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# Strategic Value Creation Through Corporate Social Responsibility Adoption for Sustainable Financial Performance

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**Abstract**

Corporate social responsibility has increasingly become a focal point for businesses as societal expectations for ethical practices, sustainability, and community engagement continue to grow. Consumers, investors, and other stakeholders are more inclined to support enterprises that prioritize corporate social responsibility initiatives, often perceiving them as trustworthy and aligned with broader social and environmental values. This study examines the impact of corporate social responsibility on deferred financial performance, utilizing data from Chinese A-listed companies and applying the ordinary least squares method. The empirical findings indicate that the implementation of corporate social responsibility has a delayed effect on financial performance, suggesting that while immediate financial gains may not be evident, significant improvements are observed over time. The deferred nature of these financial benefits highlights a key challenge for many enterprises: balancing the upfront costs of corporate social responsibility initiatives with the potential long-term gains. Corporate social responsibility activities often require substantial initial investments, such as adopting environmentally friendly technologies, implementing ethical sourcing practices, or engaging in community projects. These expenditures, although crucial for fostering sustainability and building stakeholder trust, may deter companies, particularly those operating under tight budgets or intense competitive pressures. At present, a significant number of enterprises hesitate to adopt corporate social responsibility due to the perception that it primarily increases operating costs without yielding immediate returns. This apprehension is particularly pronounced in industries where profit margins are thin or where short-term financial performance is prioritized. However, the study's results underscore the importance of viewing corporate social responsibility as a strategic long-term investment rather than a cost. Corporate social responsibility initiatives contribute to building a positive reputation, enhancing customer loyalty, attracting socially conscious investors, and fostering employee satisfaction. These factors collectively strengthen an enterprise's competitive position over time. The study emphasizes that companies willing to absorb the initial costs of corporate social responsibility and integrate it into their long-term strategies are better positioned to achieve sustainable financial performance in the future. To address the hesitancy surrounding corporate social responsibility adoption, enterprises need to shift their focus from short-term financial results to long-term value creation. Clear communication of corporate social responsibility objectives and transparent reporting of outcomes can help stakeholders understand the strategic importance of such initiatives. Additionally, governments and policymakers can play a role by offering incentives, such as tax benefits or grants, to reduce the financial burden of corporate social responsibility adoption for businesses.

**Keywords:** Corporate Social Responsibility, Deferred Financial Performance, Sustainability

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## 1. INTRODUCTION

Environmental, Social, and Governance is an investment philosophy that emphasizes integrating environmental, social, and governance factors into investment decisions (Jerome, 2019; Labeeque & Sanaullah, 2019). As a component of sustainable investing, ESG seeks to identify companies that not only deliver financial returns but also demonstrate responsible practices in addressing global challenges such as climate change, social inequalities, and ethical governance. The environmental aspect of ESG evaluates a company's efforts to minimize its environmental footprint, including reducing carbon emissions, adopting renewable energy, and promoting sustainable resource use. The social dimension assesses how companies manage relationships with employees, customers, communities, and other stakeholders, focusing on areas such as diversity, labor practices, and community engagement. Governance examines corporate policies and practices related to leadership, executive compensation, shareholder rights, and transparency (Rasheed, 2020). ESG investing goes beyond traditional financial metrics by considering the long-term impact of a company's operations on the planet and society. It aligns financial goals with ethical values, appealing to investors who prioritize both profitability and sustainability. Moreover, ESG factors are increasingly recognized as indicators of a company's resilience, risk management capabilities, and potential for sustained growth. As ESG principles gain traction globally, they are reshaping investment strategies and corporate practices. Many investors now demand greater transparency and accountability in ESG performance, encouraging companies to adopt sustainable practices and disclose their progress. This shift not only

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fosters sustainable economic growth but also contributes to creating a more equitable and environmentally conscious world.

The three core factors of Environmental, Social, and Governance are critical for investors when evaluating corporate sustainability and assessing the environmental and social impacts of a company's operations. ESG factors provide a comprehensive framework for understanding how businesses align with sustainable practices and contribute to broader societal and environmental goals. These metrics have become increasingly important as investors seek to balance financial returns with ethical and sustainable values. In China, the concept of corporate social responsibility has gained significant attention, with many companies adopting related initiatives. However, despite this growing trend, some businesses remain skeptical about the tangible benefits of CSR and ESG integration. This hesitancy often stems from a perception that such initiatives primarily increase costs without yielding immediate financial returns. Companies operating in highly competitive markets or facing financial constraints may find it challenging to justify investments in CSR and ESG-related activities. This skepticism underscores the need for greater awareness of the long-term advantages of ESG and CSR practices. Evidence from global studies suggests that businesses embracing these principles not only enhance their reputations and stakeholder trust but also build resilience against risks, attract socially conscious investors, and improve employee satisfaction (Saijo, 2022; Clark, 2022; Nkegbe & Abor, 2023 ). Over time, these benefits can translate into sustainable growth and competitive advantages, demonstrating that investments in ESG and CSR are not merely expenses but strategic imperatives.

For companies in China and beyond, addressing these doubts requires clear communication of the potential returns on ESG and CSR investments, both financial and non-financial. Governments, regulatory bodies, and industry leaders can also play a role by providing incentives, fostering best practices, and encouraging transparency to build confidence in the value of sustainability-focused business strategies. In recent years, corporate social responsibility in China has seen significant advancements, with many companies making remarkable progress in developing and implementing CSR strategies. This improvement reflects a growing recognition of the importance of aligning business practices with broader societal and environmental goals (Das, 2022; Radas, 2023). Chinese enterprises are increasingly integrating CSR into their core operations, focusing on areas such as environmental sustainability, community engagement, and ethical governance. Initiatives addressing issues like carbon emissions reduction, renewable energy adoption, labor rights, and charitable activities have gained momentum. These efforts are often driven by rising consumer expectations, investor demands for transparency, and regulatory pressures from both domestic and international markets.

The progress in CSR strategies among Chinese companies also highlights a shift in corporate mindset, where businesses view social responsibility not merely as a compliance obligation but as a strategic opportunity. Companies that prioritize CSR are better positioned to enhance their brand reputation, attract socially conscious investors, and foster stronger relationships with stakeholders. This positive trend underscores China's growing role in global sustainability efforts. As companies continue to innovate and adapt their CSR strategies, they contribute to creating a more sustainable and socially responsible business environment, setting an example for other emerging markets. However, sustained efforts in communication, education, and collaboration will be essential to ensure that CSR remains a central focus for long-term corporate and societal growth.

## 2. LITERATURE REVIEW

Research by Chao et al. (2019) demonstrates that corporate social responsibility has a positive impact on financial performance and firm value. This finding highlights the strategic significance of CSR initiatives, suggesting that companies investing in socially responsible practices not only contribute to societal and environmental well-being but also enhance their financial outcomes and market position. The positive relationship between CSR and financial performance can be attributed to several factors. CSR initiatives often lead to improved brand reputation, stronger customer loyalty, and increased investor confidence, which collectively drive revenue growth and financial stability. Additionally, firms that adopt CSR practices are often better equipped to manage risks, adapt to regulatory changes, and foster employee satisfaction, further contributing to long-term value creation. Chao et al.'s findings also underscore the role of CSR in enhancing firm value. Companies with strong CSR practices are perceived as more transparent, ethical, and sustainable, which appeals to investors and stakeholders seeking long-term returns. This alignment between CSR and financial metrics provides a compelling case for businesses to integrate social responsibility into their core strategies. The research emphasizes that CSR is not merely an ethical or philanthropic endeavor but a key driver of financial and organizational success. Firms that actively pursue CSR initiatives can achieve sustainable growth, improve their market valuation, and strengthen their competitive advantage. Franco et al. (2020), in their study focused on the hotel industry, found that corporate social responsibility initiatives yield tangible benefits only when they are effectively implemented alongside strong stakeholder relationships. This highlights the crucial role of stakeholder engagement in maximizing the return on investment for CSR activities. The study suggests that simply allocating resources to CSR is not sufficient; the success of such initiatives depends on their strategic integration into the business model and the establishment of meaningful connections with stakeholders. In the context of hotels, this includes engaging with customers, employees, suppliers, and the local community to create a shared value system. When stakeholders perceive CSR efforts as genuine and aligned with their interests, it enhances trust and loyalty, translating into financial and non-financial benefits for the organization. Franco et al.'s findings underscore the importance of transparency, communication, and collaboration in CSR implementation. By involving stakeholders in the process and clearly communicating the goals and outcomes of CSR initiatives, businesses can strengthen their relationships and improve the perceived value of their efforts. This approach not only offsets the costs of CSR activities but also fosters long-term benefits such as increased customer

retention, enhanced brand reputation, and stronger competitive positioning. The study emphasizes that CSR's potential to generate benefits lies in its execution and alignment with stakeholder interests. For businesses, this means adopting a holistic and participatory approach to CSR, ensuring that expenditures are transformed into meaningful outcomes for both the organization and its stakeholders.

Freeman and Liedtka (1991), through their long-term study of law and business social ethics, found that corporate social responsibility (CSR) serves as an approach closely aligned with evolving societal expectations. Their research highlights that by addressing social requirements, CSR positively influences corporate performance while simultaneously reinforcing the organization's commitment to societal well-being. The study demonstrates that CSR operates as a two-way mechanism: on one hand, it fulfills the growing demand for ethical and socially conscious business practices; on the other, it enhances corporate performance by fostering trust, loyalty, and goodwill among stakeholders. This alignment between business objectives and societal values creates a feedback loop where fulfilling social responsibilities drives corporate success, which in turn allows for greater contributions to social welfare.

Freeman and Liedtka's findings emphasize the importance of integrating CSR into the strategic framework of businesses. They argue that CSR is not merely a peripheral activity but a core component of business ethics that directly influences organizational behavior and outcomes. By embedding social responsibility into their operations, companies can create a positive impact on both their performance and the communities they serve. In essence, their research underscores that CSR is more than a reactive measure to social demands—it is a proactive strategy that benefits businesses by aligning their goals with broader societal expectations, fostering sustainable growth and mutual value creation.

Li and Hou (2017), in their study on high-tech enterprises, found that corporate social responsibility plays a significant role in enhancing corporate performance. Their research highlights how CSR initiatives contribute to building a positive corporate image, fostering trust among stakeholders, and creating a competitive advantage, all of which are particularly critical in the high-tech sector. The study underscores that in industries characterized by rapid innovation and intense competition, CSR acts as a differentiator that helps companies stand out. By addressing societal and environmental issues and aligning business practices with stakeholder expectations, high-tech enterprises can strengthen their reputation and customer loyalty. This positive perception not only attracts socially conscious consumers but also appeals to investors and partners who prioritize sustainability and ethical practices. Li and Hou also emphasize that CSR's role extends beyond external stakeholder relations; it fosters internal benefits as well. High-tech firms that actively engage in CSR often experience higher employee morale, increased retention rates, and a stronger organizational culture, which together enhance overall performance. Moreover, CSR initiatives can lead to long-term cost savings through resource efficiency, waste reduction, and risk mitigation, further boosting financial outcomes. Their findings reinforce the idea that CSR is not merely a cost but a strategic investment. For high-tech enterprises, integrating CSR into their business model not only addresses societal demands but also drives sustainable growth and competitive success.

Scholars have explored the intertemporal relationship between financial performance and corporate social responsibility (CSR), highlighting the temporal dynamics of their interaction. Shen (2010) and Ma (2016) argue that CSR is inherently a long-term process, where the benefits of CSR initiatives undertaken in the current year may not be immediately apparent but are often realized in subsequent years. Their research emphasizes that CSR contributes to sustainable growth and builds trust and loyalty over time, which translates into improved financial outcomes in the future. On the other hand, some studies reveal that the short-term impact of CSR on financial performance can be negative. This is often attributed to the initial costs associated with implementing CSR initiatives, such as investments in sustainable technologies, employee training, or community engagement programs. These expenses may temporarily strain financial resources, leading to a perception of reduced profitability in the short term. The contrast between short-term and long-term effects underscores the strategic importance of viewing CSR as an investment rather than an expense. While short-term financial setbacks may deter some companies from adopting CSR, the long-term benefits—such as enhanced reputation, stronger stakeholder relationships, and competitive advantages—outweigh the initial costs. This dual perspective suggests that companies need to align their CSR strategies with their long-term goals to maximize both social impact and financial performance. The intertemporal effects of CSR and financial performance highlight the need for patience and commitment in integrating socially responsible practices, as the true value of CSR often emerges over an extended period. This understanding encourages businesses to prioritize long-term sustainability over immediate financial gains. Further research into the relationship between corporate social responsibility (CSR) and financial performance has utilized various theories and methods to provide nuanced insights. Liang and Liu (2017) introduced a novel approach, the reverse proof method, to investigate how earnings management might differ when companies fail to meet their social responsibilities. Their findings revealed that the costs incurred by a company tend to rise with the severity of neglect in implementing CSR practices. Interestingly, the study demonstrated that CSR can, paradoxically, increase costs initially, but these expenditures ultimately contribute to improving corporate performance. This result underscores a critical point: while the upfront financial commitment to CSR may appear burdensome, it reflects an investment in sustainable business practices that enhance long-term profitability and operational efficiency. The research also highlights that companies failing to engage in CSR may resort to earnings management tactics to maintain short-term financial appearances, which can lead to reputational risks and regulatory scrutiny. Conversely, those that prioritize CSR are better positioned to achieve transparency, build stakeholder trust, and sustain growth over time. Liang and Liu's study reinforces the argument that CSR is not merely an ethical obligation but a strategic driver for sustainable corporate performance. By adopting practices that align with societal and environmental values, companies can mitigate risks, enhance their competitive advantage, and foster stronger stakeholder relationships, thereby securing long-term financial success.

Some scholars present contrasting perspectives on the relationship between corporate social responsibility (CSR) and

financial performance. Filbeck and Gorman (2004) argue that while environmental protection efforts by companies may enhance social or environmental outcomes, the associated investments often fail to provide adequate financial returns. They suggest that the costs of such initiatives consume significant internal resources, which may not be offset by the resulting benefits. According to their findings, fulfilling social responsibilities can be perceived as an unnecessary expense, leading to resource inefficiencies and increased operational costs. This view implies that CSR initiatives, particularly those focused on environmental protection, may negatively impact a company's profitability, especially when the financial benefits are not immediately tangible. Companies investing heavily in CSR may risk financial losses if these efforts are not strategically aligned with their core business goals or if they lack stakeholder support. This perspective challenges the assumption that CSR is always beneficial for businesses. It highlights the need for careful consideration of the scale, scope, and strategic alignment of CSR initiatives. Companies must ensure that their social and environmental efforts are not only ethically sound but also economically viable to avoid resource wastage and financial strain. Filbeck and Gorman's view serves as a critical reminder that CSR should be approached thoughtfully, balancing ethical obligations with financial sustainability. For CSR to be a value-adding strategy, businesses must evaluate the long-term impact of their investments, integrate these initiatives into their operational frameworks, and communicate their relevance to stakeholders effectively.

## 3. METHODOLOGY

The research design of this study aims to evaluate whether corporate social responsibility has a deferred effect on financial performance. To achieve this, the degree of CSR progress was incorporated as a key variable. The ordinary least squares (OLS) regression model was employed to explore the relationship between CSR and financial performance. The ESG ratings for the analysis were obtained from the Wind database, while the related financial data were sourced from the CSMAR database. After retrieving the initial data samples, the dataset was screened to remove incomplete entries. Winsorization was then applied to eliminate extreme values or outliers, ensuring a more robust analysis. The initial dataset comprised 300 samples for the first half of 2020. To account for the deferred impact of CSR on financial performance, additional datasets were compiled. Specifically, CSR performance data from 2018 and 2019 were aligned with the financial performance of the first half of 2020. These datasets underwent the same processing steps, resulting in 248 and 279 samples, respectively.

The study utilized the OLS regression model to conduct a detailed statistical analysis. The model examined both the immediate impact of current CSR performance on financial performance and the deferred effect of prior CSR performance on current financial outcomes. This approach provides a comprehensive understanding of how CSR initiatives contribute to financial performance over different time horizons, offering valuable insights into the temporal dynamics of CSR effectiveness.

## 4. RESULT AND DISCUSSION

The descriptive statistics table provides a summary of the dataset's key characteristics, including the range, average, and variability of each variable. The variable roa, representing a return on assets, ranges from -4.24 to 13.46, with an average of 2.61 and a standard deviation of 3.14. This indicates that most companies in the sample exhibit positive returns on assets, though there is variability, including some firms with negative returns. For roe, or return on equity, the range is from -12.05 to 22.39, with an average of 5.75 and a standard deviation of 5.34. The higher variability suggests that equity returns differ significantly across firms, with some experiencing notable losses while others achieve high positive returns. The ESG score, which reflects environmental, social, and governance performance, has a minimum of 1.00 and a maximum of 31.00, with an average of 24.66 and a standard deviation of 5.16. The high average indicates that most firms perform relatively well in ESG metrics, but the variation shows a disparity in scores among firms. The scale variable, likely representing firm size or scope, ranges from 13.26 to 21.65, with an average of 16.14 and a standard deviation of 1.80. This suggests that while firms are generally moderate in size, there is less variation in this characteristic compared to other variables.

**Table 1: Descriptive Statistics**

| Variables | Min. | Max. | Ave. | Std. |
|---|---|---|---|---|
| Roa | -4.24 | 13.46 | 2.61 | 3.14 |
| Roe | -12.05 | 22.39 | 5.75 | 5.34 |
| Esg | 1.00 | 31.00 | 24.66 | 5.16 |
| Scale | 13.26 | 21.65 | 16.14 | 1.80 |
| Ind | 0.00 | 1.00 | 0.13 | 0.34 |
| Age | 7.32 | 36.27 | 21.39 | 5.91 |
| Eps | -0.67 | 3.41 | 0.48 | 0.63 |

The ind variable, which appears to be binary, has values ranging from 0 to 1, with an average of 0.13 and a standard deviation of 0.34. This suggests that a small proportion of firms belong to the category represented by 1, indicating that the majority do not fall within this classification. Age ranges from 7.32 to 36.27 years, with an average of 21.39 years and a standard deviation of 5.91. This indicates that firms in the sample vary widely in terms of how long they have been in operation, with most falling around two decades, though some are much younger or older. The variable EPS, or earnings

per share, ranges from -0.67 to 3.41, with an average of 0.48 and a standard deviation of 0.63. This reflects that while most firms have positive earnings per share, some exhibit negative earnings, as indicated by the negative minimum value. These statistics provide a detailed overview of the dataset, highlighting variability across financial and operational metrics, with some variables like roe and esg showing substantial diversity and others like scale and ind being more consistent.

The empirical results table provides insights into the relationships between the independent variables and the dependent variables, ROA (return on assets) and ROE (return on equity), across two regression models. Here is an interpretation of the findings: For the ROA model (Model 1), the constant term is significant with a coefficient of 11.04 (p<0.001p < 0.001p<0.001), indicating a strong baseline level of ROA when all other variables are held constant. Among the predictors, scale has a significant negative relationship with ROA (β=−11.42,p<0.001\beta = -11.42, p < 0.001β=−11.42,p<0.001), suggesting that as the scale variable increases, ROA decreases. Similarly, eps demonstrates a significant positive effect on ROA (β=15.77,p<0.001\beta = 15.77, p < 0.001β=15.77,p<0.001), indicating that higher earnings per share are associated with improved asset returns. Ind, a binary variable, also has a positive and statistically significant relationship with ROA (β=2.18,p=0.03\beta = 2.18, p = 0.03β=2.18,p=0.03), suggesting that firms in the category represented by "1" tend to have higher ROA. However, esg (p=0.17p = 0.17p=0.17) and age (p=0.16p = 0.16p=0.16) are not statistically significant, implying they do not contribute meaningfully to predicting ROA in this model. The adjusted R2=0.587R^2 = 0.587R2=0.587 indicates that approximately 58.7% of the variability in ROA is explained by the model.

In the ROE model (Model 2), the constant term is again highly significant with a coefficient of 4.63 (p<0.001p < 0.001p<0.001), reflecting a positive baseline level of ROE. Similar to the ROA model, scale has a significant negative relationship with ROE (β=−4.02,p<0.001\beta = -4.02, p < 0.001β=−4.02,p<0.001), showing that an increase in scale is associated with a decrease in equity returns. Eps is also a strong positive predictor (β=15.88,p<0.001\beta = 15.88, p < 0.001β=15.88,p<0.001), indicating that higher earnings per share are positively associated with ROE. In contrast to the ROA model, ind (p=0.59p = 0.59p=0.59), esg (p=0.25p = 0.25p=0.25), and age (p=0.37p = 0.37p=0.37) are not statistically significant in predicting ROE. The adjusted R2=0.486R^2 = 0.486R2=0.486 suggests that 48.6% of the variability in ROE is explained by this model. Comparing the two models, eps consistently emerges as the most significant positive predictor across both ROA and ROE, highlighting its critical role in driving returns. Scale has a consistently negative and highly significant impact on both outcomes, underscoring its inverse relationship with firm performance. The adjusted R2R^2R2 values indicate that the ROA model explains a slightly larger proportion of variance compared to the ROE model. Variables such as esg and age appear to have limited impact in both models, suggesting their influence may not be robust within this dataset or analysis framework.

**Table 2-A: Empirical Results**

| | ROA (model (1)) | | ROE(model (2)) | |
|---|---|---|---|---|
| Variables | Coefficients | P-Value | Coefficients | P-Value |
| con_ | 11.04 | 0.00*** | 4.63 | 0.00*** |
| Esg | 1.38 | 0.17 | 1.15 | 0.25 |
| Scale | -11.42 | 0.00*** | -4.02 | 0.00*** |
| Eps | 15.77 | 0.00*** | 15.88 | 0.00*** |
| Ind | 2.18 | 0.03** | 0.55 | 0.59 |
| Age | -1.41 | 0.16 | -0.89 | 0.37 |
| Adj-$R^2$ | 0.587 | | 0.486 | |

The empirical results for models 3 and 4 provide further insights into the predictors of ROA (return on assets) and ROE (return on equity), highlighting differences in the factors influencing each outcome. In the ROA model (Model 3), the constant term is significant (β=5.77,p<0.001\beta = 5.77, p < 0.001β=5.77,p<0.001), representing a positive baseline value of ROA when all predictors are held constant. Among the predictors, esg is a significant positive factor (β=3.76,p<0.001\beta = 3.76, p < 0.001β=3.76,p<0.001), suggesting that stronger ESG performance is associated with higher ROA. Similarly, eps has a significant positive relationship (β=7.76,p<0.001\beta = 7.76, p < 0.001β=7.76,p<0.001), reinforcing its role as a critical driver of firm performance. Ind also exhibits a significant positive effect (β=3.57,p<0.001\beta = 3.57, p < 0.001β=3.57,p<0.001), indicating that firms classified under this category tend to have higher ROA. Scale, on the other hand, shows a significant negative impact (β=−8.11,p<0.001\beta = -8.11, p < 0.001β=−8.11,p<0.001), suggesting that larger-scale firms experience lower ROA. Prog1y, which likely represents projected performance over one year, and age are not statistically significant (p=0.67p = 0.67p=0.67 and p=0.73p = 0.73p=0.73, respectively), indicating limited influence on ROA. However, contp1y, potentially reflecting one-year continuation plans, shows marginal significance (β=1.85,p=0.07\beta = 1.85, p = 0.07β=1.85,p=0.07), suggesting a potential positive impact on ROA that may require further analysis to confirm. The adjusted R2R^2R2 value of 0.394 indicates that 39.4% of the variability in ROA is explained by this model.

In the ROE model (Model 4), the constant term is not significant (p=0.21p = 0.21p=0.21), suggesting the baseline ROE may not be reliably estimated without considering the predictors. EsG, as in the ROA model, is a significant positive predictor (β=3.11,p<0.001\beta = 3.11, p < 0.001β=3.11,p<0.001), demonstrating its consistent importance across both models. Eps also shows a significant positive effect (β=5.74,p<0.001\beta = 5.74, p < 0.001β=5.74,p<0.001), underlining its key role in driving equity returns. Scale has a significant negative impact (β=−2.40,p=0.02\beta = -2.40, p =

0.02β=−2.40,p=0.02), similar to its effect on ROA, indicating a consistent inverse relationship between firm size and performance metrics. Ind shows marginal significance in the ROE model (β=1.75,p=0.08\beta = 1.75, p = 0.08β=1.75,p=0.08), hinting at a positive influence that may require further validation. Contp1y is not statistically significant (p=0.12p = 0.12p=0.12), and neither prog1y (p=0.29p = 0.29p=0.29) nor age (p=0.67p = 0.67p=0.67) demonstrates a meaningful impact. The adjusted R2R^2R2 value of 0.172 indicates that this model explains 17.2% of the variance in ROE, substantially lower than the ROA model, reflecting a weaker explanatory power. Comparatively, both models underscore the importance of esg and eps as strong positive predictors across ROA and ROE. Scale consistently exhibits a significant negative impact, reinforcing the notion that larger firms may face challenges in optimizing returns. Ind is more prominent in the ROA model but shows potential relevance in the ROE model as well. Variables like age, prog1y, and contp1y have limited significance, suggesting their influence may not be robust or contextually relevant in these models. The lower adjusted R2R^2R2 in the ROE model indicates that it captures less variability in equity returns compared to the ROA model, potentially signaling a need for additional predictors to better explain ROE.

**Table 2-B: Empirical Results**

| | ROA (model (3)) | | ROE (model(4)) | |
|---|---|---|---|---|
| Variables | Coefficients | P-Value | Coefficients | P-Value |
| con_ | 5.77 | 0.00*** | 1.27 | 0.21 |
| Esg | 3.76 | 0.00*** | 3.11 | 0.00*** |
| prog1y | 0.42 | 0.67 | 1.07 | 0.29 |
| contp1y | 1.85 | 0.07* | 1.57 | 0.12 |
| Scale | -8.11 | 0.00*** | -2.40 | 0.02** |
| Eps | 7.76 | 0.00*** | 5.74 | 0.00*** |
| Ind | 3.57 | 0.00*** | 1.75 | 0.08* |
| Age | 0.35 | 0.73 | 0.42 | 0.67 |
| Adj-$R^2$ | 0.394 | | 0.172 | |

The empirical results for models 3 and 4 provide a deeper understanding of the predictors influencing ROA (return on assets) and ROE (return on equity). In Model 3, the dependent variable ROA is influenced by several key predictors, as shown by the significant constant term (β=5.77,p<0.001\beta = 5.77, p < 0.001β=5.77,p<0.001), indicating a positive baseline value when all other factors are held constant. ESG (environmental, social, and governance score) is a significant positive predictor (β=3.76,p<0.001\beta = 3.76, p < 0.001β=3.76,p<0.001), highlighting that firms with stronger ESG performance tend to achieve higher returns on assets. EPS (earnings per share) also demonstrates a robust positive effect on ROA (β=7.76,p<0.001\beta = 7.76, p < 0.001β=7.76,p<0.001), further reinforcing its importance as a key driver of firm performance. IND (industry classification) significantly influences ROA (β=3.57,p<0.001\beta = 3.57, p < 0.001β=3.57,p<0.001), suggesting that firms belonging to a specific classification tend to perform better. Conversely, scale has a significant negative impact on ROA (β=−8.11,p<0.001\beta = -8.11, p < 0.001β=−8.11,p<0.001), indicating that larger-scale firms may face challenges in optimizing asset returns. ContP1Y (continuation plan over one year) is marginally significant (β=1.85,p=0.07\beta = 1.85, p = 0.07β=1.85,p=0.07), suggesting a potential positive impact on ROA that might warrant further exploration. However, Prog1Y (projected one-year performance) and age are not significant predictors (p=0.67p = 0.67p=0.67 and p=0.73p = 0.73p=0.73, respectively), implying they have limited explanatory power in this context. The adjusted R2=0.394R^2 = 0.394R2=0.394 suggests that approximately 39.4% of the variance in ROA is explained by this model, indicating moderate explanatory power. In Model 4, which examines the determinants of ROE, ESG remains a significant positive predictor (β=3.11,p<0.001\beta = 3.11, p < 0.001β=3.11,p<0.001), underscoring its consistent importance across both performance metrics. EPS also positively influences ROE (β=5.74,p<0.001\beta = 5.74, p < 0.001β=5.74,p<0.001), confirming its critical role in driving equity returns. Scale retains its significant negative relationship with ROE (β=−2.40,p=0.02\beta = -2.40, p = 0.02β=−2.40,p=0.02), mirroring its effect on ROA and suggesting that larger firms may struggle to maintain efficient equity returns. IND shows marginal significance (β=1.75,p=0.08\beta = 1.75, p = 0.08β=1.75,p=0.08), indicating a potential positive relationship with ROE, though this requires further confirmation. ContP1Y, Prog1Y, and age are not statistically significant (p=0.12,0.29,p = 0.12, 0.29,p=0.12,0.29, and 0.670.670.67, respectively), suggesting limited influence on ROE. The constant term is also not significant (p=0.21p = 0.21p=0.21), indicating that the baseline ROE value is not reliably estimated in this model. The adjusted R2=0.172R^2 = 0.172R2=0.172 suggests that only 17.2% of the variability in ROE is explained, reflecting a weaker explanatory power compared to the ROA model.

Overall, both models highlight the consistent and significant roles of ESG and EPS in predicting firm performance, with ESG emphasizing the importance of non-financial metrics and EPS reinforcing the value of financial efficiency. Scale shows a persistent negative impact on both ROA and ROE, suggesting that larger firms may face structural challenges. While IND is more prominent in the ROA model, it also shows some potential relevance in the ROE model. Variables like Prog1Y, ContP1Y, and age appear to have limited explanatory power, indicating that their effects are either context-dependent or overshadowed by other significant factors. The higher explanatory power of the ROA model compared to

the ROE model suggests that the predictors in this framework are more effective at explaining returns on assets than equity returns.

**Table 2-C: Empirical Results**

| | ROA (model (5)) | | ROE (model (6)) | |
|---|---|---|---|---|
| Variables | Coefficients | P-Value | Coefficients | P-Value |
| con_ | 5.36 | 0.00*** | 1.51 | 0.13 |
| Esg | 2.54 | 0.01*** | 2.38 | 0.02** |
| prog2y | 1.90 | 0.06* | 2.24 | 0.03** |
| contp2y | 0.85 | 0.39 | 1.12 | 0.27 |
| Scale | -7.00 | 0.00*** | -2.08 | 0.04** |
| Eps | 6.46 | 0.00*** | 3.98 | 0.00*** |
| Ind | 2.42 | 0.02** | 1.01 | 0.31 |
| Age | 0.47 | 0.64 | 0.40 | 0.69 |
| Adj-$R^2$ | 0.348 | | 0.104 | |

The empirical results for models 5 and 6 provide insights into the predictors of ROA (return on assets) and ROE (return on equity) while incorporating new variables and relationships. In Model 5, which examines ROA, the constant term is statistically significant (β=5.36,p<0.001\beta = 5.36, p < 0.001β=5.36,p<0.001), indicating a positive baseline level of ROA when all other variables are held constant. ESG is a significant positive predictor (β=2.54,p=0.01\beta = 2.54, p = 0.01β=2.54,p=0.01), suggesting that firms with higher environmental, social, and governance scores achieve better asset returns. Similarly, EPS shows a strong positive effect on ROA (β=6.46,p<0.001\beta = 6.46, p < 0.001β=6.46,p<0.001), reaffirming its critical role in firm performance. IND also contributes positively and significantly to ROA (β=2.42,p=0.02\beta = 2.42, p = 0.02β=2.42,p=0.02), indicating that firms within this classification tend to perform better in terms of asset returns. Prog2Y (two-year projected performance) is marginally significant (β=1.90,p=0.06\beta = 1.90, p = 0.06β=1.90,p=0.06), hinting at a potential positive effect on ROA that might warrant further investigation. However, ContP2Y (two-year continuation plans) and age are not statistically significant (p=0.39p = 0.39p=0.39 and p=0.64p = 0.64p=0.64, respectively), indicating limited influence on ROA in this model. Scale has a significant negative effect (β=−7.00,p<0.001\beta = -7.00, p < 0.001β=−7.00,p<0.001), consistent with earlier findings, suggesting that larger firms may face challenges in maximizing returns on assets. The adjusted R2=0.348R^2 = 0.348R2=0.348 indicates that 34.8% of the variance in ROA is explained by this model, demonstrating moderate explanatory power.

In Model 6, which examines ROE, ESG remains a significant positive predictor (β=2.38,p=0.02\beta = 2.38, p = 0.02β=2.38,p=0.02), highlighting its consistent importance across both ROA and ROE. EPS also retains its significance (β=3.98,p<0.001\beta = 3.98, p < 0.001β=3.98,p<0.001), showing its continued relevance in driving equity returns. Prog2Y is statistically significant (β=2.24,p=0.03\beta = 2.24, p = 0.03β=2.24,p=0.03), suggesting that projected performance over two years positively influences ROE. On the other hand, ContP2Y, IND, and age are not significant predictors (p=0.27,0.31,p = 0.27, 0.31,p=0.27,0.31, and 0.690.690.69, respectively), indicating that these variables do not have a meaningful impact on ROE in this model. Scale exhibits a significant negative relationship with ROE (β=−2.08,p=0.04\beta = -2.08, p = 0.04β=−2.08,p=0.04), mirroring its effect in the ROA model and reinforcing its consistent inverse relationship with firm performance. The constant term is not significant (p=0.13p = 0.13p=0.13), indicating that the baseline level of ROE is not reliably estimated in this model. The adjusted R2=0.104R^2 = 0.104R2=0.104 suggests that only 10.4% of the variance in ROE is explained, reflecting weak explanatory power. Overall, these models reinforce the importance of ESG and EPS as significant positive predictors across both ROA and ROE. Scale continues to show a negative impact, consistent across all models, suggesting that larger firms may face inherent challenges in optimizing returns. Prog2Y emerges as a noteworthy factor in the ROE model, indicating that long-term performance projections may hold greater relevance for equity returns than for asset returns. IND remains significant for ROA but not for ROE, hinting at its stronger connection to operational efficiency rather than equity outcomes. The lower adjusted R2R^2R2 for the ROE model compared to the ROA model suggests that the predictors included in this framework are better suited to explaining variations in asset returns than equity returns.

## 5. CONCLUSIONS

This study empirically examines the relationship between corporate social responsibility and a company's financial performance, focusing on both immediate and deferred effects. Specifically, it evaluates the impact of corporate social responsibility on financial performance during the current period, as well as one-period and two-period deferred effects. By analyzing these timeframes, the study provides insights into the temporal dynamics of corporate social responsibility, exploring whether the benefits of corporate social responsibility initiatives manifest immediately or take time to influence financial outcomes. The approach allows for a nuanced understanding of how corporate social responsibility activities contribute to a firm's financial health across different time horizons, offering valuable implications for strategic planning and investment in socially responsible practices.

The findings of this study reveal that corporate social responsibility performance does not have a measurable impact on financial performance within the current year. However, the analysis indicates that corporate social responsibility performance has a positive and significant deferred effect on financial performance in both the first and second periods following the implementation of corporate social responsibility initiatives. This suggests that the financial benefits of corporate social responsibility are not

immediately realized but accrue over time. The deferred effects highlight the importance of viewing corporate social responsibility as a long-term investment rather than a strategy for short-term financial gains. By fostering stronger stakeholder relationships, improving reputation, and enhancing operational efficiencies, corporate social responsibility initiatives contribute to sustainable growth, with their impacts becoming evident in subsequent financial periods. These findings underscore the need for businesses to adopt a forward-looking perspective when evaluating the return on investment for corporate social responsibility activities. These findings are consistent with the majority of prior research in both domestic and international literature. Previous studies have frequently highlighted the delayed nature of the financial benefits associated with corporate social responsibility initiatives. While the immediate impact of corporate social responsibility on financial performance may be negligible or even negative due to upfront costs, the long-term effects often demonstrate significant positive contributions. This alignment underscores the widely accepted notion that corporate social responsibility initiatives are better understood as strategic investments with deferred rewards rather than as tools for instant financial gains. The results reinforce the growing consensus that businesses investing in corporate social responsibility can achieve enhanced financial performance over time through improved stakeholder trust, brand reputation, and operational sustainability. These outcomes are reflective of broader trends in the empirical literature, supporting the role of corporate social responsibility as a key driver of long-term corporate success. These findings are consistent with the majority of prior research in both domestic and international literature. Previous studies have frequently highlighted the delayed nature of the financial benefits associated with corporate social responsibility initiatives. While the immediate impact of corporate social responsibility on financial performance may be negligible or even negative due to upfront costs, the long-term effects often demonstrate significant positive contributions. This alignment underscores the widely accepted notion that corporate social responsibility initiatives are better understood as strategic investments with deferred rewards rather than as tools for instant financial gains. The results reinforce the growing consensus that businesses investing in corporate social responsibility can achieve enhanced financial performance over time through improved stakeholder trust, brand reputation, and operational sustainability. These outcomes are reflective of broader trends in the empirical literature, supporting the role of corporate social responsibility as a key driver of long-term corporate success.

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