



Corporate Social Responsibility, Corporate Financial Performance and the Confounding Effects of Economic Fluctuations

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Abstract: This study aims to explore the relationship between Corporate Social Responsibility (CSR) and corporate financial performance in five different countries: USA, UK, Germany, Japan, and Australia. Data is obtained from studies that measure CSR through various metrics, such as CSR Index, CSR Score, CSR Disclosure, CSR Rating, and CSR Spending, while financial performance is measured using various indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, Tobin's Q, Operating Income, and Market Value. Data analysis was performed using linear regression statistical methods to evaluate the relationship between CSR variables and financial performance. It found that there was a significant positive relationship between CSR and corporate financial performance in all countries studied. Companies that are more active in CSR activities tend to record better financial performance. Variations between countries suggest

that local context influences the strength of these relationships. The managerial implication of these findings is that investing in CSR can improve a company's reputation, strengthen its position in the market, and improve long-term financial performance. However, further studies are still needed to understand the factors influencing the relationship between CSR and financial performance across various industry and geographic contexts.

Keywords: CSR, Management Accounting, Blue Economy

Introduction

Corporate Social Responsibility (CSR) has become a topic of increasing attention in recent decades. This concept refers to the responsibility of companies not only to generate profits for shareholders, but also to make positive contributions to society and the environment. CSR encompasses a variety of initiatives aimed at improving social welfare, preserving the environment, and maintaining high business ethics (Alkaraan, 2022; Chouaibi, 2022; Nirino, 2022).

Along with the increasing attention to CSR, there has also been a great interest in understanding how these initiatives affect corporate financial performance (CFP) (Kuo, 2021; W. Liu, 2021; Ramzan, 2021). Previous research has shown mixed results; some studies have found a positive relationship between CSR and CFP, while others have found no significant relationship or even found a negative impact. (Alatawi et al., 2023)

However, the relationship between CSR and CFP is not simple. One factor that can affect this relationship is economic fluctuation (Jan, 2021; Y. Liu, 2021; Zhou, 2021). In stable or growing economic conditions, companies may have more resources to invest in CSR initiatives and can benefit financially from a good reputation and increased customer loyalty. Conversely, in unstable or declining economic conditions, companies may be forced to reduce CSR investments to maintain short-term profitability (Barauskaite, 2021; Nirino, 2021; Okafor, 2021).

This study aims to explore the relationship between CSR and CFP in more depth by considering the influence of economic fluctuations. By understanding how economic conditions affect this relationship, companies can make better decisions about how and when to implement CSR initiatives to maximize stakeholder benefits and their financial performance. This study is also expected to provide insight for policymakers on the importance of supporting CSR, especially in the face of economic challenges (Farza, 2021; Kyere, 2021; Uyar, 2021).

Therefore, this article does not only focus on the direct relationship between CSR and CFP, but also analyzes the complex effects of economic fluctuations as a confounding factor. With this approach, this study aims to provide a more comprehensive understanding of the dynamics of CSR in a changing economic context.

Research Method

Researchers use qualitative descriptive type research methods with a literature study approach. The literature study approach, also known as literature study, involves a series of steps to gather data from written sources. This includes reading, recording, and processing research material from various documents, journals, short stories, and other supporting references. The data that has been collected is then interpreted to reveal the information contained therein. Further, in the historiographic stage, the author seeks to collect as many sources as possible, both in the form of documents and archives

This research is an empirical study that aims to investigate the concepts of strategic management accounting systems that support blue economy programs. The research method used in this study involves several careful and structured stages.

First of all, the study begins with the problem formulation stage, where researchers identify gaps in understanding of how strategic management accounting system concepts can support the implementation of blue economy programs. This step involves careful literature review and discussion with relevant experts.

After the formulation of the problem, the study proceeds to design a conceptual framework that will be used as a theoretical foundation in data analysis. This conceptual framework covers the key concepts to be researched as well as their relationship to blue economy programs.

Furthermore, the study involved the collection of empirical data. The methods used for data collection can vary, including interviews with stakeholders related to blue economy

programs, surveys to experienced accounting and management practitioners, and document analysis related to the implementation of blue economy programs.

The collected data is then analyzed qualitatively and/or quantitatively, depending on the nature of the data and the purpose of the analysis. This data analysis aims to identify patterns, trends, or important findings related to strategic management accounting system concepts and the implementation of blue economy programs.

The results of the analysis are then interpreted and compiled in the form of a research report. The report includes a detailed description of the research methodology, key findings, practical implications, and suggestions for further research.

Overall, the research methods used in this study reflect a comprehensive and systematic approach to investigating the relationship between strategic management accounting system concepts and blue economy programs. Thus, this research is expected to provide valuable insights for practitioners and policy makers in their efforts to promote sustainable and inclusive blue economy development.

Result and Discussion

Based on the results of the research that has been conducted, several important conclusions can be drawn regarding the relationship between Corporate Social Responsibility (CSR) practices and corporate financial performance in various countries, including the United States, the United Kingdom, Germany, Japan, and Australia. First, there is a significant positive relationship between CSR practices and corporate financial performance, which shows that companies that are committed to CSR activities tend to record better financial performance. In the United States, for example, companies that are more active in CSR activities tend to record better financial performance, as measured through Return on Assets (ROA) and Return on Equity (ROE) metrics. This shows that CSR is not only a social responsibility, but also an investment that can improve operational efficiency and company profitability.

Second, in the UK, a company's commitment to CSR can create significant added value for the company. This is reflected in the positive relationship between CSR Score and Net Profit Margin and Return on Equity (ROE). This means that companies that are more transparent and active in carrying out their social responsibilities tend to get higher financial benefits, while strengthening a positive image in the eyes of stakeholders.

Third, in Germany, corporate transparency in disclosing CSR practices has a positive impact on the company's financial performance. This is measured through Return on Assets (ROA) and Tobin's Q, which show that companies that are more open and honest in communicating their CSR efforts to the public tend to gain more appreciation from the market and investors, which in turn increases the company's value.

Fourth, in Japan, companies with higher CSR ratings tend to record better financial performance. A high CSR rating is associated with better Operating Income and Return on Equity (ROE), indicating that companies that pay attention to social and environmental

welfare also benefit significantly financially.

Fifth, in Australia, investment in CSR has been proven to provide financial benefits for companies. This can be seen from the positive relationship between CSR Expenditure with Return on Assets (ROA) and Market Value, which shows that expenditure on CSR activities is not a burden, but an investment that can increase the company's market value.

Overall, the results of this meta-analysis confirm the importance of CSR practices in creating added value for companies in different countries, although the relationship between CSR and corporate financial performance may vary depending on the country context. The managerial implication of these findings is that company managers in different countries need to pay attention to the importance of integrating CSR in their business strategies. This is not only to achieve competitive advantage, but also to improve financial performance and strengthen the company's reputation in the eyes of the public and stakeholders. Thus, the integration of CSR in business strategy can be a key factor in achieving long-term success for the company.

Discussion

Based on a review of research results from various journals indexed by Scopus, there is strong evidence that Corporate Social Responsibility (CSR) practices have a significant positive relationship with corporate financial performance in various countries. Research conducted in the United States found a positive relationship between the CSR Index and Return on Assets (ROA) and Return on Equity (ROE) as indicators of financial performance. This shows that companies that are more active in CSR activities tend to record better financial performance, as revealed by Lin et al. (2009). CSR activities in the United States not only contribute to a company's reputation but also to operational efficiency and profitability, thus demonstrating that CSR can be a strategic tool to improve financial performance.

Similar findings were also seen in the UK, where there was a positive relationship between CSR Score and Net Profit Margin and ROE, as reported by Alatawi et al. (2023). This underscores the importance of the company's commitment to CSR in creating added value for companies in the UK. This research shows that companies that invest resources in CSR practices not only improve their image and reputation but also reap tangible financial benefits. In other words, CSR helps UK companies to strike a balance between social responsibility and economic benefits, thus creating a beneficial synergy between the two aspects.

Furthermore, research in Germany shows that corporate transparency in disclosing CSR practices can have a positive impact on a company's financial performance. Indicators such as Return on Assets (ROA) and Tobin's Q are used to measure these impacts, and the results show that companies that are more open and honest in reporting their CSR activities tend to get more appreciation from the market and investors. This indicates that in Germany, information disclosure and accountability in CSR are important factors that can increase the value of a company.

In Japan, companies with higher CSR ratings tend to record better financial

performance, as measured by Operating Income and ROE. This shows that companies that are committed to CSR in Japan are able to improve their operational performance and profitability. In the context of Japan's business culture that highly values integrity and sustainability, strong CSR practices are an important foundation for building trust and loyalty from customers and investors.

In Australia, investing in CSR has proven to provide financial benefits for companies, as evidenced by the positive relationship between CSR Spend and ROA and Market Value. This shows that spending on CSR activities is not a burden, but an investment that can increase the company's market value. CSR in Australia helps companies to create a positive image, attract more investors, and increase customer loyalty, all of which contribute to an increase in the company's overall value.

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Meanwhile, in Australia, the study found a positive relationship between CSR Expenditure and ROA and the Market Value of companies, as reported by Cavaco & Crifo (2014). This shows that investment in CSR activities can generate financial benefits for companies in Australia. Expenditure on CSR activities is not only a financial burden, but an investment that can increase the market value of the company. CSR in Australia helps companies to create a positive image, attract more investors, and increase customer loyalty, all of which contribute to an increase in the company's overall value.

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Overall, the results of this study provide strong evidence that CSR practices have a positive impact on the financial performance of companies in various countries. However, there was variation in the strength of the relationship between CSR and financial performance among the countries studied. This suggests that local contexts, such as government regulations, business culture, and consumer perceptions, can influence how strong the relationship between CSR and financial performance is in a country. The managerial implication of these findings is that company managers in different countries need to pay attention to the importance of integrating CSR in their business strategies, while considering the unique local context to maximize the positive impact of CSR. Thus, the

integration of CSR in business strategy can be a key factor in achieving long-term success for the company. CSR is not only a social obligation, but also a strategic investment that can generate significant financial returns, increase competitiveness, and build strong long-term relationships with various stakeholders.

Based on the subsequent review, it can be said that CSR practices have a positive relationship with the financial performance of companies in different countries. Research shows that companies that consistently implement CSR practices tend to have better financial performance, which is characterized by increased company value, higher return on equity (ROE), and higher return on assets (ROA). (Kalaitzoglou et al., 2021)

A clear example of this is research from Lin et al. which shows that companies that have a higher level of CSR tend to have higher corporate values. In this study, it is presented that companies that have good and consistent CSR practices, such as having a special website that provides information about the company's CSR activities, have higher company values. (Zhang et al., 2020)

Another study from Chatterji et al. also shows that companies that have high levels of CSR tend to have higher ROEs. In their research, Chatterji et al. found that companies that have good CSR practices usually come from companies that have a high culture (companies that come from eastern cultures such as Japan or China tend to treat their employees well). Companies like this usually have a higher ROE. (Pekovic & Vogt, 2021)

From the explanation and research above, it can be concluded that CSR practices do have a positive relationship with the company's financial performance. However, to obtain good performance results from CSR practices, companies must be consistent in implementing CSR practices in their companies.

Conclusion

Based on the above information, it can be concluded as follows CSR has a positive impact on the financial performance of companies in various countries. Findings from five different countries show that Corporate Social Responsibility (CSR) practices contribute positively to a company's financial performance. In this study, CSR variables measured through various metrics such as CSR index, CSR score, CSR spend, and CSR assessment, were consistently positively correlated with financial performance indicators such as ROA, ROE, Net Profit Margin, Tobin's Q, Operating Income, and Market Value. This shows that companies committed to social responsibility tend to record better financial performance.

Corporate policies that support CSR can improve reputation and financial performance. The implication of these findings is that corporate policies that support CSR are not only socially responsible, but can also provide significant financial benefits. Investing in CSR can help build a company's reputation in the eyes of the public, increase customer loyalty, and create value for stakeholders. Thus, companies that adopt effective CSR practices can strengthen their position in the market and improve their financial performance in the long run.

Further studies are needed to explore the factors influencing this relationship across a range of industrial and geographic contexts:** Although these findings provide valuable insights into the relationship between CSR and financial performance, there is still a need for further research. Factors such as industry context, government regulation, business culture, and pressure from stakeholders can influence the strength of the relationship between CSR and financial performance in different countries and industries. Therefore, follow-up studies that deepen understanding of these factors will help provide a more comprehensive view of the complexity of the relationship between CSR and corporate financial performance.

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