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## Is There Any Impact of CSR on Financial Performance? Evidence from Indian Firms

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### ABSTRACT

The sceptical attitude towards linking corporate social responsibility (CSR) and corporate financial performance (CFP) forms the basis of this study. The available literature concentrates only on the positive side of CSR activities and benefits derived from them. The Companies Act, 2013, has made it mandatory for Indian companies of a certain turnover and profit to use 2% of their profits from the past three years on CSR activities. Given this background, this study examines the impact of CSR on the financial performance of the business itself. The economic legitimacy of CSR is also probed, that is, does CSR have a positive economic impact? For this examination, the Pearson Fixed effects panel regression analysis was performed on Nifty 50 companies during the period 2010–2018. Data regarding financial performance variables was obtained from Prowess IQ database. The CSR data was collected from the companies' annual reports and content analysis was done using NVIVO software. The results of the study provide insights into the corporate response to the mandatory requirement of CSR activities and their impact on the company's financial performance. The results of the study conclude that there is no significant influence of CSR on the financial performance of Indian companies.

**Keywords:** corporate social responsibility; corporate finance; India; financial performance

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## Влияет ли корпоративная социальная ответственность на финансовые показатели? Данные по индийским компаниям

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### АННОТАЦИЯ

Скептическое отношение к взаимосвязи корпоративной социальной ответственности (КСО) и корпоративных финансовых показателей (КФП) составляет основу данного исследования. Существующая литература сосредоточена только на положительной стороне деятельности КСО и выгодах, получаемых от нее. В соответствии с Законом о компаниях 2013 г. индийские компании с определенным оборотом и прибылью за последние три года обязаны использовать 2% от своей прибыли для осуществления деятельности в области КСО. Учитывая этот факт, **цель** данного исследования – определить влияние КСО на финансовые показатели самого бизнеса. Также исследуется экономическая легитимность КСО, т.е. имеет ли КСО положительный экономический эффект. Для этого был проведен панельный регрессионный анализ Пирсона с фиксированными эффектами на примере компаний Nifty 50 за период 2010–2018 гг. Данные о переменных финансовых показателях получены из базы данных Prowess IQ. Данные о КСО собраны из годовых отчетов компаний, а контент-анализ проводился с помощью программного обеспечения NVIVO. Результаты исследования дают представление о реакции корпораций на обязательные требования о проведении мероприятий КСО и их влиянии на финансовые показатели компании. Результаты исследования показывают отсутствие существенного влияния КСО на финансовые показатели индийских компаний.

**Ключевые слова:** корпоративная социальная ответственность; корпоративные финансы; Индия; финансовые показатели

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## INTRODUCTION

Sustained financial inequality, environmental destruction, social exclusion, situational collapse and business and political corruption and scandals [1–5] have pushed all the stakeholders such as investors, suppliers, customers, government and the public towards instituting a mechanism that leads to inclusive growth of the economy. For business organisations to achieve success, there is a need to protect and promote the interests of all stakeholders [6]. Maximising shareholder wealth as the ultimate goal of the corporation is being questioned. This goal is being criticised on the grounds that it is not sustainable, inclusive, ethical or democratic [7–10]. Now, there is continuous pressure on corporations to justify their acts by generating value for investors and simultaneously contributing to social good [11].

Corporate social responsibility (CSR) is contextual, which varies by country, economic systems and institutional pressures. Firms operating in developed nations or firms with multinational operations tend to make more disclosure about their CSR activities [12]. The country's economic system also influences the type and quantum of CSR disclosures. In some countries, CSR disclosures are voluntary (e.g., the United States). Countries such as Malaysia in 2007 and Sweden, Denmark and China in 2008 have made CSR disclosure mandatory [6, 13, 14]. Even within Asia, CSR is largely normative. It's strategic in Korea, but in Japan, CSR is viewed as social cohesion and follows the stakeholder value system. In India, CSR has been made mandatory by The Companies Act, 2013, for companies of a certain revenue and profit, making it the first country to implement the mandate on both CSR reporting and expenditure.

To the best of the authors' knowledge, no systematic study has been conducted to measure CSR disclosures in a scientific manner and relate them to financial performance. This study provides an innovative methodology to measure CSR performance. In this study, CSR disclosure scores are calculated by the author through content analysis using NVIVO software. Secondly, this study uses both qualitative measures (CSR disclosure) and quantitative measures (CSR expenditure) in order to study the proposed linkage. Till now, no study has taken both measures of CSR into consideration simultaneously. Financial performance is measured through both market- and accounting-based measures. Thus, this study provides a robust estimation of the probable linkage between corporate social responsibility and financial performance.

**Objective: To measure the impact of CSR on corporate financial performance of the Indian firms.**

The study is based on the following theoretical framework (*Fig.*).

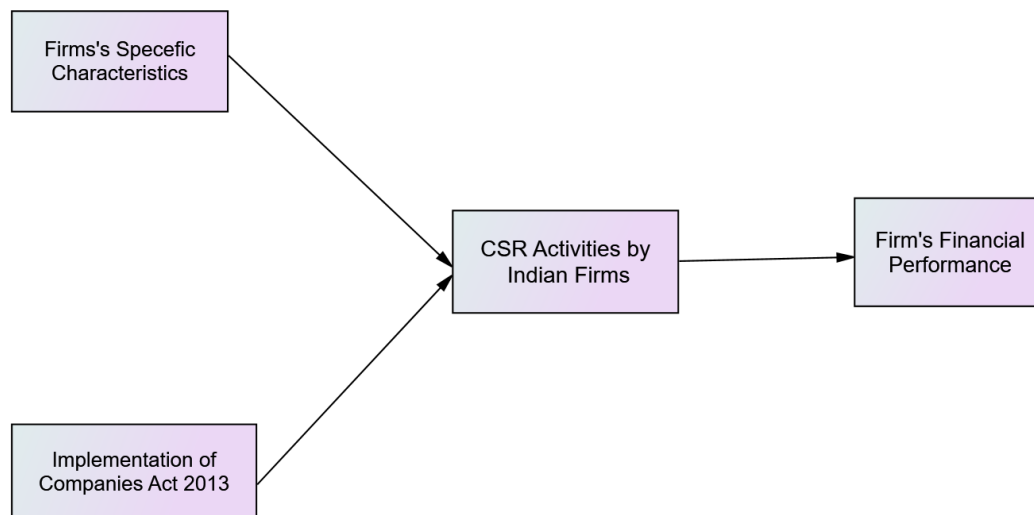
The structure of the paper is as follows: the next section covers a review of the literature; on the basis of the review, the subsequent section explains the research methodology adopted for the study; the findings and results are explained in the following section; and in the last section, the results of the analysis are discussed in light of existing literature and theories to put forward the conclusion of the study.

## REVIEW OF LITERATURE

Many countries, for example, Denmark in 1995, Belgium in 1996, the UK in 1999, Norway and Sweden and the United States in 2002, have passed legislation requiring companies to report CSR activities [15]. In 2013, India issued rules as part of The Companies Act, 2013, requiring companies with a certain revenue and profit to report their CSR activities in their annual financial reports. India also became the first country to mandate companies to compulsorily invest about 2% of the average net profits of preceding three years in CSR activities. However, in India, both CSR expenditure and disclosure are mandatory whereas in other countries only disclosure is mandatory if they are incurring any CSR expenditure [16].

Many empirical studies have examined the impact of CSR on financial performance. However, no concrete conclusions can be drawn. Woon Leong Lin in 2019 also pointed at inconsistent and unclear outcomes of the previous study with respect to relationship between CSR and corporate financial performance (CFP). CSR as a concept still lacks the boundaries, conceptual determinants and expectations of CSR–CFP relationship [17].

Previous studies [16] are based on the premise that the relationship between CSR disclosure and earnings management is contextual and depends more on the legal environment than ethical aspects. Stakeholder theory supports a positive relationship between CSR and CFP [18]. The perspective that CSR enhances the reputation of the company due to its low implicit cost, leading to better financial performance, has been put forth by some researchers. Moreover, CSR engagements by companies give them a competitive advantage, paving the way for higher financial performance [19]. Social activities will increase the chances of the firm's long-term survival, which will be positively perceived by the stock market, leading to greater value for firms. Slack management theory supports a positive relationship between CSR and CFP, with causality directing from financial performance to CSR. In other words, CFP has a positive impact on CSR



**Fig. Theoretical Foundations of Study**

Source: Compiled by the authors.

activities. It is argued that those companies that have free resources are the ones that invest more in CSR activities. Thus, CSR quantum depends upon the buffer resources available to the company [20]. Improved employee satisfaction and morale among employees and goodwill of the firm by customers will add to the benefits of CSR more in comparison to cost associated with it, leading to a positive relationship between CSR and CFP [18].

Economic analysis of the competitive markets shows that no relationship or a neutral relationship exists between CSR and CFP. In this model, CSR leads to cost, which is equal to the benefits received due to CSR by companies. Thus, cost and benefit relating to CSR leads to equilibrium, causing no relationship between CSR and CFP.

## RESEARCH METHODOLOGY

Nifty 50 is one of the benchmark indices covering companies across 12 sectors and the companies included in the indices form the sample of the study. The study period is between 2010–2011 and 2017–2018. This time span is selected as it covers both the pre-mandatory CSR period (2010–2014) as well as the post-mandatory CSR period (2014–2018) in India. In order to study the cause-and-effect relationship between corporate social responsibility and financial performance, Regression analysis was employed.

In order to estimate the impact of CSR on financial performance, the following variables were selected after a thorough review of the literature on the topic. *Table 1* lists the various variables used in the study.

**Dependent variables – financial performance.** In order to measure financial performance, this study uses

both accounting-based measures as well as market-based measures. Accounting-based measures indicate a firm's current financial position and efficiency level of its operations.

**Earnings per share.** Earnings per share (EPS) is a commonly used measure of the financial performance and profitability of the firm on absolute terms [20]. It has been used to measure financial performance in many previous studies [16–20]. It is defined as the net profit after tax and preference share dividend divided by the number of common outstanding shares. EPS is a measure of firm's efficiency.

**Return on assets (ROA).** Many previous studies [19–23] have used return on assets (ROA) as a primary measure of profitability and firm performance. It is a common measure to compare the performance of different firms, as it signifies the ability of the firm to generate the required funds to deploy its cost of capital. ROA is a measure of firm's effectiveness. Following previous literature [24–27], ROA is calculated as:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100.$$

**Market-based measure: Tobin's Q.** Apart from accounting-based measure of performance, the market-based measure of performance, Tobin's Q, is used in the study. Accounting-based measures are more likely to be manipulated, whereas Tobin's Q represents the static value of the firm from the investor's perspective. Tobin's Q ratio is defined as the ratio of the market value of the firm to the replacement cost of its total assets. Following the existing literature [19–26, 28–30], Tobin's Q is used as a market-based measure of perfor-

Description of Variables

Variable	Proxy / Measure	Calculation	Unit
Dependent variables	EPS		Indian rupees
	ROA	Net profit/Total assets × 100	Percentage
	ROE		Percentage
	Tobin's Q	Sum of market capitalisation and book value of debt/Total assets	Ratio
Independent variables	CSR Expenditure		Rs. in crore
	CSR Disclosure		Number
Control variables	Advertisement intensity	Advertisement Expenditure/Total Sales × 100	Percentage
	R&D intensity	R&D Expenditure / Total Sales × 100	Percentage
	Size	Natural log of total assets	Natural log
	Risk (debt asset)		Percentage
	Liquidity	Current assets/Current liabilities	Ratio
	Age	Year of incorporation to year of analysis	Natural log
Dummy variables	Sector		
	Ownership		

Source: Compiled by the authors.

mance in this study. The calculation of Tobin's Q is a matter of controversy especially for countries like India where companies report assets and value of debt on a book value basis. Thus, following the Indian studies [28, 31–33], Tobin's Q is calculated as

$$\text{Tobin's } Q = \frac{\text{Market capitalisation} + \text{Book value of debt}}{\text{Total assets}},$$

where

Book value of debt = Notes payable + Current portion of long – term debt + Long – term liability.

**Independent variables – corporate social responsibility.** In order to measure CSR activities performed by Indian firms, in this study, both qualitative and quantitative measures are used. The qualitative measure is based on disclosures by Indian firms and the quantitative measure is based on the quantum of CSR expenditure incurred by the respective corporates.

**Corporate social responsibility disclosure (CSR\_dis).** As this study is based on The Indian Companies Act, 2013, in order to determine CSR disclosure scores, activities mentioned in Schedule VII are considered. Schedule VII mentions 12 themes relating to which activities can be included by Indian firms falling under the ambit of Section 135 of The Indian Companies Act, 2013, under the corporate social umbrella to meet the compulsory 2% spending on corporate social responsibility. On the basis of past literature and common reporting practices followed by Indian firms, a list of 105 initiatives was identified, which were further divided into seven broad dimensions. CSR scores were calculated using content analysis using NVIVO software [18]. Following the literature [34], total CSR scores are calculated as the sum of all seven dimensions, namely, education (ED), health and sanitation (HS), environmental sustainability (ES), minority welfare (MW), livelihood (L), agriculture and rural development (AR) and other activities (OTH).

**Corporate social responsibility expenditure (CSR\_exp).** The second proxy for CSR used is the amount of funds committed by the firms towards their CSR practices. Firms willing to contribute more funds towards CSR have an inclination towards serving society [25]. The data on CSR expenditure incurred by the firm is easily available from their annual reports for the period 2014–2018 since it is mandatory requirement for companies falling under the ambit of Section 135 of The Indian Companies Act, 2013, to disclose their expenditure in their annual reports. For the period between 2011 and 2014, donations reported by Indian firms were taken as a measure of CSR expenditure. Previous literature [22, 23] has suggested that donations can be used as a proxy for CSR activities. Moreover, while analysing the annual reports of the companies during the period of the study, the authors identified the trend of the companies reporting CSR expenditure under the heading of donations in their annual reports.

## RESULTS AND ANALYSIS

In order to examine the impact of CSR on financial performance, Panel regression analysis were performed. The following section explains the results of the Regression analysis.

### Regression Analysis Between CSR Expenditure and CSR Disclosure with the Firm's Financial Performance

Regression analysis was performed in order to understand the impact of CSR on financial performance of the Indian firms. The analysis was conducted individually for each variable of financial performance.

#### Bivariate Pooled Regression

Firstly, bivariate pooled regression is performed on the collected data in order to examine the association between the firm's financial performance and CSR. Bivariate pooled analysis is done to estimate the cause-and-effect relationship between the firm's profitability and CSR. In this analysis, financial performance as measured by EPS, ROA and Tobin's  $Q$  are dependent variables, whereas CSR expenditure and CSR disclosure are independent variables with advertisement intensity, research and development intensity, size, risk (measured as debt asset ratio), liquidity, age as control variables, and sector and ownership as dummy variables. The regression models used in the study can be stated as:

$$\text{EPS}(Y_i) = \alpha + \beta_1 * X_i + e,$$

$$\text{ROA}(Y_i) = \alpha + \beta_1 * X_i + e,$$

$$\text{Tobin's } Q(Y_i) = \alpha + \beta_1 * X_i + e.$$

In this equation,  $Y_i$  is a dependent variable, that is, financial performance variable,  $X_i$  is a measures of CSR (CSR expenditure and CSR disclosure),  $\alpha$  is the intercept and  $\beta_1$  is the slope. With the help of bivariate pooled regression analysis, the following hypotheses are tested:

*Hypothesis 1: "There exists no significant impact of corporate social performance on the EPS of the Indian firms."*

*Hypothesis 2: "There exists no significant impact of corporate social performance on the ROA of the Indian firms."*

*Hypothesis 3: "There exists no significant impact of corporate social performance on the Tobin's  $Q$  of the Indian firms."*

The results of bivariate regression analysis with EPS as the dependent variable (Table 2) indicate mixed results.  $P$  and  $t$  values were found to be insignificant in the cases of CSR disclosure and CSR expenditure. For control variables, a significant relationship is reported for size, risk (measured as debt/asset ratio), sector and ownership, whereas an insignificant association is reported for advertisement intensity, research and development intensity, risk (measured as beta), liquidity and age. The results of bivariate regression model for ROA are reported in Table 3.  $P$  and  $t$  values are found to be insignificant in cases of CSR disclosure and CSR expenditure. Moreover, a significant relationship is reported for size, risk and liquidity, whereas an insignificant association is found for advertisement intensity, research and development intensity, age and ownership. For Tobin's  $Q$ , the results of bivariate regression analysis (Table 4) indicate mixed results.  $P$  and  $t$  values are found to be significant in case of CSR disclosure, size, risk and ownership and insignificant in the case of CSR expenditure, advertisement intensity, R&D intensity, liquidity, age and sector.

#### Multiple Regression Analysis

In this section, we further study the cause-and-effect relationship between CSR and financial performance using the pooled regression model (multivariate regression). The pooled regression model is applied in order to examine the impact of independent variables (CSR expenditure and CSR disclosures) with control variables (advertisement intensity, research and development intensity, size, risk, liquidity, age) on independent variables (EPS, ROA and Tobin's  $Q$ ). The pooled regression models used can be stated as follows:

$$\text{EPS}(Y_i) = \alpha + \beta_1 * X_i + \beta_2 * X_{2i} + \beta_3 * X_{3i} + \beta_4 * X_{4i} + \beta_5 * X_{5i} + \beta_6 * X_{6i} + \beta_7 * X_{7i} + e.$$

$$\text{ROA}(Y_i) = \alpha + \beta_1 * X_i + \beta_2 * X_{2i} + \beta_3 * X_{3i} + \beta_4 * X_{4i} + \beta_5 * X_{5i} + \beta_6 * X_{6i} + \beta_7 * X_{7i} + e.$$

$$\text{Tobin's } Q(Y_i) = \alpha + \beta_1 * X_i + \beta_2 * X_{2i} + \beta_3 * X_{3i} + \beta_4 * X_{4i} + \beta_5 * X_{5i} + \beta_6 * X_{6i} + \beta_7 * X_{7i} + e.$$

In this equation,  $Y_i$  is the dependent variable, i.e., financial performance (EPS, ROA and Tobin's  $Q$ ),  $X_i$  are the measures of CSR (CSR expenditure and CSR disclosure),  $\alpha$  is the intercept and  $\beta_1$  is the slope.

The multiple pooled regression model with EPS (Table 2), ROA (Table 3) and Tobin's  $Q$  (Table 4) as dependent variables and corporate social performance variables as independent variables along with control variables shows an insignificant cause-and-effect relationship.  $P$  and  $t$  values imply an insignificant impact of corporate social responsibility (both CSR expenditures and CSR disclosure) on EPS, ROA and Tobin's  $Q$ . In other words, with controlling variables that influence financial performance, CSR has no significant impact on ROA. The  $F$  statistic of the pooled regression model is calculated to be 4.76 in case of EPS, 29.23 for ROA and 24.5 for Tobin's  $Q$ , which are significant. Thus, the pooled regression model used is found to be statistically fit. The value of  $R^2$  indicates 59% of the variance in EPS, 58.9% of the variance in ROA and 54.6% of the variance in Tobin's  $Q$ , which can be explained with the help of the regression model.

#### Pooled Regression Model Versus Panel Regression Model

The pooled regression model ignores the presence of the cross-sectional effect, i.e., the impact of company-specific factors. In other words, in pooled regression, all the companies are assumed to be homogeneous. In order to understand the impact of CSR on financial performance, considering companies to be heterogeneous, panel regression model is applied in this section. Panel regression models are of two types, namely, fixed effects panel regression models and random effects regression models.  $F$  test and Hausman test is conducted in order to examine whether a fixed effects regression or random effect model is to be used. If results indicate  $F$  test to be significant, then fixed effects regression model is selected as it indicates the presence of cross-sectional heterogeneity. Hausman test examines the presence of random (out of chance) heterogeneity among the selected companies.

The results of  $F$  test are found to be significant for all three financial variables, namely EPS, ROA

and Tobin's  $Q$ , indicating the presence of the cross-sectional heterogeneity. Since  $F$  test is significant, panel fixed effects regression model is selected.

#### Fixed Effects Panel Regression Model

Fixed effects panel regression is applied with CSR as an independent variable and financial performance as an independent variable with other control variables.  $P$  and  $t$  values are found to be insignificant after considering the cross-sectional heterogeneity among the companies for CSR expenditure and significant for CSR disclosure in case of EPS (Table 2) and Tobin's  $Q$  (Table 4). Thus, results of the panel fixed effects regression model indicate insignificant impact of CSR expenditure on EPS and Tobin's  $Q$  and a negative impact of CSR disclosure on EPS and Tobin's  $Q$ . In case of ROA,  $P$  and  $t$  values (Table 3) are found to be insignificant after considering cross-sectional heterogeneity among the companies. Thus, results of the panel fixed effects regression model indicate the insignificant impact of both CSR expenditure and CSR disclosure on ROA.

## CONCLUSION

In this study, regression analysis of an organisation's performance variables was performed in order to examine the cause-and-effect relationship of corporate social initiatives with financial performance. For these analyses, two variables were studied with respect to corporate social responsibility: CSR expenditure, a quantitative measure, and CSR disclosure, a qualitative measure. With respect to financial performance, three variables were selected, namely EPS, ROA and Tobin's  $Q$ . Bivariate and multivariate regression analyses were performed and then further analysis was done assuming cross-sectional homogeneity and cross-sectional heterogeneity. The results show no significant impact of CSR expenditure and CSR disclosure on all the financial performance variables when cross-sectional homogeneity is assumed among the companies. On the other hand, when cross-sectional heterogeneity is assumed, no significant relationship is supported for CSR expenditure and all financial performance variables. For CSR disclosures, no significant impact is found by the re-

Table 2

## Regression Analysis with EPS as the Dependent Variable

Variable	Bivariate regression model	Multivariate pooled regression model	Fixed/random effect model	F test and Hausman test	Remark
CSR expenditure	-0.038 (-1.131)	0.044 (0.647)	-0.015 (-0.443)	F test = 61.21** Hausman test = 13.32** Fixed effect model is finalised	Insignificant
CSR disclosure	-0.166 (-0.783)	-0.183 (-0.504)	-0.592 (-3.956) **		Significant
Advertisement intensity	-0.028 (-0.746)	-10.45 (-2.26) **	-12.58 (-1.163)		Insignificant
R&D intensity	-1.833 (-1.065)	-5.97(-2.19) **	-1.183 (-0.248)		Insignificant
Size	-9.225 (-3.436) **	-21.90(-2.127)	24.736 (1.701)		Insignificant
Risk (Debt/Asset)	-57.318 (-3.068) **	-187.70 (-3.62) **	-85.911 (-1.805)		Insignificant
Liquidity	0.554 (0.154)	-7.24 (-0.867)	3.251 (0.878)		Insignificant
Age	0.020 (0.129)	-0.287 (-1.13)	1.015 (0.646) **		
Sector	17.489 (2.193) **	2.96 (0.111)			
Ownership	26.192 (2.570) **	16.44 (0.782)			
R <sup>2</sup>		0.590	0.930		
F Stats		4.766	61.673		
Prob (F stats)		0.00	0.00		
Durbin Watson		1.040	1.114		

Source: Author's compilation; E-views.

Table 3

## Regression Analysis with ROA as the Dependent Variable

Variable	Bivariate regression model	Multivariate pooled regression model	Fixed/random effect model	F test and Hausman test	Remark
CSR expenditure	0.006 (1.486)	0.005 (1.819)	0.002 (0.657)	F test = 26.862** Hausman test = 20.21** Fixed effect model is finalised	Insignificant
CSR disclosure	-0.005 (-0.196)	-0.014 (-0.540)	-0.001 (-0.022)		Insignificant
Advertisement intensity	-0.008 (-1.688)	1.656 (4.885) **	0.573 (0.719)		Insignificant
R&D intensity	-0.315 (-1.689)	-0.686 (-4.294) **	-1.098 (-4.171) **		Significant
Size	-3.212 (-9.819) **	-2.277 (-2.999)	0.410 (0.258)		Insignificant
Risk (Debt/Asset)	-23.535 (-10.454)	-19.537 (-5.129)	-35.192 (-6.805) **		Significant
Liquidity	3.033 (6.711) **	2.937 (4.772) **	0.589 (1.450)		Insignificant
Age	0.035 (1.644)	-0.0376 (-2.005) **	-0.553 (-2.288) **		Significant
Sector	3.172 (2.997) **	-0.315 (-0.160)			
Ownership	-0.133 (-0.097)	-3.593 (-2.318)			
R <sup>2</sup>		0.589	0.922		
F stats		29.239	54.565		
Prob (F stats)		0.00	0.00		
Durbin Watson		1.390	1.573		

Source: Author's compilation; E-views.

## Regression Analysis with Tobin's Q as the Dependent Variable

Variable	Bivariate regression model	Multivariate pooled regression model	Fixed/random effect model	F Test and Hausman Test	Remark
CSR expenditure	0.008 (-2.405) **	0.008 (1.540)	0.005 (1.422)	F test = 30.538** Hausman test = 39.566** Fixed effect model is finalised	Insignificant
CSR disclosure	-0.100 (-3.068)	-0.036 (-1.282)	-0.033 (-2.033) **		Significant
Advertisement intensity	-0.004 (-0.813)	2.870 (8.082) **	1.057 (1.330)		Insignificant
R&D intensity	-0.219 (-0.831)	-0.352 (-2.100) **	0.403 (1.537)		Insignificant
Size	-4.337 (-11.866) **	-2.771 (-3.483) **	-11.753 (-7.409) **		Significant
Risk (Debt/Asset)	-11.459 (-3.974) **	-6.368 (-3.356) **	-1.911 (-0.371)		Insignificant
Liquidity	1.051 (1.894)	0.497 (0.771)	-0.102 (-0.251)		Insignificant
Age	0.035 (1.414)	0.008 (0.398)	0.415 (1.722)		Insignificant
Sector	1.029 (0.825)	-4.210 (-2.048) **			
Ownership	7.449 (4.787) **	1.944 (1.197)			
R <sup>2</sup>		0.546	0.922		
F stats		24.50	54.571		
Prob (F stats)		0.00	0.00		
Durbin Watson		1.488	1.217		

Source: Author's compilation; E-views.

sults for financial performance variables for ROA. However, a significant negative impact is reported for CSR disclosure and EPS and Tobin's Q. Thus, we can conclude that there is no significant influence of CSR on the financial performance of Indian companies. Similar results were also reported in earlier studies [25, 34–36]. One of the reasons for this could be that mandatory CSR provisions are regarded as similar to tax liabilities by corporations. If CSR is mandatory at 2% of the profits, and

these CSR investments can't be directly associated with the firm's business, it essentially means the firm does not exercise discretion for the CSR spend. This implies that the relationship between CFP and CSR becomes mechanistic. In the opinion of the authors, the Indian government has shifted the role of public good to the corporates, where CSR expenditure being made mandatory should be viewed as doing good to the public and not providing a strategic advantage to the corporates.

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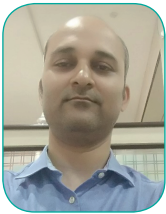


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