

Management Perspective on CSR and Organisational Performance: A Study Based on An Industrially Backward State

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Abstract: *Corporate social responsibility in a growing competitive world gains more significance as a tool for competition because it determines the survival and success of an organisation. Business organisations must understand, develop, and implement comprehensive CSR strategies that align with societal needs, expectations, and environmental conditions. Numerous empirical studies indicate that CSR activities positively influence organizational performance, considering perspectives from both management and employees. Nevertheless, an applied study on CSR practices and organisational performance from the view of regions of state industrial backwardness in India like Kerala barely exists. We examined CSR practices and organisational performance in a systematic style, considering 200 medium and large-scale enterprises which are enrolled and functioning within Kerala. Structural Equation Modelling (SEM) methods were utilised to test the empirical association between CSR practices and the organisational performance of firms. The research discovers that CSR activities actually have a positive effect on the organisational performance of firms in one of India's industrially backward states.*

Keywords: Corporate Social Responsibility, Large and medium Organisation, Organisational performances,

INTRODUCTION

Corporate Social Responsibility (CSR) is a management philosophy where corporations embrace social and environmental issues within business operations (UNIDO, 2001). Corporate responsibility refers to the obligations and responsibilities of corporations as social institutions (Francis & Mihra., 2011). Sufficient organisational performance factors have made CSR part of corporate strategy. (Chandra & Kaur, 2015). Firms carry out CSR activities to enhance the living standards of stakeholders through various welfare schemes, projects, and other such activities (Rath & Gurtoo, 2012). Activities and projects related to taking care of nature and the environment are also areas of CSR activities (Sharma, 2011). Organisational CSR practice comprises CSR design, implementation, evaluation, and reporting of various CSR initiatives (Maon et al, 2009). The literature agrees that firms embrace CSR to achieve competitive advantage, customer loyalty, investor and employee retention, enhance companies' reputation, and improve company performance (Simionescu, 2015).

REVIEW OF LITERATURE

CSR Practices: CSR encompasses a wide range of functions, activities, and operating routines that a business entity formulates and adopts for fulfilling the anticipated CSR-related responsibilities towards the good being of various stakeholders (Waddock, 2004). Typically, a company's CSR activities include designing CSR strategies, implementing CSR strategies, regularly reviewing CSR outcomes, and reporting on CSR initiatives.

CSR-designing practices encompass all types of sets of directions, tools, and method related consultations for CSR design at a very early preparatory stage, directed by vision and direction and instrumentation. The key focus of CSR design is the elaboration of CSR programs and policies in relation to all aspects of CSR. A CSR Policy would influence business decision-making on projects that have been clearly articulated, well-planned, and executed based on a well-established system (Maon & Lindgreen, 2009). This would cover all aspects of CSR projects that companies might implement.

CSR implementation practice involves several thoughts and actions which must be taken pertaining to CSR project implementation (Maon & Lindgreen, 2009). Implementation of CSR is imagined as a cyclical process. There are many areas that need to be regarded while doing CSR (Deodhar, 2016). Organisations can conduct CSR

projects in multiple manners (Cobourn & Frawley, 2017). It can be applied directly via company departments, own-foundations, and collaboration with non-governmental organisations (NGOs) or other companies (Sunder, 2013). Reviewing CSR is founded on measuring, verifying, and reporting to the government concerning CSR activities with the aim of identifying what is good, why, and how to enhance the CSR activities of the organisation (Industry Canada, 2006). CSR review practices encompass the process of establishing CSR performance targets and identifying actual CSR performance that has been established previously and leads to appreciation and reward for CSR advancements (Maon & Lindgreen, 2009).

CSR reporting provides information to society about a company's CSR initiatives. CSR reporting can be accomplished in many forms, such as through mass media, firm websites, and TV networks. (Gosh, 2012). CSR reporting solely provides information to the interested party of the organisation. CSR can be communicated efficiently by companies through qualities such as formative, transparency, consistency, personal salience, and by fact and advertising tone (Kim, 2017).

CSR Practices and CSR Related Organisational Performance: CSR is now a core component of organisational business practice (Kalyar et al., 2013; Chandra & Kaur, 2015). CSR is carry out by companies due for numerous reasons or benefits, such as establishing investors' confidence, ensuring balanced concern for stakeholders' demand and expectation, gaining competitive edge, boosting customers' loyalty, investors' and employees' retention, and companies' brand, reputation, and performance improvement (Gupta, 2012). These motives are discussed extensively in theories with empirical studies. Is these motives applicable in the case of companies working in Kerala is the research question? Then, the hypothesis formulated aims to assess whether CSR practices, encompassing design, implementation, review, and reporting, significantly influence CSR-related organizational performance within the context of Kerala.

Hypothesis: "CSR practices comprising CSR design, implementation, review, and reporting practices positively influence organisational performances of companies operating in an industrially backward context".

Research Problem

This study aims to explore the relationship between CSR practices and namely, CSR design, implementation, review, and reporting and their impact on CSR-related organizational performance, specifically within Kerala, an industrially underdeveloped state in India. A peculiar aspect of Kerala's economy is the comparatively low scale of its industrialisation. When compared to the industrial sector's shares in GDP, which were 15.8 per cent at the country level, it was only contributing 7.5 per cent towards Kerala's GSDP in 2011-12 (State Planning Board, 2018). This reveals the relative imbalance and backwardness of Kerala's industrial sector.

Objectives of the study

1. To assess CSR performance of large and medium-scale companies in Kerala.

2. To study the association between CSR and organisational performance.

3. To develop a structural equation model to establish the connection between CSR and organisational performance.

RESEARCH METHODOLOGY

The study is based on perspectives collected through a structured questionnaire from 200 large and medium scale companies registered and operating in the State of Kerala, India, which are the subject of study because they are more likely to organise their CSR initiatives in a systematised way (Osagie et al., 2016). As per the list provided by District Industrial Centers (DICs) in the state, 487 large and medium-scale companies were operating in Kerala as of March 2016. As part of the sampling, the state of Kerala was divided into three regions, and a separate list of large and medium-scale companies was prepared from each region. Simple random sampling was used to identify the respondent companies from each region.

Measurement: A comprehensive review of existing scholarly works was undertaken to determine appropriate measurement indicators for the five primary constructs investigated in this research: CSR design, CSR implementation, CSR review, CSR reporting, and organisational performance related to CSR activities. CSR practice variables are captured from previous studies (Spiller, 2000). CSR related organisational performance items are captured from previous studies (Clarkson, 1995; Brammer et al., 2007). Additionally, inputs from both academic scholars and industry professionals were gathered to assist in finalising the measurement items for the constructs. Each construct's items were assessed using a five-point Likert-type rating scale.

Population: The study population consisted of a large and medium-scale company registered with and functioning within the state of Kerala, India. Only large and medium-scale companies are considered necessary for this research because medium and large organisations mostly deal with CSR (Bondy, 2008; Osagie et al., 2016). The respondents were CSR managers in the respective companies.

For the sampling procedure, the state of Kerala was categorised into three distinct regions: the northern, central, and southern zones. The list of large- and medium-scale companies was obtained from the District Industrial Centre (DIC) of each district. According to data provided by the District Industries Centres (DICs), Kerala had a total of 487 registered and operational large and medium-scale companies as of 31 March 2023.

Sampling Method:

Kerala is divided into three regions. From each region, a separate list of large and medium-scale companies was prepared. A random sampling method was used to draw samples from each zone (41 percent from each zone). Simple Random sampling was used to identify the respondent companies from each region. Across three zones: North, Central, and South. The total population consists of 487 companies, distributed as 88 in the north, 281 in the central, and 118 in the south. A sample of 41% was uniformly drawn from each zone, resulting in 36 companies from the north, 116 from the central, and 48 from the south, totalling 200

companies. This consistent sampling proportion ensures the proportional representation of each zone in the study.

ANALYSIS AND DISCUSSION

Descriptive Statistics & Reliability of the Constructs

The analysis examined five constructs related to CSR practices and outcomes, focusing on their mean scores, item counts, and reliability. Among the constructs, CSR Review Practices (CSREP) received the highest average score (3.96), indicating strong performance and positive perceptions in this area, while CSR Reporting Practices (CSRRP) scored the lowest (3.09), suggesting that it may require more attention and improvement. Each construct was measured with four to five items, ensuring adequate coverage of the respective dimensions. Reliability, assessed through Cronbach’s alpha, demonstrates excellent internal consistency across all constructs, with values ranging from 0.861 to 0.890, well above the acceptable threshold of 0.7 (Hair *et al.*, 2010). The results demonstrate that the constructs are not only reliable but also offer a clear and consistent representation of the different dimensions of CSR practices and their influence on organisational performance.

CFA Measurement Model

The various indices for evaluating the fitness of the measurement model (Figure 1) include CMIN/DF (normed chi-square goodness-of-fit, GFI, adjusted goodness-of-fit, AGFI, comparative fit index, CFI, root mean square residual, RMR, root-mean-square error of approximation, RMSEA) (Bagozzi, 1988). All goodness-of-fit indices surpassed the acceptable thresholds for the current model, indicating that the construct validity of the measurement model was satisfactory.

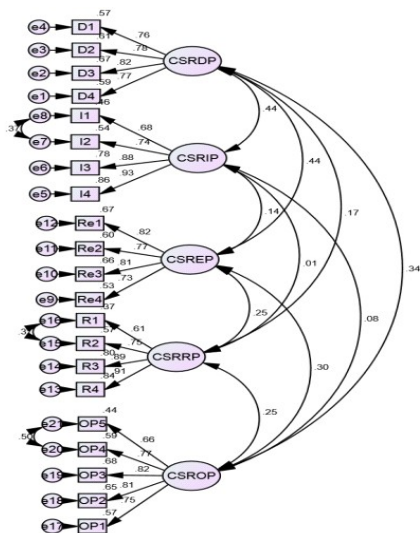


Figure 2. Confirmatory Factor Analysis Model Fit Indices

The model’s fit indices suggest an overall reasonable fit, with some areas for improvement. The CMIN/DF ratio of 1.433 falls within the recommended range of 1–4, indicating an acceptable model fit relative to its complexity. The CFI (0.968), RMR (0.045), and RMSEA (0.034) were all well within their respective recommended

thresholds, further supporting the adequacy of the model. However, the P-Value of 0.00 suggests a statistically significant chi-square, which may indicate a reasonable fit, although this metric is sensitive to sample size and often less reliable in isolation. The GFI (0.900) meets the minimum acceptable value, but the AGFI (0.891) falls slightly below the recommended threshold of 0.9, suggesting room for improvement in the model parsimony. While the model demonstrates good fit in several key areas, addressing the discrepancies in P-values and improving GFI/AGFI could enhance its overall reliability and interpretability.

Validity Test

Academic and industrial experts were consulted to ensure content validity. No misunderstandings were reported during pilot testing. Fornell and Larcker’s (1981) checks for convergent and discriminant validity were used. All item loadings exceeded the threshold value of 0.50, and the average variance extracted (AVE) for each construct was greater than 0.50, confirming adequate convergent validity.

Convergent Validity

The evaluation of CSR Design Practices (CSRDP) focuses on the planning and structuring of CSR activities. This includes conducting regular CSR activities, stakeholder analysis, ethical considerations, and separate budget allocations for CSR initiatives. The factor loadings for these items ranged from 0.756 to 0.820, indicating strong correlations with the underlying construct. The average variance extracted (AVE) was 0.610, suggesting that the items collectively accounted for a substantial portion of the variance in CSR design practices, thereby ensuring good convergent validity.

CSR Implementation Practices (CSRIP) highlight the execution of CSR initiatives, with a focus on the clear assignment of duties, teamwork, employee involvement, and implementing activities in areas near the company’s operations. The factor loadings ranged from 0.682 to 0.930, indicating high item reliability. An AVE of 0.663 further confirms the construct’s ability to capture its intended dimension effectively, emphasising the critical role of organizational processes in CSR implementation.

CSR Review Practices (CSREP) assesses the monitoring and evaluation of CSR activities. Key aspects include regular reviews, collecting beneficiary feedback, conducting internal reviews, and conducting impact assessments. The factor loadings ranged from 0.730 to 0.817, indicating robust item reliability. An AVE of 0.615 reflects the construct’s validity, highlighting the importance of consistent evaluation and feedback mechanisms in enhancing CSR effectiveness.

CSR Reporting Practices (CSRRP) measure the organisation’s transparency and communication regarding CSR activities. Items included documenting CSR activities, reporting to stakeholders, ensuring comprehensive and transparent reporting, and disclosing reasons for non-CSR actions. The factor loadings, ranging from 0.609 to 0.914, signified strong alignment with the construct. An AVE of 0.643 indicates excellent convergent validity, emphasising the importance of robust reporting practices for stakeholder engagement.

CSR Related Organizational practices (CSROP) evaluate the broader impact of CSR on organizational performance. Items address reducing stakeholder pressure, improving operational functionality, attracting and retaining employees and customers, and enhancing corporate reputation. With factor loadings between 0.663 and 0.824 and an AVE of 0.586, the construct demonstrated sufficient reliability and validity, highlighting the positive influence of CSR on organizational success.

All five constructs CSRDP, CS RIP, CS REP, CS RRP, and CSROP exhibited strong factor loadings and AVE values, ensuring high reliability and convergent validity. These results underscore the multidimensional nature of CSR practices, from design and implementation to review and reporting, and their significant contribution to organizational performance.

Discriminant Validity

In terms of discriminant validity, AVE estimates should be larger than the corresponding MSVs and the square root of AVE should also be larger than the inter-construct correlations (Campbell and Fiske, 1959). In this model, all average variance extracted (AVE) values were greater than the maximum shared variance (MSV), and the square root of each construct's AVE exceeded its inter-construct correlations, confirming satisfactory discriminant validity.

The measurement tests the reliability and validity of five corporate social responsibility constructs: CSRRP (Reputation Practices), CSRDP (Disclosure Practices), CS RIP (Implementation Practices), CS REP (Engagement Practices), and CSROP (Outcomes). All constructs are highly reliable, as indicated by Composite Reliability (CR) values of more than 0.86, far above the acceptable value of 0.7. Convergent validity is determined with Average Variance Extracted (AVE) scores greater than 0.5 for all the constructs, showing that each construct explains adequate variance from its indicators. Discriminant validity is established as the Maximum Shared Variance (MSV) for each construct is lower than its corresponding Average Variance Extracted (AVE), and the square root of the AVE (diagonal values) for each construct is greater than its correlations with other constructs (off-diagonal values). This helps to ensure that the constructs differ and measure distinct corporate social responsibility variables with internal consistency and reliability.

Hypotheses Test (Model Testing)

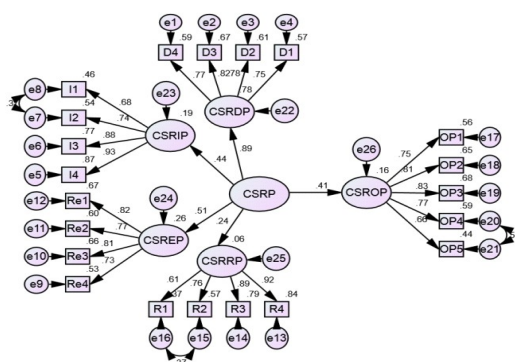


Figure 3. CSR practices and CSR related performance

After confirming a good model fit for the measurement model (Figure 2), the proposed structural model was subsequently evaluated and tested. The first structural model (as shown in Figure 3) examines the fundamental assumption that CSR practices including CSR design, implementation, review, and reporting significantly enhance an organisation's CSR-related performance. The goodness-of-fit indices, namely CMIN/DF = 1.443, GFI = 0.901, AGFI = 0.891, CFI = 0.968, RMR = 0.043, and RMSEA = 0.034, indicate that the model exhibits an acceptable level of fit (see Table 2).

Hypothesis Testing

The analysis tests the link between CSR Practices (CSRP) and CSR Outcomes (CSROP) using regression analysis. The 0.406 standardised regression coefficient ($\hat{\alpha}$) provides evidence of a moderately positive association such that better CSRP translates into better CSROP. A standard error (S.E.) of 0.550 reflects the precision of the estimate, whereas a critical ratio (C.R.) of 2.376, exceeding the threshold of 1.96, indicates that the estimate is statistically significant. A p-value of 0.018 verifies this significance, as it is less than the standard cutoff of 0.05. From these findings, the hypothesis that CSRP has a positive effect on CSROP is accepted, with an emphasis on the significance of effective CSR practices in attaining desired results. The hypothesis that CSR practices, comprising CSR design, implementation, review, and reporting, positively influence the organisational performance of companies in an industrially backward context is supported, with results showing ($\hat{\alpha} = 0.406, p < 0.05$). Therefore, it can be confirmed that CSR practices have a positive impact on CSR-related organisational performance of companies in the industrially backward state of Kerala.

CONCLUSION AND IMPLICATION OF THE STUDY

Organisational CSR practices encompassing CSR design, implementation, review, and reporting are essential elements of a company's overall CSR strategy. Businesses engage in CSR initiatives to enhance their performance by fostering greater customer loyalty, retaining skilled employees, building investor confidence, strengthening corporate reputation, and promoting more efficient organisational operations.

The study highlights that CSR practices, including CSR design, implementation, review, and reporting, positively influence the CSR-related organisational performance of firms operating in an industrially backward context. Hence, practising managers can take an approach towards CSR-related organisational performances by enhancing CSR practices regardless of the status of the region, state, or other geographical locations in which they function.

Companies doing business in industrially backward states have the potential to apply the findings of this study to formulate an integrated CSR approach that can fit the unique requirements and issues of the local populace. Firms can identify the areas where their CSR activities will be most effective in influencing organisational performance.

This research can assist firms in choosing CSR projects that appeal to local stakeholders and raise the

reputation of the company. Proper communication of CSR activities among local and global audiences can improve a company's reputation and raise consumer trust. The results of this research can motivate companies to interact more intensively with local communities, NGOs, government bodies, and other stakeholders to co-design and co-implement CSR projects. This interaction can assist in developing strong relationships, creating goodwill, and making initiatives relevant and effective.

Companies can apply this research to develop CSR programs that focus on employee well-being, work-life balance, and community engagement opportunities. Employee engagement in CSR activities can result in higher job satisfaction, improved retention rates, and a sense of purpose. This research can assist companies in determining the most effective and cost-efficient CSR programs, considering the resource limitations in industrially backward states. Businesses can strategically invest resources in initiatives that are socially and business-worthy. Policymakers can employ the results of this study to develop supporting policies and incentives that motivate firms to practice CSR. This study can also help in crafting rules that will bring about transparency and accountability in reporting and conducting CSR.

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