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The Non-Linear Relationship between Corporate Social Responsibility Practices and Financial Performance in Vietnam

Thi Cam Thanh Tran, Thi My Tu Le*, Xuan Quynh Le

Faculty of Economics and Accounting, Quy Nhon University, Vietnam

Abstract

The impact of corporate social responsibility practices on financial performance has been widely researched globally and in Vietnam. Studies have tried to provide evidence of improved financial performance through effective CSR practices, which can then encourage firms to participate in CSR initiatives to enhance the sustainable development of the economy. This study uses panel data from Vietnamese listed firms for the period 2020-2021, secondary data from the available Vietstock database to measure the level of CSR implementation towards stakeholders, including weights, and the ROA variable to measure the financial performance. The results show that the implementation of social responsibility has a positive relationship with the firm's financial performance, but the relationship is nonlinear, which has a negative effect on the linear model. It means that the implementation of social responsibility can improve financial performance, but only up to a certain limit. This finding helps Vietnamese firms build a balanced strategy between the two objectives of maximizing profits and moderately implementing social responsibility to optimize financial performance, thereby enhancing competitiveness and creating sustainable value for the firms and society.

Keywords: social responsibility, CSR, financial performance, non-linear, threshold effect

1. INTRODUCTION

In recent years, the issue of corporate social responsibility (CSR) has become an increasingly important topic in Vietnam. Firms are expected to operate efficiently from a financial perspective and demonstrate their role and responsibility towards the community, society, and the environment. Studies have shown that firms can achieve financial benefits through CSR activities, such as improving brand image, increasing employee engagement, and accessing new markets. Some scholars argue that firms should view CSR as an investment strategy, emphasizing the crucial importance of CSR in the firm's long-term vision (McWilliams et al. 2006). However, the costs and resources dedicated to these activities can also impact short-term profitability. Accepting that profit maximization is the most important goal of a firm, the key is to consider whether allocating firm resources to "good citizenship" activities can stimulate business value creation rather than using those resources in other, more profitable ways. Therefore, balancing social responsibility and financial performance (CFP) is a challenge for all firms in general and Vietnamese firms in particular.

Vietnam has also paid close attention to CSR issues. The Ministry of Finance has issued regulations on the disclosure information for listed companies on the stock market through Circular No. 155/2015/TT-BTC, Circular 96/2020/TT-BTC requires enterprises to disclose data related to activities that have an impact on the environment and society, policies related to workers, reports on community responsibility at the local level. The stakeholder theory has been recognized as an important foundation that can explain the CSR-CFP relationship. Many scholars have confirmed the effectiveness of the stakeholder perspective in measuring CSR. However, most previous studies have used questionnaires or third-party assessments to evaluate the firm's CSR

*Corresponding author;
E-mail: lẹthimytu@qnu.edu.vn

performance, revealing limitations in objectivity. As a result, the comparability and reliability of the results may be reduced. At the same time, Cho and Lee (2019) also called for the use of actual expenditures for CSR performance to replace KLD or other third-party assessments. Therefore, this study uses secondary data from corporate public reports in the context of Vietnam, a developing economy, as a measure to limit subjectivity and ensure the reliability of the CSR measurement dataset, examining whether good CSR practices can improve a firm's financial performance.

Additionally, existing studies on the impact of corporate social responsibility and the financial performance of Vietnamese enterprises have primarily proposed linear approaches, leading to many inconsistent conclusions. This can be explained by the possibility that this relationship may exist in a non-linear form and manifests in a complex way. A few studies have examined the non-linear relationship between CSR and CFP. Therefore, this study attempts to fill the practical gap in Vietnam through threshold regression analysis. This provides useful evidence for policymakers and businesses in promoting sustainable development.

This paper is expected to contribute to the existing literature in the field of CSR research from the following aspects: First, this study provides additional evidence on current CSR issues in developing economies. Secondly, grounded in stakeholder theory, this study can assess the impact of CSR issues on firm financial performance by using objective data to measure the CSR performance of firms from the perspective of multiple stakeholders, which is expected to improve the accuracy and reliability of the findings. Last but not least, one of the strategic significances of CSR research is to enhance firm performance. After conducting basic regression analyses and threshold analyses, a threshold level of CSR that can achieve a balance between social and financial benefits is expected to be identified, addressing the limited resource problem of enterprises. This provides a good reference for firms to conduct effective business within the CSR framework, which is beneficial for achieving harmonious development for both the enterprise and the whole society.

2. THEORETICAL AND RESEARCH OVERVIEW

2.1. Corporate social responsibility

There are various definitions of CSR. From a broad perspective, CSR can be understood as a mode of business operation in which enterprises voluntarily accept that the activities of enterprises are not only aimed at profit-making but also contribute to the protection of human rights and the promotion of common interests for society, the environment, and the community in which the enterprise is doing business. Thus, CSR is not just about firms engaging in charitable activities, but rather, it encompasses a range of actions and commitments to ensure that their business operations have a positive impact on all stakeholders, society, and the environment.

Globally, CSR has become an indispensable part of building a positive corporate image, attracting talent, creating trust from customers and the community, and playing an important role in contributing to the sustainable development of society and the natural environment. Therefore, although the concept of CSR is only advisory, it has been recognized in many international documents, including (i) the OECD Guidelines for Multinational Enterprises, (ii) ISO 26000 Guidance on Social Responsibility, (iii) the United Nations Global Compact (UNGC); and especially (iv) the UN Guiding Principles on Business and Human Rights (UNGP).

2.2. The relationship between CSR and CFP

Researchers argue that good CSR practices (responsive to stakeholders) will promote financial performance. Several studies have shown a positive correlation between CSR and financial performance, such as Waddock & Graves (1997), Moneva & Ortas (2008), and Maqbool & Zameer (2018). In developing countries, Oeyono et al. (2011) studied the top 50 Indonesian firms, Tyagi (2012) examined 215 Indian firms, Li et al. (2013) analyzed 1,574 Chinese non-financial firms, Waworuntu et al. (2014) looked at ASEAN-listed firms, Sarah et al. (2015) studied firms in Pakistan, and Wan et al. (2016) researched listed firms in Malaysia, all indicating a positive relationship between CSR and financial performance. Nadeem et al. (2019) examined the channel through which CSR affects financial performance. They used a large sample of 1,021 firms in the Asia-Pacific region from 2006 to 2016 and found that CSR is positively and significantly associated with financial performance. Using a sample of 577 publicly listed firms from 2008 to 2017, Garas and El-Temtamy (2020) explored the dynamic relationship and found that firms that invest in CSR have better financial performance. Similar results were obtained when Bahta et al. (2020) used a sample of 402 firms to examine the impact of CSR on innovation and financial performance of small and medium-sized firms using structural equation modeling (PLS). However, the literature on the CSR–financial performance relationship provides conflicting results. Some studies have also found a negative correlation between CSR and financial performance, such as Luo &

Bhattacharya (2006), El Ghoul et al. (2011), Melo (2012), Attig et al. (2013), Reverte (2012), and Peng and Yang (2014). This is explained by the fact that implementing additional social responsibilities leads to extra costs for the firm. Therefore, these voluntary costs may put socially responsible firms at a disadvantage compared to less socially responsible firms. Some studies even found no statistically significant relationship between CSR and financial performance, including McWilliams & Siegel (2000), Lee & Park (2009), Aras et al. (2010), and Luethge & Guohong Han (2012), Soana (2011), Sun et al. (2010), and Baird et al. (2012). Murray et al. (2006) analyzed the 100 largest US firms, Fiori et al. (2007) studied 25 Italian firms, and Luethge & Helen (2012) examined 62 Chinese firms listed on the Hong Kong Stock Exchange, all of which found no clear relationship.

In addition to studies based on linear methods, some other works focused on the nonlinear relationship between CSR and financial performance (Lin et al., 2020; Nollet et al., 2016). Other studies support the existence of a U-shaped or inverted U-shaped relationship between CSR and financial performance (Brammer et al., 2006; Barnett and Salomon, 2006, 2012; Lankoski, 2008; Miras-Rodríguez et al., 2014). Nollet et al. (2016) analyzed the linear and nonlinear relationships between CSR and financial performance in S&P500 firms from 2007 to 2011, finding a negative relationship in the linear regression but a U-shaped relationship in the nonlinear regression, confirming that CSR has a positive impact on financial performance in the long run. Lin et al. (2020) also found an inverted U-shaped relationship between CSR and financial performance in a sample of 132 firms from 2011 to 2017, suggesting that CSR engagement above a certain threshold can boost financial performance. Barnett and Salomon (2006, 2012) studied the curvilinear and U-shaped relationships between CSR and financial performance, showing that returns initially decline but recover when the number of CSR criteria is maximized. Miras-Rodríguez et al. (2014) confirmed a U-shaped relationship with higher performance for firms with extreme CSR scores. Brammer et al. (2006) also found a U-shaped relationship in stock returns, with companies with low CSR scores generally having higher profits. Lankoski (2008) showed that as CSR expenditure increases, revenue decreases, resulting in an inverted U-shaped relationship.

In Vietnam, Trang and Yekini (2014) confirmed a positive relationship between CSR and financial performance among the 20 largest firms listed on the Hanoi and Ho Chi Minh City Stock Exchanges (2010-2012). Tran Hoang Yen (2016) and Ngoc (2018) used content analysis on the annual reports of 31 commercial banks in Vietnam and found a negative relationship between CSR disclosure and financial performance.

Overall, the majority of the literature still maintains that CSR is positively related to financial performance. The stakeholder theory states that firms are not only profit-seeking organizations but also must satisfy the needs of their stakeholders and that firms must strive to receive social support as corporate citizens (Wright, 1997). In this sense, they believe that CSR activities can reduce conflicts of interest between firms and stakeholders and ultimately increase financial performance and corporate value (Bartlett & Preston, 2000; McWilliams & Siegel, 2001). Based on the above discussion, this study expects that firms that practice CSR effectively will be better evaluated in the market. Thus, their business profits will develop more favorably. The following hypothesis is established:

Hypothesis H1: CSR practices performance will positively affect the financial performance of firms.

Through a comprehensive analysis of articles that investigated the relationship between CSR and CFP, Griffin and Mahon found that 33 of them confirmed a positive relationship between CSR and CFP; 19 concluded that CSR implementation would impair a firm's financial performance, and nine could not establish a clear connection. Combining the findings from previous studies and considering the limited resources of a firm, we hypothesize that a firm's continuous adherence to CSR practices may not always have a direct positive or negative impact on its financial performance. Instead, it may exhibit a non-linear relationship. In the initial stage, the adoption of CSR measures may lead to a positive impact on a firm's financial performance, thanks to the building of a reputation as a "good citizen" and public support. However, the continuous implementation of CSR initiatives may cause a "crowding out effect" on business resources that could otherwise be allocated elsewhere, thus potentially undermining the firm's financial performance to some extent. From these findings, hypothesis H2 is proposed:

Hypothesis H2: There is a threshold effect in the relationship between CSR and CFP.

3. RESEARCH METHODOLOGY

3.1. Variables measurement

3.1.1. Corporate Social Responsibility

Based on stakeholder theory, CSR can be classified into responsibilities towards shareholders, creditors, customers, suppliers, employees, government, and community [Zhao et al. 2009]. From a stakeholder theory perspective, CSR measurement should consider the performance of each stakeholder. Businesses can set KPIs for each of their stakeholder-oriented goals while analyzing revenue and traditional performance through the lens of CSR initiatives. This approach helps clearly identify how the company's efforts have impacted these metrics, thereby optimizing CSR strategies to better serve each stakeholder group while ensuring that they are in harmony with financial goals (Li et al., 2024; Chi & Hang, 2023).

Table 1. CSR Perspectives

Perspective	**Measurement**	**Explanation**
Responsibility to Shareholders	Earnings Growth Rate per Share	The higher this ratio, the better the company fulfills its economic responsibility to shareholders [Zhang 2011]
Responsibility to Creditors	Current Ratio	Reflects the ability to repay loans on time [Ren 2009]
Responsibility to Customers	Operating Expenses to Sales Ratio	Lower operating expenses mean the quality of products or services may be affected to some extent, thus infringing on customer rights [Zhao et al. 2012].
Responsibility to Suppliers	Accounts Payable Turnover Ratio	A higher value of this ratio indicates the company pays suppliers in a shorter time period [Zhao et al. 2012].
Responsibility to Employees	Personnel Expenses to Profit Ratio	A higher level of this index indicates employees may receive more benefits from the company (T. H. Tran, 2019)
Responsibility to Government	tax on total assets ratio	A higher rate indicates the company will actively pay taxes to the government (Zhou et al. 2021)
Responsibility to Community	Charitable Donations to Sales Ratio	A relatively high ratio of charitable donations can be seen as a company exhibiting community-friendly behavior (Iqbal et al. 2014)

To facilitate testing the next threshold effect, we adopt the CSR index from Li et al. (2024) to assess overall CSR performance. This index is based on Carroll's (1991) research, which assigns weights of 4, 3, 2, and 1 to economic, legal, ethical, and philanthropic responsibilities, respectively. Following Carroll's framework, Zhang et al. (2011) proposed that costs for internal and external stakeholders should be allocated with weights of 0.6 and 0.4, respectively. Responsibilities are evenly distributed among stakeholders with a weight of 0.5, while legal responsibility is shared equally among all stakeholders. For example, economic responsibilities involve shareholders (internal stakeholders), creditors, and customers (external stakeholders). Thus, the weight of 4 is divided such that 60% (2.4) goes to shareholders, and the remaining 40% is equally split between creditors and customers (0.8 each). The same approach is applied to ethical and philanthropic responsibilities, while legal responsibilities are divided equally among all seven stakeholders. Ultimately, each stakeholder receives a distinct weight in the total CSR index, calculated as the sum of scores from all four types of responsibilities:

$$\text{CSRI}_{i,t} = \sum_{i=1}^{n} (\text{Responsibility index}_{i,t} \text{ X Weight distribution of Responsibility index}_{i})$$

The final weights for shareholders, creditors, customers, suppliers, employees, government, and community are 28.29%, 12.29%, 18.29%, 8.29%, 22.29%, 4.29%, and 6.26%, respectively (see Figure 1).

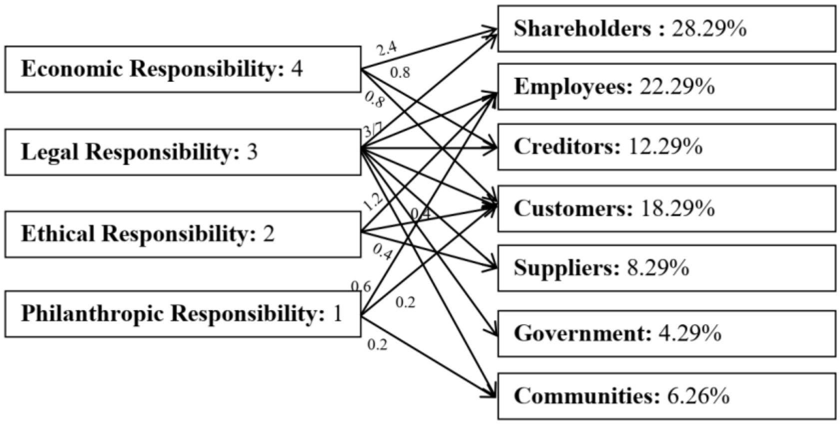

Figure 1. The weight distribution of different stakeholders adopted by Zhang et al. (2011) and Li et al. (2024)

3.1.2. Financial performance

Recent studies have used two types of measures as proxies for CFP: market-based and accounting-based. Considering the availability and advantage of the data, this study will select accounting-based measures, ROA and ROE, as proxies for CFP.

3.1.3. Control Variables

Larger firms generally have more resources to invest in CSR, which can influence their ability to implement CSR initiatives and, consequently, their financial performance. Strong revenue growth indicates a firm's financial capacity to invest in CSR activities without disrupting daily operations. Controlling for these variables enhances the accuracy of the study and minimizes the impact of external factors that may distort the CSR–CFP relationship. Firm size (SIZE) is measured as the natural logarithm of total assets, while the revenue growth rate (GROW) can also affect both CSR implementation and financial performance [McWilliams et al., 2000].

3.2. Research sample

The sample includes all listed firms on the Ho Chi Minh Stock Exchange (HOSE) from 2020 to 2021, collected from the Vietstock database. Financial and insurance firms were excluded from the entire sample. Outliers and missing values were removed, and the final sample consists of 312 listed firms with 624 firm-year observations.

3.3. Data analysis methods

The Hausman test is commonly applied to determine the choice between a random effects model or a fixed effects model. Based on the results of the Hausman test, this study will apply a panel data regression model using fixed effects as the baseline model. Following previous studies [Cho et al. (2019), Hasan et al. (2018)], the firm fixed effects are included in this study to control for unobserved time-invariant heterogeneity. We also incorporate time-fixed effects into the model characteristics to create a two-way fixed effects model and control for other time trends.

To test the existence of a non-linear relationship within the CSR-CFP relationship, this study adopts the econometric model issued by Hansen (1999) to find the threshold effect:

$$CFP_{i,t} = \alpha_0 + \alpha_1\, CSR_{i,t}.\, I(CSR_{i,t} \leq \mu) + \alpha_2\, CSR_{i,t}.\, I(CSR_{i,t} > \mu) + \sum\ + \alpha_i\, Controls_{\,i,t} + \varepsilon_{i,t}$$

Where α_0 is the intercept, $CSR_{i,t}$ is the threshold variable, I() is the indicator function; Controls is the control variable for firm I,j =1,2…,j and $\varepsilon_{i,t}$ is the random error term.

4. RESULTS

4.1. Descriptive Statistics

The descriptive statistics of the variables in Table 2 indicate that the average value of (ROA) for the entire sample is 6.3%, suggesting a moderate level of asset utilization efficiency among listed Vietnamese firms.

Regarding the state of CSR implementation, the table shows that the average value of CSR is 3.333, ranging from -8.56 to 18.63. The wide distribution provides clues about the capacity and readiness of Vietnamese companies towards CSR implementation, while some companies still neglect the importance of CSR with CSR values < 0.

Table 2. Descriptive Statistics and Correlation Matrix

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	624	.0630947	.0712661	-.2556614	.4491043
CSR	624	3.333559	3.21027	-8.56294	18.63343
GROW	624	.077965	.4096146	-.8831072	2.490347
SIZE	624	28.54179	1.452135	25.05387	33.69104

	ROA	CSR	GROW	SIZE
ROA	1.0000			
CSR	-0.1042***	1.0000		
GROW	0.2086***	-0.0563	1.0000	
SIZE	-0.0185	-0.1385***	0.2155***	1.0000

Examining the correlation coefficients among the key variables, the implementation of CSR by firms has a significant negative correlation with financial performance, which may provide preliminary evidence against the acceptance of Hypothesis H1 but suggests the unreliability of the linear model results, motivating the further exploration of Hypothesis H2. According to Myers [1990] and Hasan et al. (2018), when the Variance Inflation Factor (VIF) is less than 10, multicollinearity is not a serious concern. After performing the OLS regression, an average VIF of 1.05 indicates that multicollinearity is not a major issue in this study.

4.2. Hypothesis Testing

In column (1), the coefficient on CSR practices is not related to ROA and is not statistically significant. To enhance the robustness of the results, we use ROE as an alternative measure of financial performance in column (2) and find similar results. This suggests that CSR implementation does not impact financial performance at the 5% significance level in the linear model. Therefore, we tentatively conclude that H1 is rejected. This finding contrasts with the study by Zhu, Liu, and Lai (2016) while aligning with the study by Brammer, Brooks, and Pavelin (2006), providing further inconclusive evidence that good CSR initiatives may not have a strong potential to serve as 'activators' of improved financial performance for firms.

Table 3. Fixed Effects Regression Analysis and Robustness Checks

	(1) ROA	(2) ROE
CSR	0.000966	0.00158
	[1.02]	[0.78]
GROW	0.0172***	0.0350***
	[3.37]	[3.21]
SIZE	0.0426***	0.1000***
	[3.71]	[4.06]
_cons	-1.158***	-2.741***
	[-3.53]	[-3.89]
N	624	624
R-sq	0.115	0.119

t statistics in brackets
* p<0.1, ** p<0.05, *** p<0.01

Threshold Effect Test

Continuous CSR implementation can consume significant firms' resources, which may lead to uncertain paths for future development [Porter and Kramer (2018)]. At certain stages, corporate financial performance may increase when they receive public support through CSR initiatives, but when reaching a certain threshold, this relationship may be disrupted. To investigate whether the negative relationship above is due to the linear relationship not fully explaining the mechanism of CSR impact on CFP and whether there is also a nonlinear relationship, this study will apply the threshold regression method [Hansen 1999] to test H2.

Table 4. Threshold effect test

Threshold effect test (bootstrap = 300 300 300):

Threshold	RSS	MSE	Fstat	Prob	Crit10	Crit5	Crit1
Single	0.3135	0.0005	97.32	0.0000	16.8000	20.0688	33.3779
Double	0.3020	0.0005	23.75	0.0600	20.0318	24.5468	30.8829
Triple	0.2972	0.0005	10.01	0.6100	20.7843	25.8108	35.7856

The results of the threshold effect test presented in Table 4 show that both single and double thresholds are significant at the 1% significance level. In contrast, the triple threshold does not pass the significance test (p > 0.5). Therefore, we can safely conclude that there is a double threshold effect in the CSR-CFP relationship. Subsequently, the initial single threshold model should be modified to a double threshold model as follows:

$$CFP_{i,t} = \alpha_0 + \alpha_1 CSR_{i,t} \cdot I(CSR_{i,t} \leq \mu_1) + \alpha_2 CSR_{i,t} \cdot I(\mu_1 < CSR_{i,t} \leq \mu_2) + \alpha_3 CSR_{i,t} \cdot I(CSR_{i,t} > \mu_2) + \sum_{j=1}^{J} \alpha_i Controls_{i,j} + \varepsilon_{i,t}$$

Table 5. Estimation of the threshold value and confidence interval

Threshold estimator (level = 95):

model	Threshold	Lower	Upper
Th-1	1.9109	1.8523	1.9243
Th-21	1.9109	1.8523	1.9243
Th-22	3.2940	3.2115	3.3057
Th-3	6.4213	6.0767	6.4376

After the threshold value estimation process (see Table 5), the two threshold values are 1.91 and 3.29, and the corresponding 95% confidence intervals are [1.8523, 1.9243] and [3.2115; 3.3057]. To further validate the threshold estimates, a likelihood ratio (LR) function plot is drawn (see Figure 2).

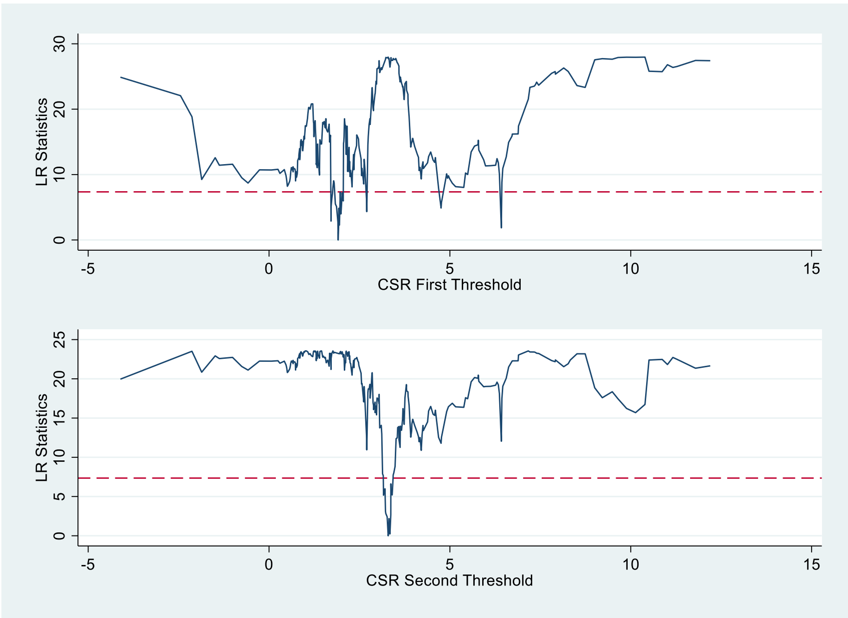

Figure 2. Threshold value likelihood ratio function graph

The LR test statistics for both threshold values are below the critical LR value of 7.35 at the 5% significance level, indicating that the estimated threshold values are equal to the true threshold values [Zhao et al. 2022]. Therefore, the hypothesis of the existence of a double threshold is accepted, and H2 is also supported by this study.

Based on the two estimated threshold values, a threshold regression analysis (see Table 6) is used to describe the nonlinear relationship between CSR and CFP in detail. Overall, regardless of the range, the relationship between CSR and CFP remains positive, leading to the acceptance of hypothesis H1. Specifically, before the CSR implementation level reaches the first threshold, the coefficient is 0.017 ($p < 0.01$), meaning that holding other variables constant, a one-unit change in CSR implementation will trigger a 0.017-unit increase in the corresponding financial performance. When the CSR implementation is between the first and second thresholds, for each unit increase in CSR implementation, the financial performance will increase by 0.008 units, holding other factors constant ($p < 0.01$). Similarly, after the CSR completion level exceeds the second threshold, with the other variables unchanged, a one-unit increase in CSR implementation will cause a 0.0016-unit increase in financial performance.

Table 6. Threshold regression analysis

ROA	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
GROW	.0142841	.0046779	3.05	0.002	.0050792	.0234891
SIZE	.043335	.0104852	4.13	0.000	.0227027	.0639672
_cat#c.CSR						
0	.0170103	.0024385	6.98	0.000	.012212	.0218086
1	.0084993	.0027349	3.11	0.002	.0031177	.0138809
2	.0016175	.0018442	0.88	0.081	-.0020114	.0052464
3	-.0015223	.001	-1.52	0.129	-.0034901	.0004454
_cons	-1.184719	.2996139	-3.95	0.000	-1.774283	-.595155
sigma_u	.09164624					
sigma_e	.03119769					
rho	.8961522	(fraction of variance due to u_i)				

F test that all u_i=0: F(311, 306) = 7.69 Prob > F = 0.0000

In summary, the overall impact of CSR practices on financial performance is positive, which is consistent with the results of previous studies [Muñoz et al. (2015), Madueño et al. (2016); Zhu et al. 2016, Yang et al. 2020, Okafor et al. 2021]. However, the degree of impact tends to fluctuate according to the level of CSR implementation, showing a weakening trend. Therefore, the positive relationship between CSR and CFP is not entirely linear, and hypothesis H2 is proven once again.

5. DISCUSSION OF RESULTS AND RESEARCH IMPLICATIONS

Similar to many previous studies that have suggested a positive, negative, or even unrelated relationship between CSR and CFP, this study explains the mechanism of building a positive CSR-CFP relationship by focusing on Vietnam, a developing economy that is actively promoting the CSR movement on a large scale. The study uses panel data and various econometric methods based on a non-linear impact model. According to the results of this empirical study, the contribution of CSR to corporate financial performance will fluctuate according to the level of CSR implementation. Based on the threshold regression method, this study finds that CSR cannot optimally contribute to CFP when the level of CSR implementation is insufficient or excessive. Excessive CSR may cause a "Crowding-Out Effect" on the firm's resources. On the contrary, if the enterprise does not actively fulfill its social responsibility, employees will be skeptical and have low labor productivity, which is not beneficial for the sustainable development of the enterprise [Deng et al. 2020]. Many previous studies have supported that firms should strive to participate in CSR activities to enhance their legitimacy and retain employees [Lee et al. 2014], but they have overlooked that profit maximization is the basic goal of firms [Kane 2009]. When firms balance the level of CSR implementation, lying within the intermediate range, the motivation to enhance financial performance reaches its peak. Therefore, enterprises will be more motivated to fulfill their CSR obligations. Although enterprises are expected to be "good citizens" and maximize their CSR performance, moderate CSR performance may be a mutually beneficial choice for the long-term development of both society and the enterprise itself.

6. CONCLUSION

The results of this study are expected to expand the existing literature on the implementation of CSR by Vietnamese firms. This study attempts to measure CSR from the perspective of different stakeholders using a developed objective index, and this study once again demonstrates the importance of implementing CSR for the financial performance of enterprises. Given the dynamic and chaotic business environment, the relationship between CSR and CFP needs to be further clarified in different contexts, which will help modern businesses grasp the balance between fulfilling responsibilities and profits [Partalidou et al. 2020]. To date, many studies have tried to explore the relationship between the implementation of CSR and their corresponding financial results and have drawn different conclusions. This study is based on stakeholder theory from the perspective of a developing country by using data from companies listed on the Ho Chi Minh Stock Exchange (HOSE) in Vietnam in 2020-2021. The authors use panel data and apply fixed-effect regression and threshold regression methods to draw causal inferences about the relationship between CSR and CFP. Based on the above, this study presents quite interesting conclusions about the positive relationship between CSR activities and the financial performance of enterprises, but under a nonlinear mechanism. As the level of CSR implementation increases, the contribution of CSR to CFP shows a positive but decreasing trend in the degree of impact. In summary, the contribution of CSR to financial performance can be maximized when a company's CSR reaches a reasonable level, without excessive CSR, to trade off the goal of profit maximization.

Firms need to identify the optimal threshold for their CSR spending. Policies should encourage firms to research and analyze factors affecting financial performance to determine a reasonable investment level, thereby optimizing the benefits that CSR brings without wasting resources. Additionally, firms should establish regular evaluation mechanisms to monitor the effectiveness of their CSR activities. This allows them to adjust their spending strategies in a timely manner, ensuring that investments continue to add value to CFP. Once the optimal threshold is reached, businesses should shift from increasing spending to improving the quality of their CSR programs. Innovation and creativity in these activities will create more sustainable value than merely focusing on quantity. Finally, regularly engaging with stakeholders to understand their needs and expectations will help businesses adjust their CSR activities accordingly, thus optimizing the impact on CFP.

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