

**Reva Business School**

Major Project Proposal

On

**“A STUDY ON THE CORPORATE SUSTANIBILITY AND FINANCIAL PERFORMANCE OF INDIAN DESIGN PVT LTD”**

**Master of Business Administration**

Submitted By

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**CHAPTER 1**

**INTRODUCTION**

Business is a remarkable social invention of the contemporary world, consisting of firms that are a part of and emanate from society .Businesses face sustainability compliance pressure from both internal and external stakeholders and hence adopt relevant approaches to avoid customers and public disfavor. Sustainability as a concept is grounded in creating a balance between the principles of integrity (environment), equity (society), and prosperity (economy) , later ideated as “Triple bottom line”(TBL) concept (Elkington 2011). Among these three goals, pursuing the first two is likely to enhance the third goal, aligning with the value maximization goal of the firm. However, many times the role business plays for sustainability is criticized for being driven by a political and profit-driven agenda.

The country is increasingly playing a global role because of many strengths, such as the global presence of Indian diaspora, entrepreneurial interest and culture, robust confidence from investors, highly skilled English-speaking personnel, stable political scenarios, and supportive government initiatives. As a large and young population presents a massive opportunity for this country to contribute in all dimensions, it is equally lagged because of various challenges. Recently, equal focus is given on sustainability apart from the financial aspects of growth and performance. Indian government launched programs like Swachh Bharat Abhiyan (focused on cleanliness and sanitation), Pradhan Mantri Ujjwala Yojna (focused on less emissions in household cooking), Pradhan Mantri Jan Dhan Yojana (focused on financial inclusiveness), Pradhan Mantri Jan Arogya Yojna (focused on universal health coverage) and No single-use plastic, which are directed towards various dimensions of environment and social factors.

The predominant driver for CSR or sustainability in Indian context is the moral imperative. As per the Vedic philosophy prevalent in Indian society, the principle role of money is to serve the needs of the community and for the welfare of others.

CSR in India is a well-established phenomenon as per its historical tradition and culture derived from its value system and has evolved with time from being driven by religious aspects during pre-industrial periods to the strategic approach taken by corporates today; however, there is a significant room for improvement. Changes in Companies Act 2013 that mandates a particular class of firms to devote a minimum of 2% of the last 3 years’ average profit towards CSR provides an opportunity for organizations to transition from philanthropic CSR to strategic CSR.

However, it is criticized for being an instrument used by the government to abdicate its social responsibility by directly putting a tax of 2% on corporates rather than mandating them to spend it on CSR activities.

Sustainability and its relationship with organizational performance have remained a prominent area of research with a lot of focus from academic researchers.An imperative reason for conducting this study in India is a dearth of literature focusing on CSP-CFP causality as most of such studies have been done for firms in developed countries.

**CHAPTER 2**

**OUTLINE OF MAJOR PROJECT PROPOSAL STRUCTURE OF THE PROPOSAL**

**2.1 Title of the study**

“A STUDY ON THE CORPORATE SUSTAINABILITY AND FINANCIAL PERFORMANCE OF INDIAN DESIGNS PVT LTD”.

**2.2 Abstract**

This study investigates the relationship between corporate sustainability and corporate financial performance, in addition, it examines the moderating effect of individual characteristics of CEOs on the relationship between corporate sustainability performance and corporate financial performance . This study initially used the cross-section analysis for each of the years to study the CSP-CFP relationship, and then, the fixed effects model was used in the panel data analysis to investigate each of the CSP-CFP relationship and the moderating effect of each of CEOs characteristic namely: Overconfidence, Education, Tenure and Reputation on the CSP-CFP relationship. In the cross-sectional analysis, no significant relationship. corporate sustainability performance and corporate financial performance. Likewise, in the fixed effects model, no significant value, Tobin’s Q, Overconfidence, Tenure, Education, Reputation of correlation has been found. More importantly, this study did not find any evidence of a moderating role of CEOs' characteristics on the relationship between corporate sustainability performance and corporate financial performance. This study added new insight into the CSP-CFP relationship by focusing on the moderating role of individual characteristics separately instead of organizational characteristics that were studied intensively in the literature. This study paves the way for exploring more individual characteristics that may be moderating the CSP-CFR relationship

**keyword:** Corporate sustainability performance, Market-based, Accounting-based-Market to bookvalue, Tobin’s Q, Overconfidence, Tenure, Education, Reputation.

**CHAPTER 3**

**LITERATURE REVIEW**

1. Goyal. P, Rahman Z. and Kazmi, A.A. (2013)-research in the field of sustainability performance and firm performance association, analyzed this relationship in developed countries. Financial performance is used in most of the research as a proxy to firm performance.
2. Gang Nathan Dong (2015) - The cost and financial sustainability in health care sector. The goal of this chapter is to study the degree to which health care providers manipulate accruals in periods of financial difficulties caused, in part, by the rising costs of labor.
3. Alshehhi, A. Nobanee, H.Khare, N(2018)-The relationship between corporate sustainable practices and financial performance has received growing attention in research, yet a consensus remains elusive. This paper identifies developing trends and the issues that hinder conclusive consensus on that relationship.
4. Cho, Sang J., Chune Y. Chung, and Jason Young. (2019)- This study analyzed whether a systematic relationship exists between corporate social responsibility (CSR) performance and corporate financial performance. profitability and firm value were used to measure corporate financial performance.
5. Wei Wang, Xue-Zhou Zhao, Feng-Wen Chen, Chia-Huei Wu, Sangbing Tsai, Jiangtao Wang (2019) - the impact of corporate social responsibility and public attention on the innovation performance of high-polluting firms. The results show that there is a positive association between corporate social responsibility and innovation performance.
6. Hussain RI, Bashir S, Hussain s (2020)-CSR and financial performance in the microfinance sector are scarce, especially in Pakistan. CSR will develop customer attraction and loyalty, employee attraction, motivation and commitment, MFIs' reputation and access to capital, and eventually build financial performance.
7. Afriyie SO, Kong Y, Lartey PY, Kaodui L, Bediako IA, Wu W, Kyeremateng PH.(2020 Nov) -A critical obligation of corporate governance dimensions. Corporate governance mechanisms influence the behavior of health systems in ways that are associated with financial performance.
8. Deng X, Li L(May 2020).-corporate financial performance , which enriches the research in this field. Meanwhile, it provides a new perspective for understanding the relationship between ESI and corporate financial performance through the analysis of nonlinearity and owner heterogeneity.
9. Tsai CH, Mutuc EB(2020 Jan).- The results also indicate that the combination of accounting and market-based estimates of financial performance was found to be significant mediating factor to explain the phenomenon which varies per ICs and dimensions of CSR.
10. Yaling Deng et al. Environ SciPollut (2020)-A set of dynamic evaluation systems based on data envelopment analysis (DEA), has been constructed to determine the financial performance of Chinese nuclear power-related enterprises; the evaluation indicators reflect not only current development but also future development.
11. Tjahjadi B, Soewarno N, Mustikaningtiyas F(2021 Mar)- This study aims to investigate the effect of good corporate governance (GCG) on corporate sustainability performance (CSP) using the Triple Bottom Line (TBL) approach in a two-tier GCG system. CSP consists of economic, social, and environment sustainability performance.
12. Liu Y, Xi B, Wang G(2021)-The empirical results show that without considering the quality of environmental information, fulfilling environmental responsibility can significantly improve the corporate financial performance after incorporating the quality of environmental responsibility performance and classifying corporations into subgroups by region and attribute, the fulfillment of environmental responsibility has a significant positive impact on the corporate financial performance .
13. Zheng F, Zhao Z, Sun Y, Khan YA(2021 Aug)- CSR moderated the inverse relationship between this outbreak and Chinese firms' financial performance. Findings of this study contribute to enrich the existing literature on impacts of the Covid-19 outbreak on firms' financial performance worldwide and suggest helpful practical and theoretical implications.
14. Naveed Ahmad, MiklasScholz, EsraAldhaen, Zia Ullah, Philippa Scholz (2021) - Businesses in the present era are dealing with a complex and unprecedented brew of social, environmental, and technological trends. Yet organizations are often reluctant to place sustainability core to their business strategies with the mistaken belief that the costs associated with environmental investments outweigh the benefits.
15. Yuan ma, jingzhi Men, Mingyu Li, Xiaoyan Li (2021) -Rapid industrial development has caused a series of environmental problems, which is not conducive to sustainable development of society as a whole. It is necessary to build a sustainable development evaluation system
16. NejlaOuldDaoudEllili, HaithamNobanee (2022) - Sustainability disclosure is examined by considering three dimensions-economic, environmental, and corporate social responsibility-and using content analysis. The empirical results show that banks' levels of sustainability disclosure are low.
17. Paul Ludwig, RemmerSassen (2022) - Systematic review to analyze the relationship between corporate governance and corporate sustainability. As enterprises are directed through corporate governance, the integration of corporate sustainability is a necessary step to secure long-term firm success and react to recent social and environmental developments.
18. Su-Hee Lee, Gap-YeonJeong (2022) - This study tried to examine whether the compatibility and authenticity of CSR influences brand trust, thereby affecting CSM including economic viability, environmental soundness, and social responsibility.
19. Peng X, Zhang R.(2022)- This study explains the agency effect of board composition on MNCs' environmental sustainability development and the influence of national culture, which establishes a link between CG, ESP, and national culture.
20. Carvalho C, Madaleno M.(FEB 2022)-corporate social responsibility is a set of measures that an organization can adapt, to improve the well-being of its stakeholders and promote the balance of economic, social, and environmental performance .

**CHAPTER 4**

**RESEARCH METHODOLOGY**

The literature search was conducted in two steps. In the first, we began with a random searchof articles with the help of various search items. We looked for search items in articles’ titles,abstracts or keywords. Articles including the following keywords i.e. corporate social responsibility, corporate social performance, CSR, ESG, environmental performance, social performance, corporate sustainability together with profitability, corporate performance,corporate financial performance, firm value, we selected the articles,papers and chapters published by the following academic known publishers i.e. Springer, SAGE, Emerald, Inder science, Wiley, MDPI, Routledge and Elsevier, in the second step.

Almost all the studies are from journals which are available on the following indices i.e. Scopus Index, Australian Business Deans Council (ABDC) master list, Journal Citation Index of Web of Science. The above two steps allowed obtaining 88 empirical studies related to the corporatesocial responsibility, firm value and profitability relationship.

**OBJECTIVIES**

* To empirically analyze the impact of overall sustainability rating of company on its financial performance.
* To The primary objective is to find “whether sustainable companies are more profitable or not achieve this main object, which are as follows:
* To provide an overview of the concept of corporate sustainability and its various components.
* To present various related theories establishing relationship betweencorporate sustainability and financial performance.
* To provide literature review on the relationship between corporate sustainability and corporate financial performance.
* Examine and analyze separately the impact of each of the four major components of sustainability,i.e. Community, Employees, Environment and Governance on financial performance of company.
* To analyze whether companies with higher sustainability rating are more profitable

**CHAPTER 5**

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