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The Impact of Corporate Social Responsibility, Audit Committee, and Financial Performance on Firm Value of Axis Bank

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Abstract:

The various causes of the unpredictable relationship among financial achievement, the audit group, and CSR on business value are examined in this study. Corporate social responsibility (CSR) is a concept that has received a lot of attention and is currently being used by many businesses. CSR is currently being used by organizations as a strategy to secure business continuity and to improve their value. Apart from fostering corporate citizenship, the audit committee can also boost the company's worth because the board of officers engages in the formation of corporate strategy, provides management with appropriate incentives, and keeps an eye on and assesses management's performance to boost management's transparency and public trust. The population in the study is the banking sector. In this research, multiple linear regression analysis is used for hypothesis testing. E-views 9 is the test programme applied. According to the study's findings, financial performance, audit committee, and corporate social responsibility all have a favourable impact on a company's worth. While the audit committee and financial results have a negative effect on corporate value, CSR has no impact on financial value.

Keywords — Financial Achievement; Company value ; Social Responsibility; and Audit Panel

I. INTRODUCTION

Corporate Social Responsibility (CSR) disclosures, both required and optional, can affect the type and volume of reporting by different companies. Each nation occasionally enacts regulations requiring reporting, among them disclosure rules that lead to more diverse disclosures in each nation as the quantity of disclosures rises. The theory that corporate enterprises have obligations to society beyond just upholding their legal and economic commitments has been bitterly debated over the past few decades. The demand on corporate enterprises to conduct business within the parameters of moral corporate standards is substantial. Also, this study hopes to help with the effects of CSR disclosure when reporting standards are released.

CSR is now being used by corporations as a continuity management approach. It might be claimed that CR reporting has grown to be a crucial business practise all over the world. Over three-quarters (71%) of the 4,100 organisations surveyed in the (KPMG, 2013) Study reported CSR. Additional research indicates that during the previous two years, in the Asia-Pacific area, responsible business (CR) reporting has grown substantially. From 2011, when less than half (49 percent) of the Asia Pacific-based corporations published CR reports, the percentage has increased to nearly three-quarters (71 percent), a 22 percent increase. Since 2011, India (+53%), Chile (46), Singapore (37), Australia (+25), Taiwan (+19), and China (+16) have experienced the highest rates of CR growth. Moreover, more than 50% (51 percent).

II. REVIEW OF LITERATURE

The results of earlier studies on the connection between CSR and financial performance were inconsistent. The subject has sparked intense discussions among researchers, although the literature to date is unclear. Positive, negative, and neutral relationships between two constructs are typical perspectives.

The term signal theory was initially used by (*Akerlof, 1970*) in the "The Market Lemons" outcomes. Later by (*Spence, 1973*) in the basic equilibrium signalling model. Signal theory according to (*Connelly et al., 2011*) is a company's activity to give investors guidance on how to evaluate the company's prospects.

Agency theory by (*Jensen & Meckling, 1976*) defines "The relationship between principals (business owners) and agents (business management) is known as agency theory." The principal in an agency relationship enters into a contract with an agent to carry out services and make decisions that have been assigned to him. In an agency partnership, management is expected to follow company policies, particularly those pertaining to finances that benefit the business owner.

The stakeholder theory (*Freeman, 1984*) details that "the theory states that the company is not an entity that only operates for its own interests, but must provide benefits to all its stakeholders. Therefore, a company's ability to survive is greatly impacted by the support that its stakeholders provide it. As previously said, the firm is now accountable to a broader range of stakeholders, or the social sphere, in addition to its shareholders (owners). This is known as social responsibility. A company's responsibility was initially primarily measured by economic indicators, but it now has to consider its responsibility to stakeholders in both the internal and external social scope of the business. This phenomenon is caused by demands from the community as a result of negative influences from businesses that arise as well as social inequalities. Companies can successfully negotiate relationships with their stakeholders by using this approach.

Under the stakeholder theory, organisations have commitments above completing their daily tasks. As per (*Solihin, 2008*) perspective "Corporate Social Responsibility is one of several corporate responsibilities to stakeholders, in this case are people or groups who can influence or be influenced by various decisions, policies, or company operations".

It is expected that a company's disclosure of social responsibility will raise its worth and serve as a signal to outside parties about its future chances and anxiety. (*Ball & Brown, 2014*) state that changes in stock prices occur when investors expect them to, which influences how they behave while making decisions. Investor behavior refers to how investors react to the release of the company's annual report, whereas the company's CSR disclosure is the useful information. Research on the relationship between business value and CSR declarations is carried out by (*Rustiarini, 2010*) and (*Andayani et al., 2011*). Their study backs up the idea that a company's worth rises with the amount of CSR information it discloses in its annual report.

III. RESEARCH METHODOLOGY

The purpose of the study was to evaluate the impact of the audit committee, financial performance, and corporate social responsibility on the firm value of Axis Bank, which was listed on the Bombay Stock Exchange (BSE). Data from secondary sources HAVE been gathered. Data on CSR has been gathered from business annual reports. These reports are crucial records that serve as the companies' public face.

IV. OBJECTIVE

1. To know the effect of CSR on firm value of Axis Bank.

2. To know the effect of Audit committee and financial performance on firm value of Axis Bank.

V. HYPOTHESIS

H_{01}: There is no significant relationship between CSR and NET PROFIT.
H_{02}: There is no significant relationship between CSR and SHARE CAPITAL.

VI. RESEARCH PROBLEM

Despite the increased emphasis on sustainable investing on a worldwide scale. Investors are still not well-informed on ESG funds, which makes them hesitant to make investments. Furthermore, despite ESG funds' claims to strike a balance between sustainability and financial returns, questions remain regarding their real performance, risk factors, and regulatory irregularities.

RESULT AND DISCUSSION

This chapter deals with a study on sustainable investment fund with the special reference to Mutual fund. The analysis and

Table 1 –

Dependent Variable: CSR
Method: Least Squares
Date: 03/09/23 Time: 19:01
Sample: 1 5
Included observations: 5

Variable	Coefficien...	Std. Error	t-Statistic	Prob.
NET_PROFIT	0.003780	0.002263	1.670166	0.1935
C	87.64960	16.30429	5.375861	0.0126

R-squared	0.481817	Mean dependent var	110.7800
Adjusted R-squared	0.309089	S.D. dependent var	23.14621
S.E. of regression	19.23938	Akaike info criterion	9.040970
Sum squared resid	1110.461	Schwarz criterion	8.884745
Log likelihood	-20.60242	Hannan-Quinn criter.	8.621678
F-statistic	2.789455	Durbin-Watson stat	1.420049
Prob(F-statistic)	0.193479		

In Model 1, the R^2 value of 0.481 means that 4.8% of variation in the dependent variable (i.e., CSR) explained by the independent variable (i.e., Net profit). The R^2 value ranges between 0 to 1. The higher the R^2, the better the model and the more predictive power the independent variable has on the dependent variable.

The F-statistic given in Table captures whether the explanatory variable (i.e.,Net profit) is significant in explaining the forecast variable (i.e., CSR). The higher the F- statistic, the better for the estimated model. Here the P-Value of F-statistic (0.193) for the estimated model is more than 5% ($p>0.05$), we can safely accept null hypothesis and conclude that CSR AND NET PROFIT is not statistically significant.

Table – 2

Dependent Variable: CSR
Method: Least Squares
Date: 03/09/23 Time: 19:05
Sample: 1 5
Included observations: 5

Variable	Coefficien...	Std. Error	t-Statistic	Prob.
SHARE_PRICE	-0.182232	0.150418	-1.211498	0.3124
C	228.8843	97.97698	2.336103	0.1016

R-squared	0.328518	Mean dependent var	110.7800
Adjusted R-squared	0.104690	S.D. dependent var	23.14621
S.E. of regression	21.90113	Akaike info criterion	9.300128
Sum squared resid	1438.979	Schwarz criterion	9.143903
Log likelihood	-21.25032	Hannan-Quinn criter.	8.880836
F-statistic	1.467728	Durbin-Watson stat	1.141770
Prob(F-statistic)	0.312427		

In Model 1, the R^2 value of 0.328 means that 3.3% of variation in the dependent variable (i.e., CSR) explained by the independent variable (i.e., Share capital). The R^2 value ranges between 0 to 1. The higher the R^2, the better the model and the more predictive power the independent variable has on the dependent variable.

The F-statistic given in Table captures whether the explanatory variable (i.e., Share capital) is significant in explaining the forecast variable (i.e., CSR). The higher the F- statistic, the better for the estimated model. Here the P-

Value of F-statistic (0.312) for the estimated model is more than 5% ($p>0.05$), we can safely accept null hypothesis and conclude that CSR AND SHARE PRICE is not statistically significant.
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CONCLUSIONS

THE MAIN FINDINGS CAN BE FORMED IN LIGHT OF THE INFORMATION EVALUATION AND CONVERSATION THAT HAVE BEEN DESCRIBED.

1. THE VALUE OF A COMPANY IS UNAFFECTED BY CORPORATE SOCIAL RESPONSIBILITY.
2. THE AUDIT COMMITTEE HAS A NEGATIVE VALUE OF THE COMPANY.
3. THE VALUE OF THE FIRM IS NEGATIVELY IMPACTED BY FINANCIAL PERFORMANCE.

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