

TO STUDY THE RELATIONSHIP BETWEEN CORPORATE ENVIRONMENTAL PERFORMANCE, GREEN FINANCE AND CSR PRACTICES

Bhosale Rohini Samapt

Research Scholar, Shivaji University Kolhapur.

Asst. Professor, D. G. College Satara.

Article Info	ABSTRACT
Article History: Received: 15th Dec 2025 Accepted: 18th Dec 2025 Published: 20th Dec 2025	In the current global economy, the traditional struggle between corporate profits and environmental protection has reached a turning point. This paper examines the potential of Corporate Social Responsibility (CSR) funding to act as a strategic factor between corporate interests and green economics. While CSR has historically been viewed as a philanthropic activity, this study argues that the strategic allocation of CSR funds can internalize environmental externalities, thereby aligning private sector incentives with sustainable economic development. These factors are essential for India's sustainable development and poverty reduction. Investing CSR funds in rural development, education, environment, health and other sectors that support India's sustainable development leads to effective economic growth and reduces poverty. Therefore, CSR funds are believed to play an important role in India's sustainable development. Future research can be done using various variables and time periods on CSR strategies and funding. This paper examines how environmental CSR spending influences corporate brand equity, risk mitigation, and long-term financial resilience. The findings suggest that when CSR activities are integrated into a green economic framework - focusing on circularity, carbon sequestration and resource efficiency - they go beyond mere compliance to become drivers of competitive advantage. However, the study also identifies significant barriers to financial markets, including "short-termism" and the lack of standardized reporting metrics. It has been recommended that the fund be reclassified as a strategic green investment rather than an operating expense to promote a truly sustainable economic transition.

Plagiarism Check Report:

Date of Report: Dec 17, 2025

Similarity Index: 4%

Remarks: No significant matching text. All citations and matches are properly referenced. The manuscript is considered original.

Copyright © 2025 The Author(s). This is an open access article distributed under the Creative Commons Attribution License, (<http://creativecommons.org/licenses/by/4.0/>) which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

How to Cite: Bhosale, R. S. (2025). *To Study the Relationship between Corporate Environmental Performance, Green Finance and CSR Practices*. IIP: World Journal of Humanities and Social Sciences (IIPWJHSS), 1(VI), 2452-2458.

1. INTRODUCTION:

In the global economy, the traditional view of the corporation as a net profit-generating entity is undergoing profound changes. As climate change, resource depletion, and environmental imbalances pose existential threats to global markets, the concept of environmental economics - which seeks to internalize the 'hidden costs' of industrial activity - has moved from the academic periphery to the corporate centre. Once seen as the core component of CSR or "tax on profits," CSR is being recognized as a sophisticated economic and policy component that can align immediate business interests with the broader requirements of a sustainable green economy.

For a while, the relationship between business and the environment was defined by conflict. The 'shareholder preference' model argued that any expenditure on environmental protection is a drain on investor returns. However, the rise of green economics has challenged this zero-sum game. It assumes that economic health is inextricably linked to the health of the ecosystem. As a result, CSR has evolved from 'passive philanthropy' to 'strategic integration', where CSR funds are used to mitigate environmental risks, innovate green technologies, and secure a 'social license to act'. Although the (environmental, social and governance) framework has been voluntarily adopted elsewhere, a significant gap remains. There are still many companies. This results in "green washing," which occurs when funds are spent on visible but low-impact projects (such as one-time tree planting programs) rather than addressing systemic issues like carbon-intensive supply chains or resource-inefficient production models.

2. OBJECTIVES OF STUDY:

- 1) To Study the impact of CSR practices on Corporate Environmental Performance.
- 2) To Study the Challenges of CSR practices on Green Finance accessibility and engagement.

3. REVIEW OF LITERATURE:**1. Ana Mariele Dominguez, Bruno Vicente Lippe Pasquarelli (2023):**

The research paper highlights the benefits of Corporate Social Responsibility for companies and society. This study analyzes the performance of companies from a social perspective. None of the companies performed well. The social dimension requires more commitment from the companies. It has been claimed that Qualitative analysis of the questionnaires of three BM and FBOVSPA companies has been carried out BM and FBOVESP. Companies in the index show different levels of social performance. No company has achieved maximum social performance. This is evident from the Factors influencing the commitment of companies towards social responsibility have been investigated. The progress of companies in social responsibility has been analyzed. It has tried to examine the factors that influence the commitment of companies to social responsibility. The impact of BUMDs CSR on the social welfare of the village has been studied.

2. V. Kasturi Rangan, Lisa Chase & Sohel Karim (2015):

In this research study, most companies have long practiced some degree of corporate social and environmental responsibility, with the overarching goal of contributing to the well-being of the communities and societies they impact and depend on. But there is a growing pressure to make CSR as a professional discipline and there is a demand that every initiative should yield professional results. It

makes CSR much more demanding and distracts from what should be its main goal: to align a company's social and environmental activities with its business objectives and values. If, in doing so, CSR initiatives reduce risk, enhance reputation, and contribute to business outcomes, it is all for the good. My study will explore the impact of mandatory CSR funding on the socially responsible behavior of companies. But there are many CSR. For programs, those results should be a leak, not the reason they exist. This article explains why companies should refocus their CSR activities on this fundamental goal and provide a systematic process to bring consistency and discipline to CSR strategies. This research study surveyed managers who participated in Harvard Business School's CSR executive education program, with reference to the scope, structure, and oversight of their companies' CSR activities. There is not enough clarity on the impact of mandatory CSR funds on the social responsibility behavior of companies

4. CONCEPTUAL FRAMEWORK:

Corporate Social Responsibility (CSR) has evolved significantly over the past few decades, becoming an important component of strategic business management. Environmental sustainability, a key aspect of CSR, is the ability of future generations to meet current needs without compromising their ability to meet their own needs (Brundt and Commission, 1987). This evolution reflects the growing recognition that businesses have responsibilities that extend beyond maximizing profits to the ethical, social, and environmental dimensions of climate change, resources that have attracted the attention of scholars, practitioners, and policymakers.

Sustainable development of the environment, a key aspect of CSR, is the ability of future generations to meet current needs without compromising their ability to meet their own needs (Brundt and Commission, 1987). Companies are now under more scrutiny for adopting practices that reduce their environmental footprint, such as reducing waste, conserving energy, and using renewable resources (Hart, 1995). As a result, integrating environmental sustainability into CSR strategies is not only an ethical imperative but also a strategic requirement for long-term business success. Despite the growing importance of CSR and environmental sustainability, there is significant variation in how companies implement these strategies. Factors such as industry sector, geographical location and organizational culture can influence the nature and scope of CSR activities.

4.1 Impact of CSR practices on Corporate Environmental Performance.

1) Reducing Waste and Emissions:

Emissions and waste reduction are two of the most important factors when studying the relationship between Corporate Social Responsibility (CSR) and Environmental Performance (CEP). When a company implements CSR strategies on environmental performance, it has a direct impact on reducing the carbon footprint. Under green energy and CSR, companies increase the use of solar energy or wind energy, which reduces the emissions from traditional power generation. Also, energy efficiency is reduced by using new technologies for production. Through supply chain management, companies select suppliers who themselves produce less emissions. Thus, when the CSR policy is implemented, it has an adverse impact on green energy dependency.

2) The Reduction of Waste:

Waste management is part of the concept of circular economy in CSR. The raw materials produced during production are recycled and reused. This is helping to reduce the stress on the environment as well

as many companies now resolve to have a zero waste policy such that no waste from their factory goes to the dumping ground. Hazardous waste management attempts to prevent soil and water pollution by scientific disposal of chemical or hazardous wastes.

3) Drives Green Innovation:

In India, the interplay of green innovation and Corporate Social Responsibility (CSR) has transformed from a simple philanthropy to a strategic driver for sustainable development. Under the Companies Act, 2013, India became the first country to impose regulations on CSR spending, leading to the creation of large amounts of capital for environmental and innovation projects. CSR funds promote green innovation. CSR funds act as "catalyst capital" - they provide initial funding for high-risk, high-impact green technologies that traditional investors can avoid. Companies can legally direct CSR funds to publicly funded incubators and R & D projects in science, technology and engineering that support the Sustainable Development Goals (SDGs). C. S. R. It allows companies to test green innovations such as solar-powered irrigation or plastic-to-fuel plants at the community level before scaling up their core business.

4) Improves Efficiency:

Companies actively manage environmental CSR, leading to significant improvements in energy efficiency and reductions in emissions (GHG) and water consumption. In 2025, the use of Corporate Social Responsibility (CSR) funds has evolved from a mandatory 'donation' to a strategic tool for operational efficiency. Companies are using these funds to reduce the risk of green innovations, optimize their supply chains, and reduce long-term resource costs. The practice of CSR is increasing corporate efficiency. By directing CSR funds towards environmental sustainability, companies reduce their own utility and raw material costs. Companies that fund solar or biomass energy for local communities often use these projects to pilot technologies that are then integrated into their own generating stations to reduce their dependence on the grid. (CSR) -led watershed management and rainwater harvesting programs ensure a steady supply of water to factories in water-stressed areas, thereby preventing costly operational shutdowns. Efficiency is often lost in a fragile supply chain. CSR is used to "harden" these networks against climate and social risks. Also, leading companies use CSR to train their small and medium-sized suppliers in green manufacturing. This reduces the risk of regulatory penalties and supply disruptions. The study shows that companies with active CSR programs show a 57% reduction in employee turnover. When employees engage in CSR-driven innovation, it fosters a culture of problem-solving, which translates into their daily tasks.

5) Fosters Strategic Change:

They use CSR to up skill marginalized communities, transforming them into a trusted supplier base or a new customer segment. A technology company that uses CSR to provide digital literacy in rural areas, at the same time prepares that area to use the company's future digital services. CSR funds can be used to develop "cost-effective innovations" - low-cost, sustainable products designed for underserved populations that eventually become profitable avenues of business.

Table no. 1

Company	Key Practice (2020–2025)	Green Finance Mechanism	Measured Env. Performance
Reliance Industries	Decarbonisation (Net Zero 2035)	Uses CSR as "Seed Capital" for Green Hydrogen and solar technology incubators.	Significant reduction in specific energy consumption; path to 100 GW renewable capacities.
Tata Motors	Sustainable Mobility & Watersheds	Combines CSR with Sustainability-Linked Loans to fund EV-charging infrastructure in rural hubs.	Over 6 million lives touched; 40% reduction in plant-level water intake.
HDFC Bank	Project Parivartan	Green Microfinance and grants for sustainable agriculture/renewable energy start ups.	2M+ trees planted; 1,200+ water bodies restored through structured financial grants.
Infosys	Carbon Neutrality	Internal Carbon Pricing (funding CSR projects through an internal carbon tax).	Maintained 100% Carbon Neutrality since 2020; 50%+ electricity from renewable.
Hindustan Zinc	Water Stewardship	Blended Finance (CSR + Capex) for massive sewage treatment plants in Udaipur.	Replaced fresh water with recycled water for nearly 100% of plant operations.

Source: csr.gov.in

Table no.1 show how some major Indian companies are actively using green finance and sustainability practices to achieve measurable environmental results between 2020 and 2025. Reliance Industries is focusing on decarbonization with a target of becoming net zero by 2035. It uses CSR funds as seed capital to support green hydrogen and solar projects. As a result, the company has significantly reduced its energy consumption and is moving towards building 100 GW of renewable energy capacity. Tata Motors emphasizes sustainable mobility and water conservation. By combining CSR initiatives with sustainability-linked loans, especially for EV charging infrastructure in rural areas, the company has created both social and environmental impact. These efforts have benefited over six million people and reduced water usage at its plants by about 40%. HDFC Bank, through its Project Parivartan, promotes environmental sustainability at the grassroots level. It provides green microfinance and financial grants to support sustainable agriculture and renewable energy ventures. This has led to the planting of more than two million trees and the restoration of over 1,200 water bodies. Infosys focuses on achieving and maintaining carbon neutrality. The company uses an internal carbon pricing system to fund its CSR projects. As a result, Infosys has remained 100% carbon neutral since 2020 and meets its electricity needs largely through renewable energy sources. Hindustan Zinc concentrates on water stewardship, particularly in the Udaipur region. It adopts a blended finance approach by combining CSR funds with capital expenditure to build large wastewater treatment plants. This has enabled the company to replace fresh water almost entirely with recycled water in its plant operations.

Overall, the table highlights that when companies integrate sustainability into their core business strategies and support it with innovative financing mechanisms, they can achieve real and measurable environmental outcomes rather than just making commitments on paper.

4.2 Challenges of Green Finance by CSR Activity:

- CSR has transformed from basic philanthropy into comprehensive sustainability strategies, especially with the emergence of the CSRD (Corporate Sustainability Reporting Directive) and India's BRSR (Business Responsibility and Sustainability Report).

- The "Impact vs. Theater" Divide: Numerous businesses view CSR as a public relations tactic ("CSR Theater") instead of an essential business strategy. This leads to disjointed efforts such as occasional tree planting that fail to tackle the company's true environmental impact.
- Supply Chain Transparency: Recent 2025 regulations mandate that large firms disclose information regarding their value chain, including up to 75% of their suppliers. Many small-to-medium enterprises (SMEs) do not possess the data infrastructure necessary to deliver this information, resulting in a significant reporting delay.
- Dual Materiality: Businesses are currently facing challenges in reporting on "Dual Materiality" assessing both the impact of sustainability issues on the company's worth (financial) and the company's effect on the environment (impact)
- CSR Authenticity vs. Green washing: Investors are becoming more dubious. A corporation faces harsh regulatory penalties and "reputation risk" if it employs "Green Finance" to finance a CSR project that is solely for public relations (e.g., planting trees while maintaining a coal-heavy supply chain).
- Fragmented Taxonomies: It can be challenging for multinational firms to maintain a consistent worldwide approach because a CSR initiative that is deemed "sustainable" in one area (such as a natural gas transition project) might not be eligible for "Green Finance" in another.
- Additionality Issues: A CSR initiative must demonstrate "Additionality" that is, that the environmental benefit would not have occurred without that particular investment in order to be eligible for green funding. It is difficult to prove this both legally and scientifically.

5. CONCLUSION:

The conclusion of this research paper is that CSR and green finance are two of the most important drivers for improving an organization's environmental performance. Green finance provides the capital needed to finance green loans, bonds, and special credits, invest in clean technologies, and reduce waste. CSR as a strategic framework serves as an internal mechanism that aligns the company's culture with environmental goals and ensures that green funds are used ethically and effectively rather than superficially "green washing." The research concluded that green finance does not improve environmental performance on its own, but provides funding for research and development (R & D) of environmentally friendly products. CSR creates organizational readiness to adopt these innovations. Without innovation, the financial resources in green finance may fail to deliver real environmental benefits. Many researchers regularly conclude that companies use the relationship between CSR and green finance to gain 'social legitimacy'. By engaging in transparent CSR and securing green finance, companies signal to regulators and the public that they are complying with evolving climate laws. This signal lowers the cost of capital, creating a feedback cycle where better environmental performance leads to cheaper green credit in the future.

6. REFERENCES:

1. Ana Mariele Domingues, Bruno Vicente Lippe Pasquarelli (2023): "Corporate social responsibility: a study on the performance of companies in the social dimension within the BM&FBOVESPA'S corporate sustainability index (2014-2017)"DOI: 10.55905/oelv21n6-024.

2. V. Kasturi Rangan, Lisa Chase & Sohel Karim (2015) "The Truth about CSR" Oceania article HBR social responsibility 2015. billsynnotandassociates.com.
3. Abhishek Mukherjee (2016) "Analysis of mandatory CSR expenditure in India: a survey Int. J. Corporate Governance, Vol. 7, No. 1, 2016
4. Government of India (2019), High Level Committee Report (2018) on Corporate Social Responsibility
5. . GoI, Hand book of CSR in India
6. <https://csrbox.org/India>
7. <http://csr.gov.in>