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The Impact of Companies not Implementing Corporate Social Responsibility on Financial Performace : Literature Review

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Abstract: *This research was conducted to determine the impact of the influence of Corporate Social Responsibility (CSR) on financial performance in several countries. This research was conducted with the aim of comparing the results of research on the influence of corporate social responsibility on financial performance in various countries and industries. The method used in this research is meta-analysis using qualitative methods in the form of international journals from several countries including India, China, Thailand, United States Kingdom. The results showed that CSR does not always provide consistent results. This study concludes that although Corporate Social Responsibility (CSR) on financial performance has a positive correlation, it is still considered trivial by companies in various countries.*

Keywords: *Impact, Business Ethics, Financial Performance*

1. INTRODUCTION

Corporate Social Responsibility (CSR) has become an increasingly important topic in the contemporary business landscape. Basically, CSR is a concept where companies do not only focus on achieving financial returns, but also pay attention to the social and environmental impacts caused by their operational activities. This concept requires companies to play an active role in improving the welfare of society and preserving the environment, while still achieving their economic goals.

The development of public awareness of social and environmental Issues has encouraged companies to adopt CSR practices. Consumers, investors and other stakeholders are increasingly demanding transparency and responsibility from companies in managing their social and environmental impacts. This makes CSR not only a moral obligation, but also a crucial business strategy to maintain reputation and public trust.

In the context of financial performance, CSR is often viewed as a long-term investment. The implementation of good CSR practices is believed to improve a company's image, which in turn can attract more customers, increase consumer loyalty, and create a competitive advantage. In addition, companies that are active in CSR activities tend to have better relationships with stakeholders, including the government and local communities, which can minimize business risks and reduce long-term operational costs.

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Several empirical studies have shown a positive correlation between CSR and corporate financial performance. However, there is also a skeptical view of this relationship, where some critics argue that CSR only adds costs to companies without providing comparable financial benefits. Therefore, there is still significant debate among academics and practitioners regarding the extent to which CSR actually impacts a firm's financial performance.

The implementation of CSR is getting more attention along with the increasing regulation and public awareness of corporate social responsibility. The government, through various regulations and policies, has encouraged companies to implement their social responsibilities. However, the implementation of CSR still faces various challenges, such as the assumption that CSR is an additional burden that does not provide added value directly, as well as the lack of understanding and skills in managing effective CSR programs.

The purpose of this study is to explore and analyze the effect of CSR on corporate financial performance. This study is expected to make a significant contribution to the understanding of the importance of CSR and how its implementation can have a positive impact on the company's financial performance, thus benefiting academics and business practitioners in optimizing CSR strategies to achieve better business sustainability.

2. METHODS

Meta-analysis is the methodology used in this study. The meta-analysis method itself is a technique that combines several research data findings that have been used by previous researchers to produce a new research. Researchers must identify research on data findings related to the topic to be used in the study. The data collection method used in this article is the literature study method or literature review. Literature study or literature review has the meaning as a series of activities related to collecting library data, reading, recording, and processing research materials. (Zed, 2008: 3).

The stages of the research methodology in this study can be explained as follows: Literature Search. The focus of this research is a literature search that includes research results that have been published in journals. The search process was conducted using keywords relevant to the research problem and research objectives. This research uses meta-analysis so researchers search for previous journals or international journals, such as Google Scholar and Scopus, used to obtain published research and conference results. "Corporate Social Responsibility (CSR)" as variable "X" in this study and "Financial

Performance" as variable "Y" in this study. The keywords used in the literature search include "Digital Transformation" and "Organizational Performance". According to (Sugiyono, 2013) The sample criteria in this study are: (1) Countries that provide information about the impact of corporate social responsibility "CSR" on financial performance.

The research approach used in this study is a qualitative approach. Qualitative research itself has an understanding as a process that aims to collect information based on the real conditions of an object, which is then associated with efforts to solve problems, both from a theoretical and practical perspective. (Nawawi; 1993: 176).

3. RESULTS

Analyszing The Impact of Corporate Social Responsibility on Corporate Financial Performance : Evidence from top Indiamn Firms

This study examines the impact of corporate social responsibility (CSR) on the financial performance of companies in the country of India. The research highlights the importance of CSR in generating value for shareholders while acting responsibly towards society. With the amendment in the Companies Act 2013 in India that requires companies to spend a fixed percentage of their profits on CSR activities, this research becomes relevant.

This study shows that there is limited literature addressing the relationship between CSR and corporate financial performance in the country of India after the amendment of the Companies Act 2013. Using data from 137 companies over a 10-year period, this study utilizes three financial performance measures (Return on Assets, Return on Equity, and Net Profit Margin) to investigate the relationship between CSR and financial performance.

The results suggest that CSR may have a neutral or negative impact on financial performance in India. The findings have practical implications for managers and policy makers. Managers are advised to conduct a cost-benefit analysis before spending funds on CSR projects, while policymakers are advised to give firms the freedom to choose CSR activities that are in line with their corporate policies and strategies.

In the context of neoclassical economic theory, it is explained that CSR expenditures can be a direct burden for the company and can lead to a loss of value for shareholders. Therefore, this study emphasizes the importance of selecting CSR projects that are beneficial and in line with corporate policies to improve future financial performance. Thus, this study makes an important contribution to the literature on CSR and corporate financial performance, particularly in the Indian context after the amendment of the Companies Act 2013.

This research also has its advantages and disadvantages. The advantages of this study are that the use of data from 137 companies over a 10-year period provides a broad and representative sample so that the research results become more reliable. The use of three different financial performance measures (Return on Assets, Return on Equity, and Net Profit Margin) provides a comprehensive understanding of the relationship between CSR and financial performance. The use of content analysis techniques to collect CSR data from company annual reports demonstrates a careful and structured methodological approach. This study makes an important contribution to the literature on CSR and corporate financial performance in the Indian context after the amendment of the Companies Act 2013, which is a relevant and important topic. In addition, a shortcoming of this study is that it is limited to large companies listed in the CNX 500 so generalization of the results may be limited to large companies only. The study only uses three specific financial performance measures, so it does not cover all aspects of the company's financial performance. There are limitations in analyzing other factors that may affect the relationship between CSR and financial performance, such as industry factors or other external factors. This study does not consider the long-term impact of CSR activities on the company's financial performance, so it does not provide a complete picture of the relationship. Given the strengths and weaknesses of this study, it provides valuable insights into the relationship between CSR and financial performance of companies in India, but further research is needed to deepen the understanding of the full impact of CSR.

The Impact of CSR and Financial Distress on Financial Performance—Evidence from Chinese Listed Companies of the Manufacturing Industry

This study examines the relationship between Corporate Social Responsibility (CSR) and corporate financial performance (CFP) with a focus on manufacturing firms in China. The results show a significant positive impact of CSR on CFP, with a stronger relationship seen in more stable firms. Firm stability is identified as a factor that can strengthen the positive impact of CSR on financial performance. In addition, state-owned firms tend to be more effective in utilizing CSR to improve their financial performance, with the win-win solution relationship between CSR and CFP being more significant for firm owners supported by the government or state.

This research provides insights for corporate managers on the importance of paying attention to CSR in business decision-making. Recommendations are provided to enhance firm stability to strengthen the role of CSR in improving financial performance. Policy implications are also suggested to encourage CSR awareness and achieve win-win development, with an emphasis on the importance of CSR integration in corporate business strategies to achieve sustainable financial performance. In addition, this study also highlights the role of financial distress in moderating the relationship between CSR and CFP. Companies with low financial risk tend to experience a more significant relationship between CSR and financial performance. The theoretical implications of this study include signaling theory and stakeholder theory, which suggest that CSR can be a positive signal for firms and provide benefits to various stakeholders. So this study makes an important contribution in understanding the relationship between CSR and financial performance, and provides guidance for corporate managers and policy makers in integrating CSR in business strategies to achieve sustainable financial performance.

This study also has advantages and disadvantages. The strengths of this article are that it focuses on manufacturing companies in China, providing valuable insights into the relationship between CSR and financial performance in a specific business context. The use of a large sample (1445 samples) from the database increases the validity and reliability of the results. This study considers the moderating role of financial distress in the relationship between CSR and CFP, providing a deeper understanding of the factors that influence the relationship. The comparison between state-owned and non-state-chosen companies provides insight into the differences in CSR implementation and its impact on financial performance. However, the research has some shortcomings that need to be considered is that this research is correlational in nature so it cannot establish a causal relationship between CSR and financial performance. Other factors that may affect the relationship between CSR and CFP, such as external factors or industry factors, may not be fully considered in this study. The use of secondary data from databases may have limitations in terms of availability of relevant variables or data accuracy. This study focuses on manufacturing companies in China, so generalization of the findings to other business contexts or to other countries may be limited.

Considering these strengths and weaknesses, this study still makes a valuable contribution in understanding the relationship between CSR and corporate financial performance.

The Impact of Corporate Social Responsibility on the Financial Thailand Performance of Listed Companies in Thailand

This study aims to investigate the amount of CSR spending, awards, and activities of companies listed on the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI). Data was collected from the annual reports of companies from 2015 to 2019. The average expenditure per activity was 2.2964 million baht, with an average of 2.1741 awards and 11.4178 activities during the period studied.

This study has advantages and disadvantages. The strength of this study is that it found that CSR activities, awards, and expenditures have a positive impact on the financial performance of listed companies. Companies that engage in CSR activities and receive awards show better financial performance. This suggests that focusing on CSR can improve a company's financial results. Engaging in CSR activities helps companies build a positive corporate image and reputation. By demonstrating social and environmental responsibility, companies can enhance their brand image, gain trust from stakeholders, and improve public perception. This positive image can increase customer loyalty and stakeholder engagement. Companies that prioritize CSR initiatives can gain a competitive advantage in the marketplace. CSR practices differentiate companies from their competitors and can attract socially conscious consumers. By being socially responsible, companies can attract a wider customer base and stand out in the market. CSR activities contribute to building trust and loyalty among stakeholders, including customers, employees, investors, and society. When companies demonstrate commitment to social and environmental issues, stakeholders are more likely to support and engage with the company. This trust and loyalty can lead to long-term relationships and sustainable business growth. Engaging in CSR practices helps companies comply with ethical and regulatory principles. By demonstrating a commitment to social and environmental responsibility, companies can obtain permits, approvals and licenses from regulatory bodies. Compliance with laws and regulations is essential to maintain operational legitimacy and avoid legal issues. CSR practices contribute to sustainable development by addressing social and environmental issues. Companies play a role in promoting sustainable business practices, reducing environmental impacts, and supporting social goals. By integrating CSR into their business strategies, companies can contribute to the overall well-being of society and the environment.

However, the research has some shortcomings that need to be noted, namely that the study recognizes that they did not collect other proxies of CSR information for Thai listed companies. This limitation suggests that the study may not capture the full impact of CSR practices on financial performance. Collecting additional CSR proxies may provide a more comprehensive understanding of the relationship between CSR and financial outcomes. This study focuses only on listed companies in the resources industry, excluding other industries in Thailand such as agriculture and food, consumer products, finance, industrial, property and construction, services, and technology industries. This narrow focus limits the generalizability of the findings to companies in other industries. Including a wider range of industries may provide more insight into the impact of CSR across different sectors. This study used a relatively small sample size of 80 listed companies, while there are more than 700 companies listed on the SET and MAI. A small sample size may limit the statistical power and generalizability of the findings. A larger sample size may provide more robust and representative results. This study mainly focuses on CSR expenditures, awards, and activities, as well as the existence of CSR committees in listed companies. While these factors are important, this study does not explore other aspects of CSR practices or their potential impact on financial performance. A broader analysis of additional CSR dimensions may provide a more comprehensive understanding of the relationship between CSR and financial outcomes. This study suggests that future research can overcome these limitations by collecting data on other CSR proxies, including firms from different industries, and expanding the sample size. By addressing these limitations, future research may provide a more in-depth analysis of the relationship between CSR and financial performance in Thai listed companies.

The Impact of Corporate Social Responsibility on Financial Performance: The Case of United Kingdom's Companies

This study aims to explore the relationship between Corporate Social Responsibility (CSR) and Corporate Financial Performance in the UK. The data used comes from a database of 97 companies from 2012 to 2020, with a total of 873 observations. The statistical method used is multiple regression, with management quality as the control variable.

The analysis shows that CSR has three dimensions: Economic-Legal Responsibility (ERL), Environmental Responsibility (ERR), and Environmental Policy Responsibility (EPR). The results show that CSR has a positive impact on Corporate

Financial Performance (EFP). The constructed evaluation models show that CSR variables have a statistically significant positive impact in the first two models.

However, in models 5 and 6, the effect of CSR is not significant. In addition, the capital structure variable has a significant negative effect in the first two models. The practical implication of this study is that it provides guidance for the overall development of benefits and provides a scientific method for evaluating the effects of corporate social responsibility on financial performance.

This study makes a meaningful contribution to the empirical research on CSR in UK firms. The results of econometric tests confirm the theories that reinforce the impact of CSR on corporate financial performance. Thus, this study provides a better understanding of how CSR practices can affect the financial performance of firms in the UK.

This study has advantages and disadvantages. The strengths of this study are that it uses multiple regression and principal component analysis to analyze the relationship between CSR and corporate financial performance, demonstrating a robust methodological approach. This study contributes to the understanding of how CSR practices can affect corporate financial performance, providing valuable insights for practitioners and researchers in this field. However, this study also has shortcomings. Although management quality was used as a control variable, the study may not have thoroughly considered all external factors that could influence the relationship between CSR and financial performance. Thus, while this study provides valuable insights into the relationship between CSR and corporate financial performance, there is potential for further development in terms of the use of more representative data and consideration of more comprehensive control factors.

The Impact of Corporate Social Responsibility on Corporate Financial Performance: Evidence from Russian And Dutch Companies

This study examines the impact of Corporate Social Responsibility (CSR) reporting on Corporate Financial Performance (CFP) of Russian and Dutch companies. This study uses regression analysis to measure the relationship between CSR and CFP using the stakeholder theory framework. The study measures CSR engagement through a reputation index provided by CSR hub, a platform that assesses companies' ESG performance globally. Return on equity (ROE) is used as a metric for financial performance.

The study covers 45 Russian and 55 Dutch companies from CSR hub's list in 2017. The findings show a weak positive correlation between CSR and ROE, with a higher impact on the financial performance of Russian companies compared to Dutch companies. This difference is due to varying levels of business risk, trust, the nature of non-financial reporting (mandatory vs. voluntary), and transparency for investors in both countries.

The results suggest that Russian companies benefit more from CSR initiatives than Dutch companies, possibly due to differences in perceptions of business risk and levels of corporate transparency. These findings can help corporate management to evaluate the financial benefits of CSR strategies in different national contexts. The advantages discussed in this article include two methods for measuring social responsibility: sustainability indices and content analysis. Continuous indices provide higher reliability because CSR scores are calculated by independent CSR experts. CSR hub's reputation index, used in this study, is based on Stakeholder Theory, which reflects a company's responsibility towards various stakeholders. The validity of CSR hub scores has been confirmed by previous studies that used it to analyze the relationship between CSR performance and factors such as cost of debt and brand value. CSR hub collects data from various categories such as society, employees, environment, and governance, thus providing a comprehensive evaluation of a company's social practices. The content analysis covers all dimensions of CSR, allowing researchers to obtain valid results for corporate environmental and social reporting practices. The methodology is relatively easy to replicate to check the validity of the results. While there may be a risk of a lack of objectivity as the researcher determines keywords, this methodology allows for a systematic analysis of corporate reports. Content analysis has been used to measure the effect of CSR reporting practices on corporate financial performance in different contexts.

Both methods have strengths and weaknesses, which must be recognized in the limitations of the study. This study focuses only on the CSR performance of Russian and Dutch companies, thus limiting the generalizability of its findings to organizations from other countries. The sample size may not be sufficient to draw statistically significant conclusions. The model used in this study does not consider the time it takes to show the results of CSR strategies, which may affect the accuracy of the results. Panel data analysis is recommended for a more precise study of the relationship between CSR and CFP over time. The lack of a uniform measurement standard for the CSR concept is a challenge. The operationalization of the selected CSR concepts using the CSR hub index may affect the results. Different measurement standards or content analysis of companies' CSR reports may provide different evidence of the CSR-CFP relationship. Using Return on Equity (ROE) as the primary metric for company performance may not fully capture investor expectations of future business performance. Market-based measures such as Earnings Per Share (EPS) or the ratio of market to book value may provide stronger evidence of the CSR-CFP relationship in some cases. Companies with low CSR scores may face higher risks due to negative perceptions, which affects their market value. This study shows a higher impact of CSR on the performance of Russian companies compared to Dutch organizations, possibly due to different levels of business risk and transparency in the two countries. The study did not analyze the impact of CSR reporting over time, which could be significant as CSR strategies may not yield immediately visible results. Industry-specific analysis was not conducted due to data limitations, but the growth of CSR reporting may provide more data for future cross-industry analysis. The lack of mandatory CSR reporting in many countries leads to a lack of transparency in core business operations, potentially misleading investors.

4. DISCUSSION

Corporate Social Responsibility (CSR) aims to be a form of real contribution to improving the quality of life of the community and the environment. CSR programs have the main concept of creating sustainability in all business activities while balancing economic, social, and environmental interests. So that by conducting CSR programs, companies can have a positive impact on society and the surrounding environment. One of the implementations of Corporate Social Responsibility can be done by the company donating funds that can support community social activities. That way, the company's name can be recognized more widely.

If the company does not have a Corporate Social Responsibility program, it will have a negative impact on the company. The impact for companies that do not implement Corporate Social Responsibility (CSR) or do not measure the Social Return on Investment (SROI) of their CSR programs can involve several significant factors:

a. Company's reputation will be perceived poorly by society, as companies that are not active in CSR or are perceived to be less concerned with social and environmental issues risk a decline in reputation. This can negatively affect the perception of the company in the eyes of customers, investors, and the general public.
b. Employee satisfaction with the company is considered low. Employees often expect their company to demonstrate a strong commitment to social and environmental

responsibility. Companies that are not active in CSR may face difficulties in retaining and recruiting talented employees.

c. Companies do not enforce rules and regulations. Some countries implement regulations that require companies to report on their CSR activities. Companies that do not comply with these regulations may face legal sanctions or fines.

d. Companies that do not implement corporate social responsibility (CSR) also result in business risks because if companies ignore social and environmental impacts in business operations, it can increase corporate risks, including reputational risk, legal risk, and long-term sustainability risk.

e. Customer satisfaction levels will decrease if companies do not implement corporate social responsibility (CSR) because customers are increasingly concerned about sustainability and ethical business practices. Companies that do not pay attention to this risk losing customers who are looking for more sustainable products or services.

Social Return on Investment (SROI) is an important tool in helping companies measure and communicate the positive impact of their CSR programs. With low SROI, several implications can occur:

1) A low SROI score indicates that the performance of a company's social program or programs may have had relatively little impact compared to the costs incurred, suggesting ineffectiveness in achieving the desired goals.
2) A low SROI can raise questions about a company's accountability to stakeholders, including investors, communities and regulatory bodies.
3) A low SROI score can damage a company's reputation, especially if the social program is public or if the company has a strong social responsibility image.
4) Low SROI scores will result in less satisfied customers, employees, and investors who may doubt the company's seriousness in contributing to social or environmental issues.
5) A low SROI score will increase regulatory risk. Governments or regulatory bodies may respond to low SROI scores with stricter regulatory actions, potentially increasing operational costs and legal liabilities.

For companies to take appropriate steps in implementing CSR and measuring SROI to manage risks and strengthen their contribution to society and the environment.

5. CONCLUSION

Based on the results of research that has been conducted by researchers, it can be concluded that Corporate Social Responsibility (CSR) and company financial performance have a positive correlation. Although there is still a skeptical view that CSR only adds to the cost burden without providing comparable financial benefits, research shows that CSR implementation can have a positive impact on the company's financial performance. Studies conducted in various countries such as the UK, China, Russia, the Netherlands, and Thailand show that CSR practices can improve corporate reputation, strengthen relationships with stakeholders, and ultimately contribute to achieving better financial performance. Recommendations are provided for further development in the use of more representative data and consideration of more comprehensive control factors, as well as the integration of CSR in the company's business strategy to achieve sustainable financial performance.

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