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Evaluating the Impact of Corporate Social Responsibility (CSR) on Corporate Financial Performance: A Systematic Literature Review

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Abstrak

Penelitian ini mengkaji pengaruh *Corporate Social Responsibility* (CSR) terhadap kinerja keuangan perusahaan melalui tinjauan sistematis terhadap 45 artikel ilmiah yang dipublikasikan antara tahun 2018-2025. Studi ini menganalisis tiga dimensi utama: korelasi CSR dengan laba bersih, peningkatan reputasi perusahaan, dan perbandingan CSR dengan indikator keuangan. Hasil penelitian menunjukkan bahwa CSR memiliki dampak positif signifikan terhadap kinerja keuangan perusahaan, dengan reputasi perusahaan berperan sebagai mediator penting dalam hubungan tersebut. Mayoritas penelitian menunjukkan bahwa perusahaan yang menerapkan program CSR secara konsisten mengalami peningkatan ROA, ROE, dan profitabilitas jangka panjang. Penelitian ini memberikan kontribusi praktis bagi manajemen perusahaan dalam mengintegrasikan strategi CSR sebagai driver kinerja keuangan berkelanjutan.

Kata Kunci: Tanggung Jawab Sosial Perusahaan, Kinerja Keuangan, Reputasi Perusahaan, Profitabilitas

Abstract

This research examines the impact of Corporate Social Responsibility (CSR) on the financial performance of companies through a systematic review of 45 scientific articles published between 2018-2025. The study analyzes three main dimensions: the correlation of CSR with net profit, enhancement of company reputation, and comparison of CSR with financial indicators. The results indicate that CSR has a significant positive impact on the financial performance of companies, with company reputation acting as an important mediator in this relationship. The majority of studies show that companies that consistently implement CSR programs experience an increase in ROA, ROE, and long-term profitability. This research provides practical contributions for company management in integrating CSR strategies as a driver for sustainable financial performance.

Keywords: *Corporate Social Responsibility, Financial Performance, Company Reputation, Profitability*

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INTRODUCTION

In recent decades, Corporate Social Responsibility (CSR) has gained increasing attention as a strategic component in achieving sustainable business performance. CSR is no longer perceived as a purely philanthropic activity, but rather as a vital tool that integrates social, environmental, and ethical concerns into corporate

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strategy. It reflects a shift in the definition of corporate success from being measured solely by financial profits to encompassing broader responsibilities toward society and the environment.

In Indonesia, the implementation of CSR has a clear legal foundation. Law No. 40 of 2007 on Limited Liability Companies, particularly Article 74, obligates companies whose operations relate to natural resources to carry out social and environmental responsibilities. This legal obligation is further reinforced through Government Regulation No. 47 of 2012, which clarifies that CSR must be integrated into corporate operations and planning, particularly for companies that have a direct impact on the environment and local communities. On a global scale, normative frameworks such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises provide international standards and guidance that encourage responsible business conduct, including respect for human rights, labor rights, environmental stewardship, and anti-corruption efforts. Furthermore, the European Union’s Directive 2014/95/EU requires large companies to disclose non-financial information, including CSR activities, as part of their annual reporting obligations.

Despite its growing adoption, the relationship between CSR and corporate financial performance remains the subject of scholarly debate. While numerous studies highlight the positive effects of CSR on profitability indicators such as Return on Assets (ROA), Return on Equity (ROE), and net profit other studies report weak, insignificant, or even negative relationships. These inconsistencies can be attributed to differences in geographic regions, industrial sectors, CSR measurement methods, and the level of CSR integration within corporate governance. For instance, Masud et al. (2025) found that CSR enhances financial performance through environmental innovation, while Tarjo et al. (2022) noted that financial fraud may dilute the positive impact of CSR on firm value.

To address this variation in empirical findings, the present study conducts a systematic literature review of 45 academic articles published between 2018 and 2025, aiming to comprehensively evaluate the impact of CSR on corporate financial performance. The review focuses on three main aspects: (1) the correlation between CSR and net profit, (2) the mediating role of corporate reputation, and (3) a comparative analysis of CSR’s effects on key financial indicators such as ROA, ROE, and Tobin’s Q. By combining legal, theoretical, and empirical perspectives, this study contributes to a deeper understanding of how CSR can be leveraged not only as a legal obligation but also as a strategic driver of long-term financial sustainability.

METHOD

Research Design

This study employs a systematic literature review (SLR) approach to analyze the relationship between Corporate Social Responsibility (CSR) and corporate financial performance. This method was chosen as it allows for a comprehensive analysis of various empirical studies that have been previously published.

Article Search and Selection Strategy

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The literature search was conducted using databases such as ScienceDirect, Emerald, MDPI, Taylor & Francis, Google Scholar, PLOS One, Sage, and PubMed, using the following keywords: *"CSR"*, *"Corporate Social Responsibility"*, *"Corporate Finance"*, and *"Financial Performance"*, limited to publications from 2018 to 2025.
The article selection process involved several stages:

1. Stage 1 Screening: Filtering based on subject relevance and keyword presence.
2. Quality Assessment (QA): Evaluation of article quality using a scoring criterion of 5–6.
3. Research Question Relevance: Assessment of alignment between the article content and the research questions.

Inclusion and Exclusion Criteria

Table 1. Inclusion and Exclution

Inclusion Criteria	**Exclusion Criteria**
Articles discuss the correlation between CSR and net profit	Articles do not directly address the relationship between CSR and financial performance
Explain the impact of CSR programs on improving corporate reputation	Research methodology is not explained or cannot be replicated
Research methodology is clearly described and replicable	The data used is irrelevant or outdated
Data used is relevant and up-to-date	Not published in indexed and reputable scientific journals
Published in indexed and reputable scientific journals	—

Source : Author's adaptation

Proses Quality Assessment

Each article was evaluated using six main criteria, with each criterion scored as 1 Each article was evaluated using six main criteria, with each criterion scored as 1 (Yes) or 0 (No). Only articles with a total score of ≥5 were included for further analysis.

Table 2. Quality Assement Criteria

No	**Research Criteria**	**Yes / No (1 / 0)**
1	Does the article discuss the correlation between CSR and net profit?	1 / 0
2	Does the article explain the improvement of corporate reputation through CSR?	1 / 0
3	Is the research methodology clearly explained and replicable?	1 / 0
4	Are the data used relevant and up-to-date?	1 / 0
5	Is the article published in an indexed and reputable journal?	1 / 0
6	Does the article compare CSR with financial performance indicators?	1 / 0
Maximum Score: 6	**Minimum score for inclusion: ≥5**	

Data Analysis

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Data from each article were extracted and categorized based on the following aspects: Year of publication and research trends, Methodology employed, Financial performance indicators measured, Industry sectors investigated, Key findings on the relationship between CSR and financial performance.

RESULTS AND DISCUSSION

Research Characteristics

Among the 45 articles analyzed, the distribution by year of publication indicates a growing trend in research on the CSR financial performance relationship. The years 2022 and 2025 recorded the highest number of publications, with 6 articles each, reflecting increased academic interest in the topic.

The majority of studies (89%) reported a positive correlation between CSR and various financial performance indicators, including Return on Assets (ROA), Return on Equity (ROE), net profit, and Tobin's Q. Only 11% of studies reported negative or insignificant relationships, typically in cases involving “abnormal” CSR or inefficient implementation.

The Impact of CSR on Net Profit

Analysis showed that 33 out of 45 articles (73%) demonstrated a positive relationship between CSR and corporate net profit. Masud et al. (2025) found that CSR promotes environmentally friendly innovation, ultimately enhancing operational efficiency and profitability. Tarjo et al. (2022) used Profit Margin as an indicator and found that CSR significantly boosts company profitability. Their study also noted that financial fraud can weaken CSR’s positive impact on firm value. Alhajjeah et al. (2025) confirmed that CSR positively affects ROA and ROE, reflecting net profit improvement. Companies with high ESG scores were able to turn the negative effects of debt into positive ones, highlighting CSR’s protective role during crises.

CSR and Corporate Reputation Enhancement

A total of 31 out of 45 articles (69%) addressed the role of CSR in improving corporate reputation. Sindhu et al. (2024) demonstrated that CSR significantly enhances corporate reputation, with innovation and reputation mediating the CSR performance link. Bahta et al. (2020) specifically examined the mediating role of reputation in the CSR financial performance relationship in SMEs, concluding that CSR significantly influences reputation, which in turn improves financial outcomes by boosting customer trust and access to resources. D'Arcangelis et al. (2025) noted that sustainability-based reputation serves as an intangible asset that enhances market valuation and reduces reputational risk. Their findings confirm a strong positive association between ESG engagement and corporate financial performance.

Comparison of Financial Indicators

The analysis of various financial indicators yielded consistent results: Return on Assets (ROA): 28 articles showed a positive impact of CSR on ROA. For instance, Lemana et al. (2025) found CSR positively influenced ROA in South African companies, indicating that CSR benefits are not limited to developed countries. Return on Equity (ROE): 25 studies confirmed a positive CSR–ROE relationship. Hamad &

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Cek (2023) revealed that CSR moderates the relationship between corporate governance and ROE, enhancing governance effectiveness. Tobin's Q: 18 articles used Tobin's Q as a market value indicator. Lee et al. (2023) found a positive correlation between CSR and Tobin's Q, with advertising amplifying CSR's financial effects. Earnings Per Share (EPS): 15 articles reported a positive impact of CSR on EPS. Al Frijat et al. (2023) demonstrated that CSR mediates the relationship between board competence and EPS, emphasizing governance's importance in CSR implementation.

Mechanisms and Mediating Factors

Studies identified several key mechanisms through which CSR affects financial performance: Innovation as a Mediator: Masud et al. (2025) found that CSR drives environmental innovation, which enhances financial performance. Ghanbarpour & Gustafsson (2022) confirmed that CSR and innovation indirectly improve performance through customer satisfaction. Reputation as a Mediator: Coelho et al. (2022) in their systematic review, confirmed reputation as a major mediator. Cazacu et al. (2023) added that reputation, customer loyalty, capital access, and employee retention strengthen CSR's impact. Operational Efficiency: Zhang & Su (2023) found that CSR improves transparency, reduces management risk, and enhances operational efficiency.

Sectoral and Regional Variations

The impact of CSR varies across sectors and regions. Banking Sector: Sindhu et al. (2024) reported significant CSR effects in the banking industry, with innovation and reputation as key mediators. Manufacturing Sector: Ahsan (2023) found that organizational culture and transformational leadership enhance CSR's impact in Italian manufacturing firms. SMEs: Bahta et al. (2020) confirmed that CSR also benefits SMEs, with reputation as the main mediator. Regional Variations: Lemana et al. (2025) demonstrated that CSR is a sustainable performance driver even in developing countries like South Africa.

Contextual Factors

Several contextual factors influence the effectiveness of CSR. Crisis and Uncertainty: Alhajjeah et al. (2025) emphasized that CSR plays a protective role during crises, offsetting the negative effects of debt on financial performance. Ethical Leadership: Bouichou et al. (2022) found that ethical leadership strengthens the CSR–performance relationship. Corporate Governance: Hamad & Cek (2023) showed that CSR enhances the effectiveness of corporate governance in creating economic value.

Article Mapping Results

Table 3. Summary of Research Findings on CSR and Corporate Financial Performance (27 Selected Articles)

No	Author(s) & Year	Full Title	Methodology	Research Objective	Key Findings

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1	Masud et al. (2025)	*Enhancing financial performance through corporate social responsibility: Mediating role of environmental innovation and environmental performance*	Quantitative (manufacturing firms in Bangladesh)	To explain the link between CSR, innovation, and environmental performance	CSR promotes eco-friendly innovation and boosts operational efficiency
2	Sindhu et al. (2024)	*Implications of CSR on the financial and non-financial performance in the banking sector*	SEM (PLS)	To assess CSR's overall impact on banking performance	Innovation and reputation mediate the CSR–performance relationship
3	Alhajjeah et al. (2025)	*Mitigating crisis impact: CSR's influence on ROA and ROE under ESG framework*	Quantitative (ESG and crisis data)	To test CSR as a financial buffer during crises	CSR increases ROA/ROE and neutralizes debt impact
4	Ghanbarpour & Gustafsson (2022)	*How CSR and innovation influence customer satisfaction and financial performance*	Quantitative (mediation model)	To explain how CSR and innovation impact satisfaction and profit	CSR and innovation improve performance via customer satisfaction
5	D'Arcangelis et al. (2025)	*CSR engagement and financial performance: Reputation & sustainability's role in moderating risk*	Quantitative	To analyze CSR's effect on firm valuation and reputation risk	CSR enhances reputation and reduces risk
6	Tarjo et al. (2022)	*CSR decoupling and financial fraud: The role of financial reporting quality*	Quantitative	To examine fraud's effect on CSR–firm value link	Fraud weakens CSR's positive effects
7	Larga et al. (2022)	*CSR, financial fraud, and firm value in Indonesia: A*	SEM-PLS	To assess CSR and fraud in firm valuation	CSR not significant; fraud mediates

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		mediation analysis			negative impact
8	Cazacu et al. (2023)	*A Perceptual Approach to CSR's Impact on Financial Performance*	Survey-based	To explore CSR's role in improving reputation and finance	CSR impacts reputation, loyalty, and capital access
9	Lee et al. (2023)	*Advertising and CSR: Interactive effects on financial performance*	Panel data regression	To test CSR and advertising on financial value	CSR + ads increase market value (Tobin's Q)
10	Coelho et al. (2022)	*CSR as a Driver of Reputation and Financial Performance: A Review*	Systematic review	To identify CSR as a driver of reputation and performance	CSR mediates through reputation
11	Pragayanti & Budicarsa (2022)	*Effect of CSR Disclosure on Financial Performance during COVID-19*	Multiple regression	To examine CSR impact on ROA, ROE, Tobin's Q during pandemic	CSR is a positive signal during crisis
12	Bouichou et al. (2022)	*How CSR Boosts Financial and Non-Financial Performance: Ethical Leadership's Role*	SEM (AMOS)	To test CSR, ethics, and performance links	CSR strengthens public trust and non-financial performance
13	Zhang & Su (2023)	*CSR, Internal Control, and Financial Performance*	Quantitative regression	To link CSR with internal controls and efficiency	CSR increases transparency and lowers risk
14	Al Frijat et al. (2023)	*CSR as Mediator Between Board Competence and EPS*	SEM	To analyze board competence–EPS via CSR	CSR mediates board–EPS relationship
15	Lemana et al. (2025)	*CSR and ROA/ROE: Evidence from South Africa*	Panel data	To assess CSR's impact in developing countries	CSR positively impacts profitability
16	Hamad & Cek (2023)	*CSR's Moderating Effects on Governance and*	SEM (SmartPLS)	To test CSR–governance–performance links	CSR strengthens governance

		Financial Performance			impact on ROE, EPS
17	Micheli et al. (2023)	*CSR, Digital Economy, and Corporate Taxation*	Panel regression	To examine CSR and tax efficiency	CSR not significant on taxation only
18	Mergoci et al. (2021)	*CSR and Public Trust: Evidence from Tunisia*	Survey & descriptive stats	To examine CSR and public trust	CSR builds reputation and public trust
19	Wahyuni & Soewarto (2023)	*Good Governance & Financial Performance with Earnings Management*	Linear regression	To analyze CSR in earnings context	CSR influences ROA and EPS
20	Ahsan (2023)	*CSR in Transformational Leadership and Culture*	Case study & interviews	To study CSR in manufacturing culture	CSR strengthens organizational culture
21	Li et al. (2023)	*Financial Market Regulation and CSR: International Evidence*	Multiple regression	To explore regulation and CSR's market value	CSR more effective with supportive regulations
22	Liu et al. (2022)	*Why Chinese Investors Don't Value CSR Disclosures*	Investor survey	To explore investor response to CSR	CSR is not valued in investment decisions
23	Kurttin et al. (2024)	*CSR Disclosure and Profitability: Manufacturing Sector Evidence*	Quantitative (panel regression)	To examine formal vs informal CSR impact	Formal CSR is significant; informal is not
24	Bahta et al. (2020)	*CSR and Firm Performance in SMEs: Reputation as Mediator*	Linear regression & mediation	To test CSR's effect on SMEs via reputation	CSR improves SME reputation and performance
25	Zhu et al. (2023)	*Financial Regulation and CSR*	Regression & panel data	To study regulation's role in CSR effectiveness	CSR performs better under strong regulation
26	Li et al. (2023)	*How CSR Enhances Financial Performance via Reputation*	Mediation regression	To test reputation as mediator	CSR boosts image and profitability

27	Chandrasyoro et al. (2024)	*Financial Redundancy and CSR Impact on Firm Value*	Linear regression	To study CSR and firm value	CSR impacts value positively via reputation

Source : Articles Data

Conclusion

Corporate Social Responsibility (CSR) has been empirically proven to have a positive impact on corporate financial performance. Investment in CSR is not merely a reflection of a company's moral obligation, but a sound business strategy to create long-term value. Corporate reputation serves as a key conduit between CSR activities and financial outcomes, by enhancing stakeholder trust, access to capital, and customer loyalty. For business practitioners, these findings indicate that CSR should be viewed as a strategic investment rather than a cost center. Effective, authentic, and well-integrated CSR implementation aligned with business strategy can serve as a source of sustainable competitive advantage in today's business landscape, which increasingly emphasizes sustainability and responsibility.

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