

-RESEARCH ARTICLE-

CORPORATE SOCIAL RESPONSIBILITY IN CHINA: AN EMPIRICAL STUDY ON THE FINANCIAL PERFORMANCE

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—Abstract—

According to meta-analyses, there is a positive association between "Corporate Financial Performance" (CFP) and "Corporate Social Responsibility" (CSR). However, numerous researchers have concluded that there is either no correlation between them or a negative one. The current study aims to investigate the "CSR-CFP" relationship in China, where prior research was methodologically limited and produced contradictory results. Within the purview of this study, the "Centre for Research on the Social Responsibility of Corporations" evaluated four aspects of CSR based on ratings provided by the "Chinese Academy of Social Sciences" (CASS). The ratios "Tobin's Q," "Return on Assets" (ROA), and "Return on Equity" (ROE) were utilized to evaluate the financial success of

Citation (APA): Li, T., Zandi, G., Saidun, Z. (2023). Corporate Social Responsibility in China: An Empirical Study on the Financial Performance. *International Journal of Economics and Finance Studies*, 15 (01), 510-531. doi:10.34109/ijefs. 202315124

a corporation. The study centered on three hundred companies that submitted CASS-CSR reports in 2013 and publicized their financial recital information. We used sequential regression analysis to investigate the relationship between corporate social responsibility (CSR) and financial success, accounting for the influence of company size and industry. According to the findings of this study, there is no link between economic success and corporate social responsibility (CSR). In addition, an ANCOVA was used to assess the difference in financial disclosure between corporations that disclosed their CSR activities and those that did not.

Regarding ROA, ROE, and Tobin's Q, companies that filed CASS-CSR reports had significantly superior financial performance than those that did not. The issue is why this investigation into Chinese corporations uncovered no connections between the companies. There is a possibility that China's CSR studies are symbolic gestures designed to obtain favor with the government. Even though these businesses participated in CSR reporting, our data's relatively low mean CSR scores indicate that their CSR systems are not particularly advanced. The second reason is that the relationship between CSR and CFP is more readily apparent in industrialized nations with their well-established institutional institutions and efficient market mechanisms. Suppose additional research is conducted utilizing information collected after 2013. In this case, it may be possible to determine if CSR actions are cultivating and if a positive association between CSR and CFP emerges when market conditions alter. It has been discovered that there is a significant link between the CSR components enumerated in ROA and CASS that regulate trade and organizational size. Moreover, a significant relationship exists between CSR components outlined in CASS and ROE regulations for firm size and trade. In addition, a substantial relationship exists between the CSR fundamentals mentioned in Tobin's Q and CASS for trade and organization regulations. On the CASS, there is a disparity in monetary output between CSR and non-CSR organizations.

There are several recommendations for this study, including developing a CSR strategy compatible with the beliefs and expectations of China. This may involve engaging stakeholders to identify their problems and priorities and implementing CSR initiatives to resolve them. Partnering with local organizations can assist businesses in understanding China's social and environmental challenges and establishing credibility with local stakeholders. Companies should be forthright about their actions, methods, and results. This demonstrates to stakeholders the company's dedication to ethical business practices. Companies should monitor and report on their CSR efforts' social, environmental, and financial impacts. This could help stakeholders comprehend the benefits of CSR and identify successful initiatives. Companies should be aware of the legislative, reputational, and unintended effects of corporate social responsibility in China. Effective risk management guarantees the success and longevity of CSR initiatives.

Keywords: Corporate Financial Performance, Sequential Regression Analysis, Corporate Social Responsibility

1. INTRODUCTION

Corporate Social Responsibility (CSR) refers to a company's voluntary actions to resolve the social, environmental, and economic effects of its business operations. CSR is frequently associated with efforts to improve the sustainability of a company's operations and contribute to the overall well-being of the communities in which the company operates (Baxi & Ray, 2012). China's rapid economic growth has contributed to societal and ecological issues that must be resolved to prevent undermining the nation's capacity to endure and promote economic growth. The concerns include pollution, labor practices, and manufacturing protection, prompting the community to recognize China's corporations' social responsibilities. (Zadek et al., 2012) Corporate accountability in addressing these issues is continuously viewed and embodied in the demand for and implementation of CSR.

Several Chinese organizations have responded to these challenges by contributing assets to social responsibilities to bolster their social image and compete with global alliances. However, several organizations have opposed this approach, arguing that engagement in social responsibilities conflicts with their efforts to achieve financial gains (Galant & Cadez, 2017; Shen & Chang, 2009). Given the importance of social responsibility in corporate development, the primary objective of this study is to examine the correlation between CSR and the financial success of Chinese businesses. Numerous fictitious conflicts have surrounded the connection between societal roles and obligations and the business's financial success. According to the CSR theory proposed by He et al. (2019), social obligations will result in increased financial execution. Nonetheless, a few academics have suggested that a company's social obligations impact its financial performance (Hirigoyen & Poulain-Rehm, 2014; Olulowo et al., 2020). The relationship between corporate social responsibility (CSR) and the economic success of businesses has been analyzed through case studies. Despite this, previous research on the relationship between social responsibilities and the actual execution of budgets in China has produced contradictory results. This qualitative study seeks to contribute to the literature by investigating the relationship between CSR and China's commercial success.

2. BACKGROUND

Concerns regarding social responsibilities have increased about labor rights, food safety, and pollution-related issues (Hou, 2019). CSR is the social obligation theory that will be

investigated in this investigation. Several studies have centered on monetary accountability or rewards when conducting CSR activities. Whether there is, an ambiguous relationship between CSR and economic execution is crucial for business administration.

CFP refers to a company's financial health and capacity to generate profits. Various financial metrics, such as revenue, earnings, return on investment (ROI), and debt-to-equity ratio, can be quantified (Choi et al., 2010). Although the relationship between CSR and economic success has been extensively studied, contradictory results have been observed. Several studies have demonstrated a positive relationship between CSR and financial performance (Flammer, 2013; Ghelli, 2013; Uadiale & Fagbemi, 2012). In contrast, another study demonstrates that CSR and CFP have a negative relationship (Brine et al., 2007; Nuryani et al., 2018).

Studies that have identified a negative relationship between CSR and financial performance have argued that high obligations result in increased costs that position a company in competition with smaller, less socially conscious businesses that lack financial strategies. These additional costs may result from undertaking extensive altruistic tasks, advancing system expansion plans, maintaining plants in economically depressed areas, and developing strategies to safeguard the environment. Similarly, social responsibility concerns can limit an enterprise's primary production divisions. For instance, a company should not manage weapons or pesticides without such inputs and should eliminate plant inventions and adventure openings in specific regions, such as South Africa.

Various researchers of business social responsibility and execution, on the other hand, have discerned the purposes behind the positive correlation. Some researchers have cited increased agent and consumer philanthropy as a significant consequence of social responsibility. For instance, a company with a high level of social responsibility may encounter comparatively few work issues, and its customers may be extremely receptive to its products. Similarly, socially responsible actions can increase an organization's standing with democratic socioeconomics, such as representatives, auditors, and government officials. Improved relationships with these related organizations may generate budgetary foci (Fijakowska et al., 2018; Moussavi & Evans, 1986). (Popkova & Parakhina, 2018) The monetary establishments and banking specialists have declared that their decisions are influenced by communal considerations, as evidenced by their expansive philanthropic responsibilities, system improvement plans, and maintenance of plants in economically disadvantaged regions. Thus, high CSR will increase a company's access to capital resources.

Regarding the method for calculating Financial Performance (CFP), the variation among concentrations is one possible explanation for the contradictory findings (Cochran &

Wood, 1984). The key metrics of a company's financial performance can be categorized into two categories based on observational analyses of the relationships between corporate social responsibility (CSR) and occupational and monetary recital, including demand and accounting indicators. The previous class metrics primarily emphasized disseminating information regarding financial exchanges with an emphasis on investment returns.

The preceding pointers are predominantly derived from the company's financial records, which indicate the organization's operating conditions. Regarding the application of ROA and ROE, which are prudent from previous CFPs, accounting-based steps typically incorporate return. The stock return and Tobin's Q are market-based interventions that correlate with the long-term or future CFP.

The various methods for estimating CSR employed in previous research (Turker, 2009; Xie et al., 2019) are the second interpretation that may account for the ambiguous findings regarding the relationship between CSR and CFP. One method for measuring CSR is based on content analysis, which examines the depictions of CSR actions in numerous organizations' publications, especially the annual report (Brine et al., 2007; Nuryani et al., 2018; Uadiale & Fagbemi, 2012). Aupperle et al. (1985) investigated the material review in annual results for the misconstrued social course for corporate operations. Comparatively, yearly corporate reports contain more advertisements and rewards than educational value, and the relationship between these open expressions and actual corporate action is questionable. Consequently, it is extremely unlikely that the social execution details disclosed by collaborations would be under-announced or over-revealed analytically. This argument is best illustrated with examples of companies performing poorly on this obverse, which can serve as additional motivation to make their annual reports sound impressive by highlighting their achievements.

Ding (2014) selected 112 Chinese real estate companies in Shenzhen and Shanghai. The researcher selected CSR, ROE, and T.Q. as independent variables. The study employed descriptive statistics, correlation, and regression analysis. The second method for calculating CSR involves translating the organization's accounting records to determine how it fulfills its obligation to attend multiple partner meetings. Many Chinese analysts have implemented This CSR estimation method (Ding, 2014). The extent of income tax divided by activity income multiplied by 100 presents was used to depict government CSR, Yang (2012) noted. In calculating CSR based on the premise that CSR is a multidimensional growth, such stages are negligible, spanning a vast array of knowledge foundations, confidential practices or actions, and vintages that may include system influences and management programs. Such activities frequently occur in numerous organizations with vastly varied characteristics, accounts, and implementation in the various CSR regions (Hadi et al., 2018; Waddock & Graves, 1997).

The third CSR estimation technique focuses on a company's credit record. According to [Palmer \(2012\)](#), audiences evaluate organizations based on at least one aspect of social execution. In examining the relationship between CSR and business financial performance, a large proportion of experts utilized the KLD index to quantify CSR ([Ghelli, 2013](#); [Nkomani, 2013](#); [Orlitzky et al., 2003](#); [Palmer, 2012](#); [Wang et al., 2018](#)). Others followed the Dow Jones Sustainability World Index and national social profiles ([Becchetti et al., 2008](#)). For example, the [Kinder et al. \(1991\)](#) (KLD) log was created in 1991 by the KLD Analysis and Analytics Integration.

The "MSCI KLD 400 Social Index" is a capitalization-weighted file of 400 U.S. defenses that presents companies with unresolved ESG assessments and excludes companies whose products have undesirable social or ecological impacts. Risk Metrics were provided to the KLD Testing and Analytics agency in 2009, which MSCI subsequently acquired in 2010. As the current owner of KLD, MSCI renamed the company ESG. Consequently, MSCI ESG Analysis is now the most recent provider of social assessments; they provide the situation of an institution after a given year annually. The "MSCI ESG" file ranks more than 50 ESG-performing entities across seven indicators ([Ghelli, 2013](#); [Margolis et al., 2007](#); [Yang et al., 2018](#)): product trademark, human rights, environmental condition, employee relations, diverse variety, network relations, and corporate administration.

This third method for calculating CSR contains a few problematic aspects. First, it would typically be predictable internally, as a single evaluator applies the same criteria to each organization. Second, using a comprehensive purpose measure for a potentially inherently subjective variable is not a fallacy. Thirdly, the sentiment of an organization's primary constituency can be summed up. This unaccompanied may be relevant for evaluating the relationship between CSR and CFP.

First and foremost, external evaluation organizations assess the credibility record, which clarifies the company's environmental impacts. These rating agencies can categorize "the past natural presentation and environmental protection activities of organizations" ([Du Plessis et al., 2018](#)). They can also consider the future outlook of an entity, for instance, by analyzing their natural administration strategies and hypotheses that suggest improving future natural execution.

Frequently, it is believed that the calculation contains errors. The most important aspect is that such rankings are extremely subjective and will vary drastically from one observer to the next. It brings up the dilemma of consistency loss. "As a result, social assessments have been criticized for their lack of transparency," it is unclear whether communal assessments provide the transparency that enables partners to identify environmentally dependable organizations ([He et al., 2019](#)).

This study seeks to contribute to the existing body of knowledge by employing secretarial and market-based indicators to examine the relationship between CSR and CFP in China. This research proposes subsidizing the existing corpus of work in light of the controversy surrounding the optimal CFP proportion. Similarly, we would strengthen the practice employed in some previous CSR readings to the corporate financial success association in Chinese productions by utilizing CSR assessments from the foremost institute in China's CSR of the CASS, the CSR - CASS in China. This would enable us to comprehend the relationship between CSR and CFS better.

2.1 Significance of the Study

The importance of "Corporate Social Responsibility in China: An Empirical Study on Financial Performance" rests in examining the relationship between corporate social responsibility (CSR) practices and financial performance in the Chinese context. In recent years, companies have realized the significance of balancing profits with social and environmental responsibilities, leading to a rise in CSR awareness. However, the effect of CSR on financial performance continues to be a matter of debate. This study seeks to contribute to comprehending this relationship by empirically analyzing China's publicly traded companies. Companies in China and other nations seeking to implement CSR initiatives and enhance their financial performance may find the findings of this study useful. In addition, policymakers and stakeholders interested in the role of CSR in promoting sustainable and responsible business practices in China may find the study interesting.

Due to this study, many researchers and practitioners can acquire a new understanding of emerging markets. This research emphasizes the Chinese market, which is still a developing market in the global economy. Due to the rise in the number of investors, "an increasing number of experts have begun to focus on the financial performance of Chinese companies" (Wang, 2013). Hadi et al. (2018) stated, "Even though financial methods are effective and useful, few people understand all the details well, and the research on CASS-CSR and CFP in China is still in its infancy," indicating that CSR research is still in its infancy. It requires investigation into all facets of CSR and its effects.

Furthermore, this study is useful for investors who lack CSR and financial foundation knowledge, as this knowledge can provide numerous investment opportunities. The significance of this research also extends to business managers. "Although financial research utilizes the same data and similar formulas, different individuals will generate unique concepts and ideas" (Wang, 2013). Therefore, this study will provide managers, researchers, and scholars with effective guidance in these two areas (CSR and economic performance). As the Chinese market is still an emerging market, this study focuses on investigating it. As the number of investors rises, more experts are investigating China's financial performance. Yang et al. (2018) noted, "Although financial methods are

effective and useful, few people can fully comprehend all the details, and research on financial ratios in the country is still in its infancy, and methods are still immature," while CSR research is inadequate.

This study will identify prospective issues and concerns regarding the financial relationship between businesses and CSR activities. Some businesses include their CSR activities in their annual report, while others do not. Additionally, the study will elucidate factors that may influence the report's disclosure or non-disclosure of CSR activities. This study will predict the future development of emerging markets. If there are additional measures for financial ratios and if all financial ratios can affect one another. No research can assure a single measurement for all financial indicators. Even experts should modify the appropriate metric in response to market changes. Lastly, this field is anticipated to garner more interest (Du Plessis et al., 2018), so more research should focus on CSR and CFP to provide investors and managers with effective guidance.

2.2 Structure of the Study

This study comprises three chapters: the introduction, the research methodology, and the conclusion. The first chapter overviews the research topic and the study's context. The study's context also includes a literature review pertinent to the topic. In addition, chapter two provides research methodology, testing of hypotheses, data analysis, and discussion of the results. It is essential to note that each study hypothesis consists of data analysis and discussion. In addition, chapter three includes a conclusion and recommendations.

3. RESEARCH METHODOLOGY

This study aims to determine China's CSR practices by employing a "reputation index" derived from prior research on the relationship between CSR and financial performance.

The analysis was performed on each item to ensure the instrument's reliability. The pilot evaluation is conducted with samples of Chinese businesses whose CSR practices have been verified by the CASS. In 2020, the CASS-CSR website provided data on 600 business entities, but only 300 companies supplied online financial data. Consequently, this study would include 300 companies to determine which firms assess CSR reporting and which do not display CSR reporting. Three independent variables were established for the research. The relationship between four information factors -- organization, market, society, and environment -- and the CFP variables of ROE, ROA, and Tobin's Q will be highlighted.

3.1 Return on Assets (ROA)

ROA is a ratio that measures an organization's output per input unit. Return on Assets (ROA) indicates how effectively management maximizes the Return on Investment

(ROI) of its resources. The ratio of a company's return on investment (ROI) to its total assets indicates its success. Return on Assets (ROA) reveals how effectively management allocates assets to maximize profits.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

3.2 Return on Equity (ROE)

ROE is a common efficiency metric for businesses and is expressed as a percentage. Return on equity (ROE) is a profitability metric that reveals how much a company earns from investor capital.

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholder's equity}}$$

3.3 Tobin's Q

Tobin's Q is the ratio between the market value of a company's advantages and its market value, calculated by dividing the outstanding stock and liability by the replacement cost of those advantages and the company's market value.

$$\text{Tobin's Q} = \frac{\text{Total Market Value}}{\text{Total Asset Value}}$$

3.4 Stock Return

The total return on investment in stock is calculated by dividing the amount by which the cost was recognized plus any gains that were distributed.

4. CASS-CSR 3.0

CASS-CSR 3.0 is founded on a "4-in-1" approach that integrates four CSR components: board responsibility, social responsibility, environmental responsibility, and showcasing responsibility. This paradigm is based on the conventional "triple-primary concern" (TBL) and "partner" concepts. The 'triple main concern' (TBL) is an organizational framework incorporating fiscal, ecological, and social considerations into project management. People, planet, and profits are alternative names for the TBL metrics (Hall, 2011).

The adopted methodology involves examining the advantages and disadvantages of CASS secondary data, sampling, the variables hypothesis, data acquisition, and data analysis. The research examines how the size of institutions and corporations affected the relationship between variables. Based on the multiple relapse model, three test hypotheses will be held for the research.

4.1 Hypothesis

The model pointed out the assembly among four information influences: "management," "market," "society," and "environment," and three endogenous variables: "ROA," "ROE" and "Tobin's Q"; the same has been given in [figure 1](#).

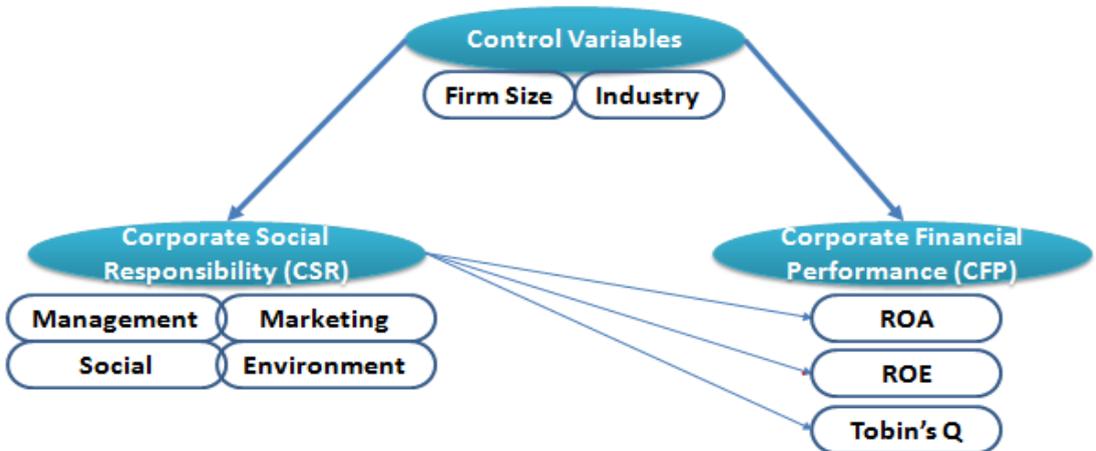


Figure 1. Variables and Hypotheses Model Proposed

According to the given figures, the following hypotheses will be tested in the current investigation, shown in [Table 1](#).

Table 1. Research Hypotheses

Hypothesis	Description
Hypothesis 1	There is a relationship between the four CSR components listed in CASS and ROA that control business and organizational scale.
Hypothesis 2	There is a relationship between four elements of CSR listed in CASS and ROE that control the scale of commerce and organization.
Hypothesis 3	There is a relationship between the four CSR elements mentioned in CASS and the business and organizational control of Tobin's Q.
Hypothesis 4	There is a discrepancy in financial results between companies that report CSR statistics in the CASS Research Center and those that do not publish CSR information in the SSSE that governs the size and market of the company.

4.2 Research Hypothesis

Hypothesis 1 examined the relationship between the four CSR measurements of "Management," "Marketing," "Social," and "Environmental." Multiple linear regression analysis was used to distinguish between CSR and ROA and to determine whether there was a substantial partnership. Multiple linear regression is a statistical technique for modeling the linear association between a response variable and one or more predictor variables. It is a form of regression analysis used to estimate the value of a response variable using the values of one or more predictor variables (Uyank & Güler, 2013). Multiple linear regression can be utilized in research to determine the relationship between a response variable and a set of predictor variables. Using multiple linear regression, a researcher may examine the correlation between students' grades and the amount of time they devote to studying, the number of classes they attend, and their prior knowledge of the subject. The researcher could then use the model to make grade predictions based on these predictor variables (Olive, 2017).

Numerous studies have analyzed CSR and CFP using the abovementioned methodologies and techniques. Numerous researchers, including Filatotchev & Stahl (2015), Gond & Brès (2020), Manurung et al. (2017), and Nawaiseh et al. (2015), have used regression analysis to examine the CSR and CFP based on various components, such as ROA, ROE, T.Q., etc.

Table 2 illustrates the model overview of a two-phase successive distinct relapse caused by ROA as contingent factors. Separate replacement variables and organizational scale were introduced into the industry at stage one of the relapse to control the confounding effect concerning the relationship between CSR and budgetary implementation. The four CSR variables were outlined in the model's second iteration.

Hypothesis 1: There is no connection between the CSR components listed in ROA and CASS that control trade and organizational scale.

Table 2. Sequential Regression Analysis for CSR Variables on ROA

Model	R	R ²	R ² Change	F change	Sig. Change
Stage 1: Control Variables	.440	.193	.192	8.72	.001
Stage 2: 4 CSR Dimensions	.450	.203	.009	.84	.500

The sequential multiple regression demonstrated that the Business and Company Scale (F=8.72, p.001) contributed to the relapse model at Stage 1 and accounted for 19.3% of the ROA diversity. When one of the four independent variables was included in the second stage of the relapse model, the enterprise explained an additional 0.9% of the variance in ROA. The correlation between company size and this change in R2 was

enormous, $F=0.84$ and $p=.500$. This analysis concludes that there is no factually significant association between CSR and ROA.

Filatotchev and Stahl (2015) discovered a prospective relationship between CSR and CASS in the context of international trade and organizational size. Companies that engage in CSR activities may have a better chance of gaining a positive reputation and being viewed as responsible corporate citizens. This can assist them in attracting customers and gaining the trust of their stakeholders, which may contribute to increased trade and organizational size. On the other hand, Gond & Brès (2020) found that CASS may be interested in researching the relationship between CSR and trade and organizational scale, as this research could inform policy decisions regarding corporate responsibility and economic development.

Hypothesis Two examined the relationship between the four CSR metrics of "Management," "Marketing," "Social," and "Environmental" and ROE. The correlation between ROE and CSR was determined using sequential multiple linear regression.

Table 2-3 shows that the model breakdown of two-phase consecutive multiple relapses leads to ROE as the required variable. At stage 1 of the relapse, different replacement variables and organizational scales were inputted to monitor the confounding effect of the relationship between CSR and F.P. in the industry. The four CSR variables were merged at Stage 2.

Hypothesis 2: There is no connection between CSR components listed in CASS and ROE regulating for organization firm size and commerce.

Table 3. "Sequential Regression Analysis for CSR Variables on ROE"

Model	R	R ²	R ² Change	F change	Sig. Change
Stage 1: Control Variables	.294	.086	.086	3.43	.001
Stage 2: 4 CSR Dimensions	.307	.094	.005	.660	.620

The Sequential Regression Analysis revealed that the combination of demand and corporate size ($F=3.43$, $p=.001$) led to the relapse model in Stage 1 and accounted for 8.6% of the ROE variance. When all four independent variables were reported for stage 2 of the relapse model, industry and corporate size explained an additional 0.8% of the variance in ROE. This change in R² was inconsequential, $F=0.66$, $p=0.62$. Therefore, based on this test, it can be concluded that there is no factually significant relationship between CSR and ROE.

The relationship between corporate social responsibility (CSR) and financial performance, including return on equity (ROE), is the subject of a growing corpus of research. Some studies have found a positive correlation between CSR and ROE, while others have found either no or negative correlation (Nawaiseh et al., 2015). Manurung

et al. (2017) also discovered that firm scale could influence the relationship between CSR and ROE. According to several studies, the correlation between CSR and ROE is stronger for larger firms than for smaller ones. This may be because larger firms have more resources and can engage in more extensive CSR activities, which may positively affect their financial performance.

Hypothesis 3 investigated the relationship between the four CSR measurements of "Management," "Marketing," "Social," and "Environmental" and Tobin's Q. To determine if there was a significant relationship between CSR and Tobin's Q, a series of multiple linear regression tests were conducted. Table 4 depicts the model breakdown of a two-phase successive distinct relapse driven by Tobin's Q as contingent factors. Separate replacement variables and organizational scale were introduced into the industry at stage one of the relapse to control the confounding effect concerning the relationship between CSR and budgetary implementation. The four CSR variables were outlined in the model's second iteration.

Hypothesis 3: There is no connection between the CSR fundamentals mentioned in Tobin's Q and CASS for trade and organization regulations.

Table 4. "Sequential Regression Analysis for CSR Variables on Tobin's Q"

Model	R	R ²	R ² Change	F change	Sig. Change
Stage 1: Control Variables	.560	.313	.313	16.43	.001
Stage 2: 4 CSR Dimensions	.564	.318	.005	.503	.734

The sequential multiple regression revealed that at Stage 1, Business and Enterprise Size ($F=16.73$, $p=.000$) led to the relapse model and accounted for 31.3% of the variance in Tobin's Q. At the time that both four individual variables were recalled for the second stage of the relapse model, sector and company size explained an additional 0.5% of the variance. Inferring from this test, there is no factually significant association between Tobin's Q and CSR.

The CSR organizations whose CSR results have been accounted for in the CASS database. Therefore, non-CSR organizations could not access CSR data in the CASS database but could access financial results data via the Shanghai and Shenzhen Stock Exchanges. Each budgetary presentation variable, including "ROA," "ROE," and "Tobin's Q," was analyzed as a needy variable in discrete ANCOVAs.

Hypothesis 4: No monetary output organization seen the CSR and Non-CSR organizations on the CASS.

A one-way ANCOVA was conducted to test Hypothesis 4, which postulated organizationsip between the organizations and non-CSR organizations. This investigation employed the analysis of covariance (ANCOVA) as a statistical analysis

tool. The ANCOVA can covariate and increase measurable power while enhancing research control quality. ANCOVA modifies each collected mean based on the specified method for factor covariables. Then, the SPUtilizedftware will be utilized to perform the test and monitor the sample information. The model facilitates a factual investigation to determine if the hypothesis holds. The survey monitoring used a centrality threshold of $p .05$ to determine if invalid estimates could be eliminated.

In each ANCOVA model, substitution variable-coded sector segments and organizations as covariates to monitor and compare these characteristics between the two classes of organizations. For the two organizations' meetings on each money-related execution variable, each ANCOVA presented balanced approaches to measuring a significant difference in any aspect between CSR and non-CSR organizations due to the substantial change in covariate grade. Before the ANCOVA, the expectation of typicality was verified and determined to be met, as the transportation of the two classes was connected separately to slant and kurtosis under 2.0 and 9.0 (Schimider et al., 2010).

Table 5. ANCOVA Comparing CSR and non-CSR Companies on F.P

Dependent Variable	Adjusted Means*			Standard Error of Difference	P Value
	CSR	Non-CSR	Difference		
ROA	3.19	1.07	2.11	.75	.005
ROE	20.98	4.05	16.93	1.19	.001
Tobin's Q	1.75	1.58	.17	.069	.012

* Group means for the companies reporting CSR and non-CSR reporting groups were amended by ANCOVA for differences in their size.

As seen in [Table 5](#), the balanced gathering indicates that the organizations that revealed CSR on ROA ($p=.005$), ROE ($p<.001$), and Tobin's Q ($p=.012$) were entirely higher relative to organizations that did not provide information CSR.

In this way, it is inferred that there is a notable alteration between non-CSR and CSR organizations concerning the relation between CSR and F.P. For the most part, the three balanced mean difference scores (2.11, 16.93, .17) are optimistic, indicating that organizations revealing CSR have higher mean ROA, ROE, and Tobin's than organizations detailing non-CSR. Consequently, this finding means that as opposed to the entities that do not publish, organizations that uncover CSR reports will be prudent for money-related implementation in the present and long term.

5. CONCLUSION

In this section, we presented the results of our analysis of the relationship between CSR and short- and long-term financial execution in China. The fact that none of the hypotheses 1–3 were supported by the data suggests that CSR does not have a significant

correlation with ROA, ROE, or Tobin's Q. Multiple consecutive regression analyses indicate that company size is an important predictor of "Return on Assets," "Return on Equity," and "Tobin's Q." However, the industry is a significant predictor of "ROA" and "Tobin's Q" but not "ROE." Both of these responses contrast that industry is an important predictor of Tobin's Q, but not ROE. According to the findings, companies that disclosed a significant quantity of CSR activity had a higher F.P. than those that did not. This paragraph reframes the investigation's motivation and introduces the hypothesis testing concept. This study will focus on analyzing data from three hundred various CASS-listed businesses. A Sequential Multiple Linear Regression model with three Regressions will be used to investigate the relationship between RSE and the three distinct CFP levels. Three independent variables (ROA, ROE, and Tobin's Q) and four independent variables (Management, Market, Social, and Environment) are included in the proposed model. In addition, the instrument's validity and reliability (CASS and CSR) are demonstrated. This article also discusses the techniques utilized to collect the data.

The first step in conducting an in-depth investigation is to familiarize yourself with the gathered information. To ensure that the data you acquire is accurate, you must organize it according to the technology's specifications (Osborne & Waters, 2002). As a result, so many parameterized tests must be employed that it is essential to confirm that they function as expected. When the information is not a parameter, parameter tests significantly increase the risk of incorrect selection. Regular funding is necessary for the administration of psychometric exams. For an accurate test, four fundamental questions must be met. These uncertainties include generally transmitted information, homogeneity of change, autonomy, the absence of Multicollinearity, and normal linear data distribution. Agustina et al., (2022).

Due to the wide variety of financial knowledge and methods, "most people will choose common methods or concentrate on non-financial issues" (Hui, 1998). In addition, Wang et al. (2018) stated that "ignoring the impact of CSR activities on corporate financial performance" is problematic. Therefore, analyzing financial ratios in the context of a company's CSR activities is a relatively complex analysis method, and managers will forsake it in most cases. This study employs this methodology and provides practical principles for determining whether CSR should be a financial performance component.

As an investor, you must utilize various analytic techniques to comprehend business development factors. This research focuses primarily on the analysis of financial ratios in the CSR activities of Chinese companies; therefore, investors must understand what financial ratios are and which ratios will be affected by the CSR activities of Chinese companies. Additionally, financial indices can indicate the company's expansion and its trends determine its industry and market development. According to Hadi et al. (2018), "As listed companies, their growth has attracted many investors and other companies,

and their growth determines whether they can obtain shares on the stock market and in China. However, using financial ratios is not widespread, and many experts have not conducted extensive research." Therefore, this study aims to introduce the significance of financial ratios on the one hand and the impact of companies' CSR activities on the other.

It has been discovered that there is a significant relationship between the CSR components enumerated in ROA and CASS that regulate trade and organizational scale. Moreover, a significant relationship exists between CSR components listed in CASS and ROE regulations governing the size and commerce of business organizations. In addition, a substantial relationship exists between the CSR fundamentals mentioned in Tobin's Q and CASS for trade and organization regulations. In conclusion, there is a disparity in monetary output between CSR and non-CSR organizations on the CASS.

6. RECOMMENDATIONS

Several suggestions could be made to companies in China that wish to engage in corporate social responsibility (CSR) activities:

1) Create a CSR strategy consistent with the values and expectations of stakeholders in China: This may involve engaging stakeholders to understand their concerns and priorities and devising CSR initiatives to address these concerns.

2) Collaborate with local partners and organizations: Partnering with local partners and organizations can assist companies in gaining a deeper understanding of the most pertinent social and environmental issues in China and establish credibility with local stakeholders.

Companies should be transparent about their CSR activities, including what they're doing, how they're doing it, and the effects of their actions. This can aid in establishing credibility with stakeholders and demonstrate the company's commitment to ethical business practices.

4) Measure and report on the impact of CSR initiatives. Businesses should measure and report on the impact of their CSR initiatives, both in terms of the social and environmental benefits they are delivering and the company's financial performance. This can aid in demonstrating the value of CSR to stakeholders and provide insight into the most effective initiatives.

Companies should be aware of the potential risks and challenges associated with CSR in China, such as regulatory risks, reputational risks, and possible unintended consequences. To ensure the success and sustainability of CSR initiatives, it is essential to manage these risks effectively.

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APPENDIX 1: KLD Environmental Ratings

KLD Environmental strengths

1. Beneficial items and services: The organisation gets generous incomes from creative remediation items, ecological administrations, or items that advance the effective utilisation of vitality, or it has created inventive items with natural advantages. (The term excludes administrations with sketchy ecological impacts, for example, landfills, incinerators, squander to-vitality plants, and profound infusion wells.)
2. Pollution avoidance: The organisation has eminently solid contamination counteraction programs including the two outflows decreases and poisonous use decrease programs.
3. Recycling: The organisation either is a generous client of reused materials as crude materials in its assembling forms, or a main consideration in the reusing business.
4. Clean vitality (recently called Alternative energizes: The organisation has taken noteworthy measures to diminish its effect on environmental change and air contamination through utilisation of sustainable power source and clean fills or through vitality effectiveness. The organisation has exhibited a pledge to advancing atmosphere amicable strategies and practices outside its own activities.
5. Communications: The organisation is a signatory to the CERES Principles, distributes an outstandingly meaningful natural report, or has strikingly successful interior interchanges frameworks set up for ecological prescribed procedures. KLD started doling out qualities for this issue in 1996.
6. Property, plant, and gear: The organisation keeps up its property, plant, and hardware with better than expected natural execution for its industry. KLD has not allotted qualities for this issue since 1995.
7. Other quality: The organisation has shown a better duty than the executives' frameworks, deliberate projects, or other naturally proactive exercises.

KLD ecological concerns

- **Hazardous waste:** The organisation's liabilities for unsafe waste destinations surpass \$50 million, or the organisation has as of late took care of considerable fines or common punishments for squander the board infringement.
- **Regulatory issues:** The organisation has as of late took care of considerable fines or common punishments for infringement of air, water, or other ecological guidelines, or it has an example of administrative contentions under the Clean Air Act, Clean Water Act, or other major natural guidelines.
- **Ozone-draining synthetic chemicals:** The organisation is among the top producers of ozone-draining synthetic concoctions, for example, HCFCs, methyl chloroform, ~~methylene chlorida~~, or bromines.
- **Substantial discharges:** The organisation's lawful discharges of poisonous synthetic concoctions (as characterized by and answered to the EPA) from singular plants into the air and water are among the most elevated of the organisations followed by KLD.
- **Agricultural synthetic chemicals:** The organisation is a considerable maker of agrarian synthetic substances, i.e., pesticides or chemicals mamres.
- **Climate change:** The organisation gets significant incomes from the offer of coal or oil and its subsidiary fuel items, or the organisation gets considerable incomes in a roundabout way from the ignition of coal or oil and its subordinate fuel items. Such organisations incorporate electric utilities, transportation organisations with armadas of vehicles, auto and truck producers, and other transportation hardware organisations.
- **Other concern:** The organisation has been associated with a natural discussion that isn't secured by other KLD evaluations.

Source: KLD Ratings Methodology