2021). This also results in understanding the firms in a better way and makes the firm analysis ready for the investors (Feng and Wu 2021). The theories in the literature presented by Suttipun and Thanyaorn (2021), Bardos et al. (2020), and Melinda and Wardhani (2020) state the association of CSR disclosure and applicability to the firm's performance. Therefore, the hypothesis mentioned below is proposed in the study:

Hypothesis 1 (H1). *CSR applicability/PAT has no significant impact on the shareholder's return.*

3.2.2. CSR Investment/PAT Has No Significant Impact on the Shareholder's Return

The firms believe that if the CSR investment increases the firm's performance, then the willingness to invest increases (Brønn and Vidaver-Cohen (2009). To support this, Wang et al. (2016) also explained that CSR investment has a positive association with shareholders' returns. CSR investment also has strategic advantages and acts as a driving force for investment in CSR in India (Malik 2015). The CSR investment impact on the shareholders' return was stated in the studies of Iatridis (2013), Li et al. (2018), and Cho (2022). Therefore, the hypothesis mentioned below is proposed in the study:

Hypothesis 2 (H2). *CSR investment/PAT has no significant impact on the shareholder's return.*

4. Methodology

4.1. Data

To understand the relationship of shareholders' return to the CSR applicability and investment, data from "Appendix A" firms were obtained from the electronic database Centre for Monitoring Indian Economy Pvt. Ltd (CMIE) Prowess IQ. The study sample drawn from 100 firms listed on the NSE-Nifty-100 index belongs to the emerging economy in India. The financial data were collected for a span of fourteen years (2009–2023). Out of 100 firms, 88 were CSR-complied firms and 12 were non-CSR-complied firms. A list of the 100 sampled companies can be found in the Appendix (Appendix A). A systemic method was adopted to reach the sample, where the firms with missing data, non-availability of compatible financial information, and full information were dropped from the sample. The final sample arrived at 83 firms that were CSR-compliant.

4.2. Variables

After conducting an in-depth literature review, the determinants and the variables used for model estimation were identified. Table 2 lists the determinants and the variables.

Table 2. Determinants and Variables Used in Model Estimation with Literature Source.

Variable Name	Acronym	Calculation	Literature Source
Return on Equity	ROE	Profit after tax/total equity shareholders' fund X 100	Lee et al. (2009); Crisóstomo et al. (2011)
Earnings per Share	EPS	Profit after tax/no. of equity shares	Brammer and Millington (2008)
Log Total Income	LTI	Log (total income)	Giannopoulos et al. (2022)
CSR Applicability/PAT	CSRAPPPAT	CSR applicability/profit after tax X 100	Zumente and Bistrova (2021)
CSR Investment/PAT	CSRIPAT	CSR investment/profit after tax X 100	Brønn and Vidaver-Cohen (2009); Wang et al. (2016)

Source: Authors' compilation.

4.3. Model Estimation

The growing importance of CSR disclosure and its strategic benefit has resulted in firms incorporating CSR disclosure and its applicability in their financial reports. This has increased the CSR investment in India (Malik 2015). The CSR disclosure and investment in return increase the shareholder's return. (Suttipun and Thanyaorn 2021; Bardos et al. 2020), and Melinda and Wardhani (2020). This motivated the researchers to develop an empirical model to establish the association of CSR applicability and investment with shareholder return (ROE). The empirical model was developed by applying the panel data regression. To determine the relationship between the dependent and independent variables, a linear model based on a straight line was used. Considering the heterogeneity across the variables, panel data regression was applied (Baltagi 2008). Thus, the study also used panel data regression to estimate the model. The model is proposed with the dependent variable as ROE and the independent variables as CRSAPPPAT and CRSIPAT with controlled variables EPS and LTI (Figure 1).

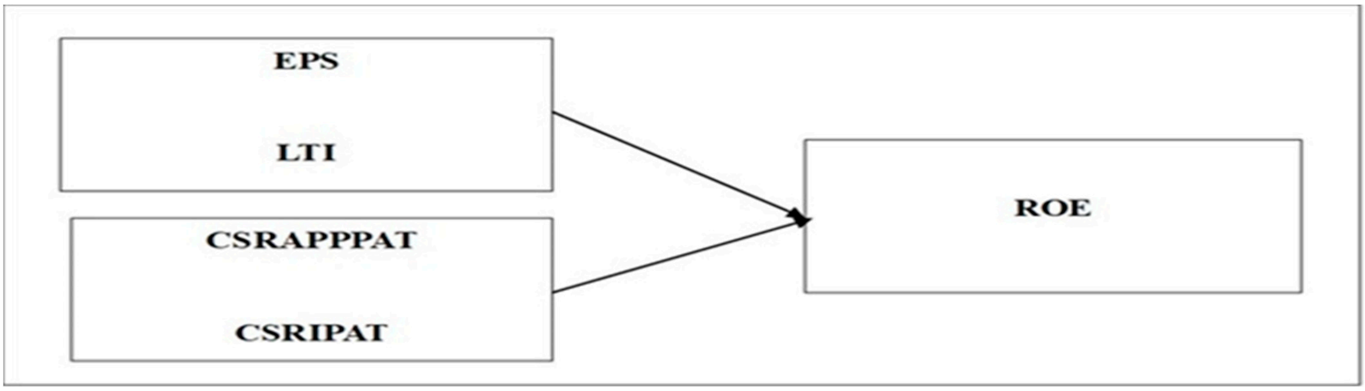

Figure 1. Proposed Model, Authors' Compilation, Y_{it}—Dependent variable with "i" as firms and "t" as years, R1, R2, R3, and R4—Independent variables with "i" as firms and "t" as years, β_1, β_2, β_3, β_4, and β_5—Coefficient of independent variables, and ε_{it}—Error term.

The estimated model's multicollinearity was examined. When there is a strong connection between the independent variables, multicollinearity is present. Variance of factors (VIF) and Pearson correlation were computed and examined to verify the multicollinearity issue.

5. Results and Discussion

5.1. Do the CSR Applicability/PAT of the Firms Pre- and Post-SDG Periods Differ?

Table 3 indicates the average and standard deviation (SD) for CSR applicability/PAT% of the firms before the implementation of mandatory CSR and SDG by the Companies Act 2013, section 135; the average was 0.00210 and the SD was 0.00295. After CSR and SDG were made mandatory by the Companies Act 2013; section 135, the average of the CSR applicability/PAT% was increased to 0.02359 and the SD also improved to 0.0528.

Table 3. Average and SD for CSR applicability/PAT of the firm pre- and post-SDG period.

	Average	SD
Pre-SDG period	0.002101	0.002952
Post-SDG period	0.023599	0.0528

Authors' calculations.

It was very evident that as it was made mandatory by the Companies Act 2013, section 135, the firms improved their investment in CSR as it was mandatory to spend 2% of their average net profit for the past three years on CSR. But as it was not uniformly applicable by the firms, the SD also increased significantly.

5.2. Do the CSR Investment/PAT of the Firms Pre- and Post-SDG Periods Differ?

Table 4 reflects the average and standard deviation (SD) of the firms before the implementation of mandatory CSR and SDG by the Companies Act 2013, section 135; the average of the firms in CSR investment/PAT% was 0.001673 and the SD was 0.003211. After the CSR and SDG were made mandatory by the Companies Act 2013, section 135, the average of the CSR investment/PAT% was boosted to 0.022269 and the SD also increased to 0.043726.

Table 4. Average and SD for CSR investment/PAT of the firm pre- and post-SDG period.

	Average	SD
Pre-SDG period	0.001673	0.003211
Post-SDG period	0.022269	0.043726

Authors' calculations.

The Companies Act 2013, section 135 made CSR investments compulsory for the Indian firms; after that, there was a significant increase in the CSR investment/PAT% of the firms. At the same time, all the firms were not in the same space to implement the same, so the SD also increased in the post-SDG period.

5.3. Do the CSR Applicability/PAT of the Firms Who Are Committed to CSR vs. Those That Are Not Committed Differ?

Examining the findings of Table 5, it was evident that the firms committed to CSR have a higher average for CSR applicability/PAT% of 0.013962 and 0.033185 of SD. Whereas the firms not committed to CSR reported a low average and SD of 0.01083 and 0.015973, respectively.

Table 5. Average and SD for CSR applicability/PAT of the firm committed and not committed to CSR.

	Average	SD
Firms committed to CSR	0.013962	0.033185
Firms not committed to CSR	0.01083	0.015973

Authors' calculations.

The firms committed to CSR have a higher CSR applicability/PAT%, as they have plans and strategies in place for the implementation of CSR expenditure. The SD reported was also higher, as the variation among the firms was also higher. The research conducted by Atan (2017) reflected that there has been no significant impact on CSR disclosure and firm performance. Thus, the firms having CSR disclosure and firms having no CSR disclosure may have the same firm performance.

5.4. Do the CSR Investment/PAT of the Firms Who Are Committed to CSR vs. Those That Are Not Committed Differ?

Examining the findings of Table 6, it was found that the firms committed to CSR have a lower average for CSR investment/PAT% of 0.012463 but a higher SD of 0.025577. Whereas the firms not committed to CSR reported a high average of 0.014013 and a slightly lower SD of 0.024211.

Table 6. Average and SD for CSR investment/PAT of the firm committed and not committed to CSR.

	Average	SD
Firms committed to CSR	0.012463	0.025577
Firms not committed to CSR	0.014013	0.024211

Authors' calculations.

According to these findings, the average CSR investment/PAT% for the firms that are committed to CSR was slightly lower than it was for those that are not. This implies that companies that have made CSR commitments may have changed their CSR strategies without necessarily increasing the percentage of PAT devoted to CSR. In contrast, these firms might have expanded their revenues more quickly than they did their CSR spending.

It is crucial to keep in mind that additional research would be necessary to discover whether these differences are statistically significant. It is also important to consider the findings' broader context, which includes shifting social and economic conditions as well as the specific effects of CSR on business priorities and plans.

5.5. Correlations Analysis and VIFs

Subsequently, the Pearson correlation test and variance of factors (VIFs) were conducted to check the multicollinearity problem. Pearson correlation coefficients were computed to understand the association among the variables used in the model. The findings are captured in Table 7. The variable ROE had a significant positive relation between EPS and LTI. CSRAPPPAT and CSRIPAT had a negative relation with ROE, but they were statistically significant. The variable EPS was found statistically insignificant with all other variables.

Table 7. Results of Correlations Analysis and VIFs.

	ROE	EPS	LTI	CSRAPPPAT	CSRIPAT	VIFs
ROE	1.0000					-
EPS	0.2359 *	1.0000				1.00
LTI	0.0653 *	0.0238	1.0000			1.01
CSRAPPPAT	−0.0345	−0.0047	0.0767 *	1.0000		1.18
CSRIPAT	−0.0431	−0.0061	0.0821 *	0.3866 *	1.0000	1.18

Notes: * Significant at 5 percent, VIFs—Variance of factors, Authors' calculation.

Similarly, the variable LTI had a statistically significant positive relationship with CSRAPPPAT and CSRIPAT. CSRAPPPAT had a positive relation with CSRIPAT and was found to be statistically significant. All the correlation coefficients of the variables were within the limit of 0.3. So further, VIFs were calculated for all independent and control variables, and it was found that the VIF values for the variables were below 2. Therefore, it can be concluded that there was no serious multicollinearity problem.

5.6. Panel Data Regression Analysis

Table 8 provides the results of the fixed effect and random effect panel data regression analysis. The null hypothesis was not accepted, as the *p*-value for f statistics was less than the five percent significance level. Therefore, the fixed-effect model was well-fitted. The R-squared value was 0.57, which represents that the total variation of 5.70 percent of the variability in ROE was described by the four independent variables. The independent variables EPS were found statistically significant but the LTI, CSRAPPPAT, and CSRIPAT were not significant. The variables EPS were positively related to ROE, whereas LTI, CSRAPPPAT, and CSRIPAT were negatively related to ROE.

Table 8. Panel Data Regression Model.

	Fixed Effect			Random Effect		
	ROE			ROE		
	Coefficient (B)	**Std. Error**	***p*-Value**	**Coefficient (B)**	**Std. Error**	***p*-Value**
EPS	0.0033	0.0004	0.000 *	0.0034	0.0004	0.000 *
LTI	−0.0335	0.5236	0.949	0.1946	0.4659	0.676
CSRAPPPAT	−5.5903	7.2452	0.441	−5.6227	7.2277	0.437
CSRIPAT	−20.9936	13.4775	0.120	−21.71297	13.4052	0.105
Constant	21.0409	4.7505	0.000 *	18.9640	4.6080	0.000 *
R^2		0.057			0.0598	
Test	F		0.000 *	Wald chi-Sq		0.000 *

* Significant at 5% level, Authors' calculations.

For the random effect, the null hypothesis was also not accepted as the p-value of the Wald chi-squared was less than a five percent significance level. Therefore, the random effect model was also fitted. The R-squared value was 0.0.598, which represents that 5.98 percent of the variability in ROE was explained by all four independent variables of the model. The same observation was found in the case of random effects. The variables LTI and EPS had a positive relation with ROE.

The null hypothesis H1o was accepted, and no significant relation was found between CSR Applicability/PAT with the shareholder's return. Also, the null hypothesis H2o was accepted, and no significant relation was found between CSR investment/PAT with the shareholder's return. Thus, it is concluded that CSR disclosure and applicability investment done by the firms on CSR has no profound contribution in the firm's performance in return having an impact on the ROE of the firms.

The findings were in line with the study conducted by (Brammer et al. 2006; Lee et al. 2009; Nollet et al. 2016; Garcia and Orsato 2020; Folger-Laronde et al. 2020; Mittal et al. 2008; Crisóstomo et al. 2011; Velte 2017). Whereas Dkhili (2023) contradicts the results, indicating that CSR disclosure has a positive impact on firm performance.

Further, the Hausman test was conducted to check the best-fit model. The result was presented in Table 9, which indicated that the null hypothesis was accepted as the p-value was greater than a five percent significance level. So, the random effect model was a better fit. Therefore, the empirical model estimated by the random effect was presented as follows:

$$ROE_{it} = 18.964 + 0.003(EPS_{it}) + 0.194(LTI_{it}) - 5.622(CSRAPPPAT_{it}) - 21.712(CSRIPAT_{it}) + \varepsilon_{it}$$

Table 9. Fixed Effect vs. Random Effect-Hausman test.

Model Specification	Test	*p*-Value
Fixed effect or random effect	Chi-squared	0.7826

Significant at 5% level. Authors' calculations.

6. Conclusions

The study analyzed CSR impact on the financial performance of the selected Indian-listed firms as per Appendix A. The sample consists of the NSE-Nifty-100, which indexed 100 companies for a span of fourteen years (2009–2023). The study used the shareholders' return (ROE) to examine the research question and hypothesis testing. The literature review gave a mixed response on the direction of the relationship of the hypothesis. The findings of the study suggest that CSR applicability and investment affect the financial performance of the firms significantly at a 95 percent confidence level. The hypothesis was accepted that no significant relation was found between CSR applicability/PAT with ROE (Lee et al. 2009; Nollet et al. 2016; Garcia and Orsato 2020; Folger-Laronde et al. 2020; Mittal et al. 2008; Crisóstomo et al. 2011; Velte 2017).

Also, no significant relation was found between CSR investment/PAT with ROE. The shareholders' return (ROE) is considered as a short-term financial performance, which has not resulted in a significant impact from the CSR investment (Giannopoulos et al. 2022). The Companies Act 2013, section 135, made CSR investments compulsory for Indian firms; after that, there was a significant increase in the CSR investment/PAT% of the firms. At the same time, all the firms were not in the same space to implement the same amount, so the SD also increased in the post-SDG period. Moreover, the firms committed to CSR have a higher CSR applicability/PAT% as they have plans and strategies in place for the implementation of CSR expenditure. The SD reported was also higher, as the variation among the firms was also higher. Another important finding of the study was that the average CSR investment/PAT% for the firms that are committed to CSR was slightly lower than it was for those that are not. This implies that companies that have made CSR commitments may have changed their CSR strategies without necessarily increasing the percentage of PAT devoted to CSR. In contrast, these firms might have expanded their revenues more quickly than they did their CSR spending.

The study contributes to the current literature about CSR/ESG investment concerning an emerging economy like India. The actual CSR initiatives taken up by the sample firms might not have been communicated well to the stakeholders, like consumers, employees, peers, and investors. The results coincide with the observation drawn by (PwC 2018), SDGs were unable to perform better due to communication gaps with investors, peers, employees, and customers. A firm may be investing in CSR activities but the same may not be reflected in the shareholders' return. Another limitation of the study may be that some variables might be omitted that affected the firm's performance and the CSR investment (Dalal and Thaker 2019). These factors may be measuring the firm's performance through Tobin's Q as proxy growth and long-term performance measures. At the same time, the ESG scores of the firms can also act as the CSR investment outcomes.

7. Future Scope for Research

There is a scope for future research with a larger data set including a greater number of firms listed in the NSE. The ESG scores of the firms may also be explored to better understand the CSR investments made by the firms. A tool for the long-term firm's performance measurement like Tobin's Q can be considered to investigate the impact of ESG initiatives on corporate performance. The social and the environmental factors can also be explored for understanding the overall impact and initiative towards ESG.

The regulatory initiatives related to CSR and ESG already rolled out in India from 2014 onwards in a phase-wise manner, as depicted in Table 1. Based on the literature and the research findings, a more streamlined action is required to minimize the CSR promise–performance gap.

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Appendix A

S. No.	Company Name
1	A B B India Ltd.
2	A C C Ltd.
3	Adani Energy Solutions Ltd.
4	Adani Green Energy Ltd.
5	Adani Total Gas Ltd.
6	Ambuja Cements Ltd.
7	Apollo Hospitals Enterprise Ltd.
8	Asian Paints Ltd.
9	Avenue Supermarts Ltd.
10	Axis Bank Ltd.
11	Bajaj Auto Ltd.
12	Bajaj Finance Ltd.
13	Bajaj Finserv Ltd.
14	Bajaj Holdings & Invst. Ltd.
15	Bank Of Baroda
16	Berger Paints India Ltd.
17	Bharat Petroleum Corpn. Ltd.
18	Bharti Airtel Ltd.
19	Bosch Ltd.
20	Britannia Industries Ltd.
21	Canara Bank
22	Cholamandalam Investment & Finance Co. Ltd.
23	Cipla Ltd.
24	Coal India Ltd.
25	Colgate-Palmolive (India) Ltd.

26	D L F Ltd.
27	Dabur India Ltd.
28	Divi’S Laboratories Ltd.
29	Dr. Reddy’S Laboratories Ltd.
30	Eicher Motors Ltd.
31	F S N E-Commerce Ventures Ltd.
32	G A I L (India) Ltd.
33	Godrej Consumer Products Ltd.
34	Grasim Industries Ltd.
35	H C L Technologies Ltd.
36	H D F C Asset Mgmt. Co. Ltd.
37	H D F C Bank Ltd.
38	H D F C Life Insurance Co. Ltd.
39	Havells India Ltd.
40	Hero Motocorp Ltd.
41	Hindalco Industries Ltd.
42	Hindustan Unilever Ltd.
43	I C I C I Bank Ltd.
44	I C I C I Lombard General Insurance Co. Ltd.
45	I C I C I Prudential Life Insurance Co. Ltd.
46	Indian Oil Corpn. Ltd.
47	Indian Railway Catering & Tourism Corpn. Ltd.
48	Indus Towers Ltd.
49	Indusind Bank Ltd.
50	Info Edge (India) Ltd.
51	Infosys Ltd.
52	Interglobe Aviation Ltd.
53	J S W Steel Ltd.
54	Kotak Mahindra Bank Ltd.
55	Larsen & Toubro Ltd.
56	Life Insurance Corpn. Of India
57	Ltimindtree Ltd.
58	Mahindra & Mahindra Ltd.
59	Marico Ltd.
60	Maruti Suzuki India Ltd.
61	Muthoot Finance Ltd.
62	Nestle India Ltd.
63	P I Industries Ltd.

64	Page Industries Ltd.
65	Pidilite Industries Ltd.
66	Power Grid Corpn. Of India Ltd.
67	Procter & Gamble Hygiene & Health Care Ltd.
68	Reliance Industries Ltd.
69	S B I Cards & Payment Services Ltd.
70	S B I Life Insurance Co. Ltd.
71	S R F Ltd.
72	Samvardhana Motherson Intl. Ltd.
73	Shree Cement Ltd.
74	Siemens Ltd.
75	State Bank Of India
76	Sun Pharmaceutical Inds. Ltd.
77	Tata Consultancy Services Ltd.
78	Tata Consumer Products Ltd.
79	Tata Motors Ltd.
80	Tata Power Co. Ltd.
81	Tata Steel Ltd.
82	Tech Mahindra Ltd.
83	Titan Company Ltd.
84	Torrent Pharmaceuticals Ltd.
85	Ultratech Cement Ltd.
86	Varun Beverages Ltd.
87	Wipro Ltd.
88	Zomato Ltd.
89	Adani Enterprises Ltd.
90	Adani Ports & Special Economic Zone Ltd.
91	Adani Wilmar Ltd.
92	Bharat Electronics Ltd.
93	Hindustan Aeronautics Ltd.
94	I T C Ltd.
95	Jindal Steel & Power Ltd.
96	N T P C Ltd.
97	Oil & Natural Gas Corpn. Ltd.
98	U P L Ltd.
99	United Spirits Ltd.
100	Vedanta Ltd.

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