

Meta-Analysis of the Influence of Corporate Social Responsibility (CSR) on Profitability to Assess the Company's Financial Performance

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ABSTRACT

Corporate Social Responsibility (CSR) is the company's social responsibility to the surrounding environment. The condition of the company can be seen through the company's financial performance in generating profits every year. If profits continue to rise every year, the company's management has succeeded in carrying it out. However, if profits continue to decline or are unstable, the company management needs to evaluate and make strategies so that the profits generated by the company can increase. The main purpose of CSR activities is to obtain an increase in profit, because profit is very instrumental in maintaining the survival of the company in accordance with the principle of going concern. To achieve this, the company can improve its performance by managing its business activities effectively, efficiently, and economically. This article uses the meta-analysis method, namely by comparing several articles that have similar topics. The results show that more research shows that CSR (Corporate Social Responsibility) has a positive effect on the profitability generated by a company so that the financial performance of the company is getting better.

INTRODUCTION

In general, the establishment of a company certainly has the main objective of obtaining optimal profits from the business activities carried out. The condition of the company can be seen through the company's financial performance in generating profits each year. If profits continue to increase every year, then the company's management has successfully carried out its duties. However, if profits continue to decline or are unstable, then company management needs to evaluate and make strategies so that the profits generated by the company can increase. The main objective of the activities carried out by a company is to make a profit, because profit has a very important role in maintaining the survival of the company in accordance with the principle of business continuity. To achieve this, the company can improve its performance by managing its business activities effectively, efficiently, and economically.

CSR is getting more and more attention around the world, especially in Southeast Asian countries. The ASEAN CSR Network and the National University of Singapore conducted a survey in 2015 of 100 large companies in Indonesia, Malaysia, Singapore, and Thailand, revealing the average level of sustainability reporting in ASEAN is 50.4. A company's CSR practices are realized through CSR disclosures published in the annual report, which allows the company to be evaluated based on its financial performance.

Any establishment of an organization will certainly have an influence on the environment and the surrounding community. Therefore, company management must also think about CSR (Corporate Social Responsibility) programs. CSR is a form of corporate environmental responsibility that bridges business interests and social and environmental needs. Globally, one of the goals of companies that do CSR is to increase their profitability. However, there are also people who have good intentions arising from a sense of morality and want to increase the level of life satisfaction with the social and cultural development around them.

According to Iskandar (2016), CSR cannot be based on a line, which is the cost of a company based only on its financial position. However, CSR should be based on three principles: profit, people, and planet. Financial status alone is not enough to guarantee the success of a company, so companies need to focus not only on profits and profits generated, but also on people, talents, planet, and environment.

CSR/Corporate Social Responsibility of a company plays an active role in making a positive contribution to society and the environment. Effective CSR implementation not only has a positive impact on external stakeholders, such as society and the environment, but can also increase the company's profitability in the long run. (Zakari, 2017) explains that the concept of CSR is an important component for business success. This is supported by several previous studies that explain the significant effect of CSR on profitability to assess financial performance.

In Seo's research in 2015, he wrote several previous studies regarding the effect of CSR implementation on corporate profitability in Korea. Jang & Choi

(2010) have examined the relationship between corporate profitability (ROA), cost of capital (WACC) and firm value for 8 years from 1998 to 2005 with the top 200 companies based on the KEJI Index. The research shows the results of empirical analysis, CSR performance, corporate profitability (ROA), and firm value each show a positive relationship, which indicates that companies that make active CSR investments can expect relatively high profitability and firm value. However, in the case of cost of capital (WACC), the results show a positive relationship. This contradicts the assumption that the higher the level of CSR, the smaller the value of the company's cost of capital will be.

Research shows that corporate social responsibility (CSR) can improve financial performance, as shown by Bidhari et al. (2013) and Yaparto et al. (2013). However, some studies state there is no positive relationship between CSR and financial performance, as well as no significant effect on return on assets (ROA), return on equity (ROE), and net profit margin (NPM).

This article was created with the aim of comparing the results of previous studies that state CSR has a positive effect on company profitability. However, there are also those who state the opposite because a company needs to spend more funds on CSR activities. The main purpose of writing this paper is to find out the impact caused by the implementation of the Corporate Social program. application of profitability to assess financial performance in companies in several countries.

LITERATURE REVIEW

CSR (Corporate Social Responsibility)

Chena et al (2017): The increasing global attention to the increasing trend of companies disclosing their corporate social responsibility (CSR) activities, which go beyond legal requirements, is of great concern to regulators, investors, and stakeholders, especially in the economic and environmental sustainability of developing countries.

In general, corporate social responsibility (CSR) activities have the effect of increasing the profitability of a company. Although this increases the company's costs, it certainly has an impact on increasing the company's reputation in the eyes of the public and automatically invites people to use the company's services which will ultimately increase the company's profits. The concept of this program does not only focus on the interests of shareholders (single bottom line), but also focuses on building social relationships with stakeholders and protecting the company to achieve triple bottom line prosperity. We expect this will result in improved business performance and shareholder value. The concept of CSR serves as an important indicator to evaluate an organization's ability to ensure its ability to survive and build sustainable business growth.

Iskandar (2016) writes that corporate social program (CSR) etymologically is a commitment to the company's community towards the environment. CSR is something that companies should focus on. The establishment of CSR (Corporate Social Responsibility) is a concept that encourages companies to take responsibility for their impact on consumers, employees, shareholders, communities, and the environment. It is defined by

the World Business Council (WBCSD, 2002) as a company's ongoing effort to contribute to sustainable economic development, improve the quality of life, and consider the interests of society in all aspects of its operations. CSR is the business community's ongoing commitment to act ethically and contribute to economic development.

According to Sammy et al. (2011), social responsibility behavior is considered increasingly important for the sustainability of the company's existence in the future. Global research conducted by PricewaterhouseCoopers in early 2002 found that as many as 70% of respondents from the world's business leaders believe that CSR efforts are important for their company's profitability (Simms, 2002).

According to Restolyani's international standard ISO 26000 (2012), CSR is a form of corporate concern for social and environmental issues, as a form of transparency and ethical behavior appropriate for the development process, taking into account and then integrating international standards and codes of conduct that apply throughout the organization. Corporate social responsibility is essentially voluntary and refers to activities that go beyond legal compliance. CSR is the activities that business organizations undertake to contribute to the social, economic, and educational development of the local communities in which they operate.

The Effect of CSR Implementation on Profitability

According to Almar et al (2012), Corporate Social Responsibility (CSR) programs include Empowering People, Profit, and Planet. In implementing corporate social responsibility (CSR) programs, companies need funds and costs to implement them. This is because we already know that these costs are a factor in reducing the income and capital of a company, but not all costs are necessary. However, Corporate Social Responsibility (CSR) is not a marketing tool as it represents the awareness of a business unit towards its stakeholders and is more voluntary. This is because corporate social responsibility (CSR) represents a company's recognition of its stakeholders and is more voluntary.

The scope of Corporate Social Responsibility (CSR) programs implemented depends on the funds spent on the program. The higher the costs incurred, the more extensive the program will be. The company as a party that conducts social activities (CSR) will certainly get a higher award than companies that do not disclose the program (CSR). Transparency in the implementation of corporate social responsibility (CSR) in the organization affects the company's profits. Therefore, disclosure of corporate social responsibility (CSR) is expected to produce a positive relationship with corporate profits in the same direction.

According to Tanjung's (2020) statement, people care about the company's social welfare. This can affect the profit of a company. A company's corporate social responsibility (CSR) is determined by its profitability, which can be measured using indicators such as operating income, net income, investment return, and return on equity. It reflects a company's efficiency and performance, and is essential in all areas of business. Sustainability reports now

embody CSR, transparently reporting on the economic, environmental and social impacts of a company's activities. Being open about these issues reassures stakeholders that the company is well-managed and puts investors' interests first, thereby increasing the company's value and trust.

While there are many potential benefits of CSR for profitability, their realization depends on various factors, such as the type of CSR program, its linkage to business strategy, stakeholder commitment, and the external environment. Companies that want to benefit from CSR need to commit to running CSR programs in a strategic, measurable, and accountable manner. It is also important to build open and transparent communication with stakeholders about the CSR programs.

Financial Performance Based on Profitability

Profitability is an indicator or measure of a company's ability to generate profits and value for shareholders. This is determined by the company's ability to generate investment returns based on its resources compared to other investment alternatives. Profitability is measured by return on assets (ROA) which is the ratio of net income to total assets. This efficiency is very decisive in determining the financial performance of a company. Specifically, ROA shows how much profit after tax the company generates for each asset it owns.

In Iskandar's research (2016), explaining the costs incurred by companies for environmental development in CSR facilities through the implementation of social activities, donations for natural disasters, education, health and other social costs shows the organization's responsibility and concern for the surrounding environment. So that it can provide benefits for both parties, both the company and the surrounding community. However, Januarti and Apriyanti (2005) said that the implementation of this kind of social responsibility incurs additional costs. The additional cost in question is to carry out social responsibility (CSR) which certainly has an impact on the profitability of the company which can reduce profits, so that it will reduce the profitability of the company. However, the implementation of additional costs of corporate social responsibility (CSR) will have a positive impact on profits if these costs cannot be offset by increased efficiency resulting from the expenditure of these costs.

The profit ratio shows the company's success rate in generating profits and is a measure of the efficiency of company management (Wiagustini, 2010: 76). Company growth can be seen from the high profitability generated by the company, if the company can utilize the resources and assets owned by the company to generate profits, then this can create high company value and maximize investment returns from investors and can get good feedback from external parties (Inayah). , Z.2022).

METHODOLOGY

This research was conducted using the meta-analysis method. In simple terms, meta-analysis can be interpreted or interpreted as a re-examination of previously conducted analyses. This research is a review of various research results on similar issues. Meta-analysis is a statistical research method used to

combine and analyze the results of various studies examining the same topic to obtain stronger and more comprehensive conclusions. The aim is to provide a summary of all the evidence on a particular topic, which can be used to reach more accurate and reliable conclusions than individual studies alone. Meta-analyses are created by grouping, describing and identifying findings from a number of previously published studies.

Article sources were obtained from Google Scholar, Science Direct and Taylor and Francis. From the article search, 15 articles were obtained, but only 10 articles were used that were suitable for the research topic. This research uses the same problem, namely the effect of the implementation of Corporate Social (CSR) profitability activities on the assessment of corporate financial performance in several foreign companies. This meta-analysis uses articles with similar topics from several countries.

RESEARCH RESULT

This is explained in the research of Onoja I. A. et al., 2020, In addition, this research requires five papers to prove whether there are results that explain the notion of CSR and profitability. Research by Honja IA et al, 2020 Model Description The results of company performance, CSR, and profitability show a significant positive correlation at a significance level of 5 ($\bar{y} = 0.261$, $t = 3.112$, $P < 0.05$). This means that the correlation is positive. This study confirmed the positive relationship between Corporate Social Responsibility (CSR), employee retention, productivity, and increased profitability, supporting the hypothesis that CSR has a positive impact on profitability and highlighting the importance of fostering a positive work environment.

In the research of Seo HJ (2015) et al, it is explained that CSR has a good relationship with the financial performance variable ROA. ROA is used as the value of profitability and Tobin's q is used as the value of the company. This is expressed by the ROA standard deviation level of 0.06349 or $P < 0.05$, while the CSR standard deviation level is 2.981.

Research by M Zakari (2017). The results showed a positive ratio of 67.81%, a profit after tax (PAT) ratio of 54.28%, and a positive ratio between earnings per share (EPS) and investment of 60.79%. This study concluded that CSR investment is positively correlated with profitability. Research conducted by Ekatah et al (2011), showed that there is a significant positive effect of CSR with financial performance (profit).

Iskandar's research (2016), based on these findings shows that environmental development not only has a negative impact on ROA, but also has a small impact. ROA is used in this study to increase profitability. with a regression value of -0.012 with a significance value of 0.619 which means insignificant. The results of this percentage explain that there is a negative relationship between the development of environmental stewardship and its impact on the ROA of an organization. This research is not in line with other studies. This is because environmental development is used as a proxy variable for CSR in this study.

Putra (2015) found that Corporate Social Responsibility (CSR) has a positive and significant effect on company profitability in consumer goods industry companies listed on the IDX in 2010 to 2013. This is evidenced by the path coefficient of 0.17 and a p-value of 0.02. However, CSR has a positive but insignificant effect on company profitability as measured by return on equity (ROE) and net profit margin (NPM).

M Almar et al (2012) also found a strong relationship between CSR and return on investment (ROA), with correlation coefficients of 0.857 and 0.761. The study concluded that CSR can have a significant impact on return on investment (ROA) and vice versa. This supports Selvia's research (2009) which found a significant relationship between CSR practices and a company's ROI. PRS Tanjung's research (2020) found that the profitability variable (ROE) has a positive and significant effect on firm value (PBV), with a significance value of 0.003. This is in line with previous research conducted by Sasonko, Nirmala, Moeljadi, Andarwati, Sudharma, and Dharmayanti who found that profitability has a positive effect on firm value. However, these results contradict Rivandi's research which states that profitability has a negative and small effect on firm value. In conclusion, CSR practices have a significant impact on company profitability as shown by the research of Putra (2015), Almar et al (2012), and Tanjung (2020).

The results of research by Chen, YC (2018), the impact of I (CSR) on corporate profitability and social externalities in China is very significant. Although the 2008 CSR mandate does not require companies to invest in CSR, companies that adopt CSR have increased their profitability. However, in this study, not only ROE is taken into account, but also sales revenue, operating expenses, impairment losses, non-operating profit or loss, total expenses, total mortality, and others. Profits are associated with increased CSR and overall environmental impact. Although corporate profits are mostly from state-owned enterprises, the environmental impact is mostly from the environment, thus indicating that CSR is not effective. In addition, corporate behavior negatively impacts the implementation of CSR regulations, and conflicts between the political and managerial interests of state-owned enterprises and environmental interests have reduced the effectiveness of CSR, and social. This highlights the potential for positive change.

Kamatra & Kartikaningdyah (2015) conducted research to determine the relationship between CSR, leverage (DER), and size on financial performance using ROA, ROE, NPM, and EPS variables. The results showed that CSR has a positive effect on ROA in line with the theory of Resturiyani (2012). Companies that disclose CSR information in their financial statements can provide insight into environmental impacts, which can be interpreted positively by the public and affect the performance of society and the economy.

Hermawan et al (2023) used two objects, namely Indonesian pharmaceutical companies and Malaysian pharmaceutical companies. The first object, Indonesian pharmaceutical companies, showed that profitability can moderate the impact of CSR on their value. This hypothesis is supported by previous research, as increased profitability is independent of the cost of capital

and has an impact on overall value management. By implementing CSR activities and achieving good financial performance, a company can gain legal recognition from society that its actions are in accordance with applicable regulations.

The second object, Malaysian pharmaceutical companies, shows that profitability can moderate the impact of CSR on their value. This is supported by the research of Farah Diana Putri and Karrundeg who found that CSR activities can not only increase shareholder value, but can also decrease shareholder value. Serious CSR activities can have a social impact because they are carried out directly on local communities. This supports the theory that focusing on CSR and achieving superior corporate values can gain public trust that a company's actions are based on established norms.

DISCUSSION

Corporate social responsibility (CSR) arises from companies' concern for environmental and social issues in order to increase production, as the demand for natural resources, including raw materials, is currently very high. Corporate activities cause significant environmental damage. Environmental damage caused by corporate exploration activities can adversely affect the existing ecosystem. By implementing corporate social responsibility (CSR), companies can gain many benefits, such as increasing the popularity of their products among consumers and increasing the value of companies that are attractive to investors.

By implementing Corporate Social Responsibility (CSR), companies can gain many benefits, including services that are increasingly popular among consumers and companies that are increasingly attractive to investors. This program (CSR) if implemented in a sustainable manner can be used as a new marketing tool for companies. Increased consumer loyalty in the long run is expected to increase the company's sales, and ultimately the implementation of this program (CSR) is expected to increase the profitability and image of the organization.

In essence, this program (CSR) has an important role in increasing company sales and increasing company value by conducting various social activities related to it. Nowadays, this program (CSR) is no longer just a free or mandatory obligation for companies to account for their activities, but has become a necessity for companies engaged in natural resources (SDA).

CSR or Corporate Social Responsibility plays an important role in people's lives. CSR is a form of corporate concern for the environment that not only helps but also builds relationships with the surrounding community and the natural environment. In previous studies, many believed that CSR brings additional benefits to the company. However, some studies argue that the opposite may be the case, i.e. there may be differences in company size.

CONCLUSIONS AND RECOMMENDATIONS

The study revealed 8 studies showed a positive correlation between corporate social responsibility (CSR) and earnings revenue, while other studies showed no significant effect, indicating contradictions in the literature. They used

different indicators and research objects. This study shows that CSR affects financial performance through ROA and NPM which provides evidence that CSR can be affected by actual events and changes that occur in the industry.

Furthermore, the results of the research analysis show that program disclosure (CSR), good corporate management practices, and profitability have a good and significant influence on firm value. Iskandar (2016) explains that CSR is a form of corporate concern in the form of corporate responsibility for society and the environment. The responsibilities at issue are three interests, namely profit, people, and planet. CSR is needed for companies to balance profits with social and environmental responsibilities. CSR can be an effective strategy to increase a company's profitability in the long run. Companies that commit to CSR and execute it well will gain many benefits, such as improved image and reputation, increased employee motivation and productivity, reduced risks and costs, and access to new markets. Some studies have shown consensus on the relationship between CSR and corporate profitability. Other studies have shown mixed results regarding the impact of CSR on profitability, and this may be due to differences in firm size.

ADVANCED RESEARCH

Considering the researchers' own limited knowledge and skills, the researcher has come to the realization while producing this article that there are still numerous deficiencies in language and writing. As a result, the researcher anticipates helpful critiques and recommendations from a range of sources to ensure the piece is flawless.

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