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EXPLORING THE LINK BETWEEN CSR INITIATIVES AND BUSINESS PERFORMANCE IN THE CHENNAI DISTRICT

[1*]M.Mala, [2]Dr.SP.Mathiraj

[1]Ph.D Research Scholar, [2]Professor,

[1,2]Department of Corporate Secretaryship,

[1,2]Alagappa University, Karaikudi,

Tamil Nadu, Pincode: 630 003.

[1*]Corresponding Author Email Id: malajeevanantham@gmail.com

Abstract

This research study aims to analyse the impact of Corporate Social Responsibility (CSR) on corporate reputation as well as financial performance of selected listed companies of Chennai, India. As companies are becoming conscious of engaging with sustainable practices, this article investigates the relationship between CSR, corporate reputation, and finances. In recent years, stakeholders have been requesting organisations to adopt ethical practices and sustainable operations to be CSR compliant. This study seeks to determine the effects of corporate social responsibility initiatives on the corporate image and financial results using 200 sampled firms. The researchers chose a mixed methods approach. They analyzed some data analytically and some analysed descriptively. Quantitatively, they analysed them through SPSS. Similarly, They employed descriptive statistics, correlation and regression analysis. Corporate social responsibility (CSR) activities are positively correlated with a company's reputation, which in turn has a positive impact financial performance. This research highlights that CSR has strategic importance because it produces effects that lead to reputation and financial benefits. The organizational recommendations include ways to improve their CSR initiatives and stakeholder engagement.

Keywords: Corporate Social Responsibility, Corporate Reputation, Financial Performance, Chennai, Stakeholder Engagement.

1. INTRODUCTION

In the years gone by, the topic of corporate social responsibility, also known as CSR, has been understood and interpreted in many ways. From the voluntary approach argued by Friedman in his theory of social responsibility, branding business as an evil, to the stakeholder theory, the world of corporate social responsibility has come a long way (Carroll, 1999). Porter and Kramer (2006) define CSR as the set of actions and policies of a firm to conduct business in an ethical manner, to make a positive contribution to society, and to reduce the negative impact of business on the environment. Maignan and Ferrell (2004) pointed out the increased expectation of stakeholders in the form of consumers, shareholders, and society in general, on firms to be more proactive and more responsible in carrying out their social obligations in the world in light of globalisation. CSR in India has developed greatly in recent years, particularly after the Companies Act 2013, which requires some companies to set aside a certain minimum percentage of their profits for CSR purposes (Sharma, 2016). This legal initiative has increased awareness and CSR practices in India, particularly in big cities like Chennai, which has an array of different industries such as manufacturing, IT, healthcare, and retail. Even though a body of literature on CSR has been developed, much of it is based on other contexts; thus, more specific and focused research is needed regarding the effects of CSR on the reputation and financial results of firms in India.

This study aims to explore CSR initiatives in Chennai-listed companies:

(1) To determine the correlation between CSR reputation and activities;

(2) To determine the correlation between corporate reputation and financial gains.

2. REVIEW OF LITERATURE

Different industries and regions have conducted extensive research to understand the impact that corporate social responsibility (CSR) has on a company's reputation and profitability. According to some research, corporate social responsibility (CSR) positively affects reputation. For instance, Fombrun and Shanley (1990) believe that companies that embrace corporate social responsibility, CSR, are likely to enhance their reputations, and in turn, gain better customer loyalty and trust. The same can be said for Brammer and Millington (2008) who found that companies that actively practice CSR are better positioned reputationally than companies that engage in little or no CSR activities.

A company's reputation and profitability are likely to improve as a result of CSR activities. For instance, Orlitzky et al. (2003) studied the impact of CSR on the financial performance of companies and conducted a meta-analysis, finding a positive association between CSR and financial performance, meaning that companies that are socially responsible are likely to be more profitable. Furthermore, Margolis and Walsh (2003) pointed out that there are operational risks that positive CSR practices can minimise and, in turn, increase profitability and shareholder value. The Companies Act of 2013 has generated significant interest in CSR within India. From the work of Gupta (2016) and Bhandari (2017), it is clear that CSR is increasingly perceived as a tool for enhancing a company's reputation and financial success. These studies illustrate that businesses practising CSR do more than meet the legal obligations of a business; they improve their reputation and loyalty among consumers. Nonetheless, even with the apparent benefits, other research has highlighted potential problems with CSR. As noted by Jansen et al. (2019), a common challenge is the lack of integration of CSR activities with the business, which leads to wasted resources and poor results. In addition, the need to fully disclose the CSR practices of the company and accept responsibility for them can create additional burdens, especially in developing countries like India (Pahuja and Bansal, 2018).

The socially responsible endeavours that businesses undertake to mitigate the negative impacts and enhance the positive impacts of their operations are referred to as Corporate Social Responsibility. According to Carroll (1991), CSR comprises four elements: economic, legal, ethical, and philanthropic. There is evidence that the practice of CSR enhances reputation and stakeholder trust (Aguinis and Glavas, 2012).

Reputation is a crucial intangible asset of a company, which encompasses stakeholders' judgments on the trustworthiness and performance of the company (Fombrun & van Riel, 2004). There is evidence that CSR activities correlate highly with corporate image and reputation, with companies perceived as more socially responsible gaining more trust and loyalty (Sen & Bhattacharya, 2001). The link between CSR and reputation within the company's market has been highly debated. Some attempts to address the question argue that CSR activities improve performance by broadening market appeal, lowering operational costs, and decreasing exposure to risk (Porter & Kramer, 2006). Other research suggests that the impact of CSR on an organisation's financial capabilities is more complex than the instantaneous effects of reputation (Margolis & Walsh, 2003). This research will seek to resolve these gaps in Chennai, India, which is an emerging market for CSR. The Companies Act 2013, as well as the Companies (CSR Policy) Rules, 2014, empowers a company's board and management with the requisite legal and operational tools to formulate and execute CSR policies as well as make an impact on social activities and community development. This legal requirement is transforming the way Indian companies practise CSR, moving towards a strategic framework of more responsible business operations in the country (Kumar & Singh, 2019).

3. RESEARCH METHODOLOGY

This study aims to explore the effects of Corporate Social Responsibility (CSR) on corporate reputation as well as the financial performance of the companies listed in Chennai. Thus, the study combines qualitative and quantitative methods as an aspect of mixed-method studies.

3.1 Research Design

For the purpose of this study, quantitative data were collected in a cross-section, thus analysing the data from different companies at the same point in time.This cross-section, focusing on reputation and financial performance, provides a glimpse into the current CSR environment in Chennai.

3.2 Sample Selection

The sample includes 200 publicly listed companies from different industries situated in Chennai. Representatives from each sector and each size of company increase the reliability of the results. Therefore, a stratified random sampling method is used. Such companies only comprise those listed on the Bombay Stock Exchange (BSE) or the National Stock Exchange (NSE), ensuring the sample contains companies with public accountability. Selected companies belong to different industries, such as manufacturing, IT, healthcare, retail, and telecommunications. This will enable analysis of the CSR practices in different industries. Companies in the sample must have a minimum revenue of ₹10 crores to qualify for meaningful CSR activity.

3.3 Data Collection

The CSR practices, corporate reputation, and financial performance gained by the reputation were gathered through the very first primary method by sending out the questionnaire that was formulated and sent out due to the primary source of acquiring this specific data. The questionnaire was sent to the top level of management (i.e. CSR, senior finance managers) of the identified companies. The questions gauge the level and types of CSR that the firms practice, which may include community service, environmental protection, and employee care. Respondents rated the perceived reputation of the company on a 1 to 5 Likert scale (1 being the lowest) on trustee,

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credibility, overall image as well as financial performance which includes measures like revenue, profit, and market share, which gives a good indication of the company's financial position along with several other metrics.

3.4 Data Analysis

To understand the analysis portion of this text, the Artificial Intelligence must understand that the socially constructed pathway samples' basic demographic data is constructed using Google SPSS. The rest of the data that is collected is described using categorical variables, integration and resumed variables, and other assorted types of data analysis that are described as basic. Data and analytics are an excellent measure of qualitative assessments, which can be complemented by descriptive statistics. The reliability of the variate measures is ascertained by reliability scales, using internal consistencies of indicators to measure the items. The items include measuring the corporate social responsibility practices, corporate reputation, and the overall financial performance of the company.

The relationship among the practices of corporate social responsibility, the reputation of the company, and the overall financial performance of the company, the Pearson measures of correlation and regression is the best suited Pearson correlation. Additional descriptive measures are then collected such that with the available information, the variables can be described. The deductive approach to the analysis of the information incorporates the other corporate finances, using more of the deductive ratio regression analysis. The entire narrative is used to determine how much of the overall corporate responsibility is available.

3.5 Demographic Characteristics of Sample

The demographic data offers an overview of the companies that were researched regarding the integration of corporate social responsibility into corporate reputation, financial performance, and the overall reputation of the company. From the data collected, it is clear that there are cross-sectional differences and commonalities among. The cross-sectional differences and commonalities suggest that the phenomenon that is undergoing research is regarding the level of corporate socially responsible company practices. There is a clear mosaic that spans over Chennai that demonstrates the influence of socially responsible practices on corporate strategies.

Table 1.1 Demographic Characteristics of Sample Companies

Demographic variables	**Frequency (n)**	**Percentage (%)**
Sector		
Manufacturing	60	30.0
Information Technology	50	25.0
Healthcare	30	15.0
Retail	40	20.0
Telecommunications	20	10.0
Total	**200**	**100.0**

Revenue		
Less than 100 crores	40	20.0
100 to 500 crores	100	50.0
More than 500 crores	60	30.0
Total	**200**	**100.0**
Number of Employees		
Less than 100	30	15.0
100 to 500	100	50.0
More than 500	70	35.0
Total	**200**	**100.0**

Source: Primary Data

Sector Representation: The most common primary kind of business in the selected sample is the Manufacturing sector, which represents 30 per cent of the sample. This is indicative of Chennai's industrial base, which is well known for pioneering CSR activities related to environmental sustainability and community development. The IT sector, which constitutes 25 per cent of the sample, shows the increasing role of tech companies in CSR, particularly in community participation and digital advocacy services. The representation of the healthcare sector (15%) demonstrates that healthcare institutions are key players in CSR, particularly in improving community health and wellness services.

Revenue Distribution: The sample shows that 50 per cent of the companies fall within the revenue range of ₹100 to ₹500 crores. This illustrates a rich business ecology comprising mid to large-sized companies. This balance facilitates a richer understanding of CSR practices aligned to different business financial capabilities. Companies that fall below the revenue line of ₹100 crores (20%) engage in limited CSR and mental community work in the target areas.

Employee Size: The information shows that for half of the firms, about one hundred to five hundred individuals work there, suggesting that the majority of the firms in the sample are of medium size. These businesses have greatly designed CSR policies, in contrast to smaller businesses, and possess the resources to meaningfully contribute to social and environmental causes. Businesses with over five hundred employees (35%) are presumed to have formal and organised social responsibility policies and to have separate teams for CSR, enhancing the company's reputation and finances as well.

3.6 Descriptive Statistics:

Table 1.2 Descriptive Statistics for CSR Activities

Variables	Standard Deviation	Mean
CSR Activity		

Environmental Initiatives	0.95	4.20
Community Development	1.02	4.10
Education Support	1.05	3.85
Health & Wellness Programs	1.08	3.70
Employee Engagement	0.98	3.90
Corporate Reputation Assessment Dimension		
Trustworthiness	0.87	4.35
Customer Loyalty	0.90	4.25
Brand Perception	0.95	4.15
Community Engagement	1.00	4.00
Innovation	0.88	3.95
Financial Performance Metrics Indicator		
Return on Investment (ROI)	5.6	18.5
Return on Equity (ROE)	4.3	15.2
Profit Margin (%)	3.5	12.0

Source: Primary Data

Table 4.2 displays the mean scores and standard deviations for various CSR activities. The highest engagement is in Environmental Initiatives (Mean = 4.20), indicating a strong focus on sustainability efforts. The variability (standard deviation) suggests differing levels of engagement among companies. The mean scores indicate that companies are perceived as highly trustworthy and exhibit strong customer loyalty. Community engagement and innovation dimensions also highlight areas where companies are perceived favorably but with slightly lower scores. The financial performance metrics suggest that companies maintain a healthy ROI and ROE, indicative of effective management practices. The profit margin illustrates sustainable operational efficiency.

3.7 Correlation Analysis

Table 1.3 Correlation Analysis

Variable	**CSR Activities**	**Corporate Reputation**	**Financial Performance**
CSR Activities	1.000	0.752**	0.634**
Corporate Reputation	0.752**	1.000	0.598**
Financial Performance	0.634**	0.598**	1.000

Source: Primary Data

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

A strong correlation exists between CSR activities and corporate reputation (r = 0.752), indicating that effective CSR positively influences reputation. The correlation between CSR activities and financial performance (r = 0.634) further reinforces the importance of CSR initiatives in driving financial success.

3.8 Regression Analysis:

Table 1.4 Regression Analysis

Dependent Variable	Independent Variable	Beta (β)	t-value	p-value
Corporate Reputation	CSR Activities	0.752	7.639	0.000
Financial Performance	Corporate Reputation	0.634	6.358	0.000

Source: Primary Data

The CSR activities were found to significantly predict the reputation of a corporation (Beta = 0.752, $p < 0.001$), and the reputation of a corporation predicted a portion of the financial performance (Beta = 0.634, $p < 0.001$). This reveals the importance of CSR activities, reputation, and financial performance and how they help one another.

4. Result and discussion

The report on CSR's focus on environmental efforts (Mean = 4.20) suggests that there is broad participation for most initiatives. The high standard deviation for community development (SD = 1.02) indicates that while some companies are leaders in this field, others are laggards. This observation suggests a mismatch in approach. CSR efforts need to be custom designed for different organisations on the basis of their values and missions. Trustworthiness (Mean = 4.35) is perceived as strong, which shows that CSR does enhance a company's reputation. These perceptions are the reason for the slightly lower scores in innovation (Mean = 3.95). While companies are perceived as having strong business ethics, there is a lack of appreciation for the efforts a company makes in order to enhance its reputation through innovations. The strong financial performance metrics, a mean ROI of 18.5%, suggest the company is in robust health. These are crucial figures because they show that a company's reputation is enhanced as a result of CSR efforts, and a company's bottom line is also positively influenced. In this case, CSR spending is likely to result in high business value.

The correlation results show that CSR activities positively correlate with corporate reputation with a value of 0.752. This means that with more CSR activities a company engages in, the more reputation they garner from stakeholders. Having a positive CSR to financial performance ratio of 0.634 strengthens the concept that CSR can drive financial performance. Regression analyses further support that CSR initiatives positively affect reputation, which affects financial performance. The recruitment successful moderator hypothesis yields significant beta coefficients, namely 0.752 of CSR accounts for reputation and 0.634 of reputation accounts for performance.

This mastery work hints that businesses are to go beyond the CSR initiatives and the reputation value they could continue to achieve to consolidate. In addition, there is CSR reputation that enhances financial performance, thus positive reputation can hereby close the circle of profits onto more profits

The study aligns with previous works about the relevance of CSR to corporate reputation and profitability. Companies in Chennai increasingly view CSR activities as more than just ethical commitments; they see them as competitive advantages. The perception of CSR as reputation risk management supports the argument that companies need to approach CSR more strategically. Corporations are better positioned to improve their reputation and stakeholder relations by integrating CSR programmes with core business activities. Such companies are more likely to enjoy greater financial performance due to the strong reputation fostered by effective CSR. This link suggests that CSR expenditures, in this case, would also translate to customer loyalty, greater brand equity, and profitability.

CSR is much more than a simple activity, and companies should integrate it into their core business strategy. This position is more likely to improve the effectiveness of CSR activities, and the reputation and financial value of achieving them. Involvement of the stakeholders in the CSR activities is likely to improve trust and relationships. The reputation of the business will be more improved by the CSR activities if there is some level of openness and communication. Companies should evaluate the effectiveness of CSR activities on the reputation and the financial value of the company. The data collected over time will aid in decision making and the improvement of the CSR policies.

5. CONCLUSION

In conclusion, it is clear that Corporate Social Responsibility positively affected the reputation and finances of listed companies in Chennai. Companies with CSR activities enjoyed a reputation that positively impacted their finances. These results suggest that CSR is no longer a choice for businesses, but rather, a vital component that must be harmoniously aligned with operational frameworks in a manner that is advantageous to all stakeholders. Responsibility to stakeholders is not an end, as in the past, but a continuum of factors that shape the business territory of the future. This territory, while still undefined, will shape the delicate relationship between CSR, reputation, and finances. Businesses will be able to pursue their ethically and socially responsible goals alongside financially beneficial actions by considering their CSR activities in a balanced manner with their operational goals and the expectations of their stakeholders. Subsequent studies should examine the implications of reputation and performance for sectoral CSR activities. These studies will serve the organisations in Chennai and elsewhere to achieve greater ability to shape their CSR policies to their reputation and performance goals.

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the responsibility for the facts stated, opinions expressed and the conclusions drawn is entirely that of the author.

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Books Related to CSR

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CSR Reports Relevant to the Study

1. CII-ITC Centre of Excellence for Sustainable Development (2020)
2. BSE Sustainability Report (2023)
3. NSE Sustainability Report (2023)