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Corporate Social Responsibility and Firm Performance: Evidence from the Chemical Industry in India

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Abstract

India has mandated corporate social responsibility (CSR) expenditure under Section 135 of the Companies Act,2013 in 2014. In line with the "Stakeholder wealth maximization concept", the relationship between CSR expenditure and firm performance has been tested for Chemical firms in India. Actual CSR expenditure and Return on Assets have been used as a proxy for CSR activities and firm performance. The data was collected from Prowess IQ. STATA-14 was used for data analysis on 1545 firm-year observations. The fixed Effect model of the Panel Regression model has been used as suggested by Hausman Test. A positive relation between CSR expenditure and firm performance has been established in Indian Chemical firms. It further gives a motivation for Chemical firms to engage in CSR activities. It has numerous implications for policy-makers to legislate laws for CSR, for investors tend to invest more in CSR-conscious firms. For managers of the firm, it helps to achieve the organization's legitimacy by indulging in CSR activities.

Keywords – CSR, Firm performance, STATA, Chemical firms, Return on Assets, Companies Act,2013