

Chapter 7

Theoretical and Conceptual Approach of Corporate Governance and CSR Activities in Financial Decision Making

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ABSTRACT

In today's business world, corporate social responsibility (CSR) and corporate governance have become essential components. They have a big impact on financial decision-making processes in addition to organizational behavior. The objective of this chapter is to offer a thorough theoretical and conceptual framework for comprehending how financial decision-making, CSR initiatives, and corporate governance interact inside businesses. Foundations of Corporate Governance Theoretically explain about how agency theory clarifies how shareholders and management interact as principals and agents, highlighting how important it is to have aligned interests to reduce agency conflicts. Examine how this theory emphasizes the wider societal impact of company actions by promoting the consideration of multiple stakeholder interests beyond shareholders and Analyze how this theory

DOI: 10.4018/979-8-3693-5733-0.ch007

affects governance frameworks and decision-making procedures by emphasizing how dependent organizations are on outside resources.

OBJECTIVES:

The purpose of this chapter is to examine the complex interplay that exists between financial decision-making, corporate social responsibility (CSR), and corporate governance in organizations. The following goals will be accomplished by the chapter through the use of a theoretical and conceptual framework:

- Establish clear definitions of corporate governance and CSR, highlighting their significance in the modern business landscape.
- Examine the theoretical foundations of corporate governance and corporate social responsibility (CSR), such as institutional theory, agency theory, and stakeholder theory, to comprehend the ways in which they affect financial decision-making.
- Examine how governance structures and CSR commitments influence the financial decision-making processes of organizations.

INTRODUCTION

This chapter aims to provide a comprehensive understanding of the theoretical and conceptual approaches to corporate governance and CSR, highlighting their critical roles in shaping financial decisions within organizations. Corporate governance and corporate social responsibility (CSR) have emerged as pivotal concepts in the realm of modern business management. Their significance extends beyond ethical imperatives to encompass strategic and financial decision-making. It explores their implications for financial decision-making, illustrating how these concepts can drive sustainable growth and ethical business practices. Through a review of key theories, governance mechanisms, CSR activities, and case studies, the chapter seeks to elucidate the critical role of corporate governance and CSR in contemporary business management.

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