The Impact of Corporate Social Responsibility on Company Profitability And Environmental Sustainability

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Abstract

Companies use social and environmental issues in their commercial operations as part of the CSR management philosophy. CSR is regarded as both a means of achieving sustainable development and a gauge of a business's overall performance. This study aims to analyze the impact of Corporate Social Responsibility (CSR) on company profitability and environmental sustainability. This research was prepared using a meta-analysis approach, this method combines several studies or journals in a research chosen as the research object. Researchers systematically draw conclusions from journals obtained through international journals regarding "The Impact of Corporate Social Responsibility". Of the five journals that we analyzed, it shows that the impact of corporate social responsibility on company profitability and environmental sustainability has an influence, but there is a difference in that CSR has no effect on profitability. It is hoped that the results of this analysis will provide useful knowledge for policy makers, economic practitioners and other stakeholders in planning the CSR concept. This research paves the way for future researchers to examine more deeply the impact of CSR on company profitability and environmental sustainability.

Keywords: Corporate Social Responsibility, Profitability, Environmental Sustainability.

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1. Introduction

The notion of corporate social responsibility (CSR) has evolved from the days when businesses or organizations prioritized profits above all else and were forced to take environmental issues into account for many years. We can obtain a number of competitive benefits by implementing the right Corporate Social Responsibility model, like improved access to finance and markets, higher earnings and sales, or lower expenses. Companies use social and environmental issues in their commercial operations as part of the CSR management philosophy. CSR is regarded as both a means of achieving sustainable development and a gauge of a business's overall performance.

Therefore, it is proven that beyond corporate social responsibility (CSR), environmental management can increase a company's financial profits. Companies consider reducing costs through environmental activities. These activities can reduce costs, improve a company's reputation, provide better opportunities for exporting, and increase a company's competitive advantage while reducing its environmental impact. Companies are connected with society and the environment because companies not only strive to generate financial profits, but also have to take social responsibility.

At the beginning of its development, the company only presented financial information such as earnings or profits. Profitability can be measured using profitability ratios, which show how effectively the company operates so as to produce profits that exceed ratios such as Return on Assets (ROA). Companies not only have to make a profit or profit, but also have to be able to maintain it and hope that these profits continue to increase. Companies often ignore the social, environmental and empowerment impacts caused by their activities. A good company not only produces large profits, but also pays attention to the environment and community welfare so that people around the company do not experience losses due to these activities. To survive in a competitive market, profitability and long-term growth are essential.

In addition, Corpotare Social Responsibility impacts business profits and environmental policies. Over the past few years, industry professionals, policymakers focused on environmental issues, academics, and business professionals have shown a lack of concern for the environment because they believe that the production of goods within their respective organizations does not significantly affect the natural environment. Socially responsible business development is based on the belief that modern organizations often lose their connection with natural resources, leading to unpredictable impacts on the environment. Consumers are learning about industrial waste, becoming more aware of wastewater channels to protect the environment, and the importance of corporate social responsibility.

The business landscape across the world has undergone a tremendous transformation due to increasing competition. In addition to pursuing financial gain and competitive advantage, it is important to assume responsibility for the negative impacts your actions have on the environment. For example, the manufacturing industry contributes significantly to many environmental problems, including pollution and waste, natural resource depletion, climate change, water pollution, and air pollution. As per the findings of Anna Zelazna et al. (2020), corporate social responsibility pertains to the voluntary consideration of an organization's operational influence on the environment by its business operations, while maintaining profitability and legal compliance.

Company value no longer depends on responsibility based on the bottom line, namely financial-based responsibility. Currently, financial conditions alone are not enough to guarantee the company's value to grow sustainably. Companies that consider social and environmental aspects will only be able to survive for so long. Companies that are deemed not to meet their social, economic and environmental needs have gradually generated resistance from the local community.

The background information provided above explains the issues that need to be looked at in this research, which include evaluating the effects of corporate social responsibility on business profitability and environmental sustainability. Researchers discovered a number of publications related to the impact of corporate social responsibility on business profitability and environmental sustainability, which will be used in the compilation of this research.

2. Research Methods

This research was prepared using a meta-analysis approach, this method combines several studies or journals in a research chosen as the research object. Researchers systematically draw conclusions from journals obtained through international journals regarding "The Impact of Corporate Social Responsibility". After identifying the journal, the researcher understands the contents of the journal and then develops existing findings based on similar topics, and uses them as a research study in compiling a discussion of the issues taken into making this journal.

In this research, the researcher collected 5 (five) appropriate journals, then analyzed them qualitatively by emphasizing patterns, themes and relationships that emerged from the literature. Next, the researcher carried out a comparative analysis to find out the similarities and differences between each journal, and explore the involvement of these differences.

This method functions as a CSR finding on company profitability and environmental sustainability. It also provides an understanding of the problems that arise with a particular issue and provides insight into additional components that may influence a CSR program. This research identifies research on the impact of corporate social responsibility on company profitability and environmental sustainability. To determine this impact, researchers used this meta-analysis approach to provide a deeper and more comprehensive understanding.

3. Result and Discussion

According to the findings of the study we discussed in the first article, regarding the impact of corporate social responsibility on business profitability in Zimbabwe The only listed company in the mobile telecommunications industry is Econet Wireless Zimbabwe Limited, which is the subject of this research. Because the p-value of 0.545 is greater than 0.05 according to Banele Dlamini's research, it shows that CSR has no effect on profitability. Zimbabwe still has a low level of economic growth, and not all companies practice social responsibility. To increase their competitive advantage, companies that take part in social responsibility enjoy better financial performance. According to Kwang-Ho Kim et al. (2015); Li, Zhou, and Shao (2009); and Porter (1980), studies show that corporate social responsibility does not affect industry profitability. The lack of influence of CSR on company profitability may also be due to the large implementation of CSR which can reduce profits in the short term. The weakness of this research is that it uses a single object so that the results of the research do not guarantee whether CSR has an effect on company profitability in Zimbabwe.

According to our research on the second article regarding corporate social responsibility towards the environment in the Lublin region, Poland, corporate social responsibility (CSR) towards the environment is a concept used by companies to carry out business activities while still generating profits and voluntarily considering the impact of their operations on the environment . This research focuses on businesses operating in the Lublin area. This research shows that social responsibility is related to conducting business that takes environmental needs into account.

Local businesses have the opportunity to apply the principles of environmental management and sustainable development. This study shows that corporate social responsibility has a positive influence on environmental sustainability, where the influencing factor is that companies have awareness of the impact on resources and look for solutions to minimize the burden. environment in their business processes, and companies in this region view corporate social responsibility as a long-term investment that can have a positive effect on the company. The weakness in this research is that it uses respondents from a less broad scope, namely only one region in Poland and data analysis uses as many as 50% of respondents in the Lublin region, Poland.

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We look at how corporate social responsibility impacts the profitability of companies in Nigeria in the third article of our research. According to research results, the level of companies implementing social responsibility in this country varies depending on the company itself. According to the analysis, the relationship between business performance measures and profit after tax and investment is negative (-0.177424). This demonstrates that Nigerian companies invest less in social responsibility the more profits they report. According to instrumental theory (Garriga and Mele, 2004), because it is assumed that corporate social responsibility is only a means to an end, a company's social power is determined by its political relationship with society.

The cost of equity capital and the expected rate of return for any company, regardless of whether they comply with corporate social responsibility or not (Hamilton et al., 1993). This happens because the risks associated with corporate compliance with social responsibility are not taken into account. According to this research, profitable companies in Nigeria invest less in social responsibility. This can threaten the long-term sustainability of companies, reduce their competitiveness, and affect their business growth. This research has a weakness because it does not acknowledge that there are limitations to the analysis, making it difficult for readers to assess the extent to which the results are reliable and can be applied to other ideas.

In the fourth article, we analyze the findings of the research known as “Empirical Analysis of the Slovak Republic”, which discusses the relationship between environmental stewardship and corporate social responsibility. The research looked at data from 200 companies in the 12 largest industrial groups in the Slovak Republic, working across a wide range of industries. According to this research, one of the factors that drives organizational transformation towards more sustainable production is corporate social responsibility (CSR). In this research, management systems are linked to business organizations and environmental protection. In addition, the company concentrates on the effective use of ecological resources by allocating the necessary financial resources to protect social welfare and the business environment.

According to Waxin et al., EMS-certified companies can increase their profits by reducing resource use and implementing better waste management. ISO 14001 is an international EMS standard that is growing in popularity worldwide and covers the essential elements of any environmental management system (EMS). In this article, it is found that companies in Slovakia gain greater profits when implementing environmental management and social responsibility systems. The weakness of this research is the lack of analysis involving financial companies and considering other management tools so that readers can increase corporate social and environmental awareness which can lead to sustainable development.

The results of our fifth article on the implementation of social responsibility and corporate environmental performance, socially responsible customer service does not only have a direct impact on performance in each area. Therefore, CSR is very important in managing and organizing environmental initiatives. Integration specifically emphasizes CSR in environmental plans, business plans, performance, capacity and green transformation. The main objective is to improve overall environmental performance through the preservation of non-renewable infrastructure resources, conservation of energy, water resources, reduction of unwanted emissions and air pollution. Corporate Social Responsibility has a significant impact on green transformational leadership, green capacity, strategic and environmental performance. Companies also demonstrate that corporate social responsibility (CSR) benefits environmental performance (EP). Therefore, the hypothesis is strengthened. The conclusion is that this research has a significant impact on environmental and CSR performance.

This study supports the integration of CSR into various dominants, such as commercial, public, and environmental. Additionally, it has been proven that having green capabilities and using green transformation leadership enhances green efforts. Green transformation leaders support environmentally friendly practices and generate profits for their organizations. The results show that the theoretical framework of the resource-based perspective (RBV) suggests that sustainable practices benefit from innovation. A weakness of this study is that the authors had to examine the results simultaneously over a longer period of time using a comparative research framework.

Discussion

Under the notion of corporate social responsibility (CSR) businesses take into account the social and environmental effects of the business operations they carry out and pledge to be accountable for the sustainability of the environment. The business's financial interests are also involved in CSR in order to assist regional stakeholders. The primary goals of corporate social responsibility are to fortify the bonds between the organization and its many stakeholders and strike a balance between financial gains and environmental stewardship. The company's reputation will rise and new business prospects will arise as a result of this positive relationship.

The Impact of Corporate Social Responsibility (CSR) on Company Profitability

According to our analysis of the two journals above, research conducted by Banele Dlamini (2016) and Babalola, Yisau Abiodun (2012) shows that corporate social responsibility has no impact on company profitability. Researcher Banele Dlamini found that Econet Wireless Zimbabwe Limited did not have good Corpotare Social Responsibility management, and other researchers found that there was a negative correlation between business performance measures and profit after tax and investment in social responsibility. The cause of the lack of influence of corporate social responsibility on profitability is the lack of company involvement in implementing CSR which is caused by the financial crisis in the country so that many companies do not invest in CSR so that the company's economic stability is maintained. In the journals we analyzed, the government also lacked involvement in the company's impact on the surrounding environment. Meanwhile, corporate social responsibility (CSR) has a negative effect on the company's profitability if the company does not carry out CSR well or assumes it is a marketing trick with the image of green marketing (grennwashing), which will put the company's reputation at risk.

CSR can increase customer satisfaction, which has an impact on increasing market value and company profitability, Luo and Bhattacharya (2006). CSR can have an impact on company profitability if the implementation of CSR is effective and well structured in the company's strategy, it will create good long-term value for the company, and also company stakeholders have demands for the company to be socially responsible so that it can improve relations with all stakeholders interests and increase support for the company. And also the government's awareness of providing environmental and social regulations to companies.

From the two studies we analyzed, we found that service CSR had no effect on company profitability. The results of this study are in line with signal theory, which says that disclosure of CSR services can provide negative signals to investors when they make investment decisions and how investors view the company's prospects. In addition, this study does not support the legitimacy theory because the results show that CSR services have no effect on investors' views about the company's prospects. This study also does not support the legitimacy theory, because based on the research results that CSR has no effect on profitability, it can result in CSR programs not being able to run well and not being in line with society's expectations. Stakeholder theory also does not support this because there is no influence of CSR on profitability, which means it does not provide more benefits for stakeholders.

The Impact of Corporate Social Responsibility (CSR) on Environmental Sustainability

Based on the 3 journals that we analyzed, Anna Z Elazna, et al. (2020); Mariana DubravskYes, et al. (2020); and Aijaz Ahmad Bhat Ajaz Akber Mir, et al. (2024), which states that corporate social responsibility has an impact on the environment. Corporate social responsibility can have an impact on the environment and people's lives with active company participation. If taken seriously, corporate environmental responsibility can reduce negative impacts on the environment, and will even have a positive impact on employee health and the company's environment. Environmental processing can also produce many benefits for companies, including reducing costs and making customers more satisfied. Because corporate social responsibility provides a competitive advantage and is a profitable investment in the long term, corporate social responsibility impacts environmental sustainability.

From the studies that we have analyzed, it is stated that the influencing factor is the company's serious involvement in protecting the environment by implementing corporate social responsibility, implementing corporate social responsibility will gain more profits than companies that do not implement corporate social responsibility, besides that the company considers Corporate social responsibility is an obligation, companies carry out corporate social responsibility because apart from having an effect on the environment, it also has an effect on the company, companies that report CSR transparently have better environmental practices, Nielsen and Thomsen (2007), this is able to make environmental sustainability to be better.

Many companies implement CSR due to external pressure rather than a commitment to environmental sustainability, Babiak and tredafilova (2011). Even though CSR has a positive impact on environmental sustainability, it does not rule out the possibility that CSR does not have a positive impact. There are many factors that influence this impact, running under pressure from several parties as a result the implementation carried out by the company does not run well and can affect the impact of environmental sustainability, and also CSR cannot have an impact on environmental sustainability because the company focuses more on short-term profits than on long-term sustainability so this can hinder the implementation of CSR.

in the 3 studies that we analyzed stated that Corpotare Social Responsibility had no impact on company profitability, however, on environmental sustainability Corpotare Social Responsibility had a positive effect on the company. This discrepancy occurs due to research limitations which are only within the scope of the study conducted.

Conclusion

This research states that corporate social responsibility has no effect on company profitability and this is inversely proportional to environmental sustainability where corporate social responsibility has a very good effect. In research on companies in the country and Zimbabwe, corporate social responsibility has no effect on company profitability which is caused by the lack of involvement of organizations and the government to carry out corporate social responsibility programs as well as the economic downturn which causes the company to pay little for corporate social responsibility.

Meanwhile, in environmental sustainability, corporate social responsibility has a very good influence, where company involvement is very large in carrying out corporate social responsibility, including in the Lublin region, social responsibility is associated with carrying out respectful economic activities, while in the Slovak Republic implementing social responsibility companies and environmental management systems so that they obtain higher profits compared to companies that only have one of the two. And research of a monopoly company suggests that corporate social responsibility plays an important role in managing and actively regulating environmental initiatives.

The essence of this research is that corporate social responsibility does not affect profitability due to many factors that influence it, such as the decline in the country's economy, while corporate social responsibility greatly influences environmental sustainability due to the involvement of companies that are responsible for the impact and look for solutions that can minimize the burden. environment in their business operations.

The five journals we analyzed show that the impact of corporate social responsibility on company profitability and environmental sustainability has an influence, however, the impact of corporate social responsibility can change. The positive or negative impact on profitability or environmental sustainability varies depending on the strategy for implementing social responsibility (CSR) in the company and the balance between financial profits, as well as macroeconomic changes. These can also influence corporate social responsibility in terms of costs and investment, innovation. and technology will also influence the implementation of corporate social responsibility. Government regulations can influence companies in responding to environmental issues and also stricter regulations can encourage companies to increase environmental sustainability initiatives.

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