Literature Review on the Impact of Corporate Social Responsibility on Financial Performance

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Abstract

The article summarizes and analyzes the existing literatures, sorts out the research on corporate social responsibility from concept, summarizes the relationship between social responsibility and financial performance, and provides the direction for the follow-up study.

Keywords

Corporate social responsibility; financial performance.

1. Corporate social responsibility

1.1 The concept of corporate social responsibility

The British scholar Oliver Sheldon (1924) [1] first proposed the concept of social responsibility, believing that managers need to consider ethical factors in meeting various needs both inside and outside the enterprise. Bowen (1953) [2],known as the "Father of Social Responsibility," officially stated in"Entrepreneurial Social Responsibility,"that enterprises must shoulder their social responsibilities. Businessmen should follow social expectations, demands and values Policy and action. McGuire JW (1963)[3]once again explicitly proposed that the scope of corporate social responsibility should be extended to economic responsibility and legal responsibility. Enterprises should pay more attention to other related issues including society and employees.The report entitled "Social Responsibility of Commercial Enterprises" released by the U.S. Economic Development Committee put forward the famous "three concentric circles" theoretical model. The famous American scholar Carroll (1979)[4]arranges the economic responsibility,legal responsibility, ethical responsibility and charity duty in order from the bottom to the top of the pyramid. This is the famous pyramid-shaped corporate social responsibility structure.Our research on corporate social responsibility began in the early 1990s and started relatively late with Western countries. Yuan Jiafang (1990)[5]defined the connotation of corporate social responsibility as the earliest book on corporate social responsibility theory-"corporate social responsibility" in order to safeguard the national, social, environmental and human interests. Find their survival and development,while facing the social expectations, needs and all kinds of problems must bear the responsibility. In the mid-to-late 1990s,scholars such as Liu Junhai (1999) [6]concluded from the angle of jurisprudence that in addition to shareholders' rights and interests, enterprises should also increase the interests and responsibilities of other people and organizations in other sectors, especially consumers and employees Interests. Others during this period also analyzed from the point of view of business management that enterprises should be accountable to all stakeholders.Even more,Zhang Yanning (2007) [7]summarized the corporate social responsibility as the responsibility and obligation that enterprises must fully consider and fulfill with full consideration and long-term interests for the society they live in. All in all, we all think that corporate social responsibility is recognized by the community, is expected by society, and is outside the law's responsibility.

Due to the different perspectives of analysis and the connotation and denotation of corporate social responsibility which are constantly changing with the development of the society and economy, the concept circle of the corporate social responsibility has not yet been formed within the theoretical circle. Through the comparative analysis of the concept of corporate social responsibility given by the above scholars and the theoretical basis and development process of corporate social responsibility, it can be seen that corporate social responsibility means that in a certain economic environment, the enterprise should bear its stakeholder Economic and legal,ethical and philanthropic responsibilities appropriate to the state of the enterprise.

1.2 The evaluation of corporate social responsibility

With the development of social responsibility theory, more and more experts and scholars at home and abroad are devoted to the study of the measurement and evaluation methods of corporate social responsibility. Through consulting a large number of references, we can see that among the many CSR evaluation methods, there are common reputation index method, content analysis method, company reputation rating method, practice research method and KLD index method. ①Reputation index method: mainly refers to the authority of third-party agencies set by experts to analyze the performance of corporate social responsibility to make the assessment results to evaluate the performance of corporate social responsibility. ②Content Analysis Method: It refers to the analysis and appraisal of the fulfillment of social responsibility according to the other documents and information such as the financial statements disclosed by the enterprise. ③company reputation rating method: This method is produced in the "Fortune" magazine organized by the evaluation activities. The method combines both the reputation index method and the content analysis method. Fortune Magazine brings together more than 8,000 senior executives, independent directors and senior analysts and other professionals to inspect some large-scale enterprises each year,and finally evaluates the fulfillment of corporate social responsibility And financial status evaluation.④KLD Index: In the 1990s KLD (Kinder, Lydenberg and Domini Company) conducted a comprehensive study of CSR research and stakeholder theory from the perspective of community relations, employee relations,the natural environment, Product safety and responsibility as well as women and ethnic minorities and other eight aspects of the relationship between the measure of corporate social responsibility index.

2. The impact of corporate social responsibility on financial performance

In recent years, with the deepening and expansion of stakeholder theoretical research, as well as the industry segmentation, diversification of research methods, more and more scholars at home and abroad on the relationship between corporate social responsibility and financial performance variables Relationship to be studied. However, the conclusions of the research are not uniform.

2.1 Positive correlation

In the research of Chinese and foreign scholars, there is the largest number of documents that have positive correlation. They think that fulfilling social responsibility can help enterprises establish a good image and improve their reputation. Not only this,but also enhance employee satisfaction and employee motivation, At the same time,it will reduce the cost of foreign financing for the government and win the government's support. This series of reactions will form a concerted effort to jointly promote the enterprises to have more competitive power, so that their financial performance will be enhanced. The main articles of this view are Moskowitz (1972) [8], Francisca van Dijken (2007) [9],Xu Yuefang (2012) [10],Zhao Cunli (2013) [11] and Wen Suinbin(2014)[12].Seeing nearly five years of domestic and foreign literature found that the positive correlation between the two conclusions is still the majority. Foreign scholars Mishra & Suar (2013) [13] found that environmental responsibility in social responsibility is important. In the process of production and operation, the concern and protection of the enterprise on the environment are helpful to improve financial performance.The empirical research conducted by Yin Kaiguo, Liu Xiaoqin and Chen Huadong (2014)[14]based on the sample of non-financial A-share listed companies that issued their social responsibility reports in 2010 also shows that under the endogenous and exogenous assumptions of corporate social responsibility. The current corporate social responsibility has a significant positive impact on corporate financial performance in the current period.Usman (2015)[15] found that the improvement of corporate social responsibility system can help improve the financial performance.

2.2 Negative correlation

Of course, there are other scholars who find that the fulfillment of corporate social responsibility is not conducive to the improvement of financial performance. In their opinion, undertaking social responsibilities inevitably increases operating costs, which in turn reduces financial performance and weakens competitive advantage. This is in line with the classical economic school of corporate social responsibility in economics. The main literature of this view are: Brammer (2006) [16],Matthew (2006) [17] and so on.

Hillman and Keim et al.（2001） [18] found that the two companies have a negative correlation between performance of social responsibility and financial performance. The implementation of corporate social responsibility will occupy the limited resource of the enterprise itself, increase the cost of the enterprise and make the enterprise in the competition Disadvantages. Shao Junli(2009)[19]took the listed companies in chemical industry of our country as the research object, selected the data of 2002-2004, measured the fulfillment of corporate social responsibility with the index of corporate social responsibility, and measured the enterprise value with Tobin Q In conclusion, the fulfillment of social responsibility is negatively related to the value of the enterprise, further explaining that the costs incurred in fulfilling the corporate social responsibility offset the value of the enterprise and the enthusiasm of enterprises in fulfilling their social responsibilities. Amran(2014)[20]conducted an analysis of corporate social responsibility and financial data from the annual reports of 68 companies that listed on Nigerian stocks, and concluded that corporate social responsibility is negatively correlated with financial performance.

2.3 Irrelevant

The third view is that because of the many factors that affect corporate social responsibility, enterprises will implement different policies for different stakeholders. Some scholars suggest that corporate social responsibility and financial performance do not influence each other through multi-factor comprehensive consideration. There is another way of saying that the added cost of corporate social responsibility can be offset by a reduction in other costs at the same time. The main articles of this view are: Chen Yuqing and Ma Lili (2005) [21], Salama (2011) [22] and so on.

Ullman(1985)[23]argues that because of the many intermediary influencing factors in the relationship between the two, it is hard to find a suitable theory to explain the relationship between the two, so there is no impact between the two. To make up for the limitations of previous methods, Aupperle (1989)[24]concludes that there is no correlation between the level of social performance and firm level through questionnaires and interviews. Okan (2014)[25]conducted an empirical study using a sample of 63 listed companies in Turkey and found no correlation between corporate social responsibility and financial performance.

3. The outlook

In the future research of corporate social responsibility, we can improve from more aspects and make the theory better serve the development of enterprises. First,we can compare and analyze the relationship between the corporate social responsibility and financial performance in the same industry horizontally.Second, study the relationship between corporate social responsibility and financial performance by considering the cultural background.

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