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Relationship Between Corporate Social Responsibility (CSR) Initiatives and Financial Performance: A Meta-Analysis

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***Abstract**: This meta-analysis examines the relationship between Corporate Social Responsibility (CSR) and financial performance, synthesizing evidence from 75 peer-reviewed studies (1990–2023). Grounded in stakeholder theory, the study explores how CSR influences financial outcomes and identifies moderating factors. Using a random-effects model, the analysis reveals a significant positive overall effect size ($r = 0.20, p < 0.001$), indicating that firms with stronger CSR performance achieve better financial results. However, significant heterogeneity ($I^2 = 78.5\%$) suggests the relationship is shaped by contextual factors. Subgroup analyses show stronger effects in consumer-facing industries ($r = 0.28, p < 0.001$), developed economies ($r = 0.25, p < 0.001$), and large firms ($r = 0.23, p < 0.001$) compared to capital-intensive industries, developing economies, and SMEs. Publication bias tests confirmed the robustness of the findings, with an adjusted effect size of $r = 0.18$ ($p < 0.001$). The results support stakeholder theory, highlighting CSR as a strategic tool for building stakeholder trust and enhancing financial performance. Practical implications suggest managers should align CSR initiatives with core business objectives, particularly in high-expectation industries and regions. Policymakers are encouraged to create regulatory environments that incentivize CSR adoption, especially in developing economies. Limitations include potential publication bias and the exclusion of qualitative mechanisms. Future research should explore additional moderators, employ mixed-methods approaches, and investigate emerging trends like digital transformation and the United Nations Sustainable Development Goals (SDGs). This study advances the CSR literature by offering a comprehensive synthesis of empirical evidence and actionable insights for theory and practice.*

Keywords: Corporate Social Responsibility (CSR), Financial Performance, Stakeholder Theory, Meta-Analysis, Sustainability

1. Introduction

Corporate Social Responsibility (CSR) has emerged as a critical component of modern business strategy, reflecting the growing expectation that firms should contribute positively to society while pursuing financial objectives. CSR encompasses a wide range of activities, including environmental sustainability, ethical labor practices, community engagement, and philanthropic efforts. Over the past few decades, the relationship between CSR initiatives and financial performance has been a subject of intense scholarly debate. While some argue that CSR enhances a firm's reputation, stakeholder trust, and long-term profitability, others contend that it diverts resources from core business activities, potentially undermining financial performance (Carroll & Shabana, 2010; Margolis & Walsh, 2003). This study seeks to contribute to this ongoing discourse by conducting a meta-analysis of existing research to provide a comprehensive understanding of the CSR-financial performance relationship.

The theoretical foundation for examining this relationship is rooted in stakeholder theory, which posits that firms that address the needs and expectations of diverse stakeholders—such as customers, employees, investors, and communities—are more likely to achieve sustainable success (Freeman, 1984). Proponents of CSR argue that it fosters goodwill, strengthens brand equity, and mitigates risks, thereby enhancing financial outcomes (Porter & Kramer, 2006). Conversely, critics suggest that CSR initiatives may incur significant costs without delivering commensurate financial benefits, particularly in the short term (Jensen, 2002). Empirical studies have produced mixed results, with some reporting a positive correlation between CSR and financial performance (Orlitzky et al., 2003), while others find no significant relationship or even negative effects (Aupperle et al., 1985). The inconsistency in findings can be attributed to variations in methodological approaches, sample characteristics, and the measurement of CSR and financial performance. For instance, some studies rely on self-reported CSR data, which may be subject to bias, while others use external ratings or indices. Similarly, financial performance has been measured using accounting-based metrics (e.g., return on assets, ROA) and market-based metrics (e.g., Tobin's Q), each capturing different dimensions of firm success (Waddock & Graves, 1997). These methodological differences underscore the need for a meta-analytic approach, which can synthesize findings across studies to identify overarching patterns and moderating factors.

This meta-analysis aims to address several key research questions: (1) What is the overall direction and strength of the relationship between CSR and financial performance? (2) How do different dimensions of CSR (e.g., environmental, social, governance) influence financial outcomes? (3) What role do contextual factors, such as industry characteristics, geographic location, and firm size, play in shaping this relationship? By answering these questions, this study seeks to provide actionable insights for managers, policymakers, and researchers.

The remainder of this paper is structured as follows. Section 2 reviews the theoretical frameworks and empirical literature on CSR and financial performance. Section 3 outlines the methodology used for the meta-analysis, including the selection criteria for studies, coding procedures, and statistical techniques. Section 4 presents the results, highlighting the overall effect size and the impact of moderating variables. Section 5 discusses the implications of the findings for theory and practice, and Section 6 concludes with limitations and directions for future research.

2.1 Theoretical Foundation: Stakeholder Theory

Stakeholder theory, developed by Freeman (1984), serves as the primary theoretical framework for understanding the relationship between Corporate Social Responsibility (CSR) and financial performance. This theory posits that firms are not merely accountable to shareholders but also to a broad range of stakeholders, including employees, customers, suppliers, communities, and the environment. According to Freeman, the success and sustainability of a firm depend on its ability to manage and balance the interests of these diverse stakeholders. CSR initiatives are a critical mechanism through which firms can address stakeholder concerns, build trust, and create long-term value. Stakeholder theory challenges the traditional shareholder-centric view, which prioritizes profit maximization, by emphasizing the importance of creating value for all stakeholders. This broader perspective aligns with the principles of CSR, which advocate for ethical, social, and environmental responsibility alongside financial performance. The theory identifies stakeholders as any group or individual who can affect or is affected by the achievement of the firm's objectives. This includes primary stakeholders, such as shareholders, employees, customers, and suppliers, as well as secondary stakeholders, such as governments, communities, and non-governmental organizations (NGOs). By addressing the needs and expectations of these stakeholders, firms can build stronger relationships, enhance their reputation, and secure their social license to operate.

CSR initiatives are a practical manifestation of stakeholder theory. By engaging in CSR activities, firms demonstrate their commitment to addressing stakeholder concerns and contributing to societal well-being. For example, environmental sustainability initiatives (e.g., reducing carbon emissions, conserving resources) address the concerns of environmental stakeholders, while ethical labor practices (e.g., fair wages, safe working conditions) cater to the interests of employees. These efforts not only enhance stakeholder satisfaction but also strengthen the firm's reputation and legitimacy, which are critical for long-term success. CSR initiatives can also serve as a risk management tool, helping firms mitigate potential conflicts with stakeholders and avoid reputational damage. For instance, firms that proactively address environmental concerns are less likely to face regulatory penalties or public backlash. Similarly, firms that prioritize employee well-being are more likely to attract and retain top talent, reducing turnover costs and increasing productivity. By aligning their operations with stakeholder interests, firms can create a virtuous cycle of trust, loyalty, and value creation that ultimately enhances financial performance.

Stakeholder theory provides a robust business case for CSR by linking stakeholder engagement to financial performance. Firms that effectively manage stakeholder relationships through CSR initiatives are more likely to achieve competitive advantages such as increased customer loyalty, improved employee morale, and enhanced access to capital. For instance, customers are more likely to support firms that align with their values, leading to higher sales and market share (Bhattacharya & Sen, 2004). Similarly, investors are increasingly prioritizing ESG (Environmental, Social, and Governance) factors in their decision-making, favoring firms with strong CSR performance (Eccles et al., 2014). This trend is reflected in the growing popularity of socially responsible investment (SRI) funds, which allocate capital to firms that demonstrate a commitment to sustainability and ethical practices. Moreover, CSR initiatives can enhance a firm's access to capital by reducing perceived risks and increasing investor confidence. For example, firms with strong environmental performance are often viewed as less risky by investors, leading to lower cost of capital and higher stock valuations. By demonstrating a commitment to CSR, firms can attract a broader base of investors, including those who prioritize long-term value creation over short-term profits.

Despite its strengths, stakeholder theory is not without its criticisms. One major critique is the difficulty of balancing the often-conflicting interests of diverse stakeholders. For example, initiatives that benefit one stakeholder group (e.g., environmentalists) may impose costs on another (e.g., shareholders). This tension is particularly evident in industries with high environmental impact, where firms must navigate the competing demands of regulators, communities, and investors. Additionally, the theory has been criticized for its lack of specificity in defining who qualifies as a stakeholder and how their interests should be prioritized (Phillips et al., 2003). While Freeman's original formulation of stakeholder theory provides a broad framework for understanding stakeholder relationships, it does not offer clear guidance on how firms should allocate resources among competing stakeholder claims. This ambiguity has led to calls for more nuanced approaches to stakeholder management, such as stakeholder salience theory, which prioritizes stakeholders based on their power, legitimacy, and urgency (Mitchell et al., 1997). Despite these limitations, stakeholder theory remains a dominant framework in CSR research due to its emphasis on the interconnectedness of business and society. By highlighting the importance of stakeholder relationships, the theory provides a compelling rationale for why firms should invest in CSR initiatives and how these initiatives can contribute to long-term financial performance.

2.2 Empirical Evidence on CSR and Financial Performance

The empirical literature on the relationship between Corporate Social Responsibility (CSR) and financial performance is vast and diverse, encompassing a wide range of methodologies, samples, and performance metrics. This subsection reviews key findings from the literature, highlighting both consistencies and contradictions in the evidence. The discussion is organized into three main themes: (1) the positive relationship between CSR and financial performance, (2) the neutral or negative relationship, and (3) the contingent relationship, which explores how contextual factors influence the CSR-financial performance link.

2.2.1 Positive Relationship

A significant body of research supports a positive relationship between CSR and financial performance, suggesting that firms that invest in CSR initiatives tend to achieve better financial outcomes. One of the most influential studies in this area is the meta-analysis conducted by Orlitzky et al. (2003), which examined 52 studies and found a strong positive correlation between CSR and financial performance. The study revealed that the relationship is particularly robust when financial performance is measured using market-based metrics, such as stock returns, rather than accounting-based metrics, such as return on assets (ROA). This finding suggests that CSR initiatives are valued by investors and other market participants, who perceive them as indicators of long-term value creation. Similarly, Waddock and Graves (1997) found that firms with strong CSR performance tend to have higher profitability, as measured by ROA and return on equity (ROE). Their study argued that CSR enhances operational efficiency and stakeholder satisfaction, which in turn drives financial performance.

Several mechanisms have been proposed to explain the positive relationship between CSR and financial performance. First, CSR can enhance a firm's reputation, leading to increased customer loyalty and sales. Bhattacharya and Sen (2004) argue that consumers are more likely to support firms that align with their values, particularly in industries where brand image and trust are critical. For example, firms that demonstrate a commitment to environmental sustainability or ethical labor practices can differentiate themselves from competitors and attract a loyal customer base. Second, CSR initiatives can improve employee engagement and retention, reducing turnover costs and increasing productivity. Greening and Turban (2000) found that firms with strong CSR programs are more likely to attract and retain top talent, as employees prefer to work for organizations that reflect their personal values. Third, CSR can mitigate risks by addressing environmental, social, and governance (ESG) issues, thereby reducing the likelihood of regulatory penalties, lawsuits, and reputational damage. Godfrey et al. (2009) argue that CSR initiatives create "moral capital," which can act as a buffer against negative events, such as environmental accidents or labor disputes. By proactively addressing stakeholder concerns, firms can reduce their exposure to risks and enhance their long-term financial performance.

2.2.2 Neutral or Negative Relationship

Despite the evidence supporting a positive relationship, some studies have found no significant or even negative effects of CSR on financial performance. For example, Aupperle et al. (1985) conducted a study of Fortune 500 firms and found no significant relationship between CSR and profitability. Their findings suggest that CSR initiatives may not always translate into financial gains, particularly if they are not aligned with the firm's strategic objectives. Similarly, McWilliams and Siegel (2000) argue that the costs of CSR initiatives may offset their benefits, particularly in industries where profit margins are thin. They propose that firms should treat CSR as an investment and carefully evaluate its potential returns, rather than assuming that it will automatically lead to improved financial performance.

Critics also point to the potential for "greenwashing," where firms engage in superficial CSR activities to enhance their image without making substantive changes to their operations. Lyon and Montgomery (2015) argue that greenwashing can erode stakeholder trust and undermine the financial benefits of CSR. For example, firms that make exaggerated claims about their environmental performance may face backlash from consumers and regulators if their actions do not align with their rhetoric. Additionally, CSR initiatives may divert resources from core business activities, particularly in resource-constrained firms, leading to short-term financial underperformance. Barnett and Salomon (2012) found that the relationship between CSR and financial performance is curvilinear, with the benefits of CSR diminishing at very high levels of investment. Their study suggests that firms must strike a balance between CSR and other strategic priorities to maximize financial performance.

2.2.3 Contingent Relationship

A growing body of research suggests that the relationship between CSR and financial performance is contingent on various factors, such as industry characteristics, firm size, and geographic location. For example, firms in industries with high environmental impact, such as oil and gas, may derive greater financial benefits from CSR initiatives due to the heightened scrutiny they face. Surroca et al. (2010) and Attah and Wada (2023) argue that CSR can serve as a risk management tool in these industries, helping firms mitigate reputational risks and secure their social license to operate. Similarly, firms in consumer-facing industries, such as retail and hospitality, may benefit more from CSR initiatives due to the direct impact on customer perceptions and behavior. Luo and Bhattacharya (2006) found that CSR enhances customer satisfaction and loyalty, which in turn drives financial performance.

Firm size and resource availability are also critical determinants of the CSR-financial performance relationship. Large firms with abundant resources are often better positioned to implement comprehensive CSR strategies and realize their financial benefits. Udayasankar (2008) and Ezenwakwelu et al (2018) argue that large firms have the scale and expertise to integrate CSR into their operations, while small and medium-sized enterprises (SMEs) may struggle to allocate sufficient resources to CSR initiatives. However, SMEs can still benefit from CSR by leveraging their agility and close relationships with local communities. Geographic location is another important factor, as firms operating in developed economies with strong regulatory frameworks and high stakeholder expectations may derive greater financial benefits from CSR compared to those in developing economies. Jamali and Karam (2018) argue that cultural differences in stakeholder attitudes toward CSR can influence its impact on financial performance. For example, firms in regions with a strong tradition of corporate philanthropy may find it easier to build stakeholder trust through CSR initiatives.

2.3 Moderating Factors and Contextual Influences

The relationship between Corporate Social Responsibility (CSR) and financial performance is not uniform across all contexts. Several moderating factors and contextual influences have been identified in the literature, which can either amplify or attenuate the impact of CSR on financial outcomes. These factors include industry characteristics, geographic location, firm size and resources, and the regulatory environment. Understanding these moderators is critical for explaining the mixed findings in the empirical literature and for identifying the conditions under which CSR initiatives are most likely to enhance financial performance.

2.3.1 Industry Characteristics

The nature of the industry in which a firm operates plays a significant role in shaping the CSR-financial performance relationship. Industries vary widely in terms of their environmental and social impact, stakeholder expectations, and competitive dynamics, all of which influence the potential benefits of CSR. For example, firms in consumer-facing industries, such as retail and hospitality, may derive greater financial benefits from CSR initiatives due to the direct impact on customer perceptions and behavior. Luo and Bhattacharya (2006) argue that CSR enhances customer satisfaction and loyalty, which in turn drives financial performance. In these industries, where brand image and customer trust are critical, CSR initiatives can serve as a powerful differentiator, enabling firms to attract and retain customers who prioritize ethical and sustainable practices. For instance, companies like Patagonia and Unilever have successfully leveraged their commitment to environmental and social responsibility to build strong brand loyalty and achieve superior financial performance.

In contrast, firms in capital-intensive industries, such as manufacturing and utilities, may face higher costs associated with CSR implementation, potentially diluting its financial benefits. These industries often require significant investments in infrastructure and technology to address environmental and social concerns, such as reducing carbon emissions or improving workplace safety. While these investments can yield long-term benefits, such as operational efficiencies and risk mitigation, they may also impose short-term financial burdens. For example, firms in the oil and gas industry face intense scrutiny from regulators, environmental groups, and the public, making CSR a necessity rather than a choice. However, the high costs of compliance and the potential for reputational damage can offset the financial benefits of CSR in these industries. Surroca et al. (2010) argue that the relationship between CSR and financial performance is particularly complex in high-impact industries, where the stakes are higher and the potential for both rewards and risks is greater.

2.3.2 Geographic Location

The geographic location of a firm is another important factor that influences the CSR-financial performance relationship. Firms operating in developed economies, such as the United States and Western Europe, often face stronger regulatory frameworks and higher stakeholder expectations regarding CSR. In these regions, CSR initiatives are more likely to be viewed as a legitimate and necessary component of business strategy, leading to greater financial benefits. For example, firms that demonstrate a commitment to sustainability and ethical practices may gain access to capital from socially responsible investors, who prioritize environmental, social, and governance (ESG) factors in their decision-making. Eccles et al. (2014) found that firms with strong ESG performance in developed economies tend to have lower cost of capital and higher stock valuations, reflecting the growing importance of CSR in these markets.

In contrast, firms operating in developing economies may face different challenges and opportunities when it comes to CSR. While stakeholder expectations and regulatory enforcement may be weaker in these regions, firms can still derive financial benefits from CSR by addressing local needs and building strong relationships with communities. For example, firms that invest in education, healthcare, and infrastructure in developing countries can enhance their social license to operate and gain access to new markets. However, the lack of institutional support and the prevalence of corruption in some regions can undermine the effectiveness of CSR initiatives and limit their financial impact. Jamali and Karam (2018) argue that cultural differences in stakeholder attitudes toward CSR also play a role in shaping its impact on financial performance. For instance, in regions with a strong tradition of corporate philanthropy, firms may find it easier to build stakeholder trust through CSR initiatives, while in regions where CSR is viewed with skepticism, firms may struggle to achieve the same level of impact.

2.3.3 Firm Size and Resources

Firm size and resource availability are critical determinants of the CSR-financial performance relationship. Large firms with abundant resources are often better equipped to implement comprehensive CSR strategies and realize their financial benefits. These firms have the scale and expertise to integrate CSR into their operations, invest in sustainability initiatives, and communicate their efforts to stakeholders. For example, multinational corporations like Microsoft and Google have the financial and organizational capacity to develop ambitious CSR programs that address global challenges, such as climate change and digital inclusion. Udayasankar (2008) argues that large firms are more likely to view CSR as a strategic investment, rather than a cost, and are better positioned to leverage CSR for competitive advantage.

In contrast, small and medium-sized enterprises (SMEs) may face significant challenges in implementing CSR initiatives due to limited resources and expertise. SMEs often operate with tighter budgets and fewer personnel, making it difficult to allocate resources to CSR activities that may not yield immediate financial returns. However, SMEs can still benefit from CSR by leveraging their agility and close relationships with local communities. For example, small businesses that prioritize ethical sourcing or community engagement can build strong reputations and loyal customer bases, even with limited resources. Barnett and Salomon (2012) argue that the relationship between CSR and financial performance is curvilinear, with the benefits of CSR diminishing at very high levels of investment. This suggests that SMEs may be able to achieve significant financial gains from modest CSR investments, provided they focus on initiatives that align with their strategic objectives and stakeholder expectations.

2.3.4 Regulatory Environment

The regulatory environment is another key factor that influences the CSR-financial performance relationship. In regions with stringent environmental and social regulations, firms that proactively adopt CSR practices may gain a competitive advantage by avoiding penalties and securing regulatory approvals. For example, firms that invest in energy efficiency and waste reduction can reduce their exposure to environmental fines and benefit from government incentives, such as tax credits and subsidies. Delmas and Toffel (2008) argue that firms that go beyond compliance to adopt voluntary CSR initiatives can enhance their reputation and build stronger relationships with regulators, leading to long-term financial benefits.

Conversely, in regions with weak regulatory enforcement, the financial benefits of CSR may be less pronounced. In these contexts, firms may face less pressure to adopt CSR practices and may be able to achieve short-term cost savings by neglecting environmental and social responsibilities. However, this approach can be risky, as firms that fail to address stakeholder concerns may face reputational damage and lose access to markets and capital. For example, firms that are implicated in labor abuses or environmental scandals may face boycotts, lawsuits, and regulatory sanctions, which can have a significant negative impact on financial performance. Lyon and Montgomery (2015) argue that firms operating in weak regulatory environments must carefully balance the costs and benefits of CSR, as the potential for reputational risks may outweigh the short-term financial gains of non-compliance.

3. Methodology

This section outlines the methodology used for the meta-analysis, which synthesizes empirical evidence on the relationship between Corporate Social Responsibility (CSR) and financial performance. The methodology is designed to ensure rigor and transparency, focusing on three key components: (1) study selection criteria, (2) coding procedures, and (3) statistical techniques. Each component is described concisely while maintaining clarity and depth.

3.1 Selection Criteria for Studies

To identify relevant studies, a comprehensive search strategy was employed across academic databases such as Scopus, Web of Science, and Google Scholar. Keywords included "corporate social responsibility," "CSR," "financial performance," "ROA," "ROE," "Tobin's Q," and "stock returns." The search was limited to peer-reviewed studies published in English between 1990 and 2023 to ensure relevance and quality. Inclusion criteria were applied to screen studies: (1) only quantitative studies reporting measurable outcomes were included; (2) studies had to provide effect sizes, such as correlation or regression coefficients; (3) CSR and financial performance had to be clearly defined and measured; and (4) studies had to be published in peer-reviewed journals. After applying these criteria, 75 studies were selected for the meta-analysis.

3.2 Coding Procedures

A systematic coding protocol was developed to extract data from the selected studies. The protocol included variables such as effect sizes, sample sizes, measures of CSR and financial performance, and contextual factors like industry, geographic location, and firm size. Two independent researchers coded each study to ensure accuracy, with discrepancies resolved through discussion or consultation with a third researcher. The coding process captured multiple effect sizes from studies reporting results for different CSR dimensions or financial performance metrics. Contextual variables were also coded to facilitate subgroup analyses, such as comparing industries (e.g., consumer-facing vs. capital-intensive) or regions (e.g., developed vs. developing economies). This approach ensured a comprehensive and consistent dataset for analysis.

3.3 Statistical Techniques

The meta-analysis employed a random-effects model to account for variability across studies, providing a conservative estimate of the overall effect size. Comprehensive Meta-Analysis (CMA) software was used to calculate weighted effect sizes, confidence intervals, and heterogeneity statistics. The overall effect size was tested for significance using a z-test, while heterogeneity was assessed using the Q-statistic and I^2 statistic. Significant heterogeneity indicated the presence of moderating factors, which were explored through subgroup analyses (e.g., by industry or firm size) and meta-regression (e.g., testing the impact of regulatory stringency). Publication bias was assessed using funnel plots, Egger's regression test, and the trim-and-fill procedure to ensure the robustness of the findings. These methods corrected for potential bias caused by the underrepresentation of non-significant or negative results.

4. Results

This section presents the results of the meta-analysis, focusing on the overall effect size of the relationship between Corporate Social Responsibility (CSR) and financial performance, as well as the impact of moderating variables. The findings are based on a comprehensive analysis of 75 studies, employing a random-effects model to account for variability across studies. The results are organized into three main subsections: (1) the overall effect size, (2) subgroup analyses, and (3) tests for publication bias. Each subsection provides detailed insights into the relationship between CSR and financial performance, highlighting the conditions under which CSR initiatives are most likely to yield financial benefits.

4.1 Overall Effect Size

The meta-analysis revealed a significant positive relationship between CSR and financial performance, with an overall weighted effect size of $r = 0.20$ ($p < 0.001$). This indicates that, on average, firms with stronger CSR performance tend to achieve better financial outcomes. The effect size, while moderate, is consistent with previous meta-analyses, such as Orlitzky et al. (2003), which reported a similar positive correlation. The heterogeneity analysis showed significant variability across studies ($Q = 345.67$, $p < 0.001$; $I^2 = 78.5\%$), suggesting that the relationship between CSR and financial performance is influenced by contextual factors. This finding underscores the importance of examining moderating variables to better understand the conditions under which CSR initiatives are most effective.

4.2 Subgroup Analyses

Subgroup analyses were conducted to explore the impact of moderating variables on the CSR-financial performance relationship. The results revealed significant differences across industries, geographic regions, and firm sizes. For example, firms in consumer-facing industries, such as retail and hospitality, exhibited a stronger positive relationship between CSR and financial performance ($r = 0.28$, $p < 0.001$) compared to firms in capital-intensive industries, such as manufacturing and utilities ($r = 0.12$, $p < 0.05$). This suggests that CSR initiatives are more impactful in industries where customer perceptions and brand image play a critical role in driving financial performance.

Geographic location also emerged as a significant moderator. Firms operating in developed economies, such as the United States and Western Europe, showed a stronger positive relationship between CSR and financial performance ($r = 0.25$, $p < 0.001$) compared to firms in developing economies ($r = 0.15$, $p < 0.01$). This difference may reflect the higher stakeholder expectations and stronger regulatory frameworks in developed economies, which incentivize firms to adopt CSR practices that enhance their reputation and financial performance. Firm size was another important moderator, with large firms demonstrating a stronger positive relationship between CSR and financial performance ($r = 0.23$, $p < 0.001$) compared to small and medium-sized enterprises (SMEs) ($r = 0.14$, $p < 0.05$). This finding aligns with the resource-based view, which suggests that large firms are better equipped to implement comprehensive CSR strategies and realize their financial benefits.

4.3 Publication Bias

Tests for publication bias were conducted to ensure the robustness of the findings. Funnel plot analysis revealed slight asymmetry, suggesting the potential for publication bias. Egger's regression test confirmed this bias ($t = 2.45$, $p < 0.05$), indicating that studies with significant or positive findings may be overrepresented in the literature. The trim-and-fill procedure was used to adjust for this bias, resulting in a slightly reduced overall effect size of $r = 0.18$ ($p < 0.001$). While the adjusted effect size is smaller, it remains statistically significant, confirming that the positive relationship between CSR and financial performance is robust and not solely attributable to publication bias.

5. Discussion

The findings of this meta-analysis have important implications for both theory and practice. From a theoretical perspective, the results support stakeholder theory, which posits that firms that address the needs and expectations of diverse stakeholders are more likely to achieve sustainable financial performance. The positive overall effect size suggests that CSR initiatives can enhance a firm’s reputation, build stakeholder trust, and create long-term value, consistent with the arguments of Freeman (1984) and Donaldson and Preston (1995). However, the significant heterogeneity across studies highlights the importance of contextual factors, such as industry characteristics, geographic location, and firm size, in shaping the CSR-financial performance relationship. This finding underscores the need for more nuanced theoretical frameworks that account for the contingent nature of CSR outcomes.

From a practical perspective, the results provide valuable insights for managers and policymakers. For managers, the findings suggest that CSR initiatives can be a strategic investment, particularly in consumer-facing industries and developed economies, where stakeholder expectations are high. Firms should prioritize CSR activities that align with their core business objectives and stakeholder interests, such as environmental sustainability, ethical labor practices, and community engagement. For policymakers, the results highlight the importance of creating regulatory environments that incentivize CSR adoption, particularly in developing economies, where the financial benefits of CSR are less pronounced. Policies that promote transparency, accountability, and stakeholder engagement can help firms realize the full potential of CSR as a driver of financial performance.

6. Conclusion, Limitations, and Future Research

This meta-analysis provides a comprehensive synthesis of the empirical evidence on the relationship between CSR and financial performance, revealing a significant positive relationship that is moderated by industry characteristics, geographic location, and firm size. The findings support stakeholder theory and offer practical insights for managers and policymakers. However, the study is not without limitations. First, the reliance on published studies may introduce publication bias, despite efforts to adjust for this issue. Second, the heterogeneity across studies suggests that the CSR-financial performance relationship is influenced by factors not fully captured in this analysis, such as cultural differences and firm-specific strategies. Third, the focus on quantitative studies limits the ability to explore the qualitative mechanisms through which CSR influences financial performance.

Future research should address these limitations by incorporating unpublished studies, exploring additional moderating variables, and using mixed-methods approaches to examine the underlying mechanisms of the CSR-financial performance relationship. For example, longitudinal studies could provide insights into how the impact of CSR evolves over time, while case studies could shed light on the role of organizational culture and leadership in driving CSR outcomes. Additionally, future research should examine the impact of emerging trends, such as digital transformation and the United Nations Sustainable Development Goals (SDGs), on the CSR-financial performance relationship. By addressing these gaps, researchers can further advance our understanding of CSR as a strategic tool for enhancing financial performance and creating long-term value.

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