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A GENERAL ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY AND ITS LINKAGE WITH FINANCIAL PERFORMANCE IN INDIAN CONTEXT

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ABSTRACT

Despite many studies on the relationship between corporate social responsibility and financial performance, the findings are still inconclusive. This study attempts to examine the relationship between corporate social responsibility and financial performance in the Indian context. The findings of this study will provide great thoughts to the management, to combine the CSR with the strategic set of their business, and reform their business philosophy from outdated profit-oriented to socially responsible approach. A general analysis of CSR from its evolution to different schemes undertaken by some Indian firms is focused upon. It must be mentioned that most of the study here is based on secondary data. The advent of corporate social responsibility (CSR) initiatives today suggests that the corporate viewpoint of such policies has shifted from a pointless addition to a major business function. Using a stable source of data on corporate social performance, this study explores and tests the relationship between CSR and corporate financial performance. Results indicate that CSR and CFP have an immense positive relationship in both directions, supporting the view that CSR programs have positive impacts on the bottom-line. Results also indicate that increase in CSR activities leads to increase in gross profit, indicating that some customers are willing to pay more for the products or services of a company with CSR initiatives. Moreover, results also indicate that increases in CSR programs lead to a decrease in sales, which implies a decrease in customer base because fewer people are willing to buy the products at a premium.

Keywords: Corporate Social Responsibility, Premium, Corporate Financial Performance, Gross Profit, Business Philosophy

INTRODUCTION

Evolution of CSR

The classical view of capitalism in business is expressed in the contention of the Nobel laureate economist, Milton Friedman: “There is one and only one responsibility of business: to use its resources and energy in activities designed to increase its profits as long as it stays within the rules of the game and engages in open and free competition, without deception and fraud”. The combined power of capitalism and imperialism, free from notions of ethics and human values, ruthlessly exploited the countries of Asia and Africa. The mills and factories whose numbers multiplied quickly after the industrial revolution exploited their workers in the most brutal manner. Women and children, some as young as five years of age, were forced to work for 18 hours per day. It is against this backdrop that some sensitive and thoughtful persons raised their voice demanding social responsibility and social control of the business. The social reformer Robert Owen proposed the first Factory Act to safeguard workers. A much-watered down version of the act was passed by the British Parliament in 1819 AD. The idea of social responsibility of business gained impetus with the publication of the book *Social responsibilities of the Businessman* by Bowen (1953), who suggested that businesses should consider the social implications of their decisions. He proposed the idea of a social audit to measure social performance. Social audit can be categorized into two broad categories-

(1) Mandatory as required by government involving pollution check, employment standards, labour amenities to be provided as per the Factory Act, minimum wages to be provided, stipulated reservation to backward classes as applicable, if any etc; and

(2) Evaluation of variety of voluntary social programmes undertaken by companies. During the 1960s, the CSR movement gained momentum due to increased public consciousness about the responsibility of business enterprises to follow ethical practices and preserve and enhance the natural environment. In the 1970s, the debate on industrial democracy in the UK also spread awareness about CSR. The view that total

social responsibilities are broader than simple economic responsibilities have become more accepted by managers from the 1990s. The wide array of social actions includes programmes for education, public health, employee welfare, housing, urban renewal, environmental protection, resource conservation, day-care centres for working parents and many others.

Statement of the Problem

According to Infosys founder, Narayan Murthy, "Social responsibility is to create maximum shareholders value, working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment." Some of the benefits of CSR for organizations are as follows: - improvement in financial performance, reduction in operating costs, enhanced reputation and brand image, increase in sales and customer loyalty, increased productivity and quality, etc. There are also certain arguments against CSR like the unnecessary cost of social work, a businessman being not an expert in social work, social responsibility not a legal responsibility, international competition, etc. Social acceptance is the ability of an organization to relate its operations to the social environment in ways that are mutually beneficial to the organization and to society. There has been an extreme increase in the stakeholders' awareness due to globalization, privatization and liberalization. Customers are now highly conscious of standards, stakeholders are aware of their interests, and more than anything else, the co-workers of a company are viewed quite differently from the way they were noticed till a few decades back. The aim of Social responsibility is to create a higher and higher standard of living, while preserving the profitability of the organizations, for people within and outside the organizations. According to Carroll (1979), CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society.

As per Section 135 of the Companies Act, 2013, every company in India having a net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crore or more during any financial year should constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The Committee's responsibility should be to guide the Board in undertaking CSR activities by way of developing and monitoring CSR Policy.

This study was done based on secondary information as collected from Prowessdata resources. It is also based on the expert articles about CSR that are taken from different journals and moreover based on the studies conducted by great authors. The focus of this study is the relationship between stakeholder interests, CSR and financial performance.

Objective of the Study

1. To know the general relationship between corporate social responsibility and financial performance of Indian companies.
2. To know the impact of CSR on the financial performance of ITC Ltd.
3. To analyze the elements that drive companies to engage in CSR.

Research Gap

In India, among available literature, only a few studies on CSR and financial performance exist. The general research gaps that have been identified are-

1. While there have been numerous studies in the west on the relationship between CSR and financial performance, there have been few studies in the Indian context. The existing studies in India are mostly limited to self- supported questionnaires on CSR, nature and characteristics of CSR, CSR policies of multi-nationals without any linkages with firm performance. Certain studies have examined the CSR and organisational performance using primary data, but the scope of those studies have been limited.
2. The CSR Disclosure has not been examined through a Self-Composed Disclosure Index formed by considering both the Global Guidelines and Indian Guidelines. The GRI-G-3 guidelines have been the basis of understanding the CSR Reporting for many studies. Some studies had also considered ISO-26000, AA-1000 and the Ministry of Corporate Affairs issued National Voluntary Guidelines. No study has tried to compare both the global and Indian guidelines to establish the CSR Reporting dimensions.

LITERATURE REVIEW

Literature acknowledges that majority of the studies are prescribed in the context of developed countries while very few studies forward the issue in the Indian context. In this study, we seek to amend this shortcoming at a time when the government of India has approved CSR in India.

Mishra & Saur (2010) in a questionnaire-based survey displayed that, companies which are conscious to the requirements of its stakeholders find positive feeling about itself, its values, and overall worth. The endresult of the study highlighted that CSR-oriented companies enjoy a higher level of stakeholders' confidence, which is reflected in higher returns, good wages, timely payment and enhanced reputation. In 2010, Kapoor and Sandhu reported that Indian stakeholders are sensitive towards the environment and social concerns and hence elevates those companies which are conscious regarding those issues. Tewari (2010) examined the contribution of CSR of the IT sector in India. She has chosen 25 companies as a sample- the top 5 companies according to their market standing in five sectors into consideration such as Cement, Steel, Oil, Banking and IT and exercised comparative analysis to find the sector that is involved most in the CSR initiative. The different proportions are classified as Community development, Environmental management and workplace management and analyzed by applying CSR ratings by Karmayog to the respective company which belongs to that industry, their disclosures in websites or annual reports, the budget allocation and activities coverage as variables and applied cumulative ranking of the five sectors on the selected four parameters and concluded that IT sector stands distinctly as a champion in not only adopting CSR but also managing it (Nagarajan, 2015). Ms. Nidhi Khurana, Asia Pacific Institute of Information Technology, Panipat (2011) – in her article 'strategic corporate social responsibility: challenging sustainable actions in India' said looking at the current economic condition of India, there is an immediate need of strategic CSR delivering the value proposition to the masses. The paper focuses on the reasons to analyze the strategic gap between CSR implementation and CSR effectiveness and to identify the focused sectors where sustainable actions of strategic CSR are required to create synergies in India. The paper urges the Corporate not to look CSR as a non- profit activity.

The impact of collaborator-oriented CSR on firm performance can be recognized with the help of three theories: (a) Consumer inference making (b) Signalling theory (c) Social identity theory. Consumer inference making theory advocate that if a customer knows that the manufacturer of the product is a responsible firm, they can assume positively about the product. Such inferences induce consumer goodwill that enhances purchase intention. Signalling theory suggests that in situations where there is information imbalance between buyers and sellers, consumers look for signals that distinguish the company's performing well on attributes of interest compared to companies performing poorly. Social identity theory emphasizes that one's self -concept is influenced by membership in different social organizations, including the company for which an individual works.

RESEARCH METHODOLOGY

The reviews of the relationship between Corporate Social Responsibility and financial performance constitute generally two types. The first applies the event study method to ascertain the short-term financial implications when organisations engage in their socially responsible or irresponsible activities. The second category of study considers the relationship between some measure of corporate social performance and measures of long-run financial performance, by using accounting or financial measures of profitability.

The possible relationship between CSP and CFP

Various authors in India and abroad have tried to test the relationship between Corporate Social Performance and Corporate Financial Performance but no consensus could be built on this relationship, that is whether investment in CSR leads to any competitive advantage for the firms or it simply adds to additional money spent by the organization.

Negative Relationship

In accordance with the opinion of Milton Friedman, which reigned a few decades back, a company that go for social responsibility would produce costs decidedly superior to profits and this would cause decline in financial economic index.

Positive Relationship

Some researchers believe that there is a perfectly positive relationship between social performance and financial performance. Freeman (1984) concluded that CSR helps to minimize the expense of transaction and potential conflict with the stakeholders and thus it is an effective tool to improve the reputation of the company.

Mixed Relationship

The current research also explains that the link between CSP and CFP could not be constant in time and the relationship between the two variables could be inconclusive.

No Relationship

According to this hypothesis, CSP and CFP would be two uncorrelated variables and therefore corporate social responsibility would have no impact on the profitability of the company.

The Effect of CSR Practices on Financial Performance: Case of ITC

ITC is one of India's leading private sector companies with a market cap of US $65 billion and a turnover of US $9 billion. It is graded among the World's Best Big

Companies, Asia's Fab 50, and the World's Most Reputable Companies by Forbes magazine and among India's Most Valuable Companies by Business Today.

CSR Practices at ITC

ITC is the only company in the world to be carbon positive, water positive and solid waste recycling positive. ITC's businesses and related value chains support 6 million livelihoods. The CSR activities of the company includes e-choupal rural digital physical infrastructure, Farm to Food Products Value Chain, Social and Farm Forestry, Tree to Textbook Value Chain, Integrated Watershed Development, Dairy Development, Women's Empowerment Programme, Supplementary Education Programme, Green Centre, ITC Hotels- the World's Greenest Luxury Hotel Chain, Renewable Energy at ITC, WOW-Wealth Out Of Waste, Sangeet Research Academy- A collective tribute to the rich tradition of Hindustani Classical Music.

Hypothesis

H1: CSR has a significant impact on the firm's financial performance

H2: CSR has a significant impact on the firm's net profit

H3: CSR has a significant impact on the firm's total assets

On the support of all these donations, the financial performance of ITC can be analyzed. H1 lists the impact of CSR on the financial performance which gets reflected in the Market price of the shares of the company listed on a recognized stock exchange. H2 lists the contribution of CSR on the Net Profits of the company which can be adjudged from the PAT of ITC. H3 enlists the impact of CSR on the Total Assets of the company. These three figures of ITC over the last 14 years have been incorporated below (refer to table 1):

Table 1: Figures of ITC over the last 14 years

YEAR	SHARE PRICE AS ON 31ST MARCH (Rs.)	PROFIT AFTER TAX AS ON 31ST MARCH (in crores rupees)	TOTAL ASSETS AS ON 31ST MARCH (in crores RUPEES)	Total CSR Expenses of ITC Ltd (in crores) Rs.
2005	44.79	2191	11550	21
2006	97.48	2235	13084	25.2
2007	75.20	2700	14968	28.9
2008	103.18	3120	17249	46
2009	92.40	3264	19484	75.6
2010	131.58	4061	23005	96
2011	142.8	4988	25434	115.7
2012	165.3	6162	28988	146
2013	200.3	7418	34017	172.4
2014	212.7	8785	39229	195.28
2015	217	9211	43916	214.06
2016	218.7	9746	49247	247.5
2017	280.5	10200	54216	275.96
2018	255.9	11223	62381	290.98

Over the period of one year from 2017 to 2018, the total assets of ITC have increased by Rs. 8165 crore and total PAT by Rs.1023 crore. With such a tremendous increase in the profits and assets, its contribution and the total spending on CSR has also increased considerably per year.

Thus, from the analysis of the performance of ITC over the past 14 years, it is evident that the company has grown consistently over the time period. Not only has the financial performance of the company improved, but it has also incorporated more and more brands in its segment of FMCG and has also improved its overall ratings thereby replacing TCS as the most adored company. Not only the profits and share prices have been positively affected by its CSR practices but also the Return on Equity has grown over the period from 25.68% in 2005 to 39% in 2018.

Over this period, Net Worth per share of ITC has increased from 10.55 INR to 41.2 INR, Return on Average Capital Employed from 35.88% to 49.47%, and Earnings Per Share from 2.43 INR to 9.22 INR. All these parameters and ratios clearly indicate the financial advantages coming to the company through its CSR implications.

Total shareholder returns measured in terms of Market Capitalization and dividends grew at a compound rate of around 27% per annum over the last 14 years.

From an analysis of the Sustainability Reports and the Financial Accounts of ITC, it can be evidently concluded that CSR has a positive impact on the financial performance of the company. The companies that rapidly engage themselves in CSR practices, have an advantage over other companies in financial perspectives, lenient taxation provisions, ratings and rankings, brand reputation and last but not the least, customer loyalty and stakeholder trust. Thus, the CSR initiatives should be strictly followed by all those companies that wish to get a financial advantage over other firms in the long run.

India and CSR

The objective of this study is to know about the efforts done by Indian business houses in relation to their social responsibility and its linkage with financial performance. Development of CSR can be etched back in different phases which are as follows:

The first phase of CSR was broadly determined by culture, religion, family tradition and industrialization. Being the ancient form of CSR, charity and philanthropy still influenced CSR practices, especially in community development. In the pre-industrial period up to the 1850s, merchants devoted themselves for religious reasons, sharing their wealth, for instance, by building temples. Moreover, the business community occupied a significant place in ancient India and the merchants provided relief in times of crisis such as famine or epidemics by opening go-downs of food and treasury. Under colonial rule, the Western type of industrialization reached India and changed CSR from the 1850s onwards. The pioneers of industrialization in the 19th century in India were a few families such as the Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhania, Modi, Mahindra and Annamalai, who were strongly devoted to philanthropically motivated CSR.

The second phase of Indian CSR (1914-1960) was led by India's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship, which aimed to consolidate and strengthen social development. During this period, Indian businesses actively engaged in the reform process.

The model of a mixed economy with the emergence of public sector undertakings and broad legislation on labour and environment standards, affected the third phase of Indian CSR (1960-1980). This phase was also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities. In this scenario, the public sector was the prime factor of development. The introduction of a system of high taxes, quota and license system imposed tight restrictions on the private sector and indirectly provoked corporate malpractices.

In the fourth phase from 1980 onwards Indian companies and stakeholders began abandoning traditional philanthropic engagement and to some extent integrated CSR into a logical and sustainable business strategy, partly adopting the multi-stakeholder approach. In the 1990s, the Indian government introduced reforms to liberalize and deregulate the Indian economy by tackling the drawbacks of the "mixed economy" and tried to integrate India into the global market. In India, as in the rest of the world, there is a growing recognition that business cannot succeed which fails in a society.

An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status. Recently, India has been named among the top ten Asian countries paying additional importance towards Corporate Social Responsibility (CSR) disclosure norms. Besides the public sector companies, it is the private sector companies that played a dominant role in CSR activities.

The multiple frameworks required to be followed by Top 100 Listed Indian companies, either voluntarily or mandatorily, are – National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, GRI Guidelines, Carbon Disclosure Project (CDP), Perform, Achieve and Trade (PAT) Scheme, GHG Protocol, etc. For CSR projects involving public investments, Social Cost Benefit Analysis (SCBA) is one of the methods used to appraise it. According to SCBA, raising the living standard of people and hence raising of aggregate consumption is an important objective for social project. Some recent company-specific CSR examples in India are as follows: -

- National Thermal Power Corporation has been contributing for the resettlement and rehabilitation programme for people affected directly or indirectly in the wake of projects undertaken by NTPC.
- Asian Paints funded a large-scale community development project to enable farmers to use the local resources effectively.
- BHEL has contributed to the development of the quality of life in rural areas, health care and family welfare, adult education, etc.
- Brooke Bond has been interested in animal welfare, veterinary services and improvements in animal breeding.
- Colgate Palmolive did pioneer work in the promotion of sports, dental health and small industry development.
- Escorts Ltd, ITC & SAIL has worked for farm mechanization, agricultural development, healthcare, etc. The E-Choupal initiative of ITC comprising over 7000 choupals has transformed the lives of over 4 million farmers in over 50,000

villages in India. Similarly, organizations like the National Dairy Development Board, IKEA, Apollo Tyres, Pepsico India, Excel Industries, BILT, Cummins India, WIPRO participate wholeheartedly in CSR activities.

As per the report was done for the Indian companies by Futurescape to determine the sustainability and CSR engagement for FY 2017-18 on about top 100 ranking companies including Tata and Infosys, it was found that there are many firms involved in contribution for various CSR activities. The Tata companies are generally involved in CSR programmes for community development and for environmental preservation projects. Tata group contributes to social activities such as health, primary education, skills training and entrepreneurship, livelihoods & women empowerment. That apart, the Tata companies work towards empowering people in-order to help them to develop their skills so that they can succeed in a global economy which is now combined as group CSR program known as Tata STRIVE. Similarly, a company like Infosys is also engaged in CSR activities as the details in their website reveal that company contributes as a commitment for contribution to society and thereafter established the Infosys Foundation in 1996 which act as a non-profit trust for the support of social initiatives.

The Foundation supports programs and organizations devoted to the cause of the insolvent, the rural poor, the mentally challenged and the economically disadvantaged sections of the society. The Foundation is also keen on preserving certain cultural forms and dying arts of India. A study that was conducted by IIM Udaipur in partnership with Futurescape for looking into top companies of India for a sustainable growth and for CSR in the FY 2016-17. The study covers across industries varied from automobiles, banks, diversified, FMCG, Infrastructure, information technology, metals and mining, oil, power, steel, pharmaceuticals, telecommunications, and others. The study focuses on four main criteria Governance, Disclosure, Stakeholders, and Sustainability. These four factors are assigned as weights of 20% for Governance, 15% for Disclosure, 35% for sustainability and 30% for stakeholders. Based on these weights, a ranking was given to the companies. Tata group leads the top stage followed by ITC Ltd., Bharath Petroleum Corporation Ltd. etc. as per the report. The newspaper article titled sustainability trends was published in 2017 written by N. Rana and U. Majumdar. The major points for discussion in the paper are-

1. ***Contribution by companies for a cleaner environment-*** During Swachh Bharath Abhiyaan launch, about 39 percent of the companies have allocated their funds for this campaign in order to build toilets and helped in cleaning up the public spaces for 3 years. The contribution of these companies for the campaign was highlighted in major newspapers and this promoted public awareness of the health hazards of water and air pollution.
2. ***Zero Impact results in net positive-*** The manufacturing companies are actively involved in looking forward to create growth models that are sustainable. The blockchain models of the supply chain are the key areas where the companies are looking in to form that it's evident that waste, water, energy, and materials are closely related to business continuity. The companies such as Ambuja cement, ITC, Dalmia Bharat etc. are looking into techniques that ensure minimum utilization of water.
3. ***Sustainable use of renewable energy system-*** The companies are focusing more on renewables such as solar, biofuels, wind. In remote places of India, there is a shortage of power supply from the grid system. Considering such issues, the companies that are dependent on the grid system, are looking for renewable energy sources. In the year 2018, the companies looked more into the sustainable use of the renewable energy system.

DISCUSSION

The study by Faizanur (2017) discusses the importance behind the contribution to CSR activities by the firm for the sustainable development of the society. It also shows how CSR has become mandatory for the company by law. The study also shows the origination and significance of CSR and detailed explanation note of Companies act 2013. The conclusion of the study is that there is no requirement of creating awareness about the CSR initiatives among the general public to make CSR more effective. Gautam & Singh (2010) conducted a study to discuss the CSR practices in India; the study was carried out among the top 500 companies (Bhunia & Das, 2015). It depicts that there are some companies that promote CSR activities just for namesake and only a few as a well-planned approach. The main driving factors of CSR was found to be shrivelled in the government role, demands for greater affirmation, increasing the interest of the customer, arising investor pressure, competition in labour market and among the supplier relations (Pradhan, 2016). The observation that was found from the study is, about

49% of the companies from a total of 500 reporting on CSR and few other companies report about the donations, renovation of schools in villages, mid-day meals etc. Also, there are few other companies unaware about the procedure or it doesn't monitor the CSR activities of the company (Aupperle, Carroll & Hatfield, 1985).

According to the performance of Banks in India in terms of CSR effectiveness, RBI (Reserve Bank of India) initiated CSR activities on sustainable development by different Banks in December 2007 which should include Non-financial reporting. Non-financial reporting comprises reporting the activities that pertain to social, environmental and economic development and its performance. Some of the Banks which have participated in CSR activities are-

a) ICICI Bank: Providing Elementary education for 3 to 14 years age group (Girls and Tribal Children) - about 100000 children in 14 states.
b) HDFC Bank: School Adoption Projects, Primary education, Micro Financing, Self Help Group financing etc.
c) IDBI Bank: Empowering Community Girls through a program called "Prerna" with six computers, Child Survival India with four computers for underprivileged and adolescent girls and women.
d) Punjab National Bank: Micro crediting for self-help people.
e) Bank of Baroda: Providing libraries, Solar systems, and Community Halls in villages.
f) Canara Bank: Patients who are suffering from diseases and who got disabled will be taken care, Blood Donation Camp from the employees.
g) Union Bank of India: Establishing Village Knowledge Centres for 200 villages.

India Inc is less transparent than its peers in Brazil, China and South Africa when it comes to reporting about economic, social, environmental and governance issues concerning their business, according to a study. Among the lead adopters of this practice in India are Larsen & Toubro, JSW Steel and the Mahindra Group. Sustainability reporting is an important step for change towards a globalised economy that combines long-term profitability with social justice and environmental care. Less than one-third of India's top firms file reports on their corporate responsibilities and only 16% have a strategy on this. A KPMG survey found that companies in the construction, oil and gas, metals and minerals and information technology sectors were more dedicated to corporate responsibility reporting. It said 23% of the companies surveyed reported the business risk of climate change, 21% disclosed their greenhouse gases emissions and 13% identified and disclosed the business risk of corporate responsibility issues in their supply chain. Companies that report on corporate responsibility initiatives include Reliance Industries Ltd, Tata Power Ltd, Tata Chemicals Ltd, Grasim Industries Ltd, Infosys Ltd and Oil and Natural Gas Corp. Ltd.

CONCLUSION

According to some estimates, 80% of the multinationals and 50% of the private companies in India claim to have CSR policies in place. Corporate Social Responsibility is critical when it yields business-related benefits to the firm. This study has focused on the stakeholder approach to the business by linking CSR and firm performance. The study found that CSR activities have a positive impact on a firm's financial and non-financial performance, and it is in the best business interests of the company to undertake CSR activities. While the correlation was significant for the CSR activities related to employee, community, customers and suppliers, it was not statistically significant in the case of Environmental CSR. The financial benefits outweigh the costs in the long run at least to ensure that CSR engagement is financially sustainable. Companies with a reputation for investing in and developing communities are at a competitive advantage, as they can achieve capacity additions and expansions at a faster pace. It has been observed that though listed companies must publish Annual reports, many companies have no constructive and useful information on CSR activities carried out by the company either in the Annual Reports or on their official websites. Therefore, there is a need to communicate the CSR activities not only in terms of the themes covered but also the degree of the impact. The overall level of CSR evaluation among companies is low. This is because their CSR spending was not directly linked to driving community support for their business plan. Companies have shown a tendency to concentrate on certain areas of community development, especially health and education as these are the more serious challenges faced by Indian communities.

RECOMMENDATIONS

On the base of the findings of the study, the following suggestions can be made to the companies:

1. With respect to the provisions of Companies Act, 2013

a) The companies should conduct research for undertaking CSR activities in an effective manner, irrespective of the high cost involved.
b) The companies should follow CSR practices and the practices should not be a one-time charity or donation but should be project based.
c) The companies should join hands with some other organization (like an NGO) for the conduct of CSR activities in a more effective manner.
d) The companies should have a separate CSR Department to conduct CSR activities.
e) The companies should invest every year, 2% of their average profits of the preceding three years for CSR activities.

2. Companies should be responsible for adding value to the community through their operations. The corporate world commitment towards CSR can give them an opportunity to explore the potentially viable areas to augment the company's profit portfolio. It should be taken as a strategic decision by the companies and to deepen it as a core business.
3. It is of utmost importance to the companies to share with their Stakeholders, the kind and amount of investment they are making in the field of CSR and how are they working towards the betterment of the society. This necessitates the creation of awareness of CSR amongst the general public. The companies should increase the intensity and frequency of making CSR disclosure through reporting.
4. The corporate financial performance is studied only on accounting based financial variables, which are a better indicator of profitability. However, market-based financial variables like earning per share and Tobin Q can be used as a measure for corporate financial performance.

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