

A Multi-Theoretical Framework for Corporate Social Responsibility and Corporate Financial Sustainability: Towards an Integrated Conceptual Model

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ABSTRACT

The relationship between corporate social responsibility (CSR) and corporate financial sustainability (CFS) remains theoretically fragmented. This paper addresses that gap by proposing a multi-theoretical conceptual framework integrating stakeholder theory, agency theory, the resource-based view, signaling theory, and institutional theory to explain how five CSR dimensions affect CFS through specified mediating and moderating pathways. Drawing on a critical synthesis of seminal theoretical works and contemporary empirical literature, the framework encompasses one dependent variable (CFS), five independent variables (environmental CSR, social CSR, governance quality, CSR disclosure transparency, and CSR strategic integration), three mediators (corporate reputation, cost of equity capital, and stakeholder trust), three moderators (board independence, institutional ownership, and national regulatory environment), and four control variables. Eleven falsifiable propositions are advanced. The CSR–CFS relationship operates through distinct, theoretically grounded pathways: corporate reputation and stakeholder trust transmit value-creation effects, while reduced cost of equity capital constitutes the capital-market channel. Board independence, institutional ownership, and regulatory stringency function as amplifying boundary conditions. As a conceptual paper, empirical validation via longitudinal, multi-country panel data is required. The framework's originality lies in its theoretically pluralist, variable-explicit architecture that rejects single-theory reductionism and specifies testable transmission mechanisms for CSR–CFS scholarship.

Keywords: Corporate social responsibility; corporate financial sustainability; stakeholder theory; agency theory; resource-based view

INTRODUCTION

The question of whether CSR creates, destroys, or is indifferent to shareholder value and long-term CFS has occupied management scholars for more than five decades. From Friedman's (1970) provocative assertion that the social responsibility of business is exclusively to increase its profits, to the emergent consensus that CSR constitutes a strategic asset capable of generating durable competitive advantages, the field has traversed considerable intellectual ground. Yet despite more than a hundred empirical studies and several meta-analyses, including the landmark synthesis by Orlitzky et al. (2003), which covers 52 studies and 33,878 observations, the theoretical architecture underpinning the CSR–financial performance relationship remains fragmented, contested, and insufficiently integrative.

Several problems persist in the current literature. First, theoretical mono-causality dominates: studies invoke stakeholder theory, agency theory, or the resource-based view in isolation, obscuring the multi-causal architecture through which CSR affects financial outcomes (Wang et al., 2016). Second, the treatment of mediating mechanisms remains conceptually underdeveloped: while corporate reputation is frequently cited as an intervening variable (Fourati et al., 2021; Fombrun & Shanley, 1990), the equally important pathways of capital market signaling and stakeholder trust are rarely integrated into a single conceptual model. Third, the boundary conditions that determine when CSR yields financial returns, governance quality, institutional environment, and ownership structure are often appended as auxiliary controls rather than theorized as

substantive moderators. Fourth, the construct of 'corporate financial performance' itself has been criticized for its short-termism; the pivot to 'CFS' as the dependent variable, encompassing long-run viability, solvency, value creation, and resilience, remains theoretically underdeveloped.

This paper advances beyond these limitations by constructing a multi-theoretical framework that integrates five theories: stakeholder theory (Freeman, 1984), agency theory (Jensen & Meckling, 1976), the resource-based view (Barney, 1991), signaling theory (Spence, 1973), and institutional theory (Suchman, 1995; DiMaggio & Powell, 1983), to explain how five dimensions of CSR affect CFS through specified mediating pathways under theoretically grounded boundary conditions. The framework is explicit about its variable architecture: one dependent variable, five independent variables, three mediators, three moderators, and four control variables, yielding eleven formal propositions.

The paper addresses four specific research questions (RQs):

RQ1: Through which theoretical mechanisms does CSR engagement translate into CFS?

RQ2: What mediating variables transmit the CSR–CFS relationship, and which theories explain their role?

RQ3: Under what governance and institutional conditions is the CSR–CFS relationship amplified or attenuated?

RQ4: How can a multi-theoretical conceptual framework advance a coherent empirical research agenda for CSR–CFS scholarship?

The paper proceeds as follows. Section 2 develops the theoretical foundations. Section 3 defines and operationalizes the core constructs. Section 4 presents the proposed conceptual framework, its variable architecture, and its formal propositions. Section 5 offers a critical discussion. Section 6 sets out the future research agenda. Section 7 concludes.

Theoretical Foundations

Stakeholder Theory

Freeman's (1984) stakeholder theory constitutes the most natural and most frequently deployed theoretical anchor for CSR–financial performance research. The theory holds that sustainable firm value creation requires identifying, engaging, and satisfying the interests of all parties who affect or are affected by the firm's activities, including employees, customers, suppliers, communities, and the natural environment. From a CFS perspective, stakeholder theory generates a specific and testable argument: firms that manage stakeholder relationships effectively incur lower transaction costs, sustain higher customer loyalty, attract superior human capital, and reduce exposure to regulatory and reputational risk, thereby enhancing long-run financial viability (Harrison et al., 2010).

Critically, however, stakeholder theory is not without internal contradictions. The theory struggles to resolve the inherent trade-offs among stakeholder groups with conflicting interests, a limitation that Friedman (1970) exploited in his shareholder-primacy critique. Moreover, as Bridoux and Stoelhorst (2022) note, stakeholder theory's emphasis on cooperative value creation requires normative assumptions about managerial motivation that may not be universally applicable. The theory also fails to specify the conditions under which stakeholder investments yield returns, leaving empirical tests underdetermined. These limitations motivate the integration of complementary theoretical lenses.

Agency Theory

Agency theory, rooted in the seminal work of Jensen and Meckling (1976), conceptualizes the firm as a nexus of contracts in which principals (shareholders) delegate decision-making authority to agents (managers), generating information asymmetries and incentive misalignments. From a CSR perspective, the agency lens produces competing predictions. On one hand, Friedman-aligned agency scholars argue that CSR represents managerial opportunism, the diversion of shareholder funds towards reputational or personal objectives at

shareholders' expense (Jensen, 2002). On the other hand, a more nuanced agency interpretation suggests that high-quality governance structures, including board independence and institutional monitoring, can align managerial CSR behavior with shareholder value creation by reducing short-termism and disciplining CSR expenditure to activities with demonstrable financial returns (Filatotchev & Nakajima, 2014).

For the present framework, agency theory performs a dual function. It posits governance quality (ESG-G) as an independent variable; firms with stronger governance structures are expected to deploy CSR more strategically, thereby generating superior CFS outcomes. It also underpins board independence and institutional ownership as moderating variables, explaining the boundary conditions under which governance structures amplify CSR's financial returns.

Resource-Based View

Barney's (1991) resource-based view (RBV) holds that sustained competitive advantage derives from firm-specific resources and capabilities that are valuable, rare, inimitable, and non-substitutable. The RBV application to CSR, elaborated theoretically by Freeman et al. (2021) in their integration of stakeholder theory and RBV, argues that socially responsible practices, when deeply embedded in firm strategy and culture, generate intangible capabilities (reputational capital, trust-based relationships, employee commitment) that are difficult for competitors to replicate. These capabilities constitute the source of durable competitive advantage and, by extension, of financial sustainability (Surroca et al., 2010).

The RBV grounds the construct of 'CSR strategic integration' as an independent variable in the present framework. Critically, the RBV does not imply that any CSR engagement will yield competitive advantage; rather, it specifies that only CSR activities that are embedded within the firm's core competencies, aligned with its strategic positioning, and consistently implemented over time will produce defensible capability advantages. This nuance is frequently overlooked in empirical studies that treat CSR as a uniform construct regardless of its strategic depth.

Signaling Theory

Spence's (1973) signaling theory addresses information asymmetry in markets by examining how parties with private information credibly communicate their quality to uninformed counterparties. Applied to CSR, signaling theory predicts that voluntary CSR disclosure and transparent ESG reporting serve as credible signals of firm quality to investors, creditors, customers, and regulators (Lys et al., 2015). By disclosing social and environmental performance information that would be costly to fabricate, high-quality firms distinguish themselves from low-quality counterparts, thereby reducing the cost of equity capital, improving credit ratings, and attracting ESG-sensitive institutional investors.

The signaling mechanism provides a theoretically coherent explanation of the capital market effects of CSR, complementing the stakeholder-theory account focused on non-market value creation. However, signaling theory also raises a critical caveat: signals are effective only when they are costly, verifiable, and credible. Voluntary CSR disclosure without third-party assurance or regulatory standardization risks becoming mere greenwashing, a concern that has become increasingly prominent in regulatory discourse following the EU's Corporate Sustainability Reporting Directive (2022). This theoretical boundary condition motivates the inclusion of 'national regulatory environment' as a moderating variable.

Institutional Theory

DiMaggio and Powell (1983) advanced institutional theory as an account of why organizations within the same field tend to become structurally similar over time, a process they termed 'isomorphism'. Coercive isomorphism (regulatory pressure), normative isomorphism (professional standards), and mimetic isomorphism (imitation of successful peers) collectively explain CSR adoption patterns that cannot be fully accounted for by strategic or efficiency arguments alone. Suchman's (1995) elaboration of legitimacy theory, viewed as an extension of institutional theory, further argues that organizations must secure social legitimacy by aligning their conduct with the values and expectations of their institutional environment.

For the present framework, institutional theory performs two critical roles. First, it provides the theoretical basis for explaining why environmental and social CSR engagement, independent variables 1 and 2, generate financial returns: by securing institutional legitimacy, CSR-active firms reduce regulatory risk, attract public procurement opportunities, and strengthen their social license to operate. Second, it underpins the 'national regulatory environment' moderator: firms operating in regulatory contexts with strong mandatory CSR, ESG disclosure, or environmental compliance requirements are theoretically predicted to realize stronger CSR–CFS associations, because regulatory pressure converts voluntary CSR into a competitive differentiator rather than a baseline compliance cost.

Taken together, these five theories occupy distinct but complementary explanatory niches. They also expose a critical theoretical white space: no single theory accounts simultaneously for the strategic, governance, market-signaling, stakeholder-relational, and institutional dimensions of the CSR–CFS relationship. This integrative gap justifies the multi-theoretical framework proposed in Section 4.

Construct Definition and Development

Dependent Variable

CFS is defined herein as the capacity of a firm to generate consistent, risk-adjusted economic returns over the long term while maintaining solvency, preserving stakeholder value, and resisting financial distress amid environmental, social, and market volatility. This definition deliberately extends beyond short-term accounting performance metrics (return on assets, earnings per share) to encompass: (a) long-run market value creation; (b) capital structure resilience; (c) access to diverse financing sources; and (d) the reduction of systematic financial risks through social, environmental, and governance conduct (Rahi et al., 2024). CFS is distinguishable from the narrower construct of 'corporate financial performance' (CFP) in that it incorporates temporal depth, risk-adjusted returns, and the firm's ability to sustain value creation across economic cycles, a conceptualization more consonant with the governance and strategic management objectives of contemporary corporations.

Independent Variables

Environmental CSR Engagement (IV1) refers to the scope and depth of a firm's initiatives to reduce its environmental footprint, manage resource consumption, pursue emissions reduction targets, and advance ecological responsibility beyond legal compliance. Social CSR Engagement (IV2) refers to a firm's investment in employee welfare, community development, human rights compliance, product safety, and supply chain ethics. These two constructs collectively operationalize the 'doing good' dimension of CSR and are the primary levers through which legitimacy and stakeholder trust are generated (Suchman, 1995; Freeman, 1984).

Governance Quality (IV3) captures the effectiveness of internal governance mechanisms, board composition, executive accountability, audit quality, anti-corruption policies, and shareholder rights in aligning management with stakeholder interests and reducing agency costs. CSR Disclosure Transparency (IV4) refers to the completeness, accuracy, frequency, and assurance quality of a firm's voluntary and mandatory social, environmental, and governance reporting. CSR Strategic Integration (IV5) refers to the extent to which CSR activities are embedded in the firm's core business strategy, value chain, and organizational culture, rather than pursued as peripheral philanthropic activities. This construct operationalizes the RBV argument that only strategically embedded CSR generates inimitable capabilities.

To ensure construct clarity, it is important to distinguish IV3 (Governance Quality) from IV5 (CSR Strategic Integration): governance quality refers to the structural and procedural mechanisms by which the board and management exercise accountability and oversight, whereas CSR strategic integration refers to the depth of CSR embeddedness within the firm's operational and competitive strategy. The former is a governance architecture construct; the latter is a strategic positioning construct. While they may covary in high-performing firms, they capture theoretically distinct dimensions of organizational behavior and are expected to exert their effects on CFS through different mechanisms: agency cost reduction for IV3 and inimitable capability building for IV5 (Barney, 1991; Jensen & Meckling, 1976).

Mediating Variables

Corporate Reputation (M1) is defined as the aggregate perceptual assessment of a firm's relative standing among internal and external stakeholders along dimensions of quality, trustworthiness, social responsibility, and financial performance (Fombrun & Shanley, 1990). Theorized by both stakeholder and signaling theory, corporate reputation serves as the primary value-transmitting mechanism between CSR conduct and financial outcomes: CSR investment builds reputational capital that reduces customer acquisition costs, commands price premia, attracts talent, and lowers the risk premium demanded by investors.

Access to Capital and Cost of Equity (M2) captures the financial market's response to CSR information. High-quality CSR signals, particularly through transparent disclosure, reduce information asymmetry between firms and capital providers, lowering adverse selection risk and thereby reducing the cost of equity capital and broadening access to institutional financing. This pathway is grounded in signaling theory (Spence, 1973) and is supported by evidence that ESG disclosure reduces financing constraints (Dhaliwal et al., 2011) and lowers the cost of debt and equity (Ge & Liu, 2015).

Stakeholder Trust and Loyalty (M3) refers to the accumulated relational capital embedded in long-term, low-opportunism relationships between the firm and its primary stakeholder groups, including customers, employees, and suppliers. Drawing on stakeholder theory (Harrison et al., 2010), this mediator operates as the social contract through which social CSR engagement translates into operational performance advantages: loyal customers reduce customer churn costs; committed employees reduce turnover and productivity losses; trustworthy supplier relationships reduce transaction and monitoring costs.

Moderating Variables

Board Independence (MOD1) is operationalized as the proportion of independent non-executive directors on the corporate board and related governance indices of board effectiveness. Grounded in agency theory, board independence is theorized to positively moderate the governance quality–CFS relationship by ensuring that CSR expenditure is disciplined toward value-creating activities rather than managerial self-dealing.

Institutional Ownership (MOD2) refers to the proportion of a firm's equity held by institutional investors (e.g., pension funds, mutual funds, and sovereign wealth funds). Institutional investors are theorized to exercise monitoring influence consistent with both agency theory (reducing managerial opportunism) and institutional theory (creating normative isomorphic pressure for higher-quality CSR practices), thereby strengthening the CSR disclosure–CFS relationship.

National Regulatory Environment (MOD3) captures the stringency, coherence, and enforcement quality of the regulatory framework governing CSR, ESG disclosure, and environmental compliance in the firm's home jurisdiction. Anchored in institutional theory, this moderator is theorized to amplify CSR–CFS associations: in contexts with demanding regulatory standards, CSR compliance moves beyond baseline legal conformity to become a genuine differentiator, conferring competitive legitimacy advantages that translate into financial sustainability.

Control Variables

Four control variables are included to isolate the theoretical relationships of interest. Firm Size (log of total assets) is controlled because larger firms possess greater resources to absorb CSR investments and face greater public scrutiny (Busch et al., 2018). Leverage (Debt-to-Equity Ratio) is controlled because capital structure affects both the cost of capital and the firm's capacity for long-term investment in CSR activities. Industry Classification (sector dummies) is controlled because CSR norms, environmental exposure, and financial sustainability benchmarks vary systematically across industries (Wang et al., 2016). Firm Age is controlled for because older firms tend to have accumulated more reputational capital and have had more time to embed CSR within their strategies, potentially inflating the estimated CSR–CFS relationships.

Operationalization guidance: To facilitate future empirical testing, key constructs in this framework can be operationalized using established proxies. IV3 (Governance Quality) may be measured via board composition scores, audit committee independence indices, or the ESG-G sub-scores from MSCI or Sustainalytics. IV5 (CSR Strategic Integration) may be operationalized through content analysis of annual reports and sustainability statements or through survey instruments that assess the extent to which CSR objectives are incorporated into firm-level strategic plans. M1 (Corporate Reputation) is commonly operationalized through the RepTrak or Fortune AMAC indices, or composite stakeholder perception surveys. M2 (Cost of Equity) may be estimated using implied cost-of-equity models (e.g., the Easton PEG model or the Claus and Thomas model). MOD3 (National Regulatory Environment) may be proxied by the World Bank Governance Indicators or jurisdiction-specific ESG disclosure regulatory indices. These measurement approaches are offered as indicative guidance; researchers should select proxies commensurate with their data availability and institutional context.

The Proposed Conceptual Framework

Framework Overview

The proposed Multi-Theoretical CSR–CFS Framework (MCSRF) is structured around a central theoretical argument: that CSR engagement affects corporate financial sustainability not directly, but through three theoretically distinct transmission pathways: reputational capital building (Mediator 1), capital market signalling (Mediator 2), and relational trust accumulation (Mediator 3), and that these pathways are conditioned by governance quality (Moderator 1), ownership monitoring (Moderator 2), and institutional environment (Moderator 3). The framework integrates five independent variables that map onto the five theoretical pillars identified in Section 2, ensuring theoretical coherence across the model.

Figure 1 illustrates the framework, Table 1 summarizes the variable architecture, and finally, Table 2 presents the formal propositions.

Figure 1: Multi-Theoretical CSR–CFS Framework (MCSRF)

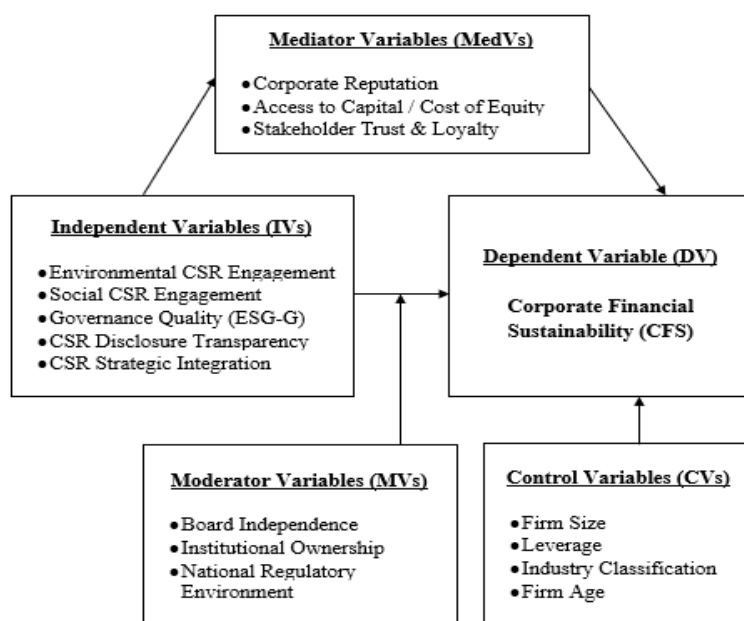


Table 1: Variable Architecture of the Multi-Theoretical CSR–CFS Framework

Variable Type	Variable Name	Theoretical Anchor	Predicted Direction
Dependent Variable	Corporate Financial Sustainability (CFS)	Stakeholder Theory; RBV	Outcome

IV1	Environmental CSR Engagement	Legitimacy Theory; Inst. Theory	+
IV2	Social CSR Engagement	Stakeholder Theory	+
IV3	Governance Quality (ESG-G)	Agency Theory	+
IV4	CSR Disclosure Transparency	Signalling Theory	+
IV5	CSR Strategic Integration	Resource-Based View	+
Mediator 1	Corporate Reputation	Stakeholder Theory; Signaling Theory	Partial/Full Mediation
Mediator 2	Access to Capital / Cost of Equity	Signaling Theory; Agency Theory	Partial Mediation
Mediator 3	Stakeholder Trust & Loyalty	Stakeholder Theory	Partial Mediation
Moderator 1	Board Independence	Agency Theory	Positive moderator
Moderator 2	Institutional Ownership	Institutional Theory; Agency Theory	Positive moderator
Moderator 3	National Regulatory Environment	Institutional Theory	Contextual boundary
Control 1	Firm Size (log total assets)	—	Controlled
Control 2	Leverage (Debt-to-Equity Ratio)	—	Controlled
Control 3	Industry Classification	—	Controlled
Control 4	Firm Age	—	Controlled

Source: Authors' own elaboration based on theoretical synthesis.

Direct and Mediated Relationships — Formal Propositions

Each proposition below is grounded in the theoretical architecture established in Section 2. The propositions are falsifiable, assert relationships among constructs, and contribute to the framework's explanatory logic beyond what any single theory could independently generate.

Proposition 1 (P1): Greater environmental CSR engagement is positively associated with long-term CFS. This proposition is grounded in both legitimacy theory and institutional theory. Firms that proactively manage environmental risk and exceed regulatory environmental standards secure institutional legitimacy, reduce

exposure to environmental liability, and gain preferential access to green finance instruments. Critically, P1 does not assert that all environmental CSR expenditure is financially beneficial; rather, the relationship is contingent on whether investments yield a legitimacy surplus beyond the costs incurred, a condition that varies by industry and regulatory context.

Proposition 2 (P2): Social CSR engagement positively predicts CFS through enhanced stakeholder trust and loyalty. The pathway here is relational rather than directly financial: social CSR investment builds the trust capital (Harrison et al., 2010) that reduces stakeholder opportunism, lowers employee turnover, and strengthens supply chain resilience, thereby generating the operational efficiencies that underpin long-run financial sustainability.

Proposition 3 (P3): Governance quality (ESG-G) is positively associated with CFS, with agency cost reduction as the primary transmission mechanism. Strong governance structures reduce managerial entrenchment, improve capital allocation efficiency, and signal disciplined stewardship to creditors and investors. Unlike environmental and social CSR, which operate primarily through reputational and relational pathways, governance quality operates directly through the cost-of-capital channel.

Proposition 4 (P4): CSR disclosure transparency increases CFS by reducing information asymmetry and lowering the cost of equity capital. Drawing on signaling theory, P4 posits that voluntary, high-quality, third-party-assured CSR disclosure credibly communicates firm quality to investors. The critical qualifier here is credibility: disclosure without assurance, standardization, or regulatory enforcement may be dismissed as greenwashing, particularly in weak regulatory environments.

Proposition 5 (P5): Strategic integration of CSR strengthens the CSR–CFS relationship by building firm-specific, non-imitable social capabilities. The RBV argument is that the financial premium accruing to CSR is proportional to the degree to which CSR is strategically embedded rather than merely practiced superficially. Firms that integrate CSR into product development, supply chain management, and human capital strategy generate capabilities that competitors cannot easily replicate, thereby sustaining a long-term financial advantage.

Proposition 6 (P6): Corporate reputation mediates the relationship between CSR engagement and CFS. Building on Fombrun and Shanley (1990) and the empirical evidence of Fourati et al. (2021), this proposition posits full or partial mediation of the CSR–CFS association through reputational capital.

Firms with superior CSR performance are perceived as higher-quality counterparties by customers, employees, and investors, generating a reputational dividend that enhances willingness to pay, reduces talent acquisition costs, and commands a lower risk premium.

Proposition 7 (P7): Reduced cost of equity capital mediates the CSR disclosure–CFS relationship. This proposition specifies the capital market transmission mechanism, consistent with the signaling literature (Dhaliwal et al., 2011; Spence, 1973). The mediation is theorized to be partial: disclosure quality affects cost of equity independently of other CSR activities, but it also compounds with reputational effects, creating interaction paths within the broader framework.

Proposition 8 (P8): Stakeholder trust and loyalty mediate the relationship between social CSR and CFS. The relational pathway here is anchored in Freeman's (1984) stakeholder value-creation logic: social CSR investments generate trust capital that reduces contractual friction across all stakeholder relationships, thereby improving operational efficiency, customer retention, and supplier cooperation, each of which contributes positively to CFS.

Proposition 9 (P9): Board independence positively moderates the governance quality–CFS relationship, such that the positive effect of governance quality on CFS is stronger for firms with higher proportions of independent directors. Agency theory predicts that independent directors discipline CSR-related governance behaviors, ensuring that governance quality reflects substantive rather than performative compliance with ESG standards.

Proposition 10 (P10): Institutional ownership positively moderates the CSR disclosure–CFS relationship, such that higher institutional ownership amplifies the financial benefits of CSR disclosure quality. Institutional investors, with their monitoring capacity and long-term investment horizons, are theorized to reward transparent disclosure more consistently than retail investors do, thereby amplifying the cost-of-capital benefits of high disclosure quality.

Proposition 11 (P11): The national regulatory environment positively moderates CSR engagement–CFS associations, such that firms operating under more stringent environmental and CSR regulatory regimes realize stronger positive CSR–CFS associations. Institutional theory predicts that regulatory pressure transforms CSR from a voluntary legitimacy strategy into a competitive differentiator, with firms that exceed regulatory minima accruing disproportionate legitimacy premiums.

Table 2: Summary of Formal Theoretical Propositions

P#	Proposition Statement	Theoretical Anchor
P1	Greater environmental CSR engagement is positively associated with long-term corporate financial sustainability.	Legitimacy Theory; Institutional Theory
P2	Social CSR engagement positively predicts corporate financial sustainability through enhanced stakeholder trust.	Stakeholder Theory (Freeman, 1984)
P3	Governance quality (ESG-G) is positively associated with CFS, with agency costs as the primary transmission channel.	Agency Theory (Jensen & Meckling, 1976)
P4	CSR disclosure transparency increases CFS by reducing information asymmetry and lowering the cost of equity capital.	Signaling Theory (Spence, 1973)
P5	The strategic integration of CSR strengthens the CSR–CFS relationship by building firm-specific, non-imitable social capabilities.	Resource-Based View (Barney, 1991)
P6	Corporate reputation mediates the relationship between CSR engagement and corporate financial sustainability.	Stakeholder/Signaling Theory
P7	Reduced cost of equity capital mediates the CSR disclosure–CFS relationship.	Signaling Theory
P8	Stakeholder trust and loyalty mediate the relationship between social CSR and CFS.	Stakeholder Theory
P9	Board independence positively moderates the governance quality–CFS relationship.	Agency Theory
P10	Institutional ownership positively moderates the CSR disclosure–CFS relationship.	Institutional/Agency Theory
P11	The national regulatory environment moderates CSR engagement–CFS associations such that stringent regulatory frameworks amplify positive effects.	Institutional Theory (DiMaggio & Powell, 1983)

Source: Authors' own conceptual development.

Boundary Conditions of the Framework

The MCSRF carries explicit boundary conditions that constrain its applicability and strengthen its theoretical precision. First, the framework is theorized for publicly listed firms in regulated market economies where CSR disclosure is at least partially voluntary. Private firms and state-owned enterprises face fundamentally different stakeholder configurations and institutional pressures that may produce divergent CSR–CFS dynamics. Second, the reputational mediation pathway is more potent in consumer-facing industries (retail, hospitality, financial services) than in business-to-business sectors with limited consumer visibility. Third, the capital market signaling pathway presupposes the existence of ESG-sensitive institutional investors with sufficient market power to influence prices, a condition more likely to be satisfied in developed capital markets than in frontier economies. Fourth, the regulatory moderation effect is bounded by the quality of regulatory enforcement: stringent *de jure* regulations without *de facto* enforcement may produce isomorphic CSR compliance without genuine CFS consequences.

Additionally, the framework's direct applicability to small and medium-sized enterprises (SMEs) and private organizations is limited, as these firms typically face different stakeholder configurations, lack access to capital market signaling mechanisms, and operate under weaker institutional scrutiny; future work should develop context-specific adaptations of the framework for these organizational forms.

DISCUSSION

Theoretical Contributions

The MCSRF advances the CSR–CFS literature in three theoretically significant respects. First, it resolves the problem of reductionism that afflicts most existing frameworks. Single-theory approaches, whether grounded solely in stakeholder theory, agency theory, or the RBV, capture only partial segments of the mechanism through which CSR affects financial outcomes. By integrating five complementary theories, each assigned to specific independent variables and transmission mechanisms, the framework generates predictions that are simultaneously more granular and more comprehensive than any extant model. The framework does not merely assert that CSR 'generally pays'; it specifies the conditions, mechanisms, and types of CSR activities for which CFS benefits are theoretically expected.

Second, the explicit distinction between three mediating pathways: reputational, financial, and relational, addresses a persistent conflation in the literature. Many studies treat 'firm value' as a black-box outcome of CSR engagement without specifying the transmission mechanism. The MCSRF specifies that the reputational pathway (P6) is theorized to mediate broadly across all CSR dimensions; the financial pathway (P7) is specific to CSR disclosure transparency; and the relational pathway (P8) is specific to social CSR engagement. This differentiation generates testable hypotheses with distinct empirical implications for the operationalization of the construct and the measurement of the mediator.

Third, the explicit treatment of moderating variables as theoretically grounded boundary conditions, rather than as statistical controls, represents a methodological advance over much of the extant empirical literature. Board independence (P9), institutional ownership (P10), and national regulatory environment (P11) are not merely included to 'clean up' variance in CSR–CFS regressions; they are theoretically assigned roles in amplifying or attenuating specific CSR–CFS pathways. This theoretical grounding of moderating effects generates interaction hypotheses with clear directional predictions, amenable to empirical testing through moderated regression and multilevel modeling approaches.

Critical Engagement with Competing Perspectives

The MCSRF must engage critically with three prominent competing perspectives. The first is the shareholder-value orthodoxy, most forcefully articulated by Friedman (1970) and more recently echoed in Jensen's (2002) value-maximization framework. The shareholder primacy critique holds that CSR represents a misallocation of resources that should flow to shareholders and that any financial returns attributed to CSR are either coincidental or would have been generated more efficiently by direct competitive investment. This critique is not

intellectually trivial; precisely because agency costs associated with managerial discretion in CSR are real, the present framework assigns moderating roles to board independence and institutional ownership. The MCSRF does not assert that CSR is costlessly beneficial; it asserts that under theoretically specified governance and institutional conditions, CSR generates net positive financial sustainability outcomes through identified mechanisms.

The second competing perspective is the 'insurance' view of CSR (Godfrey et al., 2009), which frames CSR primarily as a risk-management instrument that protects firm value in crises rather than generating positive financial returns under ordinary conditions. While this view is theoretically coherent and empirically supported in certain contexts, it is insufficiently generative: it explains CSR's value-preservation function without accounting for its value-creation functions through reputation, access to capital, and stakeholder relational capital. The MCSRF incorporates the insurance logic within the legitimacy and reputational pathways while extending beyond them.

The third competing perspective is the 'greenwashing' critique, which questions whether reported CSR activities reflect genuine social value creation or merely performative compliance with institutional expectations (DiMaggio & Powell, 1983). The MCSRF explicitly accommodates this critique through the CSR disclosure transparency (IV4) construct, which distinguishes high-quality, assured, standardized disclosure from low-quality, self-reported, unverified disclosure. The framework predicts that only credible, verifiable CSR disclosure generates cost-of-capital benefits through the signaling pathway, thereby directly addressing the greenwashing concern by conditioning the CSR–CFS relationship on disclosure quality.

Practical Implications

For corporate boards and executives, the MCSRF provides a decision framework that operationalizes CSR as a strategic investment in financial sustainability rather than a compliance obligation. The framework's differentiation of CSR dimensions implies that the financial returns to CSR are not uniform: governance quality (IV3) and CSR strategic integration (IV5) are theorized to generate the strongest and most durable CFS outcomes because they operate through capital market efficiency and competitive capability channels. Environmental and social CSR (IV1, IV2) generate returns primarily through legitimacy and relational pathways, which are more diffuse and longer-term. Executives should therefore prioritize CSR activities that are strategically embedded, governance-anchored, and coupled with high-quality, transparent disclosure. For instance, firms such as Unilever and Natura & Co have demonstrated how embedding environmental and social CSR within core business strategy, rather than treating it as peripheral philanthropy, can translate into measurable reputational capital, lower cost of financing, and sustained shareholder returns over multi-year horizons, lending practical credence to the framework's theoretical propositions.

For policymakers and regulators, the framework's institutional moderation proposition (P11) implies that regulatory architecture is not a passive backdrop for CSR decisions but an active amplifier or attenuator of financial sustainability returns. The recent proliferation of mandatory ESG disclosure regimes, including the International Sustainability Standards Board (ISSB) standards and the EU's Corporate Sustainability Reporting Directive, is theoretically predicted by the MCSRF to strengthen CSR–CFS associations by reducing greenwashing, improving the credibility of signals, and increasing the reputational penalties for social and environmental underperformance.

Future Research Agenda

The MCSRF generates a structured empirical research agenda across four dimensions.

Empirical testing agenda: The most immediate priority is estimating the full structural equation model implied by the framework using longitudinal panel data across multiple countries and industries. The mediated pathways (P6–P8) require structural equation modeling or path analysis with bootstrapped confidence intervals to test both direct and indirect effects simultaneously. Given the heterogeneous CSR measurement approaches across existing datasets, research should prioritize datasets that disaggregate CSR into environmental, social, governance, and disclosure dimensions, such as MSCI ESG, Sustainalytics, or Bloomberg ESG scores.

Contextual extension: The MCSRF's propositions are advanced primarily in the context of publicly listed firms in developed economies. Critical extensions include: (a) testing the framework in emerging market contexts where institutional environments are weaker and capital markets less efficient, conditions that may attenuate signalling pathway effects while amplifying relational pathway effects; (b) examining the framework in family-owned firms, where ownership concentration may generate different moderating effects than institutional ownership; and (c) applying the framework to financial sector firms, where governance quality and disclosure transparency interact with regulatory oversight in distinct ways.

Theoretical refinement: Three aspects of the framework invite further conceptual development. First, the temporal dynamics of the CSR–CFS relationship require theorization: different mediating pathways may operate on different time horizons, with reputational capital effects potentially lagging CSR investment by several years. Second, the boundary between CSR 'strategic integration' (IV5) and governance quality (IV3) requires sharper conceptual delineation to avoid construct overlap. Third, the interaction effects among moderating variables, for example, whether board independence and institutional ownership function as complements or substitutes in amplifying CSR–CFS pathways, remain unexplored.

Methodological recommendations: Longitudinal designs with at least a 5-year observation window are recommended to capture the long-term financial sustainability outcomes specified in the framework. Endogeneity, the possibility that better-performing firms simply have more resources to invest in CSR, should be addressed using instrumental-variables approaches, Granger causality tests, or dynamic-panel GMM estimation. Qualitative case studies of firms with divergent CSR–CFS trajectories would illuminate the contextual conditions under which specific propositions hold or fail, providing theoretically grounded boundary condition specification.

CONCLUSION

This paper has proposed and developed a multi-theoretical conceptual framework, the MCSRF, that integrates stakeholder theory, agency theory, the resource-based view, signaling theory, and institutional theory to explain how five dimensions of CSR affect CFS through three mediating mechanisms and under three governance and institutional boundary conditions. Eleven falsifiable theoretical propositions have been advanced and organized around a variable architecture comprising one dependent variable, five independent variables, three mediators, three moderators, and four controls.

The framework makes three original contributions to the literature. First, it resolves the theoretical fragmentation of the CSR–CFS field by constructing a pluralist explanatory architecture that assigns distinct theoretical roles to different CSR dimensions, mediating pathways, and boundary conditions. Second, it advances the conceptualization of 'CFS' as the dependent variable, moving beyond short-term performance to encompass long-run viability and risk-adjusted value creation. Third, it directly addresses the greenwashing critique by conditioning the financial returns of CSR disclosure on disclosure quality and institutional regulatory context.

The principal limitation of the framework is its untested, conceptual status. The propositions are theoretically coherent and internally consistent but remain to be subjected to rigorous empirical validation across diverse industry and country contexts. Further conceptual work is also needed to sharpen the boundaries between adjacent constructs, particularly between governance quality and CSR strategic integration, and to theorize the temporal dynamics of the different mediating pathways.

As the global architecture of mandatory ESG disclosure matures and the evidence base for CSR financial returns expands, frameworks that specify theoretically grounded, mechanism-explicit, context-sensitive accounts of CSR–CFS relationships will become increasingly indispensable to both scholarship and practice. The MCSRF is offered as a contribution towards that end.

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