

Corporate Social Responsibility Index, Evaluation and History

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ABSTRACT | *There is a growing interest among corporations and the academic community in the concept of corporate social responsibility (CSR). Business enterprises ought to prioritize the pursuit of financial gains, while simultaneously fulfilling their societal responsibilities in order to foster social advancement, hence enhancing their overall corporate achievements. The primary objective of this study is to systematically categorize and classify the many concepts associated with corporate social responsibility (CSR). Additionally, it tries to categorize the different components of CSR that have been applied in empirical research. Furthermore, this study seeks to analyze and evaluate the findings of CSR outcome studies, drawing from both local and worldwide literature. This study proposes potential avenues for further research and acknowledges the constraints of prior findings.*

KEYWORDS | *Corporate social responsibility, Stakeholder, Consumer response*

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INTRODUCTION

In contemporary times, there has been a noticeable increase in the recognition of corporate social responsibility (CSR) within academic discourse and the corporate realm. This shift may be attributed to the realization among firms that they bear an obligation towards society beyond the mere pursuit of profit maximization. Multiple research studies have provided evidence of the benefits that result from fulfilling social

responsibilities. Corporate social efforts have the potential to cultivate a favorable brand image and enhance reputation. The adoption of a distinguishing strategy necessitates a dedicated commitment to corporate social responsibility (CSR). Additionally, this approach serves as an innovative method for enterprises to enhance their interaction with customers. In light of these circumstances, it is imperative to conduct a

comprehensive examination of the theoretical and practical aspects encompassed within the existing corpus of literature pertaining to corporate social responsibility. This study aims to present a comprehensive overview of existing **CSR** research, focusing on the definition of **CSR**, empirical evaluations of its many elements, and the potential outcomes associated with implementing **CSR** practices. **CSR** has been defined from several perspectives in numerous studies. According to Mohr, there are two distinct sorts of **CSR** definitions: social marketing-based definitions and multidimensional definitions. Various definitions in the multidimensional framework outline the major social responsibilities of firms. However, the notion of social marketing assesses corporate social responsibility (**CSR**) by considering its impact on society. Dahlsrud (2008) categorized 37 definitions of corporate social responsibility (**CSR**) into five distinct aspects, namely environmental, social, economic, stakeholder, and voluntariness, after undertaking an extensive review of relevant literature spanning from 1980 to 2003. This article categorizes notions of corporate social responsibility (**CSR**) into two distinct perspectives: the stakeholder viewpoint and the societal perspective, drawing upon previous research.

According to Freeman, firms bear responsibilities towards individuals and entities that possess the capacity to exert influence on, as well as be affected by, their business activities. Corporate

Social Responsibility (**CSR**), as defined by Khoury and Rostami, encompasses a company's engagements with many stakeholders, such as clients, employees, communities, owners and investors, government entities, suppliers, and competitors. The primary social responsibility of a firm, as said, are community service, enhancing employee relations, job creation, environmental protection, and providing financial returns. Hopkins (2007) presented an alternative perspective on the notion of Corporate Social Responsibility (**CSR**) from the standpoint of stakeholders. The author asserts that Corporate Social Responsibility (**CSR**) endeavors to simultaneously pursue two goals: maintaining profitability and enhancing the well-being of stakeholders, both within and outside the firm, via ethical and responsible treatment. Corporate societal Responsibility (**CSR**) refers to the response of a firm towards the concerns raised by stakeholders regarding its commercial operations and societal issues, as stated by Basu and Palazzo. The stakeholders encompassed in this context comprise the government, non-governmental organizations (NGOs), and customers.

According to the definition proposed by Davis and Blomstrom, corporate social responsibility (**CSR**) refers to the range of actions undertaken by a corporation to protect and promote its own interests as well as the interests of society. According to Kotler, corporate social responsibility (**CSR**) may be defined as the

strategic management approach employed by businesses to effectively maintain and improve societal well-being. McWilliams and Siegel suggest that a corporation's responsibility to advance societal interests beyond mere compliance with legal mandates and pursuit of corporate goals. Corporate social responsibility (**CSR**) can be defined as a commitment made by a corporation to minimize its adverse impact on society while concurrently augmenting its beneficial, enduring outcomes, as stated by Mohr and Webb. Corporate Social Responsibility (**CSR**) is a concept that has been described by Matten and Moon as the set of policies and activities used by a corporation to demonstrate its commitment to advancing social interests.

Literature Review

Waddock and Graves conducted an examination of the relationship between a company's social success and its financial performance. The eight index developed by KLD, a corporate entity, is utilized for evaluating corporate social performance. Among the eight qualities, five of them, namely community relations, environmental preservation, employee relations, treatment of women and minorities, and product attributes, specifically emphasize the interactions and connections with stakeholders. In their study, Sen and Bhattacharya undertake an empirical examination to assess the influence of corporate social responsibility (**CSR**) on consumer buying patterns. The assessment of corporate social

responsibility (**CSR**) is conducted based on five distinct criteria, including community participation, diversity, environmental preservation, social purpose, and treatment of foreign workers.

Pivato and Misani conducted a study examining the impact of corporate social performance on consumer trust and brand loyalty. Corporate social performance is assessed by utilizing many dimensions, including the customer, employee, and environment dimensions. Abdullah and Rashid conducted an evaluation of the impact of corporate social responsibility (**CSR**) implementation on organizational citizenship behavior. The research examined many elements of Corporate Social Responsibility (**CSR**), including **CSR** towards the government, **CSR** towards workers, **CSR** towards society, **CSR** towards environmental preservation, and **CSR** towards customers.

In their study on domestic literature, Wen and Fang do an empirical investigation utilizing data from 46 publicly listed Chinese companies spanning the period from 2003 to 2007. The objective of their research is to explore the relationship between corporate social responsibility (**CSR**) and financial performance. Corporate social responsibility (**CSR**) is assessed by evaluating several forms of capital, including financial, human, social, and ecological capital, in relation to the duties towards stakeholders. Xie and Zhou (2021) examine the impact of corporate social responsibility (**CSR**) on customers'

purchasing intentions. Corporate social responsibility (CSR) is assessed by the utilization of five key variables. These aspects encompass the protection of consumer rights and interests, engagement in philanthropic endeavors and charitable contributions, environmental preservation, and the consideration of employee concerns. Jin devised a scale for measuring consumer-centric corporate social responsibility (CSR). The concept consists of five distinct components, namely engagement in socially advantageous philanthropic endeavors, actions aimed at promoting public welfare, protection of consumer rights and interests, conservation of the environment, and fulfillment of financial responsibilities. The study conducted by Wang and Li investigates the influence of several dimensions of corporate social responsibility (CSR) on organizational citizenship behavior. Corporate Social duty (CSR) is assessed across three distinct aspects, namely public duty, employee responsibility, and market responsibility.

The Impact of Corporate Social Responsibility on Business Financial Performance

The existing body of research examining the association between financial performance and corporate social responsibility has shown inconclusive results. Roman and Hayibor conducted a comprehensive evaluation of 55 scholarly papers that explore the relationship between corporate social performance and company financial success. Out of the total, 51

instances are derived from the study conducted by Griffin and Mahon, whilst the other four instances are newly introduced. The findings indicate that out of the total 53 research studies examined, 34 studies demonstrate a positive correlation, 5 studies exhibit a negative correlation, and 14 studies do not establish any significant association between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). Simpson and Kohers provide empirical evidence supporting a positive association between corporate social responsibility (CSR) and financial performance, specifically for studies undertaken post-1999. The finding is also bolstered by the investigation conducted by Jo and Harjoto.

However, in contrast to the impact of limited investment in research and development (R&D) on financial success, the influence of corporate social responsibility (CSR) on financial performance is found to be little, as indicated by McWilliams and Siegel. A multitude of domestic studies have investigated the temporal relationship between corporate social responsibility (CSR) and financial performance. Wen and Fang present findings from an extensive analysis of the 5-year data of 46 Chinese enterprises, indicating that corporate social responsibility (CSR) has a transient adverse effect on financial performance in the near term, but yields positive outcomes in the long run. In their study, Zhang and Jin examine data pertaining to non-financial firms listed on the Shanghai Stock Exchange over the period of 2007 to 2011. Their

findings indicate a favorable association between previous corporate social responsibility (CSR) fulfillment and the present financial success of these enterprises.

Corporate Social Responsibility's Effect on Consumer Reaction

There has been a growing body of research examining the correlation between corporate social responsibility (CSR) and customer response. According to a study conducted by Murray and Vogel, there is a higher likelihood of customers making a purchase from a company once they have been aware of its social media presence. In their study, Brown and Dacin examine two distinct categories of business associations, namely corporate ability associations and CSR associations. The authors emphasize the observation that various corporate affiliations are indicative of distinct strategic orientations, and there is a growing trend among organizations to prioritize approaches that exhibit corporate social responsibility (CSR). These approaches encompass endeavors undertaken by businesses to endorse cultural activities, enhance workforce diversity, participate in community initiatives, and safeguard the environment. The findings of their research demonstrate the potential indirect impact of corporate social responsibility (CSR) connections on customers' perceptions of a company's products, mediated through their perceptions of the company itself. The study conducted by Sen and Bhattacharya presents an

empirical examination that demonstrates the moderating effect of customer support for corporate social responsibility (CSR) on the relationship between CSR and consumer reactions. Additionally, it has been noted that the social media presence of a firm might potentially undermine clients' inclination to engage in a transaction under specific conditions. In their study, Mohr and Webb (2014) conducted in-depth interviews with a sample of 48 urban residents. It has been observed that certain customers exhibit socially conscious behavior due to their belief that their purchase choices might impact the environment, as well as their own family and personal well-being. Consequently, while making purchasing decisions, these ethically-minded consumers evaluate a company's social initiatives. Several studies suggest that consumers may demonstrate appreciation and provide rewards to firms that engage in charitable giving to nonprofits. Consumers may choose their purchasing choices based on the extent to which these companies demonstrate a dedication to ethical business operations and environmental preservation.

The Ramifications of Corporate Social Responsibility (CSR) on Strategy

Hall (35) posits that the establishment of cognitive associations between consumers and a brand might confer a sustained competitive advantage to a firm. Hart (2010) supports this perspective by asserting that adherence to environmental corporate social

responsibility (CSR) might potentially confer some business models with a sustainable competitive advantage. Porter and Kramer challenge the assertion made by Friedman on the utilization of corporate social responsibility (CSR) by managers for personal gain. They argue that CSR resources should be directed towards enhancing the overall efficacy of the firm. Porter and Kramer assert that Friedman's theory operates under the implicit assumption that a corporation's social and economic objectives are distinct, and that more investment in social initiatives will result in a reduction in economic advantages. Porter and Kramer suggest that the competitive landscape in which a corporation operates plays a crucial role in determining its success. They further argue that engaging in philanthropic endeavors may enhance the competitive climate and enable the firm to effectively integrate its social and economic objectives. In the interim, it is strongly advocated that companies opt for philanthropic endeavors that align with their respective industry. Alternatively, it might be argued that this phenomenon yields positive social outcomes without yielding any corresponding economic benefits.

Conclusion and Analysis of the Existing Literature on CSR

A significant percentage of the body of literature pertaining to corporate social responsibility is

primarily focused on the research outcomes. Further empirical research is necessary to explore the factors that influence corporate social responsibility (CSR) and the allocation of resources dedicated to its implementation. In addition, the corporate social responsibility (CSR) elements that have been chosen for empirical studies conducted inside the domestic context include Several aspects, including employee relations, diversity, community interactions, environmental protection, defending consumer rights and interests, product features, and treatment of women and minority groups, primarily draw upon foreign research literature. However, the significance of community and community connections in China may not be as pronounced as in the United States and other European nations, maybe due to the comparatively little emphasis devoted to this idea in China. Moreover, there are some stakeholders that exhibit a keen interest in various areas of corporate social responsibility (CSR). While employees may demonstrate a higher level of engagement in employee relations, customers may place a larger emphasis on protecting their rights and interests. Consequently, future studies have the potential to develop comprehensive frameworks and metrics that align with the unique characteristics of China, enabling an exploration of the diverse effects experienced by many stakeholders.

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