Pertanika Journal of

SOCIAL SCIENCES & HUMANITIES

JSSH

VOL. 34 (S3) 2026

Navigating the CSR Landscape: Innovations and Perspectives in Corporate Social Responsibility

Guest Editor
Jamilah Hj. Ahmad

PERTANIKA
JOURNALS

A scientific journal published by Universiti Putra Malaysia Press

PERTANIKA JOURNAL OF SOCIAL SCIENCES & HUMANITIES

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Pertanika Journal of Social Sciences and Humanities: e-ISSN 2231-8534 (Online).

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The *Introduction* explains the scope and objective of the study in the light of current knowledge on the subject; the *Materials and Methods* describes how the study was conducted; the *Results* section reports what was found in the study; and the *Discussion* section explains meaning and significance of the results and provides suggestions for future directions of research. The manuscript must be prepared according to the journal's **Instruction to Authors** (http://www.pertanika.upm.edu.my/Resources/regular_issues/Regular_Issues_Instructions_to_Authors.pdf).

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2. The Chief Executive Editor sends the article-identifying information having been removed, to 2 to 3 reviewers. They are specialists in the subject matter of the article. The Chief Executive Editor requests that they complete the review within 3 weeks.

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authors. If a revision is indicated, the editor provides guidelines to the authors to attend to the reviewers' suggestions and perhaps additional advice about revising the manuscript.

4. The authors decide whether and how to address the reviewers' comments and criticisms and the editor's concerns. The authors return a revised version of the paper to the Chief Executive Editor along with specific information describing how they have addressed the concerns of the reviewers and the editor, usually in a tabular form. The authors may also submit a rebuttal if there is a need especially when the authors disagree with certain comments provided by the reviewers.
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Pertanika Journal of

SOCIAL SCIENCES & HUMANITIES

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A Special Issue devoted to

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ABSTRACTING AND INDEXING OF PERTANIKA JOURNALS

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Preface

In an era characterised by rapid globalisation, technological transformation and increasing stakeholder expectations, Corporate Social Responsibility (CSR) has evolved from a voluntary corporate initiative into a strategic imperative for organisations seeking to achieve sustainable and ethical business practices.

Having been actively engaged in academic teaching, research and scholarship in corporate social responsibility since 1997 including the publication of more than 50 scholarly articles on social responsibility, it is both an honour and a privilege to present this Special Issue. The themes explored throughout this volume reflect not only the continuing evolution of CSR theory and practice but also their close alignment with Malaysia's aspirations towards achieving the Sustainable Development Goals (SDGs) 2030. It is hoped that the diverse contributions presented here will enrich scholarly discourse, foster meaningful collaboration among researchers and practitioners, and provide valuable insights for advancing responsible, ethical and sustainable business practices.

This special issue *Corporate Social Responsibility in the Modern Era: Innovations, Practices, and Perspectives*, is a scholarly outcome of the **11th International Conference on Social Responsibility, Ethics and Sustainable Business (ICSR 2024)**, held in Putrajaya, Malaysia from **5–7 September 2024**. This significant gathering brought together scholars, practitioners and policymakers from across the globe to exchange insights, share research findings and explore innovative approaches to responsible business, ethics and sustainability. Now in its eleventh edition, ICSR has established itself as a recognised international platform for fostering interdisciplinary dialogue, promoting collaborative research and advancing scholarship and professional practice in corporate social responsibility, ethics and sustainable business.

The papers featured in this special issue represent selected contributions from the conference and have undergone a rigorous peer-review process to ensure their scholarly quality, originality and relevance. Collectively, they provide fresh perspectives on the evolving landscape of CSR and examine contemporary issues that are shaping responsible business practices across different sectors and regions.

The contributions explore a wide range of themes, including strategic CSR communication and storytelling, stakeholder engagement, sustainability reporting, emerging technologies such as blockchain for transparency and accountability, cultural influences on CSR implementation, ethical leadership and the unique challenges encountered by small and medium-sized enterprises (SMEs) and organisations operating in emerging markets. By integrating theoretical insights with practical applications, this publication aspires to serve not only as an academic resource but also as an essential tool for practitioners aiming to enhance their CSR strategies and outcomes.

Collectively, the articles underscore the importance of a holistic approach to responsible corporate practices that strengthens organisational reputation while contributing to sustainable economic and social development. As CSR continues to shape business strategy and stakeholder engagement, this Special Issue offers critical insights to inform and empower organisations across diverse sectors.

It is our hope that the diverse perspectives presented in this volume will stimulate further research, encourage interdisciplinary collaboration and inspire organisations to adopt more responsible, transparent and sustainable approaches to governance and business practice. The knowledge shared by the contributors demonstrates that meaningful progress towards sustainable development requires continuous dialogue, innovation and collective commitment among academia, industry, government and civil society.

This Special Issue will be of interest to academics, researchers, practitioners, students, policymakers and non-governmental organisations seeking deeper insights into the evolving theory and practice of corporate social responsibility.

On behalf of the Editorial Team, I would like to express our sincere appreciation to all authors for their valuable contributions, the reviewers for their constructive evaluations, and the members of the Scientific and Organising Committees whose dedication and professionalism have made both ICSR 2024 and this Special Issue possible. Their collective efforts have helped produce a publication that we hope will make a meaningful contribution to the advancement of corporate social responsibility scholarship and practice.

As we embark on this journey through the pages of this special issue, we invite our readers to engage deeply with the content. It is our hope that the lessons learned and strategies discussed will inspire transformative changes in corporate practices, ultimately fostering enhanced trust, strengthened stakeholder relationships, and sustainable growth. Together, let us embrace the opportunities ahead to advance responsible and ethical business conduct.

Guest Editor:
Jamilah Hj. Ahmad (Prof. Dr.)

Pertanika J. Soc. Sci. & Hum. 34 (S3): 1 - 21 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Review Article

The Role of Altruistic Corporate Social Responsibility (CSR) in Shaping Graduate Employability in Malaysia

Jamilah Ahmad, See Kee Ng*, and Suriati Saad

School of Communication, Universiti Sains Malaysia, 11800 Penang, Malaysia

ABSTRACT

The research paper under examination examines the effect of Altruistic Corporate Social Responsibilities (CSR) on the employability of final-year university students in Malaysia, informed by Schwartz's Value Theory. The proposed study will employ a mixed-methods approach, sampling 400 students with varying academic backgrounds from both public and private universities, complemented by Focus Group Discussions (FGDs). This study examines the impact of altruistic CSR aspects, including employee welfare, business ethics, environmental sustainability, and community participation in decision-making, on graduates' career choices. These findings suggest that such altruistic CSR qualities hold significant value for students and are indicative of the universalism and benevolence proposed by Schwartz. With the results presented, the research provides useful strategies to guide Malaysian businesses in optimising their corporate social responsibilities in line with the ambitions of the new generation workforce. Also, the study ensures that the intended research will help Malaysia towards the Sustainable Development Goals (SDGs) and the significance of CSR on sustainable growth and talent attraction.

Keywords: Altruistic corporate practices in a social responsibility (CSR), graduate employability, Malaysia, organisational choice, value theory by Schwartz

ARTICLE INFO

Article history:
Received: 15 October 2025
Accepted: 05 March 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.01

E-mail addresses:
jahmad@usm.my (Jamilah Ahmad)
ngseekee@usm.my (See Kee Ng)
suriatisaad@usm.my (Suriati Saad)
* Corresponding author

INTRODUCTION

Corporate Social Responsibility (CSR) has now become less of a periphery issue to more of a strategic must to the businesses across the world. The stake over CSR has been high in Malaysia because of the increased awareness in ethical business practices and the sustainability objectives

e-ISSN: 2231-8534

of the development. One of the many dimensions of CSR that have been popular is the altruistic CSR that concentrates on the voluntary aspect of CSR beyond what the regulatory authorities implement. The CSR initiatives that fall under this form of CSR include ethical business conduct, environmental stewardship, employee welfare, and community engagement.

These CSR initiatives are crucial in shaping job preferences among university graduates when they enter the labour market, as shown in Figure 1. Research shows that high-achieving university students are increasingly basing their job prospects on the social responsibility promises made by employers. With increased competition in the Malaysian labour market, graduates look forward to organisations that align with their personal values, which prioritise ethical business activities and employee well-being. When conducted altruistically, CSR is effectively incorporated into corporate policies by employers, making them more appealing to young individuals in the job market, as it facilitates good employer branding and sustained commercial involvement in human resources.

In this way, with regard to the changing demands of both employers and graduates, the issue of Corporate Social Responsibility (CSR) in determining employment has become a matter of increasing importance. Not only is the employer seeking employees who are good in their technical skill sets, but also employees who have an understanding of the values, ethics, and long-term sustainability objectives of that organisation. Simultaneously, graduates, especially those of Generation Z and millennials, are becoming increasingly interested in joining companies that demonstrate ethical responsibility, environmental sensitivity, and a commitment to social well-being. Companies that adopt altruistic CSR are more often perceived as good employers, as job seekers are increasingly becoming value-driven.

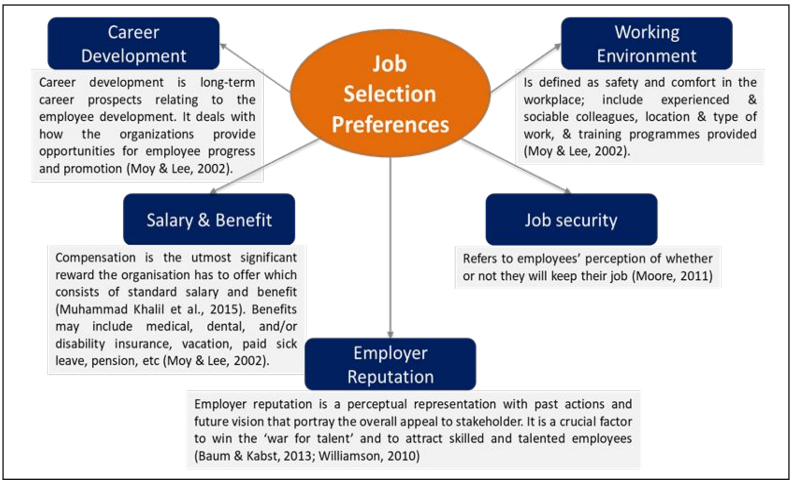


Figure 1. Job selection preferences in Malaysia
Source: Author's own work

As a way of exploring this dynamic, this paper will investigate the effects of altruistic CSR on graduate employability, aligning with Schwartz's Value Theory, which classifies human values into high-level dimensions that predispose an individual towards the development of preferences and behaviours. In particular, the social responsibility, ethical behaviour, and focus on the good ones can be referenced as some of the core job selection determinants like universalism and benevolence. Graduates will be more attracted to organisations that demonstrate such values in their CSR practices, which will create a stronger sense of commitment to the organisation and career satisfaction.

LITERATURE REVIEW

The altruistic CSR implies business efforts that do not view social and environmental well-being as integral to corporate-established economic and legal duties. Contrasting strategies or instrumental CSR, which is mostly motivated by profit status, altruistic CSR represents a moral obligation of a company in society (Carroll & Shabana, 2010). The concept of CSR in Malaysia has been adopted to meet the needs of government policies, corporate governance principles and needs in the society (Ahmad & Saad, 2013). Figure 2 illustrates Malaysia's understanding of CSR, highlighting the company’s focus on ethical business performance, environmental and social responsibility, as well as community involvement.

Organisations such as Petronas, Sime Darby, and Maybank have implemented altruistic CSR initiatives, including scholarships, environmental conservation programs, and community empowerment projects. These efforts enhance corporate reputation, strengthen stakeholder relationships, and contribute to long-term sustainability (Moir, 2021).

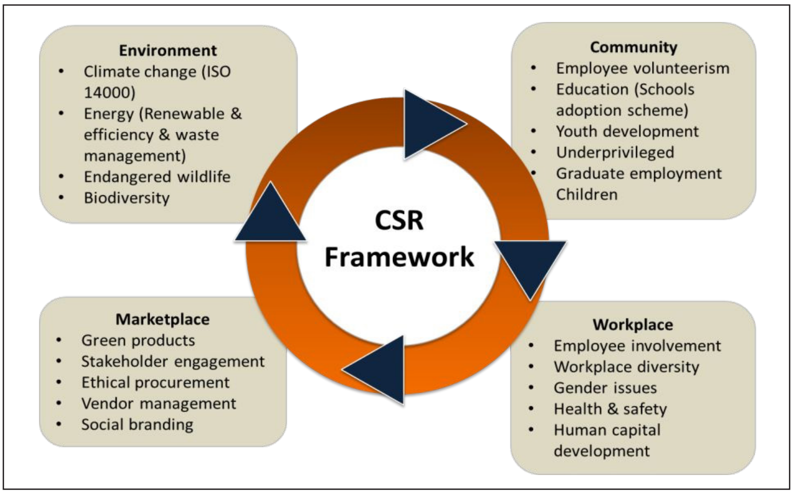


Figure 2. CSR framework by Bursa Malaysia
Source: Author’s own work

The CSR Framework by Bursa Malaysia (Figure 2) further underscores the structured approach adopted by corporations, demonstrating how Malaysian businesses integrate CSR into their core strategies.

One of the significant aspects of altruistic CSR is its impact on employer branding and attracting the workforce. Studies indicate that millennials and Generation Z, who form the majority of today's university students, prefer employers who demonstrate ethical responsibility and social commitment (Gillespie, 2024). Companies that actively engage in altruistic CSR foster trust, loyalty, and a positive corporate image, making them more appealing to prospective employees. The essence of CSR, including the principles that define this concept, is attractive to job seekers, as it outlines the core principles that guide socially responsible business.

Graduate employability can be defined as the ability of university graduates to secure and sustain employment that aligns with their qualifications and career objectives. Employability in Malaysia is already a pressing issue due to the growing disparity between industry standards and the skills of graduates (Moo & Da Wan, 2023). At the same time, now employers do not only want personnel with technical skills, but also include soft skills, social knowledge, and the ability to work in changing conditions (Ahmad, M. et al., 2025). The implementation of CSR projects and, especially, programs focused on the welfare of employees and ethical business conduct may amicably contribute to the perception gradates hold of potential employers.

By promoting the well-being of employees and offering them decent wages and a balance between work and life, companies that prioritise employee well-being are likely to attract high-calibre graduates. An example is corporate social responsibility programs that offer internship, mentorship, and professional development opportunities to enhance students' employability (Zain et al., 2021). Community engagement programs also provide students with an opportunity to participate in volunteer work, allowing them to develop leadership skills and social awareness. The CSR Pyramid of Carroll (Figure 3) is a systematic approach to CSR, separating the economic, legal, ethical, and philanthropic responsibilities of organisations that strike the balance between these social impact initiatives.

According to the Value Theory of Schwartz (1992), human values, categorised under ten broad dimensions, are relevant to altruistic CSR, universalism, and benevolence. Universalism is concerned with the welfare of society and the environment, whereas benevolence focuses on being kind, socially responsible, and in a harmonious relationship with others (Schwartz, 2012). These principles align well with humanistic CSR, as companies focusing on sustainability, ethical behaviour, and societal development are in tandem with the expectations and aspirations of graduates.

It has also been shown that younger generations, specifically Generation Z and millennials, want to work in organisations that align with their values (Twenge, 2017).

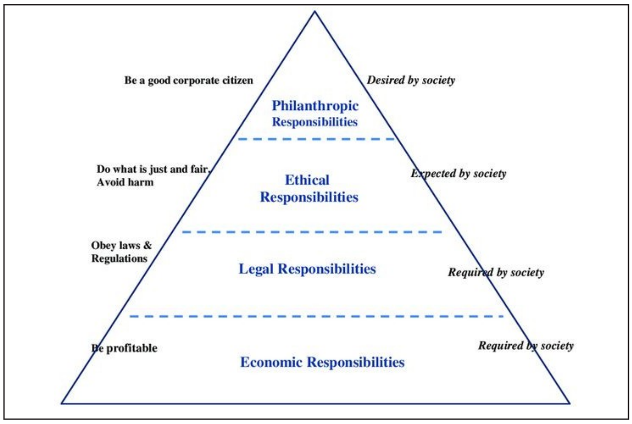
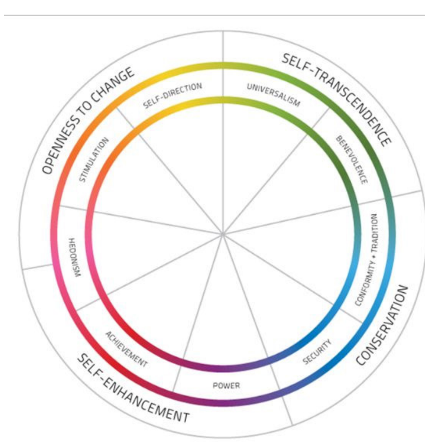


Figure 3. The Carroll's CSR pyramid
Source: Carroll (1991)



Individual Value Types	Associated Values (considered in the value orientation questionnaire)
Self-direction	Creativity
	Independence
Stimulation	Varied life
	Exciting life
Hedonism	Pleasure
	Enjoying life
Security	National security
	Family security
Tradition	Respect for tradition
	Moderation
Conformity	Obedience
	Behaving properly
Universalism	Broadmindedness
	Equality
	Environmental protection
Benevolence	Loyalty
	Helpfulness

Figure 4. Schwartz values theory
Source: Schwartz (1994)

When firms demonstrate their commitment to universalism and philanthropy through their CSR activities, they attract value-oriented job seekers, thereby enhancing their talent recruitment efforts. Also, when the Value Theory (Figure 4) developed by Schwartz is integrated into CSR strategies, ethical business behaviour is strengthened, which helps to achieve long-term organisational success and social well-being.

Corporate Social Responsibility (CSR) is a concept that has gained increasing acceptance as a means of enhancing corporate competitiveness and achieving social impact in Malaysia. The business is advised to conduct socially responsible actions in accordance with governmental policies, including the Malaysian Code on Corporate Governance (MCCG) and the Sustainable Development Goals (SDGs) (Amir et al., 2025).

Malaysian corporations have responded by incorporating Corporate Social Responsibility (CSR) into their business models, focusing on sustainability, corporate ethics, and human capital investment.

As a country with multicultural diversity and a rapidly evolving economy, Malaysia offers a unique environment for investing in the role of altruistic CSR in specialised employment preferences (Hizam et al., 2019). In the increasingly competitive marketplace where talent firms operate, CSR commitments are now a significant consideration in job seekers' decisions. According to a study conducted by Moorthy et al. (2017), Malaysian students value the promises of employers with regard to their CSR-related employer when assessing employment opportunities concerning job opportunities. Companies with a good reputation for being socially responsible tend to receive more applications from recent graduates. In addition, employee turnover in CSR-driven companies is lower, as employees experience a sense of belonging and purpose in ethical and community-oriented work environments (Ahmad and Ramayah, 2022). These insights reveal the growing role of CSR in shaping the employment landscape in Malaysia.

The crucible of altruistic CSR and graduate employability is prompting Malaysian businesses to adopt social responsibility. When companies demonstrate a higher level of employer branding by valuing business ethics, treating employees well, and engaging in community involvement, they become more appealing to valuable graduates. The connection between CSR and talent acquisition is further justified by the engagement of the Value Theory developed by Schwartz, with organisations that correspond to universalism and benevolence being likely to attract and retain the top talent. In its constant influence on the labour market, a business should understand the strategic significance of CSR in developing sustainable development and enhancing the competitiveness of its workforce.

The expectations of the future workforce generation in the nation are also changing as the nation advances in its sustainable development endeavours. Young professionals, the upcoming potential employees, are also placing more demands on their employers. They expect employers who not only provide them with a career opportunity but also demonstrate adherence to a certain level of ethical practices, social responsibility, and stability. Although interest in CSR has increased, few studies have been done to discuss the impact that altruistic CSR has on employment preferences among Malaysian graduates. This relationship is crucial in understanding how businesses can attract and retain talent in a growing, value-based labour marketplace.

This research will examine the implications of altruistic CSR on the employability perceptions of final-year university students in Malaysia. Based on the conceptual framework of the Value Theory suggested by Schwartz, the study investigates the influence of particular altruistic aspects of CSR, including employee welfare, moral business policies, environmental responsibility and involvement with the community, on the job choices of graduates. By conducting research to produce empirical data on the significance of these CSR attributes in the Malaysian context, the study will also provide practical insights to organisations intending to integrate their CSR approaches in line with the values and expectations of the future workforce.

METHODOLOGY

This paper presents a mixed-methods study that combines both quantitative and qualitative designs to conduct a comprehensive investigation into the relationship between altruistic Corporate Social Responsibility (CSR) and perceptions of employability among final-year university students in Malaysia.

The quantitative stage involved a survey of 400 final-year students from various Malaysian universities. The survey measured the relevance of four primary altruistic CSR factors towards influencing the employment preferences among students (Figure 5).

The data gathered from the survey were analysed using descriptive and inferential statistical tools to determine what students prefer to see in CSR, as well as to examine demographic variables that may influence the opinions of the study participants.

The qualitative stage followed the quantitative stage and consisted of four (4) Focus Group Discussions (FGDs), each comprising six (6) participants, resulting in a total of twenty-four (24) participants. The FGDs were also intended to gain further insight into the motivation and image of students for altruistic CSR and their underlying values. The discussions were structured around the key themes revealed in the survey results, which highlighted the importance of CSR in employment decisions among students, making the understanding of the role of CSR in a job very delicate.

Through the fusion of quantitative and qualitative methods, the research can facilitate a comprehensive approach to understanding the perceptions and values of Malaysian graduates regarding CSR and its importance in career choice. The outcomes are highly informative regarding the applications of companies, which should

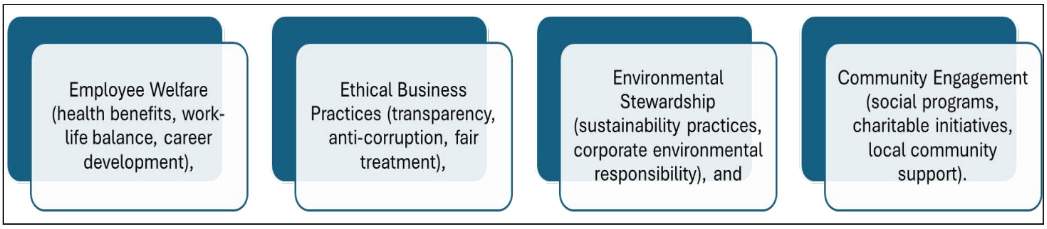


Figure 5. Four key altruistic CSR elements
Source: Author's own work

harmonise their CSR strategies by stating the requirements and principles of future employees.

RESULTS

This section presents the research results of investigating the role of the altruistic Corporate Social Responsibility (CSR) variables, employee welfare, business ethics, environmental management and community interaction in the oil and gas job decision-making process of the Malaysian graduates. In this analysis, both quantitative and qualitative data were merged based on a survey of 400 final-year students from both public and private universities, as well as information gathered through Focus Group Discussions (FGDs).

More precisely, the findings reveal the extent to which students evaluate these areas of CSR when defining potential employers, ranking them in accordance with the values of universalism and benevolence as outlined by Schwartz. It also addresses the fluctuation of CSRs' preferences across various academic bodies and types of universities, providing input into future employee expectations of the Malaysian workforce. In addition, the results are explained in terms of the Malaysian Sustainable Development Goals (SDGs) concerning the contribution that CSR makes to sustainable employment and corporate ethics.

The section is divided as follows: First, the demographic profile of the survey respondents and FGD participants is provided to define the sample features of the study. Subsequently, the survey data demonstrate the ranking of priorities across diverse CSR attributes, which can be validated using statistical methods, to determine differences between student groups. This is then supplemented by qualitative data from FGDs, which would give a more detailed discourse on students' motivation and expectations of CSR in the work environment. Conclusively, the implications from discussions with the literature are presented, along with the Schwartz value theory, SDG goals in Malaysia, and a healthy professional conclusion and strategic projections for publicity organisations willing to implement measures to attract and retain young talents with improved CSR.

Demographic Profile of Respondents

In this section, the demographic details of the 400 survey participants, including gender, age, type of university, and academic major, will be presented. As well, the demographics of the members of the Focus Group Discussion (FGD) are described to obtain the context of the obtained qualitative information.

Survey Respondents

The survey was applied to 400 final-year students of six state universities and four private universities in Malaysia. Their demographics are presented in Table 1.

Most of the respondents were female (62.5%), while male respondents accounted for 37.5%. This represents an increase in the enrolment of women in institutions of higher learning in Malaysia. The respondents' mean age was 23.1 years (SD = 1.2), and they were between 22 and 25 years old.

Four hundred respondents, out of a total of 400, were from public universities, with 67.5% and 32.5% from private universities, respectively. Speaking of academic discipline, 56.0% of respondents belonged to the science, technology, engineering, and mathematics (STEM) sector, and 44.0% belonged to non-STEM sectors, providing adequate representation for the views of both technical and social science representatives.

Table 1
Demographic profile of survey respondents

Demographic Factor	Frequency (n)	Percentage (%)
Gender		
Male	150	37.5
Female	250	62.5
Age Group (Years)		
22	120	30.0
23	160	40.0
24	80	20.0
25	40	10.0
University Type		
Public University	270	67.5
Private University	130	32.5
Academic Discipline		
STEM	224	56.0
Non-STEM	176	44.0
(N=400)		

Source: Author’s own work

FGD Participants

Table 2 displays the composition of four FGDs, which included twenty-four (24) students, with each session consisting of six participants representing different academic disciplines and university types. The FGDs aimed to research students' perceptions of CSR in job selection as a complement to the quantitative results.

Summary of Demographic Findings

The study encompasses a diverse range of perspectives, as its demographic profile of respondents is a comprehensive representation of Malaysian university students. The overwhelming female representation is consistent with the larger gender balance in higher education in Malaysia. The similarity in the distribution of both STEM and non-STEM students will enable significant comparisons between the CSR-related employment preferences. In a similar manner, the inclusion of students in both Princeton University and the Pakistani University guarantees the occurrence of differences within the contexts of the institutions.

Table 2
Composition of FGD participants

Focus Group	University Type	Academic Discipline	Number of Participants
FGD 1	Public	STEM	6
FGD 2	Public	Non-STEM	6
FGD 3	Private	STEM	6
FGD 4	Private	Non-STEM	6
Total	-	-	24

Source: Author’s own work

Importance of Altruistic CSR Elements in Employment Preferences

The purpose of this section is to observe the status that employee welfare, business ethics, and community awareness had on the employment preferences among Malaysian university students. Descriptive statistics (mean, standard deviation and frequency distributions) are applied to analyse the data ranking CSR elements by their rank of importance. In addition, statistical tests (ANOVA, t-tests, and chi-square tests) are employed to evaluate differences based on gender, type of university (public and private), and discipline (STEM and non-STEM universities).

Descriptive Statistics for CSR Elements

Figure 6 depicts the significance of CSR elements in choosing jobs, and the way Malaysian university students value various CSR elements when seeking employment opportunities.

The findings show the factors of employee welfare are ranked highest ($M = 4.35$, $SD = 0.78$), ethical business practices ($M = 4.21$, $SD = 0.85$), environmental stewardship ($M = 4.05$, $SD = 0.91$), and community involvement ($M = 3.89$, $SD = 1.02$). This indicates that Malaysian graduates attach increased importance to companies that distinguish themselves by their well-developed employee welfare practices, such as high wages, job security, and workplace conditions.

Thematic Insights from FGDs: Why Do Graduates Prioritise These CSR Elements?

To complement the quantitative findings, Focus Group Discussions (FGDs) were conducted to gain deeper insights into why Malaysian graduates prioritise specific CSR elements when considering employment opportunities. Thematic analysis was employed to identify key themes from participant responses. Three major themes emerged:

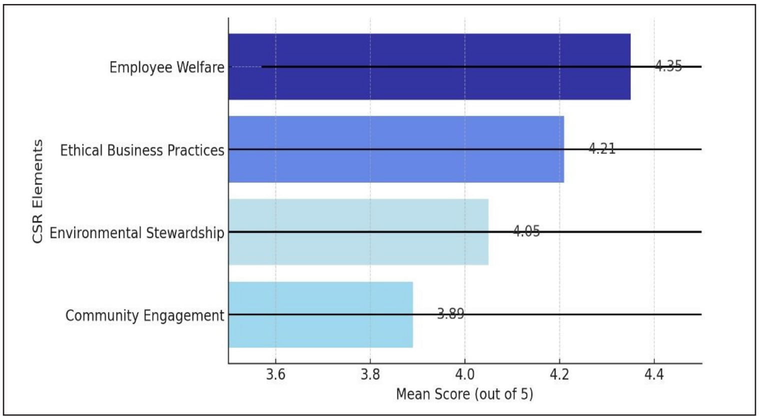


Figure 6. CSR elements in employment preferences
Source: Author’s own work

Alignment with Personal Values (Universalism and Benevolence)

Participants consistently emphasised that their employment preferences align with their personal values, particularly universalism and benevolence, as outlined in Schwartz's Value Theory. Many expressed that they seek employers who contribute positively to society, treating employees fairly and ensuring ethical business conduct.

Representative Quotes:

> I want to work for a company that truly values its employees and treats them well. It's not just about salary but also respect and fairness. (Participant A, Public University)

> Companies that support social causes and employee welfare reflect values that I personally uphold. (Participant B, Private University)

Desire for Ethical and Sustainable Workplaces

A strong desire for ethical and sustainable workplaces emerged as a common theme. Participants highlighted concerns about unethical business practices, unsustainable environmental policies, and exploitative labour conditions. They expressed a preference for organisations committed to fair trade, eco-friendly initiatives, and employee well-being.

Representative Quotes:

> A company's reputation matters to me. I don't want to be associated with businesses that exploit workers or harm the environment. (Participant C, Private University)

> Sustainability is important. Organisations that prioritise the environment show that they care about the future. (Participant D, Public University)

Perceptions of Corporate Responsibility and Employer Attractiveness

Graduates perceived CSR-driven companies as more attractive employers, believing that businesses with strong CSR initiatives foster positive workplace cultures, job satisfaction, and long-term career growth. Many participants stated that an organisation's CSR efforts influence their perception of job stability, employee treatment, and leadership integrity.

Representative Quotes:

> Companies that genuinely care about their employees and the community are usually better places to work. (Participant E, Public University)

> An employer's CSR efforts tell me a lot about their leadership and values. It's an indicator of how they'll treat employees. (Participant F, Private University)

Statistical Analysis: The Impact of CSR Perceptions on Employer Attractiveness

To further examine the relationship between the importance of CSR and employer attractiveness, a Pearson correlation analysis was conducted. The results indicate a strong positive correlation ($r = 0.992$, $p = 0.008$), suggesting that graduates who highly value CSR elements are more likely to find companies with strong CSR commitments attractive as employers.

These findings reinforce the qualitative insights from FGDs, demonstrating that organisations that actively engage in CSR initiatives are perceived as more attractive workplaces by Malaysian graduates. The preference for CSR-driven employers suggests that companies integrating CSR into their corporate identity can gain a competitive edge in attracting top talent.

The scatter plot (Figure 7) visualises the correlation between CSR importance and employer attractiveness. The trend line (red dashed line) indicates a strong positive relationship, reinforcing that graduates perceive organisations with strong CSR commitments as more attractive employers.

Comparative Analysis: Alignment with Schwartz's Universalism and Benevolence Values

The study findings demonstrate a strong alignment between graduates' employment preferences and Schwartz's value dimensions of universalism and benevolence. Universalism emphasises social justice, equality, and environmental protection, while benevolence highlights concern for others' well-being and ethical conduct.

Alignment with Universalism: Ethical and Sustainable Employment Preferences

Survey results in Table 3 indicate that Employee Welfare ($M = 4.35$) and Ethical Business Practices ($M = 4.20$) were the two most prioritised CSR elements among Malaysian graduates. These findings align with universalistic values, where individuals seek fair treatment, inclusivity, and ethical leadership in their workplace choices.

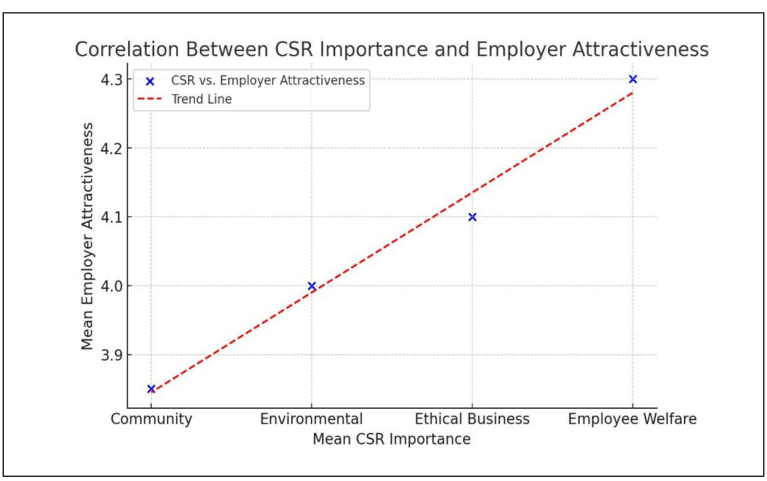


Figure 7. CSR importance and employer attractiveness
Source: Author's own work

Table 3
Correlation between CSR importance and employer attractiveness

CSR Element	Mean CSR Importance	Mean Employer Attractiveness
Employee Welfare	4.35	4.30
Ethical Business Practices	4.20	4.10
Environmental Stewardship	4.05	4.00
Community Engagement	3.90	3.85

Source: Author's own work

Supporting FGD Insights

Participants emphasised the importance of working for organisations that uphold strong ethical standards and sustainable practices. Many respondents viewed ethical business conduct as a reflection of corporate integrity and long-term sustainability.

Representative Quotes:

> I want to work for a company that respects all employees equally and operates ethically. If they care about people, they'll care about their workers too. (Participant G, Public University)

> A company that engages in sustainable practices and treats employees well shows that they think long-term, not just about profits. (Participant H, Private University)

Alignment with Benevolence: Community Engagement and Employee Welfare

Graduates also rated Community Engagement (M = 3.90) as an important CSR element, reflecting benevolence values that emphasise care for others. The preference for employee welfare (M = 4.35) further supports this, suggesting that graduates seek workplaces that prioritise well-being, inclusivity, and employee support systems.

Supporting FGD Insights

Several FGD participants mentioned that they prefer organisations that engage in social initiatives, such as supporting underprivileged communities, volunteering programmes, and education sponsorships. They believe such companies foster a more compassionate and purpose-driven workplace culture.

Representative Quotes:

> Companies that care about the community often care about their employees too. It creates a culture of kindness and support. (Participant I, Public University)

> Giving back to society is important. If a company does this, I know they have strong values, which means they'll treat employees well too. (Participant J, Private University)

Broader Societal Shifts Toward Ethical and Sustainable Work Environments

The findings reflect a broader societal shift in Malaysia toward ethical business practices, sustainability, and corporate responsibility. As younger generations enter the workforce, they bring with them higher expectations for corporate social responsibility. The demand for transparent, socially responsible, and employee-centred organisations is growing, pushing companies to adapt their CSR strategies to attract and retain talent.

These insights suggest that Malaysian organisations aiming to align with the values of future graduates should emphasise CSR strategies that reflect universalism and benevolence—focusing on fair employee treatment, ethical conduct, sustainability, and active community engagement.

Figure 8 shows the alignment of CSR elements with Schwartz's Universalism and Benevolence values.

- Universalism (blue bars): Reflects graduates' preference for ethical, fair, and sustainable workplaces.
- Benevolence (green bars): Highlights the importance placed on employee welfare and community engagement.

This visualisation reinforces that graduates expect companies to uphold social responsibility not only in business ethics but also in employee treatment and community care.

CSR Strategies for Malaysian Organisations: Bridging Student Expectations and Corporate Practices

The findings demonstrate increasing expectations among Malaysian graduates of ethical behaviour, social responsibility, and a people-friendly work environment. Nevertheless, there are still defaults in these expectations over the present CSR practices of most Malaysian organisations. This subsection examines these gaps, provides strategic suggestions, and explains the relevance of such initiatives to the Malaysian Sustainable Development Goals (SDGs).

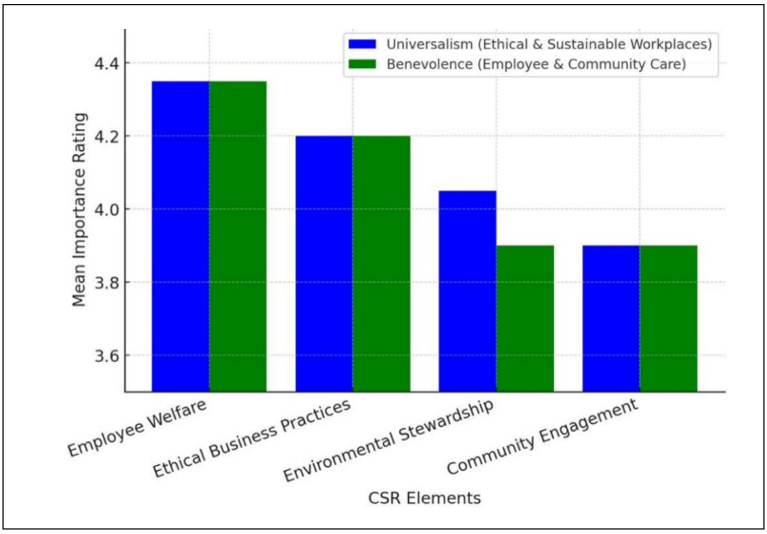


Figure 8. Alignment of CSR elements with Schwartz's values
Source: Author's own work

Gaps Between Student Expectations and Current CSR Practices

Figure 9 demonstrates the four (4) key gaps as identified from the study. Although prominent Malaysian corporates, especially GLCs and multinational companies, are well-endowed with CSR frameworks, most companies continue to focus on philanthropic CSR one-off donations, sponsorships instead of integrating CSR as a corporate culture, employee policy and business ethics.

Figure 9. Key gaps identified
Source: Author's own work

Recommendations to Enhance CSR Strategies for Talent Attraction and Retention

As a way of addressing these gaps, Malaysian organisations should redesign their CSR programs to align with student expectations, ensuring long-term sustainability rather than intermittent CSR campaigns.

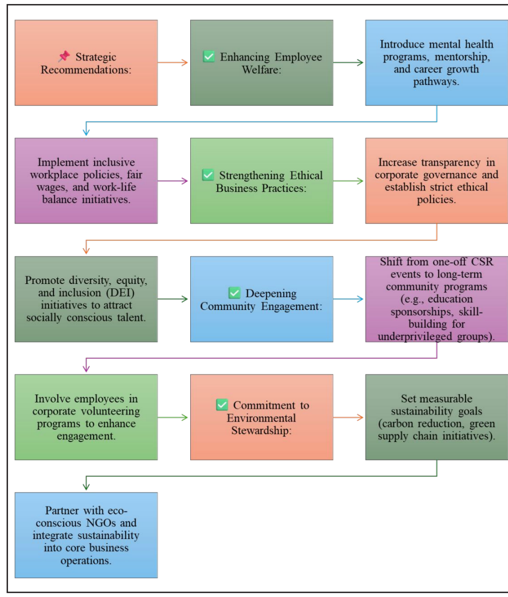


Figure 10. Strategic recommendations
Source: Author's own work

Alignment with Malaysia's Social Development Goals (SDGs)

These CSR strategies align with various SDGs, implying that the organisations help the country develop and also achieve the hopes of young, future talent, as shown in Table 4.

Since young talent needs to be required and retained within the Malaysian organisation, firms must extend beyond traditional CSR behaviours and incorporate ethical, people-based, and sustainable practices into their corporate DNA. By doing so, they not only address the expectations of graduates but also contribute to the country's achievement of the SDGs, fostering a stronger corporate future and increasing accountability for future generations.

Table 4
SDG goal and CSR strategy contribution

SDG Goal	CSR Strategy Contribution
SDG 8: Decent Work & Economic Growth	Enhancing employee welfare, fair wages, and ethical workplace practices.
SDG 10: Reduced Inequalities	Promoting inclusive hiring, gender equality, and fair labour policies.
SDG 12: Responsible Consumption & Production	Encouraging sustainable business models and environmental responsibility.
SDG 17: Partnerships for the Goals	Strengthening collaborations with government, NGOs, and universities.

Source: Author's own work

DISCUSSION

This study examined the role of altruistic Corporate Social Responsibility (CSR) in shaping perceptions of graduate employability among final-year university students in Malaysia. By integrating quantitative survey findings with qualitative insights from Focus Group Discussions (FGDs), the discussion interprets how specific CSR dimensions influence employment preferences and how these preferences align with Schwartz's Value Theory, particularly universalism and benevolence.

Altruistic CSR as a Determinant of Employer Attractiveness

The findings indicate that altruistic CSR plays a significant role in shaping graduates' perceptions of employer attractiveness. Among the CSR elements examined, employee welfare and ethical business practices were found to be the most influential factors in job selection decisions. This suggests that Malaysian graduates increasingly prioritise organisations that demonstrate genuine concern for employee well-being, fairness, and ethical conduct. These results are consistent with earlier studies, which highlight that CSR-driven organisations are perceived as more trustworthy and desirable employers, particularly among younger generations entering the workforce.

The strong positive correlation between CSR importance and employer attractiveness further reinforces the argument that CSR is no longer viewed as a peripheral organisational activity but as a core signal of corporate values. Graduates interpret CSR initiatives as indicators of how organisations are likely to treat their employees, manage ethical challenges, and sustain long-term employment relationships.

Alignment with Schwartz's Universalism and Benevolence Values

The results demonstrate a clear alignment between graduates' employment preferences and Schwartz's value dimensions of universalism and benevolence. Universalism, which emphasises social justice, equality, and environmental protection, is reflected in graduates' strong preference for ethical business practices and environmental stewardship. Benevolence, which focuses on concern for others' well-being, is evident in the high importance placed on employee welfare and community engagement.

The qualitative findings from FGDs provide deeper insight into this alignment. Participants consistently expressed a desire to work for organisations that share their personal values, contribute positively to society, and uphold ethical standards. These findings support Schwartz's assertion that values serve as guiding principles influencing individual attitudes and behaviours, including career-related decisions. In this context, altruistic CSR functions as a mechanism through which organisational values are communicated and evaluated by prospective employees.

Generational Expectations and Ethical Work Environments

The study's findings reflect broader generational shifts in employment expectations among Generation Z and millennials. Graduates demonstrated heightened sensitivity toward ethical issues, sustainability, and corporate accountability. Rather than focusing solely on salary or job security, participants emphasised the importance of meaningful work, ethical leadership, and organisational purpose.

This shift aligns with previous research suggesting that younger generations seek employment that offers both professional development and value congruence. Organisations that engage in altruistic CSR are perceived not only as socially responsible but also as providing healthier, more supportive, and more sustainable work environments. Consequently, CSR becomes a strategic tool for attracting and retaining talent in an increasingly values-driven labour market.

CSR, Graduate Employability, and the Malaysian Context

Within the Malaysian context, the findings underscore the increasing importance of CSR in addressing challenges to graduate employability. As Malaysian graduates face increasing competition and evolving employer expectations, CSR-oriented organisations offer additional value through opportunities such as skill development programs, community engagement, and ethical workplace cultures.

The emphasis on employee welfare and ethical practices resonates strongly with national priorities outlined in the Malaysian Code on Corporate Governance (MCCG) and the Sustainable Development Goals (SDGs). By aligning CSR strategies with these frameworks, organisations contribute not only to talent attraction but also to broader societal goals such as decent work, reduced inequalities, and sustainable economic growth.

Bridging the Gap Between Expectations and Practice

Despite the positive perception of CSR among graduates, the findings also reveal a gap between student expectations and current CSR practices in many Malaysian organisations. While large corporations and government-linked companies often demonstrate structured CSR initiatives, smaller firms tend to focus on short-term or philanthropic activities rather than embedding CSR into organisational culture and human resource policies.

This gap suggests a need for Malaysian organisations to move beyond symbolic CSR and adopt more integrated, employee-centred approaches. Embedding altruistic CSR into recruitment, training, and employee welfare policies can enhance employer credibility and strengthen long-term workforce sustainability.

Implications for Theory and Practice

From a theoretical perspective, this study reinforces the relevance of Schwartz's Value Theory in understanding employment preferences and extends its application to CSR and graduate employability research. Practically, the findings suggest that organisations seeking to attract young talent should prioritise altruistic CSR elements that resonate with universalism and benevolence, particularly employee welfare, ethical conduct, sustainability, and community engagement.

Overall, the discussion underscores that altruistic CSR is not merely a reputational tool but a strategic driver that shapes graduates' career decisions and the future of work in Malaysia.

CONCLUSION

This paper highlights the importance of altruistic CSR aspects, such as employee welfare, ethical business conduct, environmental sustainability, and community involvement, in determining the employment choices of Malaysian graduates. The results of the mixed-methods approach show that these qualities of CSR are largely consistent with the values of universalism and benevolence found in Schwartz's theory, responding to a growing belief in ethical, sustainable, and socially responsible workplace practices among the future workforces.

The survey results highlight that graduates prioritise employee welfare and ethical business practices as the most critical factors in evaluating potential employers, while environmental stewardship and community engagement also play influential roles. The FGDs provide deeper insights into the motivations behind these preferences, revealing themes such as personal value alignment, the desire for ethical workplaces, and perceptions of corporate responsibility as a factor in employer attractiveness.

Despite these expectations, the study identifies gaps between student priorities and current CSR practices in many Malaysian organisations. While some companies, particularly GLCs and multinational firms, demonstrate robust CSR strategies, others continue to focus on philanthropic CSR rather than integrating social responsibility into corporate policies and workplace culture.

To address these gaps, this study proposes strategic recommendations (Figure 11) for organisations to restructure CSR initiatives.

By aligning CSR strategies with Malaysia's Social Development Goals

Figure 11. Strategic recommendations for restructuring CSR initiatives
Source: Author's own work

(SDGs), particularly in sustainable employment, corporate ethics, and environmental responsibility, organisations can bridge the gap between expectations and practices, ensuring they attract and retain socially conscious graduates who seek purpose-driven careers.

This study contributes to both theoretical and practical knowledge by providing insights into how CSR influences graduate employment preferences and its implications for corporate recruitment and talent management strategies. Figure 12 displays that future research can expand on this work by:

Ultimately, this study reinforces the growing importance of CSR in shaping the future of work in Malaysia, highlighting the need for organisations to move beyond traditional CSR frameworks and embrace employee-centric, ethical, and sustainable corporate strategies to attract the next generation of talent.

ACKNOWLEDGEMENT

The writers would like to extend appreciation to the Ministry of Higher Education Malaysia for the Fundamental Research Grant Scheme with Project Code FRGS/1/2024/SS05/USM/01/1.

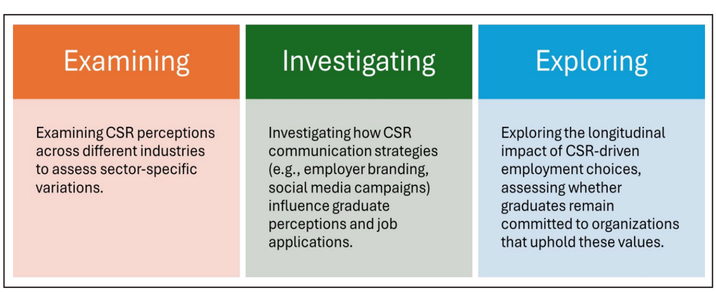


Figure 12. Suggestion for future research
Source: Author's own work

This article is one of the stated tangible outputs. The writer also acknowledges the contributions of individuals who assisted directly or indirectly in the completion of the paper.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 23 - 39 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Process Quality Evaluation for Taking CSR from the Perspective of Stakeholder Service

Sijin He

Faculty of Business Administration, Guangdong Baiyun University, 280 Jiufo Xi Road, Zhongluotan Town, Baiyun District, 510900 Guangzhou, Guangdong Province, China

ABSTRACT

Enhancing corporate social responsibility (CSR) performance is often considered in relation to improving the quality of taking CSR. In this context, measuring CSR performance serves as a crucial starting point. However, due to the inherently qualitative nature of CSR, efforts to enhance its quality should go beyond the actions of measuring CSR performance – quantitative performance metrics. Despite this, academic literature reveals a significant gap in methodologies for evaluating the quality of taking CSR alongside performance measurement. This paper proposes a framework to evaluate the quality of taking CSR by conceptualising CSR as a service delivered to multiple stakeholder groups, thereby associating service quality with the quality of taking CSR. Adopting a mapping approach, this research reviews the existing CSR-related literature to explore narratives from diverse perspectives. Drawing on the Service Quality Gap Model, these perspectives are applied to evaluate the quality of taking CSR. The research contributes to evaluating the quality of taking CSR by presenting an evaluation framework grounded in the Service Quality Gap Model. This research advances the field by introducing an evaluation framework rooted in the Service Quality Gap Model, which is crucial for companies aim to enhance their CSR performance, become more socially responsible, and align with the UN's sustainable development goals (SDGs).

Keywords: Corporate Social Responsibility (CSR), quality evaluation, service quality, stakeholder groups

ARTICLE INFO

Article history:
Received: 18 November 2025
Accepted: 10 April 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.02

E-mail address:
sijin.he@baiyunu.edu.cn

INTRODUCTION

In the past seven decades ago, the development of CSR has evolved significantly, and today this term is often rephrased as SDGs or ESG. Are we growing tired of having a discussion about CSR? Is CSR becoming obsolete? SDGs were proposed as a framework to plan CSR (Fallah Shayan et al., 2022), while ESG,

e-ISSN: 2231-8534

was defined as a measurable sustainability assessment (Kaźmierczak, 2022). In relation to sustainability, Peretz and Stronen (2024) identified it as a valuable domain for examining the strategic nature of CSR; and it has been proposed as the focus of debating "How can CSR be sustainable?" in the 2010s-2020s (He, 2023). Furthermore, with respect to the SDGs, Fernández Souto et al. (2023) underscored their tight connection to CSR, emphasising the critical role of socially responsible behaviour of organisations in achieving the 2030 Agenda. Therefore, both SDGs and ESG are CSR-related concepts. To date, CSR remains a prevalent and relevant topic.

When CSR is taken, is its quality considered? The first attempt to classify CSR actions, Carroll's CSR pyramid (He, 2023; Morales-Parragué et al., 2022), outlined CSR as, from bottom to top, being responsible for corporate profitability, the law, ethics, and corporate citizenship (Carroll, 1991). In short, CSR was described as doing something good. "Good" can be a positive evaluation of quality; in this sense, does "doing something good" mean "doing something quality"? Given the complexity of CSR in nature, it should encompass not only doing something good but also doing what is right. Regarding the evaluation for taking CSR, existing research contribute to CSR performance and the quality of CSR reporting. It seems that quality is rarely taken into consideration until the outcomes of taking CSR was observed; however, maintaining quality is an ongoing process.

To determine if the actions of an organisation are ethical and are appropriate, the quality of its CSR taken should be evaluated; and this involves evaluating the process quality of taking CSR from stakeholder expectations to delivery. Such an evaluation can apply a theory of adaptation approach to model service quality gaps in CSR context. This research aims to develop a quality evaluation framework for taking CSR. Such evaluation is essential if corporations intend to improve their CSR performance, thereby becoming more socially responsible and aligning with the UN's sustainable development goals (SDGs).

The next section reviews the literature on CSR, service quality, and stakeholder expectations and perceptions, structured under three subtitles: (1) a focus on the quality of taking CSR; (2) CSR and service quality; and (3) CSR as a service to stakeholders. The third section explains the application of the Service Quality Gap model in the CSR context. The subsequent section presents the results of contextualising the Service Quality Gap model and develops a quality evaluation framework for taking CSR based on these results. Finally, the research is reviewed, and further relevant research of relevance is proposed.

LITERATURE REVIEW

This section reviews the literature on CSR, service quality, and stakeholders. It is organised into three parts. The first part outlines the historical evolution of CSR, drawing on He's (2023) review, and emphasises that although sustainability has become a central theme in recent debates, the quality of taking CSR has received limited scholarly attention. It is followed by a part that explores studies investigating the relationship between CSR and service quality, which collectively demonstrates a positive relationship between the two. Finally, here is a part reviewing CSR from the stakeholder perspective, viewing CSR as multistakeholder, where the quality of taking CSR depends on the alignment of stakeholder expectations and perceptions, and highlighting Parasuraman et al. (1985) Service Quality Gap Model which addresses the gap between these two dimensions.

A Focus on the Quality of Taking CSR

He (2023) explored the developmental history of CSR, highlighting the period up to the 1950s is classified by different literature reviews (Carroll, 2008; Latapí Agudelo et al., 2019; Mishra, 2019) as the embryonic phase of CSR. The period 1950s (e.g. Bowen, 1953) is considered the birth of CSR by a substantial number of scholars (He, 2023). Over the following seven decades, the main debate on CSR focused on various questions: "Do social responsibilities exist in business?" (the 1950s-1970s); "What should CSR be like?" (the end of the 1970s); "To whom should corporations be responsible?" (the 1980s-1990s); "What results should CSR achieve?"; "How to benefit from CSR?" (the 2000s-2010s); and "How can CSR be sustainable?" (the 2010s-2020s) (ibid., 2023). Despite this extensive development, the quality of taking CSR has not been a central focus in academia until now. The debate on "How can CSR be sustainable?" implies a need to seek an approach to maintaining and improving the quality of taking CSR. However, existing research lacks a focus on CSR quality.

CSR and Service Quality

A study by He and Li (2011) suggested that it is not necessary for corporations to simultaneously achieve high association with both CSR and service quality (SQ) among their customers. CSR and SQ are distinguished into two dimensions of a corporation: CSR relates to societal concerns or corporate character, while SQ focuses on improving long-term customer relationships (Brown & Dacin, 1997; Kim & Kim, 2016; Luo & Bhattacharya 2006; Mittal et al., 2015). Mahmood and Humphrey (2013) noted that CSR has evolved into value creation and respecting stakeholder expectations. To be socially responsible, corporations should respect customer expectations, considering customers as one of their important stakeholder groups and improving long-term relationships similar to SQ as mentioned above. Garcia de los Salmones et al. (2005) and Goyal and Chanda (2017) found from their research that a positive relationship exists between CSR initiatives and SQ evaluation. Similar results can be found in Poolthong and Mandhachitara's (2009) research, concluding that appropriate CSR initiatives enhance corporations' positive perceptions of SQ and stakeholder attitudes. Huang et al. (2014) also found a significantly positive effect of CSR on SQ.

CSR as a Service to Stakeholders

According to Teixeira et al.'s (2018), CSR is considered a multistakeholder responsibility; i.e. CSR is a responsibility to serve different stakeholder groups, where the quality of taking CSR can be defined as a stakeholder-oriented CSR-related service quality. Regarding this, stakeholder opinions are central to CSR discourse (Ismail & Shujaat, 2019), ensuring corporations are accountable to their stakeholders (Fadun, 2014). Before formulating CSR policies, corporations should take a consideration into stakeholder expectations, contributing to a positive corporate image (Dober & Halme, 2009; Eweje & Palakshappa, 2009; Veleva, 2010; Bagire et al., 2011; Epstein & Widner, 2011; Fadun, 2014). Costa and Menichini (2013) noted that some scholars (Becker-Olsen et al., 2006; Greening & Turban, 2000; Peterson, 2004; Turban & Greening, 1996) highlighted that stakeholder perceptions of corporate responsible behaviour derived from CSR practices, making the measurement of perceived CSR key to assessment. Therefore, both stakeholder expectation and stakeholder perception are essential to take into account in taking CSR. Considering consumers as a main stakeholder group, the Service Quality Gap Model (Parasuraman et al., 1985) addresses the importance of the relationship between consumer expectation and perception in evaluating service quality. Maintaining CSR quality is an ongoing process, and the dominant methodological approaches for evaluating process quality in academic research include systematic literature reviews (such as De Meyer & Claes, 2018; Snyder, 2019; Thomas et al., 2023), model-based evaluations (such as Donabedian, 1988; Stufflebeam, 2000), qualitative and mixed methods (such as Thomas et al., 2023), and empirical performance measurement such as De Meyer & Claes, 2018).

METHODS

One predominant definition of CSR by Carroll (1979, 1991) describes it as the "economic, legal, ethical and discretionary (philanthropic) expectations that society has of organisations at a given point in time". This relates to stakeholder expectations in areas of economy, law, ethics, and philanthropy placed on organisations. In terms of service quality and stakeholder expectation, the Service Quality Gap Model (Parasuraman et al., 1985) is a suitable reference for evaluating the quality of taking CSR. In the context of this research, among the four approaches suggested by Jaakkola (2020) for designing conceptual articles, *theory adaptation* is found to be the most appropriate approach. Theory adaptation emphasises the modification of existing theoretical frameworks and their application to new contexts, rather than the collection of primary data. Compared to conventional research methods such as interviews or surveys, an extensive literature review is a more appropriate research method for this study. This is because an extensive literature review enables the synthesis of existing scholarly work, facilitates the identification of theoretical gaps, and

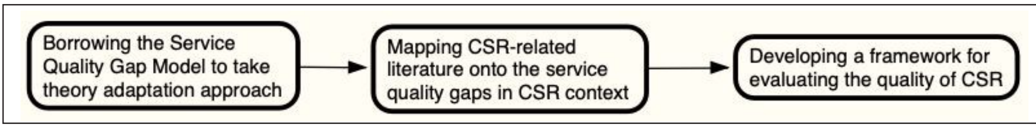

Figure 1. Visualisation of methodology
Source: Authors' own work

allows for the adaptation of the theory to a new context – namely, CSR – without the need for primary data collection. In this way, the extensive literature review serves as a foundational tool for conceptual and theoretical development.

The Service Quality Gap Model (Parasuraman et al., 1985) was adapted by defining the conceptual domain of CSR and giving meaning to service quality gaps in the CSR context based on CSR-related literature. The themes used for searching, selecting, and reviewing this literature were derived from He's (2023) exploration of the developmental history of CSR as mentioned in the part of *A Focus on the Quality of Taking CSR* in literature review section. This process resulted in the development of a quality evaluation framework for taking CSR (Figure 1). Based on the Service Quality Gap Model, the quality gaps of taking CSR may include:

a. Stakeholder expectation on CSR-management perception on CSR gap (CSR-GAP1)
b. Management perception on CSR-CSR quality specification gap (CSR-GAP2)
c. CSR quality specification-CSR delivery gap (CSR-GAP3)
d. CSR delivery-external CSR communication gap (CSR-GAP4)
e. Expected CSR-perceived CSR gap (CSR-GAP5)

RESULTS AND DISCUSSION

In the methods section, it is assumed that the quality gaps of taking CSR can be categorised into five dimensions. To address these gaps, issues within each dimension must be considered. Accordingly, the CSR-related literature reviewed is organised in five dimensions, considering five issues, including:

1. What stakeholders are identified, and how can their expectations be met?;
2. How can CSR be translated into implementation?;
3. How to implement CSR in practice?;
4. How to communicate CSR implementation legitimately?; and
5. How to align stakeholders' perception with their expectation regarding CSR?

Based on these considerations, a quality evaluation framework for taking CSR is developed (Table 1). This framework is structured around three themes:

1. CSR quality gap, which specifies the particular quality gaps in taking CSR;

2. The questions for evaluating the quality of CSR taken by an organisation, which provides guiding questions for evaluating the quality of taking CSR;
3. "Quality" answers, which presents normative responses around taking CSR with quality derived from the reviewed CSR-related literature

Table 1
Quality evaluation framework for taking CSR

CSR Quality Gap (GAP)	The Questions (Q) for Evaluating the Quality of CSR Taken by an Organisation	"Quality" Answers (A)
CSR-GAP1: Stakeholder Expectation on CSR-Management Perception on CSR Gap	**Q1a**: Who are the stakeholders of your organisation in specific? **Q1b**: What issues do these stakeholders expect you to address?	**A1a,b**: Responses may include various individuals or groups (e.g. activist groups, customers, customer advocate groups, unions, employees, trade associations, competitors, suppliers, government, political groups, and owners) and the issues relating to their interests in the surveyed organisation.
	Q1c: How important are these issues?	**A1c**: Responses may reflect the power, urgency and legitimacy of the issues expected to be addressed by the surveyed organisation.
CSR-GAP2: Management Perception on CSR-CSR Quality Specification Gap	**Q2a**: How far would your organisation stretch its responsibilities in its CSR strategies?	**A2a**: Responses may reflect issues relating to the role of stakeholders play in the CSR strategies of the surveyed organisation.
	Q2b: What issues would you take up based on these CSR strategies?	**A2b**: Responses may reflect issues relating to social issues taken by the surveyed organisation.
	Q2c: How meaningful are do you think taking up these issues?	**A2c**: Responses may reflect issues relating to the integration of shared value into corporate strategies.
	Q2d: How does your organisation combine economic, social, and environmental strategies? Do you have any successful case to share?	**A2d**: Responses may reflect issues relating to the integration of social, environmental, ethical human rights and consumer concerns into business operations and core strategy and the collaboration with stakeholders conducted by the surveyed organisation.
	Q2e: Do the CSR strategies of your organisation consider "context" in taking up each issue?	**A2e**: Responses may reflect issues relating to, externally, the consideration of each individual business context, and internally, the cultural and structural factors, values, management style, empowerment, and teamwork of the surveyed organisation itself.
	Q2f: Specifically, do the CSR strategies of your organisation have global or local concerns?	**A2f**: Responses may reflect issues relating to culture, the regulatory environment, NGOs, global standards, and local distinctive characteristics considered by the surveyed organisation.

Table 1 (*continued*)

CSR Quality Gap (GAP)	The Questions (Q) for Evaluating the Quality of CSR Taken by an Organisation	"Quality" Answers (A)
GAP3: CSR quality specification-CSR delivery gap	**Q3a**: What principles motivate your organisation to implement CSR?	**A3a**: Responses may reflect issues relating to legitimacy, public responsibility, and managerial discretion of the surveyed organisation;
	Q3b: What are the processes your organisation acts in implementing CSR?	**A3b**: Responses may reflect issues relating to environmental assessment,stakeholder management, and issues management of the surveyed organisation;
	Q3c: What are the outcomes your organisation achieves from its CSR implementation?	**A3c**: Responses may reflect issues relating to social impacts, social programmes, and social policies of the surveyed organisation.
GAP4: CSR delivery-external CSR communication gap	**Q4**: What are the purposes of your organisation to externally communicate CSR?	**A4**: Responses may reflect issues relating to the surveyed organisation's creation of (pragmatic, moral, cognitive) legitimacy, which includes (1) perception, impact and promotion; (2) image and reputation; (3) performance; and (4) persuasion.
GAP5: Expected CSR-perceived CSR gap	**Q5a**: What is CSR in your concept? **Q5b**: What CSR do you expect to be taken by this organisation? **Q5c**: What CSR expected needs to be improved in your perception?	**A5**: Responses may reflect issues relating to business ethics, stakeholder management, sustainability, corporate citizenship, creating social value, conscious capitalism, and purpose-driven business expected and perceived by the specific stakeholders of the surveyed organisation.

Stakeholder Expectation on CSR-Management Perception on CSR Gap (CSR-GAP1) – What Stakeholders are Identified, and How can Their Expectations be Met?

GAP1 in the Service Quality Gap Model refers to the discrepancies between consumer expectations of quality service and executive perceptions of these expectations (Parasuraman et al., 1985). In the context of CSR, stakeholders – not just consumers – have relevant service expectations. The stakeholder perspective is at the heart of CSR's concept, even though there is no fixed definition (Adib et al., 2021; Dahlsrud, 2008; Lindgreen et al., 2009). The key to improving the quality of taking CSR from this perspective is to meet stakeholder expectations efficiently and effectively. Quality here encompasses two dimensions: effectiveness and efficiency. Effectiveness involves meeting the expectations of the stakeholder groups in the maximum number within a given timeframe, while efficiency prioritises addressing the most important stakeholder expectations first within that timeframe.

According to R. Edward Freeman's stakeholder theory (1994), stakeholder groups of a very large organisation may include the parties from internal groups (employees and owners) to external ones (activist groups, competitors, customers, customer advocate groups, government, political groups, suppliers, trade associations, and unions). Organisations need to specify all relevant stakeholders as the first step, followed by prioritising and addressing their most important expectations. Mitchell et al. (1997)'s stakeholder classification model translates this importance into the claims of power, urgency, and legitimacy. Furthermore, according to the discussion of "dynamism in stakeholder- manager relations" (abid., 1997), stakeholder categories can change overtime. In the HE sectors, as illustrated by He (2023), students can be categorised as definitive stakeholders or dominant stakeholders on the basis of the urgency of their needs responded through HEI's CSR activities towards them.

Management Perception on CSR-CSR Quality Specification Gap (CSR-GAP2) – How can CSR be Translated into Implementation?

GAP2 in the Service Quality Gap Model exists between management perceptions of what consumers expect and the firm's service quality specification (Parasuraman et al., 1985). In the context of CSR, management perceptions shape CSR strategy, guiding its implementation. The key to improving the quality of taking CSR in this perspective involves developing an explicit CSR strategy that specifies good practice. In this regard, Nijhof et al. (2008) suggested that it is necessary for companies to get to know how to answer the questions on the extent they need to stretch their responsibilities, the issues they need to take up, the way to define those issues, and the methods to make a successful combination of economic, social, and environmental strategies. These questions can be explicated from the literature:

The answer to the question of "how far companies need to stretch their responsibilities" (Nijhof et al., 2008, p.153) can be derived from the agreement of several scholars (Fukukawa et al., 2007; Galbreath, 2009; Polonsky & Jevons, 2009; Vaaland et al., 2008) that the stakeholders play a central and ascendant role at the heart of CSR strategy, and stakeholder theory plays a vitally important role in the implementation of CSR strategy (Adib et al., 2021). The undertaking of CSR is within the scope that the stakeholders can play a central and ascendant role; In practice, Galbreath (2009) suggests that, to achieve a full integration of CSR into strategy, it is necessary to consider social issues as strategic issues. This responds to the question of "what issues companies take up" (Nijhof et al., 2008, p.153). From a strategic perspective, social issues should be taken up; In terms of the question of "how those issues (i.e. social issues) are given meaning" (Nijhof et al., 2008, p.153), according to Bosch-Badia et al. (2013), during the period between 1990 and 2010 there has been a shift on the focus of CSR from financial returns towards shared value. Similar concern can be referred to Porter and Kramer (2006)'s claim that shared value could be integrated into corportate strategies. In this sense, the meaning of social issues can be given as shared value; The EU updated its CSR strategy. Published in 2011, it stated that enterprises should establish a process to incorporate social, environmental, ethical human rights and consumer issues into their business operations and core strategy, working closely with their stakeholders (European Commission, 2011). This can be a response to the question of "how economic, social, and environmental strategies are successfully combined" (Nijhof et al., 2008, p.153).

The strategic development of CSR calls for a consideration of globalisation in CSR strategies when meeting with global issues (He, 2023). Galbreath (2006) identified culture, global standards, NGOs, and the regulatory environment as four key factors in addressing global CSR strategy. He also argues that the implementation of CSR strategies needs to be localised in a global context: in many cases, CSR strategies developed in one country are applied similarly across the globe; however, since each country has its own unique characteristics, the CSR landscape can differ signifcantly from one country to another (Rochlin & Boguslaw, 2001; Waddock & Smith, 2000); Localisation presents as a form of contextualisation. In a more general sense, Van Marrewijk (2003) emphasised tailoring CSR strategies to the specific contexts of individual business. In terms of 'contextualising' CSR strategy, its adoptation should take cultural and structural factors, organisational value, management style, empowerment, and teamwork, aiming to develop innovative behaviour (Revuelto-Taboada et al., 2021).

CSR Quality Specification-CSR Delivery Gap (CSR-GAP3) – How to Implement CSR in Practice?

GAP3 in the Service Quality Gap Model highlights the gap between service quality guidelines and actual service quality (Parasuraman et al., 1985). The key to improving the quality of taking CSR in this perspective involves aligning CSR delivery with its specifications of CSR. The flow from CSR specifications to CSR delivery reflects CSP (corporate social performance) model by Wood (1991), viewing CSR in the context of a comprehensive structure (İyigün, 2015; Jamali, 2008) and adopting an integrated approach (Mishra, 2019) from motivation (what underlies the specifications of CSR), process (in what way CSR should be delivered), to outcome (what can be achieved by delivering CSR).

Specifically, this model goes beyond simplying outlining various forms of social responsibilities by examining the issues which relate to the principles that motivate responsible behaviour, the processes that respond to social issues and the outcomes that are from those actions (Jamali, 2008). There are three levels of motivation for corporations to be socially responsible. These levels include the institutional level (focusing on the principle of legitimacy), the organisational level (based on the sense of public responsibility), and the individual level (originating in the discretion and responsibility of managers) (Jamali, 2008). Corporate responses are seen in the actions such as addressing (key) issues, assessing environmental impacts, and managing stakeholder groups; and the performance outcomes encompasses the social effects of corporate behaviours, the corporate programmes designed to meet responsibilities, and the corporate policies developed to manage social issues and stakeholder concerns (Jamali, 2008). Therefore, from specifications to delivery, it necessitates to align the motivating principles for responsible behaviour, the responsive processes, and the performance outcome.

CSR Delivery-External CSR Communication Gap (CSR-GAP4) – How to Communicate CSR Implementation Legitimately?

GAP4 in the Service Quality Gap Model occurs when external communication about service quality exceeds the actual perceptions of consumers (Parasuraman et al., 1985). Generally, this gap is caused by exaggerated promotion. In the context of CSR, (external) communication aims to create corporate legitimacy, achieved when promotion aligns with morality (Nielsen & Thomsen, 2018). It is the situation that a corporation achieves a strong record of CSR in history, keeps at CSR practices over time, and/or adopts a communication strategy focused on dialogue, interaction, and collaboration, rather than relying on overblown marketing and unrealistic promises. The key to improving the quality of taking CSR in this perspective is to communicate CSR implementation legitimately.

Nielsen and Thomsen (2018) outlines four perspectives which CSR communication enables corporations to create their legitimacy, including pragmatic legitimacy, moral legitimacy, cognitive legitimacy, which has four perspectives: (1) perception, impact and promotion perspective – seeking knowledge about stakeholders (relating to pragmatic legitimacy and cognitive legitimacy); (2) image and reputation perspective – monitoring and controlling the environment (relating to pragmatic legitimacy); (3) performance perspective – creating stakeholder value, collaboration and engagement (relating to pragmatic legitimacy and moral legitimacy); and (4) conceptional and rhetorical perspective – persuading stakeholders (possibly relating to each of legitimacies). If CSR communication fails to establish pragmatic legitimacy, cognitive legitimacy, or moral legitimacy to an organisation, it is not conducted legitimately.

Expected CSR-Perceived CSR Gap (CSR-GAP5) – How to Align Stakeholders' Perception with Their Expectation regarding CSR?

GAP4 in the Service Quality Gap Model addresses the differences between consumers' expectations and their perceptions in relation to service quality. Their perceptions are dependent on all GAP1, GAP2, GAP3, and GAP4 (Parasuraman et al., 1985). Particularly, both actual service delivery and external communications can directly affect consumer perceptions. The key to improving the quality of taking CSR in this perspective involves understanding what stakeholders expect to perceive.

To begin with, it is critical to learn what CSR is in stakeholders' concepts. These concepts contribute to their expectations regarding CSR. Scholars e.g. Keinert (2008), Crane et al. (2014), and Carroll and Brown (2018) have explored CSR-related concepts. The latest study within them points out current concepts related to CSR include business ethics, conscious capitalism, corporate citizenship, creating social value, purpose-driven business, stakeholder management, and sustainability.

The framework in Table 1 can be used for carrying out surveys (interviews or questionnaires), engaging many management-level individuals of an organisation and specified stakeholders in responding to the questions in this framework. It should be noticed that the questions under GAP1-GAP4 are applied to enquiry about the organisation's management-level individuals; while the rest are expected to be responded by the organisation's stakeholders. Responses will be analysed to evaluate the quality of taking CSR. The "quality" answers in the aforementioned framework provide reference points for this evaluation. Currently, there are no specific metrics for evaluating the quality of taking CSR, and it largely depends on the quality of responses.

CONCLUSION

This paper proposes a quality evaluation framework for taking CSR by adapting Parasuraman et al. (1985)'s Service Quality Gap Model. In this theory adaptation, CSR is defined as a stakeholder-oriented CSR-related service quality, and the key to improving the quality of taking CSR in each perspective is discussed with support from CSR-related literature. The "quality" answers to improve the quality of CSR taken in each perspective offer theoretical benchmarks for desired CSR practices. However, in practice, these answers may not come, or even reverse answers may be given. In any case, this paper is initial theoretical research of exploring the quality of taking CSR. He (2023) stated that all CSR, ESG, and SDGs are in the realm of sustainability. Further research could link the quality of taking CSR with ESG and SDGs, followed by categorising this quality on the basis of sustainability e.g. social sustainability, environmental sustainability, and economic sustainability of Elkington (1994, 1997)'s triple bottom line which focus on people, planet, and profit. Moreover, Primasari (2025) reiterated Sánchez-Teba et al.'s (2021) finding that the lack of clear definitions for CSR and corporate sustainability (CS) resulted in ambiguity in their implementation and reporting. Consequently, CS – as sustainability at the corporate level – emerges as a valuable research theme, with particular need for a comprehensive, accessible, and CSR-based. Besides, empirical research is expected to apply this evaluation framework in practice, engaging the corporations – which are the representatives in taking CSR and/or take the quality improvement of taking CSR into consideration – in evaluating their quality of taking CSR. In summary, this paper makes a significant contribution by introducing a novel CSR quality evaluation framework grounded in the Service Quality Gap Model, while also proposing theoretical linkages to ESG criteria and the SDGs. Additionally, it advocates for the establishment of more precise definitions of CSR and CS. The paper underscores the importance of practical implementation of the proposed CSR evaluation framework, encourages active corporate involvement in the assessment and enhancement of CSR quality, and calls for the development of clearer, more consistent definitions of CSR and CS within real-world practices.

ACKNOWLEDGEMENT

The author would like to thank his supervisors, Dr. Farhad Shafti and Dr. Georgios Kominis from the University of Glasgow, for their insightful advice on his PhD research which includes a comprehensive literature review of developmental history of CSR. This review has significantly contributed to enlightening this research and partly underlies its literature review. The author also expresses his appreciation to the Faculty of Business Administration, Guangdong Baiyun University, for financial support through the Grant Scheme of Provincial-level First- class Major Construction Site of Logistics Management, Guangdong Baiyun University, in preparing the paper.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 41 - 62 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Blockchain-Enabled CSR Transparency: A Systematic Review

Silviu Ojog[1] and Alina-Andrea Miron[2]*

[1]Department of Economic Informatics and Cybernetics, Faculty of Economic Cybernetics, Statistics and Informatics, Bucharest University of Economic Studies, 15–17 Dorobanți Avenue, Sector 1, 010552 Bucharest, Romania

[2]Department of Marketing, Faculty of Marketing, Bucharest University of Economic Studies, Mihai Eminescu Building, 41 Dacia Boulevard, Sector 1, 010404 Bucharest, Romania

ABSTRACT

Corporate Social Responsibility (CSR) reporting has become an important mechanism for organisations to communicate their environmental, social, and governance commitments to stakeholders. Although recent regulatory initiatives have sought to improve the consistency and reliability of CSR disclosures, concerns regarding transparency, data integrity, and reporting of credibility remain. In response to these challenges, blockchain technology has gained attention as a potential tool for strengthening CSR reporting practices. This study explores the role of blockchain in CSR reporting through a systematic review of 21 publications covering blockchain technology, smart contracts, and non-fungible tokens (NFTs). Drawing evidence from academic, technical, and industry sources, the review examines how these technologies can support greater transparency, accountability, and stakeholder trust while highlighting current implementation challenges and research gaps. The findings suggest that CSR reports can be recorded and verified as NFTs on a blockchain network, offering a secure and traceable approach to reporting. Unlike conventional NFTs used for digital assets, CSR-related NFTs possess distinctive characteristics, including non-transferability and the need for regulatory oversight during their creation and validation. This study contributes to the emerging literature by proposing a blockchain-based CSR reporting architecture that integrates smart contracts and NFT standards while recognising the roles of companies, verifiers, and regulatory authorities. The proposed framework also advances understanding of the practical and conceptual considerations associated with CSR-focused NFTs, providing a foundation for future research and implementation.

Keywords: Blockchain technology, CSR reporting, decentralisation, ERC721, NFT, smart contracts, sustainability, transparency

ARTICLE INFO

Article history:
Received: 18 November 2025
Accepted: 05 March 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.03

E-mail addresses:
silviu.ojog@csie.ase.ro (Silviu Ojog)
alina.miron@mk.ase.ro (Alina-Andrea Miron)
* Corresponding author

e-ISSN: 2231-8534

INTRODUCTION

Corporate social responsibility (CSR) has become a central element of modern organisational strategies, amid growing pressures from investors, consumers, and regulators for transparency and sustainability. Traditional CSR reporting faces major challenges, each of which is supported by academic sources. According to Xu (2023), greenwashing and data manipulation involve exaggerating or falsifying sustainable performance in reports, eroding stakeholder trust through manipulated data. This distorts the true perception of CSR impact, leading to incorrect investment decisions. Another big problem is the lack of supply chain traceability, and without it, supply chains remain opaque, making it difficult to verify the ethics and sustainability of raw material sources. According to Chen (2022), many companies are uncertain about whether their supply chains are ethical because they lack effective traceability and transparency mechanisms, increasing the risk that unethical practices remain hidden. Moreover, traditional audits require independent third parties, resulting in high costs and delays in validating CSR data. Abbott and Monsen (2023) analyse the positive correlation between the intensity of CSR reporting and audit costs, attributed to the risks of greenwashing and the need for extensive verification. The process is inefficient, based on samples rather than on complete, real-time data. Also, the lack of unified standards makes cross-company reporting incomparable, complicating global assessments of CSR performance. The variety of methods leads to inconsistencies and skepticism about the data. Tschopp and Nastanski (2014) criticise the plurality of frameworks (GRI, SASB, IIRC) that generate incompatibility and stakeholder skepticism.

This study aims to develop a blockchain-based architecture for CSR reporting that integrates smart contracts and NFTs to enhance transparency, accountability, and stakeholder engagement. Through a Systematic Literature Review (SLR), the research identifies and structures the literature into several key thematic dimensions: enhancing transparency and accountability in CSR reporting through blockchain technologies; leveraging smart contracts and NFTs to enable decentralised CSR mechanisms; analysing the characteristics of NFTs in relation to CSR reporting; and proposing a blockchain architecture for CSR reporting. The latter represents a major element of originality, as it reflects the authors' significant contribution in designing a practical and innovative framework for CSR reporting.

To address the current gaps in the integration of blockchain technology with corporate social responsibility (CSR) reporting, this study poses the following research question:

- What are the specific regulatory requirements and technical considerations for architecting and implementing an effective blockchain-based CSR system that accurately represents, stores, verifies, and manages CSR reports, ensuring transparency, security, and compliance?

LITERATURE REVIEW

A non-financial report has qualitative and quantitative information about ESG (environmental, social and governance) pillars and describes how the company integrated them into business operations and outcomes (Daub, 2007). Since 2017, the European Commission has provided guidance on non-financial reporting to help companies disclose relevant non-financial information in a more standardised and uniform manner (European Commission, 2017). On January 5, 2023, the Corporate Sustainability Reporting Directive (CSRD) expanded the requirements for companies to report on social, climate change and other sustainability issues and this directive applies to a wider range of large companies, listed SMEs, and some non-EU companies with over EUR 150 million in EU market revenues. The enterprises are defined by the European Financial Reporting Advisory Group (EFRAG). Companies must report on a double materiality basis, detailing both how sustainability issues impact their business and the effects their activities have on people and the environment (European Commission, 2023).

In 2025, corporate social responsibility reporting was profoundly redefined by the implementation of the European Corporate Sustainability Reporting Directive (CSRD), which transformed sustainability reporting from a voluntary practice into a standardised legal obligation at the European Union level (European Parliament & Council of the European Union, 2022). The new regulation introduces the principle of dual materiality and imposes clear requirements for transparency into the impact of organisations on the environment and society, as well as on economic performance. The specialised literature confirms that CSRD represents a paradigm shift in sustainability reporting, and new legislative requirements increase the emphasis on the quality and external verification of reported data, thereby reducing the risk of greenwashing and strengthening the credibility of published information. (Mangiuc & Kagitci, 2025).

At the same time, digitalisation has become a key factor in transforming CSR communication. Recent studies indicate that organisations are increasingly using digital platforms and online reporting tools to improve transparency and stakeholder engagement (Kargbo et al., 2025). According to Chen and Wang (2024), digital transformation positively influences ESG performance in SMEs by enhancing transparency and integrating ESG practices into their operations. In parallel, there is a growing integration between ESG reporting and traditional financial reporting, supported by international standards such as the Global Reporting Initiative and the Sustainability Accounting Standards Board. This convergence reflects the recognition that sustainable performance directly influences the company's long-term value and the financial reporting framework (Baharom, 2025).

According to Baboukardos et al. (2023), there is a "multiverse" of non-financial reporting (NFR) regulations. NFR regulation encompasses a complex and diverse array of models, frameworks, and approaches. Therefore, there is no single universally applicable way or framework in NFR, but several "universes" that co-exist, each with different rules, standards, and requirements, influenced by various factors (geographic, political, institutional, and cultural). Thus, instead of unitary regulation, there is a "multiverse" with multiple perspectives in the regulation of information on sustainability, social impact, and the environment, which reflects the complexity and continuous evolution of this field.

In addition to traditional reporting methods, the rise of digital platforms has transformed how companies communicate their CSR initiatives, allowing for more dynamic and engaging interactions with stakeholders. Social media enables organisations to share real-time updates and foster community dialogue, thereby enhancing transparency and building trust among consumers. Standardised frameworks such as the Global Reporting Initiative (GRI) provide a structured approach to CSR reporting, ensuring that companies not only report their activities but also do so in a way that is comparable and accountable (Kazanskaia, 2025).

CSR (Corporate Social Responsibility) activities can be reported through different methods and channels. In the Table 1, the

Table 1
The most common reporting methods and channels in CSR activities

Channel	Description	Advantages	Challenges
Annual CSR reports	Annual standalone documents detailing CSR activities, goals, performance, and plans with both quantitative and qualitative data. (Baier et al., 2020).	Provides a comprehensive overview of CSR activities; Establishes a formal record of CSR practices; Allows for detailed analysis and tracking over time.	Can be lengthy and complex, making it less accessible; Risk of becoming outdated quickly; Potential for selective disclosure or greenwashing.
Integrated reporting	Documents that combine financial and non-financial performance into a single report and reflect both sustainability outcomes and financial results (Shoaf et al., 2018).	Provides a holistic view of a company's performance; Connects financial results with sustainability outcomes; Aligns with strategic business objectives.	Requires a deep understanding of both financial and non-financial metrics; Can be complex to prepare; Integration challenges.
Company websites	Dedicated sections or pages on a company's website which can be updated in real time, providing CSR information through PDF (e.g. Annual CSR Reports, Integrated reporting and CSR Dashboard) or plain HTML (Hetze & Winistörfer, 2016).	Allows real-time updates and interactive content; Easily accessible to stakeholders; Customisable to the company's brand needs and priorities.	May become outdated quickly if not regularly maintained; Less formal structure; Risks inadequate disclosure; Changing or deleting the content may reduce transparency.

Table 1 *(continued)*

Channel	Description	Advantages	Challenges
Sustainability reporting platforms	Designed platforms for managing sustainability data, ensuring compliance, accuracy, and transparency (Bocken et al., 2016).	Data collection and management; Improves accuracy; Compliance with international standards.	Costly; Requires training; May face integration issues.
Social media and digital platforms	Communication platforms that engage stakeholders and promote transparency in real-time (Troise & Camilleri, 2021).	Enables real time updates and stakeholder engagement; Interactive and broad reach; Facilitates immediate feedback and dialogue.	Continuous management, content creation and monitoring; Risk of negative feedback and public scrutiny.

Source: The authors' own research based on the literature review

common ways that companies use to report their CSR activities reflect the recognition that sustainable performance directly influences the company's long-term value and the financial reporting framework (Baharom, 2025).

Nowadays, almost all businesses have a website, and for companies that report non-financial information, online disclosure has become a primary channel for communicating corporate social responsibility (CSR) activities. Thus, effective CSR reporting on websites not only helps companies meet regulatory and normative expectations but also aligns with the growing public demand for corporate accountability and transparent sustainability efforts.

Several studies suggest that blockchain can moderate the relationship between CSR and business performance, facilitating data management and communication with stakeholders (Chen, 2023). One key innovation in blockchain applications is the use of smart contracts. Nick Szabo, a computer scientist, cryptographer, and early pioneer of smart contracts, defined a "smart contract" as a set of promises, specified in digital form, including protocols within which the parties perform on these promises (Szabo, 1994).

Integrating blockchain technologies can significantly improve CSR (Corporate Social Responsibility) reports. Organisations can achieve greater transparency, accountability, and engagement in their CSR initiatives by utilising some of the latest blockchain innovations, such as NFTs and DAOs. This is particularly relevant given that the high costs of CSR initiatives can sometimes lead to greenwashing, yet blockchain offers a method to increase transparency and accountability across the supply chain (Yao et al., 2022). Moreover, blockchain's immutable shared ledger provides a trustworthy platform for stakeholders with limited prior confidence in corporate disclosures, addressing the limitations of traditional CSR reporting methods by enhancing transparency and traceability, as highlighted by Mohammad (2025).

According to Atanasov et al. (2023), the integration of digital technologies into CSR activities – including blockchain, artificial intelligence and IoT – allows for increased transparency, efficiency and social impact of corporate initiatives, while facilitating more active stakeholder involvement and improving managerial decisions. Similarly, Kshetri (2023) highlights that blockchain-enabled supply chain systems not only enhance traceability and compliance but also reinforce corporate sustainability practices by ensuring that CSR-related data is accurate, verifiable, and accessible to all relevant stakeholders, thereby strengthening trust and accountability.

METHODS

To answer the research question — What are the specific regulatory requirements and technical considerations for architecting and implementing an effective blockchain-based CSR system that accurately represents, stores, verifies, and manages CSR reports, ensuring transparency, security, and compliance? — a systematic literature review (SLR) was conducted to identify, code, and analyse relevant studies.

The sample analysed in this Systematic Literature Review (SLR) consists of 21 studies, selected according to predefined inclusion and exclusion criteria. Sources were identified through structured keyword searches in databases and repositories, including Scopus, Web of Science, arXiv, SSRN, NIST publications, and verified media sources such as Forbes and Investopedia. Keywords included "Corporate Social Responsibility" OR "CSR reporting," "Blockchain" OR "Distributed Ledger Technology," "NFT" OR "Non-Fungible Token," "Smart Contracts," and "Decentralised Autonomous Organisation (DAO)," with Boolean operators (AND, OR) applied to focus on studies at the intersection of CSR, blockchain, and NFTs. An initial pool of 124 articles was identified and reviewed to ensure comprehensive coverage across academic journals, technical reports, industry studies, and media sources.

A small degree of subjectivity was applied to include studies that build on prior work, such as Ojog (2021, 2024), in order to maintain continuity and provide deeper insights into blockchain applications for CSR. Additional selection criteria included relevance to CSR and blockchain/NFTs, source type (peer-reviewed articles, books, whitepapers, technical documents, industry reports, or credible media), publication period (2014-2025), language (English), accessibility (full text available), and quality (preference for peer-reviewed or widely cited works and recognised technical sources).

All selected sources were coded (classified) according to their main theme, source type, and contribution, as summarised in Table 2. This thematic coding enables a systematic analysis of blockchain technologies in CSR reporting, the ability of blockchain-based NFTs to represent CSR reports, and the requirements of architecting an NFT-based CSR system. It provides a structured framework for understanding both current implementations and potential future developments.

Table 2
Selected sources analysed in Systematic Literature Review (SLR)

No.	Author(s), Year	Source Type	Main Theme	Purpose
1	Sarajoti et al., 2023	Peer-reviewed academic book chapter	Enhancing transparency and accountability in CSR reporting through blockchain	Explores blockchain integration in CSR reporting and data transparency
2	Sharma and Taherdoost, 2022	Peer-reviewed conference paper	Enhancing transparency and accountability in CSR reporting through blockchain	Examines the impact of blockchain on business development and CSR practices
3	Buterin, 2014	Foundational blockchain whitepaper	Leveraging smart contracts and NFTs to enable decentralised CSR mechanisms	Introduces Ethereum and smart contracts for decentralised applications
4	World Intellectual Property Organisation, 2022	International institutional policy report	NFT characteristics in regard to CSR Reporting	Discusses NFT regulation and intellectual property considerations for NFTs
5	Ethereum Foundation, 2021	Blockchain token standard specification (EIP)	NFT characteristics in regards to CSR Reporting	EIP-721 standard for NFTs, applicable to CSR-based NFTs
6	Interplanetary File System, 2025	Official technical platform documentation	NFT characteristics in regard to CSR Reporting	IPFS technology for decentralised NFT storage
7	SoluLab, 2023	Industry white paper	The proposed blockchain architecture for CSR reporting by authors	Examines the role of DAOs and NFTs in social and artistic ecosystems
8	Brown, 2021 (Forbes)	Business media article	Leveraging smart contracts and NFTs to enable decentralised CSR mechanisms	Demonstrates NFT applicability and stakeholder engagement
9	Tapscott and Tapscott, 2018	Academic book	The proposed blockchain architecture for CSR reporting by authors	Discusses blockchain's impact on business and corporate social responsibility
10	Anderson, 2022 (Investopedia)	Educational finance platform article	leveraging smart contracts and NFTs to enable decentralised CSR mechanisms	Analyses legal and regulatory aspects of blockchain based digital assets
11	Ojog, 2021	Peer-reviewed academic article	NFT characteristics in regard to CSR Reporting	Introduces DeFi concepts relevant to blockchain-based financial structures

Table 2 *(continued)*

No.	Author(s), Year	Source Type	Main Theme	Purpose
12	Ojog, 2024	Peer-reviewed academic article	(4) The proposed blockchain architecture for CSR reporting by authors	Explores blockchain applications in education and DApps linking to NFTs
13	Mukhopadhyay and Ghosh, 2021	Preprint (arXiv, non-peer-reviewed)	(3) NFT characteristics in regard to CSR Reporting	Analyses NFT market microstructure and transaction behavior
14	Dhillon et al. 2022	Academic book chapter	(4) The proposed blockchain architecture for CSR reporting by authors	Examines "The DAO Hacked" case and governance implications
15	Yaga et al. 2018	Government technical report (NIST)	Enhancing transparency and accountability in CSR reporting through blockchain	Provides a comprehensive overview of blockchain architecture and security considerations
16	Chandler et al. 2022	Preprint (SSRN)	(4) The proposed blockchain architecture for CSR reporting by authors	Analyses atomicity in DeFi flash loans and contrasts with traditional finance
17	Narayanan and Clark, 2017	Peer-reviewed academic article	Enhancing transparency and accountability in CSR reporting through blockchain	Provides a systematic analysis of smart contracts and associated vulnerabilities

Source: Authors' own work

After coding and organising the sources, the literature was analysed to extract four main themes, which guided the Results and Discussion sections: (1) enhancing transparency and accountability in CSR reporting through blockchain; (2) leveraging smart contracts and NFTs to enable decentralised CSR mechanisms; (3) NFT characteristics in regard to CSR Reporting, and (4) The proposed blockchain architecture for CSR reporting designed by the authors.

RESULTS AND DISCUSSION

Enhancing Transparency and Accountability in CSR Reporting Through Blockchain

Blockchain is immutable, append-only, ordered, time-stamped, transparent, and consistent. As Sarajoti et al. (2023) emphasised, these attributes make it suitable for CSR reporting. Moreover, it is secure regarding identification, authentication, and authorisation.

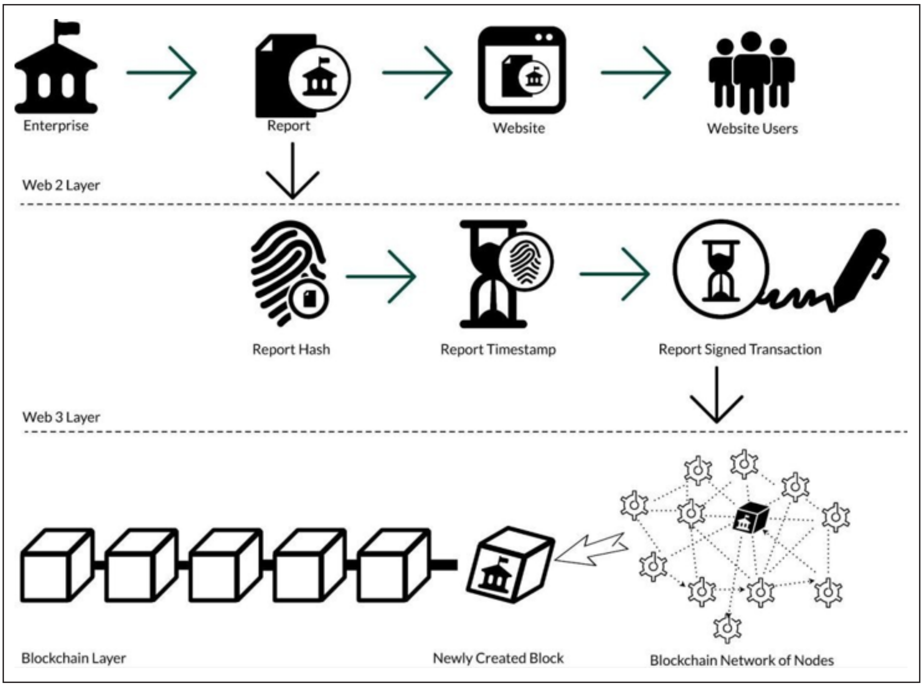

Figure 1. Blockchain data recording process - Authors' own creation

Figure 1 explains how blockchain can serve as a CSR reporting system by tracking reporting data such as sustainability metrics, recording compliance documents, verifying certifications, linking reports to unique identifiers, and sharing transparency data with stakeholders. A company can create a CSR report that it can post classically on its website to be available for users to read. The same report can also be hashed, which means the result of the hash function, along with the corresponding timestamp, can be inserted into the blockchain through a transaction. The transaction, accompanied by a signature using the private key of the issuer, will create a time-stamped fingerprint of the report that cannot be changed.

Cryptographic provenance standards, namely the hash functions, can reveal to consumers when, how, and by whom a particular piece of information was created (Narayanan & Clark, 2017). They can offer a practical, high-impact method for reducing disinformation in CSR reporting.

The same property and mechanism can be utilised to address challenges posed by AI-generated content. This becomes increasingly significant as the prevalence of AI usage grows, and there are ever more concerns about its intentional or unintentional contribution to spreading disinformation or misleading information. Transparency provided by blockchain can assist consumers in distinguishing between accurate data they receive and any that might have been manipulated (Sharma & Taherdoost, 2022).

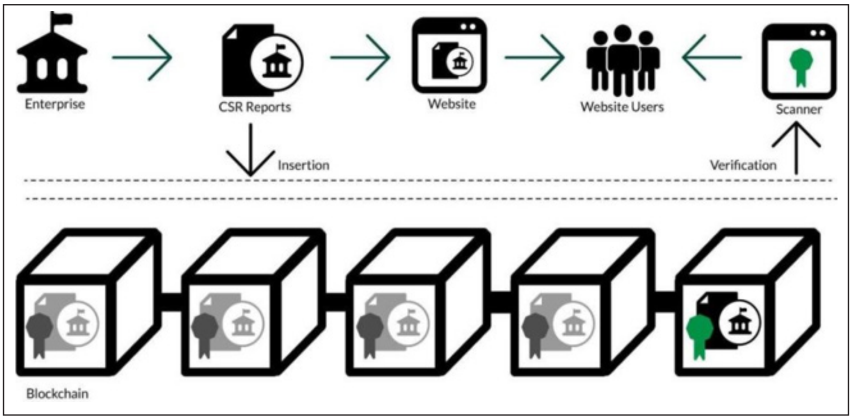

Figure 2. Blockchain entry verification - Authors' own creation

A hash function is a mathematical function that acts as a digital fingerprint. It creates a unique, fixed-size string of characters from any input data. This string, or hash, acts as a digital fingerprint, ensuring that each hashed data is uniquely identified. Any change in the input data will result in a completely different hash, which helps maintain data integrity and security. Additionally, since hash functions are one-way and infeasible to reverse, they prevent tampering by making it extremely difficult to alter the data without detection. The hash process is one-way and deterministic, meaning that the same input will always produce the same output. When data integrity is important, a hash value can be calculated over the original data and stored alongside it.

Figure 2 explains how the core resilience of blockchain technology is its decentralised and distributed structure. For example, a company can create a CSR report that it posts on its website and is available for users to view. The report, or more specifically, its fingerprint, will be inserted into the blockchain using the mechanism explained earlier. At the same time, these same users or any other stakeholders can verify the validity of the report by connecting to the blockchain and extracting the relevant information. The CSR becomes time-bound, tamper proof records, and the blockchain acts as a single source of truth because it provides an immutable and decentralised ledger that cannot be altered or deleted once data is recorded on it.

Multiple participants or "peers" operate the blockchain; they form the network of nodes, each with equal authority. If discrepancies arise between blockchains maintained by different peers—whether from tampering or other issues—the consensus is determined by the majority of hash, as the network collectively agrees (Yaga, et al., 2018). Hence, blockchain ensures that a saved CSR report is authentic, unchanged, timestamped, and can serve as a reliable reference for all involved parties.

Leveraging Smart Contracts and NFTs to Enable Decentralised CSR Mechanisms

Ethereum revolutionised the blockchain landscape by introducing smart contracts and self-executing agreements with the terms directly written into code. These smart contracts enable decentralised applications to function without intermediaries (Buterin, 2014). When a smart contract is deployed on the Ethereum blockchain, it is stored as a bytecode. This bytecode represents the compiled code of the smart contract and is recorded on the blockchain along with a timestamp, ensuring transparency and immutability. This setup allows for automated, trustless transactions and interactions, laying the groundwork for decentralised applications and digital assets (Ojog, 2024).

One of the most revolutionising use cases of smart contracts is the creation of non-fungible tokens or NFTs. A Non-Fungible Token (NFT) is a digital asset that represents ownership of a unique item or piece of content on a blockchain. Unlike cryptocurrencies like Bitcoin or Ethereum, which are fungible and can be exchanged for one another at equal value, each NFT has its own distinct identity and cannot be traded interchangeably with other tokens in the same collection.

Due to their distinct characteristics, NFTs have become popular for digital art and collectibles. In 2021, the NFT market experienced an extraordinary surge, with some of the most valuable NFTs reaching astonishing prices. Notably, the record-breaking sale of an NFT in that year was worth a staggering 69 million dollars (Brown, 2021). While the consequent crash attracted criticism and resistance from new investors, NFTs themselves are simply a standard that supports a wide range of applications.

The variety of NFT use cases continues to expand, but they are most commonly understood as unique digital assets or digital art. They continued to find new representations such as game assets, tradeable items in virtual worlds, records, or even access to services and events. Initial skepticism often questions the value of digital images, but NFTs offer more. They help artists gain proper recognition and compensation, addressing issues of digital ownership and attribution in an age where copying and sharing can undermine the value of their work (Anderson, 2022).

Ownership of a non-fungible token represents a distinct form of ownership in the digital environment, conferring various rights and privileges, but does not necessarily imply the rarity of the associated information. Digital content can be replicated and distributed indefinitely, which conceptually separates the rarity of information from ownership of an NFT.

The motivations behind the creation and acquisition of these digital assets vary considerably, from emotional attachment and the potential for financial gain, to access to exclusive communities and demonstration of membership or specialised knowledge. These factors are likely to be the distinguishing elements that will continue to define the value of NFTs. Similar to the physical world, where the value of an authentic collectible signed autograph remains unaltered by the existence of copies or photographs of it.

The blockchain ecosystem operates on democratic and open-source principles. It allows the community to propose changes to methods and standards through "Improvement Proposals." These are known as "Ethereum Improvement Proposals" (EIPs) in the Ethereum network. A notable example is the ERC20 Token Standard, which outlines how to create and manage tokens on the Ethereum blockchain that represent money. Just like traditional currencies, ERC20 tokens can be used to purchase goods and services. On the other hand, Non-fungible Tokens (NFTs) are based on the ERC721 Token Standard which defines them as unique and non-interchangeable; each NFT is distinct and cannot be exchanged on a one-to-one basis with another (Ethereum Foundation, 2021). Token standards, such as ERC20 and ERC721, are established to promote a common understanding of how tokens should be created and interact on the blockchain, and to foster the interoperability between platforms that use the standards.

Of the two standards ERC20 and ERC721, the NFT standard is better suited to representing a CSR report. The standard ensures that NFTs can be created, managed, and transferred across the Ethereum network. Each token has a unique identifier that differentiates it from others. Nevertheless, a key difference from traditional art NFT is that CSR Reports do not require transfer.

NFT characteristics in regard to CSR Reporting

Since its beginning, NFT growth has been affected by market volatility, regulatory demands, intellectual property issues, security vulnerabilities, and storage infrastructure.

Non-fungible tokens for Corporate Social Responsibility Reporting are immune to the volatility of the conventional crypto market. A CSR based NFT is conceived solely as mechanisms for certifying and validating CSR reports. Since a company's activity cannot be sold to another company, a CSR report is not intended for trading, hence they are not generating speculative value. The absence of the trading element eliminates the main driver of volatility - fluctuations in supply and demand driven by investment behavior.

Established in the wake of the Securities and Exchange Commission v. W.J. Howey case, the legal doctrine known as the Howey Test establishes criteria for identifying investment contracts subject to financial regulation. This assessment examines four essential aspects: the existence of a monetary investment in a common enterprise, with the expectation of financial benefits generated by the efforts of persons other than the investor. In the context of unique digital tokens, the applicability of this test becomes crucial, as certain NFT transactions could be classified as regulated financial instruments. The assessment is made on a case-by-case basis, depending on the specific characteristics of the transaction and the fulfillment of the requirements of the test.

NFT market participants should be aware of the potential legal implications of their commercial activities in relation to this test and securities law (Mukhopadhyay, 2021).

CSR tokens are not subject to security regulations, because of the absence of an investment motive. They do not fit the definition of the Howey Test, as they are not designed to generate financial profit through trading, but function solely as mechanisms for certifying and verifying corporate responsibility activities. Examining the Howey Test criteria, an initial investment for the token issuance may arise, but the absence of a profit-oriented joint venture and, most importantly, the lack of expectations of financial gain precludes their classification as investment contracts.

CSR tokens are not vehicles for capital appreciation, but rather instruments of organisational transparency, with value derived from the credibility of certified information, not from their potential to increase market value. Therefore, they serve as a means to demonstrate an Organisation's commitment to social and environmental responsibility, and their worth is derived from the trustworthiness of the verified data provided, rather than from any potential monetary gains. This lack of potential for appreciation places them outside the securities regulation spectrum (World Intellectual Property Organisation, 2022).

CSR tokens inherit the vulnerabilities in the NFT ecosystem, such as the risks associated with smart contracts, the possibility of phishing, and the compromise of private keys. Nevertheless, an additional dimension of risk represents the issuing entity itself. This particularity derives from the potential interest of companies to manipulate or selectively present CSR reporting data to improve their public image. Unlike conventional NFTs, where the issuer and the owner often have aligned interests, a potential conflict of interest arises in the case of CSR tokens. The issuing company may have incentives to inaccurately represent its sustainability performance, thus distorting the fundamental purpose of the token: transparency and verifiability. This dynamic requires the implementation of a multi-layered security model, with independent external verifications and cross-reference validation mechanisms, to counterbalance the possible lack of trust in the issuing entity. Implementing an off-chain or on-chain identity system for CSR report issuers may become a requirement for the non-fungible token ecosystem for corporate responsibility. This identity infrastructure must allow for verification of the authenticity of the issuing entity, preventing report forgery by impersonating the organisation.

Another aspect worth noting is that while NFTs' unique identifiers and ownership information are stored on the Ethereum blockchain, the attributes and metadata are often stored off chain, mainly because of high transaction costs. Uploading media files or documents directly to the blockchain is prohibitively expensive due to their large size. The best practice is to store only a cryptographic reference (hash) on the blockchain, with the actual content hosted on alternative platforms such as the InterPlanetary File System (2025), NFTStorage or Arweave. IPFS is a decentralised, peer-to-peer data storage protocol. It was created to streamline, secure, and democratise access to data. The IPFS architecture is based on a network of nodes, similar to blockchain, but unlike blockchain architecture, an IPFS node does not replicate the entire content. Each node can contain arbitrary data. The IPFS protocol allows data to be retrieved by generating a hash of the data or its content. This aspect of the protocol allows the same file to be saved and retrieved in and from multiple locations. This improves reliability and reduces the risk of data loss or corruption. However, IPFS has vulnerabilities regarding data persistence, with unused content susceptible to being removed to optimise space. Specialised services like Pinata remedy this problem by periodically accessing content, thus simulating continuous use.

The development of an ERC721-derived standard, with the express and irrevocable modification of the transfer functionality, represents the necessary technical foundation for CSR tokens. The corporate responsibility reports are not assets intended for trading, but rather certification documents belonging to the issuing entity. The modification of the standard should include the implementation of a permanent lock on the transferFrom() and safeTransferFrom() functions, along with structural alteration of the ownership mapping to reject any attempt to modify them after issuance (Ethereum Foundation, 2021). This design guarantees the perpetual association between the CSR token and the issuing entity, preventing scenarios in which reports could be transferred to evade accountability or manipulate public perception. Such a specialised standard would also facilitate the implementation of metadata update mechanisms, while maintain full traceability of changes and ensure the immutability of organisational attribution.

NFTs are also making significant strides in the world of DeFi (Decentralised Finance), which refers to financial services and products built on blockchain technology to operate without traditional intermediaries. Blockchain emerged during the 2008 financial crisis because people were looking for alternative ways to transact outside of traditional banking systems. The crisis highlighted some issues with these centralised systems: they can be slow, expensive, and not always transparent or accessible to all. DeFi allows users to lend, borrow, trade, and invest cryptocurrencies in a trustless and permissionless way. Within DeFi, NFTs are utilised in a variety of innovative ways. They can be involved in processes such as breeding, where NFTs are combined to create new assets; burning, where NFTs are permanently removed from circulation; merging, which allows NFTs to be combined into a new, more valuable token; fractional ownership, enabling multiple parties to own a share of a high-value NFT; staking, where NFTs are used to earn rewards in decentralised platforms; and airdrops, where NFTs are distributed to users as part of promotional or incentive programs. The exploration and experimentation with these applications are ongoing, continually expanding the ways NFTs can interact with and enhance the DeFi ecosystem (Ojog, 2021).

The Proposed Blockchain Architecture for CSR Reporting

Figure 3 depicts an architecture of CSR Report using blockchain and the NFT ERC 721 standard with CSR data being saved on IPFS. A regulatory authority can create multiple identifiers for each company that needs to be regulated. Such a company will create a set of promises that will be compared with the final report. These identifiers, along with their corresponding timestamps, will be saved in the regulatory authority's contract. The promises will arrive in the form of hashes in a promise contract. They should not be revealed first. However, they will be used to validate the report. The report will be saved on IPFS to ensure transparency and accessibility for all parties involved. Additionally, using IPFS significantly reduces the high costs associated with saving the entire report on the blockchain. Only the link to the IPFS where the report is saved will be stored in the contract containing the report.

A verifiable connection mechanism between companies' prospective

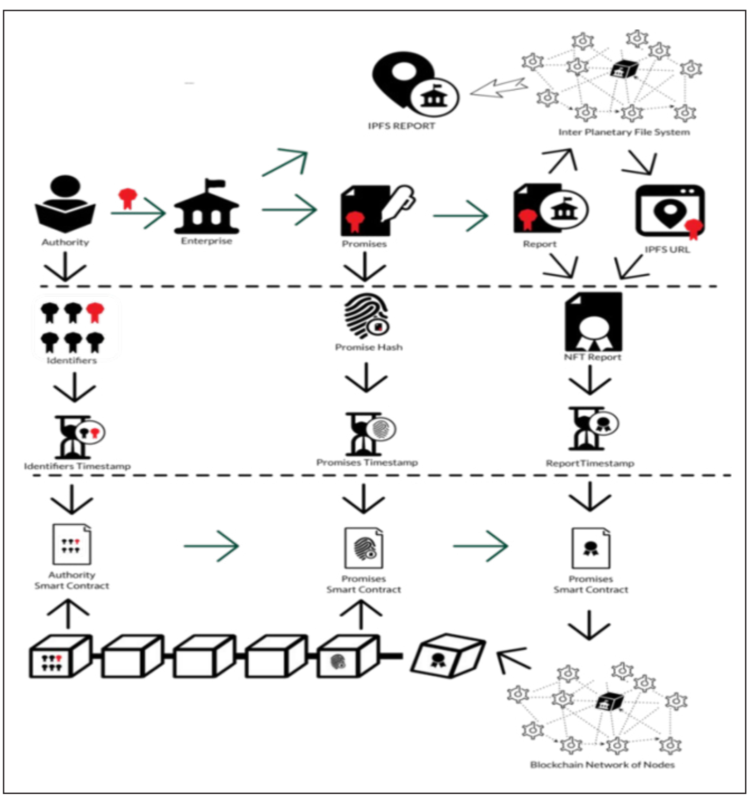

Figure 3. Blockchain-based NFT CSR report - Authors' own design

commitments and the actual results reported in CSR tokens is needed in order to build credibility of this instrument. Technologically, this link can be implemented through smart contracts with temporal monitoring capabilities, which immutably record initial promises and facilitate automatic comparison with subsequent results. Such a system, also called "commit-and-reveal" is a two-phase mechanism: the commitment phase and the reveal phase. It involves saving hashes of promises on the blockchain at the time of formulation and ensuring that companies fulfill those promises. Hashes are cryptographic primitives that ensure data integrity. They ensure that promises can only be viewed at the time of their disclosure, but also that they are the same from the time of their conception. They work similarly to votes that are saved in a box for their subsequent disclosure. Such an approach can be beneficial for anyone who wants to analyse the implementation of companies' commitments. Another aspect that needs to be considered is how to ensure that promises are not hidden by the company, in case they do not become reality.

Therefore, a new component needs to be introduced into the architecture that ensures the traceability of companies' identities. This component can be a self-sovereign identity model or a centralised component, represented by a regulatory entity, to ensure the quality control of the CSR token issuance process. Therefore, the optimal implementation of CSR tokens requires a hybrid model, which combines the advantages of centralisation and decentralisation in a complementary architecture. The centralised component, represented by a regulatory entity, ensures the quality control of the issuance process, preventing the arbitrary generation of CSR tokens without substance or verifiability. This authority can implement prior validation mechanisms, imposing minimum standards for the content of reports, and verifying the organisational identity of the issuer. At the same time, the decentralised infrastructure ensures transparency, immutability, and global accessibility of data. This hybrid model must also integrate robust security measures for smart contracts, including emergency stop mechanisms (circuit breakers) in case of critical vulnerabilities and predefined technical update paths. The possibility of controlled upgrade of smart contracts, by implementing proxy patterns or multi-signature governance systems, is a necessity to adapt to technological and regulatory developments, without compromising the historical integrity of already recorded data.

Currently, non-fungible tokens are mostly in the form of image, but the essence of this technology is to establish digital ownership over a diverse range of assets. They can incorporate dynamic elements that evolve over time and interactive code-based components (Tapscott & Tapscott, 2018).

NFTs can be effectively integrated with DAOs (Decentralised Autonomous Organisations), are self-governing organisations that operate on blockchain technology without central authority. They are governed by smart contracts and managed collectively by their members through a voting mechanism. The first significant decentralised autonomous Organisation is built one year into Ethereum's inception in 2016. Unfortunately, in an incident called “the DAO hack” a third of the total ether that had been invested in has been stolen. This event is considered one of the earliest major incidents that highlighted vulnerabilities within smart contracts and decentralised systems (Dhillon, et al., 2022).

By leveraging NFTs within DAOs, organisations can represent ownership stakes, voting rights, or unique membership statuses as digital tokens. This integration can enhance transparency and engagement, as NFTs can provide verifiable proof of participation and contribution. The use of NFTs in the voting system of a DAO is often preferred overusing fungible tokens because NFTs are not susceptible to flash loan attacks. Flash Loans are short-term unsecured loans that allow users to borrow large amounts of cryptocurrency without providing collateral, provided that the loan is repaid along with fees within the same transaction (Chandler, et al., 2022).

When comparing ERC20 based DAOs with NFT-based DAOs, the latter offer notable benefits. Identity and access control are more effective in NFT-based DAOs as each NFT represents a unique member, making them less susceptible to Sybil attacks if NFTs are difficult to acquire. Furthermore, a 'one-NFT-one-vote' voting system can help prevent vote concentration among members if NFTs are distributed with limited availability (SoluLab, 2023).

In the world of CSR (Corporate Social Responsibility) reporting, DAOs using NFTs offer a novel approach to tracking and verifying contributions and impact. Without transferability, the unique membership represented by each NFT cannot be diluted, making NFT-based DAOs even more resilient against Sybil attacks. NFTs can record and showcase CSR initiatives, reward stakeholders for their involvement, and ensure accurate and tamper-proof reporting. This synergy between NFTs and DAOs holds potential for more accountable and transparent CSR practices, allowing organisations to demonstrate their commitment to social and environmental goals in a decentralised and verifiable manner.

CONCLUSION

A novel architecture based on blockchain, the ERC-721 NFT standard, and IPFS has been proposed for CSR report management. While the initial vision of Satoshi Nakamoto (2008), the creator of blockchain technology and Bitcoin, was to create a fully decentralised system where all transactions were carried out without any intermediaries, new trends are leading us towards a hybrid model that combines both centralisation and decentralisation. In the proposed model, a centralised CSR regulatory authority can assign unique identifiers to companies, along with corresponding timestamps, to monitor and regulate CSR commitments. This approach allows for the benefits of both systems to be harnessed while also addressing some of the limitations or drawbacks associated with each one individually. For example, fully decentralised networks can offer increased security and transparency, but they may not be as scalable or efficient as centralised ones. Hybrid models seek to strike a balance between these two approaches by maintaining certain aspects of both in order to create more robust and practical systems. Centralised regulatory entities ensure qualitative control, while decentralised systems guarantee transparency and global accessibility.

Furthermore, the architecture proposes a two-phase approach, a "commit-and-reveal" mechanism for verifying a company's prospective commitments against actual reported CSR results. In the first phase, promises are stored as hashes in a promise contract, ensuring initial confidentiality while immutably recording the data for verification purposes. In the second phase, reports are saved on IPFS, reducing blockchain storage costs and maintaining transparency and accessibility. This approach ensures that CSR activities are documented, immutable, and transparent, and that stakeholders have a clear and accurate view of a company's social and environmental impact. Ultimately, these innovations can lead to more credible and effective CSR reporting, fostering trust, and demonstrating a genuine commitment to responsible and ethical practices. This two-phase approach ensures the integrity of promises through cryptographic hashes, while preventing premature disclosure.

NFTs provide verifiable records of contributions and achievements, while DAOs can facilitate decentralised decision-making and stakeholder involvement. NFT-based DAOs offer tremendous potential for advancement but face technical security limitations, such as flash loan vulnerabilities. Upon implementation, one must conduct further research on secure voting systems within NFT-based DAOs, focusing on mechanisms that prevent Sybil attacks and ensure equitable participation.

IMPLICATION OF THE STUDY

The findings of this study have important theoretical and practical implications. From a theoretical perspective, the research contributes to a better understanding of how blockchain technologies, smart contracts, and NFTs can transform CSR reporting by improving transparency, accountability, and stakeholder engagement. It bridges gaps in the literature by connecting CSR practices with emerging blockchain mechanisms, showing how decentralised architectures can support sustainable business practices.

From a practical standpoint, the study provides guidance for businesses, CSR practitioners, and policymakers seeking to implement blockchain-based solutions. The proposed architectures and use of NFTs and DAOs offer concrete pathways to digitise and decentralise CSR reporting, enhancing trust and traceability. Organisations can leverage these insights to design more robust CSR strategies that are transparent, auditable, and inclusive of multiple stakeholders.

Moreover, the study highlights the importance of considering technical, regulatory, and governance aspects when adopting blockchain for CSR, ensuring that implementation is not only innovative but also compliant and sustainable. This can influence decision-making in corporate governance, legal frameworks, and digital asset management within CSR initiatives. Finally, by mapping current applications and identifying gaps in practice, the study encourages further research and innovation, guiding future work on scalable, secure, and efficient blockchain solutions for socially responsible business practices.

LIMITATION AND RECOMMENDATION FOR FUTURE RESEARCH

A key limitation of this study is the subjectivity in source selection, as some articles were included to maintain continuity with previous work, particularly the research by Ojog (2021, 2024). While this approach provides deeper insights into blockchain applications for CSR and ensures longitudinal consistency, it may introduce bias toward certain perspectives or methodologies. Additionally, most of the studies reviewed are conceptual or theoretical, with limited empirical validation of the proposed blockchain architectures and NFT/DAO mechanisms in real organisational contexts.

Future work should test and refine the blockchain architectures for CSR reporting proposed by the authors by implementing them in real organisational contexts. Such studies would provide practical evidence of their feasibility, scalability, and effectiveness, while also identifying potential challenges in integrating smart contracts, NFTs, and decentralised governance mechanisms into CSR operations.

Driving the mainstream adoption of blockchain presents several significant challenges. Firstly, integrating digital currencies into everyday financial systems and convincing the general public to adopt them remains a significant hurdle.

Improving the user experience is also crucial, as the current management of private keys can be cumbersome and intimidating for many users, impacting practical usability. Additionally, blockchain systems face scalability issues, struggling with limited throughput and network congestion as transaction volumes increase.

Coordination within decentralised networks like Ethereum is complicated by the need for a central authority to make executive decisions, leading to potential delays and disagreements. Another vital aspect is represented by the blockchain security management, namely, the smart contract security. If the contracts that govern the NFTs or any other part of the blockchain architecture are not secured, it could lead to incorrect or unauthorised actions being carried out. The trust can be compromised, leading to potential losses and damage to reputations.

Finally, legislation poses challenges, as some existing rulings may slow progress by imposing restrictive measures that stifle innovation in the blockchain space. To overcome these obstacles and continue its progress, the industry needs a proactive approach with more implementations and prototypes to tackle existing challenges and ensure future-proof solutions. Simultaneously, addressing legislative hurdles through collaborative efforts with policymakers and adapting to regulatory changes are also essential for sustainable growth in the blockchain space. This will be essential in demonstrating viable alternatives to existing challenges, thereby paving the way for a more robust and secure blockchain ecosystem.

ACKNOWLEDGEMENT

The authors express their sincere gratitude to Prof. Dr. Alin Stancu for his invaluable guidance and support throughout the research journey. They also wish to acknowledge the encouragement and inspiration provided by their colleagues and peers, whose contributions were instrumental in bringing this work to fruition.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 63 - 76 (2026)

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Stakeholder Engagement Practices Among CSR Award-Winning Companies in Malaysia

Zeti Azreen Ahmad

Department of Communication, AbdulHamid AbuSulayman Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia, Jalan Gombak, 53100 Kuala Lumpur, Malaysia

ABSTRACT

Stakeholder engagement has received increased attention in corporate social responsibility (CSR) literature. It is a widely used framework in CSR aimed at creating value for both businesses and their stakeholders. In the context of CSR, genuine stakeholder engagement enables organisations to better understand stakeholders' real issues, needs, and expectations. The process of engagement should empower stakeholders to provide insights and work together with organisations to create CSR initiatives that are mutually beneficial. In this context, the underlying motivation to engage with stakeholders is to bring about shared values beyond business gains. Nevertheless, why and how organisations engage with stakeholders have not been extensively researched. The objectives of this study are threefold: to examine the underlying motives for engaging with stakeholders, to delve into the communication strategies employed to engage with stakeholders, and to explore the extent of stakeholder engagement practices disclosed in CSR reports. This qualitative study examined 17 CSR reports issued by CSR award-winning companies in Malaysia. The results indicate the dominance of business motive; creating a strategic partnership with stakeholders that is imperative for business growth. However, the specific benefits that stakeholders gain from this engagement have not been adequately reported.

Keywords: CSR report, communication strategies, motive, mutual partnership, stakeholder engagement

ARTICLE INFO

Article history:
Received: 18 November 2025
Accepted: 21 May 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.04

E-mail address:
azreen@iium.edu.my (Zeti Azreen Ahmad)

INTRODUCTION

Stakeholders are individuals or groups who can affect or be affected by an organisation's policies, activities, products, or services. Meeting the needs and expectations of stakeholders who are not limited to shareholders is crucial for business longevity. The Edelman Trust Barometer 2025 reports

e-ISSN: 2231-8534

that approximately 70 percent of respondents agreed that business leaders should act on societal issues, particularly when business decisions have adverse implications to stakeholders (Edelman, 2025). Literature has affirmed that failure to meet a broader set of stakeholder expectations will result in the withdrawal of stakeholder support from companies (Ghezal, 2023). To fulfill the expectations of stakeholders, organisations have begun to address issues that concern them through stakeholder management initiatives. However, in managing stakeholders, organisations often assume the upper hand by determining what they consider best for stakeholders without meaningful participation from the latter. This scenario reflects a paternalistic orientation where decisions are made on behalf of the stakeholders. Alternatively, stakeholder engagement emphasises collaborations and dialogues that promote the inclusion of stakeholders' perspectives in the decision making of businesses. This practice is imperative for the organisations that care about the implications of their operations to stakeholders and strive to make a positive impact through corporate social responsibility (CSR) and sustainability efforts. In recent years, international frameworks including the Global Reporting Initiative (GRI) have embedded stakeholder engagement as a key dimension of corporate responsibility and sustainability reporting. This study asserts that genuine engagement with stakeholders not only engenders stakeholders' trusts but also enables organisations to drive systemic change in the societies where they operate, which should subsequently be reflected in their corporate social reporting.

The intention to make a positive change requires organisations to position stakeholders not as passive participants, but instead to empower them so that they can provide useful insights for the organisations to consider and incorporate in the decision making. A self-serving motive would neither offer opportunities for stakeholders to co-create solutions nor contribute any significant value to them. Therefore, the objectives of this study are threefold: to examine the underlying motives of engaging with stakeholders, to delve into the communication strategies employed to engage with stakeholders, and to explore the extent of stakeholders' engagement practices disclosed in CSR report.

This qualitative study examined the 'sustainability reports' produced by organisations with exemplary commitment and performance in CSR in Malaysia. A total of 17 sustainability reports were analysed, focusing specifically on the stakeholder engagement section. This study found that, among others, the underlying motive of stakeholder engagement predominantly business centric that could easily fall into the trap of being self-serving. The study aims to offer understanding of how companies with exemplary CSR practices engage with stakeholders and reveals the essential aspects they often take for granted, resulting in failure to provide impactful outcomes to all affected stakeholders.

LITERATURE REVIEW

Understanding Stakeholders and Stakeholders' Engagement

The term "stakeholder" was introduced by the Stanford Research Institute in 1960s as 'those groups without whose support the organisation would cease to exist' (Freeman, 1984, p. 31). While there exists no single uniform definition of stakeholders, subsequent literature consistently refers to stakeholders as those who have the capacity to influence organisational growth or survival and who also affected by it. Stakeholder engagement is inspired by the stakeholder theory that advocates that an organisation's success depends on its ability to create value for all stakeholders and not just shareholders (Freeman, 1984). A widely cited definition by Greenwood (2007) is that stakeholder engagement is an attempt to involve stakeholders in a positive manner in organisational activities. Manetti and Toccafondi (2012) have affirmed that stakeholder engagement involves a mutual commitment; in which both the organisation and stakeholders work together to solve issues. Thus, stakeholders' commitment extends beyond providing information for organisations to address issues; as it includes assuming an active role in co-creating solutions that are mutually beneficial to all affected parties. In this regard, a two-way communication process between the organisation and its stakeholders is essential. Kim, Park and Popelish (2021) delineate this process by describing stakeholder engagement as not only identifying stakeholders but also communicating with, and responding to stakeholders. Such engagement requires some form of dialogue where the organisation listens to stakeholders' needs and works together to address them. Lehtimaki and Kujala (2017) argue that stakeholder dialogue is pertinent for successful firm-stakeholder relationships. Despite the suggestion by numerous studies that interactions and communication are core stakeholder engagement, not much is known about the type of communication strategy adopted by organisations to engage with stakeholders. Literature affirmed that there has been a lack of discussion to understand the way organisations engage or relate with stakeholders, especially external stakeholders (Hamidu et al., 2017).

Drawing from Grunig and Hunt's (1984) models of public relations, Morsing and Schultz (2006) have categorised three types of stakeholder relations in terms of how companies strategically engaged with stakeholders: the information strategy, response strategy, and involvement strategy. These strategies were used to guide the present study. Sachs and Kujala (2021) included communication as an important dimension in his stakeholder engagement framework, which consists of examining stakeholder relations, communicating with stakeholders, learning with (and from) stakeholders, and integrative stakeholder engagement.

Framework for Communicating with Stakeholders

Organisations use various approaches to engage with internal and external stakeholders. While two-way communication is often exemplified as the ideal approach to stakeholder engagement, it exists on a continuum ranging from soliciting feedback via interactive channels of communication (e.g., social media) to various modes of consultations (e.g., meetings, townhalls, focus group discussion etc.). Drawing from Grunig and Hunt's (1984) public relations models, Morsing and Schultz (2006) proposed three levels of stakeholder engagement communication strategies known as information, response, and involvement strategies (Gagne et al., 2022). The first level of strategy, information strategy is a primarily unidirectional mode of communication that mainly provides information to enhance visibility and engender trust (Cho et al., 2017). In this context, organisations merely promote or make known of their actions, products, or services to stakeholders. However, overpromoting CSR activities may spark negative perceptions among stakeholders, as organisations often communicate what they perceive as important rather than addressing stakeholders' informational need (Abdullah, Ahmad & Tugiman, 2024). The second level of strategy, response strategy is based on the two-way asymmetric communication model which aims to persuade stakeholders to agree with the organisations' decisions. Stakeholder feedback is frequently sought to help organisations understand how best to convince and appeal to stakeholders to gain their support. Despite using a two-way communication approach, the response strategy is primarily intended to benefit the organisation rather than to create mutual benefits for the stakeholders involved. Finally, the third level of stakeholder engagement is the involvement strategy, which implies partnership and collaboration to promote active participation from stakeholders in co-creating initiatives or solutions for mutual benefits. While actively engaging stakeholders in CSR practices may be an ideal model for stakeholder engagement, the implementation may be unrealistic in a practical setting (Park et al., 2020, p. 22). In an earlier study, Kaur and Lodhia (2019) found several challenges in stakeholder engagement, including a lack of resources and commitment from internal stakeholders. In addition, Kujala et al. (2022) cautioned about the detrimental impact of stakeholder engagement, which could be due to several factors such as harmful aims, ill intention, unengaged stakeholders, or enduring conflicts between organisations and stakeholders. This study argues that stakeholder engagement is not simply a good practice or a box-ticking exercise but rather a serious commitment to minimise negative externalities in the environment in which organisations operate. Therefore, the motivation of stakeholder engagement should be grounded in building trust, fostering mutual understanding, and creating value that benefits both the organisation and its stakeholders. The purpose of this study among others is to examine the underlying motivations of organisations in engaging with stakeholders based on what is reflected in their social reporting.

The Motives of Stakeholder Engagement

Literature on stakeholder engagement has been on the rise. Many studies have focused on the outcomes of the engagement, which are mostly positive, such as increased corporate social performance (Greenwood, 2007), boosting the licence to operate (Jeffery, 2009), building corporate reputation (Romenti, 2010), maximising social well-being (Pellegrini et al., 2025), achieving legitimacy (Civera et al., 2019), and ensuring organisational success (Saka-Helmhout et al., 2024). In a recent study, Mitchell et al. (2022) found that stakeholder engagement reduced knowledge gap and enabled managers to deal with stakeholders ethically. The knowledge gap, or they coined as knowledge problems, include risk, ambiguity, complexity, equivocality, and irreducible uncertainty. However, the motives of organisations to engage with stakeholders have not been extensively researched. The present study argues that organisations' motive to engage with stakeholders is crucial, as it has implications on how organisations conduct business, including CSR practices. A genuine motive to create sustainable value requires organisations to understand stakeholders' needs and expectations, subsequently working together through partnership or collaboration to make necessary adjustment and changes to create mutual benefits from the organisations' actions and activities. Accordingly, the right communication strategy should be used to foster stakeholders' interest and motivate them to share useful insights that could guide organisations to act responsibly and subsequently create values for all parties.

CSR and Stakeholder Engagement

CSR initiatives serve to fulfil a business's obligations to other stakeholders in addition to its shareholders. Caroll (1979, 1991, 2016) introduced a definition of CSR that has been widely used in the CSR literature, encompassing four major components: economic, legal, ethical, and philanthropic. Stakeholder engagement is a central to CSR as it contributes a positive outcome to stakeholders who are impacted by organisations' activities. In recent years, there has been growing demand to incorporate stakeholders' perspectives for businesses to remain sustainable. Jeffery (2009) asserted that an organisation cannot be serious about CSR unless it pays equivalent attention to stakeholder engagement. The GRI explicitly requires organisations to identify and engage with stakeholders. Likewise, the Sustainable Development Goals (SDGs, 2015) encourage companies to disclose their impacts on the economy, environment, and people. In Malaysia, stakeholder engagement gained prominence following the introduction of the Malaysia Code on Corporate Governance (MCCG) by the Securities Commission Malaysia in the year 2000 with subsequent updates in 2007, 2012, 2017, and 2021. In 2017, the MCCG introduced a new structure encompassing three key principles, including integrity in corporate reporting and meaningful relationships with stakeholders. Through this engagement, stakeholders are better informed about companies' business decisions, policies on governance, the environment, and social responsibility that affects them (Securities Commission Malaysia, 28 April 2021, p. 56). This should create opportunities for organisations to understand stakeholders better and make business decisions that align with their needs. Therefore, the right communication strategy should be employed to instil trust and eventually encourage stakeholders' participation during the engagement process. This study also examined the communication strategies adopted by organisations to engage with their stakeholders, guided by Morsing and Schultz's (2006) communication strategies.

METHODS

This qualitative study examined the CSR reports produced by 17 organisations that won the Sustainability and CSR Malaysia Awards in 2023. The types of organisations include financial institutions, property and real estate, consumers and retail, utilities, and consumer and faith-based organisations. This annual event is organised by CSR Malaysia, a Ministry of Home Affairs's approved social project and publication initiated in 2015 (CSR Malaysia, 2023). The award is aimed at recognising and honouring corporations' outstanding achievements in sustainability and corporate social responsibility initiatives.

The list of award winners was obtained from CSR Malaysia's official website, and CSR reports were downloaded from the award winners' corporate websites. Data was obtained from the stakeholder engagement sections in the CSR reports and was later analysed using thematic analysis (Braun & Clarke, 2019; 2006).

The research questions addressed in this study are:

1. What are the underlying motives and communication strategies adopted by organisations in their attempt to engage with stakeholders? and
2. To what extent is stakeholder engagement reported in CSR reports?

Several dominant themes corresponding to the research questions emerged from data, as discussed in the subsequent section.

RESULTS AND DISCUSSION

Sustainability reporting in Malaysia has been largely driven by the initiatives of Bursa Malaysia, which requires listed companies to disclose their sustainability activities, including CSR, in annual reports (Rosman et al., 2023). This study found that most organisations produce a stand-alone CSR report, and only a few still maintain an integrated annual report to disclose their CSR initiatives. Further, most organisations have adopted the GRI in their reporting. The title most commonly used for the document is "Sustainability Report." The key stakeholders engaged by most organisations and reported in the document include, but are not limited to, employees, customers, regulators, investors, supply chain partners, non-government organisations (NGOs), government agencies, regulators, and the media. An Islamic based institution includes zakat beneficiaries as part of its integral stakeholders. The following section discusses the findings in relations to the research objectives established earlier.

Strategic Business Motive

The motivations to engage with stakeholders were found to be mixed, consisting of strategic and stakeholder-oriented motivations. However, the strategic motive appears to be more dominant. The strategic business motive theme emphasises the centrality of stakeholders in guiding the organisation's strategic direction in order to stay competitive in the market. In this context, stakeholders are viewed as significant business partners whose insights are sought to develop and refine new business strategies. This motive underscores the importance of business growth and future success as the ultimate goal of engaging with stakeholders, as exemplified by the following quotes:

> Recognising that stakeholders' feedback is a pivotal catalyst for our internal growth, we have established various communication channels. (Company O, 2023)

> It is crucial for us to meet our stakeholders' expectations and earn their trust for our future success. (Company P, 2023)

> These ongoing collaborative efforts are necessary to formulate organisational goals and support the achievement of sustainable development objectives. (Company B, 2023)

Based on the above quotes, most organisations recognise the value of stakeholder engagement and have embraced it as a strategic business approach in order to remain competitive in the long term. Engagement with stakeholders enables organisations to ensure their core business practices are aligned with stakeholders' expectations, as such alignments are essential for the continuous success of the businesses. These mixed motives are consistent with Kujala et al. (2022), which identifies strategic (economic driven) and pragmatic (making positive impact to stakeholders) motives as dominant in the literature.

The strategic business motive also resonates with the idea that stakeholder engagement increases organisations' preparedness to navigate risks and seize opportunities, echoed in the following quotes:

> Our biennial materiality survey serves as a formal channel for engaging stakeholders, allowing us to pinpoint relevant material issues and gather insights on emerging opportunities and risks. (Company F, 2023)

> We engage closely affiliated departments to monitor stakeholder interests, aiding in identifying material issues and gaining insights into emerging opportunities and risks for more effective responses. (Company D, 2023)

Through stakeholder engagement, organisations have the opportunity to identify material issues that have the most impact on business, stakeholders, and the environment. The concerns raised by stakeholders could be a potential risk that organisations should not overlook.

However, this strategic-driven motive may cause organisations to fall into the trap of prioritising business goals or being business centric rather than creating shared benefits for stakeholders. Literature has affirmed that strategic aims are often an instrumental view that emphasises the focal company's economic survival and benefits (Dobele et al., 2014; Hine & Preuss, 2009; Todeschini et al., 2020, as cited in Kujala et al., 2022, p. 1157). Similarly, Greenwood (2007) highlighted that in reality, stakeholder engagement may not be a "partnership of equal as the organisation and its stakeholders are not of equal status and that the terms of any cooperation are set by the more powerful party" (p. 318). In this regard, the initiatives of engaging with stakeholders are likely to offer more benefits to organisations, and this issue is worth investigating.

Stakeholder Motive

The stakeholder-centric motive appears to be less dominant in the data. In this context, the central idea is to address stakeholders' concerns rather than merely focusing on business goals. The organisations affirmed that the process of stakeholder engagement helps them ensure that their business initiatives are aligned with stakeholders' interests. The motivation to address stakeholders' interests is reflected in the following quotes:

> Through the various engagement channels, G seeks to understand its stakeholders' views, communicate effectively with them and respond to their concerns. (Company G, 2023)

> …addressing societal issues at the national or local level, we are working to upgrade our initiatives and disclosures in alignment with stakeholder interests. (Company H, 2023)

> This allows us to recognise and resolve pertinent material issues, gaining insights into emerging opportunities and risks and effectively addressing their concerns. (Company I, 2023)

Meeting stakeholders' interests requires ongoing communication efforts in the form of dialogue or two-way communication. Listening to stakeholders' concerns, whether positive or negative, should not be discounted as it enables organisations to better understand stakeholders' needs and concerns that could give rise to potential risks. However, not much evidence was found on whether stakeholders' views or perspectives are incorporated in the decision-making process or the extent that this has positively impacted stakeholders. In a similar vein, Bais et al.'s (2024) systematic literature review on the state of GRI reporting reveals challenges in ensuring the alignment of organisations' profit-driven (micro) and societal (macro) long-term sustainability needs.

Communication Strategy for Stakeholder Engagement

Stakeholder engagement is not a one-time effort, but a continuous and iterative process characterised by constant dialogue, active listening, consultation, and collaboration for mutual interests. Nonetheless, establishing trust is fundamental prior to any dialogue or collaborative work. The study found that most organisations have employed various channels of communication to initiate regular and transparent communication with stakeholders. The conventional communication platforms used include official corporate websites, annual and sustainability reports, press releases, newsletters, and surveys. These primarily unidirectional channels continue to be the dominant means to create awareness of the organisations' CSR and sustainability efforts among stakeholders. In this regard, the use of social media may most likely offer opportunities to interact and solicit insights from stakeholders.

The methods of engagement include but are not limited to town halls, meetings, research collaborations, helplines, materiality surveys, and events to solicit ideas and insights from stakeholders. In this context, organisations ought to leverage on stakeholders' feedback to make systemic change rather than merely managing stakeholders' expectations through persuasive communication.

The study found that most of the reports acknowledged stakeholders as partners rather than mere passive recipients of CSR. As partners, they are in the position to provide ideas or perspectives that are to be integrated in the organisations' initiatives. This view is evident in the following quotes:

> Viewing stakeholders as vital partners and prioritising open communication and collaboration ensures that stakeholders are supported and heard so they can actively contribute to shaping our sustainability initiatives. (Company N, 2023)

> B recognises the importance of not only engaging with but developing strong, long-term partnerships with external stakeholders. (Company B, 2023)

> M is a member and close collaborators with a wide range of organisations and associations. These partnerships not only enhance our fundamental. (Company M, 2023)

The partnership role offers stakeholders the opportunity to work together with organisations to co-create shared values from business initiatives. MacDonald et al. (2019) affirmed that partners who stayed longer in the partnership would more likely contribute to building shared values. Thus, on-going and long-term relationships with partners are crucial. Additionally, a clear division of roles and responsibilities among those involved is essential to make partnership works (Pattberg & Widerberg, 2016, as cited in Horan, 2022, p. 1577). Another aspect that should not be overlooked is maintaining stakeholders' interest in being involved (Arlati et al., 2021), as it would also affect the quality of engagement. However, not much is known regarding the extent to which stakeholders are committed and contribute during the stakeholder engagement process. This finding aligns with Horan (2022), which highlighted that in actual practice, full shareholder participation in partnerships has been rarely observed.

Reporting on Stakeholder Engagement

The study found the GRI standards the most frequently used guidelines by most companies in Malaysia. Besides, other reporting frameworks used include those issued by UN-SDG, Bursa Malaysia, Sustainability Accounting Standard Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD). In terms of stakeholder engagement practices reported in the sustainability reports, the organisations mostly disclosed information on the types of stakeholders they frequently engage (e.g., employees, community, media, investors), the mode of communication used, and the frequency of engagement. Furthermore, issues perceived as important by stakeholders, and their concerns were also disclosed. However, the changes or actions taken in response to these concerns were not adequately reported. Only a few organisations disclosed the details of their actions or strategies to address stakeholders' issues. However, they were silent on whether these solutions were the result of co-construction effort with stakeholders or simply what the organisations perceived as best to meet stakeholders' need. Moreover, details about the stakeholders who participated in the engagement were not disclosed, for example, whether the numbers were adequate or whether all segments including marginal groups were represented.

CONCLUSION

The practice of stakeholder engagement appears promising among CSR award-winning companies in the country. Based on the sustainability reports issued by the organisations, it appears that these organisations understand the value of stakeholder engagement and make attempts to maintain frequent and structured interactions with their stakeholders via multiple media platforms and events. The organisations also acknowledge the importance of two-way communication, particularly in establishing trust and soliciting stakeholders' feedback, which is primarily used to improve their business operations.

The communication strategies adopted to engage with stakeholders include information strategy, which primarily provides information and involves very little stakeholders' involvement. The response strategy was also found prominent as most organisations acknowledge their stakeholders as partners. Hence, these organisations give high attention to the feedback and concerns raised by their stakeholders. However, to what extent the organisations respond and make adjustments to meet stakeholders' demands and expectations is not substantiated with evidence in the reports. The involvement strategy is not adequately explained as limited information is provided about stakeholders' participation.

This study cautions that stakeholder engagement practice should not merely serve as a tool for organisations to be seen responsible, but beyond that, should genuinely aim to make a meaningful difference in the lives of others while fostering business growth. CSR or Sustainability reports should clearly disclose the key issues raised, unresolved items, and stakeholders' contributions, as vague accounts of actions taken without stakeholders' validation risk being counterproductive. In addition, being overly business-centric can lead organisations into the trap of being self-serving, ultimately failing to do justice to their stakeholders.

IMPLICATION OF THE STUDY

This study expands the understanding of stakeholder engagement by examining the current practice of CSR award-winning organisations in the country. It has unveiled that stakeholder engagement has become a prominent practice to ensure organisational goals are met without compromising stakeholders' interests. The study practically suggests for stakeholder engagement framework to be institutionalised to ensure a genuine collaboration work between organisations and stakeholders, leading to mutually beneficial outcomes. The framework should include a comprehensive guideline covering the entire process; from stakeholder identification to post-engagement evaluation and reporting. This include documenting insights obtained from stakeholders and how they are incorporated into organisational decision making. Therefore, important decisions and actions arising from the stakeholder–organisation partnership should be transparently disclosed in CSR reports. This promotes greater accountability and mitigate the risk of greenwashing.

This study extends the literature by emphasising on the relational dimension of stakeholder engagement. The importance of fostering a long-term, ongoing relationship to engender trust and to obtain stakeholder feedback should not be compromised. Past studies also affirmed that strong stakeholder relationships contribute to long-term value creation and strengthens organisational resilience (Henisz et al., 2019). Similarly, Hubbart (2024) emphasises that such relationships contribute to intangible assets and long-term competitive advantage. Nevertheless, this study cautions against stakeholder engagement conducted for formality purposes without the intention to generate meaningful community impacts.

LIMITATION AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study is mainly based on self-reporting derived from the sustainability reports issued by selected award-winning organisations. Future research should be extended to gain stakeholders' perspectives to further understand their roles, limitations, and involvements during the stakeholder engagement process. Additionally, a qualitative inquiry should be conducted with the managers in charge of the stakeholder engagement exercise to understand the intended outcomes and challenges that they encountered in pursuing stakeholder engagement activities.

ACKNOWLEDGEMENT

This research has received no external funding.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 77 - 94 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Thinking Harmony: Exploring Cultural Values Towards Digital CSR Communication

Nobertus Ribut Santoso* and Sherly Hindra Negoro

Department of Communication, Universitas Atma Jaya Yogyakarta, Indonesia, Jl. Babarsari No. 44, Depok, Sleman, 55281 Yogyakarta, Indonesia

ABSTRACT

Despite the massive usage of digital platforms to communicate organisations' corporate social responsibility (CSR), empirical evidence in understanding digital CSR messages is mainly dominated by quantitative inquiry. Limited research has examined millennials' expectations to digital CSR communication, particularly in emerging cultural values. Therefore, this study aims at examining how Indonesian cultural values contribute CSR initiatives in shaping Indonesian millennial expectations. Results, based on 14 in-depth conversations with millennials actively using Instagram and following one of the Indonesian unicorn companies (UCs), revealed millennials expect companies to include Indonesian cultural values, such as *gotong royong* (mutual help among neighbors), *tenggang rasa* (empathy and mutual understanding), and *Bhinneka Tunggal Ika* (unity in diversity), when communicating CSR through Instagram. Considering Indonesia's diversity, this study proposes that to ensure harmony, issues of ethnicity, religion, group-based interests, pornography, LGBT, and politics, should be avoided when communicating CSR.

Keywords: Cultural values, digital CSR, harmony, millennial expectations, unicorn companies

ARTICLE INFO

Article history:
Received: 15 October 2025
Accepted: 22 Jun 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.05

E-mail addresses:
nobertus.ribut@uajy.ac.id (Nobertus Ribut Santoso)
sherly.hindra@uajy.ac.id (Sherly Hindra Negoro)
* Corresponding author

INTRODUCTION

National culture plays a significant role in shaping consumer behaviour (Marinković et al., 2024). Considering local cultural values in business activities is crucial in a competitive market. For instance, Indonesian cultural values, such as mutual assistance, harmony, conformity, tolerance, and religiousness (Dewi et al., 2024) influence how companies operate, and are seen, in Indonesia, including Corporate Social Responsibility

e-ISSN: 2231-8534

(CSR) communication. Such companies include the five most popular Indonesian unicorn companies (UCs), such as Gojek, Tokopedia, Traveloka, Bukalapak, and OVO, and how designing, implementation, and communication of CSR attains mutually beneficial relationships between themselves and society, for example, millennials.

These popular Indonesian UCs present an interesting case. Being valued at over 1 billion US dollars, or Rp. 14.1 trillion (Clinten, 2019), their associated e-commerce activities contribute to the digital economy affecting Indonesia's economic growth, surpassing US$ 130 billion (Rp. 1.831 trillion) by 2020 (Rahman, 2019). Building this positive image to gain trust from stakeholders, companies conduct CSR programmes considering Indonesian cultural values directed toward millennials since they shop online.

Despite huge numbers of millennials becoming a big market segment, UCs find it challenging to engage them through CSR communication even though they are highly active in digital environments and tend to demonstrate greater interest in CSR comparing to previous generation. Behavioural expectations of millennials, by understanding their strong cultural values, ensures programmes are closely geared towards millennials as key stakeholders in order to minimise negative impacts associated with business operations (Chatzopoulou & de Kiewiet, 2021). Furthermore, since millennials are not homogeneous groups, their expectations of CSR communication may vary based on their cultural values shaping them to expect organisations' actions in CSR initiatives.

UCs must engage millennials through CSR communications on Instagram since effective digital CSR communication can enhance organisations' reputation, trust, and stakeholder engagement (Abdulaziz Alhumud et al., 2025). By understanding millennials' cultural values and integrating them into business activities and communications, businesses can succeed, despite competition, to win hearts and fulfil these expectations. Values play a significant role in building public expectations, particularly among western countries (Vitellaro et al., 2021). However, it remains largely unexplored in South Asia, particularly Indonesia, where values are foundational across people's lives (Karn & Bhattacharya, 2025). Likewise, studies on cultural values and CSR are mainly dominated by quantitative inquiry (e.g., Esteban et al., 2017) thus limiting their scope.

Little is mentioned of millennials in the context of CSR communications and Indonesian culture, even though they dominate the digital era. Therefore, this research aims to provide specific information on how UCs in Indonesia use Instagram to communicate CSR activities and how Indonesian cultural norms, beliefs, and practices influence these initiatives in shaping Indonesian millennial expectations. Millennials care about world issues, whilst remaining preoccupied with such platforms (Chatzopoulou & de Kiewiet, 2021), so, to enhance theoretical developments within

CSR, qualitative insights are needed to find the best practices to effectively communicate CSR through Instagram.

LITERATURE REVIEW

Culture and Millennials' Expectations of Companies

Understanding culture is essential for businesses' sustainability. In making organisational decisions, companies must consider local cultural values within which they operate since culture plays a central factor influencing individuals' values, attitudes, and expectations towards organisations. Defining culture as the psychological criteria guiding ethical decision-making across everyday life, it is long recognised as a significant determinant in organisational attitudes that influence ethical business activity (Roy et al., 2024). For instance, cultural values as practised throughout Indonesia possess the power to influence companies' designs, implementation, and CSR communications (Santoso & Negoro, 2025).

Indonesian cultural values, therefore, must be considered when operating throughout Indonesia. As a collectivist culture, Indonesia sees good social relationships as foundational in their life. The values of *Bhinneka Tunggal Ika* (unity in diversity), *tenggang rasa* (empathy and mutual understanding), and *gotong royong* (mutual help among neighbours) serve as guiding principal promoting social cohesion, harmony, unity, and resilience within Indonesian society (Gede Agung et al., 2024).

Local people, where companies operate, are important stakeholders in companies' decision-making processes, including CSR, as they are affected by company objectives (Ghezal, 2024; Kim et al., 2019) revealed cultural values, for instance in South Korea, have strong correlation with CSR expectations. Inspired their study, this study explores Indonesian millennial stakeholders' CSR expectations related to their cultural values since they are significant in CSR development, influencing companies' commitments to responsibly contribute toward a better society or environment (Dewi et al., 2024).

Millennials are born from 1981 to 1996 (Badan Pusat Statistik/Central Agency of Statistics, 2020). Furthermore, Indonesia's millennial generation encompasses 69.9 million people (roughly twice the population of California), or 25.87 % of Indonesia's total inhabitants (Badan Pusat Statistik/Central Agency of Statistics, 2020). Before making decisions, they gather as much information as possible.

CSR Communication and Culture

CSR has become an important indicator for successful businesses. Therefore, companies spend large sums designing, implementing, and communicating CSR (Bae & Kim, 2013). This encourages companies to focus on social aspects to leverage their responsibilities by involving ethics held in common whilst making a profit (Santoso & Negoro, 2025). Consequently, people from different cultures have different expectations of CSR programmes and communication (Santoso & Negoro, 2025).

In the case of Indonesia, CSR practices contribute to a better society and environment whereby locals become the main targets of CSR activities. Activities that should not only be oriented towards increasing materiality, but of the well-being of society and its environment (Ganesh et al., 2024). Indonesian society exhibits group dependence, whereby mutual assistance, harmony, conformity, tolerance, and religiousness, become foundational in daily life (Dewi et al., 2024). Considering Indonesian cultural values in business practices, such as CSR, contributes to Indonesians' support and companies' sustainability.

CSR communication is carried out through various media. Digital media has become critical in the transformation of CSR communications. Ahmad et al. (2021) cite digital media changes to CSR communications from a one-way communicative model to an interactive one. Through such platforms, public responses to CSR information can be directly replied, enabling companies to reach a wider audience and expand their market (Gomez, 2020).

Furthermore, the presence of the internet has improved companies' CSR reputations by informing CSR activities regularly, providing opportunities for stakeholders to send, and receive information (Diehl et al., 2017). As a result, CSR communication becomes dialogic, symmetrical, and multidirectional—many-to-many (Diehl et al., 2017). This model allows stakeholders to strongly influence business decisions directly (Ahmad et al., 2021).

Social media, such as Instagram, Twitter, Facebook, and YouTube, reach diverse stakeholders in briefer time. These social media platforms have changed the way the organisation communicates its CSR and its relationship with stakeholders (Gomez, 2020). Since the stakeholders practice their cultural values in their daily life, the organisation must consider employing the values when communication with CSR in social media platforms. These platforms become powerful tools informing stakeholders about CSR initiatives meeting their expectations. Moreover, companies create stories about their contributions toward bettering society and the environment sharing them with stakeholders through these 'powerful platforms' (Ahmad et al., 2021), that build e-reputations (Ali et al., 2020).

METHODS

This study employed a qualitative case study. This method enables greater understanding of digital CSR communications across UCs, specifically, by exploring millennial perspectives on how cultural values influence expectations. Data collection methods included semi-structured interviews with key informants conducted in 2022. The interview guide is based on the concepts of digital CSR communication and cultural values.

To reveal the influence of Indonesian cultural values on millennial expectations regarding digital CSR communication, the following criteria was considered: 1) having a private Instagram account that is not locked and engaging Instagram at least once in the previous month uploading photos or videos to ensure that informants are Instagram active user, 2) following the official Instagram account of one of Indonesia's UCs, and (3) giving comments and/or giving like to posted videos or photos about CSR activities from UCs. Since this study was conducted in 2022, videos or photos about CSR activities posted by UCs related to COVID-19 pandemic.

Interviews were recorded with consent and guaranteed anonymity to achieve a degree of frankness during interviews. Recordings were carefully transcribed, then re-listened to whilst re-reading the transcripts to ensure accuracy and an in-depth understanding of interview results. Researchers then coded all data, classifying them into themes according to research objectives. In presenting the findings, the data has been translated into English and proofread by an Australian English native speaker. All results were analysed inductively.

Table 1
Informant identity

Informant	Age & Gender	Follower	Reason Becoming Follower
Informant 1	32 years old, Male	@bukalapak	Gaining knowledge about e-commerce, how to order products, find cheap and excellent gadgets
Informant 2	32 years old, Female	@tokopedia	Finding out promotions
Informant 3	30 years old, Female	@traveloka	Finding out about hotels and restaurants
Informant 4	35 years old, Male	@bukalapak	Finding interesting information
Informant 5	36 years old, Male	@tokopedia	Finding out promotions
Informant 6	31 years old, Male	@tokopedia	Finding out giving away and promotions
Informant 7	33 years old, Male	@traveloka	Finding out promotions
Informant 8	30 years old, Female	@traveloka	Finding updated information about travel policies
Informant 9	30 years old, Male	@gojekindonesia	Finding information about products and promotions
Informant 10	34 years old, Male	@bukalapak	Interested in promotional programmes
Informant 11	32 years old, Female	@ovo_id	Finding out promotions
Informant 12	32 years old, Female	@gojekindonesia	Being interested in interesting content
Informant 13	32 years old, Female	@ovo_id	Finding out promotions
Informant 14	33 years old, Male	@ovo_id	Finding out promotions

Source*:* (interview, 2022)

RESULTS

Gotong Royong as Unicorn Companies' CSR

Informants identified CSR as a UCs' obligation to its stakeholders by collectively contributing to a better society and environment. Informants expected UCs should engage in CSR since businesses take great benefits from their patronage. However, some understood that CSR activities implemented tended to be more philanthropic, conducting vaccinations, donating masks, and giving aid to people affected by COVID-19. Through these initiatives, informants believed companies wanted to show the value of *gotong royong* (mutual help among neighbors) where they cared about the situation many faced during the pandemic.

> When companies do activities, what kind are they? Caring for others or CSR [that] impacts society? For example, vaccines maybe the most straightforward thing distributing free masks or kits like that, huh? (Informant 3, follower of Traveloka)

> It's a sense of caring by Tokopedia stepping into help. Especially Indonesians facing COVID. It was extraordinary. (Informant 2, follower of Tokopedia)

CSR in the form of aid to create business was crucial during the pandemic. UCs collectively mentored Micro, Small, and Medium Enterprises (MSMEs) to help build and sustain their businesses. Due to COVID-19, many were laid off. Therefore, encouraging and assisting them in having their own business helped them survive.

> Because many companies were affected by the pandemic, many were laid off. Some cannot fulfil their basic needs. They struggle. On the other hand, yes, at least it helps in terms of how to make a business. Slowly adjusting targets for these businesses can be profitable, even though they're not as big as the companies already run. (Informant 13, follower of OVO)

CSR activities implemented by UCs are seen as reciprocal relationships between companies and users of the Apps these groups produce. Since users use these applications for online transactions, it becomes an obligation for them to ensure CSR activities take on forms of social, educational, and even religious activities.

> It's a form of social responsibility. Every big company like Tokopedia certainly benefits from us, the community as users. It must provide more benefits in return. We take advantage of their platform, and they give back in the form of social, educational, and religious assistance. (Informant 5, follower of Tokopedia)

In contrast, informants believe CSR conducted by UCs should embrace the Indonesian cultural value of *gotong royong* (mutual help among neighbors) by empowering MSMEs since they are essentially business partners. Their existence influences the sustainability of local economies. Thus, companies should make it easier for them to manage their businesses by providing digital tools and applications, educating them on how to operate in the digital environment. This approach aligns with the spirit of *gotong royong* (mutual help among neighbors) through fostering collaboration and mutual support among members of society.

> Bukalapak's social responsibility is to make it easier for business partners to organise and manage products sold on its platform. Continuing to make digital applications like that. (Informant 1, follower of Bukalapak)

CSR activities undertaken by UCs are driven by the value of *gotong royong* (mutual help among neighbors) aiming at increasing brand reputation in the minds of millennials. They saw CSR programmes implemented during COVID-19 as essential in building a good image, implying they are aware of the hardship faced by Indonesians and showcasing their commitment to societal welfare. It helps too in competing with other companies.

> I think it's more about branding. They do it so they're judged as being social. Maybe because Gojek's market is wide, their contribution from the community is also wide. Turns out that Gojek understands what's happening socially. (Informant 12, follower of Gojek)

> CSR makes it easier for customers, building a better image for Tokopedia. [It's] for the sake of increasingly fierce competition. CSR provides a better image. (Informant 6, Tokopedia)

Again, some informants believed the existence of these companies has positive and negative impacts on stakeholders. MSMEs find them helpful as they provide business space, a concept deeply rooted in the value of *gotong royong* (mutual help among neighbors) where this business space provides opportunities for MSMEs to directly connect to customers. This 'space' is in the form of an application providing convenience and increasing transactions economically impacting to the growth of Indonesia.

> What I saw was more enthusiastic at first, they were very helpful. Especially with the app, they might increase [too] the number of orders for goods and things like that. (Informant 1, follower of Bukalapak)

Informants noted that UCs generally provide convenience offered through application accessibility. This convenience is aligned with the value of building good relationships expecting to meet consumer needs. However, COVID-19 has limited direct interaction, thus supporting the existence of businesses in these facilities offered, like purchases and payments that do not need to be made in person.

> It's a positive impact, making it easier for people like me who don't travel but need the application. With the application, it's easy. We order what we want, then the system matches what we need. (Informant 8, follower of Traveloka)

> OVO makes life easier, especially [during] the pandemic. We're not allowed to touch friends physically. OVO makes it easier, in my opinion, [they're] a pioneer of digital payments. (Informant 14, follower of OVO)

In contrast, UCs providing these conveniences fulfill community needs and increase mobility. This raises the potential risk of spreading COVID. Additionally, increased public consumption cannot be matched by people's purchasing power. Society attaches importance to pleasure without considering how payment should be made.

> Tourism is opening. Attractions have started again. Tickets have also been opened for various flights. Automatically, sales of airplane tickets or accommodation increases. (Informant 3, follower of Traveloka)

The development of UCs is based on creating a technology-based ecosystem that provides convenience. However, several informants felt there were negative impacts related to the security aspects of this technology. The issue is in the form of payment problems and trusting online stores. Moreover, this technological advancement is not matched by the ability and knowledge of end users, highlighting the value of *bijaksana* (wisdom) in navigating and utilising these platforms effectively.

> Bukalapak is an open platform for everyone. It doesn't sort out sellers one by one, so there are fake ones. I was sent a message by a seller that was suspicious. Bukalapak is responsible for looking after its customers [if] a seller is suspicious. (Informant 4, follower Bukalapak)

UCs are often seen as having negative impacts on the environment. In particular, the high ownership of motorised vehicles increases air pollution and emissions that cause global warming. Based on data obtained, several informants felt UCs had little negative impact. Videos uploaded to Instagram, for example, show companies' concerns for helping, facilitating, and communicating programmes to partners and the public alike reflecting the value of *kepedulian* (caring).

> Global warming due to the use of many motorbikes creates more pollution that impacts the wider community. (Informant 12, follower of OVO)

***Tenggang Rasa* Value Embedding CSR Communication Instagram**

UCs' CSR activities must fulfil millennial expectations by continuing to improve social and environmental problems vis ethically based business operations. Informants viewed previous social responsibility programmes as having brought positive impacts that better(ed) society. However, other hopes have been expressed too. Mitigating, or preventive programmes could also be considered since COVID-19 has not yet ended. This programme could bring more advantages for companies, particularly UCs, whose core business is in travel.

> Traveloka can provide CSR in the form of mitigation or prevention. It must be done, it needs to be given because it will indirectly affect. (Informant 3, follower of Traveloka)

Educating and helping MSMEs to effectively navigate the marketplace could be a future CSR programme, embodying the value of *tenggang rasa* (empathy and mutual understanding) where UCs committed to foster equitable partnerships and uplift local communities. Programmes that help people living remotely are also essential, nurturing potential partners in a digital age that benefits both parties. Such programmes bring benefits for MSMEs in fostering their sustainable growth.

> The hope is that it will be more educative for the marketplace and help MSMEs. Hopefully, breakthroughs will help small communities in remote areas the market has not reached. [It] can help traders in this digital era. (Informant 2, follower of Tokopedia)

The value of *tenggang rasa* (empathy and mutual understanding) is reflected where UCs prioritise options for poorer consumers as part of future programmes. Equal access to groups seen as weak, poor, marginalised, and disabled, helps develop skills and competencies that impact economically, socially, and politically in positive ways. Empowering marginalised populations through CSR helps them become independent.

> 'Option for the poor' is the term. Earlier they said they have responsibilities towards people who, in our terms, are weak, poor, marginalised and disabled. What they've done leads to the disabled, weak, poor, and marginalised being left out. Traveloka must prioritise these groups! (Informant 7, follower of Traveloka)

Because some UCs' business operations directly, or indirectly impact the environment, they must consider planning programmes focusing on this issue, incorporating the value of *tenggang rasa* (empathy and mutual understanding) to showcase UCs' responsibility towards the well-being of future generation. Programmes that aim to reduce damaging effects on the environment from their business' processes. Campaigning for electric vehicles could be a priority. Likewise, programmes should be sustainable, empowering people to become less dependent upon these companies.

> Ideally, it should be more for electric motors. It's an interesting solution because people think that motorcycle taxis make [life] easier. They don't

> think it also makes things difficult in terms of pollution. (Informant 12, follower of Gojek)

As such, millennials have varying expectations of unicorn companies' CSR communication through their official Instagram accounts. They hope communications become packed in informative ways, anticipating values relevant to their CSR mission, whilst aligning with customers' cultural ideals. In addition, they should be more attractive to gain wider community attention.

> For me, at least it's informative, or symbolic [of what's needed]. It should symbolise that Tokopedia can rise alongside MSMEs. The value of prestige or dignity packaged for a more attractive, elegant presentation. (Informant 2, follower of Tokopedia)

UCs' posts on Instagram are dominated by messages packed with promos as part of its application's facilities. The dominance of such posts makes CSR information harder to find. Even though clearly presented, they can be difficult to interpret. Therefore, it is hoped that future communication will become easier to understand. Additionally, messages should build emphatic engagement with end users.

> From the system side, there needs to be improvement, so repairs and completion doesn't take [so] long. In terms of uploads, there's no problem. It's info about OVO helping MSMEs that needs improvement. So far, uploaded data is very detailed, but it doesn't have to be all uploaded to understand. The problem is reading data is not easy for some people. (Informant 13, follower of OVO)

On the other hand, good CSR programmes need to be communicated widely. Communications undertaken thus far have been limited to millennials. Therefore, the benefits of CSR programmes conducted by companies can only be known by millennials through the use of digital devices.

> I see social responsibility as conveyed by Traveloka as good, but not optimal, because maybe the socialisation is not enough. Millennials only know the benefits because they're always holding gadgets. (Informant 7, follower of Traveloka)

From a visual standpoint, informants hoped there would be more interesting content when communicating with CSR. Movies were suggested for creating attractive content relatable to more people. Informants argued that attractive messages make Instagram users remember messages conveyed by companies. Creative content, such as 'movie spoofs' and parodies, could attract people to their content.

> The visual[s] can be made more interesting. Maybe like a short film,

> like “Cek Toko Sebelah, inserting film footage. Movies are already in our minds, so they can effectively influence consumers. (Informant 4, follower of Bukalapak)

In the realm of CSR communication, the value of *tenggang rasa* (empathy and mutual understanding) emphasises the importance of transparency and openness. The data revealed that in communicating CSR, openness becomes important. This openness discloses core principles of CSR programmes. Programmes could cover education, health, orphanage, even Islamic boarding school activities in the future. This depth of information should be present when communicating via Instagram, as it is important for the public to know about good activities undertaken by companies.

> More open! Several cities should be targeted with CSR activities, such as education, health, orphanages, [even] Islamic boarding schools. Tokopedia has provided more detailed data to communicate its responsibility toward the community. (Informant 5, follower of Tokopedia)

Instagram is one of many social media choices for communicating with unicorn companies’ CSR. Instagram is interpreted as a platform for presenting a portfolio of companies’ activities. However, other social media, such as Twitter, are alternatives to developing awareness across wider markets. Conventional media such as television could also be considered when communicating CSR objectives, as social media is not always accessible to some communities.

> Instagram is a place for companies’ portfolios. But, when looking for platforms that provide specific information, Twitter can be considered too in reaching wider markets. (Informant 12, follower Gojek)

Informants state that CSR via Instagram is crucial, as a means to uphold the value of *tenggang rasa* (empathy and mutual understanding) where this social media platform lets the public know how companies work for a better society or environment. Good CSR communication can build awareness and increase community participation.

> It’s important communities know and want to participate in the future. If people know, they will join. (Informant 11, follower of OVO)

Bhinneka Tunggal Ika as Soul of Unicorn Companies’ CSR Communication

Cultural values become essential in communicating CSR. These values should be the soul, or, basis of designing, implementing, and communicating CSR. As a collectivist country, having diverse ethnic groups, religions, races, and group-based interests, the value of *Bhinneka Tunggal Ika* (Unity in Diversity) becomes important when creating messages through CSR communication. Informants see CSR videos uploaded on UCs' Instagram accounts as showing the values of diversity indicative of Indonesian people's lives.

> Cultural values and those of everyday life are important. Especially in Indonesia, there are various ethnicities, races, and religions. It must be Bhinneka Tunggal Ika. (Informant 9, follower of Gojek)

Friendliness too becomes a characteristic indicative of Indonesian people embracing the diversity, fostering understanding, respect, and empathy towards others regardless of their differences. In effortless ways, greetings nurture warmth and sociability. Respect becomes key to social interactions. Indeed, with business partners having diverse needs and grievances, inclusion of these values when communication CSR could make messages more relatable to Indonesian experience(s).

> Like "hello, it's been shown in the[ir] videos". It means that from business partner services, they're people who'll visit. Then, yes, it's a form of respecting the needs of every partner. [...]. Then, business partners' complaints are different, but are still heard and accommodated. (Informant 1, follower of Bukalapak)

Informants prioritised Indonesian cultural etiquette as equally important when communicating CSR. It is the core, or soul that governs expectations of social behaviour among Indonesians. Informants highlight the fact Indonesian culture emphasises that people remain socially responsible toward each other. Through videos uploaded on Instagram, UCs communicated to stakeholders they are socially responsible toward MSMEs affected by the COVID-19 pandemic.

> People in MSMEs vary in age, from young to old. Elders usually emphasise manners more. When Bukalapak comes with CSR, manners must be involved. (Informant 10, follower of Bukalapak)

However, with Indonesia being culturally diverse, comprising various ethnic groups, religions, races, and group-based interests, informants stressed the fact UCs should not emphasise differences when communicating CSR. Involving issues of ethnicity, religion, and group-based interests, often results in problems, even conflict. As such, the value of tolerance should be core to CSR communication among Indonesian UCs. Since Indonesians value politeness, sarcasm too should be avoided as something considered rude and obnoxious.

> The first thing, for sure, no SARA! (ethnic groups, religions, races, and group-based interests). It's most important, in my opinion. Indonesians are easily divided over issues of SARA. (Informant 3, follower of Traveloka)

Although Indonesia strongly upholds the value of *Bhinneka Tunggal Ika* (Unity in Diversity) emphasising diversity, the issue of LGBT becomes an exception in this context due to a conflict between traditional cultural values and the LGBT issue creating tension and disagreement within society. Therefore, maintain a balance between respecting differences and confronting challenges in accepting diversity as a whole in Indonesia is complex. Moreover, since religious values are strong in Indonesians' daily life, pornography also becomes sensitive. When communicating CSR, videos should avoid pornographic content. Displaying scantily clad bodies, for example, is seen as distasteful, even shameless. Similarly, politics must be abandoned when communicating CSR, with Indonesia possessing many rival parties.

> Secondly, there should be no pornographic elements. Another is LGBT issues. Because, right, that's just [too] sensitive in Indonesia and there are still many pros and cons. (Informant 3, follower of Traveloka)

> As for product promotion, CSR is fine. For politics, don't convey [that] to the public. (Informant 9, follower of Gojek)

Informants highlight a need for UCs' communications to be contextualised through local values. Since every province has its own strong, local values as practiced daily, they regularly promote characteristics unique to their own people. Therefore, contextualising CSR communications based on local values makes it more palatable and accepted.

> If they make videos on Instagram, making videos specifically for each region is impossible. Maybe, [if] CSR personalizes its approach for areas such as Central Java-Yogyakarta, West Java, Sumatra, etc. it's more acceptable. (Informant 4, follower of Bukalapak)

DISCUSSION

As companies providing utilised online platforms connecting businesses to customers, Indonesian UCs—Gojek, Traveloka, Bukalapak, Tokopedia, and OVO—have a moral obligation to present CSR activities focused on social and environmental well-being. Companies' philanthropic activities included vaccinations, donating masks, and giving aid, thus strengthening the social aspect of CSR in providing help to stakeholder relations, particularly to those most affected by the COVID-19 pandemic. This social aspect provides opportunities to survive and maintain well-being during difficult times resonating with the value of *gotong royong*.

Their socially responsible business practices assist in empowering MSMEs' sustainability since their core business is providing online platforms connecting businesses and customers through e-commerce, ride-hailing, online travel, and digital payment services, directly related to their own success. These could collectively promote an increase in the digital economy, thus neutralising the negative impacts of their own business activities.

Undertaking CSR promotions in the form of philanthropic activities is an excellent way for Indonesian UCs to promote a more socially sensitive side towards the plight faced by people. This study reveals that COVID-19 has pushed CSR communications to the edge, moving their focus from benefits maximisation to business sustainability. Furthermore, this study highlights synergising Indonesian UCs' core business and community needs during COVID-19 achieves both organisational and social benefits, aligning with literature that suggests dealing with societal issues when developing philanthropic activities. This 'strategic philanthropy' becomes a long-term investment, thus developing stronger market orientation, allowing stakeholders to evaluate positive impressions that bring benefits to companies (Ali et al., 2020).

Since Indonesia consists of some seventeen thousand islands with diverse ethnic groups, religions, races, and group-based interests united in the value of *Bhinneka Tunggal Ika*, findings reveal that CSR activities should be conducted differently in areas populated by different people. Therefore, it becomes challenging for Indonesian UCs to create ideal concepts that can be implemented across different regions (Jamali & Karam, 2016). Furthermore, CSR in the form of socially responsible business practices, has the potential to provide the most value to their business partners in particular, and consumers more generally. Indeed, Indonesian UCs' business partners are empowered to build and sustain their businesses, with this empowerment providing a holistic picture for consumers to evaluate companies' socially responsible business practices that could influence purchasing behaviour (Alawamleh & Giacaman, 2020).

Although researchers acknowledge the benefits of CSR in building a positive corporate image (e.g., Ali et al., 2020) this study reveals that CSR—philanthropic and socially responsible business practices—become foundational for Indonesian UCs and used as promotional tools to influence purchasing behaviour during COVID-19. Indeed, Indonesian unicorn companies' CSR through Instagram informs of benefits of becoming a partner, encouraging customers to help too by buying MSME's products through UCs' Mobile Apps.

What is more, data collected in this current research acknowledges the usefulness of Instagram when communicating with CSR. It effectively disseminates CSR information for interested stakeholders. However, millennials believe UCs should take action to improve their message. Other platforms, such as Twitter, could be considered and utilised too, increasing reach to the public. Although social media such as Instagram can 'actively engage the public', traditional media, such as television, cannot be ignored. Most people still depend on this media as their primary source of information (Amahjour & El Khalkhali, 2024).

Findings reveal that Indonesian UCs' CSR communications on Instagram are aimed primarily at external stakeholders, particularly millennials. These stakeholders are identified as the key to CSR initiatives since they influence the business sustainability of such companies. This study highlights that external stakeholder, particularly millennials, support CSR actions by voicing opinions about the company's CSR activities, often volunteering for cause-supporting activities of trusted companies. As such, companies should communicate CSR activities with openness, focusing the users' attention on what they are doing to a better society during COVID-19.

Findings show that CSR communication should ideally be personally relevant to millennials. Further, communication should be informative, attractive, and engaging. Although most informants are not exposed to these companies' CSR information, they are followers of UCs' official Instagram accounts; exposure is scanted. It could be an indication that CSR content uploaded to Instagram is less attractive, preventing them from going viral and reaching wider audiences. Additionally, content could focus on issues faced by society, ones more open to their interests, as well as lighter and easier to understand.

This study reveals that millennials' expectations must be considered, along with their local cultural values, when designing and communicating CSR. Fulfilling millennial expectations is crucial to sustaining unicorn companies since they always support companies by purchasing products. Their expectations, and by internalising the cultural values they practice, benefits UCs in sustaining their business, making them more aware of company activities than previous generations (Chatzopoulou & de Kiewiet, 2021).

Even though UCs in this study are Indonesian, they must still adopt and internalise Indonesian cultural values, such as *gotong royong, tenggang rasa*, and *Bhinneka Tunggal Ika*, if they are to get millennials' support. These values are internalised, becoming the umbrella by which to cover their daily lives, to CSR communication designs engaging the audience. This is in line with Ye et al. (2020) suggesting companies should remain responsive to the local environments within which they operate. As such, CSR communication is often accepted by millennials when it relates to life/lived experience.

These findings show that a collectivist mentality encompassing *gotong royong, tenggang rasa*, *Bhinneka Tunggal* and the like, are core to Indonesian cultural ideals. Internalised into UCs' CSR communications, and responsive to situations faced by society, each value teaches them how to live harmoniously. When such principles are adopted by UCs, it empowers their partners. Therefore, most CSR communications on Instagram evoke relationship-building and empowering partners by facilitating potential partners in becoming co-partners in business.

Indonesia is renowned for being culturally diverse. Living in harmony should be the foundation of CSR communications on Instagram. Pornographic and LGBT issues too should be avoided as issues too sensitive for most Indonesians, contradicting socio-religious values practised by Christian and Muslim alike (Martin-Anatias, 2020). Likewise, political issues must be avoided. However, Sun et al. (2023) suggests companies might advocate political issues only when aligning with stakeholder values.

CONCLUSION

This study explored the role of culture in developing millennials' expectations of Indonesian unicorn companies when communicating CSR through Instagram. Results suggest such values-*gotong royong, tenggang rasa*, and *Bhinneka Tunggal Ika*, make messages more relatable to millennials and should be considered when designing, implementing, and communicating CSR. In the interest of maintaining harmony, issues of ethnic groups, religions, race, pornography, LGBT, and politics, should be seen as devisive and best avoided. This study provides a foundation for Indonesian unicorn companies' CSR communications via Instagram to identify more closely with the millennial cultural values as practiced in daily life.

This study was limited to data from the five most popular Indonesian unicorn companies; therefore, the results cannot be generalised. However, the findings emphasise the relevant discussion on theories and practices of digital CSR communication and provide a more nuanced understanding of the interaction between culture, stakeholder expectations, and digital CSR communication. Moreover, the findings can be an alert to the importance of integrating cultural values when communication with CSR initiatives in order to get full support from the stakeholders. In addition, this study can be further developed in a specific organisation such as mining industries having sensitive operational, environmental, and social issues in conducting their business so that local cultural values will be heavily considered in making communication policies.

ACKNOWLEDGEMENT

We would like to express our sincere gratitude to everyone who supported us in completing this work, especially Universitas Atma Jaya Yogyakarta for funding this research, and to all the participants who generously shared their time and insights during the interviews.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 95 - 126 (2026)

PERTANIKA JOURNALS

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

CSR at the Core: Perspectives on Islamic and Conventional Financial Institutions in Emerging Markets

Heba Abou-El-Sood[1,2]*, Marwan Izzeldin[3], Mohd Rizal Muwazir[4], and Sheeja Sivaprasad[5]

[1]Accounting Department, College of Business and Economics, United Arab Emirates University, 15551 Abu Dhabi, United Arab Emirates
[2]Accounting Department, Faculty of Commerce, Cairo University, 12613 Giza, Egypt
[3]Department of Economics, Management School, Lancaster University, LA1 4YW Lancaster, United Kingdom
[4]Department of Islamic Management and Finance, Academy of Islamic Studies, Universiti Malaya, 50603 Kuala Lumpur, Malaysia
[5]School of Finance and Accounting, Westminster Business School, 35 Marylebone Road, NW15LS London, United Kingdom

ABSTRACT

Concerns about corporate social responsibility (CSR) have emerged for several reasons related to the change in the CSR agenda and international compliance. This study presents new evidence by investigating the perceptions of CSR practices among executives of Islamic and conventional financial institutions in Malaysia, a prominent financial hub and partner for Middle Eastern, Central Asian, and European markets. The paper employs a mixed methods approach, where a survey questionnaire covering 27 Islamic and 20 conventional financial institutions builds upon the findings of a stratified random sample. Probit regression is applied to test the effect of executives' attributes on the importance of different elements of their perceived CSR. The findings challenge a prevailing CSR view that underplays the importance of values and responsibilities. Overall, the results show that executives' pay close attention to ethical considerations, contrary to longstanding prior results. Findings reflect stakeholders' interest in corporate environmental, social, and governance (ESG) practices, prompting businesses to align with long-term social and ethical values beyond financial returns. The Covid-19 pandemic incited new roles and responsibilities in business, giving rise to new roles and responsibilities beyond the bottom-line results. This paper adds to literature on CSR in financial institutions providing insight on the impact of executives' attributes.

ARTICLE INFO

Article history:
Received: 18 November 2025
Accepted: 05 June 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.06

E-mail addresses:
h.abouelsood@uaeu.ac.ae (Heba Abou-El-Sood)
m.izzeldin@lancaster.ac.uk (Marwan Izzeldine)
mrmkl@um.edu.my (Mohd Rizal Muwazir)
s.sivaprasad@westminster.ac.uk (Sheeja Sivaprasad)
* Corresponding author

It provides a clear understanding of CSR in Islamic and conventional financial institutions grounded in the framework of stakeholder theory.

Keywords: Corporate social responsibility (CSR), developing countries, emerging markets, executives' demographics, financial institutions, Islamic finance

INTRODUCTION

Concerns about corporate social responsibility (CSR) have emerged for several reasons related to the change in the CSR agenda and international compliance. Unethical practices directly affect investors' confidence[1] (Abdel Rahman et al., 2011; Brogi & Lagasio, 2019; Wilson, 2000). Concerns for corporate social responsibility (CSR) have been raised by changes to CSR agenda and international compliance. In turn, this has caused shareholders to scrutinise social and environmental aspects more closely. Furthermore, the Covid-19 pandemic *per se* incited new roles and responsibilities in business. The pandemic has given rise to new roles and responsibilities of business beyond the bottom-line results. It reflects investors' interest in corporate environmental, social, and governance (ESG) practices, prompting businesses to align with long-term social and ethical values beyond financial returns[2].

The social responsibility of corporations and their role in responding to the welfare of society is of paramount importance. Financial institutions act as a catalyst in bringing about this transformation in CSR. The rapid growth of Islamic financial institutions (IFIs, thereafter) globally shows how these institutions can contribute to progressing social responsibility in businesses. Aribi and Arun (2015) state that the demand for investments aligned with Islamic ethical principles fuels the growth of IFIs. However, academic research on CSR in Islamic financial institutions (IFIs) is limited. To address that lacuna, this paper addresses CSR practices in Malaysia, a prominent financial hub for Middle Eastern, Central Asian, and European markets. The twin objectives of this study are (i) to contribute to CSR developments within the framework of Shari'ah and (ii) to identify areas where positive outcomes might be enhanced.

To this end, a questionnaire survey covering 27 Islamic and 20 conventional financial institutions assesses (1) the levels of CSR understanding among finance executives, (2) the influence of demographic characteristics on CSR orientations, and (3) the motivations behind CSR engagement. Hence, the study intends to inform decision-makers about their involvement in CSR practices. Contrasting with the CSR pyramid proposed by Carroll (1979), we set a different hierarchy of importance: 1) ethical responsibility, 2) legal responsibilities, and 3) economic responsibilities. By our judgment, we set a lower priority on legal responsibilities, and we challenge the notion argued by Visser (2008) that ethical responsibilities have relatively less importance in emerging markets.

The contribution of this study is twofold: First, it contributes to the existing CSR literature. There is limited knowledge of how executive demographics such as gender, age, experience and ethnicity can influence CSR perceptions in the Islamic financial sector. Filling this gap can enhance insights aligned with global sustainability. In recent years, significant conceptual developments in CSR include developing new tools and enhancing existing guidelines. These include disseminating the ISO 26000 Guidance on Social Responsibility in 2010[3], the release of the updated OECD Guidelines for Multinational Enterprises in 2011[4], and the publication of the UN Sustainable Development Goals of the 2030 Agenda in 2015[5]. Secondly, the empirical findings of this study provide valuable insights into how CSR is perceived in IFIs and conventional institutions grounded in the framework of stakeholder theory in a developing country such as Malaysia. Our findings reveal that executives in Islamic and conventional financial institutions consider ethical and moral elements highly important. However, the results indicate interesting demographic differences between executives in their attitudes to CSR.

The remainder of the paper is organised as follows: Section 2 provides the related literature and hypothesis development; Section 3 presents the research design; Section 4 presents and discusses our findings; and Section 5 concludes.

LITERATURE AND HYPOTHESES DEVELOPMENT

Country Background and Industry Specifics

Among 13 countries identified in the 2008 Growth Report of the Commission on Growth and Development, Malaysia was among the first to have experienced average annual growth above 7% over 25 years.[7] The financial services sector is among the largest in Malaysia. With digitalisation and a commitment to foster further financial inclusion, this sector is gaining prominence as an agent for financial inclusivity. In 2022, around 375 thousand people were employed, an increase from 349 in 2015 (Figure 1).

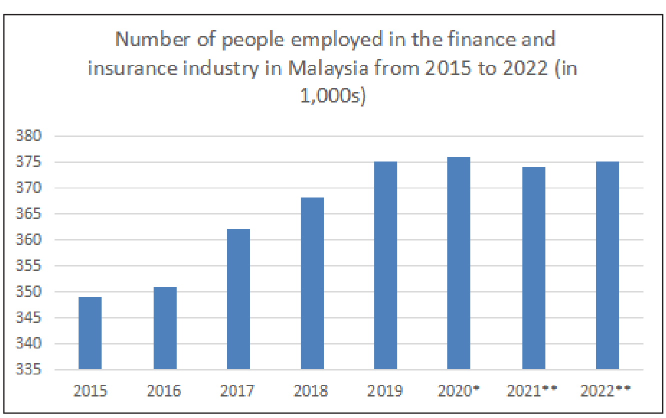

Figure 1. The number of people employed in financial services sector in Malaysia

The Federation of Malaysian Consumers Association, Consumers Association of Penang, and the World-Wide Fund for Nature (WWF) of Malaysia are viewed as non-government pioneers of CSR. To encourage companies to commit to the CSR agenda, the Professional Association of Chartered Certified Accountants (ACCA) initiated the Malaysia Environmental and Reporting Awards (MESRA) (Hamid et al., 2014). In 2006, a set of CSR guidelines, was introduced (the 'Silver Book'). In that same year, Bursa Malaysia launched its CSR.

In 2017, Bank Negara Malaysia introduced the Value-Based Intermediation (VBI) policy for Islamic finance. Although this policy resembles Environmental, Social and Corporate Governance (ESG) and Ethical Finance and Sustainable and Responsible Impact Financing (SRI), its primary difference is the relevance of Shariah. In going further that Shariah, VBI goes further embraces practices, conduct and offerings that, while remaining consistent with shareholders' long-term interests,[8] benefit the community and environment.

Recognising that an efficient market rewards firms that embrace ethical and governance practices (Nalband & Al-Amri, 2013), the Malaysian government has been promoting social responsibility, enabling firms with good practices to raise more capital, both domestically and internationally. The belief had been that Malaysian firms were generally slow in responding to initiatives (Chapple & Moon, 2005).

Early investigations of CSR in Malaysia - Ostlund (1977) and Teoh and Thong (1984) –showed companies to be more concerned with human resources and the contribution of product/service, and to be less concerned with social information. Later studies place greater emphasis on the development of CSR disclosure (e.g., Abdul & Ibrahim, 2002).

Evolution of CSR Practices

From a single focus on maximising shareholder value, CSR grew to include managers, employees, and the wider society. Its practices now incorporate social, economic, legal, ethical and philanthropic aspects. From the 1980s onwards, management's attention spread to include occupational health, safety and 'responsible care'. Most recently CSR has been extended to include corporate governance codes and a Global Reporting Initiative (GRI). There is now an abundance of codes, guidelines and standards. Kumar and Srivastava (2022) explain how CSR has undergone many changes. Where the 'CSR Pyramid' (Carroll, 1991; 1999; 2000) itemised economic, ethical, legal, and discretionary responsibilities, Dahlsrud (2008) incorporates principles relating to the environment generally. Emphasis on ethical dimensions is reinforced by Sarkar and Searcy (2016). Kumar and Srivastava (2022) place particular emphasis on the legal dimension. Where CSR is now more focused on sustainability and stakeholders' dimensions, the foremost priority is afforded to owners, managers, customers, employees, and supply chain sustainability.

Theoretical Framework

Many researchers associate CSR agenda with stakeholder theory (see for example, Bai & Chang, 2015; Di Bella & Al-Fayoumi, 2016; Freeman, 1984), where the firm must pay attention to the interests, needs and rights of multiple stakeholders (i.e., community, customers, stockholders, employees and suppliers). However, this view is less progressive since balancing of different stakeholders' demands and objectives halts firm's profit maximisation and the interest of stockholders. Another alternative angle is by connecting CSR with the theory of the firm. According to this perspective, CSR is considered a form of business investment (Mcwilliams & Siegel, 2001). A firm creates a certain level of CSR by embodying its products and services with CSR characteristics (such as Green Sukuk (bond) for Islamic finance and ethical financing products).

CSR extends beyond profit to encompass environmental protection, employee care, ethical trading, and philanthropy (Darrag & El-Bassiouny, 2013). This contrasts with arguments that emphasise maximising shareholder profits within legal constraints (Falck & Heblich, 2007; Schwartz & Saiia, 2012). Among the incentives that motivate modern corporations to embrace social activity is the emergence of public standards for social performance e.g., (United Nations Global Compact), the influence of independent evaluations and rankings e.g., (Fortune's Most Admired Companies), and high-profile scandals involving prominent companies e.g., (Enron and Worldcom).

According to one set of arguments, non-economic motives undermine shareholder interests (Blowfield & Frynas, 2005), while general welfare is the government's responsibility (Klonoski, 1991). A general motivation to align profit maximisation with social and environmental objectives is that CSR enhances performance and long-term profitability (Bai & Chang, 2015). Many other studies show a positive link between CSR involvement and financial performance (Joyner & Payne, 2002; Margolis & Walsh, 2003).

Existing studies suggest the need to reorder Carroll's Pyramid based on specific circumstances (Crane & Matten, 2007). In developing countries, economic responsibility holds greater significance (Visser, 2006). Visser (2011) identifies political reforms, socio-economic factors, and cultural diversity/homogeneity as critical drivers of CSR. However, research on the structures of Carroll's Pyramid and the link between CSR elements in emerging markets and IFIs is limited. Further research is necessary to fill this gap.

From a systematic literature review for 1995-2020, Shu et al. (2022) show that, Islamic values are relevant to CSR practices in banking. There are four themes: (1) Islamic narratives that promote CSR; (2) Islam-based CSR; (3) Islamic financial institutions as enablers of CSR; and (4) stakeholders' perspectives on how Islamic values influence CSR. Asutay (2013) argues that Islam drives such values such as 'social good', 'good governance', 'environmental concern' and 'ethical individual and organisational behaviour'. Platonova et al. (2018) see the practice of CSR as an extension of Islamic ethics.

Hypotheses Development

Several studies indicate that awareness of CSR is growing e.g., (Abdul Hamid, 2004; Broadstock et al., 2019). These generally show awareness to be growing. In Islamic banking, disclosure is not merely a financial reporting mechanism but also has non-economic consequences for stakeholders, including trust, satisfaction, and loyalty (El-Halaby et al., 2018). Islamic financial institutions should not be treated as identical to conventional institutions (Abou-El-Sood & El-Ansary, 2017). Furthermore, Malaysian firms are motivated by government promotions.to engage in CSR practices. We use Carroll's (1979, 1991) model to identify significant elements of the CSR framework and to examine whether that model holds for IFIs in an emerging market context.

Where gender-based differences have been used to explain ethical attitudes (Panwar et al., 2010; Wang et al., 2020), other studies also indicate gender to be an important determinant of concerns for social and environmental issues (Al-Simadi, 2013; Bear et al., 2010; Cheah et al., 2011; Giannarakis, 2014; Liao et al., 2015; Setó-Pamies, 2015; Tippet, 2001; Wall, 1995; Yasser et al., 2017; Abou-El-Sood, 2019; 2021; ElMassah & Abou-El-Sood, 2022) show females to have stronger commitments to CSR. Where Zou et al. (2018) view higher engagement as altruistic, Shamil et al. (2014) find gender to have no significance. Motivated by those differences, we apply the following hypothesis:

> H_{01}: The perception, as to how CSR affects Islamic/conventional institutional performance, differs according to the gender of the executive responding.

That older people tend to be more conservative in their ethical standpoints (Serwinek, 1992; Jing & Moon, 2021), motivates the second hypothesis:

> H_{02}: The perception of an executive, as to how CSR affects Islamic/conventional institutional performance, differs significantly according to the age group of the executive.

There are a few studies that investigate the impact of ethnicity on a firm's commitment towards social responsibility. The association of CSR with the composition of ethnic groups is a relatively new development. Other, more limited investigations, relate to the relevance of CSR across different geographical areas (Samdahl & Robertson, 1989; Panwar et al., 2010) finds that social and environmental issues are valued more highly in rural areas. To address these views, we raise the following hypothesis:

> H_{03}: The perception of an executive, as to how CSR affects Islamic/conventional institutional performance, differs significantly with differences in ethnic groups.

Less attention had been given to the connection between of CSR with religious belief (ElMassah and Abou-El-Sood, 2022). Tan and Komaran (2006) test the relation between religion and CSR perception in Singaporean companies. Their findings are that religious beliefs shape distinctive perceptions. Therefore, the fourth hypothesis conjectures the following:

> H_{04}: The perception of an executive, as to how CSR affects Islamic/ conventional institutional performance, differs significantly between religious beliefs.

Regarding the relationship between work experience and CSR, where Tan and Komaran (2006) show social, environmental, and philanthropic responsibilities to be rated highly by those with extensive work experience, Serwinek (1992) and Gunawan and Putra (2014) do not find such a relationship. We pose the following hypothesis:

> H_{05}: The perception of an executive, as to how CSR affects Islamic/ conventional institutional performance, differs significantly with differences in work experience.

MATERIALS AND METHODS

Survey Design and Data

In the first phase, the questionnaire investigates the attitudes of respondents towards CSR. Cross-section analysis is applied to executives at IFIs and conventional financial institutions (CFIs) in Malaysia. Drawn from the Bank Negara Malaysia's (Central Bank of Malaysia) lists of licensed financial institutions, the sample covers four areas: Islamic banks, *takaful* (Islamic insurance) companies, conventional banks, and insurance companies (Table 1). An initial distribution of 540 questionnaires was followed by e-mails and telephone calls. All questionnaires were anonymous and treated confidentially.

Table 1
List of sample financial institutions

No.	Islamic Financial Institutions		No.	Conventional Financial Institutions	
	Islamic Banks	**Ownership**		**Conventional Banks**	**Ownership**
1	Affin Islamic Bank Berhad	Local	1	Affin Bank Berhad	Local
2	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad	Foreign	2	Alliance Bank Berhad	Local
3	Alliance Islamic Bank Berhad	Local	3	AmBank Berhad	Local
4	AmBank Islamic Berhad	Local	4	CIMB Bank Berhad	Local
5	Asian Finance Bank Berhad	Foreign	5	HSBC (Malaysia) Berhad	Foreign
6	Bank Islam Malaysia Berhad	Local	6	Hong Leong Bank Berhad	Local
7	Bank Muamalat Malaysia Berhad	Local	7	Maybank Berhad	Local
8	CIMB Islamic Bank Berhad	Local	8	OCBC Bank Berhad	Foreign

Table 1 (*continued*)

No.	Islamic Financial Institutions		No.	Conventional Financial Institutions	
	Islamic Banks	**Ownership**		**Conventional Banks**	**Ownership**
9	HSBC Amanah (Malaysia) Berhad	Foreign	9	Public Bank Berhad	Local
10	Hong Leong Islamic Bank Berhad	Local	10	RHB Bank Berhad	Local
11	Kuwait Finance House (Malaysia) Berhad	Foreign	11	Standard Chartered Bank Berhad	Foreign
12	Maybank Islamic Berhad	Local			
13	OCBC Al-Amin Bank Berhad	Foreign			
14	Public Islamic Bank Berhad	Local			
15	RHB Islamic Bank Berhad	Local			
16	Standard Chartered Saadiq Berhad	Foreign			
	Takaful Companies			**Insurance Companies**	
17	AIA Public Takaful Berhad	Foreign	12	AIA Public Berhad	Foreign
18	AmMetLife Takaful Berhad	Local	13	AmMetLife Berhad	Local
19	Etiqa Takaful Berhad	Local	14	Etiqa Berhad	Local
20	Great Eastern Takaful Berhad	Foreign	15	Great Eastern Berhad	Foreign
21	HSBC Amanah Takaful (Malaysia) Berhad	Local	16	HSBC Amanah (Malaysia) Berhad	Local
22	Hong Leong MSIG Takaful Berhad	Local	17	Hong Leong MSIG Berhad	Local
23	Prudential BSN Takaful Berhad	Local	18	Prudential BSN Berhad	Local
24	Sun Life Malaysia Takaful Berhad	Local	19	Sun Life Malaysia Berhad	Local
25	Syarikat Takaful Malaysia Berhad	Local	20	Zurich Takaful Berhad	Local
26	Takaful Ikhlas Berhad	Local			
27	Zurich Takaful Malaysia Berhad	Local			

A 67% response rate delivered 360 returns, which compares favourably with similar studies.[9]

The five-point Likert scale (1 strongly agree; 5 strongly disagree) is applied to sixteen items of a three-section survey: attitudes to Carroll's CSR pyramid; motivations to engage in CSR activities; the relevance of gender, age group, ethnicity, religion, and work experience.

Models

To test an association between respective perceptions of four CSR elements (Carroll, 1979; 1991) and executive-specific characteristics, four probit regression models are applied: to economic responsibility, social responsibility, ethical responsibility, and philanthropic responsibility.

$$\text{EconResp}_{ij} = \partial_1 + \partial_2\text{Gen}_{ij} + \partial_3\text{Age}_{ij} + \partial_4\text{Ethn}_{ij} + \partial_5\text{Rlg}_{ij} + \partial_6\text{Exp}_{ij} + \partial_7\text{Own}_{ij} + \varepsilon_{ij} \quad [1]$$

$$\text{LegResp}_{ij} = \beta_1 + \beta_2\text{Gen}_{ij} + \beta_3\text{Age}_{ij} + \beta_4\text{Ethn}_{ij} + \beta_5\text{Rlg}_{ij} + \beta_6\text{Exp}_{ij} + \beta_7\text{Own}_{ij} + \varepsilon_{ij} \quad [2]$$

$$\text{EthicResp}_{ij} = \gamma_1 + \gamma_2\text{Gen}_{ij} + \gamma_3\text{Age}_{ij} + \gamma_4\text{Ethn}_{ij} + \gamma_5\text{Rlg}_{ij} + \gamma_6\text{Exp}_{ij} + \gamma_7\text{Own}_{ij} + \varepsilon_{ij} \quad [3]$$

$$\text{PhilResp}_{ij} = \delta_1 + \delta_2\text{Gen}_{ij} + \delta_3\text{Age}_{ij} + \delta_4\text{Ethn}_{ij} + \delta_5\text{Rlg}_{ij} + \delta_6\text{Exp}_{ij} + \delta_7\text{Own}_{ij} + \varepsilon_{ij} \quad [4]$$

Where, each dependent variable is measured as the mean score for the relevant questions (economic/legal/ethical/philanthropic) for respondent i at firm j; Gen_{ij} is a dummy variable that equals 1 if respondent i at firm j is a male and 0 otherwise; Age_{ij} is a dummy variable that represents age group of below 30, 31-40, 41-50, and above 51; $Ethn_{ij}$ is a dummy variable that represents ethnicity groups of Malay, Chinese, and Indian; Rlg_{ij} is a dummy that represents religion of Buddhism, Christianity, Hinduism, Islam, and Other; Exp_{ij} is a dummy variable that represents work experience of $\leq$ 5 years, 6-10 years, 11-15 years, 16-20 years, and $\geq$ 21 years; and Own_{ij} is a control variable representing ownership structure and is measured as a dummy variable that equals 1 if the firm i, of respondent j, is dominated by foreign investment and 0 otherwise.

RESULTS AND DISCUSSION

Descriptive Statistics

Figure 2 depicts differences in the hierarchy of CSR elements, between Carroll's CSR pyramid and the findings from IFIs and CFIs. The figure reveals that greatest emphasis is placed on ethical responsibilities, thereafter, followed by philanthropic responsibilities, legal responsibilities, and economic responsibilities.

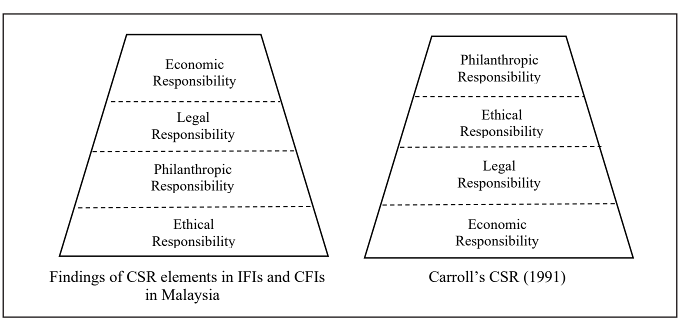

Figure 2. Comparison of CSR elements

As indicated in Table 2, of sample respondents are 73.3% male and 26.7% female. Where those aged 31-40 and 41-50 years comprise 75.9% of the sample, 8.9% of respondents were under 30 years old and 15.2% were over 50 years old. The study is dominated by the opinion of middle-aged respondents. In regard to ethnic groups, a majority of respondents are Malay (65.3%), followed by Chinese (23%), and Indians (10.3%). Most the respondents (65.8%) are Muslims followed by Buddhists, Christians, Hindus and other religions (13.9%, 12.5%, 5.3% and 2.5%, respectively). Almost 80% of respondents had over 10 years of work experience.

Table 2
Profile of respondents (n = 360)

	Islamic Financial Institutions		**Conventional Financial Institutions**		**Total**	
Profile	**Frequency**	**Percentage (%)**	**Frequency**	**Percentage (%)**	**Frequency**	**Percentage (%)**
Gender						
Female	43	23.1	53	30.5	96	26.7
Male	143	76.9	121	69.5	264	73.3
Age Group						
Below 30	11	5.9	21	12.1	32	8.9
31-40	69	37.1	63	36.2	132	36.7
41-50	79	42.5	62	35.6	141	39.2
Above 51	27	14.5	28	16.1	55	15.2
Ethnicity						
Chinese	46	24.8	37	21.3	83	23.0
Indian	14	7.5	23	13.2	37	10.3
Malay	126	67.7	109	62.6	235	65.3
Others	0	0	5	2.9	5	1.4
Religion						
Buddhism	23	12.4	27	15.5	50	13.9
Christianity	21	11.3	24	13.8	45	12.5
Hinduism	8	4.3	11	6.3	19	5.3
Islam	128	68.8	109	62.6	237	65.8
Others	6	3.2	3	1.7	9	2.5
Work Experience						
≤ 5 years	11	5.9	12	6.9	23	6.4
6-10	24	12.9	29	16.7	53	14.7
11-15	40	21.5	40	23.0	80	22.2
16-20	37	19.9	37	21.3	74	20.6
≥ 21 years	74	39.8	56	32.2	130	36.1
Number of Respondents	n = 186		n = 174		n = 360	

Survey Results

Table 3-A indicates the motivations of CSR of participants in IFIs and CFIs. With a mean value of 4.39, 'increase community trust and support' is ranked highest. Thereafter follows 'enhance public image and reputation' (4.33), 'increase competitive advantage' (3.91) and 'personal ethical and cultural tradition' (3.63).

Rankings for the motivation for good CSR practices in CFIs are: 'increase community trust and support' (mean 4.27), 'enhance public image and reputation' (4.21), 'increase competitive advantage' (3.78), 'religious responsibility' (3.75) and 'personal ethical and cultural tradition' (3.59). Overall, internal factors, ethical values, and religious beliefs rank highly.

Table 3-B records the motivations to apply CSR practices in IFIs. Over 90% of respondents deliver high rankings for 'increase community trust and support' and 'enhance public image and reputation' (respective mean values 4.39 and 4.33). Respective standard deviations are 0.642 and 0.703. Least important drivers for CSR involvement were 'pressure from government', 'international regulations' and 'pressure from special interest groups/NGOs' (respective mean values of 2.96, 2.88, and 2.79). Those motivations derive from the highest number of 'undecided' respondents (respectively 91, 90 and 89 of 186).

Table 3-A
Analysis of motivations to apply CSR practices

Items	Islamic Financial Institutions			Conventional Financial Institutions			T-test Differences in Means
	Mean	Std. Deviation	Rank	Mean	Std. Deviation	Rank	
Increase community trust and support	4.39	0.642	1	4.27	0.600	1	0.06
Enhance public image and reputation	4.33	0.703	2	4.21	0.648	2	0.08
Increase competitive advantage	3.91	0.794	3	3.78	0.899	3	0.14
Personal ethical and cultural tradition	3.63	0.783	4	3.59	0.819	4	0.66
Matching of social needs to corporate skill and ability to help	3.60	0.731	5	3.40	0.880	5	0.02*
Religious responsibility	3.56	1.050	6	3.75	1.065	6	0.08
Increase profitability	3.42	0.957	7	3.36	1.037	7	0.56
Pressure from local community	3.06	0.960	8	3.07	0.935	8	0.92
Pressure from government	2.96	0.966	9	3.21	0.787	9	0.01**0
Pressure from international regulations	2.88	0.911	10	3.18	0.874	10	0.00
Pressure from special interest groups/NGOs	2.79	0.841	11	2.76	0.918	11	0.73

*p<0.05, **p<0.0

Table 3-B
Detailed evaluation of motivation to apply CSR practices in Islamic financial institutions

Items	n	Not Important/ Less Important	Neutral	Very Important/ Important	Mean	SD
Increase community trust and support	186	2	10	174	4.39	0.64
Enhance public image and reputation	186	5	10	171	4.33	0.70
Increase competitive advantage	186	9	40	137	3.91	0.79
Religious responsibility	186	15	53	118	3.63	0.78
Personal ethical and cultural tradition	186	14	54	118	3.60	0.73
Matching of social needs to corporate skill and ability to help	186	31	53	102	3.56	1.05
Increase profitability	186	28	67	91	3.42	0.96
Pressure from government	186	53	66	67	3.06	0.96
Pressure from international regulations	186	48	91	47	2.96	0.97
Pressure from local community	186	52	90	44	2.88	0.91
Pressure from special interest groups/NGOs	186	63	89	34	2.79	0.84

Note. SD standard deviation

Table 3-C records the motivations to apply CSR practices in CFIs. Over 93% of respondents deliver high rankings for 'increase community trust and support' and 'enhance public image and reputation' (respective mean values of 4.27 and 4.21). Respective standard deviations are 0.60 and 0.65. Least important drivers for CSR involvement were 'pressure from government', 'international regulations', 'pressure from local community' and 'pressure from special interest groups/ NGOs. Those motivations derive from the highest number of 'undecided' respondents (respectively 95, 99, 73 and 72).

Table 4-A records the overall evaluation of CSR elements in IFIs and CFIs. Descriptive analysis for each CSR element was drawn from 16 statements listed in the questionnaire. The results reveal that 'ethical responsibilities' and 'philanthropic responsibilities' have a mean score of 4.00 and above for both IFIs and CFIs. 'Treating all employees and job applicants equally without discrimination', and 'avoid any projects or activities involving alcohol, drugs and gambling' receive the highest score from respondents working in both financial institutions. 'Legal responsibilities' and 'economic responsibilities' ranked as least important CSR elements. Overall, evaluation of CSR elements in Table 8 indicates a similar pattern with respondents from both financial institutions.

Table 3-C
Detailed evaluation of motivation to apply CSR practices in conventional financial institutions

Items	n	Not Important/ Less Important	Neutral	Very Important/ Important	Mean	SD
Increase community trust and support	174	1	11	162	4.27	0.60
Enhance public image and reputation	174	4	10	160	4.21	0.65
Increase competitive advantage	174	13	45	116	3.78	0.89
Religious responsibility	174	22	44	108	3.75	1.07
Personal ethical and cultural tradition	174	17	54	103	3.59	0.82
Matching of social needs to corporate skill and ability to help	174	20	63	91	3.40	0.88
Increase profitability	174	26	68	80	3.36	1.04
Pressure from government	174	25	95	47	3.21	0.79
Pressure from international regulations	174	28	99	47	3.18	0.87
Pressure from local community	174	42	73	59	3.07	0.94
Pressure from special interest groups/NGOs	174	68	72	34	2.76	0.92

Note. SD standard deviation

Table 4-A
Overall evaluation of CSR elements in Islamic and conventional financial institutions

CSR Element	Statement	Islamic Financial Institutions		Conventional Financial Institutions		T-test Differences in Means
		Mean	SD	Mean	SD	
Ethical Responsibilities	Treat all employees and job applicants equally without discrimination	4.30	0.867	4.28	0.765	0.82
	Avoid any projects or activities involving alcohol, drugs and gambling	4.13	1.129	4.14	1.135	0.98
	Respect and understand ethics and cultural diversity among difference ethnic groups	3.83	0.844	3.75	0.868	0.37
	Ensure that the respect for ethical values has priority over economic performance	3.66	0.936	3.49	0.948	0.10

Table 4-A (*continued*)

CSR Element	Statement	Islamic Financial Institutions		Conventional Financial Institutions		T-test Differences in Means
		Mean	SD	Mean	SD	
Philanthropic Responsibilities	Allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged	4.03	0.863	4.04	0.732	0.93
	Promote sustainable development activities	4.03	0.854	4.00	0.867	0.73
	Help to solve social problems such as poverty, crime and illiteracy	4.03	0.906	3.91	0.927	0.21
	Support charities and community projects even if there is probably no profit potential	3.74	0.970	3.60	0.880	0.16
Legal Responsibilities	Ensure that company's operations are in compliance with environmental laws and regulations	4.25	0.816	4.06	0.881	0.04*
	Commit to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery	3.96	0.946	3.88	0.834	0.41
	Pay tax and royalty consistently	3.79	0.967	3.68	0.956	0.27
	Refrain from putting aside their contractual obligation	2.91	0.908	2.97	0.818	0.57
Economic Responsibilities	Involve in social welfare activities if it creates competitive advantage	3.98	0.805	3.82	0.865	0.08
	Enhance corporate reputation and goodwill solely based on economic strength	3.38	1.148	3.40	0.997	0.82
	Disregard social and environmental responsibility involvement if it negatively affects financial performance	2.52	1.097	2.70	1.067	0.12
	Emphasise profit maximisation rather than promoting corporate social responsibility	2.38	1.002	2.53	0.935	0.12

Note. SD standard deviation; *p<0.05, **p<0.01

Table 4-B gives detailed evaluation of CSR elements in IFIs. |For 'ethical responsibilities' most respondents in IFIs (156 out of 186 samples) agreed that 'treating all employees and job applicants equally without discrimination' is most important. 'Ensuring that respect for ethical values has priority over economic performance' had the lowest mean score (3.66).

As shown in Table 4-C, ethical and philanthropic elements registered high levels of agreement from respondents in CFIs,

Table 4-B
Detailed evaluation of CSR elements in Islamic financial institutions

CSR Element	Statement	n	Strongly Disagree/ Disagree	Undecided	Strongly Agree/ Agree	Mean	SD
Ethical Responsibility	Treat all employees and job applicants equally without discrimination	186	7	23	156	4.30	0.87
	Avoid any projects or activities involving alcohol, drugs and gambling	186	20	23	143	4.13	1.13
	Respect and understand ethics and cultural diversity among difference ethnic groups	186	11	45	130	3.83	0.84
	Ensure that the respect for ethical values has priority over economic performance	186	20	58	108	3.66	0.94
Philanthropic Responsibility	Allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged	186	9	33	144	4.03	0.86
	Help to solve social problems such as poverty, crime and illiteracy	186	7	38	141	4.03	0.85
	Promote sustainable development activities	186	14	22	150	4.03	0.91
	Support charities and community projects even if there is probably no profit potential	186	20	43	123	3.74	0.97
Legal Responsibility	Ensure that company's operations are in compliance with environmental laws and regulations	186	6	20	160	4.25	0.82
	Commit to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery	186	11	42	133	3.96	0.95
	Pay tax and royalty consistently	186	15	50	121	3.79	0.97
	Refrain from putting aside their contractual obligation	186	50	98	38	2.91	0.908
Economic Responsibility	Involve in social welfare activities if it creates competitive advantage	186	8	32	146	3.98	0.81
	Enhance corporate reputation and goodwill solely based on economic strength	186	48	45	93	3.38	1.15
	Disregard social and environmental responsibility involvement if it negatively affects financial performance	186	96	55	35	2.52	1.09
	Emphasise profit maximisation rather than promoting corporate social responsibility	186	115	42	29	2.38	1.00

Note. SD standard deviation

Table 4-C
Detailed evaluation of CSR elements in conventional financial institutions

CSR Element	Statement	n	Strongly Disagree/ Disagree	Undecided	Strongly Agree/ Agree	Mean	SD
Ethical Responsibility	Treat all employees and job applicants equally without discrimination	174	1	30	143	4.28	0.77
	Avoid any projects or activities involving alcohol, drugs and gambling	174	17	26	131	4.14	1.14
	Respect and understand ethics and cultural diversity among difference ethnic groups	174	12	53	109	3.75	0.87
	Ensure that the respect for ethical values has priority over economic performance	174	17	72	85	3.49	0.95
Philanthropic Responsibility	Allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged	174	3	34	137	4.04	0.73
	Help to solve social problems such as poverty, crime and illiteracy	174	12	41	121	3.91	0.93
	Promote sustainable development activities	174	13	20	141	4.00	0.87
	Support charities and community projects even if there is probably no profit potential	174	17	56	101	3.60	0.88
Legal Responsibility	Ensure that company's operations are in compliance with environmental laws and regulations	174	11	23	140	4.06	0.88
	Commit to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery	174	9	42	123	3.88	0.83
	Pay tax and royalty consistently	174	15	65	94	3.68	0.96
	Refrain from putting aside their contractual obligation	174	34	109	31	2.97	0.82
Economic Responsibility	Involve in social welfare activities if it creates competitive advantage	174	11	44	119	3.82	0.87
	Enhance corporate reputation and goodwill solely based on economic strength	174	35	58	81	3.40	0.99
	Disregard social and environmental responsibility involvement if it negatively affects financial performance	174	80	57	37	2.70	1.07
	Emphasise profit maximisation rather than promoting corporate social responsibility	174	81	66	27	2.53	0.94

Note. SD standard deviation

as compared with legal and economic elements. For example, almost 80% of respondents agree that CFIs should treat employees equally without discrimination and take part in philanthropic activities such as offering scholarship and donations to underprivileged community groups.

Respondents generally support the element of ‘philanthropic responsibilities’ (Table 4-B and Table 4-C), as also indicated by low values of standard deviations. Most respondents support the notion that businesses should ‘allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged’, ‘help to solve social problems such as poverty, crime, and illiteracy’ and ‘promote sustainable development activities.

Over 80% of respondents agreed with the statement ‘ensure that company’s operations follow environmental laws and regulations. Over half the respondents were undecided about ‘refrain from putting aside their contractual obligations’. This might reflect the importance of valuing obligations as a core value in IFIs.

Most respondents agree that financial institutions should ‘involve in social welfare activities if it creates competitive advantage’. Most respondents disagree with the statement ‘emphasise profit maximisation rather than promoting corporate social responsibility’. Almost half the sample thought that IFIs and CFIs should ‘disregard social and environmental responsibility involvement if it negatively affects financial performance’.

Table 5 is based on Carroll’s pyramid of responsibilities. The CSR element perceived to have the most significance is ethical responsibility for both IFIs and CFIs (respective mean 15.92 and 15.67) followed by philanthropic responsibility (15.83 and 15.55), legal responsibility (14.91 and 14.59), and finally economic responsibility (12.25 and 12.45). High rankings for Ethical and philanthropic responsibilities, might imply that respondents (IFIs and CFIs) support contributions towards enhancing the society. This is consistent with the philosophical concept behind business organisations promoting social responsibilities, ethical and sustainability practices. Regardless of the ethnicity and demographic background, there was general agreement that IFIs and CFIs should emphasise morals and values. These findings are at variance with Visser (2008).

Table 6. shows the correlation between the four categories of responsibility (economic, legal, ethical, and philanthropic). Results from the respondents clearly show that all CSR elements in IFIs and CFIs in Malaysia are positively related at the 1% significance level.

From Table 7-A, there is only one statistically significant association between gender and CSR orientation in IFIs ($p<0.05$), which is legal responsibility. However, Table 7-B shows that there is a significant association between gender and economic and legal responsibilities ($p<0.01$).

Table 5
CSR score (mean, ranking and standard deviation)

	Islamic Financial Institutions			Conventional Financial Institutions			T-test Differences in Means
	Mean (Ranking)	Standard Deviation	95% Confidence Interval	Mean (Ranking)	Standard Deviation	95% Confidence Interval	
Economic Responsibility	12.25 (4)	2.51	11.88 to 12.61	12.45 (4)	2.51	12.08 to 12.83	0.44
Legal Responsibility	14.91 (3)	2.44	14.56 to 15.27	14.59 (3)	2.43	14.22 to 14.95	0.20
Ethical Responsibility	15.92 (1)	2.55	15.56 to 16.29	15.67 (1)	2.44	15.30 to 16.03	0.33
Philanthropic Responsibility	15.83 (2)	2.60	15.45 to 16.20	15.55 (2)	2.52	15.17 to 15.92	0.30

Table 6
Pearson correlation coefficient

	Islamic Financial Institutions				Conventional Financial Institutions			
Responsibilities	Economic	Legal	Ethical	Philanthropic	Economic	Legal	Ethical	Philanthropic
Economic								
Legal	0.243*				0.316*			
Ethical	0.287*	0.573*			0.210*	0.522*		
Philanthropic	0.222*	0.621*	0.785*		0.139*	0.500*	0.680*	

Note. * Highly significant correlations at the p<0.01 level

Table 7-A
ANOVA tests: The relationship between gender and CSR orientation (Islamic financial institutions)

	Gender				F-ratio	Sig.
	Female		Male			
	Mean	SD	Mean	SD		
Economic Responsibility	12.16	2.19	12.27	2.60	0.063	0.08
Legal Responsibility	14.28	2.50	15.10	2.39	3.885	0.05*
Ethical Responsibility	15.81	2.30	15.96	2.62	0.105	0.75
Philanthropic Responsibility	15.51	2.64	15.92	2.58	0.830	0.36

Note. SD standard deviation
*p<0.05

Table 7-B
ANOVA tests: The relationship between gender and CSR orientation (conventional financial institutions)

	Gender				F-ratio	Sig.
	Female		Male			
	Mean	SD	Mean	SD		
Economic Responsibility	11.40	2.10	12.92	2.54	14.64	0.00**
Legal Responsibility	13.79	2.73	14.93	2.21	8.51	0.00**
Ethical Responsibility	15.17	2.35	15.88	2.45	3.21	0.08
Philanthropic Responsibility	15.15	2.88	15.72	2.34	1.88	0.17

Note. SD standard deviation
**p<0.01

From Tables 8-A and 8-B, there is significant association between age group (both IFIs and CFIs) and economic and legal responsibilities ($p<0.01$). Respondents in the age group 'below 30' have better attitudes towards economic responsibility. Whilst respondent in the age group 'above 51' have better attitudes towards legal responsibility.

From Tables 9-A and 9-B, there is significant association between ethnicity and economic ($p<0.01$) and legal responsibilities ($p<0.05$). There is only one statistically significant association between ethnicity and CSR orientation in CFIs ($p<0.01$), which is economic responsibility.

Table 10-A shows a significant association between religion and CSR orientation. Results show that the attitude towards economic ($p<0.01$), legal ($p<0.01$) and ethical ($p<0.05$) responsibility are significantly associated with religion in IFIs. As for CFIs, Table 10-B shows that the attitudes towards economic ($p<0.01$) and legal ($p<0.01$) responsibilities are significantly associated with religion.

Table 8-A
The relationship between age group and CSR orientation (Islamic financial institutions)

	Age Group								**F-ratio**	**Sig.**
	Below 30		**31-40**		**41-50**		**Above 51**			
	Mean	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**		
Economic Responsibility	13.71	1.62	11.97	2.36	12.72	2.52	10.96	2.58	5.18	0.00**
Legal Responsibility	14.73	1.19	14.67	2.91	14.67	2.18	16.33	1.71	3.73	0.01*
Ethical Responsibility	15.36	1.03	15.83	3.17	15.94	2.16	16.37	2.26	0.49	0.69
Philanthropic Responsibility	15.64	2.20	15.61	3.18	15.89	2.32	16.30	1.75	0.49	0.69

Note. SD standard deviation
*p<0.05, **p<0.01

Table 8-B
The relationship between age group and CSR orientation (conventional financial institutions)

	Age Group								**F-ratio**	**Sig.**
	Below 30		**31-40**		**41-50**		**Above 51**			
	Mean	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**		
Economic Responsibility	14.14	2.35	12.29	2.15	12.31	2.29	11.89	3.23	4.01	0.00**
Legal Responsibility	14.71	2.24	14.25	2.49	14.91	2.27	16.11	2.25	4.94	0.00**
Ethical Responsibility	15.67	2.01	15.51	2.72	15.74	2.36	15.86	2.30	0.16	0.92
Philanthropic Responsibility	15.81	2.02	15.22	2.91	15.47	2.43	16.25	2.05	1.17	0.32

Note. SD standard deviation
**p<0.01

Table 9-A
The relationship between ethnicity and CSR orientation (Islamic financial institutions)

	Ethnicity								**F-ratio**	**Sig.**
	Chinese		**Indian**		**Malay**		**Other**			
	Mean	**SD**	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**		
Economic Responsibility	11.02	2.11	10.71	1.73	12.87	2.48	0	0	13.54	0.00**
Legal Responsibility	15.26	2.06	16.14	2.03	14.65	2.56	0	0	3.05	0.05*
Ethical Responsibility	15.33	1.98	15.57	1.99	16.18	2.75	0	0	2.01	0.13
Philanthropic Responsibility	15.37	1.98	17.00	1.36	15.87	2.85	0	0	2.19	0.12

Note. SD standard deviation
*p<0.05, **p<0.01

Table 9-B
The relationship between ethnicity and CSR orientation (conventional financial institutions)

	Ethnicity								F-ratio	Sig.
	Chinese		Indian		Malay		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.29	2.09	11.78	2.45	12.89	2.46	14.60	3.21	5.97	0.00**
Legal Responsibility	14.62	2.29	14.48	2.45	14.50	2.48	16.80	1.30	1.47	0.23
Ethical Responsibility	15.27	1.74	15.52	2.76	15.83	2.47	15.60	4.51	0.52	0.67
Philanthropic Responsibility	14.97	2.06	15.61	2.84	15.62	2.55	17.80	2.77	2.04	0.11

Note. SD standard deviation
**p<0.01

Table 10-A
The relationship between religion and CSR orientation (Islamic financial institutions)

	Religion										F-ratio	Sig.
	Buddhist		Christian		Hindu		Muslim		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.00	1.73	10.19	2.40	11.25	0.88	12.88	2.47	12.00	1.79	8.53	0.00**
Legal Responsibility	14.70	1.49	16.86	1.77	15.50	2.45	14.64	2.54	14.00	2.37	4.42	0.00**
Ethical Responsibility	14.78	2.04	15.19	1.83	17.00	0.76	16.21	2.74	15.33	2.07	2.52	0.04*
Philanthropic Responsibility	15.09	1.95	15.90	1.76	17.00	1.69	15.88	2.83	15.67	2.73	0.90	0.47

Note. SD standard deviation
*p<0.05, **p<0.01

Table 10-B
The relationship between religion and CSR orientation (conventional financial institutions)

	Religion										F-ratio	Sig.
	Buddhist		Christian		Hindu		Muslim		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.81	1.50	11.04	2.51	11.55	2.73	12.89	2.46	17.00	1.73	6.80	0.00**
Legal Responsibility	13.78	2.04	16.13	1.75	13.18	2.04	14.50	2.48	18.00	0.00	6.30	0.00**
Ethical Responsibility	14.89	1.80	15.75	2.80	15.45	2.62	15.83	2.47	16.67	2.31	0.97	0.43
Philanthropic Responsibility	14.67	1.94	15.88	2.88	15.91	2.21	15.62	2.55	16.67	4.04	1.16	0.33

Note. SD standard deviation
**p<0.01

Table 11-A
The relationship between work experience and CSR orientation (Islamic financial institutions)

	Working Experience										F-ratio	Sig.
	≤ 5 years		6-10 years		11-15 years		16-20 years		≥ 21 years			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	13.73	1.62	12.46	2.13	12.08	2.72	12.27	1.77	12.04	2.87	1.18	0.32
Legal Responsibility	14.73	1.19	14.38	2.79	14.53	3.23	14.92	1.88	15.32	2.18	1.09	0.36
Ethical Responsibility	15.36	1.03	15.83	2.48	15.50	3.69	16.24	2.13	16.11	2.13	0.66	0.62
Philanthropic Responsibility	15.64	2.20	15.96	3.09	15.40	3.48	15.32	1.99	16.30	2.12	1.26	0.29

Note. SD standard deviation

Table 11-B
The relationship between work experience and CSR orientation (conventional financial institutions)

	Working Experience										F-ratio	Sig.
	≤ 5 years		6-10 years		11-15 years		16-20 years		≥ 21 years			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	13.67	1.44	13.52	2.63	12.20	2.11	12.08	1.89	12.07	3.02	2.75	0.03*
Legal Responsibility	14.67	1.67	13.76	2.86	14.13	2.52	14.73	2.14	15.23	2.30	2.30	0.06
Ethical Responsibility	15.58	1.51	14.86	2.75	16.08	2.66	16.00	2.54	15.59	2.14	1.27	0.28
Philanthropic Responsibility	16.33	1.97	14.62	3.03	15.60	2.80	15.65	2.16	15.75	2.31	1.39	0.24

Note. SD standard deviation
*p<0.05

Table 11-A indicates an insignificant relationship between work experience and CSR elements in IFIs; *i.e.,* ethical and philanthropic responsibilities are not influenced by work experience. From Table 11-B, only the attitude towards economic responsibility is significantly associated with work experience ($p<0.05$) in CFIs. Respondents, with less than 5 years and between 6 to 10 years' work experience in CFIs, react more positively to economic responsibility (respective means 13.67 and 13.52).

Regression Results

Table 12 detail the probit regression analysis, which shows that gender significantly influences perceptions towards economic and legal responsibilities ($p<0.01$). Work experience is significant in all four aspects (economic, legal, ethical, and philanthropic).

Table 12
Logistic regression models

	Islamic Financial Institutions (IFIs)								Conventional Financial Institutions (CFIs)							
	Model (1) Economic		Model (2) Legal		Model (3) Ethical		Model (4) Philanthropic		Model (1) Economic		Model (2) Legal		Model (3) Ethical		Model (4) Philanthropic	
Intercept	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**
Gen_{ij}	1.82	.13	6.53**	.01	.22	.24	2.40	.38	5.52**	.00	3.89*	.03	1.59	.65	5.71	.09
Age_{ij}	1.60	.19	.53	.49	.44	.42	.41	.50	.63	.18	.29*	.04	.20	.15	.09*	.03
$Ethn_{ij}$	.53	.15	72.17	.99	.15	.41	16.53	1.00	1.42	.37	.42	.17	.64	.57	1.87	.64
Rlg_{ij}	.77	.28	.00	.99	6.49	.39	1.39	1.00	.75	.30	2.38	.13	.77	.69	.84	.83
Exp_{ij}	.55**	.01	1.93	.24	2.93	.10	3.40	.15	.77	.27	1.72	.17	4.94*	.03	6.29**	.01
Own_i	1.28	.62	10.56	.16	.22	.13	17.76	1.00	.71	.37	.83	.75	.68	.71	.48	.42
No. of obs.	186		186		186		186		174		174		174		174	
Pseudo R^2	.186		.333		.163		.260		.221		.138		.192		.277	

*p<0.05, **p<0.01

Table 12 (*continued*)
Logistic regression models (Overall sample)

	Model (1) Economic		Model (2) Legal		Model (3) Ethical		Model (4) Philanthropic	
Intercept	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**
Gen_{ij}	2.84**	.00	4.11**	.00	.66	.56	2.94	.11
Age_{ij}	.98	.93	.33*	.02	.38	.15	.14*	.02
$Ethn_{ij}$	1.03	.92	1.03	.95	.48	.27	1.85	.60
Rlg_{ij}	.73	.06	1.06	.84	1.57	.39	1.23	.76
Exp_{ij}	.69*	.02	2.10*	.02	2.99*	.02	5.00**	.00
Own_i	.92	.77	1.02	.97	.55	.37	.86	.83
No. of obs.	360		360		360		360	
Pseudo R^2	.153		.116		.117		.199	

*p<0.05, **p<0.01

Overall results for male respondents in CFIs, indicate that economic and legal responsibilities are rated more highly than for their female counterparts in CFIs, while the difference in perception for males/females is more significant only for the legal dimension in IFIs. The only age group that shows significant differences in perception is executives below 30. They perceive legal and economic responsibilities more significantly in both CFIs and IFIs. In IFIs, executives with Malay ethnic background perceive economic responsibilities more significantly, while executives with Indian ethnic background perceive legal responsibilities more significantly. In CFIs, executives with other/mixed ethnicities perceive economic responsibilities as the sole significant dimension. Among executives in IFIs, Muslims significantly perceive economic responsibilities, Christians significantly perceive legal responsibilities, and Hindus significantly perceive ethical responsibilities. In CFIs, executives other than Buddhist/Christian/Muslim/Hindu significantly valuable economic responsibilities. In IFIs, there is no significant difference in executives' perception across CSR dimensions. However, in CFIs, executives with less work experience highly value the economic responsibilities dimension. Further analysis shows that in probability that these executives focus on the economic dimension is bigger in IFIs, while the probability that these executives focus on the ethical and philanthropic dimensions is bigger in CFIs.

CONCLUSION

The twin objectives of this paper are (i) to contribute to economic development within the framework of *Shariah*; (ii) to identify areas where positive social and ethical outcomes might be further improved. Our findings reveal that executives in both Islamic and conventional financial institutions consider ethical and moral elements to be highly important. They rank both ethical and philanthropic responsibilities highly. This questions the theoretical framework developed by Carroll (1979, 1991). The results indicate interesting demographic differences between executives in their attitudes to CSR.

The integration of ethics and philanthropy into Malaysian business operations is increasingly important. This trend is particularly evident in Islamic finance, where ethical and philanthropic business behaviour is upheld. It is considered important that IFIs have CSR policies and procedures in place that incorporate philanthropic, social, and ethical considerations, along with Shariah principles, into their business operations and core strategy. Executives in IFIs consider community support and public image to be important motivators for CSR engagement. Pressure from local governments, NGOs, and international regulations has less influence. Further empirical testing is required to assess the suitability of local and global CSR initiatives for IFIs and whether adaptation is necessary to align with the specific nature of these institutions.

Regardless of their demographic profile, the sample supports the relevance of ethical and philanthropic responsibilities.

Strong implications may be drawn for both industry and researchers. Embracing diversity among employees enhances organisational performance by providing new insights and perspectives. This has previously been emphasised for both IFIs and CFIs in Malaysia (Siciliano, 1996). In supporting workplace diversity and fostering synergy values, institutions can utilise the country's multi-ethnic, multicultural endowments. Demographic differences among employees can be strategically important in achieving CSR objectives.

The paper enhances our understanding of CSR theory, particularly in the context of the coexistence of CFIs and IFIs in a developing country. It challenges Carroll's classic CSR pyramid, as the CSR orientation in the Islamic financial industry and developing countries differs. Ethical responsibilities receive the highest emphasis, followed by philanthropy, legal, and economic responsibilities.

While the relevance of demographic characteristics to CSR has previously been explored (Amran et al., 2013; Liao et al., 2014; Wang et al., 2020), limited attention has been given to investigating their influence in the Islamic financial industry. This study begins to fill that gap as it paves the way for further research on diversity, culture, and ethnicity within the Islamic financial industry.

The rise of FinTech in Malaysia has led to increased investment in digital transformation, with the issuance of digital banking licenses by Bank Negara Malaysia (BNM) in 2022. Exploring the impact of digitalisation on CSR in the financial sector is crucial. It is important to examine how digitalisation can bring value to communities, enhance energy efficiency, promote a clean environment, and reduce waste. Additionally, future research should delve into the influence of demographic characteristics such as gender, age, work experience, ethnicity, and religious backgrounds on CSR decision-making within the dual banking system. Interviews and case studies can provide valuable insights into the complex interactions within financial institutions, particularly in the Islamic financial industry.

ACKNOWLEDGEMENT

We are grateful to the participants at the SBS-LUMS conference at Sunway University, United Arab Emirates University (UAEU) College of Business and Economics (CBE) CARP symposium, and the 11th International Conference on Social Responsibility, Ethics, and Sustainable Business (iCSR) Universiti Sains, Malaysia, for their insightful comments. This study is supported by a UAEU CBE research grant (CARP 2024) and a post-doctoral research grant from the Ministry of Higher Education Malaysia and the University of Malaya. The authors also thank Gulf One Lab for Computational and Economic Research (GOLCER), Lancaster University Management School and UAEU for providing support. All errors are our own.

JEL Classification

M14, G30, G21, G22, M41

EndNotes

1. Available at: https://www.ig.com/en/news-and-trade-ideas/top-10-biggest-corporate-scandals-and-how-they affected-share-pr-181101 (accessed 5 June 2021).
2. Available at: https://www.ey.com/en_us/assurance/why-esg-performance-is-growing-in-importance-for-investors (accessed 18 June, 2023).
3. To further read about ISO 26000 (2010) Guidance on social responsibility, see https://www.iso.org/standard/42546.html
4. To know more about the 2011 Update of the OECD Guidelines for Multinational Enterprises, see https://www.oecd/daf/inv/mne/oecdguidelinesformultinational enterprises
5. For further reading on the 17 UN goals on sustainable development, see https://sdgs.un.org/goals.
6. The first pillar, economic responsibility, entails that the existence of a business is motivated by profit maximisation and increasing shareholder value. Second, corporate legal responsibility embraces the expectation of their society to pursue their objectives within the framework of the law. Third, ethical responsibility refers to the ethical responsiveness of the business corporations towards what is right and wrong. The final pillar is philanthropic responsibility, which refers to the common desire to see business contributions in response to society's expectations. For further details, please see Carrol (1991).
7. The Growth Report (2008) can be accessed through the World bank website https://openknowledge.worldbank.org/handle/10986/6507
8. Available at: https://www.bnm.gov.my/banking-islamic-banking.
9. For example, a study conducted by Ahmad, et al. (2016) yielded 15.5 per cent, Darus, et al. (2014) and Iyigun (2013) yielded 21.4 per cent.

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APPENDIX QUESTIONNAIRE

Section 1: Corporate Social Responsibility

[Please tick (√) in an appropriate box]

1. Some academicians claim that different countries present a distinctive set of corporate social responsibility elements. Please indicate to what extent do you agree with the following statement?

I believe that business must:	Strongly Disagree ←				→ Strongly Agree
Disregard social and environmental responsibility involvement if its affect financial performance	1	2	3	4	5
Emphasising on profit maximisation rather than promoting corporate social responsibility					
Involve in social welfare activities if it creates competitive advantage					
Enhance corporate reputation and goodwill solely based on economic strength					
Committed to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery					
Refrain from putting aside their contractual obligation					
Paying tax and royalty consistently					
Ensure that company's operations are in compliance with environmental laws and regulations					
Ensure that the respect for ethical values has priority over economic performance					
Respect and understand ethics and cultural diversity among difference ethnic groups					
Treating all employees and job applicants equally without discrimination					
Integrating social and ethical environmental responsibility into organisation policy					
Allocate some of the profits for philanthropic activities					
Supporting charities and community projects even if there is probably no profit potential					
Help to solve social problems such as poverty, crime and illiteracy					
Promoting sustainable development activities					

2. In your opinion, what would be the motivation behind corporate social responsibility practices?

	Strongly Disagree				Strongly Agree
Enhance public image and reputation	1	2	3	4	5
Increase community trust and support					
Pressure from international regulations					
Pressure from government					
Matching of social needs to corporate skill, need or ability to help					
Personal ethical and cultural tradition					
Pressure from special interest groups/NGOs					
Pressure of local community					
Increase profitability					
Religious responsibility					
Increase competitive advantage					

Section 2: Demographic information

[Please tick (√) in an appropriate box]

1. Please state your gender:
   - ☐ Male
   - ☐ Female

2. Please state your age group:
   - ☐ Below 30
   - ☐ 31-40
   - ☐ 41-50
   - ☐ Above 51

3. Please state your ethnicity:
   - ☐ Chinese
   - ☐ Indian
   - ☐ Malay
   - ☐ Others

4. Please state your religion:
   - [ ] Islam
   - [ ] Buddha
   - [ ] Hindu
   - [ ] Christian
   - [ ] Others (Please specify) __________________

5. Please state the number of years of your working experience:
   - [ ] 5 years and below
   - [ ] 6 – 10 years
   - [ ] 11 – 15 years
   - [ ] 16 – 20 years
   - [ ] More than 20 years

6. Please indicate the profile of company that you are representing:
   - [ ] Islamic financial institution
   - [ ] Conventional financial institution
   - [ ] Takaful/Islamic insurance company
   - [ ] Insurance (conventional) company

Pertanika J. Soc. Sci. & Hum. 34 (S3): 127 - 146 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Communicating Sustainability from the Top: A Study of Director Forewords in Indonesian Corporate Sustainability Report

Maria Advenita Gita Elmada[1]* and Angga Ariestya[2]

[1]*Faculty of Communication Science, Universitas Multimedia Nusantara, Jl. Scientia Boulevard, Tangerang, 15810 Banten, Indonesia*

[2]*Institute of Communication Studies and Journalism, Faculty of Social Sciences, Charles University, Smetanovo nábřeží 6, 110 00 Praha 1, Czech Republic*

ABSTRACT

Corporate sustainability has emerged as a crucial issue for enterprises aiming to exhibit their social and environmental accountability. Corporate sustainability can be conveyed through sustainability reports, typically initiated with insights from the company's director. This study examines the sustainability communication tactics utilised by organisations, emphasising the forewords written by directors in their sustainability reports. The companies are included in the SRI-KEHATI index for 2024. The SRI-KEHATI Index is a stock index that assesses the performance of Indonesian companies according to their environmental, social, and governance (ESG) standards. Inclusion in this index signifies that a corporation is acknowledged for its dedication to sustainable and responsible business practices. This study employs quantitative content analysis to identify and classify sustainability themes according to Landrum's framework, which includes economic orientation, business orientation, systemic transformation, regenerative approaches, and co-evolutionary strategies. The study seeks to determine the prevailing themes in corporate sustainability communication, potentially highlighting economic and business dimensions while examining the level of awareness concerning wider environmental challenges. The analysis will evaluate how these themes demonstrate corporate dedication to ESG principles and the incorporation of sustainability into business processes. Anticipated results encompass an understanding of how SRI-KEHATI enterprises convey their sustainability strategies and provide actionable suggestions for other organisations in developing effective sustainability communications. This research enhances the literature on corporate sustainability by emphasising the necessity of implementing complete long-term sustainability plans in business.

Keywords: Corporate communication, corporate sustainability, ESG, sustainability communication, sustainability report

ARTICLE INFO

Article history:
Received: 18 November 2025
Accepted: 12 June 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.07

E-mail addresses:
maria.advenita@umn.ac.id (Maria Advenita Gita Elmada)
angga.ariestya@fsv.cuni.cz (Angga Ariestya)
* Corresponding author

e-ISSN: 2231-8534

INTRODUCTION

Global sustainability has become an urgent need. Rockström et al. (2018) say that we have now reached a point where it is very important to build a new narrative and paradigm of development. The 2018 Global Risk Report from the World Economic Forum (WEF) states that currently failures in climate mitigation, water crises, and biodiversity collapse are the highest global risks. Still according to Rockström et al. (2018) the call for urgent transformation towards global sustainability is increasing and increasingly recognised by the world's policy and business communities.

The term "sustainable" has actually been used since 1978 by the United Nations as a synonym for ecological development. Even so, with the increasing popularity of other terms in this context, such as sustainability and sustainable development, more and more definitions are offered for these terms. Still according to de Oliveira et al. (2024) through the Brundtland Commission Report in 1985 and also the United Nations Conference on Environment and Development in Rio de Janeiro in 1992, the dissemination of this term has continued. In business contexts, various variations and definitions are also used, such as the Triple Bottom Line theory proposed by Elkington, in which there is a balance between economic, social, and environmental aspects within the company (de Oliveira et al., 2024).

Driven by ecological and social trends, the company's environment has also changed. In this case, there has been an increase in interest in the business for the sustainability of the company (Engert et al., 2016). Grewal and Serafeim (2020) present some statistical data that illustrates the magnitude of the transformation related to this. In the early 1990s, fewer than 20 organisations produced corporate sustainability reports, but the number has increased dramatically, with more than 10,000 public companies making such reports in 2019. In addition, 89% of companies in the Global 500 had a carbon emission target in 2018, a significant increase compared to only 30% in 2009.

According to Salzmann in Engert and Baumgartner (2016) corporate sustainability is a strategic and profit-driven response of the company to environmental and social problems caused by the company's primary and secondary activities. Corporate sustainability is a strategy intended to create long-term financial value through measurable social impact. The main issues in the conversation related to corporate sustainability include climate change, resource efficiency, worker welfare, inclusion and diversity, product safety and quality, anti-corruption, and so on (Grewal & Serafeim, 2020).

Corporate sustainability has become a critical concern for businesses striving to demonstrate their social and environmental responsibility. According to Signitzer and Prexl (2007), implementing sustainability on the corporate level should guarantee long-term success. The implementation of corporate sustainability requires not only the support of top management, but it also needs the networking of several other corporate systems. Sustainability becomes a part of management decisions, accounting practice, and reporting practice, and it allows firms and organisations to demonstrate their commitment to sustainable development (Amidjaya & Widagdo, 2020).

In recent decades, there has been a significant rise in non-financial reporting, including sustainability reports, attracting attention from various institutions and organisations, and this comprehensive form of corporate reporting has become increasingly prevalent (Herzig & Schaltegger, 2011). Non-financial reporting, or NFR, is a series of reporting initiatives that is not related to the financial transactions and financial standing of an organisation. These reporting initiatives focus more on the issues related to environmental and social matters such as respect for human rights, corruption, and bribery (Lisi et al., 2023). These reports improve public relations, credibility, investor relations, financial disclosure, stakeholder perception, and company image, hence increasing the company's success and reputation (Osman & Kadri, 2022).

A company's annual report, including sustainability report, serves as a means to demonstrate the company's level of success, achievements, and ability to allocate resources effectively and efficiently (Loebiantoro et al., 2025). In the context of sustainability reporting, the director's foreword plays a crucial role, not only conveying performance information but also communicating the company's commitment and sustainability orientation to stakeholders.

Among the world's largest companies, 90-95% produce sustainability or corporate social responsibility reports (Landrum & Ohsowski, 2018). The reports are seen as a strategic approach to communicate corporate sustainability or corporate social responsibility and can also be used for image management. As companies are encouraged to adopt sustainability reporting as a key mechanism for engaging with stakeholders (Egbunike et al., 2018), understanding the message sent by the corporation through their sustainability report is becoming essential.

The sheer volume of sustainability reports now being produced has pushed researchers to ask a different question: what are these documents actually doing? Scholars have moved away from treating ESG reporting purely as a compliance exercise or information channel. Jitmaneeroj and Tonghui (2026) put it plainly — disclosure is how firms talk to the market about who they are and where they stand on sustainability, and that conversation shapes how outsiders read their risk profile and commitments.

Once that is accepted, directors' forewords look different. They are not neutral summaries. An opening statement from company leadership is a positioned communication — it stakes out an identity, addresses stakeholder expectations, and frames the organisation's relationship to sustainability on its own terms. Reading these texts as simple performance reports misses the work they are doing.

The director's forewords are among the important components of these reports.

These sections are important because they offer a high-level overview of the business' sustainability plan, demonstrating the commitment of the leadership and being in line with organisational objectives. Based on the Surat Edaran Otoritas Jasa Keuangan (SEOJK) Republik Indonesia, which is Indonesian Letter from the Financial Services Authority no. 16/ SEOJK.04.2021, the director's foreword is based on the D.1 standard, which consists of policies to respond to challenges in the fulfilment of sustainability strategy, implementation of sustainable finance, and target achievement strategy. Other standards that are also used in writing this foreword, director are, for example, the Disclosure 2-22 from the Global Reporting Initiative talking about the statement on sustainable development strategy. From this standard, the organisation shall report a statement from the highest governance body or most senior executive of the organisation about the relevance of sustainable development to the organisation and its strategy for contributing to sustainable development (Global Reporting Initiative, 2021).

Previous research shows that the worldviews of corporate sustainability or the corporate message conveyed regarding what sustainability is and how to enact it can be studied through content analysis (Landrum & Ohsowski, 2018). Through the lens of corporate leadership, another research examines how CEO talk of sustainability in CEO letters evolves in a period of increased expectations from society for companies to increase their transition towards becoming more sustainable and to better account for progress and performance within the sustainability areas (Arvidsson, 2022).

Regarding the director's foreword, despite its significance in directing the sustainability strategy and showing it through the corporate sustainability report, there is a gap in understanding how directors' forewords communicate sustainability strategies and how they influence business commitment to ESG principles. This study aims to fill the gap by examining how these forewords communicate sustainability efforts, providing insights that can help businesses improve their communication techniques. The findings will add to the existing literature on sustainability communication and reporting, emphasising the importance of leadership in building effective sustainability narratives.

LITERATURE REVIEW

Corporate Sustainability and Its Strategic Role

With increasing concerns about social environmental issues and increasing stakeholder and regulatory demands that force companies to adapt to these issues, companies are under increasing pressure to reduce their impact on the environment and increase their contribution to society (Engert & Baumgartner, 2016). The concept of sustainable development, defined in the WCED document as development that meets today's needs without sacrificing the ability of the next generation to meet their own needs, is the basis of corporate sustainability.

A literature review conducted by Montiel and Delgado-Ceballos (2014) shows that there is ambiguity about whether corporate sustainability should be a three-dimensional construction that includes the economy, social, and the environment; a two-dimensional construction that includes social and environmental; or a synonym for environmental management. Many other academics also use different terminology, such as the Triple Bottom Line, or 3P, which is people, planet, and profit. Montiel and Delgado-Ceballos argues that when referring to corporate sustainability, the concept of the tridimension should be used, as the focus is on the economic, social, and environmental holistically.

The tridimensional view has served the field well, yet recent work suggests it stops short of capturing how sustainability actually operates at the organisational level. Budsaratragoon and Jitmaneeroj (2019) make the case for a quadruple bottom line — one that adds governance to the familiar economic, social, and environmental triad — and find that the four dimensions do not simply coexist. They feed into each other: stronger governance shapes environmental outcomes, economic pressures alter social commitments, and so on.

Corporate sustainability, on this reading, is less about balancing competing goals and more about managing a system where the parts are interdependent. This matters for how we read directors' forewords. When a director addresses sustainability in an opening statement, the text is rarely organised around a single dimension. Commitments to environmental targets sit alongside remarks on governance reform or workforce equity, not because directors are checking boxes, but because sustainability at the leadership level tends to be experienced as a whole. Analysing these forewords as a string of separate ESG signals would fragment what is, in practice, an integrated organisational stance — one that reveals more about a company's sustainability orientation when read as such.

Corporate Sustainability Reporting

As discussed earlier, corporate sustainability reporting is part of non-financial reporting carried out by companies. Lisi et al. (2023) said there is a growing interest in non-financial reporting by policymakers, academics, and practitioners. Policymakers need to include financial and non-financial aspects in their policies to move towards sustainable development. The Sustainable Development Goals (SDGs) play a relevant role in this context; in particular, SDG 12 (Responsible Consumption and Production) encourages companies to implement these non-financial reporting initiatives. In some cases, the disclosure of nonfinancial information is a requirement for large companies.

In 1993, KPMG conducted a survey related to corporate sustainability reporting, which showed that only 12% of the top 100 companies in 52 countries were involved in sustainability reporting. This number rose to 80% in 2020 for the same population. Another survey in 1997 said that in that year, 35% of the world's 250 largest companies by revenue listed in the Fortune 500 were involved in sustainability reporting, and by 2020 the figure was 96%, a pretty sharp increase (Abeysekera, 2022). The growth in the number of sustainability reports published by companies around the world coincides with research showing that corporate sustainability reporting is associated with increased business performance (Al Hawaj & Buallay, 2022).

According to Kolk (2005), there are a variety of reasons why companies want to do sustainability reporting, such as a better ability to track progress against specific targets; that it is a way for companies to facilitate the implementation of environmental strategies, greater awareness of broad environmental issues across the organisation, the ability to convey the company's message clearly internally and externally, and an overall increase in the overall credibility of transparency The need for licenses to operate and campaign, as well as the benefits provided in terms of reputation, identification of cost savings, increased efficiency, increased business development opportunities and improved staff morale.

Egbunike et al. (2018) state that reporting is a tool for organisations to interact with various stakeholders. According to Egbunike et al., sustainability reports should contain information generated by an organisation's robust sustainability accounting system.

Corporate Sustainability Communication

Organisations have various motives to be able to practice corporate sustainability communication (Signitzer & Prexl, 2007). From an organisational perspective, corporate sustainability communication is considered a communicative function of the organisation in order to improve the organisation's image and help maintain the license to operate. Signitzer and Prexl say that positioning the company as a sustainable organisation with sustainable products can increase trust and credibility among its stakeholders. Internal communication related to sustainability topics can also be a catalyst for environmental learning and change processes in companies and, subsequently, a catalyst for innovation and competitive advantage.

However, we have reached an era where corporate sustainability communication is no longer just a matter of voluntary involvement and ethical management concepts (Weder, 2024). As the climate crisis grows worrisome, stakeholders allocate responsibilities in social, environmental, and economic dimensions, making it more complicated for companies to be able to obtain a social license to operate. This is further strengthened by the emergence of new regulations that increasingly guide the company's activities to account for the impact they have on the economic, social, and environmental dimensions (Weder, 2024).

A note on terminology: this study uses the term sustainability communication to refer to the broader function through which organisations express and convey their sustainability orientations — of which formal sustainability reporting and ESG disclosure are specific, institutionalised forms, but not the whole picture.

Landrum's Sustainability Stage Framework

The interpretation of what sustainability means and how it should be implemented is, of course, different for each company. To understand this, Landrum proposes a model for the development of the company's sustainability stage that reflects the company's interpretation of sustainability. The sustainability framework stage model proposes the grouping of the position of the company's sustainability spectrum based on the company's orientation, the company's understanding of sustainability, how the company defines its relationship with nature, how the company sees economic growth, and finally, the company's attention to sustainability (Landrum & Ohsowski, 2018).

From these indicators, Landrum grouped the company's sustainability into 5 stages. The first is the compliance stage, which reflects very weak sustainability, where the company engages in sustainability activities that are based on the enforcement of external rules. The second is the stage where sustainability is still business-centric, which reflects weak sustainability, where the company engages in sustainability activities that focus only on internal egocentrism that results in benefits for the company alone. In the third stage, namely the systemic stage, sustainability is shown moderately, where the company has shown cooperation with other parties by integrating all areas of sustainability activities, namely in environmental, economic, and social aspects, to overcome systemic changes. In the fourth stage, namely the regenerative stage, sustainability is strongly reflected, because the company understands the science of sustainability and seeks to repair the damage of the consumer community in the industrial era. And the last stage is the fifth stage, coevolution, where sustainability is seen as very strong, where companies understand that the place where people, companies, and society live in partnership with nature, and we need to maintain that balance. In this model, Landrum groups stages 1, 2, and 3 as business orientation categories and stages 4 and 5 as ecological orientation categories.

MATERIALS AND METHODS

This study analyses the directors' forewords in the sustainability report published in 2023 by 26 SRI-KEHATI indexed companies. The SRI-KEHATI index includes companies that have implemented Sustainable Responsible Investment principles as well as Environmental, Social, and Governance (ESG standards) (Yayasan KEHATI, n.d.). The performance of the SRI-KEHATI index is undoubtedly good, and it can compete with other major exchange indices (Akbar & Murdiyanto, 2023).

The methodology used in this research is content analysis, which, as said by Landrum and Ohsowski (2018) has been used by others to study corporate sustainability and CSR reports. It is a type of textual analysis that studies the messages or characteristics of a text to interpret meaning. In this study, content analysis of director forewords from companies' sustainability reports is a technique for gathering data. Guthrie and Abeysekera (2006) say that it involves codifying information into predefined categories in order to derive patterns in the presentation and reporting of information.

Utilising quantitative content analysis, this research will identify and categorise sustainability themes based on Landrum's framework, which are compliance, business orientation, systemic change, regenerative, and co-evolutionary approaches (Landrum & Ohsowski, 2018). Each paragraph will be coded into a predetermined theme category to find the main theme of the director's foreword by counting the categories that appear most frequently in the document.

RESULTS AND DISCUSSION

The 26 sustainability reports analysed in this study utilising several standards for their report. Most of them adopt the Global Reporting Initiative (GRI) standards. GRI is an independent international organisation that helps businesses and other organisations account for their impacts, by providing a global common language for communicating those impacts (Global Reporting Initiative, n.d.). Most companies in this dataset also comply with The Financial Services Authority (POJK) No. 51/POJK.03/2017 and SEOJK No. 16/SEOJK.04/2021, which are national regulations in Indonesia that require listed companies to implement sustainable finance and follow technical guidelines for sustainability reporting. Besides GRI, POJK, and SEOJK, there are several standards being utilised, based on different industrial standard for sustainability reporting.

Based on the data collected, categorised, and analysed, several key findings can be highlighted. In general, it can be seen in Table 1, that the themes found from each company are not at a single stage, they reflect a combination of multiple categories. This indicates that sustainability stages within companies remain layered, a transition of thinking towards a stronger corporate sustainability stage is also seen. Systemic themes were identified in 26 reports, business-centred themes were identified in 24 reports, regenerative themes were identified in 18 reports, and compliance themes were reflected in 15 reports.

The variety of themes identified at these different stages suggests that sustainability integration in the company is a complex process. Stead and Stead in Engert and Baumgartner (2016) said that this integration process requires organisations to develop a fundamental learning structure and process of change that will allow them to question and change the way they think about their relationship with the natural environment, that includes the complex network of environment, socio-cultural, and economical aspects.

Table 1
List of companies and stocks name, report title, reporting standard, industry and found theme

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
1	Aneka Tambang Tbk	ANTM	Inspiring Innovations towards Sustainable Excellence	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Technical Guidelines for Sustainability Reports SE OJK No. 16/SEOJK.04/2021 • International Council on Mining and Metals (ICMM) • ISO 26000 on Corporate Social Responsibility Guidelines	Mining	• Systemic • Business-Centred • Regenerative • Compliance
2	Astra Agro Lestari Tbk	AALI	Reaching Excellence	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) Number 16/SEOJK.04/2021 • Task Force on Climate-Related Financial Disclosures (TCFD) • Sustainability Accounting Standards Board (SASB) Standards—Agricultural Products	Plantation (Palm Oil)	• Systemic: • Business-Centred • Compliance
3	Astra International Tbk	ASII	Driving Purposeful Sustainable Growth	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 on the Implementation of Sustainable Finance • Technical Guidelines for Sustainability Reports SE OJK No. 16 • ISAE 3000 and ISAE 3410 (Limited assurance process) • Greenhouse Gas (GHG) Emissions Protocol Accounting Standard (Revised Edition)	Automotive and Diversified	• Systemic • Regenerative • Compliance • Business-Centred

Table 1 (*continued*)

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
4	Astra Otoparts Tbk	AUTO	Growth Thru Digitalisation and Excellence, Reach the New Height	• Financial Services Authority Circular No. 16/SEOJK.04/2021	Automotive	• Systemic • Business-Centred
5	Bank Central Asia Tbk	BBCA	Live to Empower	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 on Sustainable Finance • Sustainability Accounting Standards Board (SASB) Commercial Banks category • Sustainable Banking Assessment (SUSBA) by WWF • Early adoption of International Financial Reporting Standard (IFRS) Sustainability from ISSB Standard 2 (S2)	Banking	• Systemic • Business-Centred
6	Bank Mandiri (Persero) Tbk	BMRI	Supporting a Sustainable Future Through Green Investment	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) Number 16/SEOJK.04/2021 • International Financial Reporting Standards (IFRS) S1 and S2 • Task Force on Climate-Related Financial Disclosure (TCFD) • Sustainability Accounting Standards Board (SASB)	Banking	• Systemic • Business-Centred • Regenerative

Table 1 (*continued*)

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
7	Bank Negara Indonesia (Persero) Tbk	BBNI	Moving Towards a Sustainable Future	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular (SEOJK) No. 16/SEOJK.04/2021 • Sustainability Accounting Standards Board (SASB) of the Financial Services Sector • Sustainable Banking Assessment (SUSBA) by WWF • Sustainable Development Goals (SDGs)	Banking	• Systemic • Business-Centred • Regenerative
8	Bank Rakyat Indonesia (Persero) Tbk	BBRI	Great Resilience, Strong Sustainability	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Sustainability Accounting Standards Board (SASB) • International Financial Reporting Standards (IFRS) S1 and S2	Banking	• Systemic • Business-Centred
9	Bank Tabungan Negara (Persero) Tbk	BBTN	Sustainable Growth for Green Indonesia	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular (SEOJK) No. 16/SEOJK.04/2021 • Task Force on Climate-Related Financial Disclosures (TCFD) • Sustainability Accounting Standards Board (SASB)	Banking	• Systemic • Business-Centred
10	Dharma Polimetal Tbk	DRMA	Keep Growing & Shining Together	• Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Automotive	• Systemic • Business-Centred • Compliance

Table 1 (*continued*)

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
11	Dharma Satya Nusantara Tbk	DSNG	Sustainability Report 2023	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021 • Sustainability Policy Transparency Toolkit (SPOTT) • Task Force on Climate-related Financial Disclosures (TCFD)	Plantation (Palm Oil)	• Systemic • Compliance
12	Elang Mahkota Teknologi Tbk	EMTK	Driving Synergy for Brighter Tomorrow	• Global Reporting Initiatives (GRI) • Sustainability Accounting Standards Board (SASB) • International Financial Reporting Standards (IFRS) • Other international sustainability reporting standards	Technology and Media	• Systemic • Compliance
13	Indofood CBP Sukses Makmur Tbk	ICBP	Delivering Sustainably Growing with Resilience Growing with Resilience	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Food and Beverage	• Systemic • Business-Centred • Regenerative
14	Indofood Sukses Makmur Tbk	INDF	Thriving Sustainably Amid Challenges	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Food and Beverage	• Systemic • Regenerative • Business-Centred

Table 1 (*continued*)

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
15	Indocement Tunggal Prakarsa Tbk	INTP	Empowering People for a Greener Future	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021 • Sustainability Accounting Standards Board (SASB) under the Construction Material category • IFRS S2: Climate-related Disclosure	Cement	• Systemic • Business-Centred • Compliance • Regenerative
16	Japfa Comfeed Indonesia Tbk	JPFA	Feeding the Present, Securing Food for Tomorrow	• Global Reporting Initiatives (GRI)	Livestock and Animal Feed	• Systemic • Business-Centred • Regenerative
17	Jasa Marga (Persero) Tbk	JSMR	Emphasising Business Continuity, Increasing Competitiveness	• Global Reporting Initiatives (GRI) • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Infrastructure	• Systemic • Business-Centred • Regenerative • Compliance
18	Kalbe Farma Tbk	KLBF	Accelerate Recovery for a Healthier Nation	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021 • Sustainability Accounting Standards Board (SASB): Biotechnology & Pharmaceuticals • IFRS S2: Climate-related Disclosure	Pharmaceuticals	• Systemic • Business-Centred • Regenerative
19	Siloam International Hospitals Tbk	SILO	Shaping a Sustainable Future	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017	Healthcare	• Systemic • Business-Centred • Regenerative

Table 1 (*continued*)

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
20	Sawit Sumbermas Sarana Tbk	SSMS	Strengthening Sustainable Palm Oil Downstream	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Plantation (Palm Oil)	• Systemic • Compliance • Business-Centred • Regenerative
21	Semen Indonesia (Persero) Tbk	SMGR	Embracing Challenges to Advance in a Sustainable Future	• Global Reporting Initiatives (GRI) • CDP Standards • Task Force on Climate-Related Financial Disclosures (TCFD) • Sustainalytics	Cement	• Systemic • Regenerative • Business-Centred • Compliance
22	Telkom Indonesia (Persero) Tbk	TLKM	Sustainable Transformation Towards Excellence	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021 • Sustainability Accounting Standards Board (SASB) Telecommunication Services Sustainability Accounting Standard 2021 • Early adoption of International Financial Reporting Standard (IFRS) S1 and S2	Telecommunications	• Systemic • Compliance • Regenerative • Business-Centred
23	Timah Tbk	TINS	Ensuring Sustainability through Value Creation	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021 • Sustainability Accounting Standards Board (SASB) - Metal & Mining • International Council on Mining and Metals (ICMM)	Mining	• Systemic • Compliance • Business-Centred • Regenerative

Table 1 (*continued*)

No.	Company Name	Stock Symbol	Report Title	Reporting Standard	Industry	Found Themes
24	Unilever Indonesia Tbk	UNVR	90 Years of Dedication to a Healthy, Prosperous, and Sustainable Indonesia	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Consumer Goods	• Systemic • Compliance • Business-Centred • Regenerative
25	Vale Indonesia Tbk	INCO	Mining for Tomorrow: Sustaining Operations with Responsibility	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 • Law No. 40 of 2007 concerning Limited Liability Companies • Sustainability Accounting Standards Board (SASB) Metals and Mining 2021	Mining	• Systemic • Regenerative • Business-Centred • Compliance
26	Wijaya Karya (Persero) Tbk	WIKA	Sustainability Ensuring Lifetime Outcome	• Global Reporting Initiatives (GRI) • Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 • Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021	Construction	• Systemic • Business-Centred • Compliance • Regenerative

Based on the analysis, the systemic theme is dominant. According to Landrum and Ohsowski (2018) systemic theme is in the stage 3 that reflects the intermediate sustainability. It means that firms work with others integrating the full realm of sustainability activities, which are environmental, economic, and social, to address systemic change. In the systemic stage, the understanding of the sustainability is about *do better,* and the corporation begins to look externally in defining sustainability.

There is an understanding that business is part of larger industry, and to be able to create the systemic change, the corporation in the industry needs to work together as a community. To support these findings, truly sustainable companies must be seen from various actions to increase their sustainability impact and alleviate the conflict between financial demands and societal needs (Dyllick & Muff, 2016). A company's impact will be limited if efforts are only carried out at the individual company level, so innovation to enhance collaborative partnerships is a way to improve their impact and sustainability strategy. However, companies must remain cautious, as there is no evidence that this systemic integrative rhetoric does have a substantive influence on business behaviour, both in managing, measuring, and reporting the social, environmental, and economic impacts of an organisation or the sustainability agenda (Milne & Gray, 2013).

Persistence in business-centred logic, which emerged as the second most common theme in the analysed report, shows that sustainability issues are still largely framed in terms of competitive advantage. Based on Landrum and Ohsowski (2018), this business-centred theme is oriented towards *do-less-bad* activities for business purposes only. Business growth becomes both a motivation and a measure of success; adoption and internal enforcement of activities; gradual improvement of business as usual. Although this is still in the weak sustainability stage, this is an initiative that needs to be continued so that it not only focuses on business but can produce a wider impact.

The theme that is totally absent from the director forewords from the 26 companies is coevolutionary. This absence indicates that none of the companies are at the highest level of sustainability, where they view their operations as part of a symbiotic relationship with the natural world. Landrum and Ohsowski (2018) define the coevolutionary as the highest stage, which reflects very strong sustainability. In this stage, firms understand the place of humans, corporations and societies as existing in partnership with the natural world. The orientation of this stage is more to ecology, where the understanding of the sustainability is that earth's beings are in a mutually enhancing and beneficial relationship.

In improving the sustainability stage to be stronger, we can also learn from organisations with better corporate sustainability levels. They tend to involve multiple stakeholders in their sustainability and innovation efforts. These organisations engage in true sustainability-oriented innovation that involves multiple stakeholders (Amini & Bienstock, 2014).

There are variations across industries on the percentages of the themes. Certain industries such as banking and automotive, tend to have higher systemic percentage. This reflects the specific challenges of each industry and the opportunity in integrating sustainability into their business model. However, in the mining industry, the themes have more diverse distribution, with higher occurrence of compliance and business-centred themes. It reflects that the pressure from the regulation and the impact of the industry to the environment.

What do these patterns actually mean for how companies are run? The dominance of systemic-stage language across SRI-KEHATI forewords tells us something about how Indonesian corporate leaders have come to talk about sustainability — outward-looking, collaborative, aware of the bigger picture. But the persistence of business-centred framing alongside it suggests that this language has not fully displaced older instincts. Sustainability in these texts is still, to a significant degree, justified through the lens of competitive advantage and organisational benefit.

For boards and senior executives, this gap is worth taking seriously. A foreword that fluently combines systemic rhetoric with business-centred logic is not necessarily evidence of deep commitment — it may reflect a leadership communication culture that has absorbed the vocabulary of sustainability without reworking the underlying governance priorities. Moving further along the sustainability spectrum would require more than better reporting; it would mean building sustainability thinking into the processes through which leadership decisions are actually made and reviewed.

The complete absence of coevolutionary framing across all 26 reports sharpens this point. No company in this dataset positioned itself as existing in genuine partnership with the natural world — the most demanding conception of what sustainability leadership could look like. As IFRS S1 and S2 take hold among Indonesian listed companies and stakeholder scrutiny intensifies, the distance between what directors say and what organisations actually do will become harder to paper over.

CONCLUSION

This research indicates that organisations listed in the SRI-KEHATI Index tend to prioritize economic and business-centric orientations in the directors' forewords of their sustainability reports. This indicates the companies' primary emphasis on financial and operational performance in fulfilling social and environmental obligations. Nonetheless, there is variation in the degree to which these organisations incorporate sustainability into their business activities, reflecting their dedication to ESG principles, albeit at differing levels of profundity.

Conversely, the study indicated that awareness of or focus on broader environmental issues remains constrained among these companies. These findings indicate that although these organisations acknowledge the significance of sustainability, there remains significant potential to broaden their focus towards a more holistic sustainability strategy, particularly for the coevolutionary stages, which represent the most robust sustainability phases.

This study offers valuable insights for firms in developing their sustainability communication strategies, with practical suggestions to enhance the efficacy of these messages. This study further contributes to the corporate sustainability literature by emphasising the necessity of implementing a more comprehensive and integrative long-term sustainability plan.

ACKNOWLEDGEMENT

The authors would like to thank Universitas Multimedia Nusantara (UMN) through Research, Innovation and Sustainability Division for their invaluable support and resources, which contributed significantly to the completion of this research.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 147 - 160 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Strategic Drivers of Sustainable Financial Performance: A Legitimacy Theory Perspective on Aligning Strategy with Sustainability and Profitability

Zeshan Ahmad[1], Abu Safiyeh Mohammed Ahmad Ali[2], and Norizah Mustamil[3]*

[1]Department of Business Administration, South Star Management Institute (SMi), Duy Tan University, 550000 Da Nang, Vietnam
[2]Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan, Malaysia
[3]Faculty of Business and Economics, Universiti Malaya, 50603 Kuala Lumpur, Malaysia

ABSTRACT

This research examines how corporate social responsibility (CSR) influences sustainable financial performance (SFP) through frugal innovation and ambidextrous innovation as mediators. In this research, primary data was gathered from 318 CEOs, CFOs, and finance managers of Palestinian listed companies. The results were analysed using Smart-PLS software. It was found that CSR activities had a significant positive effect on the SFP of Palestinian listed companies. Moreover, innovation ambidexterity mediates the relationship between CSR and SFP, whereas frugal innovation does not. This study reveals that companies aligning their CSR activities with society's expectations will see an increase in SFP through the lens of legitimacy theory. In addition, companies adopting an ambidextrous approach to innovativeness can attract investors and increase their SFPs.

Keywords: CSR activities, frugal innovation, innovation ambidexterity, sustainable financial performance

ARTICLE INFO

Article history:
Received: 18 November 2025
Accepted: 16 June 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.08

E-mail addresses:
malikzeeshan1@hotmail.com (Zeshan Ahmad)
abusafia11@hotmail.com (Abu Safiyeh Mohammed Ahmad Ali)
norizahmm@um.edu.my (Norizah Mustamil)
* Corresponding author

INTRODUCTION

The COVID-19 pandemic exposed financial weaknesses across companies at all levels, especially in developing or conflict-affected areas such as Palestine (Midões & Seré, 2022). Companies in these regions face far greater financial hardship than those in stable, developed parts of the world (Iram et al., 2023). Publicly listed companies in conflict zones also face challenges

e-ISSN: 2231-8534

in maintaining operations, leading to significant cost reductions through cuts in CSR investments to maintain profitability (Nave & Ferreira, 2019). Publicly listed companies are under pressure from their stakeholders to maintain financial stability during periods of uncertainty; therefore, publicly listed companies will need to create new structures and optimise their business processes (Awa et al., 2024).

Cutting back on CSR spending during hard financial times erodes the trust of both investors and stakeholders and creates an environment that threatens the company's very existence. Biggeri et al. (2023) revealed that companies that properly followed sustainable practices over the last 10 years achieved an 8.1% return, while those that did not achieved only a 4.7% return. Companies that have committed to investing in financial sustainability benefit from lower capital costs and operational risk, which usually translate into strong long-term financial performance and increased survival during economic downturns (Shan et al., 2024). Additionally, a financial advisory company reported that businesses in the top quartile for CSR spending experienced a 21% lower cost of debt and a 49% lower stock return volatility compared to those in the bottom quartile (Voinea et al., 2020).

As Saeed and Riaz (2021) found, if publicly listed companies want to continue to thrive, they must be able to effectively navigate an uncertain economic environment and respond to stakeholders' social and environmental concerns. For example, 67% of consumers are inclined to support businesses with a proven commitment to addressing environmental and social concerns. Furthermore, over 60% of the 500 largest companies globally now require reporting of their expenditure on social and environmental challenges (Alfalih, 2023). Additionally, Huang (2022) found that 88% of institutional investors consider environmental, social, and governance (ESG) criteria when making investment decisions. Similarly, Badwan and Atta (2021) report that high levels of investment inflows improve sustainable performance. In another study, however, Tabbaa (2020) noted the need for an additional research into developing and unstable economies such as Palestine. There is also a dearth of literature linking CSR activities to the establishment of trust amongst investors and other stakeholders, thereby facilitating public investors' investment in listed companies cand enhancing their SFP in difficult-to-operate locations. This leads to the first research question:

RQ 1 : Do CSR activities increase the SFP?

Frugal innovation reduces resource use, waste, and costs while offering sustainable, affordable products or services (Niroumand et al., 2020). It has the potential to reduce operational costs for companies and enhance their access to capital, leading to sustainable development. Iqbal, Ahmad and Li (2021) also shown that frugal innovation can reduce capital expenditure and operational risks for companies, thereby enhancing profitability and competitiveness in the marketplace. Hossain et al. (2023) has employed the concept of frugal innovation to illustrate how to generate greater value with fewer resources, thereby promoting environmental sustainability, aiding local communities, and fostering economic development. Al Masud et al. (2025) showed that companies focusing on cost-effective, innovative strategies for customer well-being can achieve financial success while also fostering positive social and environmental effects. Nevertheless, further investigation is necessary to determine how to effectively apply and expand frugal innovation across various industries and contexts. Additionally, the concept of frugal innovation remains relatively novel among publicly traded companies in developing and unstable nations such as Palestine (Dima et al., 2022). Additionally, we must explore how frugal innovation can enable listed companies to gain the trust of investors and stakeholders in fulfilling CSR responsibilities and attract investments to secure SFP. So, this leads to the second research question:

RQ 2 : Does frugal innovation act as a mediator between CSR initiatives and SFP?

Innovation ambidexterity refers to a firm's ability to pursue both exploration and exploitation, thus achieving sustainable competitive advantage. Prior research indicates that companies that manage their exploratory and exploitative innovation activities—innovation ambidexterity—are better equipped to allocate resources to new and existing products and services, adapt to market changes, and achieve improved financial performance results (Ceptureanu et al., 2022). Firms with cultures of continuous improvement, risk and uncertainty management, and execution capability are more likely to achieve innovation ambidexterity and stronger organisational financial performance. Firms that engage in innovation ambidexterity can successfully implement CSR practices into their overall financial strategy (Khan, Chen, & Hung, 2021). However, due to conflicting priorities, limited resources, and resistance to change stemming from unstable and unpredictable circumstances, many firms struggle to balance exploration and exploitation (Litrico & Lee, 2008). Additionally, the current literature does not address how innovation ambidexterity can enhance CSR initiatives among publicly listed companies while maintaining long-term financial stability. This leads to the third research question:

RQ 3 : How does innovation ambidexterity mediate between CSR activities and SFP?

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Theoretical Framework

Legitimacy theory is key to understanding corporate behaviour. It also offers valuable insights into the actions of corporate firms.

A company is considered resilient in terms of its survival when its stakeholders and community members regard it as a legitimate entity. Kähkönen et al. (2021) revealed that companies can swiftly lose the public's trust, and it may lead to failure. To sustain legitimacy, a key approach is to engage in CSR activities. When a listed firm takes initiatives for societal and environmental well-being, it is considered to enhance its legitimacy. It can be argued that listed firms that implement their CSR activities efficiently and effectively, using various strategies and innovative techniques, can gain a more positive image than firms that do not. So, publicly listed companies that implement innovative strategies such as frugal innovation or ambidexterity in their CSR efforts can improve efficiency and reduce operational costs. Berry et al. (2025) make a compelling case that when companies are committed to addressing their societal needs in an efficient and responsible way, their first goal is to create financial value, and their second goal is to boost their legitimacy. In this way, they achieve long-term financial success. Such an approach, adopted by listed companies, develops a well-connected framework that ties together the ideas of legitimacy, CSR, and innovation. So, this connection contributes to increasing the companies' financial performance.

Hypothesis Development

Sustainable Financial Performance

SFP is basically a company's ability to be profitable and stay financially viable for long-term survival. Previous researchers have pointed out various studies. For example, Zeng et al. (2024) point to environmental sustainability. They argued that, factors like waste reduction or green energy production can lead to significant cost savings. On a different tack, Habtoor et al. (2024) looked inward at governance. They found that structures such as an independent board or strong shareholder ownership can boost firm performance. Schäper et al. (2023) investigated role of innovative activities. They revealed that, how innovation capabilities can fuel financial performance in developed nations. Despite this research, we have found a glaring gap. Scholars seem less inclined to investigate SFP in contexts like Palestine. This context has unique environment due to political instability, economic volatility, and real scarcity of resources. Our literature is filled with stable environments, but how SFP is achieved under such duress is a wide-open question.

Corporate Social Responsibility

CSR denotes a company's dedication to conducting its operations ethically and with social responsibility, taking into account its effects on society and the environment (Tamvada, 2020). Previous studies have examined the effects of CSR on various aspects influencing company performance. Dela et al. (2024) systematic review revealed that CSR activities influence the company's financial performance, customer satisfaction, employee satisfaction, and digital innovative performance.

Wang et al. (2021) have also investigated CSR's influence on a company's reputation, brand image, and stakeholder perceptions.

However, the literature still lacks consensus on the effect of CSR practices on achieving SFP in developing countries like Palestine, where access to resources is limited, and challenges are unique. Chen et al. (2019) found that governance structures and companies' innovation capabilities positively influence the financial performance of companies in developed countries. Companies engaged in environmentally sustainable practices, such as waste reduction and energy efficiency, can save on financial resources. Moreover, Al-Matari (2019) found that the presence of an independent board of directors and higher levels of shareholder ownership were positively associated with improved financial performance. The legitimacy theory also holds that listed firms actively engaged in CSR are more likely to gain legitimacy and reputation among stakeholders. Thus, they can attract investment capital, foster customer loyalty, and gain financial benefits. The literature indicates a link between CSR activities and a company's financial performance in both developed and developing countries. How listed companies practicing CSR in turbulent regions like Palestine can meet SFP requirements warrants investigation. So, it leads to a hypothesis:

H1 : CSR practices have a positive link with the SFP.

Frugal Innovation

Designing affordable and accessible goods, services, or processes that fulfil customers' needs with minimal resources (Mogaji et al., 2021) is one of the main objectives of resource-constrained developing nations' embrace of frugal innovation. This is a growing area of research, with studies examining how such innovations affect product quality, customer satisfaction, market share, and financial results (Cuevas-Vargas et al., 2022). Other researchers Soomro et al. (2025) examined various factors influencing frugal innovation: resource scarcity, technological potential, and market dynamics. However, there is an urgent need for research on the relationships between CSR practices and the SFP of public companies.

Knizkov and Arlinghaus (2021) revealed that frugal innovation can help lower operational costs for companies while increasing their efficiency and therefore provides high returns on investment. Also, companies that use frugal innovation can create a positive image to attract investors seeking socially responsible investments. Iqbal, Ahmad and Halim (2021) revealed that companies using frugal innovations can sustain performance. Literature shows a positive link between CSR and financial performance but little research on frugal innovation's mediating role. Furthermore, firms listed on the stock exchange that are utilising frugal innovations convey a commitment to social and environmental issues through their operations. By doing so, they build trust among stakeholders, gain a competitive advantage by offering low-cost products, and positively influence revenue growth and sustainability. Based on this, we propose our hypothesis:

H2 : Frugal innovation mediates between CSR activities and the SFP.

Innovation Ambidexterity

Innovation ambidexterity refers to a company's capacity to explore new opportunities while leveraging existing capabilities (Ceptureanu & Ceptureanu, 2021). X. Zhao et al. (2021) suggests that innovation ambidexterity is crucial for firms that face rapid technological change and intense competition. Other studies have explored the antecedents and outcomes of innovation ambidexterity, including organisational culture, leadership style, and company performance (Muhammad et al., 2021). However, a research gap exists on how innovation ambidexterity influences SFP and relates to CSR in Palestinian listed companies.

Buccieri et al. (2020) revealed that innovation ambidexterity contributes to an organisation's performance by enabling it to respond to changing market conditions, maintain a competitive advantage, and develop a culture of continuous innovation. W. Zhao et al. (2021) further supported by demonstrating that firms that exhibit high levels of innovation ambidexterity achieve greater financial returns, an increase in market share, and demonstrate improved overall competitive advantage. Khan, Chen, Suanpong, et al. (2021) demonstrated that companies practicing social responsibility are typically more innovative and agile, which aligns with the innovation ambidexterity concept.

CSR initiatives enable organisations to meet societal expectations, reflect their ethical behaviour and environmental responsibility, and thereby increase their legitimacy with stakeholders (Ellemers & Chopova, 2021). Concurrently, innovation ambidexterity, the ability to explore new possibilities and exploit current resources, allows organisations to exploit CSR initiatives as a means of achieving a competitive advantage and creating innovation (Broadstock et al., 2020). An organisation's strategic approach to innovation will enable it to develop new products, processes, and business models, while simultaneously optimising its current capabilities to enhance operational efficiency and strengthen its relationships with stakeholders.

H3 : The role of innovation ambidexterity as a mediator linking CSR activities and sustainable financial performance.

Figure 1 shows the conceptual framework for hypothesis development.

RESEARCH METHODOLOGY

Materials and Methods

This research employed a cross-sectional study design and utilised a purposive sampling technique to gather primary data from the Chief Executive Officers (CEOs),

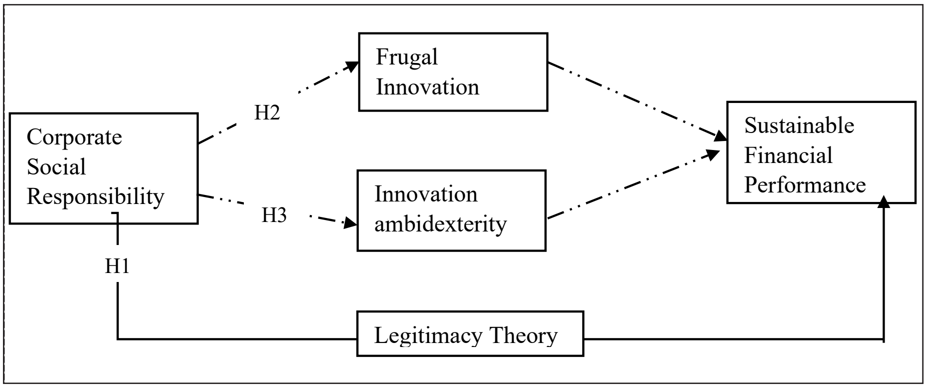

Figure 1. Conceptual Framework

Chief Financial Officers (CFOs), and finance managers of publicly listed companies in Palestine. This study used a purposive sampling technique because the selected respondents hold decision-making roles, possess the requisite knowledge, influence corporate strategies and financial decisions, and have experience relevant to the research questions. The data were collected face-to-face and through WhatsApp. We distributed 500 questionnaires and received 362. After going through the security phase, 318 questionnaires were finalised for data analysis. This study selected companies based on their market capitalisation, total assets, and financial performance such as profitability and revenue growth. The rationale for this criterion is that larger, more financially stable firms may have more established governance practices and greater capacity for innovation. Moreover, firms with more than five years of operational history are listed on the Palestinian Stock Exchange.

The research utilised published validated scales from high-quality academic sources. The survey used a 5-point Likert scale to assess responses from the CEOs, CFOs, and finance managers of publicly held companies located in Palestine. The use of the Likert scale facilitates measuring how people feel toward different issues. The Likert-type scale ranged from one (1) being Strongly Disagree to five (5) being Strongly Agree. The CSR scale (Harrison et al., 2020), with a total of nine (9) items, was used. A 7-item unidimensional frugal innovation scale was utilised from (Rossetto et al., 2023). A four (4)-item SFP scale was utilised from (Carson & Westerman, 2023). Finally, an 8-item innovation ambidexterity scale was utilised from (Le et al., 2023).

RESULTS AND DISCUSSION

After performing assessments for inner model and meeting the outer model requirements, we performed bootstrapping with 5,000 subsamples to test hypotheses and evaluate structural model in Smart-PLS. We also performed a two-tailed test at the 0.05 significance level to assess significance of the path coefficients (beta values), t-values, and R^2 values.

The outcomes of direct paths are displayed in Table 1. According to the direct path results, the listed businesses' SFP is significantly improved by CSR actions (H1: $\beta = 0.417$, $p = 0.001$, $t = 13.62$).

Table 2 depicts how frugal innovation and innovative ambidexterity work as mediators between CSR efforts and SFP. Table 2 indicates that frugal innovation (H2: $\beta = 0.012$, $p = 0.254$, $t = 1.061$) does not mediate the connection, whereas innovative ambidexterity (H3: $\beta = 0.368$, $p = 0.002$, $t = 13.175$) does.

The results of three hypotheses were examined in relation to legitimacy theory. The findings revealed a positive and significant relationship between CSR initiatives and SFP among listed companies; therefore, H1 has been confirmed. This is consistent with (Song & Rimmel, 2021), who suggested that firms that implement CSR measures tend to have better financial performance overall. Legitimacy theory states that CSR measures help firms meet social norms of legitimacy and attract investors, customers, and regulators. Palestinian-listed firms fulfil their societal obligations by investing in their local communities, pursuing environmental sustainability goals, and maintaining ethical business conduct; in turn, they improve their reputation and build credibility for socially responsible performance.

H2 results reveal that the mediational effect of frugal innovation does not exist for SFP and CSR initiatives. H2 was rejected. Previous research Algarni et al. (2023) also found that cutting innovative activities might not yield a competitive advantage or positive revenue. This is consistent with legitimacy theory, which holds that CSR efforts by publicly listed companies do not inherently confer legitimacy or yield financial gains through frugal innovation, especially in Palestinian businesses and amid their unique challenges. Although

Table 1
Direct path analysis

Hypothesis	Direct Path	Co-efficient	t-value	p-value	Decision
H1	CSR→SFP	0.417	13.62	0.001	Accept

Note. SFP = Sustainable Financial Performance; CSR= Corporate Social Responsibility
Source: Author's calculation

Table 2
Mediating path analysis

Hypothesis	Mediating Path	Co-efficient	t-values	p-value	Decision	BCI-LL	BCI-UL
H2	CSR→FI→SFP	0.012	1.061	0.254	Reject	-0.021	0.053
H3	CSR→IA →SFP	0.368	13.175	0.002	Accept	0.331	0.448

Note. FI = Frugal Innovation; CSR = Corporate Social Responsibility; IA = Innovation Ambidexterity; SFP = Sustainable Financial Performance
Source: Author's calculation

organisations may achieve legitimacy and gain stakeholder trust through CSR initiatives, the role of frugal innovation in achieving SFP appears limited in this case.

H3 supports the view that innovative ambidexterity mediates the association between CSR and SFP. Prior attempts Abbas (2024) find that firms who are socially responsible tend to be more innovative/agile, thus supporting the definition of innovative ambidexterity. The legitimacy company theory provides a basis for companies to develop future innovations from their CSR activities, motivating employees to pursue innovative ideas and to use current technology/resources to yield new products and services, as well as innovative cost savings from resource efficiencies, resulting in financial success.

Theoretical Implication

The present study has proposed a few theoretical implications. This study sheds light on how CSR initiatives, transparency, and innovation among listed companies operating in conflict zones such as Palestine can enhance their SFP. Firstly, listed companies engaged in CSR initiatives can increase their legitimacy. In this way, they win stakeholders' trust, encourage investment in their companies, and may subsequently achieve SFP. Second, listed companies that engage in CSR activities, explore new ones, and expand existing ones are involved in cost-effective, innovative activities. Such initiatives can help them to achieve SFP in conflict-ridden regions. It highlights that using CSR activities in innovative ways can promote a culture of innovation adoption. It can drive value addition in creativity and competitive advantage. Third, this study contributed to the literature by showing that propensity for innovation can mitigate the effects of political instability and economic uncertainty. It also increases the resilience of listed companies to attain SFP.

Practical Implications

The present study has practical implications for professionals and policymakers. Based on the results of this study, they can make informed decisions to use their resources efficiently and effectively in conflict zones like Palestine and achieve SFP. This study suggests that professionals should guide listed companies in reviewing their CSR strategies and aligning them with societal expectations. In addition, they should urge them to make communication transparent within listed companies. Listed companies should communicate their CSR efforts to their stakeholders. Enhancing a listed company's transparency practices can improve its legitimacy, trust, and financial performance, aligning with societal expectations.

Furthermore, policymakers need to create frameworks that require publicly listed companies to implement CSR initiatives and disclose how these initiatives contribute to sustainable development and social welfare in areas of conflict. Another point to note is that the current research did not show any impact of frugal innovation on the operations of listed companies; this may be due to these organisations' resource limitations. According to Tröster and Küblböck (2020), lack of local resources in developing countries is an impediment to innovation. To foster frugal innovation, policymakers need to create opportunities through CSR policies and transparency to advance the development of cost-effective, sustainable solutions. Companies that use CSR activities to promote frugal innovation and are transparent will develop a culture of innovation that creates value by improving productivity while fostering resilience and competitive advantage through effective resource use.

Lastly, listed companies should empower their employees to explore new ideas, optimise existing processes, and leverage CSR objectives and transparent communication practices to drive innovation ambidexterity. By integrating CSR, organisational transparency, and innovation into the strategic planning and decision-making process, listed companies can attain a strong competitive advantage, enhance stakeholder relationships, and achieve SFP in conflict zones similar to Palestine.

LIMITATION AND FUTURE RESEARCH

The limitations of this empirical study suggest that the results may lack generalisability or applicability. Data were collected by the researchers at a single time and location, which may have introduced common method bias; however, there was no such bias in this analysis. Future researchers may wish to employ longitudinal or experimental designs to reduce common method bias and establish causal relationships. The study focused on Palestinian companies in conflict zones with limited resources, which may limit the generalisability of these results to other settings. Future studies should determine the extent to which conflicted and non-conflicted areas can be compared to gain greater insights into this event.

CONCLUSION

Conclusively, this study emphasises the importance of CSR initiatives and innovative approaches to achieving SFP for companies listed in Palestine. This study revealed that companies prioritising CSR activities and demonstrating a commitment to societal responsibility can still achieve positive financial outcomes even during challenging economic and political circumstances. In addition, listed Palestinian firms engaged in frugal innovation activities do not play a significant role due to complex contexts, resource scarcity, and unrest. Furthermore, the findings suggest that listed companies can maximise the potential benefits of CSR initiatives and enhance their financial performance by adopting a balanced approach to innovation involving exploitative and explorative strategies. The study demonstrates how innovation ambidexterity mediates between CSR activity and SFP through innovation. Companies that are listed can engage in innovative activities, including frugal and ambidextrous forms of innovation, to achieve SFP by focusing on transparency in their CSR efforts.

ACKNOWLEDGEMENT

This publication is partially funded by the Faculty of Business and Economics, Universiti Malaya Special Publication Fund.

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Pertanika J. Soc. Sci. & Hum. 34 (S3): 161 - 187 (2026)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Determinants of Corporate Social Responsibility Practices Among Private SMEs in Chengdu, China

Zeng Wen, Mahadevan Krishnan*, and Liu Haiyang

School of Communication, Universiti Sains Malaysia, 11800 Penang, Malaysia

ABSTRACT

Corporate Social Responsibility (CSR) is vital for the sustained success of businesses. Traditionally, large enterprises have been the primary implementers of CSR, setting them apart from private small and medium-sized enterprises (SMEs). Consequently, this study investigates the factors influencing CSR practices in manufacturing SMEs among private businesses in Chengdu, China. Employing a quantitative approach and combining the Knowledge, Attitude, and Practice (KAP) theory with the four components of CSR, the research examines 15 hypotheses to explore the relationships between business owners' knowledge, attitude, and practices related to CSR justifications. The sample comprises 400 entrepreneurs from private manufacturing SMEs in Chengdu, selected through snowball sampling and surveyed via an online questionnaire. The results indicate that all corresponding knowledge, attitudes, and practices exhibit a significantly positive correlation, confirming the importance of knowledge and attitudes in shaping CSR practices among private manufacturing enterprises in Chengdu, China. The study concluded by highlighting its contribution to the existing body of knowledge and offering recommendations for future research.

Keywords: Business owners, corporate social responsibility practices, KAP theory, private businesses, SMEs

ARTICLE INFO

Article history:
Received: 15 July 2025
Accepted: 15 June 2026
Published: 10 July 2026

DOI: https://doi.org/10.47836/pjssh.34.S3.09

E-mail addresses:
zengwen1@student.usm.my (Zeng Wen)
mahadevan@usm.my (Mahadevan Krishnan)
ocean@student.usm.my (Liu Haiyang)
* Corresponding author

INTRODUCTION

Corporate Social Responsibility (CSR) has become an increasingly important concept in global business and sustainable development, as firms are expected to integrate social and environmental concerns into their operations alongside economic objectives (Kucharska & Kowalczyk, 2018). The interpretation and implementation of CSR, however, vary across countries and

e-ISSN: 2231-8534

evolve over time depending on institutional and economic contexts (Steurer, 2009).

In China, CSR has gained increasing attention since the 1990s, reflecting the country's rapid economic transformation and integration into the global economy (Chen et al., 2011). As the world's second-largest economy (HKU Common Core, 2023), China is home to a vast and dynamic business sector, with 181 million registered enterprises as of 2023. In this context, sustainable development has become a central concern for both policymakers and businesses.

Within China's corporate landscape, private enterprises play a dominant role. By 2023, they accounted for over 92% of all registered firms and contributed more than 60% of national GDP. Despite their economic importance, private firms often differ from state-owned and foreign-invested enterprises in terms of resource availability, governance structures, and long-term strategic orientation, which may affect their engagement with CSR practices.

Small and medium-sized enterprises (SMEs), the majority of which are privately owned, are particularly important for employment creation, innovation, and socio-economic development (Jin et al., 2020). Although research on CSR in SMEs has increased in recent years (Oduro et al., 2021), most studies have focused on large corporations, leaving CSR behaviour in private SMEs, especially in emerging economies such as China, relatively underexplored (Liu et al., 2020; Zhang et al., 2022).

Existing literature has also largely examined CSR from an organisational or reporting perspective, while less attention has been paid to how business owners' internal cognition influences CSR implementation. In particular, the relationship between CSR knowledge, attitudes, and practices remains insufficiently understood in the context of SMEs. This is critical, as entrepreneurs' perceptions and beliefs significantly shape business decisions and sustainability outcomes (Reijonen, 2008).

To address this gap, this study focuses on private manufacturing SMEs in China and investigates CSR from the perspective of business owners. Drawing on the Knowledge-Attitude-Practice (KAP) model, the study integrates the four CSR justifications proposed by Porter and Kramer (2006), namely moral obligation, sustainability, license to operate, and reputation, into the analysis of CSR cognition and behaviour. The KAP framework is particularly suitable for this study because it explains how individual cognition in the form of knowledge shapes evaluative orientation in the form of attitude, which subsequently influences actual behavioural outcomes in the form of practice, making it a useful lens for examining CSR implementation at the owner level. Accordingly, this study aims to:

RO1 : To assess the levels of CSR knowledge, attitudes, and practices among private manufacturing SMEs, including both overall CSR and the four CSR justifications.

RO2 : To examine the relationships between knowledge, attitudes, and practices across the four CSR justifications and overall CSR among private manufacturing SMEs.

We created a research model to examine the factors affecting business owners' CSR practices to achieve our research objectives, as illustrated in Figure 1. This study focuses on private manufacturing SMEs located in Chengdu, Sichuan Province, China. Accordingly, all references to SMEs in this study refer specifically to manufacturing SMEs in this regional context unless otherwise stated.

LITERATURE REVIEW

CSR is essential for fostering stakeholder trust and poses challenges in leadership, accounting, and public relations (Rossi et al., 2021). It involves not only owners but also employees, clients, and society, optimising operations through economic, social, and ethical considerations (Kaplan, 2020). Research indicates that CSR enhances brand loyalty through ethical behaviour (Quezado et al., 2022) and that stakeholder engagement strengthens CSR commitment (Adomako & Tran, 2022), despite potential confusion from unclear guidelines. Consumer perceptions play a critical role in trust and loyalty (Min et al., 2023), while CSR awards can elevate company value (Benjamin & Biswas, 2022).

In 2023, global GDP surpassed $100 trillion, with the U.S. leading at $26.94 trillion and China at $17.7 trillion; meanwhile, CSR has gained prominence in Chinese society, reflecting a shift towards ethical business practices. Although CSR originates from Western concepts, it has increasingly influenced Chinese businesses since the 1990s, as shown in Figure 1, addressing issues like environmental pollution as part of a sustainable development strategy.

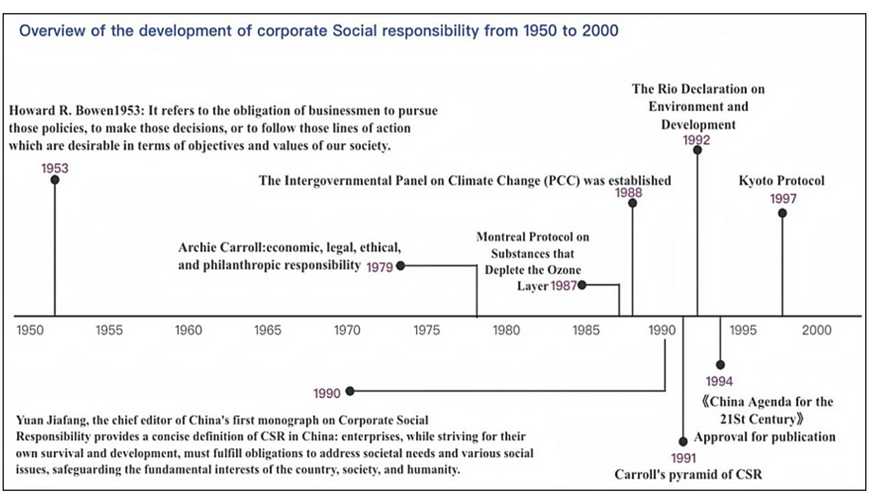

Figure 1. Overview of the development of corporate social responsibility from 1950 to 2000
Source: China Research Institute of Economics and Economics

The Chinese government promotes CSR as a political strategy, positioning it as a national priority that extends beyond mere profit, especially for state-owned enterprises (Yin & Zhang, 2012). Since the first national sustainable development policy in 1992, CSR initiatives have proliferated, evident in the rise of companies disclosing social responsibility reports from 10 in 2006 to 1,422 in 2021. Notably, President Xi Jinping highlighted the importance of CSR in global initiatives like the Belt and Road (2016). Despite limited research on CSR in China, recent studies show significant impacts of CSR on green innovation and the role of government in shaping these practices among Chinese firms (Bai et al., 2023).

From 1949 to the early 1990s, China's centrally planned economy restricted private enterprises, which are vital for innovation and job creation (Lee, 2024). The 2022 Fortune Global 500 list includes 86 state-owned enterprises with higher average revenues than 50 private firms, although private firms achieve better returns. Despite extensive research on CSR in Chinese enterprises, studies on private SMEs are scarce; only 5% of CSR research from 1992 to 2012 focused on SMEs (Zhou & Qian, 2012). Although SMEs are encouraged to adopt CSR due to their community roles, many view it as a cost (Shi, 2010).

Knowledge, Attitude, and Practice (KAP) Model

The knowledge, attitude, and practice (KAP) model, a cost-effective and resource-saving approach for assessing specific contexts, is used to develop the hypothesised relationships (Kwol et al., 2020). The theory posits that knowledge forms the foundation of behaviour change, while knowledge and attitudes drive this change (Owojori et al., 2022).

Knowledge is a company's most valuable asset in a commercial context (Usai et al., 2018). The attitudes of business owners significantly impact SMEs, making it challenging to predict their behaviour (Ettl & Simon, 2017). KAP surveys are widely used to study behaviour affected by issues in areas like health, environment, education, and food safety (Kwol et al., 2020). KAP also informs sustainable business practices, although the link between attitudes and sustainable practices is weak (Ahmad, J., 2015).

Corporate Social Responsibility (CSR)

Since the 20th century, enterprise society has shaped Western disciplines, notably in Britain and the U.S., promoting business-society harmony. CSR has various interpretations and is defined as a strategic, proactive, and collaborative business philosophy (Panwar, 2006). The relationship between CSR and sustainability has gained increasing theoretical and practical importance (Behringer & Szegedi, 2016). From a sustainable development perspective, CSR is similarly seen as strategic and collaborative (Panwar, 2006). CSR is widely used to promote sustainable business development, and post-pandemic, businesses may reassess their CSR goals and strategies (Carroll, 2021).

Table 1
Corporate Social Responsibility justifications: (Porter & Kramer, 2006)

Justification	Arguments for it
Moral Obligation	• Companies have a duty to be a good citizen and "to do the right thing". • Achieve commercial success in ways that honor ethical values, respect people, communities and natural environment (the goal of Business for Social Responsibility-BSR)
Sustainability	• Company need to emphasise on environment and community stewardship • Meeting the need of the present without compromising the ability of future generations to meet their own needs (definition by Gro Harlem Brundtland used by WBCSD)
License to operate	• Every company needs tacit or explicit permission from governments, communities and numerous other stake- holders to do business.
Reputation	• CSR initiatives will improve company's image, brand, enliven morale and even raise value of its stock

Porter and Kramer identify four justifications for CSR: moral obligation, sustainability, license to operate, and reputation (Table 1). Moral obligation emphasises ethical practices, while sustainability addresses the triple bottom line and long-term viability. The license to operate underscores the need for government permissions, and reputation focuses on addressing external concerns. Porter and Kramer (2006) highlight CSR's importance for businesses and stakeholders.

HYPOTHESIS DEVELOPMENT AND RESEARCH MODEL

Knowledge of CSR (License to Operate, Sustainability, Moral Obligation, and Reputation) and Attitudes Towards CSR (License to Operate, Sustainability, Moral Obligation, and Reputation).

License to operate in CSR refers to the social approval and legitimacy granted by stakeholders, including communities, regulators, consumers, workers, and NGOs, for a company's operations (Moffat & Zhang, 2014). In this study, Knowledge on license to operate (KL) refers to business owners' understanding of legal and regulatory requirements vital for their operations. Attitude towards license to operate (AL) reflects a business owner's perception and agreement with the legal and regulatory requirements guiding their business. Environmental compliance knowledge positively influences green attitudes (Ramírez & Portillo, 2019).

Sustainability knowledge is defined in various contexts. In this study, knowledge on sustainability (KS) refers to business owners' awareness of environmental, legal, and community-related sustainability and CSR aspects. Attitude towards sustainability (AS) encompasses business owners' views, beliefs, and acceptance of sustainability's environmental, social, and regulatory aspects. Research shows that greater knowledge of sustainable development leads to more eco-friendly attitudes and behaviours (Paço & Lavrador, 2017).

Moral psychologists highlight the importance of moral awareness in social dilemmas (Kohlberg, 1984). Knowledge on Moral Obligation (KM) refers to business owners' awareness of the ethical responsibilities guiding workplace decisions. Attitude towards moral obligation (AM) reflects the business owner's view on the importance of integrating ethics into workplace practices (Preble & Reichel, 1988). Moral attitudes and behaviours are influenced by awareness of moral obligations.

Corporate reputation is a shared perception based on individual interpretations of how others view the company (Helm, 2007). Knowledge on reputation (KR) refers to business owners' understanding of the factors that shape and sustain their company's reputation. Attitude towards reputation (AR) reflects business owners' views on the importance of maintaining and improving reputation through actions related to product quality, innovation, long-term strategy, talent retention, and quality management (Marken, 2002). A strong corporate image positively impacts brand awareness and attitudes (Darmawan, 2019). Moreover, the influence of knowledge on attitudes has been demonstrated in many studies (Härtel et al., 2023; Yang et al., 2020). Based on the analysis, the research hypotheses are:

Ha1 : Knowledge on license to operate of business owner positively influences attitude towards license to operate.

Ha2 : Knowledge on sustainability of business owner positively influences their attitudes towards sustainability.

Ha3 : Knowledge on moral obligation of business owner positively influences their attitudes towards Moral obligation.

Ha4 : Knowledge on reputation of business owner positively influences attitude towards reputation.

Attitude Towards CSR (License to Operate, Sustainability, Moral Obligation, Reputation) and Practice on CSR (License to Operate, Sustainability, Moral Obligation, Reputation)

Practice on license to operate (PL) can be understood as the practical application of the contractual foundation for the legality of specific activities or projects within a company (Demuijnck & Fasterling, 2016). (Cohn & White, 1991) assessed such attitudes and discovered that they could predict rule-violating behaviour in college students, with those endorsing rule-breaking behaviours being more inclined to participate in such actions.

Organisations adopt sustainability practices to integrate environmental sustainability into their operations, covering areas such as corruption prevention, supplier management, sustainability prioritisation, risk handling, financial aspects, employee satisfaction, and customer expectations (Da Silva Batista & De Francisco, 2018). In the study, practice on sustainability (PS) refers to the actions and behaviours of company owners related to environmental and social sustainability within their business operations. A good attitude towards sustainability is frequently a motivator for the adoption and implementation of sustainable practices inside an organisation. A study by Abdul-Halim et al. (2021) was conducted with sustainable science students to examine their knowledge, attitudes, and practices toward environmental sustainability based on their year of study. (Lim et al., 2023) investigate the knowledge, attitude, and practices of operating room personnel towards ecologically sustainable practices in operating rooms. (Ahmad, J., 2015) hypothesised the relationship between student attitudes and sustainable environmental practices, the relationship between attitude and practice is low but significant.

While companies can informally promote ethical behaviour, many focus on implementing formal plans and policies to guide moral conduct (Weaver et al., 1999). Practice on Moral Obligation (PM) involves actions taken by business owners based on their awareness of moral and ethical obligations in CSR operations. It typically includes training, ethical assessments, and measures to address lapses in ethical standards (Weaver et al., 1999). In Porter and Kramer's CSR framework, moral obligation also encompasses respect for people and the environment. For example, Foroudi (2019) studied the relationship between hotel employees' environmental attitudes and their intentions to adopt environmentally friendly policies, predicting their behaviour.

Practice on reputation (PR) refers to how shareholders or business owners respond to the actions of an organisation, whether they are positive or negative, strong, or weak (Ural, 2002). The link between corporate reputation and surplus management practices as well as corporate borrowing capacity was examined and (Setiawan et al., 2017) verified their interrelationship. In addition, a clear relationship between attitude and behaviour has been confirmed by multiple scholars (Govaerts & Olsen, 2022; Venciute et al., 2023). Consequently, we hypothesised that:

Ha5 : Attitude towards license to operate of business owner positively influences practice on license to operate.

Ha6 : Attitude towards sustainability of business owner positively influences practice on sustainability.

Ha7 : Attitude towards moral obligation of business owner positively influences practice on moral obligation.

Ha8 : Attitude towards reputation of business owner positively influences practice on reputation.

Knowledge of CSR (License to Operate, Sustainability, Moral Obligation, and Reputation) and CSR Practices (License to Operate, Sustainability, Moral Obligation, and Reputation)

Understanding the licensing requirements is a prerequisite for effectively putting them into practice. Knowledge guides action, and well-informed business owners are more likely to adopt practices that comply with operating license requirements. (Toleuov et al., 2023) A conclusion was made about the influence and the importance of the qualities of legal awareness on the nature of the legal behaviour of the individual. (Abdullahi et al., 2016) validated a statistically significant correlation between workers' awareness of adherence to slaughterhouse regulations and their practice. Individuals' beliefs in sustainability influence their attitudes toward practices, and consequently, their sustainable knowledge shapes behaviour. Knowledge has a positive significant (though weak) bivariate correlation with behaviour (Heeren et al., 2016). Research indicates that increased environmental awareness positively influences responsible environmental behaviour (Pavalache-Ilie & Cazan, 2018). (Buerke et al., 2016) finds that consumer knowledge and pro-sustainability attitudes both exhibit a positive correlation with responsible consumer practice. Increased ethical awareness in accounting students corresponds to enhanced proficiency in ethical decision-making (Anggraini et al., 2020). (Haines et al., 2007) finds that moral awareness has a positive impact on the ability to make ethical decisions. However, there is limited research in the current literature on the relationship between ethical knowledge and ethical practices in CSR. Positive corporate reputations offer strategic advantages for the firms that hold them (Weigelt & Camerer, 1988). Reputation Practice involves the specific actions that business owners take in their daily business operations related to reputation management, etc. (Roberts & Dowling, 2002) affirms a positive correlation between reputation and financial performance. Therefore, we propose that:

Ha9 : Knowledge on license to operate of business owner positively influences practice on license to operate

Ha10 : Knowledge on sustainability of business owner positively influences practice on sustainability.

Ha11 : Knowledge on moral obligation of business owner positively influences practice on moral obligation.

Ha12 : Knowledge on reputation of business owner positively influences practice on reputation.

Knowledge on CSR, Attitudes Towards CSR and Practices on CSR

The KAP model encompasses knowledge, attitude, and practice. In business, knowledge is a key asset that, when integrated and stored, transforms into organisational capability (Usai et al., 2018). Attitude reflects an individual's beliefs and evaluations regarding a particular issue and is influenced by knowledge. Practice, the final KAP stage, is shaped by attitudes. The theory highlights the interconnection among knowledge, attitudes, and behavioural practices.

Eua-Anant et al. (2011) found that SMEs owners/managers' CSR awareness impacts CSR practices. Consumer CSR knowledge significantly improves consumer environmental attitude (Mahmud, 2024). Mueller and Theuvsen (2014) identified customer opinions on political engagement as a key factor influencing attitudes. Rosati et al. (2018) showed that highly educated employees exhibit more favorable CSR attitudes. Muya (2016) explored the KAP of individuals in private colleges and universities regarding CSR. To examine the relationship between KAP and CSR, the following hypotheses are proposed:

Ha13 : Knowledge on CSR of business owner positively influences attitudes towards CSR

Ha14 : Attitudes towards CSR of business owner positively influences practices on CSR

Ha15 : Knowledge on CSR of business owner positively influences practices on CSR

Research Model

The Knowledge–Attitude–Practice (KAP) model is widely applied in medical and public health research but has been less frequently used in business and CSR studies. Prior research has only limitedly examined CSR-related knowledge, attitudes, and practices in SMEs contexts. For instance, Maluleka and Ross (2024) explored SMEs owners' CSR knowledge, attitudes, and practices in Johannesburg using qualitative methods, while Ayobami et al. (2019) found that small business owners often lack CSR knowledge and demonstrate weak CSR-related attitudes.

Building on these gaps, this study develops a conceptual framework to examine CSR practices among SMEs owners by integrating the KAP model with the CSR framework proposed by Porter and Kramer (2006). The four CSR justifications—moral obligation, sustainability, license to operate, and reputation—are incorporated as the substantive domains of CSR cognition within the KAP structure.

Specifically, CSR knowledge refers to SMEs owners' cognitive understanding of these four CSR justifications, including awareness of ethical responsibility (moral obligation), understanding of environmental and social sustainability, recognition of legitimacy requirements for maintaining a license to operate, and knowledge of the strategic value of corporate reputation. CSR attitude reflects owners' evaluative judgments and personal agreement with these CSR dimensions, including the perceived importance of ethical responsibility, support for sustainability practices, recognition of social legitimacy as a condition for business continuity, and belief in the value of reputation management. CSR practice refers to the actual implementation of CSR-related actions in business operations, including ethical decision-making (moral obligation), environmental and sustainable practices (sustainability), compliance with legal and social expectations (license to operate), and reputation-building activities such as quality management and stakeholder communication.

By operationalising the four CSR justifications across the three KAP dimensions, this study proposes an integrated conceptual model that links CSR cognition to behavioural outcomes in SMEs. The model examines the relationships among CSR knowledge, attitudes, and practices of business owners, as illustrated in Figure 2.

MATERIALS AND METHODS

The Procedure Used for the Collection of Data

The completed questionnaire was hosted on Questionnaire Star (Wenjuanxing; http://www.wjx.cn), a widely used online survey platform in China (He et al., 2019). The study focuses on owners of private SMEs in the manufacturing sector in Chengdu, Sichuan Province, China. According to Chengdu Industry and Information Technology data (2022), private enterprises in Chengdu are the optimal target for this research, as shown in Table 2.

Manufacturing SMEs are classified into medium, small, and micro enterprises according to the Several Opinions of the State Council on Further Promoting the Development of Small and Medium-sized Enterprises (State Council [2009] No. 36). Medium-sized enterprises have annual sales revenue between RMB 20 million and RMB 400 million, while small and micro enterprises have revenue below RMB 20 million. The manufacturing sector includes industries such as apparel, chemicals, industrial equipment, metals, textiles, electronics, food, automotive, and plastics.

The manufacturing sector is selected because of its central role in China’s economic development (Zhang et al., 2025). Manufacturing SMEs are more exposed to environmental regulations, supply chain

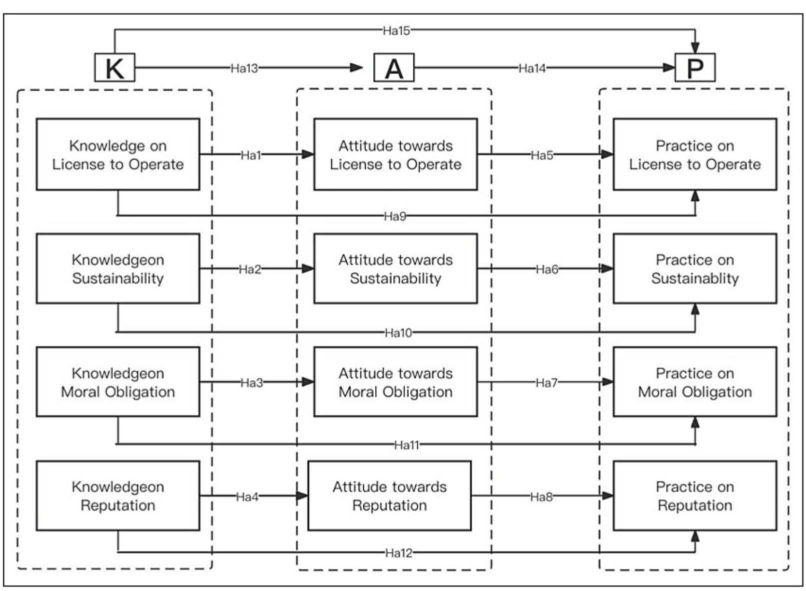

Figure 2. Research model [adapted from Porter & Kramer (2006)]

Table 2
Data on private SMEs in manufacturing industry in Chengdu, Sichuan, China

Data	
Private Economic Added Value	1,015.684 billion yuan
Share of GDP	48.8%
Total Market Entities	3.6389 million (ranked second in China)
Private Firms' Job Contribution	70% of jobs, 90% of new positions
Manufacturing Contribution	¥484.24Billion
Manufacturing as % of GDP	24.3%
High-Tech Zone Output Value:	Hundreds of billions of yuan
Industrial Enterprises (≥10Billion)	3
Listed Manufacturing Enterprises	26
National Specialties & "Small Giants"	70
Chengdu's Overall Economic Rank in China	7
Chengdu's Industrial Added Value Rank	14
SMEs Classification in Manufacturing	
• Medium Enterprise	Annual sales revenue: RMB 20M - 400M
• Small and Micro Enterprises	Annual sales revenue: Up to RMB 20M

Source: Chengdu Industry and Information Technology Data (2022); State Administration of Taxation

pressures, and sustainability expectations than firms in other sectors, making them particularly suitable for examining CSR knowledge, attitudes, and practices. In addition, Chengdu's manufacturing industry represents a rapidly developing component of western China's industrial economy, providing a relevant and meaningful empirical context for this study.

This study obtained a sample size of 400, which exceeds the minimum requirements suggested by Hair et al. (2014) for PLS-SEM, including the 10-times rule and the minimum sample size indicated by G*Power analysis. These guidelines were used as indicators of minimum sample adequacy to ensure the stability of the PLS-SEM estimates rather than to claim statistical representativeness. Due to the lack of a full sampling frame, owners of private manufacturing SMEs in Chengdu were recruited via snowball sampling, a non-probability sampling approach. This approach is widely used in SMEs research to access hard-to-reach populations and may improve response diversity where sampling frames are unavailable (Baltar & Brunet, 2012; Kirchherr & Charles, 2018). It should be noted that, due to the use of snowball sampling, the findings are not statistically generalisable to SMEs in Chengdu. The questionnaire included screening questions to ensure that participants were private manufacturing SMEs owners in Chengdu's manufacturing sector (see Appendix A for details). Non-qualifying respondents were excluded, and a reminder encouraged participants to forward the survey to others in their network. Data analysis was conducted using SPSS version 26.0.

Measurement of Variables

We had 12 constructs. Additionally, all the items were derived from previous research. The constructs of knowledge on license to operate, attitude towards license to operate, and practice on license to operate were adapted from Deephouse and Suchman (2008), Scott (2008), and Puspa and Wijaya (2018). The constructs of knowledge on sustainability, attitude towards sustainability, and practice on sustainability were adapted from the work of Birou et al. (2019) and Oriade et al. (2021). The constructs of knowledge on moral obligation, attitude towards moral obligation, and practice on moral obligation were adapted from the previous study of Pusriadi et al. (2021). The constructs of knowledge on reputation, attitude towards reputation, and practice on reputation were adapted from Helm (2010), Chun (2005), Foroudi et al. (2014), and Helm (2007).

All items were assessed using a 5-point Likert scale, ranging from 'Strongly Disagree' to 'Strongly Agree'. The questionnaire was translated into Chinese by a certified company and back-translated to English for equivalence. Verification confirmed the translation's accuracy. To address inconsistencies and biases, a pilot study was conducted with 47 samples, yielding 40 valid responses after excluding invalid ones. Reliability was assessed using SPSS, with Cronbach's alpha ranging from 0.70 to 0.90, indicating no need for item modification.

RESULTS

Descriptive Analysis on Demographic Variables

Table 3 shows that most respondents are male (55.5%), with females at 44.5%. The majority hold a bachelor's degree (41.3%), followed by a diploma (16.8%) and a master's (12.8%), while 13% have less than a high school education. Owners and owner-managers each account for 51.2%. The largest sector is food manufacturing (22.5%), followed by apparel/footwear (22.3%), with automotive being the smallest (2.5%). Nearly half (47.3%) have operated for 1–5 years, while 22.8% exceed 10 years. Small/micro enterprises dominate (66.5%), with medium firms at 33.5%, reflecting a diverse sample.

Reliability and Validity

Reliability analysis assesses a tool's consistency in producing stable results. Cronbach's α indicates reliability, with higher values showing greater consistency. Validity measures how well an instrument captures its intended target (Kimberlin & Winterstein, 2008), covering content, construct, and accuracy of validity. Table 4 shows the reliability of the measurement scales for Knowledge (K), Attitude (A), and Practice (P). The scales demonstrate strong internal consistency, with Cronbach's α values of 0.925, 0.876, and 0.897, respectively. The Kaiser-Meyer-Olkin (KMO) values for sampling adequacy are 0.954, 0.899, and 0.919 for K, A, and P, all above the 0.7 threshold. These results confirm the reliability and validity of the

Table 3
Distribution of respondents according to demographic characteristics

Variables	Attribute	Frequency	Percentage (%)
Gender	Male	222	55.5
	Female	178	44.5
Education level	Less than high school	52	13
	High school	35	8.8
	Diploma	67	16.8
	Bachelor	165	41.3
	Master	51	12.8
	PHD	30	7.5
Position	Owner	205	51.2
	Owner and Manager	195	48.8
Industry	Apparel and footwear	89	22.3
	Chemical industry	19	4.8
	Industrial equipment	30	7.5
	Metal	41	10.3
	Textile manufacturing	50	12.5
	Computer and electronics manufacturing	20	5
	Food manufacturing	90	22.5
	Furniture	20	5
	Automotive	10	2.5
	Plastic industry	20	5
	Others	11	2.8
Firm age	Less than 1 year	50	12.5
	1-5 years	189	47.3
	6-10 years	70	17.5
	More than 10 years	91	22.8
Firm size	Medium-sized enterprise	134	33.5
	Small and Micro enterprise	266	66.5

Note. N = 400

Table 4
Cronbach's Alpha values and KMO and Bartlett's test results

Variable	N	Cronbach's α	KMO
K	20	0.925	0.954***
A	20	0.876	0.899***
P	20	0.897	0.919***

measurement tools for assessing the study's constructs.

Descriptive Statistics of Variables

Table 5 summarises the means and standard deviations for CSR-related variables across 400 respondents. The highest knowledge was in "License to operate" (M=4.11, S. D=0.809), while the lowest was in "Sustainability" (M=3.76, S. D=0.803). Attitudes were most positive towards "License to operate" (M=4.43, S. D=0.633) and least positive towards "Sustainability" (M=4.39, S. D=0.704). Practices showed the highest engagement in "License to operate" (M=4.18, S. D=0.435) and the lowest in "Sustainability" (M=3.55, S. D=0.457). Overall, K (M=3.94, S. D=0.658) and A (M=4.34, S. D=0.496) were higher, while P is moderate (M=3.78, S. D=0.360). This indicates stronger knowledge and attitudes towards "License to operate" but highlights the need for more focus on "Sustainability" in both knowledge and practices.

Preliminary Analysis Correlation Analysis between Business Owners' CSR Knowledge, Attitudes, and Practice

Spearman's rank correlation (ρ) is a nonparametric method assessing rank dependence and monotonic relationships, suitable for non-linear data (Gibbons & Chakraborti, 2011). This study uses ρ to analyse CSR-related knowledge, attitudes, and practices among private business owners. A ρ value near ±1 indicates a strong correlation, with positive values showing a positive link and negative values indicating a negative one.

Table 5
Summary of means and standard deviation for key variables

Variables	M	(S.D)
Knowledge on License to operate	4.11	0.809
Knowledge on Sustainability	3.76	0.803
Knowledge on Moral Obligation	3.77	0.815
Knowledge on Reputation	4.04	0.822
Attitude towards License to operate	4.43	0.633
Attitude towards Sustainability	4.39	0.704
Attitude towards Moral Obligation	4.25	0.858
Attitude towards Reputation	4.18	0.841
Practice on License to operate	4.18	0.435
Practice on Sustainability	3.55	0.457
Practice on Moral Obligation	3.53	0.528
Practice on Reputation	3.75	0.484
Knowledge	3.94	0.658
Attitude	4.34	0.496
Practice	3.78	0.360

Note. N = 400

The correlation between each knowledge variable and attitude variable is tested, and the results are presented in Table 6. In the correlation test between KL and AL, ρ=0.301, P=.000, indicating a significant correlation between the two. Similarly, in the correlation test between KS and AS, ρ=0.279, P<0.001, signifying a significant correlation. The correlation test between KM and AM revealed ρ=0.335, P=.000, indicating a significant relationship. Furthermore, in the correlation test between KR and AR, ρ=0.322, P=.000, suggesting a significant correlation. Lastly, in the correlation test between A and K, ρ=0.549, P=.000, demonstrating a significant relationship between the two.

Table 7 shows significant correlations between attitude and practice variables. The correlation between AL and PL is ρ=0.616, P=.000; between AS and PS, ρ=0.605, P=.000; between AM and PM, ρ=0.752, P<0.001; and between AR and PR, ρ=0.727, P=.000. The correlation between P and A is ρ=0.799, P=.000, all indicating significant relationships.

Table 6
Correlation between knowledge and attitude

Correlation			KL	KS	KM	KR	K
Knowledge and Attitude	**AL**	ρ	0.301***	-	-	-	-
		Sig.	.000	-	-	-	-
	AS	ρ	-	0.279***	-	-	-
		Sig.	-	.000	-	-	-
	AM	ρ	-	-	0.335***	-	-
		Sig.	-	-	.000	-	-
	AR	ρ	-	-	-	0.322***	-
		Sig.	-	-	-	.000	-
	A	ρ	-	-	-	-	0.549***
		Sig.	-	-	-	-	.000

Table 7
Correlation between attitude and practice

Correlation			AL	AS	AM	AR	A
Attitude and Practice	**PL**	ρ	0.616***	-	-	-	-
		Sig.	0.000	-	-	-	-
	PS	ρ	-	0.605***	-	-	-
		Sig.	-	0.000	-	-	-
	PM	ρ	-	-	0.752***	-	-
		Sig.	-	-	0.000	-	-
	PR	ρ	-	-	-	0.727***	-
		Sig.	-	-	-	0.000	-
	P	ρ	-	-	-	-	0.799***
		Sig.	-	-	-	-	0.000

The correlation tests between cognitive and behavioural variables are shown in Table 8. The correlations between KL and PL (ρ=0.784, P=0.000), KS and PS (ρ=0.703, P=0.000), KM and PM (ρ=0.704, P=0.000), KR and PR (ρ=0.756, P=0.000), and overall knowledge (K) and overall practice (P) (ρ=0.848, P=0.000) all show significant relationships.

DISCUSSION

RO1 : To assess the levels of CSR knowledge, attitudes, and practices among private manufacturing SMEs, including both overall CSR and the four CSR justifications.

The findings indicate that private manufacturing SMEs owners in Chengdu generally demonstrate positive levels of CSR knowledge, attitudes, and practices. Among the four CSR justifications, license to operate received the highest scores across knowledge, attitudes, and practices, while sustainability awareness was comparatively lower, and moral obligation showed the lowest level of practical implementation.

The strong emphasis on license to operate may reflect the regulatory and business environment in which Chinese manufacturing SMEs operate. Business owners may view CSR primarily as a means of maintaining legitimacy, complying with regulations, and ensuring business continuity. This may explain why licenses to operate received stronger support than the other CSR justifications. The comparatively lower level of sustainability awareness may be attributed to the resource constraints commonly faced by SMEs. Compared with larger firms, SMEs often prioritise short-term business survival and growth over long-term sustainability initiatives. This suggests that sustainability-oriented CSR is still developing among manufacturing SMEs in Chengdu. The findings also show that attitudes toward CSR were generally stronger than actual

Table 8
Correlation between knowledge and practice

Correlation			KL	KS	KM	KR	K
Knowledge and Practice	**PL**	ρ	0.784***	-	-	-	-
		Sig.	0.000	-	-	-	-
	PS	ρ	-	0.703***	-	-	-
		Sig.	-	0.000	-	-	-
	PM	ρ	-	-	0.704***	-	-
		Sig.	-	-	0.000	-	-
	PR	ρ	-	-	-	0.756***	-
		Sig.	-	-	-	0.000	-
	P	ρ	-	-	-	-	0.848***
		Sig.	-	-	-	-	0.000

practices. While business owners appear to recognise the importance of CSR, practical implementation may be constrained by limited resources and operational pressures. This highlights the challenges SMEs face in translating positive CSR attitudes into concrete actions.

RO2 : To examine the relationships between knowledge, attitudes, and practices across the four CSR justifications and overall CSR among private manufacturing SMEs.

The results confirm the KAP framework, showing that knowledge translates into attitudes and subsequently into CSR practices across all four CSR justifications (Table 9 and Table 10). While previous studies have examined the links between CSR and KAP (Ayodele et al., 2019), this study extends the literature by integrating KAP theory with Porter and Kramer's four CSR justifications. Among the relationships examined, the association between CSR knowledge and practice shows the strongest effect, indicating that knowledge plays a particularly central role in driving CSR implementation among private manufacturing SMEs in Chengdu.

Table 9
Descriptive statistical results of variable KAP

	Mean	Standard Deviation
Knowledge	3.94	0.658
Attitudes	4.34	0.496
Practices	3.78	0.360

The findings indicate that greater CSR knowledge among SMEs owners contributes to more favourable attitudes towards CSR, consistent with previous studies linking knowledge with perceptions of regulatory legitimacy, moral obligation, sustainability, and reputation (Liao, 2022; Paço & Lavrador, 2017; Ramírez & Portillo, 2019). However, the strength of this relationship varies across the four CSR justifications. License to operate emerges as the most influential dimension, while sustainability and moral obligation are relatively weaker. This pattern suggests that CSR engagement among Chengdu's manufacturing SMEs is primarily shaped by regulatory and legitimacy-oriented concerns rather than long-term ethical or sustainability-driven motivations. This finding aligns with the institutional context of China, where regulatory compliance and government-led governance mechanisms strongly influence SMEs behaviour. This study also finds a significant relationship between knowledge and CSR practices, which aligns with previous studies highlighting the direct role of knowledge in shaping practice (Abdullahi et al., 2016; Anggraini et al., 2020; Haines et al., 2007; Roberts & Dowling, 2002). This may be because CSR knowledge enhances SMEs owners' ability to understand practical implementation requirements and recognise appropriate CSR actions in daily business operations. In addition, higher knowledge reduces uncertainty in decision-making, making it more likely that awareness is translated into actual CSR behaviour.

Table 10
Summary of the research objective 2 and hypotheses

	Research Objective 2 and Hypothesis Statements	Result
RO2:	To examine the relationships between knowledge, attitudes, and practices across the four CSR justifications and overall CSR among private manufacturing SMEs.	
Ha1:	Knowledge on license to operate of business owner influences attitude towards license to operate.	Supported
Ha2:	Knowledge on sustainability of business owner positively influences their attitudes towards sustainability.	Supported
Ha3:	Knowledge on moral obligation of business owner positively influences their attitudes towards Moral obligation	Supported
Ha4:	Knowledge on reputation of business owner positively influences attitude towards reputation.	Supported
Ha5:	Attitude towards license to operate of business owner positively influences practice on license to operate	Supported
Ha6:	Attitude towards sustainability of business owner positively influences practice on sustainability.	Supported
Ha7:	Attitude towards moral obligation of business owner positively influences practice on moral obligation.	Supported
Ha8:	Attitude towards reputation of business owner positively influences practice on reputation.	Supported
Ha9:	Knowledge on license to operate of business owner positively influences practice on license to operate.	Supported
Ha10:	Knowledge on sustainability of business owner positively influences practice on sustainability.	Supported
Ha11:	Knowledge on moral obligation of business owner positively influences practice on moral obligation.	Supported
Ha12:	Knowledge on reputation of business owner positively influences practice on reputation.	Supported
Ha13:	Knowledge on CSR of business owner positively influences attitudes towards CSR.	Supported
Ha14:	Attitudes towards CSR of business owner positively influences practices on CSR.	Supported
Ha15:	Knowledge on CSR of business owner positively influences practices on CSR	Supported

Overall, the findings suggest that knowledge, attitudes, and practices operate as a reinforcing mechanism in shaping CSR engagement among private manufacturing SMEs in Chengdu. By integrating the KAP framework with Porter and Kramer's CSR justifications, this study provides a more context-specific explanation of CSR formation mechanisms within Chinese manufacturing SMEs.

CONCLUSION

This study investigates factors influencing CSR practices in Chengdu's manufacturing SMEs, focusing on the relationships among knowledge, attitudes, and practices through the lens of KAP theory and CSR components. Findings indicate that CSR knowledge significantly impacts attitudes and practices, offering a framework to analyse CSR dynamics in this context. Methodologically, the study applies a quantitative approach tailored to this context, providing insights to enhance long-term CSR strategies and regional socioeconomic development.

Contributions

This study provides valuable insights into CSR practices among Chengdu's private manufacturing SMEs by integrating CSR and KAP theories, highlighting the role of knowledge and attitudes in shaping CSR practices. Theoretically, it extends the KAP framework by exploring CSR components such as license to operate, moral obligation, sustainability, and reputation, offering a holistic perspective on CSR justifications. Methodologically, its quantitative approach with a large sample size enhances reliability and serves as a framework for future research. Practically, the findings offer actionable recommendations for business owners, policymakers, and stakeholders to enhance CSR engagement, address manufacturing SMEs challenges, and promote sustainable development in Chengdu.

Implications

This research confirms all 15 proposed hypotheses, highlighting the significant impact of business owners' CSR knowledge on their attitudes and practices. A deeper understanding of CSR justifications positively influences both attitudes and actions. However, business owners tend to rate their knowledge lower than their attitudes, indicating a need for enhanced CSR education. The study also finds a strong positive connection between attitudes and CSR practices, with attitudes toward the license to operate, sustainability, moral obligation, reputation, and CSR all playing key roles in driving CSR practices in private enterprises. Among the CSR components, "license to operate" is particularly influential in improving overall CSR practices, emphasizing the need for targeted awareness campaigns. The findings provide valuable insights for practitioners, policymakers, and scholars, underscoring the importance of informed decision-making to promote CSR in Chengdu's private enterprises. Overall, the research demonstrates the interconnectedness of knowledge, attitude, and practice within CSR, offering a framework to advance CSR practices and guide strategies to strengthen CSR engagement in the private sector.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Limitations include potential representation gaps despite a 400-participant sample. Future studies could expand the sample or use stratified random sampling for better reliability. Snowball sampling may introduce bias, warranting alternative methods. Adding variables like owner willingness could deepen insights. Expanding to other regions and industries may enhance CSR understanding. Comparing private manufacturing SMEs with large firms could further clarify CSR differences across corporate scales.

To strengthen CSR practices among SMEs in Chengdu, this study suggests enhancing CSR education through industry-tailored training, expert-led workshops, and government-backed incentives such as tax benefits. SMEs should also improve their public image by adopting transparent business practices and engaging in CSR initiatives aligned with global standards. For long-term business sustainability, SMEs must refine internal management, adopt digital strategies, and learn from large enterprises to enhance operational resilience. At the national level, China should establish supportive policies, funding schemes, and regulatory frameworks to create a business environment conducive to CSR-driven growth among manufacturing SMEs.

ACKNOWLEDGEMENT

The authors would like to extend their heartfelt thanks to all SME representatives for sharing their expertise, time, and valuable insights, which contributed to the study design, data collection, and analysis. Their contributions greatly enhanced the rigor and validity of this research. The authors are grateful for their collaboration and support throughout the study.

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APPENDIX A: INITIAL QUESTIONNAIRE FOR BUSINESS OWNERS IN ENGLISH

A Survey on Private SMEs

Screening Questions

Q1. Is your enterprise located in Chengdu?
☐ Yes ☐ No → End survey

Q2. Is your enterprise a private enterprise?
☐ Yes ☐ No → End survey

Q3. Does your enterprise operate in the manufacturing industry?
☐ Yes ☐ No → End survey

Q4. Are you the owner of this enterprise?
☐ Yes ☐ No → End survey

Q5. Is your enterprise classified as a small or medium-sized enterprise (SMEs) with an annual revenue not exceeding 400 million RMB?
☐ Yes ☐ No → End survey

Demographic Information and Firm Information

Gender
☐ Male ☐ Female

Education level:
☐ Less than high school ☐ High school ☐ Diploma
☐ Bachelor ☐ Master ☐ PHD

Position
☐ Owner ☐ Owner and Manager

What type of sector does your enterprise belong to?
☐ Apparel and footwear ☐ Chemical industry
☐ Industrial equipment ☐ Metal ☐ Textile manufacturing
☐ Computer and electronics manufacturing ☐ Food manufacturing
☐ Furniture ☐ Automotive ☐ Plastic industry
☐ Other, please specify ______________________.

How long ago was your enterprise established?

☐ Less than 1 year ☐ 1-5 years ☐ 6 to 10 years ☐ More than 10 years

Manufacturing industry firm size

☐ Medium-sized enterprise (20 million yuan≤Annual Sales<400 million yuan)

☐ Small and Micro enterprise (annual sales < 20 million yuan)

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JOURNAL OF SOCIAL SCIENCES & HUMANITIES

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