

Impact of CSR on Environmental Sustainability

N. Madhava Rao¹, Dr. Akhilesh Upadhyay²

¹Research Scholar, Sunrise University, Alwar

²Professor, Sunrise University, Alwar

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Corresponding author: N. Madhava Rao

Abstract

Thus, organizations with high social performance may have several advantages, which are good for both society and the environment. The ESG India Index reveals that leading Indian companies in sustainability also generate substantial returns for their investors. This might put indirect pressure on "socially irresponsible" enterprises to improve in other areas if shareholders shift their investments to companies with good CSR procedures. By encouraging value investing in the stock markets, this will act as a kind of indirect regulation of all firms with regards to environmental, social, and governance issues.

Introduction

The concept of "sustainability" refers to the ongoing effort to preserve the planet's natural resources for the indefinite future. However, not all top-level executives agree that sustainability should be the company's top priority. According to Chang and Kuo (2008), the concept was first offered in the Brundtland Report back in 1987. Human endeavors to better society and the constraints imposed by nature were the primary foci of the research. Eventually, subfields of sociology, ecology, and

economics emerged from the initial notion. There should be no idea like strong or weak sustainability, and they should complement one another, as Kuhlman and Farrington (2010) emphasized in their debate about the evolving definitions of sustainability. The forestry industry was the first to adopt sustainable techniques. The German word for sustainability is Nachhaltigkeit, which was first used in this meaning in 1713 (Wiersum, 1995).

Table No. 1: Strategies for Environmental Sustainability

Strategies related source's Economy to	Strategies to Design Cycle related of Life	Human Design's Strategies
Conservation of Energy	Before-building	Natural condition's preservation
Conservation of Water	Building	Planning for urban design
Conservation of Material	After-building	Comfort for human beings

LITERATURE REVIEW

Souhaila Kammoun, (2020) Based on the behavioral side of governance theory, this chapter analyzes the correlation between corporate citizenship (CG) and financial success (through the perspective of CSR participation). We use information from the financial statements of a large and representative sample of French enterprises from 2014-2016 to determine that higher levels of company performance are associated with greater levels of CSR, but that the presence of corporate government has the opposite impact. The research indicates that CSR benefits from having an institutional administrator but suffers from having any other form of administrator. But we can't find any proof that the administrator's degree of expertise matters. According to our research, CSR policies and procedures are impacted by both external factors and the internal processes of firm governance. Our findings highlight the significance of trustworthy corporate governance practices in building customer confidence. The findings of the study should be considered by researchers and policymakers alike.

Alex Adegboye (2019) By performing an empirical examination of the effect of the corporate governance structure on the accomplishments of organizations, this study adds to the existing body of literature on the topic of corporate performance. The first step of this research was to utilize Principal Component Analysis to develop an index of corporate governance based on the six (6) previously recognized processes of corporate governance. Twenty-four Nigerian financial institutions that went public between 2013 and 2017 are used as a sample in this analysis. The static panel data estimators of fixed effect and random effect regression are used to examine the hypotheses. The results show that a developed corporate governance index significantly and negatively affects business performance as assessed by Return on Asset and Return on Equity, even after accounting for other potential confounding variables. This evidence suggests that more CEO involvement, bigger board committees, and worse profitability go hand in hand.

Shabir Ahmad, et.al (2016) Recent years have seen a proliferation of literature on the topic of computer graphics, with most works focused on Anglo-Saxon and Continental European paradigms. To better focus our solutions to particular situations, this study aims to take stock of where these models are in terms of academic investigation. Different publishing venues, research methods, and study kinds are also discussed, as are the most notable distinctions between the two approaches. This study highlights the need for more evidence-based systematic evaluations that focus on certain attributes and geographical locations to offer a more comprehensive overview of the CG landscape.

Merve Kılıç, et.al (2018) The purpose of this research is to determine whether or not corporate governance issues have a role in determining whether or not enterprises voluntarily disclose their carbon emission. This empirical study consisted of two parts. To get started, we gathered information from annual and standalone sustainability reports submitted by non-financial Turkish firms trading on Borsa Istanbul between 2011 and 2015 to create our carbon disclosures database. The next thing we did was use panel data regression models to look at how various parts of corporate governance affect carbon disclosures. The numbers suggest that companies with more unbiased board members are more likely to disclose their carbon emissions to the Carbon Disclosure Project. Disclosure of carbon emissions was more likely and more comprehensive when the board of directors included a variety of nationalities and had established a sustainability committee. For businesses and authorities in need of hard data on the variables that affect carbon emission declarations, this research is a valuable resource. To define the policies that will allow institutions to adopt practices and policies that cut emissions, this information is crucial. By focusing on a more specific environmental issue, carbon emissions, this research addresses a gap in the existing literature.

Christine Mallin et.al (2014) The impact of corporate social responsibility initiatives on the

bottom lines of Islamic banks is the focus of this research. With a CSR index that considers all 10 criteria, we examine the CSR reports of 90 Islamic banks from 13 different countries. The CSR disclosure index reports that Islamic banks all across the globe engage in a broad variety of charitable activities. It would seem that environmental conservation is less of a priority for Islamic banks than its purpose, board, and products and services. Islamic banks tend to give less weight to the CSR report than the AAOIFI's statutory disclosures would suggest they should. We also see a marked shift in Islamic bank policy toward more comprehensive disclosures, which may suggest that opening up to a broader range of stakeholders improves Islamic banks' reputations. There seems to be a connection between CSR reporting and economic success. The size of the Shari'ah supervisory board (SSB) correlates positively with the CSR disclosure index. The final findings of the three-stage least-squares method are shown. Using this estimate, we can show that there is a correlation between the two endogenous variables (financial success and CSR disclosure). This indicates a

correlation between CSR disclosure and financial performance.

METHODOLOGY

Because of how human actions have altered the natural environment, CEP has become more important. One of the most prominent challenges to sustainable development is the degradation of the environment by companies. Businesses should use the 'natural' environment to their advantage and give back to society in the form of products and services while keeping environmental and social impacts to a minimum by adopting a "sustainability" philosophy.

The 1749 firm-year data are split into the control group (1027 firm-year observations) and the polluting group (722 firm-year observations) so that we may compare and contrast their respective features. The T-test results for comparing group means are shown in Table 1 The same information is shown using bar charts (Fig. 3.9 through Fig.3.14) to eliminate ambiguity and emphasize major distinctions between the control group (category '0') and the polluting group (category '1') firms.

Table 2. T-test for difference of means of key variables between the two groups- Polluting group firms Vs. Control group firms

Variables	Control Group (category '0')	Polluting Group (category '1')	t-values
Energy & Water Intensity	0.038	0.068	-10.454
Material Intensity	0.419	0.375	4.785
R&D Intensity	0.007	0.020	-8.939
Profit After Tax	4550.848	8650.364	-4.65
Leverage	0.210	0.276	-8.327
Firm Size	9.771	10.213	-6.371
Return On Assets	0.085	0.085	0.086
Return On Equity	5.123	5.307	-0.310
Return On Sales	0.079	0.120	-3.935
Share Price	491.578	365.348	3.396

As there is no credible Corporate Reputation Index in India, the authors herein developed their own CSR measure (named 'CSRR') using the Karmayog CSR ratings for 2010 (for more details on Karmayog and the Karmayog CSR rating standards, see Appendix-III). Karmayog provides a CSR score between 0 and 5 (0 being the lowest CSR score and 5 being the highest). Only companies with high CSR ratings were included in the survey thanks to the use of a purposeful sampling method. A subsample of 500 Indian S&P 500 businesses was selected for this study based on each firm's CSR rating for 2010 ('0,' '3,' or '4'). This allowed us to divide the companies into two groups: (1) "High-CSR" firms, and (2) "Low-CSR" firms. In 2010, none of the Indian businesses have made it to the top grade of '5' according to Appendix-IV.

Using a systematic sampling method, a total of 119 CSR-rated companies in 69 NIC industrial groupings were identified. Of these companies, 73 were labeled "High-CSR" because they earned a score of 3 or 4. Since the remaining 46 companies scored zero, they were classified as "Low-CSR." Companies in India have a score of 0 on Karmayog because Due to their lackluster Corporate Social Responsibility records, four companies have been banned from the Cigarettes and tobacco product sector and the beer/alcohol business. Godfrey Philips India Ltd., ITC Ltd., United Breweries Ltd., and United Spirits Ltd. This yields a total sample size of 115 companies, representing 66 different NIC sector categories. In Figure 1, we see how different types of firms are sorted according to their CSR rating.

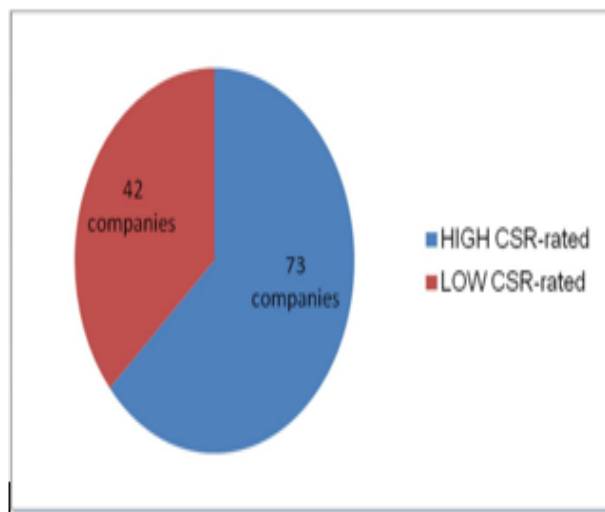


Figure 1: Categorization of Sample Companies based on their CSR-rating

Table 2 displays the results of MBR's analysis of CSP and financial performance for the sampled Indian companies using panel data regression. When both the volume and quality are maintained constant, the estimated CSP coefficient is positive and statistically significant (at the 1% level). This indicates that stakeholders may gain from learning about CSP acts when they become public, hence enhancing the value of businesses. Only the control variable DE is shown to be statistically substantially -1% at the 1% level. This finding

demonstrates that Indian enterprises prefer the packing order theory of capital structure. According to their respective R2 values, both models point to the fixed effect model as a good fit for the present data. At the 95% confidence level, a normality test shows that the residuals do not have a normal distribution. The non-normality of the residuals is further supported by the Q-Q plots shown in Figures 2 and 3. This raises the possibility that the findings are not to be trusted..

Fig. 3 Q-Q Plot for model 1a (India)

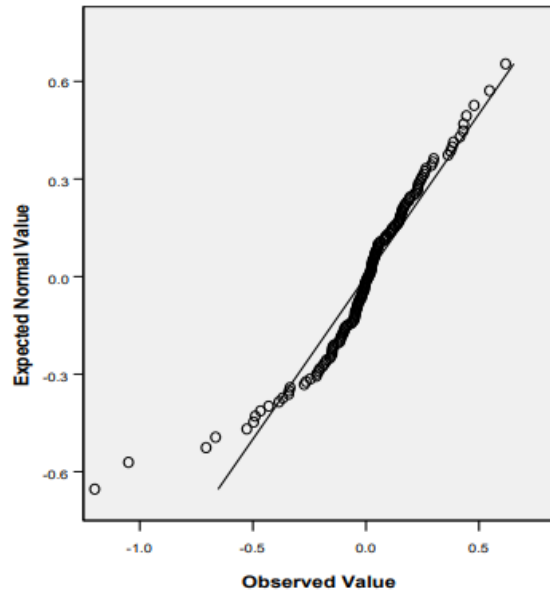


Figure. 3. Q-Q Plot for mdoel 2a (India)

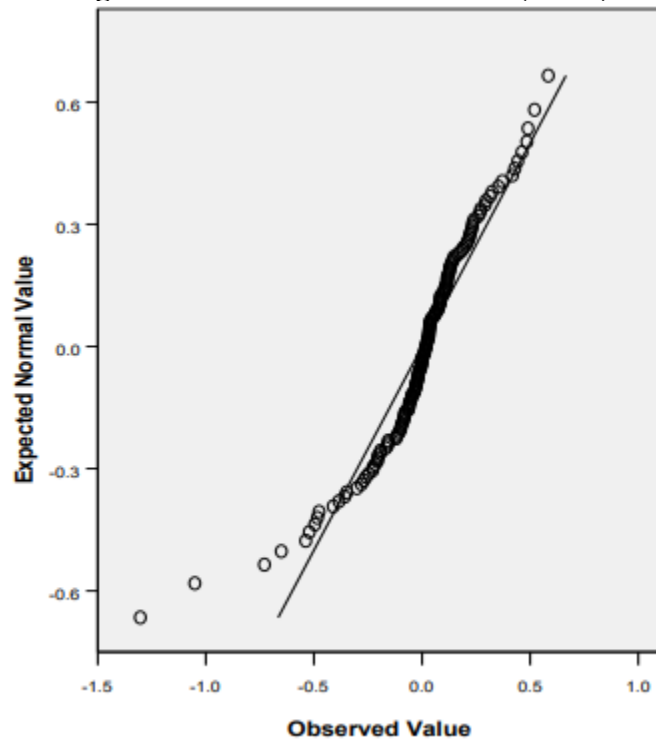


Table 3. Fixed-effect regression results of CSP and financial performance (India)

Model	Variables	Coefficient	t-stats.	Model	Variables	Coefficient	t-stats.
1a	const	-0.875	-1.535	2a	const	-0.380	-0.631
	CSPL	1.842	4.768***		CSPQ	1.237	4.143***
	DE	-0.652	-3.933***		DE	-0.708	-4.231***
	SIZE	0.092	1.284		SIZE	0.110	1.484

CONCLUSION

Although the methodologies for reporting on sustainability in India are still developing, Indian businesses have been consistent in disclosing relevant data. There was an increase from the 82% of needed data points reported by Indian corporations in 2009 to the 93.4% published in 2014. Over the same time span, the standard of such disclosure has gone up from 70% to 86%. CSP's decomposition into its constituent parts also exhibits an increasing trend. Not only that, but the economic aspect of CSP is the most often debated, followed by the environmental and social aspects. Centre for Science and Environment is an Indian nonprofit that campaigns ceaselessly to hold polluting industries in India accountable for their activities. These factors may help to explain why Indian corporations tend to disclose less about social than environmental concerns. In the years before 2012, there was a big discrepancy between how open things were and how good things were, but that's changed. The most probable reason for this is the government's execution of its policy, as stated in the Companies Bill of 2011.

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