Synthesizing corporate social responsibility concepts and its impact on building soft image for firms: A review of relevant hypotheses

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ABSTRACT

Corporate social responsibility is a concept whereby corporations contribute voluntarily to societal well-being. Corporate social responsibility is a highly debated topic by academics, business professionals, and scholars of social sciences. The purpose of this paper is to investigate the link between corporate social responsibility concepts and firms' soft image and suggest the limitations of extant literature on CSR. This study reviews and summarizes the existing knowledge on corporate social responsibility (CSR). Academics and practitioners used both empirical and theoretical models to understand CSR. It is not convenient and feasible to review all extant literature on CSR; hence, key studies are included (i-e mainly empirical in nature). Keywords were developed based on review questions and final selection of specific papers based on contents of abstract. The findings suggest a positive link between firm image and activity of social responsibility. CSR helps to create a soft image for the firm and for their products that open up further avenues for firms to stay in business. In addition, the review suggests reasons for inconsistent results and their possible remedies for upcoming work on the subject. Overall, the paper contributes to understanding and linking CSR with marketing. The suggestions based on review are instrumental for managers working at local and international organizations. It further guides on the importance of local/ regional and /or other traditional activities that might become part of CSR to elevate business status in different contexts.

Keywords: Corporate Social Responsibility, CSR Disclosure, CSR Value of Firm, CSR Additional Cost

1. INTRODUCTION

Besides many advantages, industrialization has resulted in countless challenges and threats directly related to the environment, wherein, we and other creatures live on this planet. The human civilization based on the need of time, designed set of laws to regulate discrete entities of society (including legal entities). Society expects a sense of

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social responsibility from corporations besides adherence to laws and regulations. These responsibilities are considered best if these work in mitigating damage to any social or economic elements of society, such as environment, health, inflation and /or other community related issues. Hence, it is important for a firm to be socially responsible. The general social awareness and responsibility that firms may owe to society are termed as corporate social responsibility.

It is difficult to consider CSR as a brand new concept of the 20th century. Social welfare by firms or shareholders/individuals has always been there in different forms, sometimes, disguised indefinite cultural forms, such as philanthropy. However, it lacked a systematic sense of obligation. The act of CSR was taken as an irregular or individual act with no direct connection with core activities of firms. Extant literature failed to set universal guidelines for CSR, so it is sometimes cultural, ethnic and/or regionalist in nature. Despite empirical and theoretical work, the study on CSR seems to lack theoretical maturity. Therefore, academicians and researchers were unable to reach a generally acceptable definition and framework on CSR (Carroll, 1999; Coelho et al., 2003; Russo & Pirripi, 2010). One of the reasons why CSR became so complex to study and set a typical definition, lies in the fact that ethical pyramid of CSR varies with culture and region. Hence, it is sometimes difficult to set universally acceptable definition of CSR. One way to look at this point is to integrate the sense of social responsibility with firms' core activities.

Market players evaluate the firms' performance and stability on strength of their profits, expenses, growth and market share etc. However, society demands much more, such as quality of products and services offered and role of the company in tackling problems of society. These problems might have steamed up by operations of a specific industry or collective abuse of multiple industries. Indeed, it is highly needed to set a broad pyramid to fit CSR within core activities of the firm. Carroll (1991) postulated four main pyramids of CSR, such as, economic, legal, ethical and discretionary. 'Triple bottom line' (Elkington, 1998) is another way to put clarity on the role of CSR. This emphasizes firms to contribute to economic, social and environmental aspects. Based on empirical evidence and theoretical model, CSR can be defined as a process that integrates core

activities of the firm and its social sense of responsibility in a way that positively contributes to the environment and meets the expectations of all the other stakeholders.

The sense of social responsibility is likely to increase with growth in the life cycle of the firm. Big corporations or mature companies contribute more to society than small firms do, but (Ziegler, 2005; Perraton, 2007; Dixon and Boswell, 1996; Chang, 2004) discovered few negative aspects of MNEs. They argue that MNEs, given their expertise and easy access to better human and technological capabilities, mostly dominate the domestic market hence ruin the local market production and industries. The early debate on CSR emerged from the point that is it logical to put firms under social responsibility? This question divided academicians, managers and other social figures into two schools of thoughts. One advocated the significance of corporate responsibility and further thought it additional cost on firms. The findings based on empirical studies on considering CSR as an additional cost are however quite mixed.

Later on, the discussion shifted the direction of the subject, wherein, academicians and researchers thought the identification of elements that help firms to integrate CSR expenses to build market (soft) image. The firms may use the subtle image to attend various necessary objectives and to foster further in society. The benefits of CSR are manifold; ranging from the immediate and direct impact that includes economic benefits, such as enhanced firm value to indirect influence that covers consumer loyalty, brand image, and reputation of the firm. CSR is growing up to be an increasingly vital part of doing business mostly in European and American regions. As per the report of the KPMG 'International Survey of Corporate Responsibility Reporting' on socially responsible investing trends in the United States, nearly 80 percent of global fortune 250 companies disclose CSR expenditure and this is almost 50 percent more than figures in 2005.

The present study underscores the importance of CSR from marketing point of view. The authors synthesized existing literature that discussed the subject from diverse perspectives starting from its formal inception. The study suggests a conceptual model based on evidence of empirical studies. It is fact that literature review provides synthesis of extant knowledge. It cannot present a novel theoretical contribution to an existing

body of knowledge. However, the study suggests a conceptual model that provides evidence on how firms use CSR to market themselves in certain societies. Hence, the present study provides a revised view on the marketing aspect of CSR. We refer the study of MacInnis (2001) to elaborate how this paper contributes to existing literature. Marine (2001) presented eight specific conceptual goals that conceptually contribute to existing marketing knowledge. The present study falls under revising category as suggested by MacInnis (2011). The revised conceptual model for CSR presents existing understanding on specific elements in the peculiar way that was not regarded altogether in one picture before. The conceptual model of present study integrates disparate strands of benefits that corporations attain under CSR activity. In addition, the study lists few immediate benefits that firms may gain using CSR. The following part of paper discusses these benefits in the form of hypothesis.

2. LITERATURE REVIEW

The purpose of any literature review is to present at a glance, a precise, authenticated and scholarly insight on the subject matter. In addition, literature review provides guidelines on future research topics since it also discusses gaps in findings and provides future direction on the subject matter. Although the literature review would not provide new knowledge in the specific field of study it summarizes the existing knowledge in a scholarly way. We are aware that much of the literary work on CSR has been conducted in developed countries, but its concept is already at developing stage in emerging economies. CSR has traditionally been practiced in some peculiar patterns to suit cultural demands of certain countries. CSR as per prevailing academic and formal perspective is gaining importance both in developing and less developed countries. CSR has been gaining increasingly important in emerging economies (Lietal., 2010; Baskin, 2006). The extant literature on CSR is restricted in a sense that it mainly focuses on developed economies (Muller and Kolk, 2009). Some of key and contemporary studies on CSR disclosure in western economies include Samuel and Brian (2004), Zeghal and Ahmed (1990), Adams, Hill, and Roberts (1998), Adams (2002); in Australia Barut (2007), Deegan and Rankin (1999) and Deegan, Rankin, and Voght (2000); in Africa, Savage (1994); in New Zealand, Hackston and Milne (1996). A close look at extant

literature reveals the fact that there is a dearth of empirically tested work on CSR in developing economies, such as India, Pakistan, China, and Malaysia. Not many empirical studies are posted on CSR in Africa and other developing countries. This may be supported by fact that developing countries lag behind on premises of availability of data, legal framework or clear legislation when compared with developed nations. The developing economies lack in availability of a widely accepted mechanism to identify, measure and rate the firms in CSR context. Analysis of literature sees the fact that there is a dearth of scholarly research in CSR disclosure in developing countries (Azim et al., 2009). A great care has been taken while exploring literature on CSR to include empirical studies in different regions. This approach shall help in meeting a generalized view of all dimensions of CSR. In addition, the review explores the research designs, techniques to measure CSR and significant concepts emerged so far by the work of scholars of this field.

3. STUDY FRAMEWORK

The framework of this study is much like the way as adopted in most of the literature review studies. Corporations are interested in identifying the factors that positively affect the results. In this study, we included some of the key dimensions of CSR that carry considerable significance for corporations. Conventional literature review studies search relevant information on the subject in certain journals. The purpose of present study is to reach a broad conceptual model on CSR from a marketing point of view; hence, finding extant work on CSR in certain journals may damage the very purpose of the present study. We used the approach of “general to specific”; therefore, we looked for relevant studies on CSR in databases, such as science direct and emeralds using different keywords. Each keyword represents different hypotheses.

These hypotheses are written below in the shape of questions; such as 1. Does CSR have the capability to mitigate the financial, reputations or regulatory risk of a legal entity? 2. Is CSR good enough to enhance the value of the firm? This question seeks to know if CSR has any importance in enhancing the performance of the firm. 3. Is CSR really an additional cost for the corporation? 4. Does the impact of CSR vary in different

markets or regions? 5. Does CSR help to build soft image? 6. What is the strategic importance of CSR disclosure for a corporation? 7. Is the impact of CSR different for financial and non-financial corporations? 8. Do consumers reward corporation in many ways in exchange for their expenditure in CSR?

The study used CSR and corporate social responsibility as the keywords in each question to look for published work on CSR. For example for question number 3, CSR and Corporate social responsibility as an additional cost and CSR and Corporate social responsibility as an overinvestment view. Each search retrieved a huge number of papers. It is common that the first page usually brings search results close to search keywords. Therefore, we chose ten key papers from each search output. In addition, we studied abstract of selected papers and excluded the irrelevant papers based on the purpose of the present study. In addition, we included a few key papers that were referred in earlier papers for clarity of subject knowledge. Some of the supplementary papers from separate journals are included too. We included the latest studies so that timely relevance of studies may be ensured.

4. CSR THEORIES AND HYPOTHESES

It is difficult to trace precisely the history of CSR. However, this has a lot to do with human civilization but scholarly work on the subject started gaining popularity much later. Prescribed work on CSR discusses the societal responsibilities that corporations owe to society and its prospective influences on the firm.

The rest of paper is structured as: Section 2 discusses the existing theories/hypotheses on CSR. Section 3 presents the conclusion. Following are some key CSR theories and/or hypotheses developed so far.

4.1. CSR creates an Insurance-like Firm Asset:

Firms are ongoing business concerns. However, at the same time, they face varied forms of risks. Some of the risks are industry-specific and others are general. Among all risk factors, the most noteworthy is default risk. Default risk is the probability that a firm would be able to meet its financial obligations as per agreed terms and conditions (as referred by Wenbin Sun & Kexiu Cui, Vassalou & Xing, 2004; Bakshi,

Madan, & Zhang, 2006). It interests to know if CSR plays a significant role in mitigating default risk level. Therefore, the main objective here is to identify empirical evidence of the capacity of CSR to reduce the risk. Lee and Faff (2009) documented that idiosyncratic risk and returns become lower for firms with high CSR activity. The study utilized environment, social and governance dimensions of societal responsibilities. In another study by Dboutin-Dufresne and Savaria (2004) concluded that firms' idiosyncratic risk volatility reduces risks for firms that make more expenditure on CSR. The other school of thought looks at CSR as an additional cost to firms after meeting legal requirements. Hence, exalted level of CSR activity may cause liquidity issues for a firm. Liquidity problem turns severe if a firm cannot find funding from the market. It is most likely that the probability of default risk decreases with an increase in ease of access to debt or equity financing. Sharfman and Fernando (2008) documented that firms with good environmental performance (i-e they practice environment element of CSR) have easy access to debt financing. Feldman et al. (1997) documented that investors perceive that firms with high CSR score are less risky. Alternatively (Starks, 2009; Frederick, 1995; Robinson et al., 2008) suggest that investors perceive that firms with high CSR score are riskier than firms with low CSR score. Verwijmeren and Derwall (2010) and Bae et al. (2011) considered employee well-being within the firm as a CSR strength. Both studies documented that firms with better staff well-being record have low leverage. Low leverage decreases the probability of default risk.

Sun & Cui (2014) took an in-depth study of many aspects to explore the relationship between CSR activity and risk reduction. The sample includes 829 observations from 303 firms for the period 2008 to 2010. In sample distribution, manufacturing industry leads with 45 percent contributions and other industries include retail and wholesale trade, services, finance insurance & real estate, mining and construction. Findings suggested that CSR has broad but fundamental significance as it contributes to reducing market, systematic and idiosyncratic, default and industry risk.

4.2. CSR enhances Firm value:

Social Responsibility (SR) is a moral responsibility hence, does not come under any legal jurisdiction. Therefore, any expense on CSR activity reduces the current

(residual) return of the firm. Hence, it is highly likely that the increase in CSR activities may hinder corporation from meeting shareholders' value maximization theory. CSR activities would rather shift managers' focus to serve the interest of a broad range of stakeholders, such as local community, workers, domestic or foreign subcontractors and the ultimate shareholders. It is equally pertinent to consider the positive impact of CSR on market value by enhancing workers' productivity. The extant literature supports the argument of the productivity-enhancing effect of CSR, such as (Yellen, 1984), gift exchange models (Akerlof, 1982) and in shirking (Shapiro & Stiglitz, 1984). Most of the early studies on CSR tried to explore the possible impact of CSR on the performance of the firm. The following studies suggested either negative or no effect of CSR on firms (see for example, Waddock & Graves, 1997; Griffin & Mahon, 1997; Harrison & Freeman, 1999; Mc William & Siegel, 2000; Orlitzky, Schmidt, & Rynes, 2003; Abu Bakar & Ameer, 2011; Oeyono, Samy, & Bampton, 2011; Roshayani, Faizah, Suaini, Mustaffa, & Tay, 2009; Van Beurden & Gössling, 2008; Roman et al. 1999; Brammer & Millington, 2005; Porter & Kramer, 2006; Saiia et al., 2003 and Orlitzky et al. 2003; Crisóstomo, Freire, & Vasconcellos, 2011; Malcolm, Khadijah, & Ahmad Marzuki, 2007, and Aupperle, Carroll, & Hateld, 1985).

A recent study by Moser and Martin (2012) documented a positive relationship between CSR and firm performance. They gave a meta-analysis of 251 studies. Alberta Di Giuli, Leonard Kostovetsky (2014) studied firms operating in U.S. The final sample included 500 U.S based firms. The study employed demographic factors, such as Democratic-leaning states and Republican-leaning states and non-demographic and non-demographic factors, such as CSR rating, stock returns, return on assets (ROA). The empirical evidence suggested that the future stock returns diminish with increase in CSR rating, as the relationship between them is important but negative. Similarly, the CSR rating has inverse but the meaningful relationship with ROA. The study concluded that the society accrues CSR benefits at the exact cost of the value of the firm. The findings on demographic factors are interesting. The study provided suggestive evidence that firms operating in Democratic-leaning states have higher CSR score. Hence, they make more CSR expenditure than firms operating in Republican-leaning states do.

Hong, Kubik, and Scheinkman, (2011) documented that CSR expenditure is negatively associated with the value of the firm. He used these words to describe it “Goodness is costly” and “a complement to profit”. Nelling and Webb (2009) found no significant evidence of an association between CSR activities and financial performance of the firm. For them, CSR is an irrelevant factor to explain the performance of the firm.

Sadok El Ghou, Omrane Guedhami, Chuck C.Y.Kwok, Dev R. Mishra, (2011) studied 12,915 U.S based firms. The study grouped industries in the sample into ‘sin’ and ‘non-sin’ industries and collected data for 16 years from 1992 to 2007. The study provided significant evidence. It revealed that a CSR expenditure made to enhance the quality of employee relations, environmental policies and product strategies help substantially to reduce the cost of equity. In addition, the study concluded that the cost of equity increases for ‘sin’ industries, such as nuclear power and tobacco. The findings support the hypothesis that CSR enhances firm value. Jiao (2010) included internal factors of the firm and suggested an indirect, positive and significant CSR on corporate performance. The author treats CSR expense as an investment in intangible assets that translates into the efficiency of human capital and firm reputation that are necessary for firm’s competitiveness. In addition, the study suggested a negative association between CSR and value of the firm for managers take credit of CSR at expense of shareholders.

Abraham Lioui & Zenu Sharma (2012) took environmental corporate social responsibility (ECSR) factors and their strength and concern, such as efficient use of energy, pollution prevention, recycling, clean energy and hazardous waste, regulatory problems, ozone depletion, climate change for strength and concerns respectively. The study found statistically significant but negative relationship between ECSR and ROA. The authors suggested an inverse relationship as shareholders perceive expenses on ECSR as direct cost or penalty on the firm, and hence, it negatively influences the performance of the firm. In addition to that, the study found a positive and statistically significant relationship between firms’ performance and interaction between environmental strength and concern and R&D. Literature includes some studies that show a negative relationship between ECSR and firm performance (see, for example, Bird et.al. 2007; Horvathova, 2010; and Marsat & Williams, 2011).

Xin Deng, Jun-koo Kang & Buen Sin Low (2013) found a relationship between value maximization concept and mergers by low CSR and high CSR acquirers. The study included 1,556 cases of completed mergers in U.S from the year 1992 to 2007. Findings support the idea that it takes less time to finalize the merger by high CSR acquirers than low CSR acquirers do. Findings further state that it leads to the higher announcement of stock returns for high CSR acquirers compared to low CSR acquirers.

4.3. CSR as an additional cost to the firm:

Advocates of CSR view the CSR expenditure as a strategic tool to mitigate risk. CSR decisions require funds to perform social activities. Therefore, few scholars treat CSR as an additional cost for a firm or a costly adventure. The opponents of CSR argue that the broad purpose of firms is to maximize the wealth of shareholders; hence, any expense on CSR activities reduces available funds. Therefore, it is pertinent to explore if the decision of CSR expenditure of a firm receives the consent of shareholders or it is a sole discretion of managers. We found mixed views on this question. Managers use CSR expenditure to build their personal image at the cost of shareholders profit. (Barnea and Rubin, 2005). (Yermack, 2006) termed CSR as an agency cost. He resembled it in buying unnecessary corporate jets. (Allen Goss, Gordon S. Roberts, 2010) conducted an empirical study on a sample of 3996 U.S companies. The study was designed to know if lenders discriminate between firms with high or low CSR expenditures. They set a hypothesis as higher levels of CSR will increase risk and lenders will demand more compensation for bearing that risk. They documented that lenders punish low-quality borrowers with high CSR expenditure. Hence, loan terms become shorter and expensive for them.

Jo and Harjoto (2009) based on their results, termed CSR as an over-investment. They said that despite any motivation, the diversion of resource to meet societal needs besides regulatory requirements is always an additional cost for the shareholders. Thus, they termed CSR expenditure as a barrier to achieving wealth maximization aim of a firm. In one of the initial studies by Friedman (1962) stated that any expenditure on CSR activity is an additional cost after meeting legal requirements of doing business. Hence,

corporate managers invest in CSR activities on behalf of the actual shareholders, such delegation maybe better exercised by individual shareholders. The author admired the ancillary benefit of CSR and suggested that expenditure on CSR would become more effective if such expenses aim to boost the same industry or to reduce the damages caused by collective operations of the firms. Barnea and Rubin (2005) have termed CSR as a source of agency conflict. As managers might accrue the benefits of CSR activities at the cost of actual shareholders.

Some of the authors have worked on intrinsic motivation model. This suggests that CSR oriented organization may easily attract workers who accept low wages (or sometimes as volunteers) when the intrinsic motivation outweigh the economic benefits (Frey & Oberholzer-Gee, 1997; Ryan, Koestner, & Deci, 1991; Kreps, 1997). Therefore, CSR activity is a source of producing intrinsic motivation that gears up high productivity and reduces cost by attracting workers to operate at minimal wages.

4.4. Impact of CSR on different markets and regions:

Corporations adopt to various cultures distinctive values in their business models to meet different legal conditions/requirements in different markets. Similarly, it is important to note if the role of CSR changes with a change in markets or regions. A profound synthesis of extant literature uncovers the fact that this aspect of CSR could not grab much attention of scholars, academicians or researchers. A multifaceted analysis of product development, consumer behavior, market orientation, market exploration and the social relationship would help in to understand the critical significance (if any) of CSR in different markets.

Mc Williams & Siegel (2000) suggested managers integrate CSR factors in the process of product or service development for this would give an additional and valuable differentiation to firms that will give them the opportunity to keep an existing customer base. The author has examined the importance of CSR in creating a sympathetic image for products or services. This will reward firms with a competitive edge over firms with low or no CSR score. In a highly competitive environment, an additional differentiation may help firms to retain customer level, which is important for stable earnings.

Bocquet, Le Bas, Mothe, & passing, (2012) suggest that CSR can be considered as special asset and shield and may be integrated as a strategy that firms proactively prepare to deal with different market oriented issues. Mature firms in developed countries have realized the importance of CSR, but it is equally crucial to find out if they are socially responsible while running subsidiaries in other than the host country? An empirical study by Byung Il Par, Agnieszka Chidlow & Jiyul Choi (2014) brings to light this aspect of the study. The domain of study in South Korea. The study included 1531 firms operating as a subsidiary of certain MNEs in Korea. The study was a survey approach to collect data. Empirical findings revealed that NGOs, internal managers, and customers play an important role in pushing MNEs to operate subsidiaries in a socially responsible manner. Findings further state that local governments and local communities have an influence on MNEs' CSR activities in absence of strong consumer power market. The above discussion highlights a key point that firms tend to opt for CSR activities in markets that have either concentrated client power or presence of active local governments and communities. The findings indicate that CSR is no more a mere choice of managers but in fact has become a key factor to attend loyalty level of customers.

4.5. CSR Disclosure:

It has become increasingly popular among firms to reveal their CSR activities in separate disclosures. It is also important to know the purpose that pushes firms to uncover this information. Dhaliwal et al. (2009) found empirical reasons for CSR disclosure by firms. The study showed that firms wish to present their CSR expenditure to stakeholders in order to project them as socially responsible businesses. The purpose of such projection is to earn a positive reputation for brand and businesses in order to attain numerous strategic goals.

Christine Mallin, Hisham Faraz & Kean Ow-Yong (2014) studied the impact of CSR on the financial performance of Islamic banks. The authors included a reasonable sample of 90 banks operating in 13 different countries from 2010 to 2011. The study found statistically significant and positive impact of CSR disclosures on bank performance except for environmental dimension of CSR.

Kansal, Joshi & Singh (2014) studied the relationship among CSR disclosure, corporate size, industry type and corporate reputation. The impact of social media, awards and other governmental recognition is used as a proxy for corporate reputation. Similarly, data on CSR are collected from annual reports. The authors used top 100 firms listed on Bombay Stock Exchange (BSE) 500 indexes. Using content analysis method, the study revealed that firm's industry affiliation and profitability influence CSR disclosure. The study could not find any empirical evidence of an association between CSR disclosure and risk.

4.6. Impact of CSR on financial and non-financial industries:

How do financial institutions consider CSR activities of corporations while making lending decisions? Do financial institutions reward firms with higher CSR score or punish them? The answer to these questions is quite significant. This would help corporate managers to rethink (revise) CSR related activities. It is a fact that investors and consumers are critically important for corporations since they help them expand further and boost sales and shapes their future standing. The financial industry has a key role in any economy. Therefore, it is much germane to find out how they treat the borrowers with high or low CSR expenditures. Allen Goss, Gordon S. Roberts (2010) revealed that firms with social irresponsibility concern pay more (i-e 7 to 18 basis points) than a firm that is more socially responsible. This study was conducted on a sample of 3996 U.S based companies. The study exploits the unique role of banks as "quasi-insiders" of the firm to explore whether lenders discriminate between firms with low levels of CSR to those with higher levels. The findings reveal that lenders use CSR expenditure of a firm as a proxy for security. In addition, the study found interesting evidence that discretionary spending on social responsibility for a low-quality firm makes loan terms shorter in terms of the life of the loan and expensive in terms of basis points.

Hong and Kacperczyk (2009) identified the investors according to their preference for investment in different stocks. The study provides significant evidence that norm-constrained institutional investors such as pension plans include fewer "sin" stock in their investment portfolio. The study sheds light on fact that it has become significant

for institutional investors to buy stock of firms that are more socially responsible. However, this aspect of knowledge on CSR requires further studies, but the available evidence indicates that financial investors (pension funds and commercial or investment banks) reward socially responsible corporations.

4.7. CSR and its image-building role:

Regardless of the fact that the concept of CSR has become widely acceptable today than ever before, there are some questions that need answers. Do corporations spend on CSR because of their love for society? Do they opt for CSR expenses just for adventure? Do they spend on CSR just to prove themselves socially responsible? If “YES” is the answer to these questions then it becomes hard to understand the importance of CSR disclosure. If the answer is “NO” then what are other reasons that derive corporations for CSR activities? Baron, (2001) documented that CSR expenditure can be integrated into branding/reputation effects vis-a-vis clients, employees, investors. Since the effect of CSR is not direct and easily calculable, therefore, the author suggested the possibility of spreading benefits of monetary expenditure on CSR to future years in terms of building soft image or reputation of the firm.

Luo & Bhattacharya (2006) disclosed that customers regard high CSR firms better than they regard low CSR firms. Hence, this helps in fulfilling customer satisfaction, which translates into building image and profit of the firm. Lichtenstein et al, (2004) documented that CSR score of firm mainly drives consumers’ preference (for products/services). High CSR firm is rewarded in the form of higher sales. Higher CSR activities improve the reputation of the firm (Fombrun and Shanley, 1990). The reputation for higher CSR activities earns soft image for specific product/service or corporation that ultimately helps them to gain a competitive edge in the market (Kay, 1993). The way firms use soft image earned by CSR is not restricted to just raising sales. CSR activity helps in building firms’ image and reputation, thus, on the occurrence of any negative event, external stakeholders to punish low CSR firms more than they punish high CSR firms (Carter, 2005; Godfrey, Merrill, & Hansen, 2009).

The turbulent market situation makes cash flows less stable and this factor may

enhance the probability of default (D'Aveni and Ilinitch, 1992). One view considers CSR as a unique asset that improves brand image and enhances customer loyalty. The fame attained through CSR could be useful in reducing consumer price sensitivity (Sen and Bhattacharya, 2001).

Firms like to establish business relationships with well-known banks even if they have to pay higher loan rates than less-known banks (Kim et al. (2005). The relationship signifies the creditworthiness of firms and reduces asymmetric information gathered by stakeholders. Thus, CSR creates a shield and helps high CSR firms perform better in the extremely turbulent environment than in a less turbulent environment (Anderson & Mansi, 2008; Rego et al., 2008; Srivastava, Shervani & Fahey, 1998). In a market economy, customers are assumed rational; same logic works with investors. (Shea, 2010; BeckerOlsen, Cudmore, & Hill, 2006) found out that CSR activities reward the firm. Ethically responsible consumers and investors make consumption and investment choices by analyzing their social responsibility behavior. Therefore, CSR helps to portray a subtle and positive image of the firm.

Leonardo B., Rocco C., Iftexhar H., and Nada K., (2012) conducted an empirical study of 278 firms with 327 events of entries and exits in the Domini 400 index. Domini index adds or deletes certain firms from the index based on parameters such as a) community; b) corporate governance; c) diversity; d) employee relations; e) environment; f) human rights; g) product quality; and controversial business. The study concludes that the influence of SR-related events is negatively and significantly related to abnormal returns in case of exit from the Domini Index. Findings support the argument that firms review their value maximization goal and set an objective that encompasses all stakeholders. This makes the positive reputation of firms in the long run.

However, few scholars have come up with the opposite view. (Margolis, Elfenbein, and Walsh, 2007) state that the benefits of CSR empirically do not outweigh expenditure on CSR.

4.8. CSR and Stakeholders Theory

The ultimate aim of a firm to enter the market is to earn profits for shareholders.

During the course of business, firms adhere to a universal set of rules and regulations set by legal or another authority unit of a specific country. Stakeholder theory advocates the importance of adherence to certain social standards besides legal rules. Since businesses are part of society, so it would not be only enough if core business activities do not harm the general fabric of society but firms are expected to take a step further to remove any social illness or problems that may damage society in long run. There is still speculative discussion on who are actual stakeholders. However, environment, community, customers, and workers are widely accepted as the principal stakeholders. These all stakeholders are prime factors that gave birth to the concept of CSR.

The study of extant literature reveals the fact that not enough empirical studies are conducted in developing economies on 'employees' - one of the key factor in stakeholder theory and CSR. Levente (2014) conducted a comprehensive empirical study on 300 small and medium sized enterprises (SMEs) in the center of Romania. The survey based study makes following key contribution: 41 percent of firms do not consider CSR important. Only 37% of managers have enough knowledge about CSR; 69% firms do not have any strategies to handle social issues; 65% firms lack availability of dedicated person for CSR; 75% firms have no idea about CSR strategy of their competitors and 87% firms lack CSR data archive. These statistics present alarming situation as most of the managers in the domain of study lack interest in CSR and hence are not familiar with the concept of CSR.

The welfare programs of firms vary in characterizations depending on the cultural, historical and social welfare needs of society. It is hard to decide the most demanding or promising aspect of society that firms may take in as social responsibility. Kuznetsova et al. (2009) describe CSR issues in a broad range, such as, from 'job creation' to 'looking after employees' and 'making profit' for shareholders. Preuss and Barkemeyer (2011) consider the sustainability-related aspects of the firm as a key responsibility of the firm towards society.

Matthias S. Fifka & Maryna Pobizhan (2014) studied 50 large Russian companies; 52 percent of firms in the sample are involved in the extraction and refining of oil, gas, coal, and minerals. Based on the content analysis, the authors recommend

foreign firms operating in Russia to fully realize the CSR patterns in Russia and take care of employee-related benefits and charitable activities to the immediate community. The study further recommends the foreign firms to liaison with Russian authorities on CSR activities for this will strengthen firms at the political level.

5. CONCLUSION

The in-depth study of extant literature provides ample evidence on the importance of CSR and also sheds light on its limitations. The impact of CSR is not direct or immediate so advanced tools for data collection and measurement of CSR would help to fill this gap. There is a need to develop refined tools to measure CSR (Ramanathan 1976; Ilinitich et al., 1998; Tanejia et al., 2011; Preston (1981). In addition, inconsistent results may eventually arise from a choice of different econometric models as well. Misspecification of economic models is also paradoxical (McWilliams & Seigel, 2000). The non-availability of data on CSR is another major limitation that hinders further studies on the subject particularly in emerging or less developed economies. We put our best efforts to study and synthesize the work on the subject in various markets or regions, however, most studies used data from firms operating in U.S. The good documentation of monetary indicators or variables is perhaps the plausible reason for academicians/researchers for selection of U.S economy for CSR studies. The lack of multiple sources of data on CSR might be another limitation. Majority of studies utilized KLD database and CSR discretionary disclosures made by firms. This raises concern about what process KLD uses in order to identify and measure the data on CSR. In addition, independent auditors do not audit, hence, CSR disclosure document is subject to numerous questions. Therefore, authenticity and reliability of CSR disclosures are debatable. Furthermore, it is difficult to define explicit constructs of CSR that are generally acceptable. The availability of data and fast-paced work on CSR shall help to identify the true constructs and help to reach consistent results.

We found enough empirical studies with the theoretical support that make CSR relevant and help firms enhance value, employee productivity, create a brand and firm image and decrease the risk level. The overall view of all studies reveals interesting fact that the ultimate aim of CSR for firms is to make a soft image. The firms market this

image to attain various targets, including increased sales, customers' loyalty, investors' confidence and other politically driven objectives to mitigate regulatory risks. Therefore, the image built using CSR strengthens firms' relationship with society, stakeholders, and regulators. The conceptual model in figure 1 provides a graphical representation of different parameters used by various firms to strengthen their brand image.

Figure 1. Conceptual model of motives attained through CSR activities

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