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Corporate Social Responsibility Strategy, Behavior and Financial Performance: Evidence from Inconsistent Phenomena in China

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In recent years, growing awareness of sustainable development has brought increasing attention to corporate social responsibility (CSR) among investors, as well as a sustained influence on firms' long-term operations. In developed economies, CSR initiatives enhance societal well-being and strengthen corporate brand image, thereby improving firms' financial performance (the governance effect). However, in China, some enterprises are reluctant to engage in CSR activities or undertake them primarily as symbolic greenwashing efforts to improve market performance (the window-dressing effect). Drawing on strategic management, stakeholder, and reputational capital theories, this study examines the divergent effects of conventional CSR practices on corporate financial performance in the Chinese context. Using a sample of Chinese listed firms from 2011 to 2019, we employ a stepwise generalized method of moments (GMM) approach and bootstrap testing. The results show that CSR strategy and behavior are not significantly associated with accounting-based performance indicators (indicating no governance effect), but are significantly associated with market-based performance indicators (supporting the window-dressing effect). Furthermore, corporate reputation does not mediate the relationship between CSR strategy, CSR behavior, and accounting performance; however, it partially mediates the relationship with market performance. These findings contribute to the existing literature by explaining the inconsistency between CSR implementation and performance outcomes in China and by providing insight into the drivers of corporate greenwashing behavior, thereby offering meaningful managerial implications.

Keywords: *CSR Strategy (CSRS); CSR Behavior (CSRB); Corporate Reputation (CR); Stepwise-GMM Method; Bootstrapping*

Introduction

In recent decades, corporations have increasingly adopted strategic management approaches to corporate social responsibility (CSR) in pursuit of sustainable development (Grewatsch & Kleindienst, 2017; Aguinis & Glavas, 2012). However, most prior research has focused on mature Western economies. Directly applying these findings to emerging economies such as China—where many firms operate at the lower end of the global value chain—may be premature. An incomplete understanding of CSR in these contexts has resulted in inconsistent implementation, or even neglect, of CSR practices. Although some firms declare a commitment to community development, their actions often fall short. Many engage in symbolic or superficial CSR activities designed primarily to enhance public image and market performance without undertaking substantive organizational change. This phenomenon is commonly described as the "window-dressing effect."

By contrast, the "governance effect" refers to the value-enhancing impact that sound governance and genuinely embedded CSR practices can exert on firm performance and long-term value creation (Wanyan & Zhao, 2024). Window-dressing, however, reflects short-term image management rather than authentic strategic integration. In such cases, firms make cosmetic improvements to CSR disclosure or activities that are not embedded in their core operations or long-term strategies, thereby improving corporate reputation or stock price temporarily rather than generating sustainable value.

Some Chinese scholars have reported a negative relationship between CSR engagement and financial performance among listed firms (Liu & Liu, 2014). Many Chinese companies, positioned at the lower end of the global value chain, emphasize cost reduction and profit maximization over CSR, leading CSR to be perceived as a financial burden rather than a value-creating activity. This perspective overlooks the potential strategic benefits of CSR integration. Accordingly, further research is needed to evaluate the sustainability and financial implications of CSR in developing economies such as China (Lyu *et al.*, 2022).

Prior literature has also highlighted the role of corporate reputation as a mediating mechanism in the relationship between CSR and corporate financial performance (CFP) (Quezado *et al.*, 2022). Studies focusing solely on the direct and short-term effects of CSR risk drawing incomplete conclusions (Lee & Yang, 2022; Craze, 2020). While CSR initiatives may enhance corporate reputation, reputation itself is a dynamic construct that evolves over time (Yang & Stohl, 2020). Longitudinal analysis is therefore essential.

Several gaps remain in previous research, particularly regarding the multidimensional nature of CSR strategy and behavior (Zhang *et al.*, 2022; Maury, 2022). This study offers three key contributions. First, drawing on strategic management theory and Carroll's (2009, 2015) framework of CSR, it examines whether CSR activities generate a " governance effect" or "window-dressing effect," thereby extending research on the mechanisms through which CSR influences CFP. Second, methodologically, this study investigates corporate reputation as a mediating variable using longitudinal quantitative data, addressing limitations of prior research that relied largely on cross-sectional survey data (Luo & Yan, 2019; Chan *et al.*, 2020). Third, the study provides practical implications. As China advances sustainable economic and social development, CSR has become increasingly important. Understanding whether CSR contributes to genuine governance enhancement or merely supports window-dressing behavior is critical for improving CSR strategy and promoting high-quality, sustainable development among Chinese enterprises.

This study further distinguishes between two dimensions of corporate financial performance — accounting performance and market performance — and examines each separately. It employs the stepwise generalized method of moments (GMM) and bootstrap testing to evaluate the direct and indirect effects of CSR strategy and behavior on these outcomes.

The paper is structured as follows. The first two sections introduce the research topic and review relevant literature. The third and fourth sections present the research methodology and empirical findings. The final sections provide discussion, conclusions, and managerial implications.

Literature Review and Research Hypotheses

Previous research has focused largely on the direct relationship between CSR and CFP (Jahmane & Gaies, 2020; Ali *et al.*, 2020; Cherian *et al.*, 2019; Chon, 2019). After a comprehensive literature review was conducted, this paper
identifies 14 key studies on the CSR-CFP relationship since the 1990s, as shown in Table 1. Most of these studies reveal an obvious positive correlation between CSR and performance. However, some researchers argue that CSR can have a negative impact, suggesting that it may increase operating costs and create resource allocation challenges (Lioui & Sharma, 2012).

Scholars have proposed several reasons for the inconsistent findings on the CSR-CP relationship. Grewatsch and Kleindienst (2017) and Hasan and Habib (2017) highlight key methodological issues, including the following: (1) The variation in study dimensions and the diversification of measurement indexes, with much of the prior research focusing on a narrow interpretation of CSR practices (Deng & Tang, 2018; Chen *et al.*, 2016). (2) Flaws in research methods and measurement approaches, as most existing studies in the Chinese market examine the impact of CSR on CFP directly and statically.

Table 1

Literature Review on the Relationship between CSR and CFP since the 1990s

Refs.	Quantity of works cited	Research period of works cited	Research conclusion
Wood, et al.	34	1970-1994	Positive correlation 15; negative correlation 5; uncorrelated 14
Griffin, et al.	51	1972-1994	Positive correlation 33; negative correlation 20; the rest 9
Roman, et al.	46	1972-1997	Positive correlation 33; negative correlation 5; uncorrelated 6
Margolis, et al.	65	1972-2000	Positive correlation 42; negative correlation 4; uncorrelated 9
Margolis, et al.	109	1972-2002	Positive correlation 55; negative correlation 65; uncorrelated 27;mixed relation 19;
Allouche, et al.	82	1972-2003	Positive correlation 137; negative correlation 33; uncorrelated 12
Van, et al.	34	1990-2008	Positive correlation 23; negative correlation 2; uncorrelated 9
Peloza, et al.	128	1972-2008	Positive correlation 76; negative correlation 18; the rest 34
Aguinis, et al.	335	1970-2011	It generally supports the weak positive correlation between the two
Grewatsch, et al.	32	1972-2013	Positive correlation 13; negative correlation 2; the rest 7

Data Source: Categorized by the author.

CSR Strategy (CSRS) and Corporate Financial Performance (CFP)

Since the late 1990s, management scholars (Porter & Kramer, 2006) have integrated strategic management theory with CSR. Maury11 viewed CSR as an essential component of corporate strategy, allowing managers to develop innovative solutions that meet stakeholders' expectations. Similarly, Peng and Liu (2015) highlighted that companies can gain competitive advantages and enhance enterprise value through CSR activities, provided that they adopt a strategic management approach that aligns CSR with corporate objectives.

Despite this, most prior research has focused on CSR practices or activities, often overlooking the strategic dimension of CSR. CSRS refers to strategies and policies related to corporate social responsibility formulated by top management, which are closely related to corporate governance and management decision-making. The concept of the corporate social responsibility strategy (CSRS) reflects the top management team's (TMT) attitude toward CSR, which can shape corporate social behavior and strengthen both market and stakeholder confidence.

Scholars have expressed mixed views regarding the relationship between strategic CSR and financial performance. For instance, Simmou, et al.(2023) implied that when CSR is combined with effective corporate governance and strategic alignment, corporate financial performance improves. Conversely, Ivascu, et al.(2023), analysing a sample of listed companies on major international stock exchanges, reported an insignificant relationship between strategic CSR and CFP.

Considering the study's objectives and strategic management theory, the following hypothesis is proposed:

H1a: *CSR strategy has a positive and significant effect on accounting performance (ROA/ROE) and market performance (TOBIN'S Q).*

CSR Behavior (CSRB) and Corporate Financial Performance (CFP)

CSRB refers to the specific actions and measures taken by enterprises to fulfil their social responsibilities. The relationship between CSR behavior and CFP is grounded primarily in stakeholder theory. Scholars such as Guo, et al.(2022) and Ma, et al.(2023) suggest that CSR activities can improve stakeholder relationships, enhance resource efficiency, and ultimately boost CFP. Kang, et al.(2016) indicated similar positive impacts of CSR on financial performance in regions such as the US, Australia, Taiwan, and Thailand.

However, critics argue that CSR increases direct and agency costs for businesses. For instance, Lioui and Sharma (2012) showed a significant negative correlation between corporate environmental responsibility and return on assets (ROA) and Tobin's Q. Additionally, some studies, such as that of Madorran and Garcia (2016), reported no significant relationship between CSR behavior and financial performance.

Despite these mixed findings, most research supports a positive link between CSR behavior and CFP. Based on this perspective and the foundation of stakeholder theory, this study proposes the following hypothesis:

H1b: *CSR behavior has a positive and significant effect on accounting performance (ROA/ROE) and market performance (TOBIN'S Q).*

CSR Strategy (CSRS) and Corporate Reputation (CR)

Attributes and activities tied to social responsibility can enhance corporate value perception, especially for companies that proactively adopt strategic CSR (Hasan & Hossain, 2021). Formalizing strategic CSR helps create a distinctive brand personality, differentiating the company from its competitors. Qi, et al.(2017) reported that companies pursuing specialized CSR strategies were more effective in improving their corporate reputation.

Strategic CSR management involves embedding social responsibility principles into a company's mission and core values, contributing to the accumulation of corporate reputation capital. Based on these insights, the following hypothesis is proposed:

H2a: *CSR strategy has a significant positive effect on CR.*

CSR Behavior (CSRB) and Corporate Reputation (CR)

Through CSR activities, companies can enhance their reputation, build brand loyalty, create intangible assets that are difficult for competitors to replicate, and secure a competitive market advantage (Almeida & Coelho, 2019). Studies also show that corporate donations in response to significant public events or natural disasters, such as earthquakes, can increase corporate reputation and positively impact business performance (Sánchez *et al.,* 2020). Jeffrey et al. (2019) revealed that CSR behavior significantly strengthens a company's reputation and plays a critical role in preserving its brand image.

However, some scholars have argued for a negative relationship between CSR behavior and reputation (Bae & Cameron, 2006), suggesting that in certain cases, CSR may not enhance reputation capital. Moreover, building a strong reputation requires consistent and sustained efforts over time. The next hypothesis is as follows:

H2b: *CSR behavior has a significant positive effect on CR.*

Corporate Reputation (CR) and Corporate Financial Performance (CFP)

In addition, American scholar Jackson (2006), in his book Reputation Capital Management, introduced the concept of "reputation capital," describing it as a powerful, intangible strategic asset that provides a soft competitive advantage. Although there is limited research on the relationship among CSR, reputation capital, and financial performance, Tkalac Verčič and Sinčić Ćorić (2018) reported that intangible capital and reputation capital play crucial roles in linking a company's CSR efforts to its value creation. As discussed earlier, reputation capital theory highlights the vital role of reputation as an intangible asset for businesses. Numerous studies have shown that the stock market often responds positively to corporate reputation, correlating it with improved financial or stock market performance (Iwu-Egwuonwu, 2006).

However, more recent research has yielded mixed results. Brammer et al.(2009) examined both short-term and long-term market responses following the release of social responsibility reports from the 100 most respected U.S. companies. They found a small positive excess return in the short term, but a negative excess return in the long term.

While corporate reputation is undeniably a key component of a company's intangible assets, its exact impact on financial performance remains unclear in both theory and practice. The primary challenge is the effective measurement of corporate reputation, which has not been fully addressed.

According to reputation capital theory, building a strong reputation can boost consumer behavior and, in turn, enhance financial performance.

H3: *CR has a significant positive effect on accounting performance (ROA/ROE) and market performance (TOBIN'S Q).*

The Mediation Effect of Corporate Reputation (CR) on the Relationship Between CSR and Corporate Financial Performance (CFP)

The literature suggests that CSR strategies can provide competitive advantages and enhance financial performance (Singh & Misra, 2021). CSR behavior is also strongly linked to both performance and reputation, with most studies showing a positive correlation between these variables in mature economies (Kang *et al.,* 2016; Madorran & Garcia, 2016). However, the reputation scores of companies in mature markets such as the United States and Northern Europe are significantly higher than those of companies in emerging markets. The main reason for this is that various customs and practices in emerging economies hinder companies from adopting good reputation practices. Whether the results of previous studies are applicable to emerging economies is worth discussing. From this discussion, it can be inferred that a significant positive relationship exists between CSR, corporate reputation, and financial performance, with reputation also boosting financial performance (Islam *et al.,* 2021). Following Baron and Kenny's (1986) stepwise method, this study's model qualifies to assess the mediating role of corporate reputation (Carroll, 2013; Ponzi & Fombrun, 2011).

Thus, the last hypothesis and the conceptual framework are presented below in Figure 1:

H4: *Corporate reputation mediates the relationship between CSR and accounting performance (ROA/ROE) and market performance (TOBIN'S Q).*

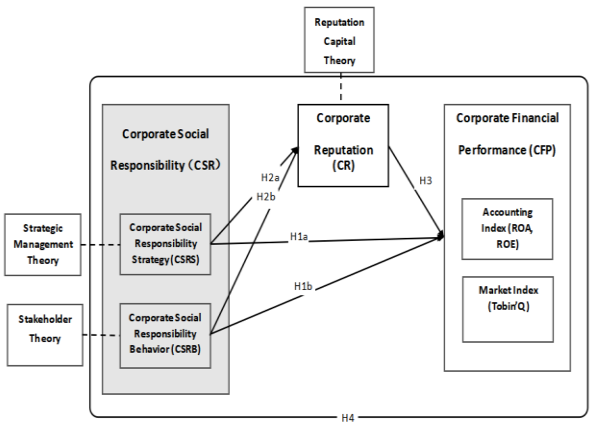

Figure 1. Conceptual Framework

Methodology

Traditional econometric methods, such as ordinary least squares, instrumental variables, and maximum likelihood, have inherent limitations. To address these issues, Blundell and Bond (1998) introduced the system GMM (SYS-GMM), which differs from the standard GMM. Unlike other methods, GMM does not require assumptions about the distribution of the random error term and accounts for heteroscedasticity, serial correlation, and endogeneity. Studies (Ben *et al.,* 2019; Ullah *et al.,* 2018) suggest that SYS-GMM is more efficient than DIF-GMM.

In this study, the instrumental variable method and dynamic GMM were employed to tackle potential issues such as heteroscedasticity, autocorrelation, and endogeneity between independent and dependent variables (Alcaide González *et al.*, 2020).

To test the mediation effect, a stepwise regression approach (Baron & Kenny, 1986) and bootstrap analysis (Hayes, 2017,2018) were applied. In the first three steps, the relationships between independent variables (CSR proxies), the mediating variable (corporate reputation), and the dependent variable (CFP) were assessed individually. In the final step, all the variables were tested together. If the CSR-CFP relationship remains significant after including the mediating variable with only a small change in the coefficient, corporate reputation is considered a partial mediator. This method has been widely adopted in similar research (Schoemann *et al.*, 2017).

The bootstrap method repeatedly samples data to construct a confidence interval for the indirect effect coefficient ab. If this interval does not contain zero, the mediation effect is significant. This method has greater test power than the Sobel test (Hayes, 2017, 2018).

Data and Sample

This study included all listed companies that publicly disclosed their social responsibility reports from 2011-2019. CSR report scores, including the two dimensions of strategy and behavior, were obtained from the RKS-CSR database. Data from 2020-2023 were excluded because of the pandemic. After filtering out missing and financial industry data, the final sample consisted of 5,700 Chinese companies. Corporate reputation data were manually collected from annual reports to form a panel dataset.

Measurement of CSRS and CSRB

In this study, CSR was defined broadly, encompassing not only practices such as human rights, labor regulation, and environmental stewardship but also company strategy and behavior (Ran *et al.,* 2016).CSR strategy (CSRS): CSRS reflects the top management team's (TMT) approach toward CSR, which can influence corporate behavior and stakeholder confidence (Peng & Liu, 2015). The CSRS data, including social responsibility strategy, social responsibility corporate governance, social responsibility decision-making scores, etc., were sourced from the RKS-CSR rating system. CSR Behavior (CSRB): CSRB captures the actual CSR activities undertaken by a company, which may impact financial performance (Alcaide González *et al.,* 2020). CSRB data, such as performance in areas like labor rights, environmental practices, supplier and customer services, donations and community involvement, were also collected from the RKS-CSR system.

Measurement of Corporate Reputation (CR)

Corporate reputation was treated as a mediating variable, defined as an intangible asset (Ponzi & Fombrun, 2011; Fombrun, 1996). To measure it, this study used reputation indexes that quantify reputation capital as the goodwill value plus the intelligence capital value (including patents, technology, brands and other intangible assets). Previous research suggests that the scope of reputation includes goodwill but extends beyond it, also encompassing corporate innovation. (Carroll, 2013; Ponzi & Fombrun, 2011). Despite challenges with data collection in the Chinese market, this study applied manual and computer-assisted data mining from annual reports, formed panel data, and filled a gap in this research area.

Measurement of Corporate Financial Performance (CFP)

The dependent variable, corporate performance, was measured via both accounting-based (ROA, ROE) and market-based (Tobin's Q) indicators. These are common proxies in the literature (Klein & Rosenfeld, 2020). The use of both measures accounts for fluctuations in market performance and differences in accounting practices, addressing one of the reasons for inconsistency in previous research findings.

Control Variables

The Control variables included corporate size (CSIZE), leverage (LEV), state ownership (STATE), firm age (AGE), cash ratio (CASHR), and liquidity (LIQ), as detailed in Table 2. These variables are linked to both CFP and CSR as well as corporate reputation. For example, state-owned enterprises often perform better economically and are more likely to engage in CSR (Hu *et al.*, 2018). Firm age and size also influence performance, with larger companies generally having stronger CSR and financial performance (Braune *et al.*, 2019; Lee *et al.*, 2018). On the other hand, higher leverage is often negatively correlated with firm performance (Hu *et al.*, 2018). The cash ratio and liquidity affect a firm's ability to fund CSR activities.

Table 2

Measurement for CSRS, CSRB, CR, CFP and Control Variables

Variables	Measurement	Sources
1.Dependent Variables: Corporate Financial Performance (CFP)	(1) Accounting Indexes: (1) ROA: Return on assets (ROA) is mainly used to demonstrate the effectiveness of firms' assets in serving their stockholders' interest. (2) ROE: Return on equity (ROE) illustrates how efficiently a company generates profit out of shareholders' equity.	Klein, et al.
	(2) Market Indexes: as the ratio of an enterprise's market value to its replacement cost of capital. It is calculated as market capitalization divided by total asset value or company's market-to-book value.	
2. Independent Variables: Corporate Social Responsibility (CSR)	(1) CSR strategy (CSRS): contains strategy and governance of CSR, which was collected from RKS-CSR rating system.	Chandrasekaran, et al.
	(2) CSR behavior (CSRB): contains economic performance, labour and human rights, environment, fair operation, consumer, communities' participation and development, which was collected from RKS-CSR rating system.	
3. Mediation Variable: Corporate Reputation (CR)	Corporate reputation is defined as an intangible asset. Natural logarithm of CR: CR= $V_g + V_{ic}$ (V_g is goodwill value; V_{ic} is intelligence capital value)	Carroll, et al.; Ponzi, et al.
4. Control Variables		
Corporate Size (+)	CSIZE: Natural logarithm of total assets (Firm size)	Dai, et al.; Al-Hadi, et al.
Leverage (-)	LEV: Total debt divided by total assets (Leverage)	
Age (+)	AGE: logarithm the number of years since the firm's initial public offering (IPO)	
State (+)	STATE: coded as '1' if the ultimate owner of a firm was the Chinese state and agencies; otherwise, coded as '0'	
Cash ratio (+)	CASHR: the ratio of cash assets to current liabilities	
Liquidity (+)	LIQ: the ratio of current assets to current liabilities	

Research Models and Equations

$$CFP_A=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3\,Control\,it+\mu i+\lambda t+\varepsilon it \quad (1a)$$
$$CFP_M=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3\,Control\,it+\mu i+\lambda t+\varepsilon it \quad (1b)$$

The current study comprises four main analytical models, as shown in Figure 2.

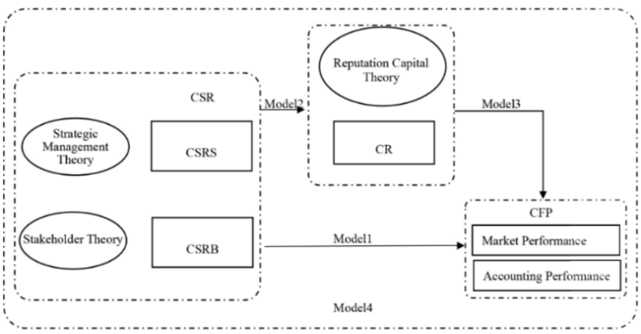

Figure 2. Research Model

Models 1, 2, and 3 were estimated via GMM, following the approaches of Ullah et al.(2018). However, the data analysis for Model 4 followed a slightly different process. This model was analyzed using the stepwise regression (GMM) method and the bootstrap test. Initially, Baron and Kenny's (1986) four-step causal method was applied to estimate the results. A Bootstrap test was subsequently conducted to validate and confirm the findings from Baron and Kenny's approach.

Stepwise Regression Method Model:

Model 1(A, M)
Model 2
Model 3(A, M)
Model 4 (A, M)

Robustness Test: Bootstrapping Method

Several methods are available for investigating mediation effects, including the bootstrapping and Sobel tests (Preacher & Hayes, 2004). However, the Sobel test has

$$CR=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3\mathit{Control}it+\mu i+\lambda t+\varepsilon it \quad (2a)$$

a notable limitation: it assumes that the product of coefficients ab follows a normal distribution, which is often not the case Zhao et al.(2010). Owing this limitation, Zhao et al.(2010) advocated for the use of the Bootstrap test, introduced by Preacher and Hayes (2004), which offers greater accuracy in mediation analysis. Its testing capacity surpasses that of the Sobel test (Hayes, 2017, 2018).

$$CFPA=\alpha+\beta1\ CR\ it+\beta2\ \mathit{Control}it+\mu i+\lambda t+\varepsilon it \quad (3a)$$

$$CFPM=\alpha+\beta1\ CR\ it+\beta2\ \mathit{Control}it+\mu i+\lambda t+\varepsilon it \quad (3b)$$

$$CFP_A=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3CR+\beta4\mathit{Control}it+\mu i+\lambda t+\varepsilon it \quad (4a)$$

$$CFP_M=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3CR+\beta4\mathit{Control}it+\mu i+\lambda t+\varepsilon it \quad (4b)$$

Empirical Results

Descriptive Statistics

Descriptive statistics validate the accuracy and credibility of the collected data. The most commonly used measures for descriptive analysis are noted by Veal (2005). Based on the data in Tables 3 and 4, from 2011 to 2019, the mean CSRS index were 10.8790 and 14.4900, respectively, indicating the TMT's (top management team) attitude towards CSR (Bian *et al.*, 2021), where the level of CSR strategy and governance fluctuated between 2015 and 2019. Similarly, the mean CSRB index were 15.8219 and 18.2830, respectively, reflecting TMT behavior toward CSR, similarly, the level of CSR practices fluctuated between 2015 and 2019.

Table 3

Descriptive Statistics

Variable	N	Mean	Sd	Min	Max
ROA	5,700	0.0430	0.0540	-0.1560	0.2200
ROE	5,700	0.0800	0.1070	-0.4380	0.3450
Tobin's Q	5,700	1.4120	1.3530	0.1140	7.5230
CSRS	5,700	13.8170	4.2220	5.8590	24.6090
CSRB	5,700	17.3880	5.8710	6.1520	34.4530
CR	5,700	16.4590	4.9760	0.0000	23.0950
Csize	5,700	23.2140	1.4460	20.4340	27.1480
Lev	5,700	0.4890	0.1990	0.0690	0.8910
Liq	5,700	0.5300	0.2250	0.0680	0.9540
CashR	5,700	0.5970	0.8760	0.0310	5.8140
Age	5,700	2.3800	0.7060	0.0000	3.3670
State	5,700	0.6130	0.4870	0.0000	1.0000

Table 4

Descriptive Statistics (Mean, 2011–2019)

Variables	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean
ROA	0.0570	0.0450	0.0460	0.0420	0.0360	0.0400	0.0440	0.0410	0.0430
ROE	0.1120	0.0850	0.0860	0.0770	0.0610	0.0730	0.0840	0.0740	0.0780
Tobin's Q	1.2390	1.1290	1.2810	1.5200	2.0860	1.6970	1.4760	1.0040	1.2700
CSRS	10.8790	11.4310	13.1940	14.4090	15.0100	15.1850	15.1740	14.4870	14.4900
CSRB	15.8219	17.0602	17.7720	17.8650	18.2580	17.3200	17.5310	17.9280	18.2830
CR	14.8260	15.2250	15.5000	15.3490	16.4470	16.9710	17.3720	17.4890	17.5170

Correlation Matrix

Table 5 presents Pearson's correlation matrix, which shows the correlations between variables. All the variables exhibited moderate correlations except for the strong correlation between ROA and ROE (88.6%) and between CSRS and CSRB (74%). However, these high correlations were not problematic, as the variables were not implemented in the same model. Corporate reputation showed a strong positive correlation with all CSR proxies,
including CSR strategy and CSR behavior (Ali *et al.*, 2020; Javed *et al.*, 2020). Furthermore, corporate reputation was significantly positively correlated with both accounting and market performance. Among the control variables, significant correlations were observed between ROA, ROE, TQ, and most control variables.

Table 5

Correlation Matrix

Variables	Roa	Roe	Tobin'q	Csrs	Csrb	Cr	Csize	Lev	Liq	Cashr	Age	State
ROA	1											
ROE	0.886***	1										
TOBIN'Q	0.381***	0.179***	1									
CSRS	-0.00200	0.035***	0.079***	1								
CSRB	0.058***	0.101***	0.165***	0.740***	1							
CR	0.046***	0.084***	0.0170***	0.232***	0.198***	1						
Csize	-0.051***	0.126***	-0.528***	0.372***	0.412***	0.269***	1					

Variables	Roa	Roe	Tobin'q	Csrs	Csrb	Cr	Csize	Lev	Liq	Cashr	Age	State
Lev	-0.412***	-0.143***	-0.569***	0.120***	0.145***	0.076***	0.542***	1				
Liq	0.114***	0.167***	0.158***	-0.100***	-0.107***	-0.00200	-0.113***	0.042***	1			
CashR	0.251***	0.083***	0.439***	-0.098***	-0.112***	-0.071***	-0.316***	-0.576***	0.139***	1		
Age	-0.154***	-0.084***	-0.234***	0.072***	0.027**	0.0110	0.219***	0.225***	-0.073***	-0.165***	1	
State	-0.153***	-0.087***	-0.277***	0.082***	0.152***	-0.036***	0.295***	0.225***	-0.134***	-0.096***	0.307***	1

Effect of CSRS and CSRB on CFP

Table 6 presents the results of the SYS-GMM method applied to Model 1. The GMM test used the second-order lag and two-step system estimation. When ROA was the dependent variable, CSRB was the endogenous variable, with an R-squared value of 27% and a Hansen value higher than 0.05 (Ullah *et al.*, 2018). Similarly, when ROE was the dependent variable, and CSRS/CSRB were endogenous, the R-squared value was 16 %, with a Hansen value higher than 0.05. For TQ, the R-squared value was 50%, and the Hansen value was also higher than 0.05.

The results in Table 6 show a significant association between CSR behavior and financial performance at the 1% level. Market performance was more affected by CSRB than accounting performance. In contrast, CSR strategy exhibited a positive and significant relationship with market performance (TQ: 0.2944), but no significant relationship with ROE or ROA.

At the 1 % level, corporate size had a negative correlation with TQ but a positive correlation with both ROA and ROE. Leverage was negatively associated with both accounting performance (ROA, ROE) and market performance (TQ). Liquidity was positively correlated with both accounting and market performance, whereas cash ratio negatively affected accounting performance (ROE) but positively affected market performance (TQ), which is in line with the findings of Javed et al. (2020) . Age and state control variables were negatively associated with accounting and market performance, consistent with Hu et al.(2018) .

$CFP_A=\alpha+\beta 1CSRSit+\beta 2CSRBit+\beta 3Control\,it+\mu i+\lambda t+\varepsilon it$ (1a)

$CFP_M=\alpha+\beta 1CSRSit+\beta 2CSRBit+\beta 3Control\,it+\mu i+\lambda t+\varepsilon it$ (1b)

Table 6

GMM Test for the CSRS, CSRB and CFP Models

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	ROA(2)	**ROA(2)**	**ROE(2)**	**ROE(2)**	**TQ(1)**	**TQ(1)**
Constant	-0.1906***	-0.1945***	-0.5649***	-0.5730***	7.9849***	8.2329***
	(-12.4563)	(-12.7329)	(-15.1335)	(-15.4355)	(28.6614)	(29.1797)
CSRS	**0.0056***		**0.0102**		**0.2944*****	
	(1.8724)		**(1.5230)**		**(5.8625)**	
CSRB		**0.0112*****		**0.0200*****		**0.1279*****
		(4.4094)		**(3.7831)**		**(2.8720)**
Csize	0.0119***	0.0113***	0.0287***	0.0276***	-0.2804***	-0.2737***
	(16.7872)	(15.8048)	(16.2835)	(15.5072)	(-22.1305)	(-22.3632)
Lev	-0.1630***	-0.1621***	-0.2209***	-0.2196***	-2.1075***	-2.0919***
	(-25.9642)	(-25.7473)	(-13.7772)	(-13.6425)	(-20.0872)	(-19.9627)
Liq	0.0377***	0.0380***	0.1014***	0.1013***	0.6957***	0.6867***
	(12.0014)	(12.1840)	(12.9708)	(13.1030)	(11.7797)	(11.5293)
CashR	-0.0016	-0.0015	-0.0062***	-0.0061***	0.2097***	0.2161***
	(-1.1159)	(-1.0882)	(-3.0545)	(-3.0057)	(6.4273)	(6.5935)
Age	0.0008	0.0014	0.0026	0.0038	-0.1322***	-0.1332***
	(0.5242)	(0.8693)	(0.8260)	(1.1916)	(-4.9358)	(-4.9865)
state	-0.0109***	-0.0113***	-0.0216***	-0.0221***	-0.1889***	-0.1915***
	(-6.6259)	(-6.9067)	(-6.2118)	(-6.3530)	(-5.8489)	(-5.8906)
Observations	3,927	3,927	3,927	3,927	4,712	4,712
R-squared	0.2717	0.2746	0.1661	0.1683	0.5092	0.5070
Adj_R2	0.2693	0.2721	0.1633	0.1656	0.5078	0.5055
Hansen-J P value	**0.0497**	**0.8416**	**0.0740**	**0.7890**	**0.0502**	**0.9902**

*Robust z-statistics in parentheses*** p<0.01, ** p<0.05, * p<0.1.*
**(2) represents the two-period lagged instrumental variable system GMM method.*
**(1) represents the one-period lagged instrumental variable system GMM method.*

Effect of CSRS and CSRB on CR

Table 7 shows the SYS-GMM results for Model 2. The dependent variable was corporate reputation, and the endogenous variables were CSRS and CSRB. Only CSRB passed the two-order lagged instrumental variable test, with an R-squared of 12% and a Hansen value of 0.1573. CSRS failed the overidentification test, with Hansen values below 0.05. To test the stability of the results, the first-order and second-order mixed test and dynamic panel GMM methods were applied. Except for CSRS, all the results passed the overidentification test.

Table 7 shows a significant positive relationship between CSRB and corporate reputation in the current period, with a coefficient of 1.7125, which is significant at the 1% level. However, the effect of CSRS on corporate reputation was insignificant. One-phase lagged CSRB and corporate reputation passed the Hansen test and were positively significant (Cui *et al.*, 2018).

Corporate size and liquidity were positively correlated with corporate reputation at the 1% level, whereas leverage and cash ratio had significant negative associations. Age and state also showed negative associations with corporate reputation.

$CR=\alpha+\beta 1CSRSit+\beta 2CSRBit+\beta 3Control\,it+\mu i+\lambda t+\varepsilon it$ (2)

Table 7

GMM For CSR And Corporate Reputation Model

VARIABLES	(1) CR(1)	(2) CR(1)(2)	(3) CR(1)(2)
Constant	-6.4464***	-7.1979***	-5.9241***
	(-4.1529)	(-4.1046)	(-3.4431)
CSRS		**0.5547**	
		(0.9633)	
CSRB	**1.7125*** **		**0.8195***
	(7.2669)		**(1.7400)**
LCSRS		**2.0533*** **	
		(3.6952)	
LCSRB			**1.0948** **
			(2.3298)
Csize	0.9127***	0.8614***	0.8702***
	(11.6496)	(10.5787)	(10.1064)
Lev	-1.7968***	-1.7102***	-1.6093**
	(-2.9796)	(-2.5969)	(-2.4382)
Liq	0.9845***	1.1310***	1.0534***
	(2.9811)	(3.0920)	(2.9156)
CashR	-0.2821**	-0.2450*	-0.2334*
	(-2.5030)	(-1.9230)	(-1.8640)
Age	-0.4841***	-0.5579***	-0.5814***
	(-4.0299)	(-3.7392)	(-3.9310)
State	-0.8247***	-0.7936***	-0.7823***
	(-5.4537)	(-4.7332)	(-4.7059)
Observations	4,712	3,887	3,887
R-squared	0.1255	0.1264	0.1217
Adj_R2	0.1229	0.1232	0.1185
Hansen-J P value	**0.1573**	**0.0004**	**0.3275**

*Robust t-statistics in parentheses*** p<0.01, ** p<0.05, * p<0.1.*
**(1) represents the one-period lagged instrumental variable system GMM method.*
**(2) represents the two-period lagged instrumental variable system GMM method.*

Effect of CR on CFP

Table 8 presents the SYS-GMM results for Model 3. For ROA and ROE, the endogenous variable was corporate reputation, and the Hansen value was less than 0.05, indicating test failure. No significant correlation was found between corporate reputation and accounting performance. However, for TQ, corporate reputation was positively correlated with market performance, with an R-square value of 51 % and a Hansen value of 0.5849. The coefficient (0.0242) was significant at the 1 % level.

Corporate size and leverage were negatively correlated with TQ at the 1 % level, while liquidity and cash ratio showed significant positive associations with market performance (TQ). Age and state also had negative and significant correlations with TQ.

$$CFP_A=\alpha+\beta1\ CR\ it+\beta2\ Control it+\mu i+\lambda t+\varepsilon it \quad (3a)$$

$$CFP_M=\alpha+\beta1\ CR\ it+\beta2\ Control it+\mu i+\lambda t+\varepsilon it \quad (3b)$$

Table 8

GMM for Corporate Reputation and CFP Model

VARIABLES	(1) ROA(1)	(2) ROE(1)	(3) TQ(1)
Constant	-0.1807***	-0.5305***	8.4228***
	(-13.1279)	(-16.1591)	(30.3174)
CR	**0.0001**	**0.0002**	**0.0242*** **
	(0.4083)	**(0.6051)**	**(9.8858)**
Csize	0.0122***	0.0283***	-0.2862***
	(19.3456)	(18.3932)	(-23.3254)
Lev	-0.1616***	-0.2082***	-2.0631***
	(-27.8455)	(-14.4242)	(-19.6158)
Liq	0.0382***	0.1011***	0.6579***
	(13.3766)	(14.4636)	(11.0488)
CashR	-0.0015	-0.0063***	0.2229***
	(-1.1083)	(-3.3062)	(6.8412)
Age	-0.0008	0.0000	-0.1250***
	(-0.6157)	(0.0099)	(-4.7016)
state	-0.0100***	-0.0197***	-0.1665***
	(-6.5631)	(-6.2369)	(-5.2174)
Observations	4,712	4,712	4,712
R-squared	0.2648	0.1572	0.5137
Adj_R2	0.2626	0.1547	0.5122
Hansen-J P value	**0.0008**	**0.0018**	**0.5849**

Robust t-statistics in parentheses*** p<0.01, ** p<0.05, * p<0.1.
*(1) represents one-period lagged instrumental variable system GMM method.

Mediation effect of CR between CSRS and CSRB on CFP

Table 9 shows the SYS-GMM results for Model 4. When ROA was the dependent variable, and CSRS/CSRB were the endogenous variables, R-squared remained at 27 %, with a Hansen value above 0.05. Similar results were observed for ROE and TQ, with R-squared values of 16 % and 51 %, respectively.

With ROA and ROE as dependent variables, the correlations of CSRS and CSRB remained positive and significant after controlling for corporate reputation, but the coefficients did not change. Corporate reputation was insignificant, indicating that there was no mediating effect. For TQ, while the correlations of CSRS and CSRB remained positive, corporate reputation had a significant partial mediating effect. The control variables' correlations were consistent with prior results.

$$CFPA=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3CR+\beta4 Control it+\mu i+\lambda t+\varepsilon it \quad (4a)$$

$$CFPM=\alpha+\beta1CSRSit+\beta2CSRBit+\beta3CR+\beta4 Control it+\mu i+\lambda t+\varepsilon it \quad (4b)$$

Table 9

Results of the Relationship Among CSRS, CSRB, Corporate Reputation and CFP (GMM method)

VARIABLES	(1) ROA(2)	(2) ROA(2)	(3) ROE(2)	(4) ROE(2)	(5) TQ(1)	(6) TQ(1)
Constant	-0.1901***	-0.1945***	-0.5625***	-0.5723***	8.1687***	8.3851***
	(-12.4018)	(-12.7073)	(-15.1283)	(-15.4398)	(29.2247)	(29.6715)
CR	**0.0000**	**-0.0000**	**0.0002**	**0.0001**	**0.0229*** **	**0.0238*** **
	(0.3168)	**(-0.0303)**	**(0.5892)**	**(0.3372)**	**(9.1166)**	**(9.5582)**
CSRS	**0.0055***		**0.0096**		**0.2423*** **	
	1.8114		**(1.4274)**		**(4.7557)**	
CSRB		**0.0112*** **		**0.0198*** **		**0.0872***
		(4.3673)		**(3.7155)**		**(1.9590)**
Csize	0.0119***	0.0113***	0.0285***	0.0275***	-0.3020***	-0.2954***
	(16.4377)	(15.5627)	(16.0231)	(15.3515)	(-23.6981)	(-23.8553)
Lev	-0.1629***	-0.1621***	-0.2202***	-0.2194***	-2.0598***	-2.0490***
	(-25.8676)	(-25.6678)	(-13.7906)	(-13.6746)	(-19.7209)	(-19.6419)
Liq	0.0377***	0.0380***	0.1010***	0.1012***	0.6732***	0.6644***

VARIABLES	(1) ROA(2)	(2) ROA(2)	(3) ROE(2)	(4) ROE(2)	(5) TQ(1)	(6) TQ(1)
	(11.9770)	(12.1804)	(12.9787)	(13.1376)	(11.4042)	(11.1740)
CashR	-0.0016	-0.0015	-0.0062***	-0.0061***	0.2178***	0.2229***
	(-1.1162)	(-1.0851)	(-3.0231)	(-2.9886)	(6.6920)	(6.8254)
Age	0.0009	0.0014	0.0028	0.0039	-0.1203***	-0.1215***
	(0.5529)	(0.8688)	(0.8617)	(1.2133)	(-4.5289)	(-4.5838)
State	-0.0109***	-0.0113***	-0.0215***	-0.0220***	-0.1715***	-0.1715***
	(-6.5979)	(-6.9087)	(-6.1721)	(-6.3456)	(-5.3622)	(-5.3350)
Observations	3,927	3,927	3,927	3,927	4,712	4,712
R-squared	0.2717	0.2746	0.1661	0.1684	0.5158	0.5141
Adj_R2	0.2691	0.2720	0.1631	0.1654	0.5142	0.5125
Hansen-J P value	**0.0463**	**0.8409**	**0.0650**	**0.7968**	**0.1218**	**0.8786**

*Robust t-statistics in parentheses*** p<0.01, ** p<0.05, * p<0.1.*
**(2) represents the two-period lagged instrumental variable system GMM method.*
**(1) represents the one-period lagged instrumental variable system GMM method.*

The evaluation of the results from Baron and Kenny's (1986) four causal steps method is shown the following in Table 10. First, the coefficient numbers for the relationship is among CSRS, CSRB and accounting performance (ROA and ROE) remained almost the same from step one (c) to step four (c') after adding corporate reputation to the model as a mediator. Based on this method, it can be concluded that corporate reputation is not a mediator between CSRS, CSRB and accounting performance.

Second, the coefficient numbers for the relationship among CSRS, CSRB and market performance (TQ) decreased from 0.2944 and 0.1279(in step one) to 0.2423, and 0.0872 (in step four) after adding corporate reputation to the model as a mediator. However, in the results from step two (a), only the coefficient of the relationship between CSRB and corporate reputation was positive and significant, and in step three (b), the coefficient was positive and significant. Therefore, Baron and Kenny's (1986) four-step causal method further confirmed that corporate reputation does not mediate accounting performance, but rather partially mediates the relationship between CSRB and market performance (TQ).

Table 10

Summary of Mediation Effect Results (GMM)

	C **(Model1)**	***A*** **(Model2)**	***B*** **(Model3)**	***C'*** **(Model4)**	**Subsequent Test *Ab***	**Effect Value *Ab/C***
CSRS→CR→ROA	0.0056* (1.8724)	0.5547 (0.9633) (Hansen-J P value<0.05)	0.0001 (0.4083)	0.0055* 1.8114	Bootstrap test	no mediation
CSRB→CR→ROA	0.0112*** (4.4094)	1.7125*** (7.2669)	0.0001 (0.4083)	0.0112*** (4.3673)	Bootstrap test	no mediation
CSRS→CR→ROE	0.0102 (1.5230)	0.5547 (0.9633) (Hansen-J P value<0.05)	0.0002 (0.6051)	0.0096 (1.4274)	Bootstrap test	no mediation
CSRB→CR→ROE	0.0200*** (3.7831)	1.7125*** (7.2669)	0.0002 (0.6051)	0.0198*** (3.7155)	Bootstrap test	no mediation
CSRS→CR→TQ	0.2944*** (5.8625)	0.5547 (0.9633) (Hansen-J P value<0.05)	0.0242*** (9.8858)	0.2423*** (4.7557)	Bootstrap test	no mediation
CSRB→CR→TQ	0.1279*** (2.8720)	1.7125*** (7.2669)	0.0242*** (9.8858)	0.0872* (1.9590)	Partial mediation	32.40%

**** p<0.01, ** p<0.05, * p<0.1.*

Robustness test of Bootstrapping

According to the conclusions of previous research by Hayes and Rockwood (2017), if the confidence interval of the indirect effect product coefficient ab does not include zero, then the mediating effect is significant; otherwise, it is considered insignificant. Based on the results from Table 11, first, the confidence interval of the total effect between CSRS and accounting performance (ROA) excludes zero, indicating a total effect between CSRS and ROA (step one: c). The confidence interval of the direct effect between CSRS, corporate reputation, and accounting performance (ROA) also excludes zero. This implies that there is a direct effect between CSRS, corporate reputation, and ROA (step four: c'). However, the confidence interval of the indirect effect between CSRS, corporate reputation, and accounting performance (ROA) includes zero. The result shows no mediation (Hayes, 2018). The same result was observed in the path of CSRB, corporate reputation, and ROA.

Second, the confidence interval of the total effect between CSRS and accounting performance (ROE) excludes zero, suggesting a total effect between CSRS and ROE (step one: c). The confidence interval of the direct effect between CSRS, corporate reputation, and accounting performance (ROE) also excludes zero, indicating a direct effect between CSRS, corporate reputation, and ROE (step four: c'). However, the confidence interval of the indirect effect between CSRS, corporate reputation, and accounting performance (ROE) includes zero. The result shows no mediation (Hayes, 2018). The same result was revealed in the path of CSRB, corporate reputation, and ROE.

Finally, the confidence interval of the total effect between CSRS and market performance (TQ) excludes zero, indicating a significant total effect between CSRM and TQ (at the 1 % level, 0.1080) (step one: c). The confidence interval of the direct effect between CSRS, corporate reputation, and market performance (TQ) also excludes zero, indicating a significant direct effect between CSRS, corporate reputation, and TQ (step four: c'). Additionally, the confidence interval of the indirect effect between CSRS, corporate reputation, and TQ excludes zero, suggesting that the coefficient multiplying ab is positive and significant (0.0117), and that there is a partial mediation effect between CSRS, corporate reputation, and TQ, with effect value of 10.83 %. A similar result was shown with the path of CSRB, corporate reputation, and TQ, and the indirect effect value is 24.35 %.

Table 11

Summary of the Results for Total Effects, Direct Effects and Indirect Effects (ROA, ROE and TOBIN'S Q)

	Total effect				**Direct effect**				**Indirect effect**				**Conclusion / effect value**
	Effect/*c*	SE	LLCI	ULCI	Effect/*c'*	SE	LLCI	ULCI	Effect/*ab*	SE	LLCI	ULCI	
CSRS→CR→ROA	-.0256**	.0124	-.0500	-.0012	-.0268**	.0126	-.0515	-.0022	.0012	.0017	-.0021	.0046	no mediation
CSRB→CR→ROA	.0533***	.0127	.0284	.0782	.0533***	.0128	.0283	.0783	.0000	.0012	-.0023	.0025	no mediation
CSRS→CR→ROE	-.0338**	.0134	-.0599	-.0076	-.0359***	.0135	-.0623	-.0094	.0021	.0020	-.0017	.0062	no mediation
CSRB→CR→ROE	.0426***	.0136	.0159	.0694	.0420***	.0137	.0151	.0689	.0006	.0014	-.0021	.0036	no mediation
CSRS→CR→TQ	.1080***	.0107	.0870	.1290	.0963***	.0108	.0751	.1174	.0117	.0017	.0086	.0153	partial mediation 10.83%
CSRB→CR→TQ	.0386***	.0110	.0170	.0603	.0292***	.0110	.0076	.0508	.0094	.0016	.0063	.0128	partial mediation 24.35%

*The Indirect effect confidence interval [BootLLCI, BootULCI] include 0, accept the null hypothesis ab=0, no mediation effect; exclude 0, reject the null hypothesis ab=0, significant mediation effect[67, 96, 97]. *** $p<0.01$, ** $p<0.05$, * $p<0.1$.*

Discussion

The results of this study indicate that CSR strategy (CSRS) exerts a stronger influence on market performance than on accounting performance among Chinese firms. This suggests that when corporate executives place greater strategic emphasis on CSR, firms experience improved market outcomes. Strategic alignment reflects the top management team's attitudes toward CSR, which in turn shapes stakeholder expectations and market confidence (Bian *et al.,* 2021).

Similarly, CSR behavior (CSRB) demonstrates a stronger effect on market performance than on accounting performance. This may be attributed to the fact that observable CSR actions enhance stakeholder trust, investor confidence, and corporate legitimacy, thereby influencing share prices and market valuation (Alcaide González *et al.,* 2020). Although the relationship between CSRB and accounting performance indicators such as ROA and ROE is statistically significant, the coefficients are close to zero, suggesting that the impact is negligible in economic terms. In other words, CSR does not appear to generate a "governance effect" on accounting performance in the short term. This finding helps explain why some Chinese firms demonstrate limited enthusiasm for substantive CSR investment while instead engaging in symbolic or greenwashing behavior. Firms may perceive CSR as having limited influence on net earnings but recognize its potential to enhance corporate reputation and market value in the short run, consistent with the "window-dressing effect."

The results further show that CSRS is not significantly associated with corporate reputation. This implies that CSR-oriented governance strategies alone may not directly influence social evaluation of the firm. One possible explanation is that stakeholder perceptions are shaped more by observable outcomes than by stated strategic intentions. By contrast, CSRB is positively associated with corporate reputation, consistent with Lee (2016). This suggests that tangible CSR activities enhance stakeholder confidence and favorable evaluations, thereby strengthening overall corporate reputation.

Corporate reputation itself is positively associated with market performance (Lyu *et al.,* 2024). A strong reputation enhances brand value, improves corporate image, increases investor expectations, and contributes to higher market valuation. However, the relationship between corporate reputation and accounting performance was not consistently robust across empirical methods. This indicates that reputation alone may not directly influence net income. As an intangible asset, reputation contributes to value creation only when converted into productive benefits. Accordingly, corporate reputation does not mediate the relationship between CSRS/CSRB and accounting performance, a result that diverges from findings reported in some developed-economy contexts (Bian *et al.,* 2021). The divergence likely reflects institutional and market differences, as well as the time lag required for intangible assets to translate into measurable earnings effects.

Conclusions and Implications

Conclusions

This study finds that corporate reputation does not mediate the relationship between CSR strategy (CSRS) or CSR behavior (CSRB) and accounting performance (ROA and ROE) in the Chinese context. However, corporate reputation partially mediates the relationship between CSRB and market performance (Tobin's Q). Overall, CSRS, CSRB, and corporate reputation do not generate a "governance effect" on accounting performance, but instead exhibit a "window-dressing effect" on market performance. These findings help explain the motivation behind greenwashing practices among some Chinese firms, whereby CSR activities are employed primarily to enhance reputation or stock price in the short term rather than to improve operating performance. Furthermore, the magnitude of the correlation coefficients indicates that both CSRS and CSRB exert greater influence on market performance than on accounting performance. This suggests that CSR-related strategies and activities affect market value more significantly than they affect firms' actual profitability.

The analysis of control variables yields several noteworthy findings. Larger firms tend to demonstrate stronger corporate reputation and higher accounting performance. Conversely, smaller firms may experience superior market performance, likely due to greater growth potential and development opportunities. Firms with higher current assets also tend to report stronger corporate reputation and financial performance. Lower leverage (a lower debt-to-asset ratio) is associated with better corporate reputation, accounting performance, and market performance. With respect to liquidity, firms with high cash ratios may appear overly conservative, which may hinder improvements in social perception and accounting performance, yet may enhance market performance by enabling timely investment responses. Finally, firm characteristics such as age and ownership structure matter: younger and non-state-owned enterprises tend to have greater opportunities to improve visibility, reputation, and market performance compared with mature state-owned enterprises.

Management Implications

The findings of this study have meaningful implications for stakeholders including the Chinese Academy of Social Sciences CSR Center, corporate policymakers, executives, financial analysts, auditors, and securities regulators. A clearer understanding of how different CSR dimensions influence corporate reputation and financial performance can support more effective decision-making and policy formulation.

For policymakers, the results suggest the need to strengthen the institutional framework governing CSR. Policies that promote the strategic integration of CSR-combined with governance requirements and enforcement mechanisms-may help shift firms away from symbolic disclosure and toward substantive CSR implementation. Incentives such as tax benefits or recognition programs for firms demonstrating exemplary CSR performance may also reduce the perceived financial burden of CSR investment and mitigate incentives for greenwashing.

For corporate leaders, the study underscores the importance of implementing CSR as a strategic and behavior-based practice rather than as a reputational tool alone. Executives and boards should develop CSR initiatives that are genuinely embedded in corporate strategy and operational processes, thereby enhancing both social value and long-term corporate sustainability.

Collectively, these implications support the development of a more socially responsible and sustainable business environment in China by aligning regulatory oversight, managerial practice, and stakeholder expectations.

Limitations and Future Research

This study is subject to several limitations that provide opportunities for future research. The dataset comprises 943 Chinese listed firms between 2011 and 2019, excluding financial institutions. While appropriate in scale, the analysis relies solely on the RKS-CSR database, which includes only firms that disclose CSR reports. As a result, small and medium-sized enterprises (SMEs) are excluded, potentially introducing sample selection bias, since some SMEs may also engage meaningfully in CSR activities.

Moreover, although the RKS-CSR database is a valuable information source, alternative databases exist in China (e.g., HeXun CSR), and future research should consider integrating multiple CSR datasets to improve robustness and validity. Finally, additional mediating and moderating mechanisms beyond corporate reputation may shape the CSR – performance relationship in emerging markets. Future studies should incorporate multiple or chain mediation models to explore these pathways more comprehensively.

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