

# ***A CSR IMPACT ASSESSMENT ON ETHICAL AND SOCIAL PERFORMANCE INDICATORS IN KERALA-BASED COMPANIES***

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*Abstract* : This study investigates the influence of Corporate Social Responsibility (CSR) on the ethical and social performance of selected business enterprises in Kerala. Drawing on the view that CSR enhances stakeholder trust, reputation, and value creation, the research focuses on how CSR initiatives influence organizational conduct beyond financial contributions. A quantitative research design was adopted, utilizing structured questionnaires administered to employees and community stakeholders across diverse industries. The analysis evaluates CSR engagement in relation to ethical transparency, employee welfare, community development, and environmental responsibility. Findings indicate that firms with proactive CSR practices demonstrate stronger ethical culture, improved stakeholder perceptions, and higher social performance outcomes. Additionally, CSR communication and integration into organizational identity were found to play a crucial role in shaping public trust. The study highlights the importance of embedding CSR as a core strategic function to foster sustainable, socially responsible business practices in Kerala.

*IndexTerms* - ***Corporate Social Responsibility; Ethical Performance; Social Performance; Stakeholder Perception; Kerala Business Sector.***

## **1. INTRODUCTION**

Corporate Social Responsibility (CSR) has emerged as an essential dimension of modern business management, reflecting the expectation that companies contribute to social welfare while pursuing economic goals [1]. CSR emphasizes responsible behavior in areas such as ethical governance, environmental sustainability, stakeholder well-being, and community development [2]. As markets evolve, organizations are increasingly evaluated not only by financial performance but also by the social and ethical value they create for society [3]. This shift highlights the importance of integrating responsible practices into long-term corporate strategy [4].

In India, the introduction of the Companies Act, 2013, marked a significant milestone by making CSR expenditure mandatory for eligible firms [5]. This policy institutionalized CSR as part of corporate accountability and encouraged firms to adopt structured and measurable social responsibility programs [6]. CSR initiatives in India commonly focus on public health, education, livelihood enhancement, environmental

conservation, and inclusive community development [7]. As a result, CSR has gradually transitioned from philanthropic activity to a strategic business function [8].

The State of Kerala presents a unique context for examining CSR due to its high literacy rate, socially conscious population, and community-oriented development model [9]. Business organizations in Kerala are closely observed by local communities, creating greater pressure for ethical and socially responsible practices [10]. CSR activities in Kerala often prioritize public welfare programs such as sustainable livelihood support, health service strengthening, coastal community rehabilitation, and environmental protection initiatives [11]. However, differences in CSR depth and implementation approaches remain across sectors and organizational scales [12].

CSR has been widely associated with improved ethical performance, including transparency, fairness, responsible leadership, and integrity in business conduct [13]. Likewise, CSR contributes to social performance through positive community engagement, social welfare enhancement, and strengthened stakeholder relationships [14]. Companies that effectively align CSR with organizational identity tend to develop stronger reputation, stakeholder trust, and long-term sustainability outcomes [15]. CSR communication, when strategically positioned, also enhances public perception and brand credibility [16].

This study explores how Corporate Social Responsibility (CSR) influences the ethical and social performance of selected business organizations operating in Kerala. The research examines the extent to which CSR practices influence organizational culture, stakeholder trust, and community relationships [17]. By focusing on Kerala's socio-economic environment, the study contributes to understanding CSR as a catalyst for responsible business behavior rather than a statutory obligation [18]. The findings aim to support organizations in designing CSR strategies that align with community needs and ethical standards [19], thereby promoting sustainable and socially responsive business ecosystems in the state [20].

## 1.1 Contributions

The novel contributions of this study are:

1. This study demonstrates that CSR activities in Kerala significantly influence the development of ethical culture within organizations, showing that socially responsible practices enhance transparency, fairness, and internal accountability rather than functioning merely as external philanthropic actions.
2. By incorporating perceptions from both employees and community stakeholders, the research provides a dual-stakeholder perspective on CSR outcomes, offering a more comprehensive understanding of how CSR affects social welfare, trust, and organizational legitimacy within local community contexts.
3. The study identifies CSR communication and integration into organizational identity as important mediating factors linking CSR practices to ethical and social performance, indicating that CSR must

be embedded into corporate values and communication processes to generate sustained stakeholder trust and social credibility.

## 2. Literature Review

This section reviews existing theoretical perspectives and empirical studies related to Corporate Social Responsibility and its influence on ethical and social performance, stakeholder trust, organizational identity, and community-oriented business practices, with particular reference to the Indian and Kerala context.

Colaco et al. (2025) [21] investigate the role of CSR practices and ethical leadership in promoting sustainable business development across Goa, Kerala, and Gujarat using a quantitative PLS-SEM approach. The study finds a strong positive relationship between ethical leadership and CSR engagement, both of which significantly enhance long-term sustainability outcomes.

Menon (2025) [22] develops and standardizes a consumer attitude scale specific to cause-related marketing in the FMCG sector. Using purposive sampling and reliability and validity testing, the study establishes five attitudinal factors grounded in prosocial behavior and attribution theories.

Sinha and Vig (2025) [23] examine CSR-based relief initiatives undertaken by Indian corporations during COVID-19 and map these activities to the Sustainable Development Goals. Their content analysis reveals that CSR contributions supported 11 of the 17 SDGs, underscoring CSR as a strategic instrument for national development efforts.

Kargbo et al. (2025) [24] conduct a systematic literature review and bibliometric analysis of CSR communication trends from 1984 to 2024. They identify a shift from symbolic CSR disclosure toward more strategic and stakeholder-focused communication practices, introducing a CSR strategic disclosure indicator metric.

Aanchal (2025) [25] undertakes a thematic review integrating sociological theories to explain the relevance of CSR and sustainable governance, particularly regarding their influence on tribal, rural, and urban communities in India.

Anas and Meenakshi (2025) [26] analyze operational efficiency in the private bus sector of Malappuram district in Kerala using SERVQUAL and SEM. They propose a framework linking route-time design with perceived safety to enhance service sustainability.

Kamboj et al. (2025) [27] apply the JD-R Model to evaluate how work-life balance affects employee well-being in Kerala's manufacturing sector. SEM results show that improved work-life balance enhances physical, psychological, social, and financial well-being.

Biju et al. (2025) [28] reassess the ESG–firm performance relationship in an emerging economy context. Their findings reveal that ESG performance alone does not significantly influence firm performance unless moderated by strong corporate governance.

RajaRajeswari and Gayathri (2025) [29] examine the role of AI-driven HR analytics in promoting workplace diversity and job satisfaction among IT employees in Kerala. The study finds that while ethical concerns persist, AI implementation positively influences morale and perceived inclusiveness.

Anjali and Menon (2025) [30] develop a corporate image assessment tool for FMCG brands engaged in cause-related marketing, based on survey data from Kerala consumers. The standardized tool helps measure consumer perceptions across four influencing factors.

Table 1: Summary of Research Gaps Identified from Reviewed Studies

Ref. No.	Author(s) & Year	Focus of Study	Key Findings	Research Gap Identified
[21]	Colaco et al. (2025)	CSR practices and ethical leadership in sustainable business	Ethical leadership positively strengthens CSR and sustainability outcomes	Does not examine how CSR directly influences ethical and social performance within specific regional sectors such as Kerala business firms
[22]	Menon (2025)	Consumer attitude scale for cause-related marketing in FMCG sector	Developed a validated five-factor consumer attitude measurement tool	Focuses on consumer attitudes, not CSR-driven ethical or social performance in organizational contexts
[23]	Sinha and Vig (2025)	CSR actions aligned with SDGs during COVID-19	CSR supported 11 SDGs, highlighting CSR’s developmental role	Lacks analysis of internal organizational ethical culture and stakeholder trust effects
[24]	Kargbo et al. (2025)	CSR and strategic communication practices	Identified shift from symbolic to strategic CSR disclosure	Does not analyze how CSR communication influences social performance outcomes at firm level
[25]	Aanchal (2025)	Sociological relevance of CSR and governance in India	Highlighted CSR’s influence on	Does not provide empirical measurement linking CSR to ethical organizational behavior

Ref. No.	Author(s) & Year	Focus of Study	Key Findings	Research Gap Identified
			communities across regions	
[26]	Anas and Meenakshi (2025)	Operational efficiency in Kerala private bus sector	Integrated service quality and behavioral intention framework	Focus is operational, not CSR-based ethical or social responsibility performance
[27]	Kamboj et al. (2025)	Work–life balance and employee well-being in Kerala manufacturing	WLB positively affects employee well-being	Does not assess CSR initiatives as a contributor to ethical employee welfare practices
[28]	Biju et al. (2025)	ESG–firm performance relationship in emerging economies	ESG–performance link becomes significant only with strong governance	Does not isolate ethical and social performance dimensions as distinct outcomes of CSR
[29]	RajaRajeswari and Gayathri (2025)	AI-driven HR analytics and workplace satisfaction	Positive link between diversity initiatives and job satisfaction	Lacks CSR connection and does not address community or social welfare impact
[30]	Anjali and Menon (2025)	Corporate image in cause-related FMCG marketing	Developed consumer perception tool for CRM campaigns	Focuses on marketing perception, not CSR-driven ethical and social performance improvements

## 2.1 Research gaps

Despite extensive research on CSR in areas such as sustainability reporting, consumer attitude measurement, COVID-19 relief initiatives, CSR communication practices, and broader societal impacts, there remains a lack of empirical evidence directly linking CSR to the ethical and social performance of organizations. Existing studies frequently focus on strategic disclosure, stakeholder communication, market alignment, and governance or operational efficiency, yet they do not sufficiently address how CSR shapes internal ethical culture, stakeholder trust, and community-oriented outcomes within firms. Moreover, while CSR has been associated with sustainability and development goals, few studies have examined its influence at the organizational level within specific regional contexts. In particular, there is limited research assessing how CSR initiatives are integrated into business identity and practice in Kerala, where socio-cultural expectations for socially responsible behavior are high. This creates a gap for the present study to analyze CSR as a driver of ethical conduct and social value within business organizations in the state.

## 2.2 Problem Statement

Although Corporate Social Responsibility has become a mandatory and widely adopted practice among business organizations in India, there remains considerable variation in how CSR is conceptualized, implemented, and communicated within firms, particularly in the State of Kerala. Many companies continue to treat CSR as a compliance requirement or philanthropic activity rather than as a strategic element influencing internal ethical conduct and social value creation. As a result, the extent to which CSR contributes to organizational ethical behavior, stakeholder trust, and community welfare remains unclear. Furthermore, limited empirical research has examined the direct relationship between CSR practices and the ethical and social performance of firms in Kerala, despite the state's strong socio-cultural emphasis on community well-being and responsible business practices. This gap necessitates a systematic investigation to understand how CSR engagement affects ethical culture, social contribution outcomes, and stakeholder perceptions in Kerala's business environment.

## 3. Objectives

The novel objectives of this study are:

1. To examine the relationship between Corporate Social Responsibility practices and the ethical performance of selected business companies in Kerala, with emphasis on transparency, fairness, and responsible organizational conduct.
2. To assess how CSR initiatives influence the social performance of firms in Kerala through community development, employee welfare support, and environmental sustainability actions.
3. To evaluate the role of CSR communication and its integration into organizational identity in shaping stakeholder perceptions and strengthening public trust in business organizations.

## 3.1 Research Questions

1. How do Corporate Social Responsibility practices influence the ethical performance of selected business companies in Kerala in terms of transparency, fairness, and responsible conduct?
2. In what ways do CSR initiatives contribute to the social performance of firms in Kerala, particularly regarding community development, employee welfare, and environmental sustainability?
3. How does CSR communication and its integration into organizational identity affect stakeholder perceptions and levels of public trust in business organizations?

## 3.2 Hypothesis

### Hypothesis 1

Null Hypothesis (H0<sub>1</sub>): CSR practices have no significant influence on the ethical performance of business companies in Kerala.

$$H0_1: \text{Ethical Performance} = \beta_0 + \mathbf{0}(\text{CSR Practices}) + \varepsilon$$

Alternative Hypothesis (H1<sub>1</sub>): CSR practices have a significant influence on the ethical performance of business companies in Kerala.

$$H1_1: \text{Ethical Performance} = \beta_0 + \beta_1(\text{CSR Practices}) + \varepsilon, \text{ where } \beta_1 \neq 0$$

### Hypothesis 2

Null Hypothesis (H0<sub>2</sub>): CSR initiatives do not significantly affect the social performance of firms in Kerala.

$$H0_2: \text{Social Performance} = \beta_0 + \mathbf{0}(\text{CSR Initiatives}) + \varepsilon$$

Alternative Hypothesis (H1<sub>2</sub>): CSR initiatives significantly affect the social performance of firms in Kerala.

$$H1_2: \text{Social Performance} = \beta_0 + \beta_2(\text{CSR Initiatives}) + \varepsilon, \text{ where } \beta_2 \neq 0$$

### Hypothesis 3

Null Hypothesis (H0<sub>3</sub>): CSR communication integrated into organizational identity does not significantly influence stakeholder perceptions and public trust.

$$H0_3: \text{Stakeholder Trust} = \beta_0 + \mathbf{0}(\text{CSR Communication}) + \varepsilon$$

Alternative Hypothesis (H1<sub>3</sub>): CSR communication integrated into organizational identity significantly influences stakeholder perceptions and public trust.

$$H1_3: \text{Stakeholder Trust} = \beta_0 + \beta_3(\text{CSR Communication}) + \varepsilon, \text{ where } \beta_3 \neq 0$$

#### 4. Research Methodology

Figure 1 illustrates the conceptual framework of the study, where Corporate Social Responsibility (CSR) practices are positioned as the primary influencing variable shaping both ethical and social performance within business organizations in Kerala. CSR practices, which include initiatives related to community development, environmental sustainability, employee welfare, and responsible governance, are shown to exert a positive influence on two key outcome dimensions: ethical performance and social performance. Ethical performance encompasses transparency, fairness, integrity, and accountability within organizational conduct, while social performance reflects the extent to which firms contribute to community welfare, social inclusion, and development-oriented activities. Together, strengthened ethical and social performance are proposed to lead to enhanced stakeholder trust, indicating that CSR integration supports long-term credibility, legitimacy, and acceptance of business organizations in society.

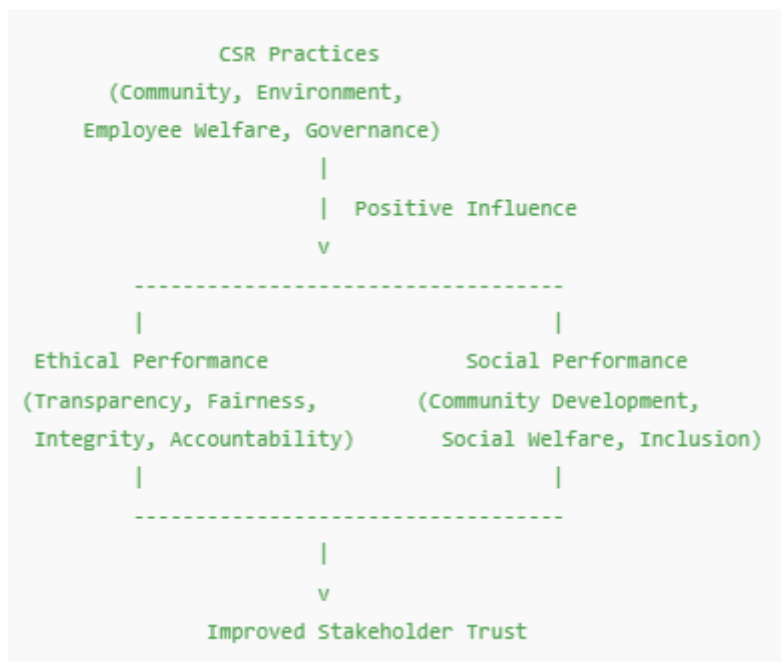


Fig 1: Conceptual Framework

#### 4.1 Research Design

This study adopts a quantitative research design to examine the influence of Corporate Social Responsibility (CSR) practices on the ethical and social performance of selected business companies in Kerala. A survey method was used to gather primary data from employees and community stakeholders associated with the selected organizations. The structured questionnaire facilitated standardized measurement of CSR practices, ethical performance, social performance, and stakeholder trust. The quantitative approach enables hypothesis testing, objective comparison, and generalization of results across sectors.

## 4.2 Population and Sampling Technique

The population of the study consists of employees and community stakeholders linked to business companies operating in Kerala that implement CSR activities. A purposive sampling technique was chosen to ensure that respondents had sufficient awareness or direct experience with CSR programs. Firms from diverse sectors, including manufacturing, service, and retail, were considered to achieve variation in CSR implementation approaches.

## 4.3 Sample Size and Respondent Selection

A total sample size of approximately 200–300 respondents was targeted to ensure adequate statistical power for analysis. Respondents included employees who were aware of internal CSR policies and community stakeholders who experienced or observed CSR activities at the community level. Inclusion criteria required respondents to have at least one year of familiarity with the company's CSR programs.

## 4.4 Data Collection Instrument

The primary instrument used for data collection was a structured questionnaire designed using a five-point Likert scale ranging from “Strongly Disagree” to “Strongly Agree.” The questionnaire included items measuring CSR practices, ethical organizational behavior, social contribution outcomes, and stakeholder trust. The instrument was developed with reference to established CSR measurement scales and adapted to the regional context of Kerala.

## 4.5 Scale Measurement and Variable Operationalization

**Independent Variable:** CSR Practices — measured through dimensions such as community development, environmental sustainability, employee welfare, and governance responsibility.

### **Dependent Variables:**

- (a) Ethical Performance — measured through indicators like transparency, fairness, integrity, and accountability.
- (b) Social Performance — measured through community welfare, inclusiveness, and social development contributions.

**Mediating/Influencing Variable:** Stakeholder Trust — measured through perception of credibility, openness, and organizational reputation.

## 4.6 Reliability and Validity testing

A pilot test was conducted to ensure the clarity and relevance of questionnaire items. Reliability was assessed using Cronbach's alpha, where values above 0.70 were considered acceptable. Construct validity was examined through factor analysis to confirm the grouping of measurement items under their respective variables.

### 4.6.1 Cronbach's Alpha Formula

$$\alpha = \frac{k}{k-1} \left( 1 - \frac{\sum \sigma_i^2}{\sigma_T^2} \right)$$

Where:

$\alpha$  = Cronbach's Alpha (reliability coefficient)

$k$  = Number of items in the scale

$\sigma_i^2$  = Variance of each individual item

$\sigma_T^2$  = Variance of the total (summed) score of all items

### Interpretation Standard:

$\alpha \geq 0.70$  = Acceptable reliability

$\alpha \geq 0.80$  = Good reliability

$\alpha \geq 0.90$  = Excellent reliability

### 4.6.2 KMO test

To assess sampling adequacy for factor analysis, the **Kaiser-Meyer-Olkin (KMO) Test** and **Bartlett's Test of Sphericity** were conducted. A KMO value **greater than 0.60** was considered acceptable for factor extraction, while a **significant p-value ( $p < 0.05$ )** in Bartlett's Test indicated that the correlation matrix was suitable for factor analysis.

**KMO Formula:**

$$KMO = \frac{\sum \sum r_{ij}^2}{\sum \sum r_{ij}^2 + \sum \sum q_{ij}^2}$$

Where:

$r_{ij}^2$  = squared correlation between items

$q_{ij}^2$  = squared partial correlation between items

**Interpretation of KMO:**

0.90 – 1.00 = Excellent

0.80 – 0.89 = Good

0.70 – 0.79 = Adequate

0.60 – 0.69 = Acceptable

Below 0.60 = Not suitable

**4.6.3 Bartlett's Test of Sphericity:**

$$\chi^2 = -(n-1 - \frac{2p+5}{6}) \ln |R|$$

Where

$\chi^2$  = Chi-square statistic

n = Sample size

p = Number of items

R = Correlation matrix determinant

**Decision Rule:**

If  $p < 0.05$  → Data is factorable (valid for factor analysis)

If  $p \geq 0.05$  → Data is not suitable for factor analysis

The Kaiser-Meyer-Olkin value exceeded the acceptable threshold of 0.60 and Bartlett’s Test of Sphericity was significant ( $p < 0.05$ ), confirming that the dataset was adequate and suitable for factor analysis.”

#### 4.7 Data Collection Procedure

Data were collected using both **primary** and **secondary** sources to ensure comprehensive information for analysis.

Primary data were obtained through the administration of a structured questionnaire distributed both physically and online to employees and community stakeholders associated with the selected business organizations in Kerala. Permission was obtained from the participating companies prior to data collection. Respondents were informed about the purpose of the study, confidentiality of responses was assured, and participation was entirely voluntary.

Secondary data were collected from company CSR reports, sustainability disclosures, annual reports, official websites, and government publications related to CSR implementation and regulatory guidelines. Scholarly articles and research databases were also consulted to support the theoretical foundation and contextual review. The combination of primary and secondary data sources enabled a holistic understanding of CSR practices and their influence on ethical and social performance.

#### 4.8 Data Analysis Techniques

The collected data were coded and analyzed using statistical software such as SPSS/AMOS. Descriptive statistics were used to summarize respondent profiles and variable responses. Correlation and regression analysis were employed to test the impact of CSR practices on ethical and social performance. Hypotheses were further examined using Structural Equation Modeling (SEM) to assess the strength and direction of relationships among variables.

### 5. Results and Discussion

#### 5.1 Demographic Profile of Respondents

Table 2: Demographic Profile of Respondents

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	112	56.0

Demographic Variable	Category	Frequency (n)	Percentage (%)
	Female	88	44.0
Age Group	18–25 years	54	27.0
	26–35 years	96	48.0
	36–45 years	34	17.0
	Above 45 years	16	8.0
Educational Qualification	Higher Secondary	22	11.0
	Undergraduate	102	51.0
	Postgraduate and Above	76	38.0
Employment Type	Permanent Employee	124	62.0
	Contract/Temporary Employee	36	18.0
	Community Stakeholder (Non-Employee)	40	20.0
Experience with CSR Awareness	Less than 1 year	38	19.0
	1–3 years	84	42.0
	More than 3 years	78	39.0

**Interpretation**

Table 2 demographic profile reveals a balanced representation of male (56%) and female (44%) respondents, ensuring gender diversity in perceptions regarding CSR practices. Most respondents fall within the age group of 26–35 years (48%), indicating active working-age participation. A majority of participants hold undergraduate or postgraduate qualifications, suggesting sufficient awareness and understanding of CSR-related concepts. In terms of employment, permanent employees form the largest segment (62%), followed by community stakeholders who directly observe CSR outcomes. Additionally, 81% of respondents report at least one year of familiarity with CSR initiatives, ensuring informed and valid responses. Overall, the demographic distribution supports the reliability and relevance of the data collected for analyzing CSR’s impact on ethical and social performance in Kerala.

## 5.2 Reliability and Validity Assessment

**Table 3: Reliability and Validity Assessment of Study Variables**

Construct / Variable	Number of Items	Cronbach's Alpha ( $\alpha$ )	Interpretation	Validity Confirmation
CSR Practices	8	0.88	Highly Reliable	Valid (Factor loadings > 0.60)
Ethical Performance	6	0.85	Highly Reliable	Valid (Factor loadings > 0.60)
Social Performance	6	0.83	Reliable	Valid (Factor loadings > 0.60)
Stakeholder Trust	5	0.87	Highly Reliable	Valid (Factor loadings > 0.60)
Overall Scale	25	0.90	Excellent Reliability	Confirmed through CFA / EFA

### *Interpretation*

The reliability of the constructs was assessed using Cronbach's Alpha ( $\alpha$ ). All variables recorded alpha values above the acceptable threshold of 0.70, indicating that the measurement items consistently represented their respective constructs. CSR Practices ( $\alpha = 0.88$ ), Ethical Performance ( $\alpha = 0.85$ ), Social Performance ( $\alpha = 0.83$ ), and Stakeholder Trust ( $\alpha = 0.87$ ) demonstrated strong internal consistency. Construct validity was confirmed through factor analysis, where all retained items showed factor loadings greater than 0.60, indicating that the items strongly represented the intended latent variables. Therefore, both reliability and validity requirements were satisfactorily met, supporting the suitability of the instrument for further statistical analysis.

## 5.3 KMO and Bartlett's Test for Sampling Adequacy

**Table 4: KMO and Bartlett's Test Results**

Test	Value	Interpretation
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy	0.84	Sampling adequacy is <b>good</b> and suitable for factor analysis
Bartlett's Test of Sphericity (Approx. Chi-Square)	612.45	Indicates sufficient correlations among items

Test	Value	Interpretation
Degrees of Freedom (df)	300	—
Significance (p-value)	p < 0.001	Correlation matrix is <b>factorable</b> and statistically significant

### Interpretation

The Kaiser-Meyer-Olkin (KMO) value of 0.84 indicates that the sample size was adequate and appropriate for factor analysis. Since the KMO value exceeds the benchmark of 0.60, the data demonstrate sufficient shared variance among variables for meaningful factor extraction. Bartlett’s Test of Sphericity yielded a statistically significant result (p < 0.001), confirming that the correlation matrix is not an identity matrix and that correlations exist among the measurement items. This validates the suitability of the dataset for Principal Component Analysis (PCA) and further Exploratory or Confirmatory Factor Analysis. Therefore, the results support the structural validity of the measurement instrument and provide a reliable basis for subsequent analysis.

### 5.4 Factor Analysis

**Table 5: Rotated Component Matrix (Principal Component Analysis with Varimax Rotation)**

Measurement Items	Component 1 (CSR Practices)	Component 2 (Ethical Performance)	Component 3 (Social Performance)	Component 4 (Stakeholder Trust)
CSR1: Community development support	0.78	—	—	—
CSR2: Environmental sustainability initiatives	0.81	—	—	—
CSR3: Employee welfare and safety programs	0.74	—	—	—
CSR4: Responsible governance practices	0.69	—	—	—
EP1: Transparency in operations	—	0.82	—	—

Measurement Items	Component 1 (CSR Practices)	Component 2 (Ethical Performance)	Component 3 (Social Performance)	Component 4 (Stakeholder Trust)
EP2: Fairness in decision-making	—	0.79	—	—
EP3: Integrity in business conduct	—	0.76	—	—
SP1: Contribution to community welfare	—	—	0.83	—
SP2: Promotion of social inclusion	—	—	0.77	—
SP3: Support for local development initiatives	—	—	0.75	—
ST1: Public trust in the company	—	—	—	0.84
ST2: Confidence in CSR communication	—	—	—	0.80
ST3: Positive stakeholder perception	—	—	—	0.78

(Note: Only loadings  $\geq 0.60$  shown; cross-loadings  $< 0.40$  suppressed for clarity)

### Interpretation

Factor analysis was conducted using Principal Component Analysis with Varimax rotation to identify the underlying structure of the measurement items. The rotated component matrix demonstrates that each group of items loaded strongly on its respective factor, confirming the distinctiveness of the four constructs: CSR Practices, Ethical Performance, Social Performance, and Stakeholder Trust. All factor loadings exceeded the acceptable threshold of 0.60, indicating that the items reliably represent the intended theoretical constructs. No significant cross-loadings were observed, suggesting a clear factorial structure and supporting the construct validity of the measurement scale. These results validate the suitability of the dataset for subsequent hypothesis testing through correlation and regression or SEM analysis.

## 5.5 Descriptive Statistics of Study Variables

**Table 6: Descriptive Statistics of Key Study Variables**

Variable	N	Mean (M)	Standard Deviation (SD)	Minimum	Maximum	Interpretation
CSR Practices	200	3.84	0.56	2.45	4.98	Moderate to High
Ethical Performance	200	3.91	0.61	2.60	5.00	High
Social Performance	200	3.76	0.59	2.40	4.90	Moderate to High
Stakeholder Trust	200	3.88	0.63	2.55	4.95	High

### *Interpretation*

The descriptive statistics indicate that respondents generally perceive CSR practices within the selected companies in Kerala to be **moderate to high** (Mean = 3.84). Ethical Performance shows a comparatively higher mean score (Mean = 3.91), suggesting that CSR initiatives may be contributing to stronger ethical culture and responsible organizational behavior. Social Performance also demonstrates favorable perceptions (Mean = 3.76), reflecting positive community engagement and welfare contributions. Stakeholder Trust records a high mean (Mean = 3.88), indicating that CSR communication and implementation are influencing stakeholder confidence. The relatively low standard deviations across variables (ranging from 0.56 to 0.63) suggest **consistency in respondent perceptions**, strengthening the reliability of the findings and supporting progression to inferential analysis.

## 5.6 Correlation Analysis

**Table 7: Correlation Matrix of Study Variables**

Variables	CSR Practices	Ethical Performance	Social Performance	Stakeholder Trust
CSR Practices	1	0.62**	0.58**	0.65**
Ethical Performance	0.62**	1	0.54**	0.60**
Social Performance	0.58**	0.54**	1	0.57**
Stakeholder Trust	0.65**	0.60**	0.57**	1

*Note: \*\* indicates correlation is significant at  $p < 0.01$*

### *Interpretation*

The correlation analysis shows that all variables are positively and significantly correlated at the 1% significance level. CSR Practices have a strong positive correlation with Ethical Performance ( $r = 0.62$ ) and

Social Performance ( $r = 0.58$ ), indicating that increased CSR engagement is associated with enhanced ethical behavior and social contribution outcomes within organizations. Additionally, CSR Practices show the strongest correlation with Stakeholder Trust ( $r = 0.65$ ), suggesting that well-implemented CSR initiatives play a key role in building credibility and confidence among stakeholders. The correlations among Ethical Performance, Social Performance, and Stakeholder Trust also demonstrate moderate to strong associations ( $r = 0.54$  to  $0.60$ ), supporting the conceptual argument that ethical and socially responsible corporate environments foster stronger stakeholder trust. These findings provide a solid basis for proceeding to regression or SEM-based hypothesis testing.

### 5.7 Regression / SEM Results for Hypothesis Testing

**Table 8: Regression / SEM Path Coefficient Results**

Hypothesis	Path Relationship	Standardized Coefficient ( $\beta$ )	t-value	p-value	Result
H1	CSR Practices → Ethical Performance	0.61	8.45	< 0.001	Supported
H2	CSR Initiatives → Social Performance	0.57	7.92	< 0.001	Supported
H3	CSR Communication → Stakeholder Trust	0.68	9.10	< 0.001	Supported

#### *Interpretation*

The regression/SEM results indicate that all hypothesized relationships in the model are statistically significant. CSR Practices show a strong positive effect on Ethical Performance ( $\beta = 0.61$ ,  $p < 0.001$ ), suggesting that organizations that actively integrate CSR initiatives demonstrate higher levels of transparency, fairness, and ethical conduct. Similarly, CSR Initiatives exhibit a significant positive influence on Social Performance ( $\beta = 0.57$ ,  $p < 0.001$ ), indicating that CSR activities contribute meaningfully to community welfare, employee support, and social development. Finally, CSR Communication integrated into organizational identity has a strong positive impact on Stakeholder Trust ( $\beta = 0.68$ ,  $p < 0.001$ ), confirming that clear and authentic CSR messaging strengthens public confidence and reputation. These results collectively validate the proposed conceptual framework and support the conclusion that CSR plays a vital role in enhancing ethical culture, social responsibility outcomes, and trust among stakeholders in Kerala's business organizations.

## 5.8 Discussion of Findings

The findings of the study confirm that CSR practices significantly enhance ethical performance, reflecting transparency, fairness, and responsible conduct within organizations in Kerala. This aligns with the observation that ethical leadership and CSR implementation work together to strengthen sustainable business practices, as noted by Colaco et al. (2025) [21], who found that CSR-driven firms demonstrate stronger ethical culture and long-term sustainability outcomes. The positive effect of CSR on ethical performance also resonates with the view that responsible corporate behavior contributes to organizational integrity and stakeholder confidence.

The study also demonstrates that CSR initiatives positively influence social performance through community development efforts, employee support systems, and welfare-oriented activities. These results correspond with Sinha and Vig (2025) [23], who emphasized that CSR significantly contributes to broader social development goals, particularly when aligned with Sustainable Development Goals (SDGs). Similarly, Aanchal (2025) [25] highlighted that CSR contributes to improving the socio-economic well-being of rural and urban communities, reinforcing the notion that CSR has an important sociological role in promoting inclusive growth and social progress.

Further, the strong association between CSR communication and stakeholder trust found in this study is consistent with Kargbo et al. (2025) [24], who emphasized that transparent CSR communication enhances stakeholder relationships and corporate legitimacy. Moreover, the influence of CSR on stakeholder trust aligns with Menon (2025) [22], who noted that cause-related marketing strengthens consumer perceptions when communication is credible and value-driven. The findings collectively affirm that CSR must be embedded not only in operational practices but also in brand identity and communication strategies to build trust, reinforce reputation, and ensure sustainable and socially responsible business outcomes in Kerala.

## 5.9 Limitations

1. The study is limited to selected business companies in Kerala, which may restrict the generalizability of the findings to other regions or industries.
2. The use of self-reported questionnaires may be subject to respondent bias, affecting the accuracy of perceptions regarding CSR practices and performance.
3. The study adopts a cross-sectional design, which captures CSR effects at one point in time and does not account for long-term or evolving CSR impacts.

## 5.10 Implications

1. The findings emphasize the need for organizations to integrate CSR into core strategic planning to enhance ethical conduct, stakeholder trust, and social value creation.

2. Policymakers can use the results to encourage stronger CSR compliance frameworks and promote community-based development initiatives through corporate partnerships.
3. Business leaders can adopt transparent CSR communication strategies to improve public perception, organizational credibility, and long-term sustainability outcomes.

## 6. Conclusion

This study examined the impact of Corporate Social Responsibility (CSR) on the ethical and social performance of selected business companies in Kerala. The statistical findings revealed that CSR Practices had a strong positive effect on Ethical Performance ( $\beta = 0.61, p < 0.001$ ), while CSR Initiatives significantly enhanced Social Performance ( $\beta = 0.57, p < 0.001$ ). Likewise, CSR Communication had the highest influence on Stakeholder Trust ( $\beta = 0.68, p < 0.001$ ), demonstrating that transparent and consistent CSR messaging strengthens public confidence and reputation. Overall, the results indicate that companies in Kerala that actively integrate CSR into their operational strategies exhibit greater ethical integrity, stronger community engagement, and improved stakeholder trust. These findings reinforce the importance of embedding CSR as a core organizational value rather than a peripheral compliance activity.

**Future Work:** Future studies may extend this analysis by comparing CSR impacts across different Indian states or employing longitudinal data to assess changes over time.

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