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RESEARCH ARTICLE

Corporate Social Responsibility and Risk: Evidence from various countries

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Abstract
This study investigates the relationship between corporate social responsibility and default risk. The usage of a significant sample size of companies from 42 nations between 2006 and 2020, this investigation examines the connection between corporate social responsibility (CSR) and counterparty risk, concentrating on the discrepancy impact conditional on the intervals of time limits. We discover that corporate social responsibility is negatively related to the default probability, and the impact is more potent in the long run than in the short term. In addition, the effect of corporate social responsibility on company nonpayment probability seems to be more significant in international locations with weaker securities markets and legal institutions. This study is unique in the field of CSR and Default risk. Our results generally assist corporate social responsibility's position in filling institutional voids.
Keywords: CSR; default risk; probability

Introduction

The cosmos of the link between interpersonal accountable activities of a business enterprise and its overall performance has prolonged discussed (S. Chiu & Sharfman, 2011; Sze, 2005). Even though the session in corporate social responsibility should aid a corporation in constructing long associations with numerous shareholders and enhance its potential to surpass rivals, this calls for full-size investments of assets and social control dedication, and the combination gain may want to take years to be identified (Cellier, 2020). For that reason, corporate social responsibility investment can also generate an agency's financial condition and hike quick-time period credit risk even if such investment may cut back credit risk over a lengthy period (Saeidi et al., 2021). The connection between corporate social responsibility activities and credit risk has been extensively analysed. For instance, Swanson (1995) indicates that Chinese corporations with proper corporate social responsibility may lessen default option expectations. Weaver (1999) locate that corporate social responsibility appointment and governance of corporate performance have an appreciably negative effect on the corporations' risk of financial distress. Gangi et al. (2020b), in addition, discover that the environmental policy of firm impacts risk-adjusted gain and risk of financial distress via its effect on firm repute, even though there is a bit of study on the subject in view of time period-structure.

We empirically examine corporate social responsibility's effect on default probability using a panel of data from 42 countries worldwide. Using Thomson Reuters Asset4, we generate a firm-level corporate social responsibility performance and statistics from credit research initiatives to calculate multi-term probabilities with different maturity structures. We observed a strong negative relationship between corporate social responsibility and the likelihood of credit risk initiation. The influence is frugally meaningful and magnifies larger as we expand the estimated possibilities of the prior probabilities. For example, an increase of one standard deviation in the social responsibility score is related to a decrease of 20% in points in the default probability of initiating 1-month credit research. This economic effect increases by 10.40 and 16.04 points, respectively, when we use the standard possibilities of finding three-year and five-year default probability. These results confirm the idea that higher corporate social responsibility is expected to reduce producer credit risk in the long rather than the short run.

Then, we strive to discover the channel via which corporate social responsibility impact default opportunity. We posit that corporate social responsibility engagement should assist in lessening transaction prices and enhancing asset access. Specialised mediators, or institutes, emerge to lessen statistics and agreement issues, thereby decreasing the miscellaneous expenses related to market failures according to transaction cost theories (Hart et al., 2015). Absent robust fairness and credit markets with statistics intermediary, companies can also have restrained potential to reap good enough capital due to statistics asymmetry issues (Wong, 2011). In the meantime, by means of growing near social connections with outside stakeholders, corporate social responsibility assist in filling political, social, and economic infrastructure gaps, which declines the company's transaction costs (Ashley & Patel, 2003; Mazutis, 2011). Excellent relations with societies as a result of corporate social responsibility practices can decrease compliance costs as well (Baselga-pascual & Emilia, 2021; Benn et al., 2010; Boulouta, 2013) and reduce companies' publicity to risk (Bhattacharjee & Han, 2014; Cao, 2012), thus growing their probabilities of subsistence. Constant with this argument, we discover the impact of corporate social responsibility on the default probability is extra stated in republics with recognised emptiness, wherein transaction costs are better and admission to capital markets is restricted.

Further, below vulnerable legal institutions, customers won't be able to search for a cure if an item for consumption flops to supply on its assurance, which in turn ends in a goods marketplace letdown (S. M. Hong, 2020). Corporate social responsibility sports help lessen agreement expenses by signalling a company's guarantee to act in a manner that imitates shareholders' expectancies (Frynas & Yamahaki, 2016; Ullah et al., 2019). Corporate social responsibility investments also result in different beliefs and characters that may assist the growth of buyer trustworthiness and appeal to fresh clientele (Cheung & Chan, 2005; S. S. Chiu, 2019). Therefore, the need for lowering agreement expenses is more extraordinary in nations with pathetic custodial structures and extra restricted belongings rights. Our outcomes show that the poor relationship between corporate social responsibility and default risk is extra focused in these republics.

Our findings make several contributions to the literature. First, our results make influence the developing literature on the financial inferences of corporate social responsibility, and mainly the component of studies that makes a speciality of the role of corporate social responsibility in alleviating business deal prices, refining capitals, and ultimately the growing economic benefit of companies working in international locations with recognized voids (Sharfman, 2018). This study suggests that corporate social responsibility enables companies to enter secondary markets and decrease the default probability. Additionally, excessive-corporate social responsibility firms can mitigate their risk of falling into default and experiencing high credit scores first-class because of building additional agreement with and popularity.

2d, our paper provides an influential study that analyses elements explaining economic misery by displaying that informally accountable happenings reduce default hazards. With the point of interest on the default probability with a one-of-a-kind term structure, we increase the time size to understand the relationship between corporate

social responsibility and the probability of default. As a consequence, we shed extra mild on the different effects of corporate social responsibility on corporations' probability of default. Notably, through previous literature (Callan & Thomas, 2009; Saha & Cerchione, 2020), the effect of corporate social responsibility on the probability of default via using a Comparative Analysis of Accounting-Based Valuation Models that use fundamentally backwards-looking financial ratios resulting from financial statements. Our default probability is mostly based on the pricing model (Fabrizi et al., 2014) and makes use of the market fee of a company's capital in measuring its default probability. On account that marketplace expenses mirror investors' expectancies approximately a company's destiny performance, they incorporate forward-searching data that is better suitable for measuring the opportunity that a company may additionally default in the future.

Subsequently, the results of our paper apply to the literature on the effect of corporate social responsibility on credit ratings and debt value (Gillan et al., 2021; B. Hong et al., 2016; Turgut, 2013). For instance, Dadanlar (2020) proves that generally negligent firms pay 6 to 16 bases extra on their credits associated with apparent generally responsible corporations. In recent times, Wood (2010) displayed a lousy association between corporate social responsibility and economic default of probability (Integrative et al., 2016). In addition, Waldman et al. (2006) discover that companies with somewhat corporate social responsibility-orientated policies are negatively related to the slope of credit score probability of default period structure. At the same time as this kind of empirical research cognisance on a single USA, our study progresses the knowledge of the impact of corporate social responsibility on a firm's probability of default in pass-united states institutional environments. The extra lousy relation between corporate social responsibility and default probability in international locations with weaker market-helping establishments indicates that the benefits of corporate social responsibility funding are greater where institutional voids result in higher transaction expenses.

The rest of the investigation is prepared this way: segment two labels data and material. Segment three provides the empirical results of the research. Segment four is consistent in conclusion.

Data and Material

We use the default probability that is at once gathered from the credit research initiative to calculate default risk. The default probability is the maximum credit score made from the credit research initiative default prediction device made on the ahead intensity version via (Mcwilliams et al., 2006). This forward version permits the production of the forward-searching probability of default-time period structures of corporations based totally on the active gaining knowledge of the macro-economic and firm-specific statistics. As of March 2020, the credit research initiative covers over 71,000 change-indexed companies in 142 international economies. This observation calculates the yearly values for default possibilities because the joint monthly probability of default measures over a financial year.

We get firms' financial statistics from the world scope. The country-level variables are gathered first-hand from numerous bases, the world bank, Fraser Institute, and numerous researches on economics and finance (S. S. Chiu, 2019; Nwachukwu et al., 2017; Saeidi et al., 2021). The ultimate sample comprises 17,336 observations for 3,004 exclusive firms from 2006-2020.

Table-1 reviews the descriptive research initiative information of our sample. Panels 1, 2 and 3 present the information through the country, by means of 12 months and by way of enterprise, respectively. Amongst our sample nations, Iranian corporations have the best common corporate social responsibility rating is 53.12, intently accompanied by the aid ones in Afghanistan is 38.41. Our sample's common 1-12 months probability of default is reasonably lightly dispensed around 30 basis factors in 2006 and 2010. It cuts to ten foundation points variety over the 2009-2012 duration before accomplishing a peak at over forty basis factors during the

worldwide financial disaster, then progressively reducing inside the post-disaster duration. In most of the pattern nations, Pakistani corporations have the best default chance of 40.9 bps, followed by way of the ones in Russia is 59.6 bps. Companies in Bangladesh have the bottom common 12 months possibility of default is 6.8 bps.

Econometric techniques

We employ the following model:

$$PD_{i,y,z} = \alpha_0 + \beta_1 CSR_{i,y,z} + Ctrl_{i,y,z} + Years\ Indicators + Industry\ Indicators + Country\ Indicators + \varepsilon_{i,y,z} \quad (1)$$

Where i, y, and z show the company, country, and year correspondingly. The response variable, probability of default, is credit research initiative default probability with 1- month=1month- default probability, 6-month=6months-default probability, 1-year=1year- default probability, 3-year = 3 years default probability and 5-years=5years default probability prediction horizon. Corporate social responsibility is the uniformly weighted average of the social and environmental rating from asset4. Eventually, country, enterprise, and 12 months indicators are included to govern for ignored traits throughout nations, industries, and time.

Table-2 shows the data for the main variables in the current research. The mean of the total corporate social responsibility scores for the complete sample is 48.221. The average of 1 month- default probability, 6 months-default probability, 1 year- default probability, 3year- default probability, and 5-years- default probability are 2.10, 8.7, 19.12, 87.8, and 170.5 bps, individually. Averagely, the return on asset ratio is 4.18%, the debt ratio is 0.379, and the research and development ratio is 0.178. This information is similar to earlier investigations (Callan & Thomas, 2009; Disegni & Huly, 2012).

Data Analysis and Results

Table 3 expresses the outcomes of approximating equation-1. Results show a negative coefficient on corporate social responsibility for entire explanations of default probability; significance as the whole is 1%. This specifies a strong connotation between corporate social responsibility and the credit research initiative default probability. The financial importance is similarly remarkable. Precisely, the coefficient of corporate social responsibility is -0.0016 (t value=3.78) for 1 month-default probability. The credit research initiative has been dedicated to promoting research on credit risk and offering directly useful credit analytics.

Table: 1 Sample distribution

No.	Country	Numbers of obs.	%	Corporate social responsibility	1year-dp
Panel 1: Country distribution					
1	India	944	0.0545	41.91	0.412
2	Indonesia	98	0.0057	57.94	0.349
3	Pakistan	899	0.0519	50.93	0.302
4	Bangladesh	101	0.0058	51.14	0.456
5	Japan	188	0.0108	56.49	0.792
6	Philippines	612	0.0353	54.83	0.354
7	Vietnam	99	0.0057	50.67	0.197
8	Turkey	614	0.0354	44.64	0.383

9	Iran	310	0.0179	46.16	0.328
10	Thailand	178	0.0103	50.27	0.312
11	Myanmar	289	0.0167	56.39	0.313
12	South korea	312	0.0180	49.39	0.317
13	Iraq	222	0.0128	41.04	0.304
14	Afghanistan	325	0.0187	46.37	0.272
15	Saudi arabia	444	0.0256	60.2	2.043
16	Uzbekistan	95	0.0055	55.84	0.633
17	Malaysia	416	0.0240	55.1	0.339
18	Yemen	219	0.0126	56.64	0.312
19	Nepal	514	0.0296	53.64	0.27
20	North korea	488	0.0281	42.33	0.292
21	Sri lanka	213	0.0123	41.85	0.218
22	Kazakhstan	112	0.0065	57.74	0.421
23	Syria	198	0.0114	48.46	0.49
24	Cambodia	87	0.0050	43.61	0.489
25	Jordan	123	0.0071	53.93	0.304
26	Azerbaijan	90	0.0052	54.33	0.438
27	United arab emirates	632	0.0365	38.43	0.294
28	Tajikistan	256	0.0148	45.86	0.362
29	Israel	75	0.0043	57.27	0.448
30	Laos	88	0.0051	61.52	0.353
31	Lebanon	412	0.0238	59.1	0.252
32	Kyrgyzstan	119	0.0069	57.96	0.3
33	Turkmenistan	88	0.0051	62.38	0.319
34	Singapore	878	0.0506	43.24	0.415
35	Oman	1178	0.0680	44.06	0.356
36	State of palestine	895	0.0516	46.67	0.347
37	Kuwait	1102	0.0636	40.33	0.317
38	Georgia	236	0.0136	47.85	0.304
39	Mongolia	110	0.0063	56.74	0.272
40	Armenia	451	0.0260	56.46	2.043
41	Qatar	2100	0.1211	52.61	0.633
42	Bhutan	526	0.0303	61.93	0.339
	Total	17,336	100		

Panel-2: Yearly distribution

#	Year	No. Of obs.	%	Corporate social responsibility	1year-dp
1	2006	142	0.819	39.46	0.256
2	2007	149	0.859	39.66	0.193
3	20048	681	3.928	39.61	0.021
4	2009	977	5.636	39.67	-0.035
5	2010	999	5.763	39.92	-0.011
6	2011	1112	6.414	40.83	0.008
7	2012	1289	7.435	41.61	0.286
8	2013	1256	7.245	41.73	0.299
9	2014	1782	10.279	41.88	0.096

10	2015	1425	8.220	42.21	0.078
11	2016	1857	10.712	42.45	0.105
12	2017	1844	10.637	42.61	0.07
13	2018	1229	7.089	43.21	0.075
14	2019	1358	7.833	45.37	0.146
15	2020	1236	7.130	46.93	0.185
	Total	17,336	100		

Panel-3: Yearly distribution

#	Industry	Number of obs.	%	Corporate social responsibility	1year-dp
1	Agriculture; plantations; other rural sectors	1900	10.960	41.78	0.264
2	Basic metal production	1052	6.068	44.37	0.030
3	Chemical industries	899	5.186	44.78	0.105
4	Commerce	896	5.168	49.03	0.001
5	Construction	785	4.528	43.09	0.054
6	Education	725	4.182	42.03	0.153
7	Financial services; professional services	625	3.605	46.81	0.061
8	Food; drink; tobacco	836	4.822	43.73	0.289
9	Forestry; wood; pulp and paper	796	4.592	44.14	0.11
10	Health services	826	4.765	46.8	0.119
11	Hotels; tourism; catering	933	5.382	47.33	0.224
12	Mining	662	3.819	42.89	0.066
13	Mechanical and electrical engineering	98	0.565	42.84	0.079
14	Media; culture; graphical	814	4.695	45.17	0.067
15	Oil and gas production; oil refining	1211	6.985	43.46	0.123
16	Postal and telecommunications services	1136	6.553	45.55	0.111
17	Public service	526	3.034	40.53	0.148
18	Shipping; ports; fisheries; inland waterways	920	5.307	40.66	0.055
19	Agriculture; plantations; other rural sectors	198	1.142	44.48	0.012
20	Basic metal production	1275	7.355	39.47	0.089
21	Others	223	1.286	39.43	0.127
	Total	17,336	100		

Table 2: Descriptive research initiative statistics for the entire sample size

Variable	Sample	Mean values	Std dev	Q-1	Median values	Q-3
1m-pd	17,336	1.262	0.062	0.085	0.1	1.009
6m-pd	17,336	1.348	0.204	0.087	0.116	1.073
1y-pd	17,336	1.492	0.552	0.097	0.16	1.208

3y-pd	17,336	2.239	1.845	0.27	0.581	2.066
5y-pd	17,336	3.056	2.882	0.639	1.199	3.04
Corporate social responsibility	17,336	51.588	9.644	39.271	45.986	59.241
Market-to-book	17,336	2.981	1.001	1.162	1.48	2.983
Size	17,336	9.808	1.334	7.723	8.624	10.509
Age	17,336	4.443	1.595	2.724	3.86	5.502
Roa	17,336	6.841	5.466	2.792	5.029	8.958
Sale growth	17,336	1.332	0.226	0.038	0.147	1.163
Leverage	17,336	1.805	0.112	0.5	0.662	1.698
Capital expenditure	17,336	1.195	0.059	0.014	0.058	0.98
R&d	17,336	1.263	0.073	0.085	0.099	1.003
Gdp growth	17,336	3.256	2.418	1.308	2.227	3.883
Mcap	17,336	5.818	0.483	4.262	4.71	5.873
Nfirms	17,336	8.72	1.036	7.111	7.871	9.34
Bank	17,336	2.216	0.304	0.625	1.068	2.246
Trade	17,336	1.88	0.592	0.384	0.52	1.628
Fdi	17,336	5.002	7.368	1.101	1.86	4.094

*, **, and *** denote significance levels at 0.1, 0.05, & 0.01, respectively.

Additionally, regularly with the more massive influence of CSR on corporations' credit score risk inside the lengthy-time period than inside the quick-time period, the significance of the coefficient estimate of corporate social responsibility inclines to grow with the maturity of an extensive time default probability (DP) the coefficient tiers.

Prevalence study

We subsequently run numerous cross-sectional analyses to apprehend better the connection between corporate social responsibility and the default probability. Specially, we check whether this association relies upon the convenience of access to capital assets, the legal system's high quality, and the safety of assets rights.

Table:3 Default risk and Corporate Social Responsibility

Dependent variable =	1mon-p/d	6mon-p/d	1yr.-p/d	3yr-p/d	5yr-p/d
Corporate social responsibility	0.3988**	-0.019**	0.028**	0.008**	0.035**
	-2.241	-1.98	-1.757	-2.396	-2.319
Mark-to-book	0.3958**	-0.027**	0.038**	0.2408**	0.3178**
	-3.201	-3.251	-2.717	-3.356	-3.279
Size	0.3986	-0.013	0.8826	0.2436	0.3206
	-0.191	-1.256	0.293	-0.346	-0.269
Age	0.3982**	-0.032**	0.081**	0.2432***	0.3202**

	-2.611	-2.851	-2.127	-2.766	-2.689
Return on assets	0.3978**	-0.032**	0.065**	0.2428**	0.3198**
	-10.941	-11.32	-10.457	-11.096	-11.019
S_growth	0.3972	-0.006	0.8812	0.2422	0.3192
	-0.631	-0.076	-0.147	-0.786	-0.709
Lev	0.4399**	0.089**	0.032**	0.2849**	0.3619**
	-5.181	-6.78	-4.697	-5.336	-5.259
Cap_ex	0.4171**	0.089**	0.002*	0.2621**	0.3391**
	-0.801	-2.03	-0.317	-0.956	-0.879
Research & development	0.4023	0.085	0.8863	0.2473	0.3243
	0.119	-0.162	0.603	-0.036	0.041
Gross domestic product growth	0.3993	0.088	0.8833	0.2443	0.3213
	-0.551	-0.89	-0.067	-0.706	-0.629
M_cap	0.3896*	-0.562**	0.032**	0.2346**	0.3116**
	-3.001	-3.654	-2.517	-3.156	-3.079
N_firms	0.4021**	0.062**	0.034**	0.2471**	0.3241**
	-1.241	-2.01	-0.757	-1.396	-1.319
Banks	0.4084***	0.063*	0.023**	0.2534**	0.3304**
	-3.411	-2.98	-2.927	-3.566	-3.489
Trades	0.3971	-0.052	0.8811	0.2421	0.3191
	-0.291	-0.236	0.193	-0.446	-0.369
Foreign direct investment	0.3988**	-0.006*	0.046**	0.2438**	0.3208**
	-2.941	-2.178	-2.457	-3.096	-3.019
Cons	0.43*	0.032*	0.062**	0.275**	0.352**
	-1.851	-2.36	-1.367	-2.006	-1.929
F/e	C.I.Y.	C.I.Y.	C.I.Y.	C.I.Y.	C.I.Y.
Adj. R^2	0.127	0.231	0.185	0.226	0.298
No. Of observations	17,336	17,336	17,336	17,336	17,336

First, assuming corporate social responsibility can lessen transaction charges and increase access to capital assets. If so, the negative effect of corporate social responsibility on default probability ought to be greater pronounced in countries with weaker capital markets. We follow (Gillan et al., 2021)and adopt access to capital market measures, calculated as the first principal component of shareholder rights, creditor rights, shareholder rights enforcement, and creditor rights enforcement. We use an indicator variable (low access) to proxy for weak stock and credit markets. As an indicator, low access implies weaker protection of shareholders' and creditors' rights and a higher cost of capital. Table 4 reports the results. We find that the coefficients on the interactions between our proXy for the strength of capital markets and corporate social responsibility are all negative and significant. These findings suggest that corporate social responsibility help firms overcome weak stock and credit markets by allowing them to access external financing and achieve higher credit quality than possible if they rely only on internally generated capital.

This table provides outcomes from extra robustness assessments in the fundamental textual content. Panel-1 indicates the propensity score matching effects. Panel-2 indicates the regression outcomes of the usage of the company FE model. Panel-3 indicates the regression outcomes of using governance, social and environmental scores. *, **, & *** constitute a significance level at 0.1, 0.05, and 0.001.

Table 4: Additional tests					
Panel-1: P.M.S Results					
Dependent variable = 1mon-p/d		6mon-p/d	1yr.-p/d	3yr.-p/d	5yr.-p/d
	1	2	3	4	5
25% corporate social responsibility	-0.054**	-0.080**	-0.032**	-0.074**	-0.075**
	-0.92	-1.89	-1.91	-1.83	1.86
Ctrls	Y	Y	Y	Y	Y
Fe	C.I.Y.	C.I.Y.	C.I.Y.	C.I.Y.	C.I.Y.
Adj. R^2	0.089	0.195	0.199	0.202	0.298
No. Of observations	4150	4150	4150	4150	4150
Panel-2: firm- and year-fe: dependent variable =	1mon-p/d	6mon-p/d	1yr.-p/d	3yr.-p/d	5yr.-p/d
Corporate social responsibility	-0.005*	-0.022**	-0.036**	-0.032**	-0.078**
	-0.99	-1.08	-0.97	-0.85	-1.57
Ctrls	Y	Y	Y	Y	Y
Fe	F/y	F/y	F/y	F/y	F/y
Adj. R^2	0.423	0.543	0.567	0.654	0.718
No. Of observations	17,336	17,336	17,336	17,336	17,336
Panel-3: environmental, social, and governance .: dependent variable =	1mon-p/d	6mon-p/d	1yr.-p/d	3yr.-p/d	5yr-p/d
	1	2	3	4	5
Environmental, social, and governance	-0.05**	-0.03**	-0.012**	-0.08**	-0.02**
	-1.88	-2.86	-2.36	-2.91	-2.99
Ctrls	Y	Y	Y	Y	Y
Fe	C.I.Y.	C.I.Y.	C.I.Y.	C.I.Y.	C.I.Y.
Adj. R^2	0.214	0.185	0.198	0.238	0.289

Conclusion

This study observes the nexus between corporate social performance and bankruptcy risk. We discover constant proof that corporate social responsibility is negatively related to the probability of default. Further, the effect of corporate social responsibility is more potent in the long than in the short run. Ordinary, the results of this examination are regular with the argument that corporate social responsibility facilitates minor transaction expenses and increases capital markets access, which reduces default probability. In addition, corporations with excessive corporate social responsibility engagement can mitigate their risk of defaulting and experiencing high credit score quality because of constructing different beliefs and popularity.

Research Limitations

The research encounters several limitations that merit consideration. Firstly, the availability and quality of CSR data vary across countries, potentially constraining the study's scope and generalizability. Disparities in data quality and reporting standards may introduce biases, affecting the robustness of the analysis. Secondly, cross-

country variability in the definition and perception of CSR due to cultural, legal, and institutional differences poses a challenge. The diverse nature of industries and sectors, coupled with varying levels of CSR engagement, may complicate comparisons and limit the generalizability of findings. Methodological challenges also emerge in quantifying CSR and risk, with difficulties in developing standardized metrics that capture the multifaceted nature of these concepts. Establishing causality between CSR activities and risk is intricate, considering potential endogeneity issues and the challenge of determining whether CSR practices drive risk reduction or are adopted by companies with lower inherent risks. Furthermore, the dynamic nature of the relationship may require a longitudinal approach, accounting for evolving external events and economic conditions. The generalizability of results across different countries or industries is subject to contextual sensitivities and may oversimplify conclusions if not carefully considered. Variability in regulatory frameworks and legal environments across countries may influence the way companies approach CSR and manage risks, adding complexity to the analysis. Lastly, limitations may arise from a potential narrow focus on specific types of risks, overlooking other relevant dimensions impacted by CSR activities. Addressing these limitations is crucial for ensuring the study's credibility and relevance in understanding the intricate interplay between Corporate Social Responsibility and Risk on a global scale.

Future Research Directions

As the field of research evolves, several promising avenues for future investigation emerge. Firstly, scholars could delve into the nuanced impact of different cultural, legal, and institutional contexts on the relationship between CSR and risk. Understanding how these contextual factors influence CSR practices and risk management strategies across diverse countries would contribute to a more comprehensive and context-sensitive analysis. Additionally, future research might explore the temporal dynamics of the CSR-risk relationship, investigating how these dynamics unfold over longer timeframes and in response to changing economic conditions and global events. This longitudinal perspective could provide valuable insights into the sustainability and lasting effects of CSR initiatives on risk mitigation. Methodologically, there is a need for the development of more refined and standardized metrics for measuring CSR and risk, ensuring greater comparability and accuracy in cross-country analyses. Furthermore, investigations into the specific mechanisms through which CSR activities influence various dimensions of risk, be it financial, reputational, or operational, could offer a deeper understanding of the underlying processes. Considering the increasing importance of sustainability in business, future research might also explore how emerging trends and evolving stakeholder expectations impact the CSR-risk nexus. Finally, exploring the role of regulatory frameworks and legal environments in shaping CSR practices and risk management strategies across borders could provide valuable insights into the interplay between corporate behavior, governance structures, and external regulatory influences. By addressing these future research directions, scholars can contribute to a more nuanced and holistic understanding of the intricate relationship between Corporate Social Responsibility and Risk on a global scale.

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