

Research on the Relationship Between CSR and Financial Performance from the Stakeholder Perspective----Taking the Listed Corporate in Henan Province as an Example

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Abstract: With the development of economic, CSR has aroused more heated discussion about whether corporate should pursue short-term benefit maximization or actively undertake social responsibilities to all stakeholders to pursue long-term value maximization. Through the analysis of 357 sets of data of CSR and financial performance of listed corporate in Henan Province, it is concluded that financial performance is positively related to CSR. There is a promoting conclusion that corporate social responsibility can not only benefit stakeholders, but also benefit their own financial performance .

Keywords: Stakeholders; CSR; Financial Performance

1. The connotation and measurement method of CSR and financial performance

1.1 The connotation and measurement method of CSR

In 1923, after the concept of CSR was first put forward in the book of *The Philosophy of Management*, the research content on the definition, measurement method and index system of CSR became increasingly rich at home and abroad. In the late 20th century, the stakeholder theory continued to develop. Hode Gates (1985) proposed for the first time based on the stakeholder theory that corporate should be responsible for six aspects: shareholders, consumers, creditors, employees, government and society. After continuous research and development, the current recognized CSR refers to the corporate should be responsible of the first stakeholders (shareholders, creditors, employees, suppliers) and the second stakeholders (government, social welfare, social resources).

The measurement method of CSR includes the "reputation index method" for evaluating the social reputation of the corporate based on the subjective view; the "content analysis method" for taking the amount of the social responsibility disclosed in the corporate report as the evaluation standard; the "KLD index method" for taking the responsibility of the corporate to consumers, employees, community, environment and opportunity as the evaluation standard; and the scoring and rating of social responsibility calculated and published according to certain methods. Based on the accuracy and availability of data, the social responsibility score of Hexun is selected to measure CSR .

1.2 The connotation and measurement method of financial performance

Financial performance is the specific contribution that whether enterprise strategy is making to the realization of business goals. The profitability, solvency, operation ability and development ability of an enterprise are the specific manifestations of financial performance, which can reflect the return rate of shareholders' equity, capital allocation effect, asset management effect and cost control effect of an corporate.

There are many ways to measure corporate financial performance, which are mainly divided into market indicators and

accounting indicators. The market indicators are mainly the price-earnings ratio, earnings per share and stock market value of corporate; the accounting indicators are mainly Tobin Q value, Return on Assets, growth rate of operating income and growth rate of net assets. Referring to the research of Chen Yu (2012), this paper uses Return On Assets(ROA) to measure financial performance.

2. Analysis of relationship between CSR and financial performance

There are many studies on the relationship between CSR and financial performance at home and abroad, but the results of studies are different. Li Zheng (2006) took 521 SSE listed corporate as samples to study the correlation between financial performance and social responsibility, and the result found that CSR was inversely proportional to financial performance. From the perspective of stakeholders, Li Lianhua (2012) took the data of the chemical industry in Hangzhou, Zhejiang province from 2008 to 2010 as the research object, and effectively concluded that the performance of CSR would improve the financial performance in the current and later periods. Li Jiansheng (2011) has concluded that the relationship between CSR and financial performance is not significant. Therefore, the relationship between CSR and financial performance is complicated and needs further research.

In this paper, the social responsibility score of Hexun is selected to measure the CSR of listed corporate in Henan Province from 2015 to 2020, and the Return On Assets is selected as the measure of financial performance. In order to ensure the reference of the data, the data of the selected listed corporate are screened, ST and ST * enterprises are excluded, listed financial corporate are excluded, and corporate with missing data are excluded. In total, 357 sets of observed values were obtained after elimination. The scatter plot of the relationship between CSR and financial performance based on the sample data is as follows:

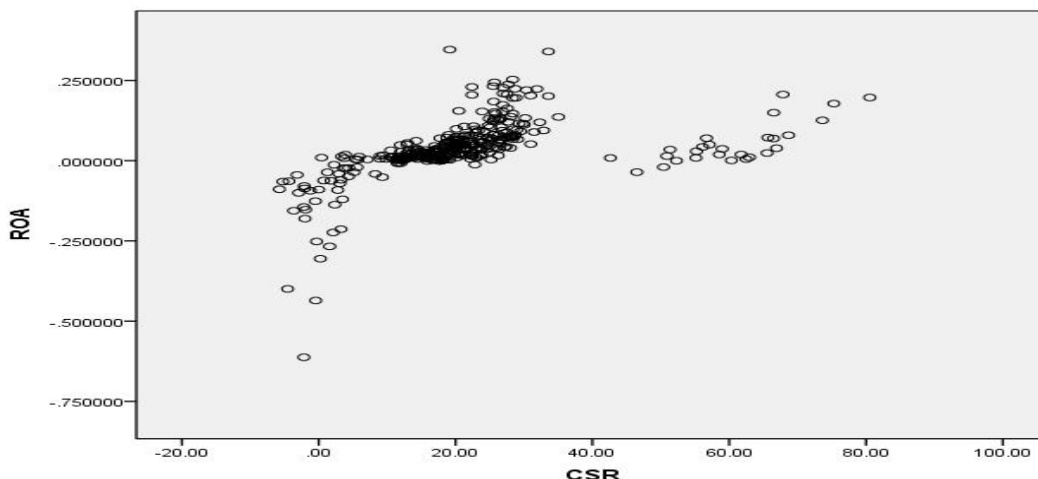


Figure 1 Scatter plot of the correlation between CSR and financial performance

As can be seen from the above scatter chart, the social responsibility score of listed corporate in Henan Province is concentrated between 20 and 40 points, the Return On Assets is concentrated between 0 and 20%, and there is a significant positive correlation between CSR and ROA. This also shows that the more social responsibilities the corporate assumes, the stakeholders of the enterprise will take practical actions to reward, and bring more benefits to the enterprise.

In addition to the above data studies, there are many corporate examples that can confirm the positive correlation between CSR and financial performance. (1) Failure to undertake social responsibility leads to a decline in financial performance. Sanlu milk powder added melamine to increase nitrogen content, but seriously endangering the health of infants. Before, Sanlu was well-known corporate in China, and the product sales were far ahead. However, Sanlu was carried away by interests, and only cared for the temporary interests of shareholders, but ignored the interests of other stakeholders. (2) Actively undertake social responsibilities to rebound the performance. After the heavy rain in Zhengzhou in July 2021, Hongxing Erke still donated 50 million yuan of materials to the disaster area despite the condition of poor business performance. Hongxing Erke's actions have made the majority of consumers express their gratitude with practical actions, and financial performance has continued to recover. All these events tell us that corporate that do not undertake social responsibility will be abandoned by consumers, and their performance will decline. Corporate that actively undertake social responsibility can be favored by consumers, and their performance will rise.

3. The reason of CSR promoting the growth in financial performance

From the above analysis, the reasons of why CSR can promote financial performance growth can be divided into seven aspects according to different stakeholders.

The first is on the shareholders' side. As the owner of the corporate, shareholders invest people, capital and wisdom for the enterprise, and the purpose of shareholders is to realize the value increase of assets. Only when the corporate achieves good profits through operation, the shareholders can invest more assets into the corporate, enrich the corporate resources, and make the corporate have a better operation.

The second is on the creditor side. The biggest difficulty in corporate operation is the capital problem. Many bankrupt corporate break the capital chain due to financing difficulties, so corporate must maintain a good relationship with creditors. What the creditors are most concerned about is the repayment ability of the corporate. If the corporate is responsible to the creditors, it can repay the principal and interest on time, and the creditors will borrow again and further enhance the development of the corporate.

The third is the staff side. The core of modern corporate competition has been transformed into the competition of talents. Corporate and employees share the achievements of development, adhere to the distribution according to work, improve the wage increase mechanism, avoid forced employment methods to protect the rights and interests of employees, can enable employees to work more actively, give full play to their own creativity, subjective initiative in the work, and create more benefits for the corporate.

The fourth is the supplier side. The quality of raw materials is directly related to the quality of products. As the provider of raw materials, suppliers even need to participate in the development of the products, which can be seen in their importance. The enterprise is responsible for the suppliers, pays on time, does not default on the payment, and establishes a good strategic partnership with the suppliers to help the stability of product quality, and then improve the recognition of the products in the market.

The fifth is the government side. As the manager of the macro economy, the government creates a good social environment for the operation of enterprises. Corporate should assume the due tax obligations to the government and cooperate with the government in various work. Corporate should set up times sense of mission, combining the strategic goals of corporate and national goals, actively participate in social charity, contribute to the third distribution, can fully reflect the enterprise responsible for the government, can obtain the recognition of the government, and the government recognition for corporate is undoubtedly the most powerful propaganda.

Sixth, the social welfare aspects. Public welfare activities are often closely related to people's lives. Corporate can actively participate in social welfare, which can virtually gain the recognition of consumers and the government, expand their own popularity, establish a good image of responsibility in people's hearts, and then improve the reputation of corporate in the market.

Seventh, it is related to social resources. Resources are limited, corporate protect social resources, make full use of social resources, so that the unit of resources to produce the greatest social benefits should be the goal of corporate to pursue, a good ecological environment is the most universal people's livelihood. Corporate actively participate in the construction of ecological environment, help the national carbon peak and carbon neutral goal, and can establish a good image of environmental protection in the hearts of the majority of consumers, which is conducive to the operation of corporate.

4. Conclusion and revelation

Through the above research and demonstration, it is shown that corporate can achieve a kind of "good people return" effect in fulfilling social responsibility. The performance of social responsibility and the rapid growth of financial performance present a complementary path. In the development of corporate, they should closely link themselves with social development, and corporate should develop together with the society. The assumption of social responsibility can create value for corporate and continuously improve the endogenous impetus of corporate to fulfill their social responsibility.

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