

**The Effects of Corporate Social Responsibility on Financial Performance Moderated by
CSR Disclosure**

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Abstract

Despite increasing attention to Corporate Social Responsibility (CSR), prior studies have produced inconsistent findings regarding its financial benefits, particularly when considering how CSR disclosure influences the CSR–performance relationship. The purpose of this quantitative, correlational study was to examine the relationship between CSR and the financial performance of publicly traded U.S. consumer-staples companies while assessing the moderating effect of CSR disclosure. Guided by Stakeholder Theory, this study sought to clarify how transparency and ethical practices contribute to firm profitability. The sample included seventy-seven companies analyzed using IntellectusStatistics. CSR was measured through environmental and social performance indicators, and financial performance was represented by return on equity (ROE) and net profit margin (NPM). The results revealed that CSR had a significant positive relationship with ROE but not with NPM. Additionally, CSR disclosure significantly moderated the relationship between CSR and ROE, emphasizing the role of transparency in enhancing CSR’s financial impact. These findings partially validated Stakeholder Theory by demonstrating that ethical and transparent business practices can enhance long-term financial performance. The study contributes to the literature by clarifying how CSR and disclosure interact to influence firm outcomes, offering practical guidance for organizations seeking to integrate responsibility and profitability in strategic decision-making. Future research could expand this analysis to other industries or consider additional CSR dimensions.

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Chapter 1: Introduction

Corporate Social Responsibility (CSR) has become an important topic in theory as well as corporate management discussions. Corporate Social Responsibility (CSR) is the concept of businesses taking responsibility for their impact on society and the environment. Companies that engage in CSR are often seen as more ethical and socially responsible by consumers, investors, and the general public. As such, the impact of CSR on profitability has been an increasingly popular topic of research in recent years. This dissertation will explore the relationship between CSR and financial performance moderated by CSR disclosure. Financial performance was measured by using Net Profit Margin (NPM) and Return on Equity (ROE). As CSR has evolved from theory and discussions to application, investors are expecting to be made aware of the financial impact to the company from CSR engagements (Stoll et al., 2015).

In contemporary business environments, the demand for corporate social responsibility (CSR) has intensified, driven by both consumer expectations and governmental oversight. CSR is no longer regarded as a peripheral practice but rather as a critical organizational obligation with the potential to significantly influence financial performance (Javed et al., 2020). Moreover, evolving conceptions of corporate value have begun to challenge the long-standing primacy of shareholder wealth maximization as the central corporate objective (Javed et al., 2020). Consequently, the intersection of CSR initiatives and financial performance has garnered substantial scholarly and practical interest, particularly within the domains of investment decision-making and governance practices, as these initiatives increasingly demonstrate alignment with the priorities of both shareholders and wider stakeholder groups (Ting & Yin, 2018). According to Yuan et al. (2020), the notion of "corporate social responsibility" enterprises, especially corporations and organizations, should make a commitment to considering

the interests of customers, employees, investors, communities, and the environment in all facets of their operations.

When examining the relationship between CSR and financial performance, firms increasingly encounter stakeholder pressure to evaluate and disclose how their business practices influence both the community and the broader environment. Stakeholders expect organizations to mitigate negative externalities and to demonstrate accountability beyond profit generation. Thus, companies are no longer solely responsible for maximizing shareholder wealth but are also expected to embody the role of responsible corporate citizens by engaging in initiatives that promote environmental sustainability and community well-being (Muhammad et al., 2015). Moreover, stakeholders increasingly view mere compliance with legal requirements as insufficient. Instead, organizations are encouraged to pursue CSR activities that extend beyond statutory obligations, signaling authentic commitment to social and environmental concerns and, in turn, fostering trust, loyalty, and stronger relationships with the communities in which they operate.

Large corporations possess both the resources and the influence to drive meaningful change, and it is increasingly regarded as a moral obligation for such firms to embed sound ethical practices into their daily operations for the benefit of society. As Tanggamani et al. (2018) explain, CSR represents a strategic business approach that not only supports financial success but also demonstrates positive contributions to the environment, local communities, and key stakeholders. CSR has therefore become a critical component of corporate strategy, as it fosters stronger investor relations and, in turn, enhances share value (Javed et al., 2020; Liu et al., 2020). Organizations are thus expected to balance their responsibility to generate profitability for shareholders with their broader social obligations (Yan, 2019). In this respect, CSR requires

firms to reconcile economic objectives with non-financial goals that advance societal welfare (Algame & Pirzad, 2017). Empirical evidence further indicates that CSR initiatives can reinforce future CSR performance, improving financial outcomes through the mobilization of economic resources (Tanggamani et al., 2018). Moreover, CSR is closely aligned with sustainable development frameworks, which challenge the narrow view that corporate decisions should be guided solely by financial returns. Instead, sustainable perspectives emphasize that firms must also account for the immediate and long-term social and ecological consequences of their activities (Sardana et al., 2020).

Inconsistent findings have been found in earlier research on the relationship between CSR and financial performance. By examining inconsistent variables and including a moderating variable of corporate social responsibility (CSR) disclosure, this study is an extension of earlier research. Although most studies have focused on the positive influence of CSR on financial performance, there still remain conflicting views of from the research of the direct correlation between the two (Ali et al., 2020). Because many prior studies examining the relationship between CSR and financial performance did not incorporate intervening or moderating variables, their findings have often been inconclusive and inconsistent. The absence of such variables has been identified as a key factor contributing to the ambiguity reported in earlier research regarding the nature and strength of the CSR–financial performance linkage. Researchers and experts have been drawn to the linear stock price relationship with the company's CSR even though many sorts of study have been conducted (Yoo et al., 2019).

Statement of the Problem

The problem addressed in this study is that despite increasing corporate investment in social and environmental initiatives, the impact of corporate social responsibility (CSR) on financial performance remains unclear, particularly when the moderating role of CSR disclosure is considered among U.S. consumer-staples companies. An in-depth comprehension of the correlation between CSR practices and financial performance is vital for business research, as the effect of CSR activities on financial performance remains a critical area of investigation. The impact of Corporate social responsibility (CSR) activities on improving financial performance continues to be a topic of discussion and analysis in the current business literature. Although much research has indicated that CSR efforts have had a positive impact on financial performance, a thorough understanding of the mechanisms by which CSR practices affect financial metrics such as profitability, shareholder value, and operational efficiency is still lacking (Ali et al., 2020; Bastič et al., 2020). If the existing gap in the literature remains unaddressed, publicly traded firms will continue to face limitations in their ability to make informed decisions regarding CSR investments that align with their mission, vision, and stakeholder objectives for profitability and asset growth (Pham & Tran, 2020; Úbeda-García et al., 2021).

Although prior research has examined the CSR–financial performance relationship, the findings have often been inconsistent, leaving ambiguity about the conditions under which CSR contributes to financial success. In particular, limited attention has been given to the moderating role of CSR disclosure, which may clarify this relationship by signaling transparency, accountability, and commitment to stakeholders (Javed et al., 2020). Addressing this gap is essential to provide owners, managers, and stakeholders with a comprehensive understanding of

how CSR engagement, when coupled with disclosure, influences corporate financial outcomes. Furthermore, additional research is necessary to fully understand the industry-specific dynamics and contextual elements that moderate this relationship to offer useful guidance to companies seeking to use CSR as a strategic tool for long-term financial performance. Therefore, this study used quantitative financial measures to investigate how CSR initiatives affected the financial success of companies in the consumer staples sector.

Purpose of the Study

The purpose of this quantitative, correlational study is to determine the relationship between CSR and publicly traded companies' financial performance (FP), using CSR disclosure as a moderating variable. A company's ability to generate income from its assets is measured using financial analysis and translates into positive financial performance, with the results used to assess the company's overall financial health. Developing a deeper understanding of the connection between a firm's CSR engagement and its financial performance enables organizations to more accurately evaluate the value of such investments. In doing so, companies can enhance community relations and reinforce their reputation as responsible corporate citizens (Xiao et al., 2020). The underlying construct of this study is that corporate social responsibility (CSR) generates reputational value through CSR disclosure, which portrays the firm as socially responsible, and that such disclosure ultimately contributes to financial performance. As Fombrun (2005) observed, transparent CSR reporting enhances corporate reputation by fostering public perceptions of respectability and trustworthiness. The purpose of the present study is to determine whether financial performance (FP) influences CSR initiatives in the social and environmental domains.

CSR data were obtained from CSRHub and Morningstar Sustainalytics, while financial performance data—measured through net profit margin (NPM) and return on equity (ROE)—were drawn from the Stock Analysis dataset. The relationship between CSR ratings and FP was examined using a correlational design, with CSR disclosure incorporated as a moderating variable. Regression analysis was employed to test these associations and to quantify the strength of relationships through correlation coefficients (Nayak & Hazra, 2011). The target population consisted of 247 publicly traded companies in the Consumer Staples sector listed on U.S. exchanges.

Introduction to Theoretical Framework

The theoretical framework for this quantitative correlational study is stakeholder theory. According to Freeman's (1984) stakeholder theory, companies have a duty to consider the interests of all parties impacted by their business decisions, including suppliers, customers, workers, investors, and the communities in which they operate, in addition to maximizing profits (Daniel, 2018; How et al., 2019). In addition, the fulfillment of corporate goals and the strategic management of stakeholders are the primary aims of the instrumental approach to stakeholder theory, also known as the instrumental stakeholder theory (Platonova et al., 2018). Preston and O'Bannon (1997) proposed the "social impact hypothesis," which forms the basis of the instrumental stakeholder theory (Platonova et al., 2018). According to the instrumental stakeholder theory, financial performance and corporate social responsibility (CSR) engagement are positively correlated (Platonova et al., 2018). Meeting the requirements of different stakeholders increases the likelihood that they will support the firm's objectives and raise the value of the business (Lim, 2017). On the other hand, neglecting to meet stakeholder demands can lead to a deteriorating image and financial losses (Harjoto & Laksmana, 2018; Platonova et

al., 2018). Environmental and social initiatives—such as providing safe working conditions, promoting environmental sustainability, and enhancing community well-being—represent CSR activities that address stakeholder expectations (How et al., 2019). Allocating resources to these initiatives enables firms to more effectively meet stakeholder demands (Harjoto & Laksmana, 2018). Organizations recognized for strong CSR performance often benefit from expanded investor interest, enhanced brand image, improved reputation, reduced cost of capital, and ultimately, greater firm value (Daniel, 2018; How et al., 2019; Lopatta & Kaspereit, 2014; Platonova et al., 2018).

Accordingly, this study hypothesized that firms with higher ESG ratings would demonstrate superior financial performance compared to those with lower ratings, consistent with the instrumental stakeholder theory. Within this framework, CSR served as the independent variable, financial performance was the dependent variable, and CSR disclosure was examined as the moderating variable.

Introduction to Research Methodology and Design (Nature of the Study)

This study used a quantitative correlational design to determine whether there was a relationship between Corporate social responsibility (CSR) and Financial Performance (FP), with CSR disclosure as a moderating variable. The research aimed to determine whether there was a correlation between a company's FP and its investment in CSR. The hypotheses presented in this study were tested by collecting data from multiple databases within the United States. One tool used to collect data was the CSRHub database. The CSR score was calculated as the weighted average of four scores: ECOS, ENV5, SOCS, and GOVS. This score is referred to as the environmental, social, and governance (ESG) rating. This study also used financial data from

Stock Analysis, which both rank and provide financial data for the largest companies in the world, to gather the data that measured the FP dependent variable.

This study analyzed and reported the collected data using inferential statistics. To determine whether there was a relationship between FP and CSR, the study employed a quantitative non-experimental design along with a correlation analysis to examine the effect of CSR on FP, with CSR disclosure as the moderating variable.

The quantitative research methodology and design were aligned with the study's problem statement, purpose statement, and research questions by identifying the variables FP and CSR, moderated by CSR disclosure, and analyzing their relationships. To determine the relationship between the identified variables, Net Profit Margin (NPM) and Return on Equity (ROE) were used as the levels of measurement to identify correlations and allow grounded theory to assess relationships between variables. Correlation analysis provides researchers with a methodological tool to assess theoretical propositions and empirical evidence by examining the strength and direction of associations between variables (Bloomfield & Fisher, 2019). This approach not only aids in verifying whether a meaningful relationship exists but also contributes to building grounded theory by linking empirical findings to conceptual frameworks. By identifying patterns of association, correlations serve as a foundation for more advanced statistical modeling, such as regression analysis, that can further clarify causal inferences and theoretical implications.

Research Questions

Q1. To what extent will a company's CSR significantly predict its Financial Performance?

Q2. To what extent will a company's CSR disclosure significantly moderate the relationship between CSR and its Financial Performance?

Hypotheses

H10. A company's CSR will not significantly predict its Financial Performance.

H1A. A company's CSR will significantly predict its Financial Performance.

H20. A company's CSR disclosure will not significantly moderate the relationship between CSR and its Financial Performance.

H2A. A company's CSR disclosure will significantly moderate the relationship between CSR and its Financial Performance.

Significance of the Study

Companies today face a significant challenge of being part of the community by engaging in CSR activities and determining how much of the company's resources to invest while maintaining their primary focus on achieving a maximum financial performance for the stakeholders and shareholders. Discovering the relationship between CSR activities a company's financial performance will help companies determine the level of investment appropriate to engage in while maintaining the focus on maximizing profit. Companies are a part of the community and there is an expectation that they not only take care of the environment but also use the resources to improve the community they are serving. The company also has a responsibility to the stakeholder and this research will analyze ways companies can achieve both functions. This research will hopefully initiate further research into CSR activities and financial performance and how they can both be priorities for companies and achieve positive results for the community and the stockholder.

Understanding the level of CSR activities and the effects it has on FP will assist companies in determining the level of investment in the community while maintaining positive

FP. This research will also help companies understand the customer loyalty received from the community as well as the stakeholders and how it will result in increased financial performance.

Definitions of Key Terms

CSR Disclosure. The communication of a company's CSR activities, performance, and impacts to stakeholders, typically through sustainability reports, annual reports, or other public disclosures.

Consumer-Staples Sector. A category of publicly traded companies that produce or sell essential products, such as food, beverages, and household goods, that remain in demand regardless of economic conditions.

Corporate Social Responsibility (CSR). A firm's commitment to operate ethically and contribute to economic development while improving the quality of life for its workforce, the local community, and society at large.

Financial Performance (FP). A measure of a company's financial health and profitability, often assessed through metrics such as Return on Equity (ROE) and Net Profit Margin (NPM).

Net Profit Margin (NPM). A financial ratio that represents the percentage of revenue remaining as profit after all expenses are deducted.

Return on Equity (ROE). A financial performance metric that indicates how effectively a company uses shareholders' equity to generate profits.

Stakeholder Theory. A theoretical framework introduced by Freeman (1984) proposing that organizations achieve sustainable success by addressing the interests and well-being of all stakeholders rather than focusing solely on shareholders.

Summary

The long-time priority of companies has been to increase shareholder return by achieving strong corporate financial profitability. In recent years, CSR has emerged as an important subject in society. This shift has changed the concept of value for stakeholders, who now seek investments in CSR as a way to improve corporate reputation and, in turn, financial performance by serving the communities in which they operate (Ali et al., 2020; Hasan et al., 2018; Ting & Yin, 2018; Yoo et al., 2019). Firms that initiate CSR activities attract new investors and stakeholders, along with increased public and academic attention.

Although research on the CSR–financial performance relationship is extensive, conclusions remain divided. Much of the scholarship suggests that CSR initiatives rooted in environmental, social, and governance (ESG) practices provide a structural foundation for value creation, as they have been associated with enhanced profitability and stronger financial outcomes (Ali et al., 2020; Hasan et al., 2018; Javed et al., 2020). In contrast, studies examining experimental CSR initiatives have produced inconclusive findings, with little consensus on their impact on firm performance. Evidence further indicates that when CSR activities are disclosed and visible to stakeholders, firms are more likely to gain consumer loyalty that translates into measurable financial returns. However, when initiatives remain experimental or undisclosed, their influence on profitability and stock market performance is still uncertain.

This study was grounded in stakeholder theory, which provided the lens through which the relationship between CSR and FP was examined. Stakeholder theory emphasizes that firms have obligations not only to shareholders but also to a broader range of stakeholders, including employees, customers, communities, and the environment. Within this framework, CSR disclosure was conceptualized as a moderating variable that could strengthen or clarify the

connection between CSR engagement and financial outcomes. By applying this perspective, the study sought to evaluate whether CSR initiatives, when made transparent through disclosure, enhanced organizational legitimacy and contributed to improved financial performance.

A quantitative correlational design was employed to test whether CSR influenced FP when mediated by CSR disclosure. The independent variables included CSR initiatives and investments in social and environmental domains, both measured using data from the CSRHub database. CSRHub provided ratings across multiple dimensions, including social performance (community development and philanthropy, product responsibility, human rights and supply chain, compensation and benefits, diversity and labor rights, and employee training, health, and safety) and environmental performance (energy and climate change, environmental policies and reporting, and resource management). The dependent variable, FP, was operationalized using profitability metrics obtained from the Stock Analysis database. The aim of this study was to contribute to the scholarly understanding of how CSR activities influence corporate financial outcomes, particularly when disclosure practices were considered. Because prior research yielded inconsistent findings regarding the CSR–FP relationship, the inclusion of CSR disclosure as a moderating variable offered a more nuanced approach to evaluating these connections. As organizations continue to invest in the communities they serve, it is essential to assess how such investments affect financial performance, given the firm’s responsibility to stakeholders to generate sustainable and positive economic returns.

Chapter 2: Literature Review

This study aimed to address the tension between corporate financial performance (FP) and corporate social responsibility (CSR). The emphasis on maximizing FP often overshadowed CSR, an issue this quantitative correlational study explored by examining the link between the two. Specifically, it investigated whether businesses prioritized profits over social responsibilities and how CSR disclosure moderated this relationship. CSR disclosure, which involves transparent communication of a company's social and environmental initiatives, plays a crucial role in shaping stakeholder perceptions and can influence the strength of the CSR–FP relationship. The problem statement, objectives, research questions, and analysis were informed by a thorough literature review, divided into four key sections. The first section outlined the theoretical framework, including stakeholder theory and its impact on corporate value, with CSR disclosure considered as a moderating variable. The second provided a chronological overview of CSR, social initiatives, and their effects on FP. The third focused on how FP influences company valuation, while the fourth explored the role of profit in corporate efficiency and its connection to CSR investments, considering the impact of effective CSR disclosure.

To conduct the literature review, peer-reviewed articles, books, dissertations, and relevant websites from the most recent five to seven years were sourced through databases such as EBSCOhost, ProQuest, and SAGE Journals, along with National University's online library. Search terms included CSR, corporate sustainability, FP, profits, stakeholder theory, and related concepts, ensuring a comprehensive review of relevant research.

Theoretical Framework

Corporate Social Responsibility (CSR) is a critical field of study due to its growing importance in business and society. Several theories are used to analyze CSR and its relationship

with financial performance (FP), including agency theory, institutional theory, resource-based view, stewardship theory, and most notably, stakeholder theory (McWilliams et al., 2002). This study adopted stakeholder theory as its theoretical foundation, a framework that emphasizes the importance of managing relationships with all stakeholders, not just shareholders, for corporate success.

First introduced by Edward Freeman in 1984, stakeholder theory highlights the interconnectedness between a business and its stakeholders—any group or individual that can affect or be affected by the firm’s activities. These include shareholders, employees, customers, suppliers, communities, and financiers. The theory’s core premise is that a company's survival and success depend on how well it manages its relationships with these groups (Freeman, 1984). Stakeholder theory addresses three fundamental questions:

1. How are stakeholders created?
2. How can relationships with stakeholders be maintained?
3. How can these relationships be improved? (Smudde & Courtright, 2011).

The theory suggests that focusing solely on shareholders is no longer a viable business strategy. Since the 1980s, there has been a growing emphasis on the need for businesses to consider the interests of all stakeholders, moving beyond profit maximization to include ethical and social responsibilities (Freeman, 1984; Freeman & Philips, 2002). Within this context, CSR disclosure serves as a moderating variable that influences the relationship between CSR activities and financial performance (FP). CSR disclosure determines the extent to which stakeholders are aware of a company's CSR efforts, potentially amplifying or weakening the impact of these efforts on financial outcomes.

CSR Disclosure as a Moderating Variable

CSR disclosure refers to the formal process through which companies communicate their CSR activities, policies, and outcomes to stakeholders, often through annual reports, sustainability reports, or ESG (environmental, social, governance) metrics. As a moderating variable, CSR disclosure affects the strength and direction of the relationship between a company's CSR activities and its FP by influencing stakeholders' perceptions and reactions to the company's efforts.

CSR disclosure can enhance or weaken the impact of CSR activities on FP. For example, if a company engages in socially responsible activities but fails to disclose these efforts effectively, the potential benefits, such as improved reputation or customer loyalty, may not materialize. Conversely, strong CSR disclosure can amplify the positive impact of CSR initiatives by increasing transparency, trust, and stakeholder engagement.

Stakeholder theory is categorized into three distinct methods: normative, instrumental, and descriptive. The normative method, moderated by CSR disclosure, focuses on the ethical obligations' businesses have towards their stakeholders. From this perspective, CSR disclosure moderates the ethical impact of CSR activities by ensuring that the company's moral actions are visible to stakeholders (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). Effective disclosure strengthens the company's ethical image and reinforces trust, while poor disclosure can lead to skepticism or accusations of "greenwashing" (Dagestani et al., 2024).

The instrumental approach highlights the business benefits of stakeholder engagement, arguing that fostering trust and collaboration with stakeholders improves FP (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). CSR disclosure is critical in this context because it moderates the link between CSR activities and financial performance by showcasing the

company's commitment to sustainability, diversity, and social responsibility. The more transparent and comprehensive the CSR disclosure, the more likely it is to attract socially conscious investors, improve brand loyalty, and provide a competitive advantage.

The descriptive approach explains how companies manage stakeholder relationships in practice. CSR disclosure moderates this process by providing stakeholders with information about how the company addresses their interests (Cots, 2011; Rose et al., 2018). A company that discloses its CSR efforts transparently can better align its operations with stakeholder expectations, improving governance and decision-making processes. On the other hand, poor CSR disclosure can lead to misalignment and weaken stakeholder support (Hirschland, 2020).

CSR and Stakeholder Relationships

CSR is seen as a strategic tool for aligning business operations with stakeholder expectations. By engaging in CSR, companies build stronger relationships with stakeholders, leading to improved brand loyalty, a positive public image, and financial gains (Algame & Pirzad, 2017; Moradi, 2020). Stakeholder theory argues that companies that consider the interests of all stakeholders are more likely to experience better financial performance (FP) and higher stock prices (Oyewumi et al., 2018).

This study was guided by two primary research questions: (RQ1) To what extent does a company's engagement in corporate social responsibility (CSR) activities influence its financial performance? and (RQ2) To what extent will a company's CSR disclosure significantly moderate the relationship between CSR and its Financial Performance? Freeman (2010) emphasized that stakeholders play dynamic and interdependent roles, meaning organizations must manage stakeholder relationships inclusively rather than treating them as isolated interests. Building on this perspective, recent scholarship has underscored that the relative importance of

stakeholder groups shifts depending on their influence within the business context (Bridoux & Stoelhorst, 2016).

The conventional outlining of a stakeholder is any group or person who can affect or is affected by accomplishing the business's goals (Freeman, 1984). In this research, the purpose was to determine to what extent a company's CSR significantly predicted its financial performance (RQ1). Additionally, the study examined the extent to which a company's CSR disclosure significantly moderated the relationship between CSR and its financial performance (RQ2).

Freeman's conceptualization of stakeholders has evolved over time. In his original work, Freeman (1984) defined stakeholders as any individual or group essential to a firm's survival and success, including customers, suppliers, employees, communities, financiers, shareholders, and lending institutions. In later scholarship, Freeman (2010) advanced a more contemporary interpretation of stakeholder theory, emphasizing not only the identity of stakeholders but also the significance of their collective actions. He argued that stakeholders, when aligned, are capable of generating outcomes that no single party could achieve independently, underscoring the necessity of considering their interests in an inclusive and integrated manner. Building on this foundation, more recent research has highlighted the importance of recognizing the dynamic nature of stakeholder influence. Scholars contend that businesses must assess "who counts" in particular contexts and acknowledge that the relative impact of stakeholder groups can shift over time, thereby reshaping organizational strategies and governance practices (Bridoux & Stoelhorst, 2016; Okafor et al., 2021).

Stakeholder theory has been conceptualized through three primary approaches: normative, instrumental, and descriptive. The normative perspective positions ethical and moral

obligations at the core of stakeholder relationships, stressing that firms are accountable not only for generating profits but also for respecting broader societal responsibilities (Cots, 2011). This orientation is grounded in philosophical principles that influence governance practices and guide managerial decision-making, framing corporate actions as duties owed to a wide range of stakeholders (Phillips, 2003; Rose et al., 2018; Vitolla et al., 2019). By incorporating ethics into the corporate agenda, the normative view underscores that legitimacy and sustainability depend on a firm's ability to honor obligations that transcend financial performance.

In contrast, the instrumental and descriptive perspectives shift attention toward strategy and practice. The instrumental approach emphasizes the pragmatic benefits of stakeholder management, contending that trust, collaboration, and long-term engagement with stakeholders can generate profitability and enhance competitive advantage (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). The descriptive approach, on the other hand, examines how firms actually behave in relation to stakeholder groups, focusing on managerial perceptions, board priorities, and the organizational processes that shape responses to diverse constituencies (Cots, 2011; Rose et al., 2018). Together, these perspectives provide complementary insights: while the normative view highlights ethical imperatives, the instrumental and descriptive approaches demonstrate how stakeholder considerations can advance financial goals and reflect real-world corporate behavior.

This study drew primarily on the normative and instrumental perspectives. From a normative standpoint, firms were expected to consider the rights and expectations of all stakeholders, irrespective of their influence, and to ensure transparency in both financial reporting and social, environmental, and governance activities (Cots, 2011; Phillips, 2003; Rose et al., 2018; Vitolla et al., 2019). In contrast, the instrumental perspective highlighted how

varying levels of stakeholder influence shaped organizational outcomes, with CSR initiatives creating both reputational benefits and measurable financial returns (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). CSR practices, therefore, not only addressed stakeholders' ethical expectations but also generated value by fostering consumer trust, loyalty, and social legitimacy (Algame & Pirzad, 2017; Awaysheh et al., 2020; Matten & Moon, 2020; Moradi, 2020).

Freeman (2009) emphasized that stakeholders—including customers, suppliers, employees, communities, financiers, and shareholders—should be integral to the development and implementation of corporate policies. One mechanism through which firms address these expectations is corporate social responsibility (CSR), which requires balancing financial objectives with social and environmental responsibilities (Bastič et al., 2020; Moneva et al., 2020). Through such practices, corporations strengthen stakeholder relationships and reinforce the alignment between organizational interests and community well-being.

Scholars further argue that stakeholder interests deserve equal weight alongside the traditional goal of maximizing shareholder wealth (Oyewumi et al., 2018). Within this context, CSR functions as a strategic instrument that enhances financial performance (FP) while simultaneously generating societal and environmental value. Effective CSR initiatives promote stakeholder engagement, foster trust, and contribute to legal and ethical compliance, thereby positioning the firm for long-term success (Bastič et al., 2020; Pham & Tran, 2020; Tăbîrcă et al., 2019; Tsai & Mutuc, 2020; Yoo et al., 2019). Importantly, this study built on this foundation by examining whether CSR engagement translated into measurable financial outcomes and how CSR disclosure moderated this relationship, directly addressing the research questions.

The present study adopted stakeholder theory as its primary theoretical foundation, consistent with Freeman's (1984) original formulation and subsequent refinements. Stakeholder theory has become the dominant framework in CSR–FP research, offering a robust lens through which to examine how stakeholder dynamics shape organizational outcomes (Awa et al., 2024). Moreover, existing studies confirm that stakeholder theory explains both the direct influence of CSR on financial performance and the reciprocal effects of financial outcomes on CSR initiatives, underscoring the central role of stakeholder expectations in shaping corporate strategy and market valuation (Oyewumi et al., 2018; Vitolla, 2019).

For much of modern business history, corporate management was primarily oriented toward maximizing profits and meeting shareholder expectations (Ali et al., 2020; Pham & Tran, 2020; Ratajczak, 2021; Xie et al., 2019). In recent years, however, this perspective has undergone a significant transformation, as profit is no longer viewed as the sole organizational objective. Increasingly, firms are shaped by their relationships with a diverse range of stakeholders, with particular emphasis on how they respond to social and environmental responsibilities (Freeman, 2010; Freeman & Phillips, 2002; Tong et al., 2020; Wang, 2018; Yan, 2019).

Within this framework, CSR is understood not as a secondary obligation but as a fundamental approach that balances the demands of shareholders with the expectations of other stakeholders. This shift has redirected corporate priorities away from an exclusive focus on profit maximization toward a more integrated model that acknowledges social and environmental accountability. Accordingly, stakeholder theory provides a suitable foundation for the present study, as it informed the development of the problem statement, research purpose, and guiding

questions by examining the extent to which financial performance (FP), as measured by return on equity and net profit margin, is connected to broader social responsibilities.

Corporate Social Responsibility

Early Foundations of CSR (1930s–1950s)

The roots of modern corporate social responsibility (CSR) can be traced back to the 1930s, when early discussions emphasized the social obligations of private enterprises beyond profit generation (Matten & Moon, 2020; Ratajczak, 2021; Tăbîrcă et al., 2019). The modern interpretation of CSR as a broad and evolving construct gained visibility in 1953 with Howard Bowen’s seminal work *The Businessman’s Social Responsibility*. Bowen’s writings offered the first systematic definition of CSR, framing it as the obligation of business leaders to align corporate policies, decisions, and activities with the values and goals of society (Latap et al., 2019; Verk et al., 2021). His work marked a turning point, positioning firms as ethical entities with responsibilities for the welfare of employees, their families, and society at large (Shang-Chun Ma & Kaplanidou, 2021; Ibrahim & Umeano, 2019). This early foundation set the stage for broader debates in the following decades, when social expectations of businesses began to intensify.

CSR in the 1960’s and 1970’s

Over the next several decades, CSR became increasingly associated with the relationship between enterprises and society (Johnston et al., 2021; Marakova et al., 2021). During the 1970s, shifting social norms, rising environmental consciousness, and heightened awareness of labor rights expanded expectations for business conduct (Chauhan & Sukhmani, 2020; Ramanna, 2020). These pressures redefined the “social contract” between business and society, giving CSR broader relevance as companies began to address issues such as waste management, greenhouse

gas emissions, and employment legislation (Siltaoja, 2014; Yevdokimova et al., 2019). However, as the concept gained popularity, it also became increasingly ambiguous, with varying interpretations across different contexts (Freudenreich et al., 2020; Tencati et al., 2020). To provide structure, Carroll (1979) introduced a multidimensional model of CSR, categorizing corporate responsibilities into economic, legal, ethical, and discretionary domains, which later evolved into his well-known CSR pyramid. This conceptual grounding in the 1970s laid the groundwork for the more strategic orientation CSR would take in the following decades.

Strategic Turn in the 1980s and 1990s

By the 1980s, CSR was increasingly recognized as a strategic concept directly linked to financial and operational performance (Liao et al., 2018; Long et al., 2020). Firms increasingly viewed social responsibility as a mechanism to enhance profitability while responding to stakeholder expectations through dialogue and engagement (Ferramosca & Verona, 2020). During this period, voluntary codes of conduct and co-regulatory frameworks became common, embedding CSR into corporate decision-making processes (Siltaoja, 2014; Wans, 2020). In 1991, Carroll refined his earlier work with the CSR pyramid, illustrating how firms balance economic, legal, ethical, and philanthropic responsibilities as an integrated model of corporate behavior (Wood, 1991; Shea & Hawn, 2019). Although CSR gained strategic momentum during this era, scholars noted that its conceptual boundaries remained diffuse, leading to inconsistent applications across industries and regions (Shang-Chun Ma & Kaplanidou, 2021). This growing strategic orientation paved the way for CSR's global institutionalization in the early 2000s.

CSR in the 2000's

The global development agenda of the 2000s further solidified CSR's role in business practice. The United Nations Global Compact and the Millennium Development Goals elevated

CSR to a transnational priority, requiring firms to engage more systematically with issues of environmental protection, labor rights, and sustainable development (Martinez et al., 2021; Tencati et al., 2020). CSR was increasingly framed as a deliberate, strategic practice capable of generating both social and financial value (Ferramosca & Verona, 2020). By the close of the decade, widespread consensus held that CSR could enhance firm performance while simultaneously creating shared value for communities and stakeholders (Shang-Chun Ma & Kaplanidou, 2021). This global recognition during the 2000s provided the foundation for CSR's integration with sustainable development initiatives in the following decade.

CSR in the 2010s and Beyond

The adoption of the Paris Agreement and the United Nations Sustainable Development Goals in 2015 reinforced the expectation that corporations play a central role in addressing global challenges such as climate change, inequality, and sustainable growth (Siltaoja, 2014; Yevdokimova et al., 2019). Contemporary CSR discussions emphasize implementation practices and their impact on specific functional areas, while maintaining CSR's broader orientation toward fostering shared value. Among the most influential frameworks of this period are Carroll's CSR pyramid and the Triple Bottom Line (TBL), both of which highlight the balance between financial, social, and environmental responsibilities (Bohlmann, 2018; Luhmann & Theuvsen, 2017; Tewari & Pathak, 2014; Zak, 2015). This contemporary focus demonstrates CSR's continued evolution as both a strategic driver of financial performance and a mechanism for advancing global sustainability objectives.

Carroll's CSR Pyramid

Introduction to Carroll's Pyramid

Although CSR had been studied since the 1950s, it was not until the early 1990s that its significance, scope, and influence became more widely understood. Archie Carroll's conceptualization of CSR in the form of a pyramid, first articulated in 1979 and later refined in 1991, remains one of the most widely cited and influential frameworks for understanding corporate responsibility (Carroll, 1979, 1991; Lu et al., 2020; Nurunnabi et al., 2020). Carroll's model organizes corporate duties into four distinct but interrelated layers—economic, legal, ethical, and philanthropic—thereby providing a clear structure for evaluating the multifaceted responsibilities of modern enterprises (Geva, 2008; Luhmann & Theuvsen, 2017; Tewari & Pathak, 2014; Wong & Bustami, 2020).

The Four Layers of CSR

At the foundation of Carroll's pyramid is economic responsibility, which reflects the firm's fundamental obligation to remain profitable and financially viable. Profit generation is essential, as it enables companies to employ workers, invest in operations, and sustain long-term community engagement (Koech & Coldwell, 2019; Nurunnabi et al., 2020). Above this lies the layer of legal responsibility, which requires companies to comply with laws and regulations governing areas such as labor practices, taxation, health and safety, and market competition (Carroll, 1979, 1991; Etinkaya et al., 2015). While profitability ensures survival, legal compliance establishes legitimacy in the marketplace. The third layer, ethical responsibility, extends beyond legal mandates, requiring firms to act fairly, avoid harm, and uphold moral principles even when not legally obligated to do so. Ethical conduct fosters stakeholder trust and consumer confidence, reinforcing a company's reputation as a responsible actor (Geva, 2008;

Tewari & Pathak, 2014). Finally, at the top of the pyramid is philanthropic responsibility, which reflects voluntary efforts by businesses to contribute positively to society, such as charitable giving, environmental restoration, or community development projects. Although discretionary, these activities enhance corporate legitimacy and can differentiate firms in competitive markets (Koech & Coldwell, 2019; Luhmann & Theuvsen, 2017).

Conclusion and Relevance

Carroll's pyramid emphasizes that each level of responsibility builds upon the previous one: without economic viability and legal compliance, higher-order ethical and philanthropic activities cannot be sustained (Carroll, 1979, 1991; Geva, 2008). By articulating a hierarchy of obligations, Carroll provided one of the clearest and most enduring frameworks for conceptualizing CSR. However, some scholars have critiqued the model for presenting CSR as a rigid hierarchy, arguing that in practice, ethical and philanthropic responsibilities may carry equal or greater weight depending on cultural, industry, or stakeholder contexts (Geva, 2008; Luhmann & Theuvsen, 2017). Despite these critiques, Carroll's model remains foundational, offering a structured approach to understanding how firms can balance profitability with broader societal and environmental obligations. In this study, Carroll's pyramid (Figure 1) was adopted as a guiding framework for analyzing CSR's connection to corporate financial performance, particularly in relation to the expectations of diverse stakeholder groups.

Figure 1*Carroll's CSR Pyramid of CSR Dimensions*

Note. Reprinted from Carroll's Pyramid of Corporate Social Responsibility, by A. B.

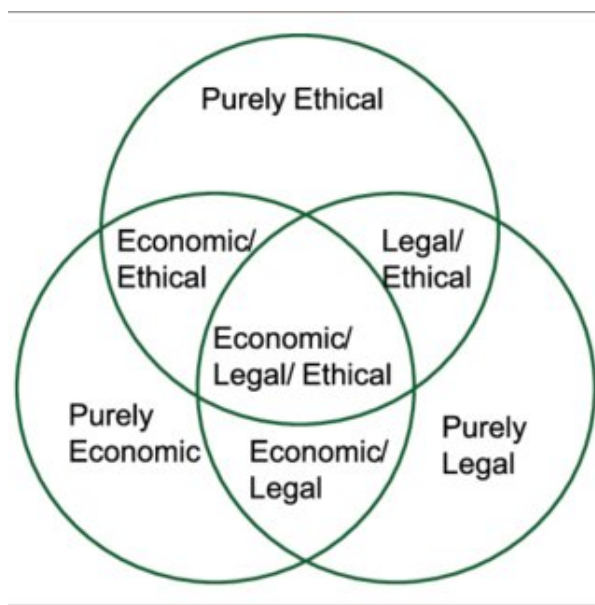
Carroll, 2016, *Business Horizons*, 59(1), 21–28. <https://doi.org/10.1016/j.bushor.2015.07>

In contrast to Carroll's four-level hierarchy, Mark Schwartz proposed an alternative framework that reconfigured CSR into three interrelated domains: economic, legal, and ethical (Schwartz & Carroll, 2003). Unlike Carroll's pyramid, which separated philanthropy as an independent responsibility, Schwartz conceptualized philanthropic activities as embedded within the economic and ethical domains, suggesting that charitable actions often reflect either profit-driven motives or ethical considerations rather than standing as a distinct obligation (Schwartz & Robinson, 2018). The three-domain model is commonly illustrated through a Venn diagram, demonstrating not only the overlap between domains but also the potential for tension and conflicting motivations when firms engage in CSR practices. Importantly, this model emphasizes that no single domain carries greater significance than the others; rather, each dimension interacts dynamically to shape a company's overall approach to social responsibility (Schwartz & Carroll, 2003; Schwartz & Robinson, 2018).

While the Three-Domain Model has been praised for its clarity and adaptability, some scholars argue that subsuming philanthropy into the economic and ethical categories risks underestimating the distinct social value of discretionary activities. By treating philanthropy as derivative rather than as an independent responsibility, the model may overlook the ways in which voluntary contributions strengthen corporate legitimacy and stakeholder trust beyond economic or ethical considerations. Nevertheless, the model provides a useful complement to Carroll's pyramid, offering a more flexible conceptualization of CSR. Figure 2 below depicts the Three-Domain Model of CSR.

Figure 2

Three-Domain Model of CSR



Note. Adapted from “*Corporate Social Responsibility: A Three-Domain Approach*,” by M. S. Schwartz and A. B. Carroll, 2003, *Business Ethics Quarterly*, 13(4), pp. 503–530. Copyright 2003 by Cambridge University Press.

One of the principal limitations of the Schwartz model is the difficulty of clearly distinguishing whether a corporation's actions are primarily economic, legal, or ethical in nature

(Tăbîrcă, 2019). Because the three domains frequently overlap, it is often challenging to categorize specific practices within a single sphere. As Schwartz and his colleagues acknowledged, such intersections were inevitable, with the domains converging in certain contexts and diverging in others (Schwartz & Carroll, 2003; Schwartz & Robinson, 2018). This inherent ambiguity has led some scholars to argue that, while the Three-Domain Model offers a more flexible framework than Carroll's hierarchy, it also risks reducing analytical precision when evaluating the true motivations and impacts of corporate social responsibility initiatives. For the purposes of this study, such limitations highlighted the importance of not only examining CSR activities themselves but also assessing the extent of their disclosure, as transparency helped clarify the relationship between CSR engagement and financial performance.

Triple Bottom Line (TBL)

The Triple Bottom Line (TBL) framework represents a widely adopted model for conceptualizing corporate social responsibility, offering a multidimensional approach to corporate accountability (Ak, 2015). Originally developed by John Elkington in 1994, the TBL gained traction in the late 1990s as a means of encouraging firms to expand their performance metrics beyond financial outcomes to include social and environmental responsibilities (Deodhar, 2016; Loviscek, 2021; Masud et al., 2019). At its core, the model asserts that firms should devote equal attention to profit, people, and the planet, thereby positioning financial sustainability alongside social and environmental sustainability as essential dimensions of long-term success (Macaulay et al., 2018; Mantikei et al., 2020; Pan et al., 2021).

The economic dimension underscores the need for profit generation while cautioning against decisions that prioritize short-term financial gains at the expense of long-term viability, which could render operations unsustainable (Masud et al., 2019). The social dimension

highlights the importance of equitable opportunity and collective prosperity within communities, contending that corporate success is most durable when embedded in broader societal well-being rather than isolated financial achievement (Bohlmann, 2018; Shim et al., 2021; Zhang et al., 2021). Finally, the environmental dimension emphasizes the finite nature of resources and the necessity of safeguarding ecosystems to ensure the survival and quality of life of current and future generations (Mantikei et al., 2020; Pan et al., 2021). Firms are expected to mitigate harm to local communities and natural environments, thereby reinforcing their legitimacy as responsible social actors (Bohlmann, 2018; Shim et al., 2021).

Although the TBL provides a valuable lens for balancing financial, social, and environmental considerations, some critics argue that operationalizing the model remains difficult, as firms may emphasize one dimension at the expense of others (Lovicsek, 2021). Nevertheless, the TBL continues to serve as a key framework for understanding CSR, particularly in aligning business practices with sustainability principles. For the purposes of this study, the TBL was relevant in demonstrating how CSR activities, when transparently disclosed, could contribute not only to ethical legitimacy but also to improved financial performance.

CSR Definition

Corporate social responsibility (CSR) is generally conceptualized as encompassing economic, social, and environmental considerations, often framed through the Triple Bottom Line (TBL) approach. More recent perspectives have expanded CSR to include governance, legality, ethics, philanthropy, well-being, and respect for human rights, consistent with Carroll's multidimensional framework (Basti et al., 2020; Tsai & Mutuc, 2020). CSR can therefore be viewed as a comprehensive organizational response to societal and environmental issues through operational processes and stakeholder engagement. From a stakeholder perspective, CSR

develops as a philosophy of accountability aimed at producing positive outcomes for both stakeholders and the firm (Freeman, 2010). Ali et al. (2020) describe CSR as an administrative practice that communicates expectations for stakeholder-oriented economic, social, and environmental behavior, while Bridoux and Stoelhorst (2016) emphasize that stakeholder well-being should be valued alongside shareholder returns. Similarly, the European Commission (2011) defines CSR as enterprises' responsibility for their societal impacts, and Matten and Moon (2020) underscore its inclusion of social well-being, general interests, and community welfare.

Measurement Challenges

Despite the widespread adoption of CSR principles, scholars note that assessing CSR performance, particularly in relation to the TBL, presents methodological difficulties. Profitability is straightforward to measure through financial indicators; however, quantifying social and environmental outcomes is far more complex and often context-specific (Ak, 2015; Loviscek, 2021; Masud et al., 2019; Shim et al., 2021). Shim et al. (2021) argue that although measurement is inherently challenging, it is essential given the potential for corporate activities to cause significant environmental harm. Macaulay et al. (2018) stress that businesses cannot remain viable in a degraded environment, while Pan et al. (2021) emphasize the need to restore social and ecological damage already inflicted. These considerations highlight the necessity of incorporating social and environmental costs into corporate accounting to ensure long-term sustainability.

Rationale and Implications

Balancing competing priorities across the three bottom lines often proves difficult, as firms must allocate resources between profitability and broader societal or environmental

obligations (Mantikei et al., 2020; Zhang et al., 2021). Bohlmann (2018) notes that firms tend to prioritize monetary costs and benefits, neglecting social and environmental impacts when profits are high. The TBL framework seeks to counteract this tendency by requiring that decisions integrate all three components from the outset (Macaulay et al., 2018). As Masud et al. (2019) observe, firms that focus solely on financial returns fail to account for the full costs of their operations, thereby overlooking their broader social and environmental impacts. Ultimately, the TBL underscores the need for businesses to pursue revenue generation in a manner that simultaneously improves quality of life and safeguards the environment (Shim et al., 2021; Zhang et al., 2021). For the purposes of this study, the TBL's emphasis on integrating financial, social, and environmental dimensions reinforced the argument that CSR activities, when transparently disclosed, could enhance long-term financial performance while ensuring accountability to multiple stakeholder groups.

CSR Investments

Recent trends indicate that businesses are increasingly prioritizing values beyond financial profit, seeking to balance shareholder returns with broader societal and environmental benefits (Song & Rimmel, 2021). CSR investments play a pivotal role in this shift, as they allow firms to generate value for communities, reinforce corporate objectives, and enhance shareholder wealth by aligning social initiatives with organizational strategies (Cuervo-Cazurra, 2018). Well-designed CSR programs often emphasize adherence to ethical standards, support sustainable business performance, and contribute resources through philanthropy and community engagement, thereby ensuring long-term corporate resilience (Chintrakarn et al., 2021). Porter and Kramer's (2011) concept of creating shared value further underscores this logic, suggesting

that CSR investments should not be treated merely as costs or charitable acts but as opportunities for innovation and competitiveness that simultaneously advance economic and social progress.

Despite these advantages, firms frequently face constraints in how evenly and effectively they allocate resources to CSR initiatives (Chintrakarn et al., 2021). Many organizations still treat CSR as peripheral to their core business, hindered by barriers such as limited visibility, lack of strategic guidance, or cultural attitudes that dismiss CSR as unrelated to profitability (Song & Rimmel, 2021). Nevertheless, CSR investments create opportunities for businesses to innovate, address pressing social and environmental challenges, and generate shared value that benefits both stakeholders and the firm itself (Ferrés & Marcet, 2021). In this study, CSR investments were considered significant not only for their ethical and social contributions but also for their potential—when transparently disclosed—to strengthen the relationship between CSR engagement and financial performance.

CSR Social Investment

At the core of CSR social investment lies the principle of investing in people and communities. Such initiatives involve allocating financial resources or organizational assets to programs that deliver societal benefits, often without immediate or direct financial returns for the firm (Azadegan et al., 2018; Song & Rimmel, 2021). These investments may include charitable giving, community development, human rights protections, responsible supply chain practices, employee compensation and benefits, diversity and labor rights initiatives, as well as investments in training, health, and workplace safety (Ting & Yin, 2018). For instance, corporations may establish nonprofit foundations to award scholarships or distribute essential goods directly to disadvantaged groups (Chen, 2020; Ferrés & Marcet, 2021).

Although such activities are frequently framed as philanthropic, they are also strategic in nature because they strengthen trust among stakeholders and reinforce the perception of firms as responsible corporate citizens. From a stakeholder theory perspective, social investments demonstrate responsiveness to the expectations of diverse groups, including employees, customers, suppliers, and communities, thereby aligning organizational actions with broader societal interests (Freeman, 1984, 2010). In this study, CSR social investments were considered particularly significant because, when paired with transparent disclosure, they illustrated how companies could simultaneously fulfill stakeholder obligations and generate conditions that supported long-term financial performance.

CSR Environmental Investment

Among the most pressing challenges facing contemporary society is environmental sustainability. Businesses play a pivotal role in addressing this issue, as failure to act responsibly can erode their legitimacy, diminish stakeholder trust, and negatively affect long-term value creation (Azadegan et al., 2018; Pekovic et al., 2018). Increasing demands related to climate change, high energy consumption, and overexploitation of natural resources have placed corporate practices under heightened scrutiny. One way firms have responded is by integrating environmental considerations into their broader economic and social investment strategies, thereby embedding sustainability within their operational and strategic agendas (Chen, 2020).

CSR environmental investments typically encompass initiatives such as reducing ecological pollution, promoting energy and water conservation, protecting natural resources, and designing environmentally friendly products and services (Azadegan et al., 2018; Chen, 2020). Empirical studies consistently indicate that firms engaging in such practices are better positioned for success over the medium and long terms, as they develop reputations for responsibility and

sustainability, which in turn fosters stakeholder loyalty and trust (Azadegan et al., 2018; Chen et al., 2000; Pekovic et al., 2018). From the perspective of stakeholder theory, environmental investments represent an explicit acknowledgment of stakeholder concerns regarding ecological preservation, regulatory compliance, and intergenerational equity (Freeman, 1984, 2010). By aligning corporate behavior with these expectations, firms not only mitigate reputational risks but also enhance their capacity to innovate through environmentally responsible technologies and practices.

Nevertheless, while environmental CSR is often promoted as a win–win strategy, some critics argue that quantifying the direct financial returns of such investments remains challenging, as benefits may materialize only in the long term. This study therefore emphasized that transparent disclosure of environmental initiatives was crucial, since it allowed stakeholders to evaluate corporate commitment and more clearly connect sustainability efforts with financial performance outcomes.

Importantly, when considered alongside CSR social investments, environmental initiatives illustrate the broader Triple Bottom Line approach, which integrates people, planet, and profit. Together, these dimensions demonstrate how businesses can balance financial objectives with social and ecological responsibilities, thereby reinforcing the central role of CSR in sustainable value creation.

Corporate Financial Performance

Financial performance (FP) has emerged as a critical determinant in assessing organizational effectiveness and guiding investment decisions in today's global economy. In an increasingly volatile and transformative marketplace, a company's legitimacy and market standing are closely tied to its financial outcomes (Ibrahim & Umeano, 2019). Consequently,

corporate strategy is often constrained by the need to optimize financial performance, as firms must allocate capital in ways that enhance shareholder wealth and sustain competitiveness (Algame & Pirzad, 2017).

Scholars generally agree on the importance of FP but diverge on how it should be measured. While the concept itself is not contested, debates persist regarding the most accurate methodological approach (Moradi, 2020; Tăbîrcă et al., 2019). Broadly, the literature identifies three categories of measurement: accounting-based indicators, which assess internal operational efficiency; market-based measures, which capture shareholder satisfaction and investor confidence; and evaluation-based approaches, which provide a broader assessment of firm value and long-term viability (Ibrahim & Umeano, 2019; Tăbîrcă et al., 2019; Tien et al., 2020). Accounting measures commonly include profitability ratios, asset utilization, and cost efficiency, while market indicators reflect stock performance and valuation. Evaluation-based approaches attempt to integrate these perspectives, producing a more comprehensive picture of corporate health.

Both internal and external stakeholders rely on FP measures but often with differing objectives. For internal stakeholders, FP provides insight into organizational efficiency, interfirm relationships, and long-term sustainability (Daszyńska-Żygadło et al., 2021). For external stakeholders such as investors, creditors, and regulators, FP functions as a benchmark for assessing investment attractiveness and long-term financial stability. Accurate assessment requires rigorous financial statement analysis to ensure that calculated indicators and ratios provide reliable insights into future performance potential (Adegbite et al., 2019; Daszyńska-Żygadło et al., 2021).

From the perspective of stakeholder theory, FP represents not only an outcome of corporate activity but also a signal of the firm's ability to meet the expectations of diverse stakeholder groups. Strong financial results reassure shareholders and investors while simultaneously enabling reinvestment in CSR initiatives that address broader societal and environmental concerns. Thus, FP is both a measure of financial viability and a mechanism that enables alignment between profitability and corporate responsibility.

Financial Statement Analysis

Financial statement analysis is a fundamental process undertaken by both internal and external stakeholders to gain a clearer understanding of a firm's operations and overall financial condition (Dowdell et al., 2020). This process centers on evaluating four key financial documents: the balance sheet, income statement, cash flow statement, and annual report (Kountur & Aprilia, 2020). Each provides a distinct perspective on corporate financial health, and together they offer a comprehensive basis for assessing operational efficiency, liquidity, profitability, and long-term viability.

The balance sheet presents a snapshot of a company's assets, liabilities, and equity at a given point in time. By examining major asset categories—such as cash, inventory, property, and equipment—analysts can evaluate the firm's capacity to support future growth. Liabilities, both current and long-term, reveal potential liquidity pressures and debt repayment obligations, while the equity section indicates how ownership interests are structured internally and externally (Dowdell et al., 2020; Talha & Tariq, 2021). The income statement complements this view by detailing revenue and expenses over a period of time, allowing stakeholders to identify profitability trends and cost structures that may influence future earnings potential (Arya & Nagar, 2021).

The cash flow statement adds further insight by tracing how the firm generates and uses cash, whether through operating activities, investment, or financing. Sustained positive cash flow signals financial resilience, while persistent outflows may discourage investors and raise concerns about long-term sustainability (Deo, 2016). Finally, the annual report integrates both quantitative and qualitative perspectives by providing a broader narrative of the company's performance, strategies, and sector-specific objectives. In doing so, it enables stakeholders to contextualize financial data within the firm's overall operational and strategic direction (Karreman et al., 2014).

Overall, financial statement analysis offers valuable insights into a company's configuration, efficiency, and capacity for future advancement. For internal stakeholders, this analysis informs managerial decision-making, while for external audiences, it functions as a critical tool for evaluating investment attractiveness and corporate legitimacy. By systematically reviewing these financial reports, analysts are able to draw well-rounded conclusions about a firm's financial performance and its ability to generate sustainable value over time.

Measuring Financial performance

Assessing financial performance (FP) requires the systematic use of financial ratios and indices derived from firms' statements and reports, often benchmarked against historical trends and industry standards (Dowdell et al., 2020; Talha & Tariq, 2021). Within the CSR–FP literature, researchers have employed a wide range of financial indicators to evaluate the strength and direction of the relationship between responsibility and performance. Commonly used measures include return on assets (ROA) (Gaytan-Cortes et al., 2018; Irfan & Ali, 2017), return on sales (ROS) (Batchimeg, 2017), return on equity (ROE) (De Wet & Du Toit, 2007; Stanley & Wasilewski, 2018), and Tobin's Q (Mohammed & Al Ani, 2020; Erdur & Kara, 2015). These

metrics collectively capture different dimensions of corporate efficiency, profitability, and market valuation.

Accounting-based indicators, such as ROA and ROE, are the most widely applied in empirical research (Zevin, 2020). ROA measures profitability relative to total assets, indicating how efficiently a firm utilizes its resources to generate income (Jin & Xu, 2020; Thao et al., 2020). A higher ROA suggests effective resource use, whereas a lower ROA reflects inefficiency. ROE, in contrast, evaluates profitability relative to equity, providing insight into the rate of return generated for investors. Elevated ROE levels signal greater efficiency in generating shareholder wealth (Stanley & Wasilewski, 2018; De Wet & Du Toit, 2007). Both measures are particularly useful for assessing current financial health since they mirror trends established in previous reporting cycles (Jin & Xu, 2020; Thao et al., 2020).

Beyond accounting indicators, market-based measures such as Tobin's Q offer insights into long-term performance and firm value. Calculated by dividing the market value of equity plus liabilities by the book value of assets, Tobin's Q reflects investors' expectations regarding a firm's future profitability (Mohammed & Al Ani, 2020; Erdur & Kara, 2015). Unlike accounting ratios, market-based measures are less vulnerable to variations in accounting standards or managerial reporting practices, instead representing shareholder perceptions of the firm's capacity to sustain profits (Fladerer et al., 2021; Irfan & Ali, 2017; Stanley & Wasilewski, 2018).

Despite their utility, performance measurement categories also introduce limitations. Accounting-based measures, while robust for evaluating operational efficiency, may obscure risk differentiation and often require adjustments for industry-specific contexts (Tăbîrcă et al., 2019; Tien et al., 2020). Market-based indicators, though more reflective of investor sentiment, may fail to capture internal efficiency or the ethical dimensions of corporate strategy. For this reason,

scholars stress that FP indices are most meaningful when interpreted within specific organizational objectives and research frameworks (Algame & Pirzad, 2017; Ibrahim & Umeano, 2019; Moradi, 2020).

For this study, FP served as the dependent variable, representing financial outcomes against which CSR engagement and CSR disclosure were evaluated. Financial data were drawn from firms within the S&P 500 Consumer Staples Sector, using profitability and market-based metrics to test whether financial performance was prioritized over social responsibilities or whether CSR contributed meaningfully to long-term value creation.

Relationship Between CSR and FP

The relationship between corporate social responsibility (CSR) and financial performance (FP) has been the subject of extensive scholarly investigation for decades. Despite this sustained attention, the literature remained inconclusive, with studies reporting positive, negative, and neutral associations between the two constructs (Ali et al., 2020; Chen et al., 2018; du Toit & Lekoloane, 2018). Meta-analyses of prior research similarly highlighted this lack of consensus, confirming that CSR was linked to a range of financial outcomes depending on methodological approaches, industry contexts, and time horizons (Ting & Yin, 2018; Chen et al., 2018).

The diversity of findings could be attributed to the complexity and dynamism of CSR activities, particularly those targeting social and environmental domains. These initiatives simultaneously generated reputational benefits, enhanced stakeholder trust, and created cost efficiencies, while also imposing financial burdens or resource trade-offs that sometimes offset immediate gains (Bătae et al., 2021; Cho & Lee, 2019; Franco et al., 2020). This duality helped explain why businesses experienced both positive and negative consequences from CSR engagement.

Overall, the literature suggested that three possible outcomes—positive, negative, and neutral relationships—needed to be considered when evaluating the CSR–FP link (Ali et al., 2020; Chen et al., 2018; du Toit & Lekoloane, 2018). These mixed results underscored the need for research designs that accounted for moderating and contextual factors, such as CSR disclosure, which could help clarify when and how CSR translated into financial performance.

Positive Relationship

Stakeholder theory provided a strong rationale for the positive association between CSR and FP. From this perspective, firms that addressed the interests and concerns of diverse stakeholders were more likely to generate sustainable financial returns (Freeman, 2010; Freeman & Phillips, 2002; Francis et al., 2019). Satisfying stakeholder expectations fostered trust, legitimacy, and cooperation, which in turn enhanced organizational efficiency and profitability (Al-Hajri & Al-Enezi, 2019; Rose et al., 2018). Scholars argued that proactive engagement with stakeholder concerns not only boosted earnings but also strengthened shareholder returns, as stakeholder alignment reduced conflict and supported long-term value creation (Bridoux & Stoelhorst, 2016; Lankoski et al., 2016; Okafor et al., 2021).

A wide body of empirical evidence confirmed the positive impact of CSR on FP. Numerous studies across industries and regions demonstrated that CSR initiatives improved both short- and long-term financial outcomes by creating reputational capital, building trust, and generating competitive advantage (Akben-Selcuk, 2019; Ali et al., 2020; Bătae et al., 2021; Chen et al., 2018; Dam & Scholtens, 2015; Gama Boaventura et al., 2012; Manzoor et al., 2019; Masud et al., 2019; Oyewumi et al., 2018; Ratajczak, 2021; Tăbîrcă et al., 2019; Xie et al., 2019; Zhou & Wei, 2016). CSR enabled firms to leverage both value-added and value-creating resources, whereby existing operations were enhanced and new opportunities were developed

through responsible practices (Chen et al., 2018). This created a virtuous cycle in which firms strengthened their financial standing by cultivating reputation, trust, and legitimacy in the marketplace.

Beyond these organizational outcomes, CSR also influenced the behavior of key stakeholders. Employees increasingly preferred to work for socially and environmentally responsible firms and were more motivated to contribute toward achieving corporate financial goals when they perceived their employer as ethical and sustainable (Hou, 2019; Jahmane & Gaies, 2020; Lin, 2020; Manzoor et al., 2019). Customers demonstrated a willingness to pay premium prices for products from firms that committed to CSR practices, further strengthening profitability (Nirino, 2021). Likewise, socially conscious investors increasingly directed capital toward companies with strong CSR reputations, thereby expanding financial opportunities and market value (Soelton, 2020).

The positive CSR–FP relationship could therefore be attributed to CSR’s role in enhancing competitive advantage. By reducing costs, attracting investment, strengthening reputation, and increasing customer loyalty, CSR created efficiency and prosperity while simultaneously advancing social and environmental objectives (Bătae et al., 2021; Chen et al., 2018; Dam & Scholtens, 2015; Gama Boaventura et al., 2012; Lin et al., 2020). Firms that embedded CSR in their strategies were not only more resilient but also better positioned to generate sustainable financial returns, reinforcing the strategic value of social responsibility (Gentry & Wei Shen, 2020; Laghouag et al., 2021).

The main reason why CSR and FP had a positive association was that CSR increased a company's competitive advantage (Bătae et al., 2021; Chen et al., 2018; Lin et al., 2020). By lowering corporate expenses, increasing investor prosperity, and enhancing know-how, investing

in CSR activities built effectiveness (Dam & Scholtens, 2015; Gama Boaventura et al., 2012). Businesses that were effective improved the economy and sales because customers were willing to pay more for the goods of socially and ecologically responsible companies (Akben-Selcuk, 2019; Ali et al., 2020; Bătae et al., 2021; Chen et al., 2018). According to several researchers, FP was increased by CSR because it attracted experienced people, reduced risk, built good reputation, and increased customer satisfaction and loyalty (Gentry & Wei Shen, 2020; Laghouag et al., 2021).

Negative Relationship

The argument that CSR may negatively affect financial performance (FP) is most often attributed to the classical view of the firm articulated by Friedman (1984). From this perspective, a company's primary responsibility is to maximize shareholder wealth, and administrators are accountable to investors who bear financial risk. Consequently, managers should only undertake initiatives that directly generate profits, whereas investments in CSR are viewed as discretionary expenditures that divert resources away from shareholder returns (Belaşcu, 2015; Waheed et al., 2020).

Empirical studies provided evidence consistent with this position, reporting weak or negative correlations between CSR and FP. Findings suggested that CSR expenditures reduced profitability and limited competitiveness when firms allocated significant resources to social and environmental initiatives that did not yield immediate financial gains (Akben-Selcuk, 2019; Bătae et al., 2021; Belaşcu, 2015; Daszyńska et al., 2021; Franco et al., 2020; Jahmane & Gaies, 2020; Liao et al., 2018; Lin et al., 2020).

The negative impact of CSR is often attributed to explicit costs. These include the direct financial outlays associated with higher-quality inputs, sustainable materials, and

environmentally responsible manufacturing processes, all of which may increase operating expenses and diminish cost competitiveness (Soelton, 2020; Zhou et al., 2021). Moreover, philanthropic donations and community initiatives, though socially beneficial, represent financial disbursements that can immediately reduce reported profitability.

In addition to explicit costs, CSR also generates implicit costs, such as the time and resources devoted to planning, implementing, and monitoring social and environmental initiatives (Chen et al., 2018). While these costs may not appear directly in financial statements, they nonetheless contribute to organizational burdens that can limit operational efficiency and constrain financial outcomes. Collectively, both explicit and implicit costs illustrate how CSR, under certain conditions, can function as a resource drain that compromises rather than enhances corporate financial performance.

Neutral Relationship

A third perspective in the literature argues that CSR and FP are not significantly correlated. Several studies empirically supported this position, suggesting that CSR investments neither systematically enhanced nor diminished financial outcomes (Hasan et al., 2018; Kraus et al., 2020; Kumar & Kumar, 2018; Moneva et al., 2020; Tyagi & Sharma, 2013). This stream of research maintains that the financial implications of CSR are highly context-dependent and that, in many cases, the costs and benefits of CSR initiatives may effectively offset one another, resulting in a negligible overall impact.

Despite this viewpoint, a larger proportion of studies concluded that CSR expenditures were more likely to generate positive financial returns. Evidence indicated that improving social and environmental performance enhanced overall corporate outcomes (Al-Hajri & Al-Enezi, 2019; Awaysheh et al., 2020; Javed et al., 2020; Long et al., 2020; Ratajczak, 2021). These

studies often relied on CSR ratings or composite indicators that captured multiple dimensions of CSR, which provided a more comprehensive perspective but also complicated efforts to isolate the direct impact of CSR on financial performance.

Importantly, research has also highlighted the challenges of measuring CSR, particularly in the social and environmental domains. These challenges contribute to inconsistent results and the persistence of findings that support a neutral relationship (Bătae et al., 2021; Chen et al., 2018; Lin et al., 2019). Many scholars emphasize that moderating and moderating factors—such as CSR disclosure, firm size, industry type, and stakeholder expectations—must be considered to clarify when CSR investments meaningfully influence FP and when they appear to have little effect.

For the purposes of this study, the neutral perspective underscored the need to examine CSR within a framework that accounted for disclosure as a moderating variable. By incorporating transparency into the analysis, this research aimed to determine whether CSR activities that might otherwise have shown no measurable financial impact could, when disclosed effectively, enhance stakeholder trust and improve financial performance.

Summary

The literature review established a foundation for the problem statement, research objectives, and guiding questions by synthesizing theoretical perspectives, historical developments, performance measurement approaches, and empirical findings related to the CSR–FP relationship. Four central themes emerged from this review.

The first theme introduced the theoretical framework underpinning the study. Stakeholder theory provides the conceptual foundation for examining the relationship between corporate social responsibility (CSR) and financial performance (FP), moderated by CSR disclosure (Al-

Hajri & Al-Enezi, 2019; Freeman, 2010; Ibrahim & Umeano, 2019; Javed et al., 2020; Okafor et al., 2021; Oyewumi et al., 2018; Tanggamani et al., 2018; Tsai & Mutuc, 2020; Yoo et al.).

Originally articulated by Freeman (1984) and later refined (Freeman, 2010), stakeholder theory explains how firms interact with both internal and external constituencies, emphasizing that the satisfaction of stakeholder expectations influences organizational performance (Freudenreich et al., 2020; Tong et al., 2020). This framework has been widely applied in CSR–FP research and was appropriate for the present study (Hasan et al., 2018; Kraus et al., 2020; Vitolla, 2019).

The second theme traced the historical development of CSR and its evolving role in corporate practice. Carroll’s seminal contributions outlined businesses’ economic, legal, ethical, and philanthropic obligations (Carroll, 1979, 1991), later formalized into the CSR pyramid. While CSR research broadened to examine functional implementation and sector-specific outcomes, its core remained the pursuit of shared value. Alongside Carroll’s model, the Triple Bottom Line (TBL) framework—emphasizing people, planet, and profit—continues to serve as a central analytical lens in the CSR literature (Bohlmann, 2018; Latap et al., 2019; Luhmann & Theuvsen, 2017; Tăbîrcă et al., 2019; Tencati et al., 2020; Tewari & Pathak, 2014).

The third theme highlighted FP as a key indicator of organizational success and market valuation. In a volatile business environment, FP reflects not only financial viability but also long-term competitiveness (Ibrahim & Umeano, 2019). Scholars have commonly measured FP through accounting-based, market-based, and appraisal-based metrics, complemented by financial statement analysis (Adegbite et al., 2019; Daszyńska-Yago et al., 2021; Tăbîrcă et al., 2019; Tien et al., 2020). These tools enable stakeholders to assess operational efficiency, profitability, and strategic potential.

The final theme addressed the relationship between CSR and FP. Empirical findings remained mixed, with evidence of positive, negative, and neutral associations (Ali et al., 2020; Chen et al., 2018; du Toit & Lekoloane, 2018). Positive outcomes suggested that CSR enhanced financial performance by creating competitive advantages and intangible resources (Bătae et al., 2021; Chen et al., 2018; Lin et al., 2020). Conversely, some studies highlighted CSR's costs and opportunity trade-offs, which undermined profitability (Akben-Selcuk, 2019; Belaşcu, 2015; Lin, 2020). Neutral perspectives argued that costs and benefits often offset each other, resulting in limited financial impact (Hasan et al., 2018; Kraus et al., 2020; Moneva et al., 2020).

Across these debates, CSR disclosure emerged as a pivotal moderating factor. Transparent and high-quality disclosure fosters trust, enhances stakeholder engagement, and amplifies the positive effects of CSR (Lee & Isa, 2024; Mason & Simmons, 2019; Aldrin & Lindholm, 2020). Conversely, inadequate or inconsistent disclosure diminishes stakeholder confidence and reduces the perceived value of CSR initiatives (Khan & Shams, 2021). Thus, the moderating role of CSR disclosure is central to clarifying the CSR–FP link and advancing effective corporate strategies that align with stakeholder interests.

Taken together, this literature review underscored the need to examine the complex interplay between CSR, CSR disclosure, and FP. Chapter Three therefore outlined the methodological approach adopted to investigate these relationships within the consumer staples sector of U.S. publicly traded firms.

Chapter 3: Research Method

Long-term research had been conducted on the connection between CSR and FP (Yuan et al., 2020). The direct link between CSR and FP drew researchers' attention, and several studies were carried out (Ali et al., 2020; Tsai & Mutuc, 2020). The results of these studies, however, were ambiguous and conflicting (Ali et al., 2020; Hasan et al., 2018; Pham et al., 2020; Xie et al., 2019). The majority of the studies (Yoo et al., 2019; Beda-García et al., 2021; Ting & Yin, 2018) indicated a link between CSR and FP. The link between CSR and FP was also reported to be neutral or negative by a small number of researchers (Ting & Yin, 2018; Beda-García et al., 2021; Yoo et al., 2019).

The purpose of the study was to examine how corporate social responsibility (CSR) is often overshadowed by the need to maximize financial performance (FP). In this quantitative correlational study, the goal was to identify the link between CSR and FP to determine whether profits took precedence over social obligations for businesses. The study employed a quantitative correlational technique specified in the research methodology and design to address the problem statement, the goal of the study, and the research questions. The population and sample were then described, together with the expected size and other details. The instrumentation was provided to describe the materials utilized, how they were derived, and how their validity and reliability were confirmed. The operational definition of each variable was established for the quantitative study to explain how it was applied.

Simultaneously, the study procedures were stated in sufficient detail to enable replication of the investigation, specifying the steps required to acquire information, what data were collected, and how, when, where, and from whom those data were obtained. Information analysis was presented to explain the methods used to examine the data and the software applied to

ensure the data could be used to answer the research questions and test the hypotheses with the aim of addressing the identified issue. The study also included justification for its assumptions, limitations, delimitations, and ethical safeguards.

Research Methodology and Design

A quantitative correlational non-experimental design was selected because the goal was to examine the statistical relationship between CSR and FP without manipulating variables or establishing causality. Quantitative methods are appropriate when testing hypotheses, examining variable relationships, and analyzing numerical data (Sousa et al., 2007). A non-experimental design is appropriate when variables cannot be manipulated and random assignment is not feasible (Sousa et al., 2007).

Qualitative research is a second alternative approach for examining this topic. However, this approach is particularly concerned with comprehending human behavior from the viewpoint of the informant. The information gathered is also classified as non-numerical (Lanka et al., 2021). A qualitative approach was less suitable for this study because it concentrates on the traits of specific persons and collects non-numerical data.

A mixed method is a third alternative approach to examining this phenomenon. Within the same investigation, researchers use a mixed-method approach to assess and collect data from both qualitative and quantitative sources (Harrison, 2013). Due to this, comparing the results of two examinations using data from different methodologies requires substantial effort. Furthermore, it can be difficult to resolve discrepancies that emerge when comparing results. Finally, if a qualitative approach was less suitable for this topic, a mixed-method approach was likewise less suitable.

A correlation design enables researchers to claim based on theory, facts, or experience but without providing evidence in order to establish a connection between variables. The correlation coefficient of a test for correlation can be used to express the strength of a link (Nayak & Hazra, 2011). Researchers can make predictions with a confirmed level of accuracy if two constructs are connected (Bloomfield & Fisher, 2019). The correlational test was employed to draw conclusions regarding the relationship between CSR and FP, with CSR disclosure as a moderator.

A descriptive study approach is a second alternative for examining this phenomenon. However, a descriptive research design typically does not start with a hypothesis; instead, it aims to characterize the status of a variable that has been identified (Bloomfield & Fisher, 2019). A descriptive research design was considered less suitable for this study because it does not seek to quantify the strength of a link between two variables.

A quasi-experimental study approach is a third alternative for examining this phenomenon. Using a quasi-experimental method, researchers seek cause-and-effect relationships between variables (Bloomfield & Fisher, 2019). Therefore, because this study sought to determine if two variables were connected, quasi-experimental research was less relevant.

An experimental research design is a fourth alternative for examining this phenomenon. By manipulating an independent variable to ascertain the impacts of the dependent variable, an experimental study design applies the scientific method to identify cause-and-effect relationships (Bloomfield & Fisher, 2019). This study did not modify the factors under investigation, nor did it attempt to establish cause and effect.

The quantitative non-experimental study associated with the correlational design test was the most beneficial to achieving a successful outcome for this investigation, taking into account the descriptions of the hypotheses to be evaluated. The study focused on examining the relationship between corporate social responsibility (CSR) and financial performance (FP), as measured by return on equity (ROE) and net profit margin (NPM), among publicly traded U.S. consumer staples companies. CSR was operationalized through environmental and social performance ratings sourced from CSRHub and Morningstar Sustainalytics.

RQ1: To what extent will a company's CSR significantly predict its Financial Performance?

RQ2: To what extent will a company's CSR disclosure significantly moderate the relationship between CSR and its Financial Performance?

H10: A company's CSR will not significantly predict its Financial Performance.

H1A: A company's CSR will significantly predict its Financial Performance.

H20: A company's CSR disclosure will not significantly moderate the relationship between CSR and its Financial Performance.

H2A: A company's CSR disclosure will significantly moderate the relationship between CSR and its Financial Performance.

Population and Sample

The target population for this study consisted of publicly traded U.S. companies within the Consumer Staples sector. CSR performance and CSR disclosure ratings were obtained from CSRHub and Morningstar Sustainalytics, both of which maintain comprehensive environmental, social, and governance (ESG) data repositories for corporate entities. These databases aggregate and normalize CSR data from multiple sources to provide standardized measures of firms' social

and environmental performance (Arminen et al., 2018). Financial performance indicators were retrieved from Stock Analysis, which provides financial and market data for publicly traded firms. From the Consumer Staples sector list on Stock Analysis, 247 eligible firms were identified as the initial population for sampling.

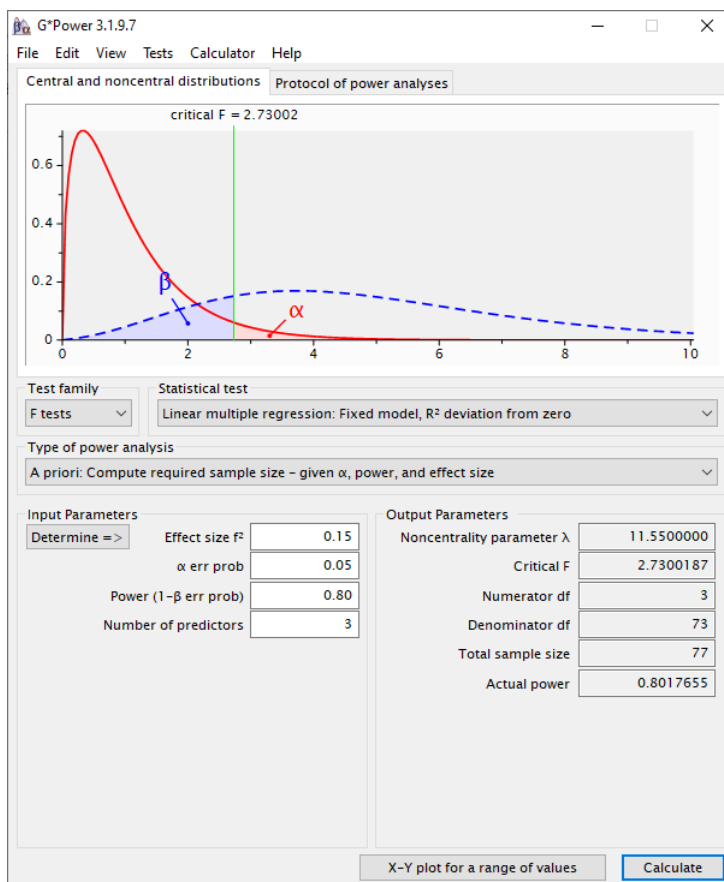
Since the chosen set of enterprises was assessed based on their overall FP performance and CSR investments in the environmental and social spheres, the population was appropriate for the research problem, purpose, and research questions. Sales, profit, assets, and market value for FP were the additional four indicators used to assess the population. The sample that was obtained is representative of the population as a whole and does not show bias toward any one attribute in particular. To guarantee that each organization from the population had an equal and likely probability of being chosen for the sample group and to produce an unbiased sample, the selection was made using a simple random sample. The recommended approach and design were compatible with the type of sample used. To create reliable generalizations about the broader group, quantitative correlational research can extract a small representative collection of companies from a large population.

A power analysis was conducted in G*Power (version 3.1.9.7) to determine the minimum required sample size for the study (Faul, Erdfelder, Buchner, & Lang, 2014). The primary inferential analysis involved the use of multiple linear regression to test for moderation. Utilizing three predictor variables (CSR, CSR disclosure, CSRCR disclosure), a medium effect size ($f^2 = .15$), an alpha level of .05, and a power of .80, it was determined that a minimum of 77 organizations would be sufficient for the data analysis. Since the population consisted of 247 organizations that were evaluated in terms of their overall CSR rating and their CSR investments

in social and environmental domains, the total sample size of 77 organizations was appropriate for the research problem, purpose, and research questions.

Figure 2

*G*Power A Priori Power Analysis for Sample Size Determination.*



Companies evaluated in the CSRHub and Morningstar Sustainalytics database were the participants in the research. The companies were listed within the Global Markets (Arminen et al., 2018). Only American companies were chosen as the population for this study. A total of 247 American businesses were included in the basic random sample list. The data were acquired by making a request for it and then purchasing it from the CSRHub and Morningstar Sustainalytics database of sustainability management solutions.

CSRHub and Morningstar Sustainalytics have full PCI certification and are recognized merchants. Use of the CSRHub and Morningstar Sustainalytics websites at www.csrhub.com and www.sustainalytics.com, and any sites co-branded with CSRHub and Morningstar Sustainalytics, is subject to their privacy policy.

The study focused on the subset of American corporations in the Consumer Staples Sector. A total of approximately 247 businesses in this selection corresponded to those in the CSRHub and Morningstar Sustainalytics database.

Instrumentation

The CSRHub and Morningstar Sustainalytics database was used to retrieve the companies' CSR data. According to Lin et al. (2019), CSRHub and Morningstar Sustainalytics use Environment, Social, and Governance (ESG) information as a reliable, effective measure of CSR. CSRHub and Morningstar Sustainalytics are recognized as the most renowned sustainability business intelligence resource in the world and provide extraordinarily inclusive and relevant CSR or ESG data (Keong et al., 2018). The database, powered by 756 market-leading CSR/ESG data sources, ranks and rates 45,966 businesses from 148 different countries (Arminen et al., 2018). Community, employees, environment, and governance are the four categories on which CSRHub and Morningstar Sustainalytics measure CSR implementation (Arminen et al., 2018; Keong et al., 2018; Lin et al., 2019). Compared to other CSR data groups, CSRHub and Morningstar Sustainalytics collect CSR data for a greater number of companies (Lin et al., 2019). Many venture capital executives and researchers use CSRHub and Morningstar Sustainalytics data for social, environmental, and governance analyses. It is also used extensively when analyzing CSR performance (Arminen et al., 2018). The analysis, however, excluded the

corporate governance investment and focused on CSR's social and environmental investments in order to address the problem, objective, and research questions that were identified.

By using Consumer Staples Sector statistics for 2023, financial performance was evaluated. According to Miura et al. (2018), Stock Analysis's Consumer Staples Sector database evaluates companies using common financial success factors. The information compares a company's performance to that of its competitors and provides details on its productivity, success, and corporate growth (Chen, 2019). The 247 public firms on the Stock Analysis list of Consumer Staples were the source of the financial performance data. The Consumer Staples Sector was compiled by a global list to screen and analyze the most notable public corporations in four categories: sales, profits, assets, and market value. As a result, the profit category was chosen as the study's main objective when comparing organizations' financial performance to address the study's stated problem, goal, and research objectives.

Operational Definitions of Variables

An overview of the operational variables used in this inquiry is provided in this section. The study variables included Corporate social responsibility (CSR), CSR disclosure, and financial performance (FP). All constructs were operationalized using secondary data from CSRHub, Morningstar Sustainalytics, and the Stock Analysis Consumer Staples Sector database. Financial performance (FP) was measured by Net Profit Margin (NPM) and Return on Equity (ROE)—both calculated from firms' 10-K filings and treated as continuous numeric variables—serving as the dependent variable (DV). CSR was measured using ESG sustainability performance ratings obtained from CSRHub and Morningstar Sustainalytics (0–100 vendor rating scale) and served as the independent variable (IV). CSR disclosure served as the moderating variable and was measured using the third-party disclosure/transparency score

provided by CSRHub/Morningstar (vendor-specific continuous scale). No control variables were included in this study.

Corporate Social Responsibility

CSR served as the independent variable. CSR was measured using ESG sustainability performance ratings obtained from the CSRHub and Morningstar Sustainalytics database. The ESG rating reflects environmental and social practices and is scored on a 0–100 continuous numeric scale, where higher values indicate stronger CSR performance.

CSR Disclosure

CSR disclosure served as the moderating variable. CSR disclosure represents the extent to which a company publicly reports its CSR activities. The CSR disclosure score, also obtained from CSRHub and Morningstar Sustainalytics, is based on third-party assessment of disclosure transparency and reporting quality. The variable is continuous, with higher values indicating more extensive CSR reporting.

Financial Performance

Financial performance served as the dependent variable. FP was measured using two accounting-based financial ratios obtained from firms' 10-K filings through the Stock Analysis database:

- Net Profit Margin (NPM): $\text{Net income} \div \text{total revenue}$
- Return on Equity (ROE): $\text{Net income} \div \text{shareholders' equity}$

Both NPM and ROE are continuous numeric variables, where higher values indicate stronger financial performance.

The impact of CSR investment on profit was evaluated using the Stock Analysis Consumer Staples Sector database. Profit for a certain company in the 2023-year list (released in

2024) was used in this study as the dependent variable. This ranking of the world's top 247 Consumer Staples Sector companies has been published annually by Stock Analysis, which determines a company's ranking and investment potential by integrating diverse data sources—such as market data, financial statements, and analyst reports—into a composite score based on equally weighted metrics of sales, profits, assets, and market value, with data sourced from platforms like S&P Global, Nasdaq Data Link, and Financial Modeling Prep (S&P Global, n.d.; Nasdaq Data Link, n.d.; Financial Modeling Prep, n.d.). Profit, also known as net income, is defined as the difference in one's wealth from one point in time to the next, or simply the growth of wealth over and above what one already has (Ioana, 2020). The amount of profit is expressed in billions of dollars. The measurement scale was continuous numeric.

Morningstar Sustainalytics integrate employees and community as a social investment. There are three additional subcategories inside each of the four main categories. Community comprises endeavors and notions related to philanthropy, supply chain, human rights, and product creation (Lin et al., 2019). Employees encompass tasks and ideas related to pay, benefits, diversity, and labor laws as well as training, health, and safety (Lin et al., 2019). The Environment category includes initiatives and concepts pertaining to resource management, environmental policy & reporting, and energy & climate change (Lin et al., 2019). Governance includes board-related actions and concepts, leadership ethics, and transparency and reporting (Lin et al., 2019).

Keong et al. (2018) identified four principal stakeholder dimensions—community, employees, environment, and governance—as the most critical categories for evaluating corporate social responsibility (CSR). To assess these dimensions, widely used databases such as CSRHub and Morningstar Sustainalytics provide standardized ratings that condense CSR

performance into a single composite score. These scores are reported on a 0–100 scale, offering a consistent measure across categories and subcategories, where higher values indicate stronger CSR performance (Lin et al., 2019; Soytaş et al., 2019). A score of 100 represents the most favorable CSR rating (Lin et al., 2019).

Table 2 summarizes the variables employed in this study, their alignment with the research questions, type (independent, dependent, or moderator), level of measurement, and the operational values associated with each. For Research Question 1 (RQ1), CSR served as the independent variable, measured through third-party ratings, while financial performance (FP) functioned as the dependent variable, represented by selected financial ratios. For Research Question 2 (RQ2), CSR remained the independent variable, FP continued as the dependent variable, and CSR disclosure was introduced as the moderating variable. Both CSR and FP were treated as continuous measures, with CSR operationalized as an environmental, social, and governance (ESG) weighted average score, and FP measured through net profit margin (NPM) and return on equity (ROE). CSR disclosure was assessed through external ratings, serving as a quantitative moderator.

Table 2*Variables Employed, Type, and Level of Measurement*

Variable	Type	Level of Measurement	Source
CSR	Independent	Continuous (0–100	CSRHub / Morningstar
	Variable (IV)	ESG score)	Sustainalytics
Financial Performance (NPM, ROE)	Dependent Variable (DV)	Continuous (financial ratios)	Stock Analysis / 10-K filings
CSR Disclosure	Moderating	Continuous	CSRHub / Morningstar
	Variable (MV)	(disclosure score)	Sustainalytics

Study Procedures

To approach this quantitative correlational study, the first step was to gain access to all the firms' necessary information. Purchase required access to the CSRHub and Morningstar Sustainalytics database. It was crucial to choose the suitable areas of these databases, which are common and include a vast amount of data. To ensure that the whole financial performance and CSR investment data could be obtained from Stock Analysis Consumer Staples Sector and CSRHub and Morningstar Sustainalytics swiftly and appropriately, an examination was conducted.

The data in the two databases were filtered as part of the investigation's second step to only include American-based businesses that met the study's criteria for financial performance and CSR investments. Both databases offered a filter that enabled the researcher to select solely American companies. The firms' stock market tickers were then used to conduct a simple random

sample and determine the number of participating firms. Data on financial performance and CSR investments were gathered following the sample determination. The data were entered into Excel spreadsheets and organized into single folders with labels indicating the type of data and the name of the company. The data for CSR investments were gathered from the CSRHub and Morningstar Sustainalytics database and covered the year 2023. Data on financial performance were gathered starting in 2023 from the Stock Analysis Consumer Staples Sector database.

The overall CSR ratings for each company, as well as each CSR dimension of the environment and social, were entered into the Excel spreadsheets after all the data had been gathered and stored. The study made use of the company's total CSR rating. The study used the overall rankings for CSR investments in the community (social) and environment (environmental). The Excel spreadsheet was used to input the financial performance data in American dollars from the Stock Analysis Consumer Staples Sector public database.

Data Analysis

The study's research questions were addressed using secondary or archival data stored in online databases. The Stock Analysis Consumer Staples Sector was used to gather the financial performance data, which were then saved in files and Excel spreadsheets. Data on investments in social and environmental initiatives, as well as total CSR, were directly downloaded from the CSRHub and Morningstar Sustainalytics website and entered into Excel spreadsheets. CSR disclosure data were gathered from the CSRHub database. An ESG rating was assigned to companies based on four scores (ECOS, ENVS, SOCS, and GOVS). The CSR, FP, and CSR disclosure were entered into an Excel spreadsheet, kept in folders, and prepared for analysis. According to numerous studies and academics, the CSRHub, Morningstar Sustainalytics, and

Stock Analysis Consumer Staples Sector databases listed in this chapter provided accurate and trustworthy information.

CSR ratings provided a perceived performance on a scale of zero to one hundred, with one hundred being the best. For the study, these ratings were taken from the CSRHub and Morningstar Sustainalytics database and examined. Following the above-described data collection, the information was analyzed using the statistical analysis software program IntellectusStatistics to address the study questions. Using IntellectusStatistics, the data were cleaned to account for missing values. Companies that were missing data for the variables of interest were removed from further analysis. Descriptive statistics such as means and standard deviations were used to summarize the trends in the variables of interest.

Q1. To what extent will a company's CSR significantly predict its Financial Performance while moderated by CSR disclosure?

H10. A company's CSR will not significantly predict its Financial Performance.

H1A. A company's CSR will significantly predict its Financial Performance.

To address the first research question, a linear regression was conducted to examine the predictive relationship between CSR and financial performance. Linear regression is appropriate when testing whether an independent variable predicts a continuous dependent variable (Field, 2013). In this model, CSR served as the independent variable, and financial performance served as the dependent variable.

Prior to analysis, the assumptions of a linear regression were tested – normality and homoscedasticity. Normality of the residuals was visually assessed with a P-P scatterplot. If the data in the P-P scatterplot followed the normality trend line, the assumption of normality was supported (Tabachnick & Fidell, 2019). Homoscedasticity was visually tested with a residual's

scatterplot. If there was a lack of a recurring pattern in the residual's scatterplot, the assumption of homoscedasticity was supported (Pallant, 2020).

The F test was used to make the overall determination on whether a significant predictive relationship existed between CSR and financial performance. The coefficient of determination, R^2 , identified how much variance in financial performance could be explained by CSR. An individual t-value was reported to identify the significant impact of CSR on financial performance. Statistical significance was evaluated at the generally accepted level, $\alpha = .05$. The unstandardized beta coefficient (B) explained how much financial performance fluctuated based on a one-unit increase in CSR.

Q2. To what extent will a company's CSR disclosure significantly moderate the relationship between CSR and its Financial Performance?

H20. A company's CSR disclosure will not significantly moderate the relationship between CSR and its Financial Performance.

H2A. A company's CSR disclosure will significantly moderate the relationship between CSR and its Financial Performance.

To address the second research question, a multiple linear regression was conducted to examine whether CSR disclosure moderated the relationship between CSR and financial performance. A multiple linear regression was appropriate when testing the predictive relationship between multiple independent variables and a continuous dependent variable (Field, 2013). The independent variable corresponded to company CSR. The dependent variable corresponded to financial performance. The moderator variable corresponded to CSR disclosure. An interaction term was created by multiplying CSR and CSR disclosure together to yield CSRCSR disclosure. The independent variable (CSR), moderator variable (CSR disclosure), and

the interaction effect (CSR*CSR disclosure) were entered as predictors into the model simultaneously.

Prior to analysis, the assumptions of a multiple linear regression were tested – normality, homoscedasticity, and absence of multicollinearity. Normality of the residuals was visually assessed with a P-P scatterplot. If the data in the P-P scatterplot followed the normality trend line, the assumption of normality was supported. Homoscedasticity was visually tested with a residuals scatterplot. If there was a lack of a recurring pattern in the residuals scatterplot, the assumption of homoscedasticity was supported. Absence of multicollinearity was tested with examination of variance inflation factors (VIFs). Stevens (2009) indicated that VIFs below 10 reflected a low association among the predictors, and the assumption for absence of multicollinearity was supported.

The F test was used to make the overall determination on whether a significant predictive relationship existed between CSR, CSR disclosure, and CSR*CSR disclosure on financial performance. The coefficient of determination, R^2 , identified how much variance in financial performance could be explained by the predictor variables. Individual t-values were reported to identify the significant impact of CSR, CSR disclosure, and CSR*CSR disclosure on financial performance. Statistical significance was evaluated at the generally accepted level, $\alpha = .05$. The unstandardized beta coefficient (B) explained how much financial performance fluctuated based on a one-unit increase in the predictor variables. If the interaction effect, CSR*CSR disclosure, was statistically significant in the regression model, there was sufficient evidence that CSR disclosure moderated the relationship between CSR and financial performance.

Assumptions

This study was guided by five underlying assumptions. First, it was assumed that the selected sample was representative of the broader population of firms in the Consumer Staples sector. Second, the study presumed that companies' CSR disclosures were accurate and provided in good faith. Third, the reliability, accuracy, and validity of the secondary data obtained from CSRHub, Morningstar Sustainalytics, and the Stock Analysis database were assumed to be trustworthy. Fourth, it was assumed that a substantial proportion of firms within the dataset engaged meaningfully in CSR initiatives that supported stakeholders and local communities, thereby ensuring adequate representation of such practices in the analysis. Finally, it was assumed that multiple linear regression was an appropriate statistical method for analyzing the relationship among the independent, dependent, and moderating variables, given the sample size and study design.

Limitations

This research had several limitations. First, the sample size was determined based on the nature of the research problem and the statistical power required to detect meaningful relationships. Because statistical testing generally requires larger samples to ensure adequate representation of the population and to increase generalizability, a small sample could have limited the ability to detect significant effects (Theofanidis & Fountouki, 2018). A priori power analysis was conducted to reduce this limitation by determining the appropriate sample size based on significance level, power, and effect size.

Second, the availability of information posed a limitation. Access to certain corporate datasets was restricted, and the study relied on secondary data available through public and licensed databases, including the Consumer Staples Sector (Stock Analysis), CSRHub, and

Morningstar Sustainalytics. The study was therefore limited to the data that these databases provided.

An additional limitation stemmed from the correlational design, which inherently restricts causal inference. Because no experimental manipulation or control groups were used, observed associations may have reflected the influence of unmeasured external variables or bidirectional effects rather than a unidirectional cause-and-effect relationship. Without random assignment or intervention, the potential for confounding factors could not be ruled out, which may affect internal validity. As a result, while the findings offer insight into the relationships among CSR, CSR disclosure, and financial performance, they should not be interpreted as evidence of causation. Future research using experimental or longitudinal designs could better explore causal mechanisms.

Delimitations

This study was delimited to U.S.-based publicly traded corporations in the Consumer Staples sector. Only companies operating in the United States were included because CSR practices and disclosure expectations can vary substantially by country, and cultural or regulatory differences could influence CSR reporting and financial outcomes (Arminen et al., 2018). Therefore, the findings of this study may not be generalizable to companies operating in other sectors or international markets.

The study was also delimited to archival, secondary data obtained from CSRHub and Morningstar Sustainalytics for corporate social responsibility (CSR) ratings and CSR disclosure, and from the Consumer Staples Sector database (Stock Analysis) for financial performance. CSR served as the independent variable, financial performance served as the dependent variable, and CSR disclosure functioned as the moderating variable. All variables were collected from the

same reporting year to maintain temporal consistency. Limiting the study to these datasets ensured the use of standardized and consistently reported CSR and financial performance measures.

Ethical Assurances

Prior to obtaining access to the datasets, approval was obtained from the Institutional Review Board (IRB) of National University (see Appendix A). This study did not involve human subjects, interventions, or interactions, and therefore posed no physical, psychological, or social risk to individuals.

The study relied exclusively on archival secondary data obtained from three licensed database providers: CSRHub, Morningstar Sustainalytics, and the Consumer Staples Sector database via Stock Analysis. Access was granted under standard data-use agreements, and the researcher complied with all terms of use, including confidentiality and restrictions on redistribution. Data were stored securely on a password-protected computer, and no proprietary or identifying corporate information was disclosed in any reports or publications. Only aggregated and publicly available information was used in the analysis.

All ethical guidelines set forth by the IRB and National University were followed throughout the research process.

Summary

The purpose of this study was to examine the relationship between corporate social responsibility (CSR) and financial performance (FP), and to determine whether CSR disclosure moderated that relationship. A quantitative, non-experimental, correlational design was employed to assess the association between CSR and FP in U.S. publicly traded corporations, consistent with methodological guidance for analyzing variable relationships (Sousa et al., 2007).

The target population consisted of approximately 2,000 firms, of which 247 organizations in the Consumer Staples sector were eligible based on the availability of CSR and financial performance data. Using a simple random sampling method, a final sample of 77 firms was identified through a G*Power analysis, which confirmed that the sample size was adequate for testing the study's hypotheses.

Data were drawn from two primary sources: CSRHub and Morningstar Sustainalytics for CSR ratings and CSR disclosure scores, and the Consumer Staples sector database for financial performance indicators. CSR served as the independent variable, financial performance served as the dependent variable, and CSR disclosure functioned as the moderating variable. No control variables were included in the analysis. To maintain consistency across all data points, the sample was restricted to U.S.-based companies, and all data were collected from the same reporting year.

Multiple linear regression analyses were used to examine the relationships among the independent, dependent, and moderating variables and to test the research hypotheses. Assumptions for regression were addressed, including representativeness of the sample, reliability of secondary data, and appropriateness of the statistical method for the study design. Limitations were acknowledged, including the use of secondary data, the exclusive focus on U.S.-based firms, and the correlational design, which restricts causal inference.

Ethical considerations were followed throughout the research process. No human participants were involved; data were obtained through licensed databases and handled confidentially. The results of the regression analyses are presented in Chapter 4, where the research questions and hypotheses are directly addressed.

Chapter 4: Findings

The problem addressed in this study was the need to understand the relationship between CSR and financial performance (FP), moderated by CSR disclosure, for the consumer staples sector of publicly traded companies operating in the United States. The purpose of this quantitative, correlational study was to determine the relationship between CSR and publicly traded companies' FP using CSR disclosure as a moderating variable. A company's ability to generate income from its assets was measured using financial analysis and translated into financial performance, and the results were used to determine the company's overall financial health. By gaining deeper insight into the relationship between corporate engagement in CSR and financial performance, firms are able to evaluate the value of such investments more effectively. This understanding not only informed community-focused strategies but also strengthened their reputation as responsible corporate citizens (Xiao et al., 2020).

Chapter 2 reviewed relevant literature on the theoretical foundations of Corporate social responsibility (CSR), its impact on financial performance, and the role of CSR disclosure as a moderating variable. The literature review was organized thematically to address these core constructs and to identify empirical gaps that informed the study's hypotheses.

The dependent variables in this study were Return on Equity (ROE) and Net Profit Margin (NPM), both of which served as indicators of financial performance. Data were collected from publicly traded companies within the consumer staples sector in the United States. CSR and CSR disclosure scores were obtained from CSRHub and Morningstar Sustainalytics, both of which aggregate Environmental, Social, and Governance (ESG) metrics across multiple data providers. Financial performance data, including ROE and NPM, were retrieved from Stock Analysis and verified against publicly available financial statements.

For this study, environmental and social performance were operationalized using CSRHub scores reported for the 2023 reporting year. Sustainability performance was treated as a combined construct representing both environmental and social CSR dimensions. The dependent variables—Return on Equity (ROE) and Net Profit Margin (NPM)—were also measured using financial data from the 2023 reporting year to ensure consistency across all variables. This single-year, cross-sectional design allowed for the examination of whether CSR performance was associated with financial performance based on the most recent CSR ratings and financial outcomes available for the firms included in the study.

This chapter is organized by research questions and corresponding hypotheses, beginning with a presentation of the statistical assumptions and tests conducted. Assumption testing included an evaluation of potential factors that could have influenced the results. The findings are presented in alignment with each research question and hypothesis. This section also includes an overview of the study results, supported by interpretation and identification of observable trends or patterns that emerged from the data.

This study employed moderated multiple regression to examine the relationships between the independent variable (CSR), the moderator variable (CSR disclosure), and the dependent variables (ROE and NPM). This statistical technique allowed for the evaluation of both the direct effect of CSR on financial performance and the interaction effect of CSR disclosure in moderating this relationship. The use of moderated regression was appropriate given the study's aim to explore whether CSR disclosure significantly changed the strength or direction of the CSR–financial performance relationship.

Two research questions guided this study, each supported by corresponding null and alternative hypotheses. The first research question examined the extent to which a company's

Corporate social responsibility (CSR) significantly predicted financial performance, measured by Return on Equity (ROE) and Net Profit Margin (NPM). The second research question explored whether CSR disclosure significantly moderated the relationship between CSR and financial performance. In both cases, the control variable of firm size and industry was included to account for its potential influence on financial outcomes. These hypotheses were tested using moderated multiple regression analysis to determine the predictive and moderating effects of CSR and CSR disclosure on financial performance.

This research study addressed two quantitative research questions.

RQ1: To what extent does a company's Corporate social responsibility (CSR) significantly predict its financial performance, as measured by Return on Equity (ROE) and Net Profit Margin (NPM)?

RQ2: To what extent does CSR disclosure significantly moderate the relationship between CSR and financial performance, as measured by ROE and NPM?

The following hypotheses were evaluated:

H10: CSR does not significantly predict financial performance.

H1A: CSR significantly predicts financial performance.

H20: CSR disclosure does not significantly moderate the relationship between CSR and financial performance.

H2A: CSR disclosure significantly moderates the relationship between CSR and financial performance.

Each of the hypotheses proposed in this study tested the nature of the relationships among the independent variable (CSR), the moderator variable (CSR disclosure), and the dependent variables (ROE and NPM). Given the objective to assess predictive and moderating effects rather

than group differences, moderated multiple regression was selected as the primary statistical method. This technique enabled the examination of both the direct relationship between CSR and financial performance and the moderating influence of CSR disclosure on that relationship. ANOVA was not used, as the analysis did not involve comparing means across groups but rather focused on continuous variable interactions. The use of moderated regression provided an appropriate statistical framework for addressing the study's research questions and uncovering patterns within CSR and financial performance data (Hamad & Cek, 2023).

Reliability and Validity of the Data

The reliability and validity of the data used in this quantitative study were thoroughly evaluated to ensure the credibility of the results. The primary constructs included Corporate social responsibility (CSR), CSR disclosure, and FP outcomes—specifically Return on Equity (ROE) and Net Profit Margin (NPM). CSR and CSR disclosure data were obtained from CSRHub and Morningstar Sustainalytics, which aggregate ESG metrics from over 900 sources, including NGO reports, news feeds, government databases, and social media. These platforms use standardized methodologies that align with widely accepted ESG frameworks, providing strong construct validity supported by both academic literature and practitioner trust (CSRHub, 2024).

Financial performance data were sourced from Stock Analysis, a reliable financial reporting aggregator that compiles audited financials and valuation metrics across U.S.-listed firms. These indicators (ROE and NPM) have been frequently used in corporate finance and CSR-performance research to capture profitability and investor return metrics (Aldrin & Lindholm, 2020).

To support the robustness of the regression analysis, the dataset was evaluated for key statistical assumptions: normality, homoscedasticity, multicollinearity, outliers, and autocorrelation. Visual inspection of residual plots showed no violations of normality or homoscedasticity. These diagnostics affirmed that the data met the assumptions required for moderated multiple regression, supporting valid interpretation of the relationships between CSR, CSR disclosure, and financial performance (ROE and NPM).

To ensure accurate and credible measurement, CSR and CSR disclosure data were sourced from CSRHub and Morningstar Sustainalytics, which aggregate ESG ratings from over 900 independent sources. These platforms use transparent, standardized rating methodologies aligned with global ESG frameworks, and they have strong academic and industry validation (CSRHub, 2024). Financial data—specifically Return on Equity (ROE) and Net Profit Margin (NPM)—were obtained from Stock Analysis, which compiles audited financial statements from U.S.-listed firms and is frequently cited in CSR–financial performance research (Aldrin & Lindholm, 2020).

Threats to the validity of a research study include internal and external challenges to the accuracy and generalizability of findings (Devlin, 2017). This study addressed these concerns by utilizing large, well-established databases, including CSRHub and Morningstar Sustainalytics, to source CSR and disclosure data. Financial performance indicators—Return on Equity (ROE) and Net Profit Margin (NPM)—were derived from Stock Analysis, a reliable aggregator of audited financial statements from U.S.-listed companies. The sample consisted of publicly traded firms across multiple industries within the consumer staples sector that consistently reported CSR and financial performance metrics for the study period. Because the research sought to examine

relationships between CSR, CSR disclosure, and FP, rather than establish causality through intervention, the risk of internal validity threats was reduced.

Results

This quantitative correlational study examined the relationship between Corporate social responsibility (CSR) and Financial Performance (FP), with CSR disclosure assessed as a moderating variable. The purpose of the analysis was to determine whether a statistically significant relationship existed between a company's investment in CSR initiatives and its financial outcomes, specifically Return on Equity (ROE) and Net Profit Margin (NPM). To test the proposed hypotheses, data were collected from multiple credible sources, including CSRHub, Morningstar Sustainalytics, and Stock Analysis, and were analyzed using regression-based techniques.

Demographic Overview of the Sample

This section provided an overview of the demographic characteristics of the sample used in the study. The population consisted of 247 publicly traded U.S. companies from the Consumer Staples sector. A final sample of 77 organizations was selected based on the availability of complete data for Corporate social responsibility (CSR), CSR disclosure, and financial performance (Return on Equity and Net Profit Margin). All data sources were public and non-identifying.

Category	Details
Population Sector	Consumer Staples (U.S.)
Total Companies in Population	247 public companies
Final Sample Size	77 organizations
CSR Data Availability	CSRHub & Sustainalytics
Financial Performance Data (ROE, NPM)	ROE & NPM from Stock Analysis
CSR Disclosure Availability	CSRHub & Sustainalytics

This study investigated the relationships between corporate social responsibility (CSR) performance, CSR disclosure practices, and financial performance metrics among publicly traded companies. The statistical analyses yielded several notable findings:

1. CSR performance (measured by CSRHUB ratings) was not significantly associated with net profit margin (NPM) ($F(1,75) = 2.26, p = .137, R^2 = .03$).
2. CSR performance demonstrated a significant positive relationship with return on equity (ROE) ($F(1,74) = 4.65, p = .034, R^2 = .06$), indicating that higher CSR ratings were associated with improved ROE.
3. The overall moderation model predicting NPM was significant ($R^2 = 0.10, F(3, 73) = 2.78, p = .047$), with CSR disclosure practices showing a significant positive main effect on NPM ($B = 6.40, p = .025$), though the interaction term was not significant.
4. In the moderation analysis predicting ROE, the overall model was significant ($R^2 = 0.14, F(3, 72) = 3.81, p = .014$), with a significant interaction between CSR performance and CSR disclosure practices ($B = 0.02, p = .044$), suggesting that CSR disclosure moderates the relationship between CSR performance and ROE.

Research Question 1/Hypotheses

RQ1: To what extent does a company's Corporate social responsibility (CSR) significantly predict its financial performance, as measured by Return on Equity (ROE) and Net Profit Margin (NPM)?

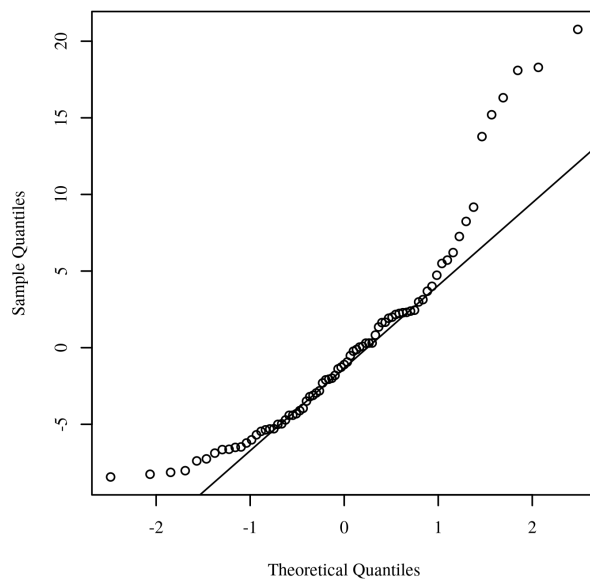
A linear regression analysis was conducted to assess whether CSR_CSRHUB_r.outliers significantly predicted NPM.

Assumptions

Normality. The assumption of normality was assessed by plotting the quantiles of the model residuals against the quantiles of a Chi-square distribution, also called a Q-Q scatterplot (DeCarlo, 1997). For the assumption of normality to be met, the quantiles of the residuals must not strongly deviate from the theoretical quantiles. Strong deviations could indicate that the parameter estimates are unreliable. Figure 1 presents a Q-Q scatterplot of the model residuals.

Figure 1

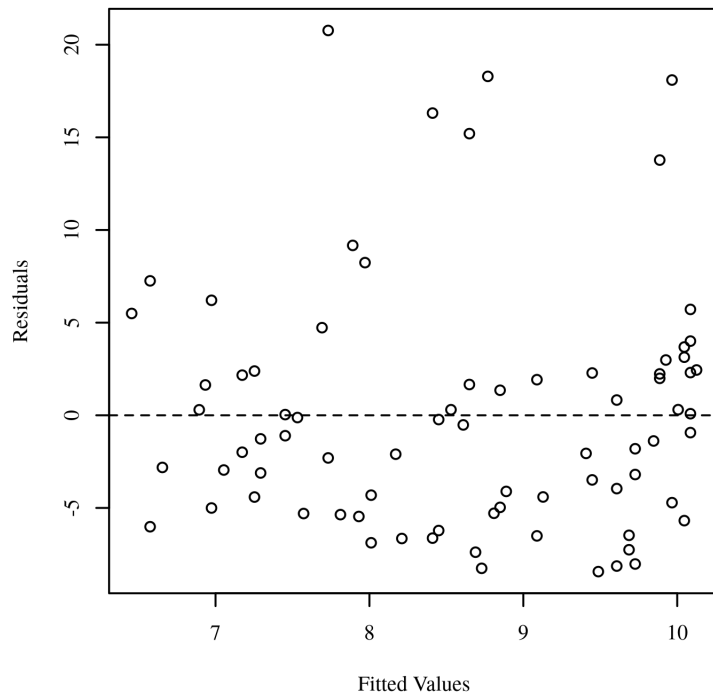
Q-Q scatterplot for normality of the residuals for the regression model.



Homoscedasticity. Homoscedasticity was evaluated by plotting the residuals against the predicted values (Bates et al., 2014; Field, 2017; Osborne & Walters, 2002). The assumption of homoscedasticity is met if the points appear randomly distributed with a mean of zero and no apparent curvature. Figure 2 presents a scatterplot of predicted values and model residuals.

Figure 2

Residuals scatterplot testing homoscedasticity

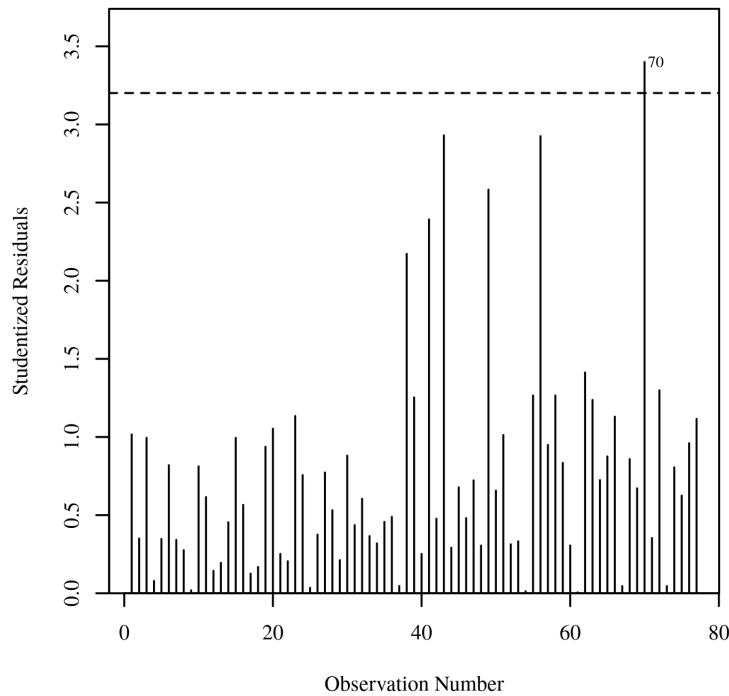


Multicollinearity. Since there was only one predictor variable, multicollinearity does not apply, and Variance Inflation Factors were not calculated.

Outliers. To identify influential points, Studentized residuals were calculated and the absolute values were plotted against the observation numbers (Field, 2017; Pituch & Stevens, 2015). Studentized residuals are calculated by dividing the model residuals by the estimated residual standard deviation. An observation with a Studentized residual greater than 3.20 in absolute value, the 0.999 quantile of a t distribution with 76 degrees of freedom, was considered to have significant influence on the results of the model. Figure 3 presents the Studentized residuals plot of the observations. Observation numbers are specified next to each point with a Studentized residual greater than 3.20.

Figure 3

Studentized residuals plot for outlier detection



Autocorrelation. A Durbin-Watson test was conducted to assess the degree of autocorrelation among the residuals. The result was not significant, $DW = 2.37$, $p = .952$, suggesting there was little to no autocorrelation among the residuals.

Results

The results of the linear regression model were not significant, $F(1,75) = 2.26$, $p = .137$, $R^2 = .03$, indicating `CSR_CSRHUB_r.outliers` did not explain a significant proportion of variation in NPM. Since the overall model was not significant, the individual predictors were not examined further. Table 1 summarizes the results of the regression model.

Table 1

Results for Linear Regression with CSR_CSRHUB_r.outliers predicting NPM

Variable	<i>B</i>	<i>SE</i>	95.00% CI	β	<i>t</i>	<i>p</i>
(Intercept)	6.18	1.79	[2.60, 9.75]	0.00	3.44	< .001
CSR_CSRHUB_r.outliers	0.04	0.03	[-0.01, 0.09]	0.17	1.50	.137

Note. Results: $F(1,75) = 2.26$, $p = .137$, $R^2 = .03$

Unstandardized Regression Equation: $NPM = 6.18 + 0.04 * CSR_CSRHUB_r.outliers$

Linear Regression Analysis

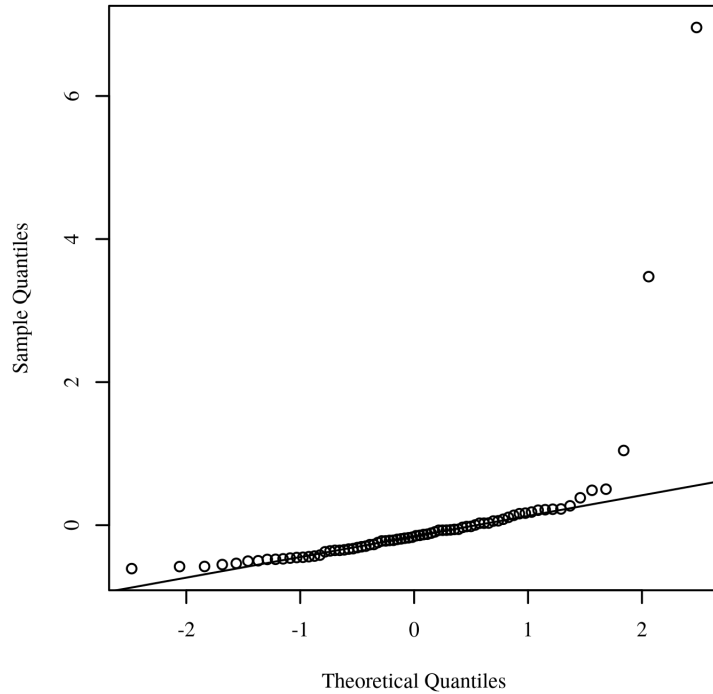
A linear regression analysis was conducted to assess whether CSR_CSRHUB_r.outliers significantly predicted ROE_r.outliers.

Assumptions

Normality. The assumption of normality was assessed by plotting the quantiles of the model residuals against the quantiles of a Chi-square distribution, also called a Q-Q scatterplot (DeCarlo, 1997). For the assumption of normality to be met, the quantiles of the residuals must not strongly deviate from the theoretical quantiles. Strong deviations could indicate that the parameter estimates are unreliable. Figure 4 presents a Q-Q scatterplot of the model residuals

Figure 4

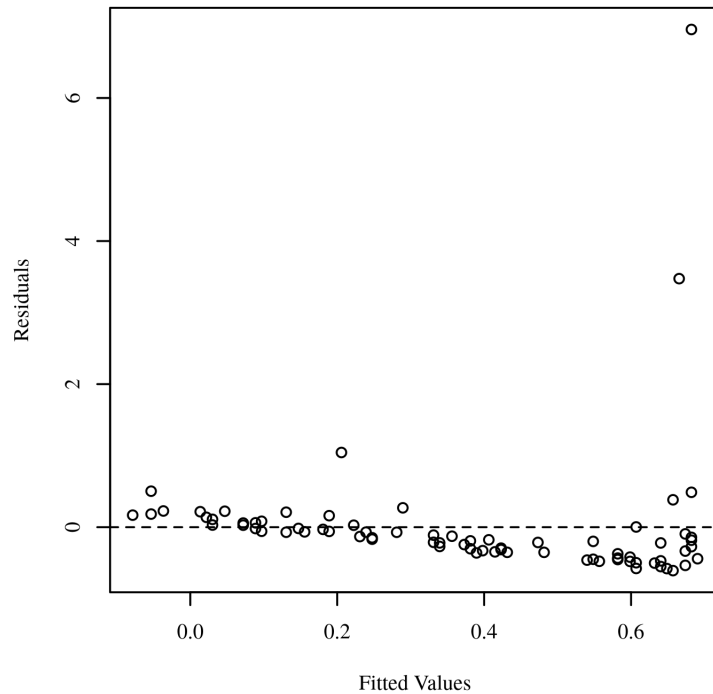
Q-Q scatterplot for normality of the residuals for the regression model.



Homoscedasticity. Homoscedasticity was evaluated by plotting the residuals against the predicted values (Bates et al., 2014; Field, 2017; Osborne & Walters, 2002). The assumption of homoscedasticity is met if the points appear randomly distributed with a mean of zero and no apparent curvature. Figure 5 presents a scatterplot of predicted values and model residuals.

Figure 5

Residuals scatterplot testing homoscedasticity

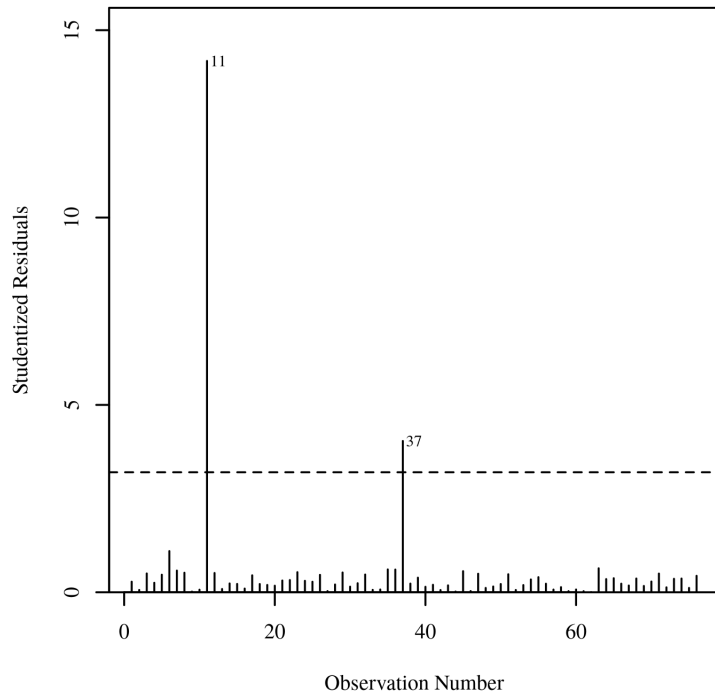


Multicollinearity. Since there was only one predictor variable, multicollinearity does not apply, and Variance Inflation Factors were not calculated.

Outliers. To identify influential points, Studentized residuals were calculated and the absolute values were plotted against the observation numbers (Field, 2017; Pituch & Stevens, 2015). Studentized residuals are calculated by dividing the model residuals by the estimated residual standard deviation. An observation with a Studentized residual greater than 3.20 in absolute value, the 0.999 quantile of a t distribution with 75 degrees of freedom, was considered to have significant influence on the results of the model. Figure 6 presents the Studentized residuals plot of the observations. Observation numbers are specified next to each point with a Studentized residual greater than 3.20.

Figure 6

Studentized residuals plot for outlier detection



Autocorrelation. A Durbin-Watson test was conducted to assess the degree of autocorrelation among the residuals. The result was not significant, $DW = 1.98$, $p = .468$, suggesting there was little to no autocorrelation among the residuals.

Results

The results of the linear regression model were significant, $F(1,74) = 4.65$, $p = .034$, $R^2 = .06$, indicating that approximately 5.91% of the variance in ROE_r.outliers is explainable by CSR_CSRHUB_r.outliers. CSR_CSRHUB_r.outliers significantly predicted ROE_r.outliers, $B = 0.008$, $t(74) = 2.16$, $p = .034$. This indicates that on average, a one-unit increase of CSR_CSRHUB_r.outliers will increase the value of ROE_r.outliers by 0.008 units. Table 2 summarizes the results of the regression model.

Table 2

Results for Linear Regression with CSR_CSRHUB_r.outliers predicting ROE_r.outliers

Variable	<i>B</i>	<i>SE</i>	95.00% CI	β	<i>t</i>	<i>p</i>
(Intercept)	-0.14	0.26	[-0.66, 0.38]	0.00	-0.52	.602
CSR_CSRHUB_r.outliers	0.008	0.004	[0.0006, 0.02]	0.24	2.16	.034

Note. Results: $F(1,74) = 4.65$, $p = .034$, $R^2 = .06$

Unstandardized Regression Equation: $ROE_r.outliers = -0.14 + 0.008 * CSR_CSRHUB_r.outliers$

Research Question 2/Hypotheses

RQ2: To what extent does CSR disclosure significantly moderate the relationship between CSR and financial performance, as measured by ROE and NPM?

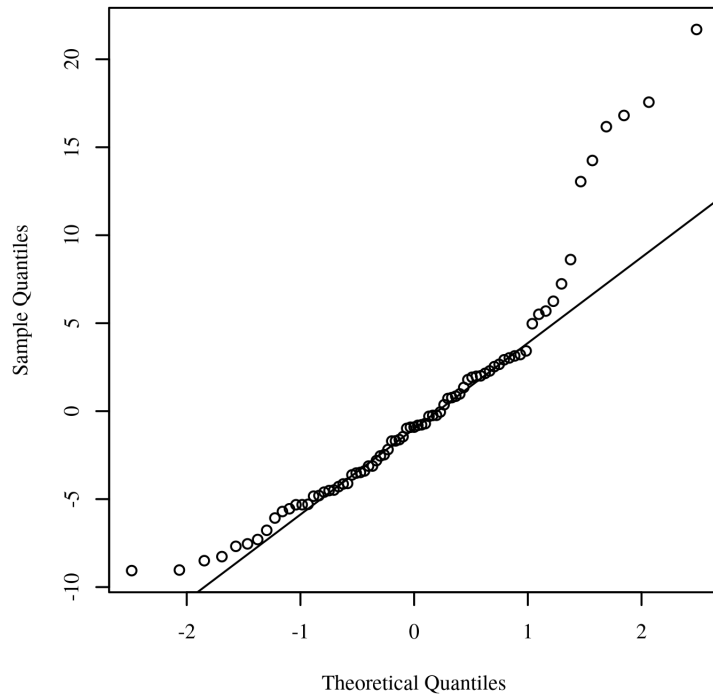
A multiple linear regression analysis was conducted to determine if CSR_Disclosure_r.outliers and CSR_CSRHUB had a moderating effect on NPM. Mean centering was used for CSR_CSRHUB and CSR_Disclosure_r.outliers.

Assumptions

Normality. The assumption of normality was assessed by plotting the quantiles of the model residuals against the quantiles of a normal distribution, also called a Q-Q scatterplot (DeCarlo, 1997). For the assumption of normality to be met, the quantiles of the residuals must not strongly deviate from the theoretical quantiles. Strong deviations could indicate that the parameter estimates are unreliable. Figure 7 presents a Q-Q scatterplot of model residuals.

Figure 7

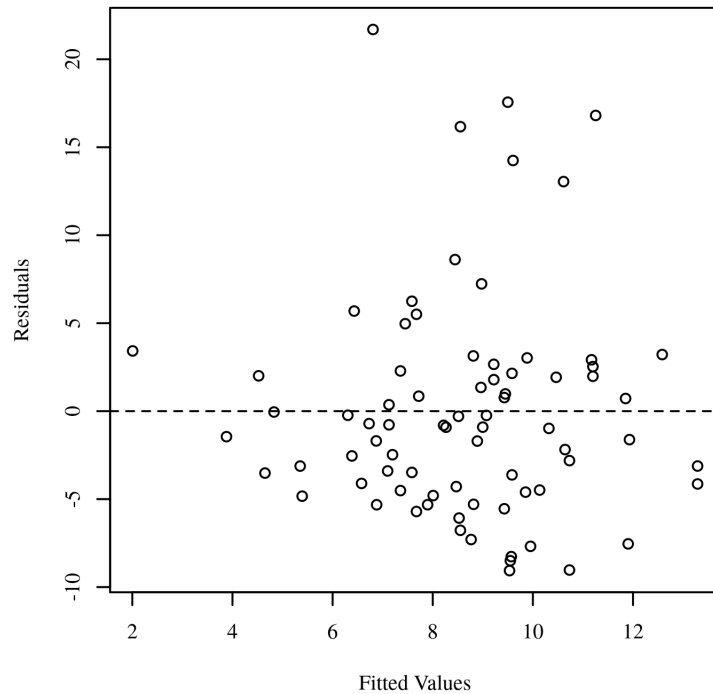
Q-Q scatterplot for normality of the residuals for the regression model.



Homoscedasticity. Homoscedasticity was evaluated by plotting the residuals against the predicted values (Bates et al., 2014; Field, 2017; Osborne & Walters, 2002). The assumption of homoscedasticity is met if the points appear randomly distributed with a mean of zero and no apparent curvature. Figure 8 presents a scatterplot of predicted values and model residuals.

Figure 8

Residuals scatterplot testing homoscedasticity



Multicollinearity. Variance Inflation Factors (VIFs) were calculated to detect the presence of multicollinearity between predictors. High VIFs indicate increased effects of multicollinearity in the model. VIFs greater than 5 are cause for concern, whereas VIFs of 10 should be considered the maximum upper limit (Menard, 2009). All predictors in the regression model have VIFs less than 10. Table 3 presents the VIF for each predictor in the model.

Table 3

Variance Inflation Factors for CSR_CSRHUB, CSR_Disclosure_r.outliers, and

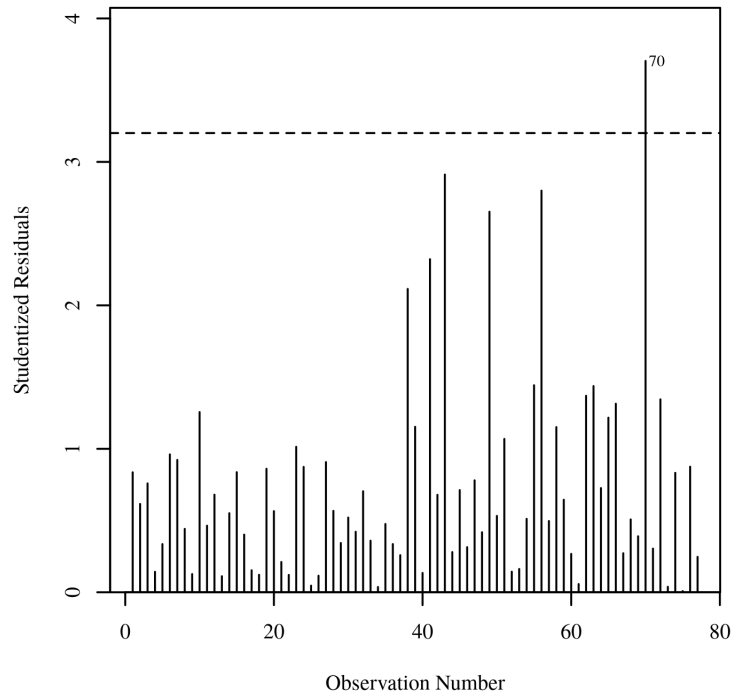
CSR_CSRHUB:CSR_Disclosure_r.outliers

Variable	VIF
CSR_CSRHUB	2.82
CSR_Disclosure_r.outliers	2.84
CSR_CSRHUB:CSR_Disclosure_r.outliers	1.07

Outliers. To identify influential points, Studentized residuals were calculated and the absolute values were plotted against the observation numbers (Field, 2017; Pituch & Stevens, 2015). Studentized residuals are calculated by dividing the model residuals by the estimated residual standard deviation. An observation with a Studentized residual greater than 3.20 in absolute value, the 0.999 quantile of a t distribution with 76 degrees of freedom, was considered to have significant influence on the results of the model. Figure 9 presents the Studentized residuals plot of the observations. Observation numbers are specified next to each point with a Studentized residual greater than 3.20.

Figure 9

Studentized residuals plot for outlier detection



Results

Overall model. The overall model was significant, $R^2 = 0.10$, $F(3, 73) = 2.78$, $p = .047$, indicating the predictors accounted for 10.25% of variance in NPM. Since the overall model was significant, moderation was assessed by examining the interaction between CSR_CSRHUB and CSR_Disclosure_r.outliers. A significant interaction is considered evidence of a moderating effect when the overall model is significant (Netemeyer et al., 2001).

Interaction effects. The interaction between CSR_CSRHUB and CSR_Disclosure_r.outliers was not significant, $B = 0.02$, $t(73) = 0.26$, $p = .793$, indicating a lack of evidence that CSR_Disclosure_r.outliers moderates the relationship between CSR_CSRHUB and NPM.

Main effects. The main effect for CSR_CSRHUB was not significant, $B = -0.04$, $t(73) = -0.88$, $p = .383$, indicating that CSR_CSRHUB did not have a substantial effect on NPM. The main effect for CSR_Disclosure_r.outliers was significant, $B = 6.40$, $t(73) = 2.28$, $p = .025$, indicating that a one-unit increase in CSR_Disclosure_r.outliers will result in a 6.40 change in NPM on average when CSR_CSRHUB has a value of 0.

Table 4

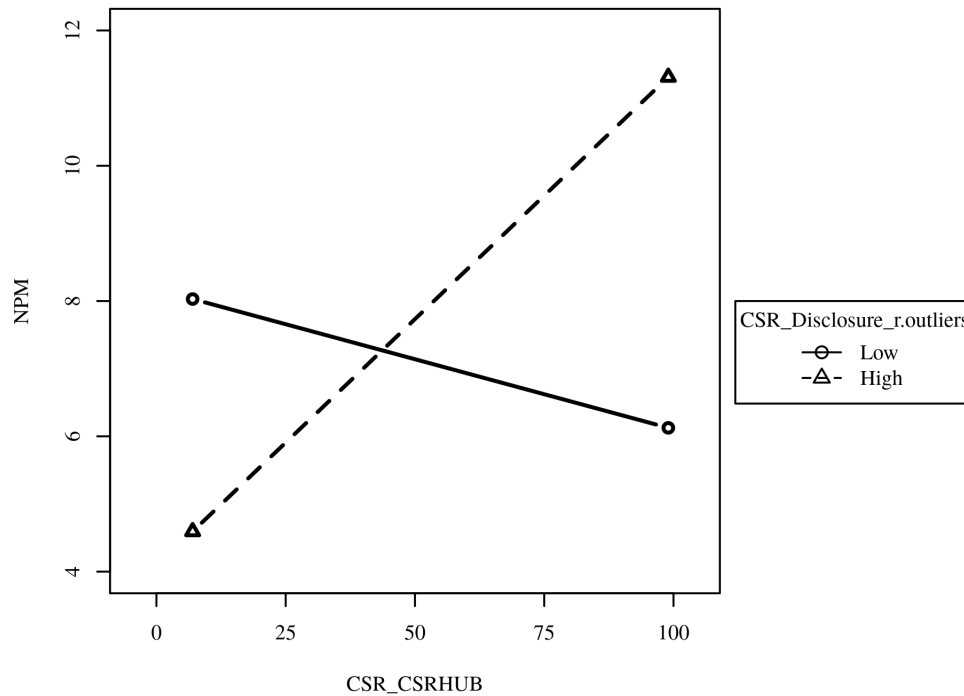
Moderation Analysis Table with NPM Predicted by CSR_CSRHUB Moderated by CSR_Disclosure_r.outliers

Predictor	<i>B</i>	<i>SE</i>	β	<i>t</i>	<i>p</i>
(Intercept)	8.45	0.99	0.00	8.50	< .001
CSR_CSRHUB	-0.04	0.04	-0.16	-0.88	.383
CSR_Disclosure_r.outliers	6.40	2.80	0.43	2.28	.025
CSR_CSRHUB:CSR_Disclosure_r.outliers	0.02	0.07	0.03	0.26	.793

Moderation plot. A moderation plot was generated by dichotomizing CSR_Disclosure_r.outliers into High and Low categories using a median split. The High category indicates all observations of CSR_Disclosure_r.outliers above the median, and the Low category specifies all observations of CSR_Disclosure_r.outliers below the median. The moderation plot is presented in Figure 10.

Figure 10

Regression lines for NPM predicted by CSR_CSRHUB for the High and Low categories of CSR_Disclosure_r.outliers



Moderation

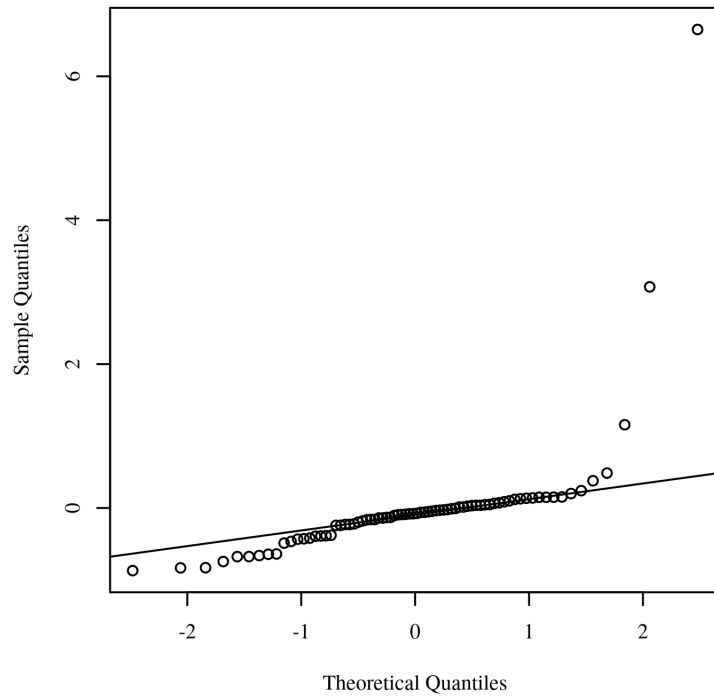
A multiple linear regression analysis was conducted to determine if CSR_Disclosure_r.outliers and CSR_CSRHUB had a moderating effect on ROE_r.outliers. Mean centering was used for CSR_CSRHUB and CSR_Disclosure_r.outliers.

Assumptions

Normality. The assumption of normality was assessed by plotting the quantiles of the model residuals against the quantiles of a normal distribution, also called a Q-Q scatterplot (DeCarlo, 1997). For the assumption of normality to be met, the quantiles of the residuals must not strongly deviate from the theoretical quantiles. Strong deviations could indicate that the parameter estimates are unreliable. Figure 11 presents a Q-Q scatterplot of model residuals

Figure 11

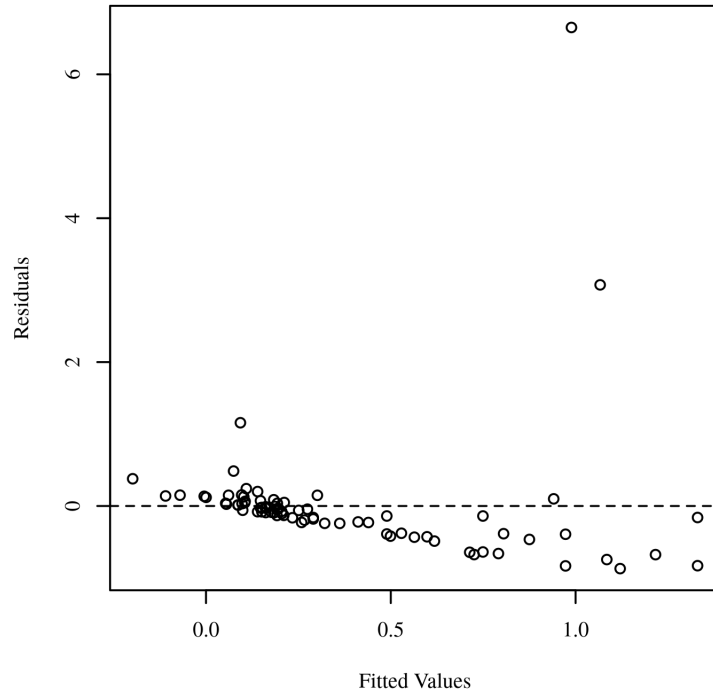
Q-Q scatterplot for normality of the residuals for the regression model.



Homoscedasticity. Homoscedasticity was evaluated by plotting the residuals against the predicted values (Bates et al., 2014; Field, 2017; Osborne & Walters, 2002). The assumption of homoscedasticity is met if the points appear randomly distributed with a mean of zero and no apparent curvature. Figure 12 presents a scatterplot of predicted values and model residuals.

Figure 12

Residuals scatterplot testing homoscedasticity



Multicollinearity. Variance Inflation Factors (VIFs) were calculated to detect the presence of multicollinearity between predictors. High VIFs indicate increased effects of multicollinearity in the model. VIFs greater than 5 are cause for concern, whereas VIFs of 10 should be considered the maximum upper limit (Menard, 2009). All predictors in the regression model have VIFs less than 10. Table 5 presents the VIF for each predictor in the model.

Table 5

Variance Inflation Factors for CSR_CSRHUB, CSR_Disclosure_r.outliers, and

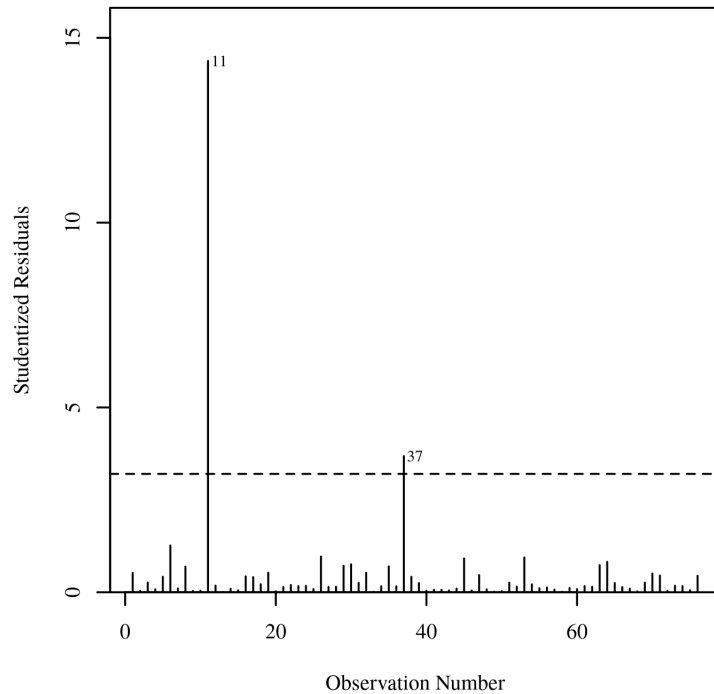
CSR_CSRHUB:CSR_Disclosure_r.outliers

Variable	VIF
CSR_CSRHUB	2.81
CSR_Disclosure_r.outliers	2.84
CSR_CSRHUB:CSR_Disclosure_r.outliers	1.07

Outliers. To identify influential points, Studentized residuals were calculated, and the absolute values were plotted against the observation numbers (Field, 2017; Pituch & Stevens, 2015). Studentized residuals are calculated by dividing the model residuals by the estimated residual standard deviation. An observation with a Studentized residual greater than 3.20 in absolute value, the 0.999 quantile of a t distribution with 75 degrees of freedom, was considered to have significant influence on the results of the model. Figure 13 presents the Studentized residuals plot of the observations. Observation numbers are specified next to each point with a Studentized residual greater than 3.20.

Figure 13

Studentized residuals plot for outlier detection



Results

Overall model. The overall model was significant, $R^2 = 0.14$, $F(3, 72) = 3.81$, $p = .014$, indicating the predictors accounted for 13.71% of variance in ROE_r.outliers. Since the overall model was significant, moderation was assessed by examining the interaction between CSR_CSRHUB and CSR_Disclosure_r.outliers. A significant interaction is considered evidence of a moderating effect when the overall model is significant (Netemeyer et al., 2001).

Interaction effects. The interaction between CSR_CSRHUB and CSR_Disclosure_r.outliers was significant, $B = 0.02$, $t(72) = 2.05$, $p = .044$, indicating that as CSR_Disclosure_r.outliers increases, the effect of CSR_CSRHUB on ROE_r.outliers strengthens.

Main effects. The main effect for CSR_CSRHUB was not significant, $B = 0.004$, $t(72) = 0.64$, $p = .523$, indicating that CSR_CSRHUB did not have a substantial effect on ROE_r.outliers. The main effect for CSR_Disclosure_r.outliers was not significant, $B = 0.39$, $t(72) = 0.95$, $p = .346$, indicating that CSR_Disclosure_r.outliers did not have a substantial effect on ROE_r.outliers.

Table 6

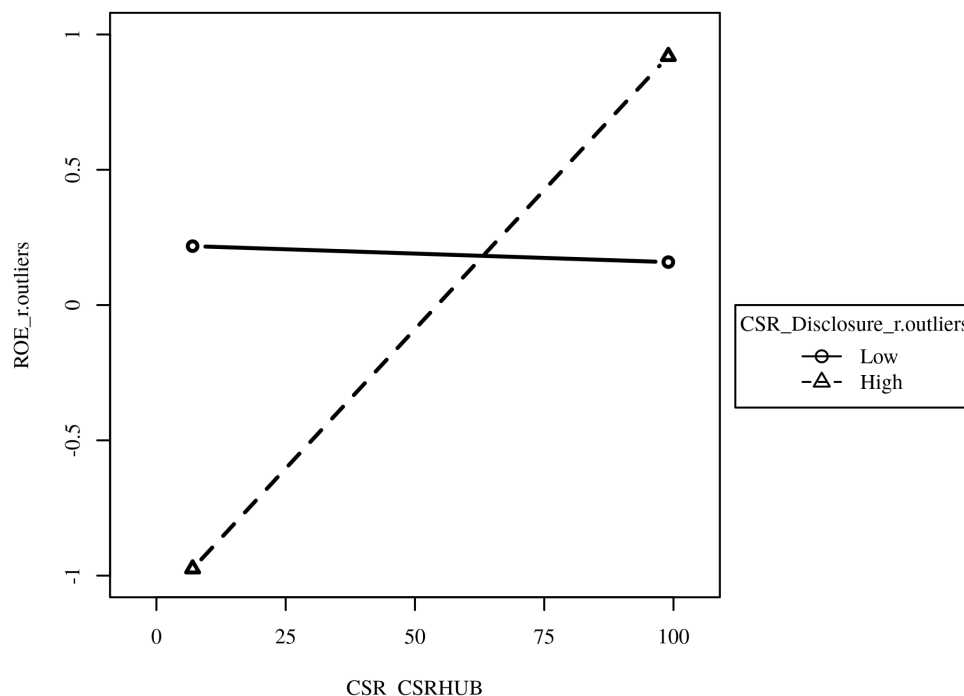
Moderation Analysis Table with ROE_r.outliers Predicted by CSR_CSRHUB Moderated by CSR_Disclosure_r.outliers

Predictor	<i>B</i>	<i>SE</i>	β	<i>t</i>	<i>p</i>
(Intercept)	0.17	0.15	0.00	1.18	.242
CSR_CSRHUB	0.004	0.006	0.12	0.64	.523
CSR_Disclosure_r.outliers	0.39	0.41	0.18	0.95	.346
CSR_CSRHUB:CSR_Disclosure_r.outliers	0.02	0.010	0.23	2.05	.044

Moderation plot. A moderation plot was generated by dichotomizing CSR_Disclosure_r.outliers into High and Low categories using a median split. The High category indicates all observations of CSR_Disclosure_r.outliers above the median, and the Low category specifies all observations of CSR_Disclosure_r.outliers below the median. The moderation plot is presented in Figure 14.

Figure 14

Regression lines for ROE_r.outliers predicted by CSR_CSRHUB for the High and Low categories of CSR_Disclosure_r.outliers



Simple Slopes. Simple slopes analysis was conducted to further explore the effect of CSR_Disclosure_r.outliers on the relationship between CSR_CSRHUB and ROE_r.outliers. The regression coefficient for CSR_CSRHUB was calculated while holding CSR_Disclosure_r.outliers constant at its mean value, one standard deviation above the mean, and one standard deviation below the mean. The coefficient for CSR_CSRHUB with CSR_Disclosure_r.outliers fixed to a value of 5.07 was not significant, $B = -0.005$, $p = .462$. The coefficient for CSR_CSRHUB with CSR_Disclosure_r.outliers fixed to a value of 5.51 was not significant, $B = 0.004$, $p = .523$. The coefficient for CSR_CSRHUB with CSR_Disclosure_r.outliers fixed to a value of 5.96 was not significant, $B = 0.01$, $p = .128$. This

suggests that as CSR_Disclosure_r.outliers increases, the relationship between CSR_CSRHUB and ROE_r.outliers strengthens. The results of the simple slopes analysis are presented in Table 7.

Table 7

Simple slopes analysis for CSR_Disclosure_r.outliers moderating the relationship between CSR_CSRHUB and ROE_r.outliers

Values of CSR_Disclosure_r.outliers	<i>B</i>	<i>SE</i>	% CI	<i>t</i>	<i>p</i>
5.07	-0.005	0.007	[-0.02, 0.009]	-0.74	.462
5.51	0.004	0.006	[-0.009, 0.02]	0.64	.523
5.96	0.01	0.009	[-0.004, 0.03]	1.54	.128

Evaluation of the Findings

Research Question 1 (RQ1)

To what extent does a company's Corporate social responsibility (CSR) significantly predict its financial performance, as measured by Return on Equity (ROE) and Net Profit Margin (NPM)?

Hypotheses:

H10: CSR does not significantly predict financial performance.

H1A: CSR significantly predicts financial performance.

The results for RQ1 showed a significant positive relationship between CSR and Return on Equity (ROE), aligning with the instrumental perspective of stakeholder theory, which suggests that stakeholder engagement through CSR can improve profitability (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). This supports the proposition in Chapter 2 that CSR initiatives can yield financial benefits by enhancing relationships with key stakeholders.

However, no significant relationship was found between CSR and Net Profit Margin (NPM), which diverges from some prior research discussed in Chapter 2 that indicated a more consistent positive association between CSR and various profitability metrics (Oyewumi et al., 2018; Algame & Pirzad, 2017). The literature acknowledged mixed findings in the CSR–FP relationship (Chen et al., 2018; Ting & Yin, 2018), which supports the interpretation that the non-significant result for NPM may reflect sector-specific financial sensitivity or measurement differences.

Research Question 2 (RQ2)

To what extent does CSR disclosure significantly moderate the relationship between CSR and financial performance, as measured by ROE and NPM?

Hypotheses:

H20: CSR disclosure does not significantly moderate the relationship between CSR and financial performance.

H2A: CSR disclosure significantly moderates the relationship between CSR and financial performance.

For RQ2, the analysis revealed that CSR disclosure significantly moderated the relationship between CSR and ROE, which supports the theoretical expectation in Chapter 2 that effective CSR disclosure enhances stakeholder trust and amplifies the financial benefits of CSR (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). This result confirms that transparent CSR communication can strengthen stakeholder engagement and lead to better equity-based financial outcomes.

However, no significant moderating effect of CSR disclosure was found on the relationship between CSR and NPM. Although CSR disclosure had a direct significant effect on

NPM, the interaction term was not significant. This mixed outcome was anticipated in the literature reviewed in Chapter 2, which highlighted that the influence of CSR and CSR disclosure may vary depending on the specific financial metric used (Ting & Yin, 2018; Chen et al., 2018).

The findings of this study partially align with the literature and theoretical expectations established in Chapters 1 and 2. Rooted in stakeholder theory, the research proposed that Corporate social responsibility (CSR) would positively influence financial performance (FP), and that CSR disclosure would serve as a significant moderating variable. The results showed a significant positive relationship between CSR and Return on Equity (ROE), which is consistent with previous studies emphasizing the instrumental benefits of CSR in enhancing firm profitability and stakeholder trust (Francis et al., 2019; Harrison et al., 2019; Torelli et al., 2020). This supports the theoretical argument that stakeholder engagement through CSR can lead to improved financial outcomes.

Regarding the moderating role of CSR disclosure, the findings offer partial support. CSR disclosure had a significant moderating effect on the relationship between CSR and ROE, suggesting that disclosure amplifies the financial benefits of CSR in terms of equity returns—an outcome aligned with stakeholder theory's instrumental and descriptive branches. This supports prior research suggesting that transparent CSR communication enhances stakeholder confidence and investment appeal (Dagestani et al., 2024; Moradi, 2020). However, the moderation effect on NPM was not significant, which implies that while CSR disclosure can enhance equity-related returns, its impact on profit margins may be more limited or context-dependent.

In summary, the results broadly confirm the theoretical propositions from stakeholder theory and are consistent with select prior findings on the CSR–FP linkage, particularly

regarding ROE. The mixed results across financial metrics also reflect ongoing debates in the literature and underscore the need for multidimensional assessments of financial performance in CSR studies.

Summary

This chapter presented the findings of a quantitative correlational study that examined the relationship between Corporate social responsibility (CSR) and financial performance (FP), with CSR disclosure assessed as a moderating variable. Data were collected from 77 U.S. publicly traded Consumer Staples companies using credible sources including CSRHub, Morningstar Sustainalytics, and Stock Analysis. The study addressed two primary research questions through moderated multiple regression analysis.

Key findings included a significant positive relationship between CSR and Return on Equity (ROE), supporting the hypothesis that CSR contributed positively to equity-based financial performance. However, the relationship between CSR and Net Profit Margin (NPM) was not significant. The moderating role of CSR disclosure showed a significant interaction effect with CSR on ROE, confirming its amplifying influence, while no moderation effect was found on the CSR–NPM relationship. CSR disclosure alone, however, had a direct, significant effect on NPM.

Assumption testing confirmed the validity and reliability of the statistical analyses, with no major violations observed. The data met key regression assumptions including normality, homoscedasticity, and lack of multicollinearity. These results partially supported the hypotheses and aligned with stakeholder theory, highlighting CSR's measurable impact on financial performance, particularly when disclosure was incorporated.

These findings provided the foundation for further interpretation and practical implications, which will be discussed in Chapter 5.

Chapter 5: Discussion, Recommendations, and Study Summary

The problem addressed in this study is that the relationship between corporate social responsibility (CSR) and financial performance remains inconsistent and inconclusive in empirical research, particularly when considering the moderating role of CSR disclosure among publicly traded consumer-staples companies in the United States. The purpose of this quantitative, correlational study was to determine the relationship between CSR and publicly traded companies' FP using CSR disclosure as a moderating variable. Although much research has been undertaken on the relationship between sustainability performance and financial performance, the literature is indeterminate (Song et al., 2017; Gorida et al., 2019).

This study assessed corporate social responsibility (CSR) through environmental and social performance indicators, as well as a combined sustainability measure that integrates both dimensions. Previous studies have combined environmental and social elements to examine whether their interaction produces complementary or synergistic effects (Wang & Sarkus, 2013). The integration of these measures can reflect the advancement of CSR programs within organizations, signaling a more mature approach to social and environmental responsibility. Firms that actively engage in both areas, and communicate their efforts through CSR disclosure, may achieve greater efficiencies across environmental, social, and governance (ESG) initiatives, realizing cost advantages and improved stakeholder trust (Zhu et al., 2013).

The literature review for this study was organized into four sections: (1) theoretical framework, focusing on stakeholder theory and CSR disclosure as a moderating variable; (2) a historical overview of CSR and its relationship to financial outcomes; (3) the role of financial performance in firm valuation; and (4) profit efficiency and CSR investment. This organization established the foundation for analyzing how CSR and disclosure affect financial performance.

This study used a quantitative, non-experimental correlational design, to examine the relationship between corporate social responsibility (CSR) and financial performance (FP), with CSR disclosure as a moderating variable. Data were collected from 247 U.S. consumer staples companies, using CSR ratings from CSRHub and Morningstar Sustainalytics and financial performance indicators from the Consumer Staples Sector database. Multiple regression analysis was employed to test two research questions and their associated hypotheses.

The results of the analysis demonstrated that CSR significantly predicted ROE but not NPM, providing partial support for H1A. Furthermore, the findings indicated that CSR disclosure had a direct effect on NPM and significantly moderated the CSR–ROE relationship, thereby partially supporting H2A. These outcomes are consistent with stakeholder theory, suggesting that companies that engage in CSR activities and communicate them transparently are more likely to achieve stronger equity-based outcomes and reputational benefits, even if short-term profit margins do not always reflect these efforts.

However, the study was subject to several limitations. It relied exclusively on secondary data drawn from CSRHub, Morningstar Sustainalytics, and the Consumer Staples Sector database, which may contain measurement biases beyond the researcher's control. The research was also limited to U.S. firms in the consumer staples sector, which restricts the generalizability of the findings to other industries or geographic contexts. In addition, the use of a correlational design precludes causal inference, and unobserved variables may have influenced the results. Finally, qualitative dimensions such as organizational culture and stakeholder perceptions were not included, leaving opportunities for future studies to incorporate broader perspectives.

The remainder of this chapter is organized into four sections. The discussion interprets the study's findings in relation to the research questions, hypotheses, stakeholder theory, and

prior literature. This is followed by recommendations for practice, which outline how business leaders and managers can apply the results to strengthen CSR initiatives and disclosure strategies. The next section presents recommendations for future research, highlighting opportunities to extend and improve upon the current study. The chapter concludes with a study summary, which synthesizes the key findings and emphasizes their significance for both scholarship and practice.

Implications

The connection between corporate social responsibility (CSR) and financial performance continues to be debated, which underscores the importance of ongoing inquiry into this relationship, particularly as firms face growing demands for responsible practices in an era of global resource constraints and economic expansion (Cavaleri & Shabana, 2018). While CSR has become a central concern for both scholars and practitioners, many executives remain uncertain about its financial implications. This tension often arises from the difference between the long-term nature of CSR investments and the short-term profit expectations of managers and shareholders. As a result, the benefits of CSR may not be immediately visible to stakeholders, even though long-term engagement is likely to generate both economic and non-economic returns (Lambrechts et al., 2019). Since the 2009 financial crisis, attention to stakeholder welfare has intensified, pressuring leaders to balance financial performance with broader social and environmental outcomes. CSR is increasingly recognized as a pathway to improving corporate reputation, strengthening stakeholder trust, and positioning firms as socially responsible leaders (Flammer, 2015).

Importantly, the role of CSR is not confined to the largest corporations; small and mid-sized firms can also engage in initiatives that create value for both society and the business.

Although CSR's importance is widely acknowledged, this study demonstrated that CSR's effect on financial outcomes is nuanced. CSR significantly predicted ROE but not NPM, indicating that CSR efforts may be more strongly associated with equity-based returns than short-term profitability. CSR disclosure demonstrated two distinct effects: it had a direct positive impact on NPM, and it moderated the relationship between CSR and ROE, strengthening CSR's influence on equity performance. However, CSR disclosure did not moderate the CSR–NPM relationship. This finding underscores that CSR activities, without transparent disclosure, may not be fully valued by stakeholders. Disclosure functions as a communication mechanism that allows firms to convert social and environmental initiatives into measurable financial benefits, consistent with stakeholder theory (Freeman & Dmytrivev, 2017).

There is evidence that responsible business practices reduce risk and enhance competitiveness (Alshehhi et al., 2018). However, decades of research have produced mixed findings, with some studies supporting a positive relationship between CSR and financial outcomes and others finding insignificant or inconclusive results. The present study contributes to this discussion by showing that CSR positively predicted equity returns (ROE), while profitability (NPM) was not directly influenced by CSR. However, CSR disclosure showed a direct positive effect on NPM, indicating that transparent reporting itself—rather than CSR activity alone—may enhance profitability. This helps explain inconsistencies in prior literature and provides a clearer picture of how CSR generates value.

The broader policy environment also reflects this trend. Under President Biden's administration, there was a renewed push for environmental, social, and governance (ESG) reporting, including proposals for mandatory climate-related disclosures by the SEC and the decision to rejoin the Paris Agreement (Neill & Hallmark, 2020). These policy directions create

both external pressure and opportunities for firms to enhance their CSR disclosure practices. By aligning corporate reporting with evolving regulations, firms not only meet compliance standards but also improve transparency and build stronger reputations. Policy initiatives on social issues, such as workplace equity and community well-being, reinforce the expectation that businesses must balance profit generation with responsibility to stakeholders (Whitehouse.gov, 2021). For companies in the consumer staples sector, where reputation and trust are especially critical, these regulatory changes make disclosure an even more strategic tool.

While this study did not find CSR to significantly predict NPM, the limitations must be acknowledged. Reliance on secondary data meant that firm-specific nuances and qualitative aspects of CSR were not captured. The focus on U.S. consumer staples companies also limits generalizability, and the correlational design prevents causal claims. Nevertheless, the findings contribute to the ongoing debate by demonstrating the complexity of linking CSR and disclosure to financial outcomes. Importantly, CSR may yield long-term or non-financial benefits, such as reputation building, stakeholder trust, and risk mitigation, that were not observable within the scope of this study. Managers who neglect CSR disclosure risk underutilizing the broader value of their CSR investments. In contrast, firms that adopt transparent and high-quality reporting can strengthen legitimacy, enhance stakeholder confidence, and position themselves competitively as regulatory requirements for ESG reporting increase (Deloitte, 2023). The following subsections connect these broader implications to the specific research questions and hypotheses tested in this study.

Research Question 1 / Hypothesis 1A

The first research question examined whether corporate social responsibility (CSR) predicted financial performance among U.S. consumer staples firms. The statistical analysis

revealed a significant relationship between CSR and ROE, but not NPM, providing partial support for H1A. This result aligns with studies that identified a positive link between CSR and firm profitability and equity outcomes (Ali et al., 2020; Javed et al., 2020; Ting & Yin, 2018) but is consistent with others reporting inconclusive or mixed findings for profitability measures (Cavaleri & Shabana, 2018; Pillai & Al-Malkawi, 2018).

Although this study did not demonstrate a direct financial return on CSR activities when measured by NPM, the significant relationship with ROE carries important implications. CSR may enhance shareholder equity and long-term firm value, even if immediate profit margins remain unaffected. For managers, this underscores the need to view CSR as a long-term strategic investment that supports equity growth and stakeholder trust, even when profitability metrics such as NPM show little short-term movement.

Research Question 2 / Hypothesis 2A

The second research question assessed whether CSR disclosure moderated the relationship between CSR and financial performance. The results indicated that CSR disclosure significantly strengthened the relationship between CSR and ROE, but no moderating effect was observed for NPM. At the same time, CSR disclosure demonstrated a direct positive effect on NPM, highlighting its role as both an independent driver of profitability and a mechanism that amplifies CSR's impact on equity performance. These findings provided partial support for H2A, as moderation was only observed for ROE, while disclosure directly influenced NPM. This interpretation underscores the importance of disclosure as a mechanism for converting CSR activities into measurable financial outcomes, particularly for equity-based returns. This aligns with prior research emphasizing disclosure as a critical pathway for translating CSR activities into financial value (Francis et al., 2019; Harrison et al., 2019).

Overall Implications

Building on the discussion of each research question, the next section integrates these findings to present their collective significance. Taken together, the findings contribute to the ongoing debate regarding the CSR–financial performance relationship. CSR significantly predicted ROE but not NPM, underscoring that the financial impact of CSR may be more evident in equity-based measures than in short-term profitability. Moreover, CSR disclosure moderated the CSR–ROE relationship, amplifying the positive effect of CSR on equity performance, while also demonstrating a direct positive effect on NPM. This dual role highlights disclosure as a mechanism that both strengthens the financial value of CSR when equity performance is considered and independently drives profitability. These results affirm the complexity of the CSR–financial performance dynamic and suggest that impacts vary depending on the performance measure considered. Importantly, the findings align with stakeholder theory (Freeman, 2010), which emphasizes that value is created not only through immediate financial returns but also through cultivating long-term stakeholder relationships. Thus, CSR and disclosure remain essential elements of corporate strategy, even when certain financial outcomes are not directly affected.

Recommendations for Practice

Having considered the theoretical and empirical implications, attention now turns to the practical applications of these findings for business leaders and managers. This study measured financial performance using net profit margin (NPM) and return on equity (ROE) to evaluate whether corporate social responsibility (CSR) activities influenced firm outcomes. The results demonstrated that CSR significantly predicted ROE but not NPM, and that CSR disclosure strengthened the CSR–ROE relationship, while also exerting a separate direct effect on NPM.

Based on these findings, several recommendations can be made for business leaders and practitioners.

First, corporate executives should view CSR as a strategic investment that supports shareholder equity and long-term growth. Integrating CSR into core business strategy can enhance firm value while also improving corporate reputation and stakeholder trust. Prior research supports the view that firms engaging in CSR are more likely to build sustainable value through improved stakeholder relationships (Ali et al., 2020; Javed et al., 2020; Ting & Yin, 2018). Managers in the consumer staples sector, in particular, should prioritize CSR programs that align with the expectations of investors, customers, and communities, as these efforts contribute directly to equity performance and long-term profitability.

Second, firms must prioritize transparent CSR disclosure. The moderating effect of disclosure on ROE highlights the importance of communication in capturing the financial value of CSR. Companies should adopt reporting frameworks such as the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB) to ensure that CSR efforts are presented in a standardized, credible, and accessible format. Effective disclosure enhances credibility, fosters trust, and strengthens stakeholder engagement, which ultimately improves equity-based outcomes (Francis et al., 2019; Harrison et al., 2019).

Third, corporate managers should implement systems for continuous monitoring and reporting of CSR initiatives. CSR disclosure should not be episodic; rather, consistent communication that builds stakeholder confidence and reduces reputational risk. Firms that regularly disclose CSR performance are better positioned to meet regulatory expectations and respond to growing demands for environmental, social, and governance (ESG) transparency (Al-Hajri & Al-Enezi, 2019).

Finally, business leaders should recognize the dual benefits of CSR disclosure. Not only does it contribute to financial outcomes, but it also enhances accountability and aligns with societal expectations for ethical business conduct. Organizations that neglect disclosure may fail to capture the full benefits of CSR and risk falling behind as regulatory requirements and stakeholder scrutiny increase (Freeman, 2010).

Recommendations for Future Research

While these recommendations offer guidance for current practice, it is equally important to recognize areas where further research is needed to deepen and extend these insights. The results and limitations of this study highlight multiple opportunities for extending research on the CSR–financial performance relationship. While this analysis found significant effects for ROE but not NPM, and identified disclosure as a moderator of the CSR–ROE relationship and a direct influence on NPM, the scope was limited to ESG scores and two financial ratios within a single sector. Future studies should broaden both the time frame and the range of variables considered. Because CSR investments often generate long-term effects, longitudinal designs could clarify whether CSR activities precede improved financial performance or whether stronger firms are simply better positioned to engage in CSR (Eccles et al., 2014). Expanding financial indicators to include measures such as cash flow, revenue growth, or earnings per share would also provide a more complete assessment of performance.

Beyond financial metrics, future research should incorporate non-financial indicators such as brand reputation, customer loyalty, innovation capacity, and employee engagement. These attributes represent competitive advantages that may mediate the CSR–performance link and help explain why results vary across contexts (Vishwanathan et al., 2020). The role of industry characteristics also deserves further exploration, since CSR expectations and

environmental risks differ substantially across sectors. Industry-specific disclosure standards may offer clearer insights than aggregated ESG scores (Grewatsch & Kleindienst, 2017).

Researchers should also investigate non-linear relationships between CSR and financial performance. Prior work has suggested that both low and high levels of CSR investment can outperform moderate approaches (Barnett & Salomon, 2012). Testing such patterns in relation to CSR disclosure could provide valuable nuance. Additionally, examining the specific elements of disclosure that most influence outcomes would strengthen practical applications. Distinguishing between the volume of information, the quality of reporting, and the focus of content could help managers design communication strategies that maximize financial and reputational benefits (Grewal et al., 2019).

Finally, future research should account for the evolving policy and regulatory environment. Under President Biden's administration, climate and social policies increased the pressure on firms to disclose environmental and social risks (Whitehouse.gov, 2021; Weber, 2020). Exploring how regulatory frameworks interact with CSR disclosure could clarify whether government mandates accelerate or alter the CSR–financial performance relationship.

Taken together, these recommendations suggest that future research should adopt broader time horizons, integrate additional financial and non-financial measures, and consider moderating and mediating mechanisms. By doing so, scholars can provide deeper insights into how CSR and disclosure interact to create both economic and social value.

Conclusions

Finally, the chapter concludes by synthesizing the study's contributions, limitations, and broader significance for scholarship and practice. This quantitative, non-experimental correlational study investigated the relationship between corporate social responsibility (CSR)

and financial performance, with CSR disclosure examined as a moderating variable. The research addressed a long-standing debate regarding whether socially responsible practices contribute to firm success and whether transparency amplifies those benefits. The analysis of a final sample of 77 U.S. consumer staples companies demonstrated that CSR significantly predicted ROE but not NPM. Additionally, CSR disclosure demonstrated a direct effect on NPM and moderated the CSR–ROE relationship. These findings provide partial empirical support for stakeholder theory (Freeman, 2010), underscoring the value of both responsible actions and transparent communication in enhancing organizational outcomes.

The results contribute to clarifying decades of mixed findings in the CSR–financial performance literature. While some prior studies reported weak or inconclusive evidence, this study adds nuance by showing that CSR activities, when paired with disclosure, yield stronger equity outcomes, even if profitability is unaffected. This reinforces the idea that CSR should not be treated merely as a philanthropic or compliance exercise but as a strategic driver of competitiveness, reputation, and shareholder value. For business leaders, the implication is clear: investments in CSR combined with credible disclosure strengthen stakeholder trust and can contribute to sustainable long-term growth (Francis et al., 2019; Harrison et al., 2019).

Although the results affirm important roles for CSR and disclosure, the study is not without limitations. Reliance on secondary data and restriction to one industry sector constrain generalizability, and the correlational design precludes causal conclusions. Nevertheless, the findings provide valuable insights that can guide both managerial decisions and public policy discussions. Importantly, they highlight the increasing relevance of CSR disclosure in an era of heightened regulatory scrutiny and growing stakeholder expectations (Whitehouse.gov, 2021; Weber, 2020).

The broader significance of this research lies in its contribution to both scholarship and practice. For scholars, it provides evidence supporting the integration of disclosure into CSR–performance models, particularly in relation to equity measures such as ROE, suggesting fertile ground for further inquiry into mediators, moderators, and long-term effects (Vishwanathan et al., 2020; Grewatsch & Kleindienst, 2017). For practitioners, it emphasizes that CSR initiatives, when communicated transparently, generate both economic and social returns. Failure to disclose may limit the financial benefits of CSR and weaken stakeholder relationships, while robust disclosure can elevate organizational legitimacy and competitiveness (Al-Hajri & Al-Enezi, 2019).

In conclusion, this study strengthens the case for embedding CSR and disclosure into core business strategies. While financial outcomes such as NPM may not always reflect CSR efforts, equity-based measures such as ROE reveal significant benefits. At the same time, CSR initiatives yield non-financial advantages including reputation, risk mitigation, and stakeholder loyalty that extend beyond immediate profitability (Flammer, 2015). Companies that proactively pursue CSR and communicate their efforts transparently are better positioned to thrive in dynamic markets, comply with evolving regulations, and contribute meaningfully to society. By demonstrating that CSR was associated with equity performance and that disclosure strengthens this relationship, this research narrows the knowledge gap in the literature and sets the stage for future studies to further explore the mechanisms through which responsible business practices generate enduring value.

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