

# The impact of social responsibility on the **Company** financial performance of the Asian industrial sectors

## ABSTRACT

**Aims:** This research aims to study the relationship between social responsibility with its dimensions (economic, employee, and product) and **company** financial performance of Asian industrial sector companies.

**Methodology:** This study used a sample of 113 listed companies from 2020 to 2023 using secondary data and DataStream and the study used the OLS Robust regression to test the relation between the variables.

**Results:** The results showed that there is an important and positive link between social responsibility and its dimensions (economic, employee, and product) with financial performance. Since CSR is not a compulsory practice, many companies may not feel the need to involve in it. The regulators of Asian industrial companies could take advantage of these results in their attempt to achieve a development process.

**Conclusion:** Though, with all the profits it needs, companies should take it as essential and start employed today with the aim of attractive a socially responsible organization for all. The process of "social responsibility" in development means that development aims are not limited to the current, but rather we must see their findings in the future.

**Keywords:** Social responsibility, financial performance, Asian industrial sectors

## 1. INTRODUCTION

The term "social responsibility (SR)" was first mentioned in 1923, indicating that the responsibility of any organization is mainly a social responsibility, and that the existence and continuity of any organization requires that it follow to and achieve its social responsibility towards the accomplishment of its mission but its different functions. Social responsibility in its broad and complete concept includes the obligation to achieving balance among multiple but interconnected parties signified by the interests and needs of each of the productive firms and their workers, the external environment and society (Aftab et al., 2024). The organization's activities in relations of quality are dividing into environmental security activities, communication with the local consumer protection, community, and activities related to workers. The definitions that were given to the term CSR were written in 1975 by Elias

&Epstein, where CSR was well-defined as the disclosure of some of the organization's work, in connection to social actions in terms of their performance or effect on society. Social responsibility is the responsibility of the organization towards the effects of its activity on society (Alazzani et al., 2019). "To perform this function, the organization must respect the laws, regulations and treaties it has concluded with various parties. In order for the organization to perform this function well, it is assumed that it will enter into limited partnerships with various parties and determine the path directed towards including the organization's concerns for social and environmental issues, ethics, and respect for human and consumer rights, whether in its operational activities or in its strategy" (Bayoud et al., 2012). This study is very important as it contributes to revealing information about the social responsibility (economic, employee, and product), as this enhances the disclosure of information and increases the company's reputation, which leads to increased performance.

A company that is committed to educating the world is more likely to succeed, and some of the profits of applying CSR strategies include: Being a responsible and sustainable business can make it simple to employ new employees or keep existing ones. Employees may be interested to stay extended, decreasing the costs and disruptions linked with employing and training. Many firms view CSR activities as an important portion of their brand, considering that customers are more likely to spend money with a company that support and contributes in activities that enhance community. CSR actions can be a key portion of firm public links and can be mainly effective when affecting ethical businesses, the public sector and non-profit firms. CSR activities can enhance to develop a stronger bond among employees, raise their morale and support them and more linked to the world about them. This can support you construct a reputation as a responsible business, which in turn can basic to a "competitive advantage" (Ar., & Abbas, 2020).

Activating the role of SR in economic and social development there is no doubt that the level of "social responsibility" of the private sector in Asian countries has not yet reached what it has reached in major countries. Despite

the much discussion about the role of the “private sector in development”, especially after the decline of the state's role in social and economic development in the previous decades of the last century, this role is still in its early stages without effective development. The concept of social responsibility and its dimensions have not yet been defined in a specific and decisive manner in Asian countries, nor has it been given a systematic character by legislative bodies, which has led to the concept of social responsibility and its implications being subject to multiple interpretations, some of which see it as merely a reminder to establishments of their responsibilities (Chang et al., 2017).

The activities and policies that fall under the obligations and that the SR human resources manager should follow include the following: Firstly, selecting employees in a manner that suits social responsibility. The human resources manager must carefully investigate the candidates for work in the company, and ensure that their qualifications fully match the job requirements. The selection process must not be tainted by any bias, mediation, or other violations of the standards of fairness and sound and fair employment, such as employment based on kinship, previous knowledge, or recommendation from higher authorities. If it is later discovered that any of these standards have been violated and the employee does not match the requirements and qualifications of the job, the damage will be clear and will affect the reputation of the company. Secondly, educating and training employees and developing their relationships. Human resources managers and companies have a social responsibility towards their employees, which is to help them enhance their talents, which achieves the required career development and benefits the company's interests. Therefore, the management plans of companies should include integrating many training activities and workshops to provide employees with the necessary skills for personal and professional growth, enhance their capabilities and interaction within the professional environment and contexts, and develop positive relationships within the team. All these factors combined will reduce the burden of the job on employees and create a sense of comfort and belonging (Sofian et al., 2020).

Thirdly, achieving justice it is the responsibility of HRM to contribute to achieving justice and enhancing the sense of fairness and non-discrimination between individuals for any reason, such as gender, color, religion, origins, and other unfair reasons. Rather, motivation and rewards must be adopted according to clear and announced standards such as performance, commitment, and achievement. It should be noted that no matter how comfortable and profitable the working conditions are from a material point of view, the absence of a sense of justice in the work environment generates undesirable behaviors, in addition to negative feelings towards work and others (Crisóstomo, & Freire, 2011).

The sustainable product life cycle is one of the modern and important issues in the field of sustainability and the environment, as converting the normal product life cycle into a sustainable cycle plays a crucial role in protecting the environment and improving the economic and environmental performance of products and the workplace for employees. The sustainable product life cycle means assessing and managing the environmental impacts of the product at its various stages of its life, starting from the extraction of raw materials and manufacturing the product, all the way to its use and disposal in a safe and effective manner (Mwangi, & Jerotich, 2013).

Converting the product life cycle into a sustainable cycle is of great importance, from many aspects, namely. It achieves the conservation of natural resources and reduces harmful environmental impacts, as companies and consumers can “reduce the consumption of natural resources such as water, energy and raw materials”, by improving the efficiency of resource use and reducing waste and emissions. Transforming the product life cycle contributes to improving the environmental performance of companies and achieving competitive advantage. “Firms that assume sustainable product life cycle management practices” can meet customers' increasing expectations for environmentally friendly products and achieve innovation and excellence in the market. Transforming the sustainable product life cycle enhances economic sustainability, in addition to achieving cost savings and improving

resource efficiency, and companies can benefit from new business opportunities and expand the customer base.

Therefore, it can be said that transforming the product life cycle into a sustainable cycle is the better way to ensure environmental protection and attain sustainability in the industrial sector. It is a transformation that achieves many sustainable economic and environmental benefits, and contributes to building a better and more sustainable future for future generations.

## 2. REVIEW OF STUDIES

### Corporate Social Responsibility in Human Resources

“Social responsibility in human resources” is one of the most important aspects that companies should pay great attention to. This responsibility should be rooted in human resource management systems. Listing some of the approved definitions of social responsibility. According to ISO, “Corporate social responsibility expresses its responsibility for the impact of its decisions and activities on the environment and society, which is reflected in ethical behavior through. Sustainable development, including health and well-being of society – taking into account what pressure groups expect. Respecting laws while observing international standards (Giannopoulos, et al., 2024 & Ehsan, & Kaleem, 2012).

There are many theories utilised between social responsibility and financial performance, for example, the arbitration theory. “The traditional arbitration theory This theory came within the framework of the traditional theory, which states that the founder of social responsibility takes into account social responsibility and bears the expenses resulting from it, which confirms this, and increases the value of costs that in turn affect its return. Friedman believes that the initiatives undertaken by the institution towards its environment are always financial, specially with regard to what has a negative impact on the institution, especially with regard to what others have gone to the belief that social responsibility leads to the emergence of a selfish life for the founder, whose primary goal is to maximize profits and obtain capital”.

Maintaining it within the organization's culture and relationships."According to the world business council for sustainable development, "corporate social responsibility is the ongoing commitment of businesses to ethical behavior and to contributing to economic development while improving the quality of life of the workforce and their families, as well as local communities and society in general".Based on this, it is the duty of organizations and human resource managers to adopt business ethics and social responsibility when dealing with the internal professional "environment" and the external societal "environment". In the event that institutions violate any of these standards or controls, they are subject to harsh criticism from society and punished by custom and law. Therefore, many institutions seek not to abandon their social responsibility, as the costs of their social obligations are incomparable to the potential costs in the event of a breach.

Stopping the waste of economic resources, reducing disparities in income and wealth, as well as the rational and wise use of economic capabilities. In addition, "sustainable development is concerned with equality between peoples and countries in the level of economic development, as global indicators indicate that the peoples of developed countries enjoy wealth and social welfare, and an increase in their level of economic growth", which has led to the development of production and consumption patterns in them. In contrast, developing countries are witnessing a significant deterioration in their natural resources and a decline in their economies, which is negatively reflected in the social feature of their peoples complete high "unemployment rates" and a decline in the standard of living of their individuals. This is a result of their reliance on the economy and the increase in military spending instead of fighting poverty and the economic crises they are experiencing. This imposes the rational use of these resources in a way that leads to protecting the environment and improving the social and economic conditions of current and future groups (Chung, & Young, 2019). However, there is yet any study on the relation among SR with its dimensions (economic, employee, and product) and CFP in the context of Asian industrial sector companies. Therefore, the present study fills this gap by considering such link. The following is hypothesised:

H1. The SR and its dimensions (economic, employee, and product) are positively linked with the corporate financial performance of of Asian industrial sector companies.

### 3. RESEARCH METHODS

Methodology and procedures of the study this study was based on empirical analysis. It dealt with the independent variable, namely social responsibility(economic, employee, and product), and the second variable, financial performance (FP). The study population consists of 113 individuals working in Asian industrial sectorsby using secondary data from DataStream and annual reports. This study used OLS regression to test the model. Measures of all variables mentioned below.“This study utilised the OLS Robust regression is another to least squares regression when data with outliers and it can also be employed for the aim of discovering important observations”. The social responsibility and its dimensions (economic, employee, and product) measured by using disclosure index by used the quality of disclosure by employed (0, 1, 2), 0 refer to no information disclosed by the company, 1 refer to the company disclosure of the general information, and 2 refer to the company disclose on the quantitative information. The “financial performance” measured by utilised the return on assets (ROA).

This study shows the model that links two basic variables to show the influence of the first variable is the “independent variable” (social responsibility) with its dimensions (economic, employee, and product) and the “dependent variable” (financial performance) in Asian industrial sectors. The regression of this model clarifies the linkage.

$$FP = \beta_0 + \beta_1 ECOit + \beta_2 EMPit + \beta_3 PROit + \beta_5 SRit + \epsilon$$

### 4. THE STUDY FINDINGS

#### *Descriptive statistics test*

This study shows in Table 1 the descriptive statistics examined in the “sample” of 113 “annual reports” of Asian industrial sectors from 2020 to 2023. Financial performance shows an average of 0.251. Social responsibility shows 0.299, economic 0.123, employee 0.500, and product 0.119.

**Table 1: Descriptive analysis**

Variable	Obs	Mean	Std. Dev.	Min	Max
Financial performance	113	0.251	0.200	-15.231	8.213
Economics	113	0.123	0.216	0.000	1.312
Employee	113	0.500	0.213	0.000	1.388
Product	113	0.119	0.133	0.000	1.342
Social responsibility	113	0.299	0.142	0.000	1.149

**Correlation test**

Based on what was shown in the “statistical test” of the study data and the correlation analysis displays in the table 2 there is significant with positive correlation among (social responsibility) with its dimensions (economic, employee, and product) with financial performance.

**Table 2: correlation test**

Variables	Financial performance	Economics	Employee	Product	Social responsibility
Financial performance	1.000				
Economics	0.910***	1.000			
Employee	0.154	0.348***	1.000		
Product	0.166*	0.412***	0.232**	1.000	
Social responsibility	0.132	0.645***	0.613***	0.443***	1.000

**Table 3: Regression test**

Financial performance	OLS Robust	
Variables	t.stat	sig
Economics	0.40	0.061*
Employee	0.10	0.029**
Product	0.05	0.010**
Social responsibility	0.81	0.043**
Constant	0.21	0.631
R2 (%)		43%
Adjusted R2 (%)		60%
F-value		1.09
p-value		0.42

The model results presented in Table 3 reveal the results (social responsibility) with its dimensions (economic, employee, and product), showed important positive link with FP. As a finding, “hypothesis” H1 is presented, according to which social responsibility is positively related to

financial performance. Regulators of Asian industrial companies could take advantage of these results in their attempt to achieve a development process. Furthermore, the results of this study can also be used to define effective social responsibility.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

The findings showed that there is a important and positive connection among social responsibility and its dimensions (economic, employee, and product) with financial performance. Since SR is not a compulsory practice, many companies may not feel the need to participate in it. Nevertheless, with all the profits it involves, companies should take it as a requirement and start employed today with the aim of becoming a “socially responsible” organization for all.

The time to take action to make your firm more sustainable. “Learn more about how getting continuous feedback from your employees will make a positive effect on your firm using the power of work”. Urging cities, organizations and firms to establish and enhance accepted reliable environmental and control systems standards and achieve sustainable development. Obligation to “sustainability standards” and consideration of green building systems and the use of modern environmentally friendly knowledge in building industrial and smart cities. Promoting society education on the significance of the “environment and sustainability” and how to reach the green economy. Promoting scientific assistance and building systems for global, national and regional businesses to transfer expertise and modern technologies that support the green economy. Producing, planning, and practicing “developmental and sustainable behaviours” that are integrated with the “national vision” for development and improve the private sector's “opportunities” to assume its environmental responsibility. The future outlook: The process of “social responsibility” in development means that development aims are not limited to the current, but rather we must see their findings in the future. The development process must be a wheel that continues to turn without stopping, and development processes in the present must not conflict

with the interests of future generations in any field, whether energy, environment, food resources or water.

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