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CSR expenditure, mandatory CSR reporting and financial performance of listed firms in India: an institutional theory perspective

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Abstract

Purpose – The purpose of this study is to examine the moderating effect of mandatory corporate social responsibility (CSR) reporting on CSR expenditure and financial performance of listed firms in India. It uses institutional theory to explain the relationship.

Design/methodology/approach – The study used the Indian stock market as the testing grounds and applied descriptive statistics, hierarchical regression and panel regression with fixed effect assumptions for 800 firm-year observations for the period 2010 to 2019.

Findings – The study shows a positive and statistically significant association between CSR expenditure and financial performance [return on assets (ROA) and Tobin's q]. Also, the study shows a positive association between financial performance (ROA and Tobin's q) and CSR expenditure. Furthermore, the study shows that mandatory CSR reporting leads to an increase in CSR expenditure. Finally, the study shows that mandatory CSR reporting moderates the association between CSR expenditure and financial performance stock price returns). The study control for any form of heteroscedasticity, serial correlation and endogeneity effects.

Research limitations/implications – The study used one country data to represent the emerging economies. The use of one country data can limit the generalisation of the study.

Originality/value – Different studies have examined mandatory CSR reporting association with CSR disclosure or financial performance. However, this study takes the discussion further and contribute a novelty to sustainability development studies with the examined moderating effect of mandatory CSR reporting in the association between CSR expenditure and financial performance.

Keywords Sustainability, Institutional theory, Financial performance, CSR expenditure, Mandatory CSR reporting

Paper type Research paper

1. Introduction

The advocation of sustainable development goals (SDG) seeks to address the ills done to the environment and society in general by firm activities (Sustainable Development Goals, 2019). Firms in its pursuance of profit, leave a footprint on the environment and global players have agreed on how to reverse the negative effect on the environment and against humanity, using indicators of measurement in the areas of environmental and social

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