

Corporate Social Responsibility, Sustainable Business Strategies, and Profitability: A Literature Review

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Abstract : In today's business world, companies are not only required to make profits, but also to be responsible to the community and the environment. One form of this responsibility is through the implementation of Corporate Social Responsibility (CSR). This study aims to determine the role of CSR as a sustainable business strategy in increasing company profitability. The research method used is a qualitative approach with a literature study, namely reviewing various journals related to CSR, sustainable business strategies, and profitability.

Keywords : Corporate Social Responsibility, profitability, sustainable business strategy

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1. INTRODUCTION

In the development of the modern business world, companies are no longer solely focused on profit, but are also required to pay attention to social and environmental aspects as part of their business strategy. Corporate Social Responsibility (CSR) has become one of the strategic approaches used by companies to create long-term value and maintain business sustainability. Through the implementation of well-planned CSR, companies can build a positive reputation, increase stakeholder trust, and strengthen their competitiveness amid increasingly fierce competition (Uin et al., 2024)

In modern business practices, companies are no longer solely focused on profit, but are also required to pay attention to social and environmental responsibilities as part of their business sustainability strategy. CSR has become an important approach because it emphasizes a balance between economic, social, and environmental aspects, known as the triple bottom line concept. This approach shows that the sustainability of a company is not only determined by its financial performance, but also by its ability to maintain relationships with the community, employees, and the surrounding environment (Ekonomi & Mulawarman, 2016)

In the development of the modern business world, companies are no longer solely oriented towards profit, but are also required to pay attention to social and environmental responsibilities as part of their efforts to maintain business

sustainability. CSR is understood as a company's commitment to carrying out responsible and sustainable operational activities, thereby creating a balance between economic, social, and environmental interests (Ekonomi & Mulawarman, 2016). Consistent implementation of CSR can support business sustainability and strengthen the company's relationship with its stakeholders. In addition, CSR practices and disclosures are also related to the company's financial condition, where profitability is one of the aspects often associated with the implementation of CSR in companies (N. Perusahaan & Moslemany, 2022).

In an era of increasingly competitive business and characterized by information transparency, companies are not only required to achieve optimal financial performance, but also to demonstrate social and environmental responsibility through CSR. The implementation of CSR reflects the company's commitment to balancing economic goals with social and environmental sustainability, thereby building trust and long-term relationships with stakeholders. CSR that is strategically integrated into business activities has the potential to provide economic benefits for companies, such as increased reputation, consumer loyalty, and operational efficiency, which in turn can support sustainable profitability (Achyani et al., 2024).

In an increasingly competitive and long-term oriented business dynamic, companies are required to carry out business activities that not only focus on profit, but also pay attention to the social and environmental impacts they cause. CSR has emerged as a strategic approach that integrates economic, social, and environmental interests into company business practices. The implementation of CSR is seen as capable of increasing stakeholder trust, strengthening the company's reputation, and supporting business sustainability amid increasing demands for transparency and accountability. Thus, CSR is no longer positioned merely as a moral or regulatory obligation, but as a sustainable business strategy that has the potential to add value and support the improvement of company performance in the long term (Rahmawati & Suryaningrum, 2024).

2. LITERATURE REVIEW

2.1. Signaling Theory

Signaling Theory explains that corporate management plays an important role in conveying information to external parties in order to reduce information asymmetry between companies and investors. This information is conveyed through various signals, both financial and non-financial, to reflect the company's current condition and future prospects. In the context of social responsibility, the disclosure of CSR can be seen as a positive signal that demonstrates the company's commitment to business sustainability and concern for stakeholders. Companies that consistently implement and disclose CSR activities are considered to have good governance and a long-term orientation, thereby increasing investor confidence (Khofifah et al., 2022).

CSR can be understood as a non-financial signal that demonstrates a company's seriousness in implementing sustainable business strategies. When CSR activities are supported by adequate profitability, the signals conveyed become more credible and easier for investors to trust, as they reflect the company's ability to consistently fulfill its social responsibilities without sacrificing financial performance. Therefore, CSR not only serves as a form of compliance or moral responsibility, but also as a strategic tool

to build positive market perceptions and strengthen confidence in the company's sustainable performance (Achyani et al., 2024).

The disclosure and implementation of CSR can be understood as a means of conveying information to external parties regarding the company's commitment and quality in conducting its business activities. It explains that CSR transparency plays a role in shaping positive investor perceptions because it reflects the company's concern for social and environmental aspects, which in turn can affect financial performance and company value (Mustika Z et al, 2022).

2.2. Corporate Social Responsibility

CSR is a form of corporate responsibility whose implementation in Indonesia is not only voluntary but also has a binding legal basis. (Achyani et al., 2024) explains that the obligation to implement CSR is regulated in Law Number 40 of 2007 concerning Limited Liability Companies, specifically Article 74, which requires companies related to natural resources to implement social and environmental responsibilities as part of their business sustainability strategy. In this study, CSR is measured through the level of CSR disclosure contained in the company's annual report with reference to the Global Reporting Initiative (GRI) guidelines. Each item of CSR disclosure is assessed using an index approach, where companies are given a score if they disclose certain indicators and are not given a score if they do not disclose them. This approach reflects the extent to which companies carry out and report their social responsibilities transparently, so that CSR disclosure can be used as an indicator of companies' commitment to sustainability and compliance with applicable regulations. (Achyani et al., 2024).

CSR in Indonesia has a strong legal basis through Law Number 40 of 2007 concerning Limited Liability Companies, specifically Article 74, which requires companies to implement social and environmental responsibilities as part of their business activities. This provision emphasizes that CSR is no longer voluntary, but rather an obligation that must be budgeted for and accounted for by companies. In line with these regulations, (Achyani et al., 2024) states that the implementation of CSR is part of a sustainable development strategy that emphasizes balance between economic, social, and environmental aspects. With this legal obligation, the implementation of CSR is not only aimed at complying with regulations, but also plays a role in building the company's reputation, increasing stakeholder trust, and creating long-term value for the company (Mawaddah & Putri, 2024).

CSR is a strategic approach in modern business practices that places social, environmental, and ethical responsibilities as an integral part of company operations (Uin et al., 2024) explains that the implementation of an effective CSR strategy not only reflects the company's concern for stakeholders, but also contributes positively to company value and financial performance. Companies that consistently manage their social and environmental impacts tend to have better competitiveness and gain greater trust from investors and the public. Therefore, CSR can be viewed as a sustainable business strategy that supports long-term value creation and improved company performance in an increasingly competitive business environment (Uin et al., 2024).

2.3. Profitability

Profitability is one of the most crucial indicators in financial analysis that describes a company's ability to generate profits during a certain period. In the context of economic theory and financial management, profitability is not only defined as the nominal value of profits earned, but also as an efficiency ratio that shows the comparison between profits and the assets or capital used to generate those profits. Profitability reflects the effectiveness of management in managing company resources. A company can be said to have a healthy financial condition if its profitability shows a positive and stable trend over time. This is very important because the main objective of establishing a company is generally to maximize the wealth of its owners through optimal profit. Without adequate profitability, companies will find it difficult to attract external capital and will face obstacles in developing their business scale in the future. (Alimah Suhinono, 2024)

Profitability is measured using an analytical tool known as the profitability ratio. This measurement method works by comparing components found in financial statements, particularly the balance sheet and income statement. The purpose of this measurement is to gauge the overall effectiveness of management as indicated by the level of profit earned in relation to sales and investment. Profitability ratios provide a percentage that can be used to assess a company's position compared to the previous period or compared to the average for similar industries. The use of these ratios is very important because absolute profit figures can often be misleading if they are not compared to the assets or capital used to generate those profits. In other words, this measurement converts raw accounting data into information that is meaningful for strategic decision making (Setiowati, 2023).

2.4. Sustainability Business Strategy

The success of sustainable business strategies is measured using performance indicators that go beyond conventional financial metrics. One of the most widely adopted global measurement standards is the Global Reporting Initiative (GRI) framework, which enables companies to report their economic, environmental, and social impacts in a transparent and structured manner. In addition, measurement is often carried out through ESG (Environmental, Social, and Governance) scoring assessments issued by independent rating agencies to evaluate how well companies manage sustainability-related risks and opportunities compared to their industry peers. Management can also integrate sustainability goals into the Balanced Scorecard system by setting specific Key Performance Indicators (KPIs) such as carbon footprint, workforce diversity, and corporate governance effectiveness. This systematic evaluation ensures that sustainability strategies are not just talk but are actually implemented in day-to-day business operations. (Indriani et al., 2025).

3. RESEARCH METHOD

This study uses a qualitative method with the systematic literature review (SLR) technique. According to Nightingale (2009), as cited by Saprani, Shabrina Rodhiyah Widya Wahyutama Akbar Thoriqul Ilmi (2025), the SLR technique was chosen to identify all studies discussing specific questions and minimize bias in selection, publication, and data extraction. According to the guidelines from Kitchenham (2014) as cited in Saprani, Shabrina Rodhiyah Widya Wahyutama Akbar Thoriqul Ilmi (2025),

there are three stages in SLR, namely: review planning, review implementation, and review reporting. The review implementation stage uses the PRISMA framework as shown in Figure 1.

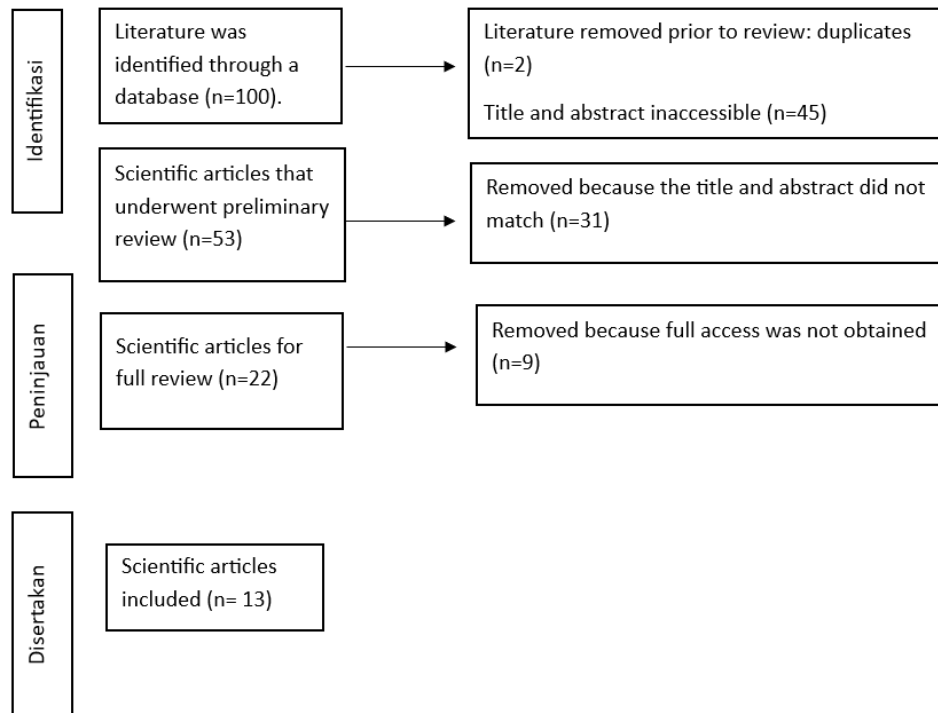


Figure 1. Review Implementation Framework. Source: Author's Processed Data

The inclusion criteria for this study are scientific articles that discuss Corporate Social Responsibility, Sustainable Business Strategies, and Profitability. Published between 2020 and 2025, and fully accessible. The five-year period (2020-2025) is expected to provide a reflection of the development of research on Corporate Social Responsibility, Sustainable Business Strategy, and Profitability.

Table 1. Distribution of Scientific Journals

No	Scientific Journals	Number of Articles
1	Jurnal Economina	1
2	JHIP-Jurnal Ilmiah Ilmu Pendidikan	1
3	Jurnal Manajemen Dan Bisnis Fakultas Ekonomi Dan Bisnis Universitas Teknologi Sumbawa	1
4	Jurnal Distribusi	1
5	Jurnal Manajemen Organisasi dan Industri	1
6	Jurnal Bisnis, Manajemen dan Ekonomi	1
7	Akuntansi dan Manajemen	1
8	JURNAL AKUNTANSI DAN KEUANGAN	2
9	Jurnal Ilmiah Keagamaan dan Kemasyarakatan	1
10	Jiic: JURNAL INTELEK INSAN CENDIKIA	1
11	Jurnal Penelitian Ilmiah Multidisipliner	1
12	J-CEKI:Jurnal Cendekia Ilmiah	1

Meanwhile, the exclusion criteria for this study are studies that only discuss Corporate Social Responsibility, Sustainable Business Strategy, and Profitability separately, in the form of scientific articles, and use Indonesian. In terms of language use, the researcher only used scientific articles in Indonesian because that was the only language the researcher was proficient in. To conduct the search, this study used Publish or Perish software as a tool and Google Scholars as a search engine. The keywords entered into the search engine were: “Corporate Social Responsibility,” “Sustainable Business Strategy,” and “Profitability.” Table 1 below shows the distribution of scientific journals based on the index and number of articles that meet the author's criteria to be used as literature sources.

4. RESULT AND DISCUSSION

4.1. Result

This study analyzed 13 scientific articles relevant to the research questions and objectives (Table 1). These articles were sourced from 12 different scientific journals, namely Jurnal Economina (1 article), JIIP: Jurnal Ilmiah Ilmu Pendidikan (1 article), Jurnal Manajemen dan Bisnis Fakultas Ekonomi dan Bisnis Universitas Teknologi Sumbawa (1 article), Journal of Distribution (1 article), Journal of Organizational and Industrial Management (1 article), Journal of Business, Management and Economics (1 article), Accounting and Management (1 article), Journal of Accounting and Finance (2 articles), Journal of Religious and Social Sciences (1 article), JIIC: Journal of Intellectual Scholars (1 article), Journal of Multidisciplinary Scientific Research (1 article), and J-CEKI: Journal of Scientific Scholars (1 article).

4.2. Discussion

Based on the analysis of 13 selected scientific articles, it can be understood that CSR has a strategic role in supporting business sustainability while increasing company profitability. The analyzed literature shows that CSR is no longer seen as an additional activity or merely a regulatory obligation, but has been integrated as part of a long-term sustainable business strategy.

Most articles emphasize that consistent implementation of CSR can create added value for companies through improved reputation, stakeholder trust, and social legitimacy. In the context of increasingly open and transparent business competition, companies that actively implement and disclose CSR tend to gain a positive image in the eyes of investors, consumers, and the public. This strengthens the company's position in maintaining business continuity and facing social and environmental risks that could potentially disrupt business performance.

From the perspective of Signaling Theory, CSR disclosure serves as a non-financial signal conveyed by management to external parties regarding the quality of governance and the company's commitment to sustainability. Transparent CSR information can reduce information asymmetry between companies and investors, thereby increasing market confidence in the company's long-term prospects. The analyzed literature shows that CSR signals will be more credible if supported by stable financial performance, as this reflects the company's ability to carry out its social responsibilities without sacrificing profitability.

Furthermore, the results of the literature review also indicate a positive relationship between CSR and company profitability. Several studies have found that

companies with higher levels of CSR disclosure tend to have better financial performance, as reflected in profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). This relationship can be explained through various mechanisms, including increased customer loyalty, operational efficiency, and improved employee productivity as a result of a more socially responsible work environment.

However, the literature also emphasizes that the impact of CSR on profitability is not always immediate in the short term. CSR implementation often requires relatively large initial investments, so that the financial benefits can only be felt in the long term. This reinforces the view that CSR is more appropriately positioned as a sustainable business strategy rather than a tool for pursuing short-term profits.

Overall, this discussion shows that integrating CSR into sustainable business strategies is an important factor in creating a balance between economic performance, social responsibility, and environmental sustainability. Companies that are able to manage CSR strategically not only have the potential to increase profitability, but also build a stronger and more sustainable business foundation in the long term.

5. CONCLUSION

Based on the results and discussion described above, it can be concluded that CSR plays a significant role as a sustainable business strategy in increasing company profitability. Through a systematic literature review of 13 scientific articles published between 2020 and 2025, this study shows that CSR not only functions as a moral or regulatory obligation, but has also developed into a strategic instrument that supports the creation of long-term value for companies.

Consistent disclosure and implementation of CSR can send a positive signal to stakeholders regarding the company's commitment to business sustainability, as explained in the Signaling Theory perspective. This signal contributes to increased investor confidence, company reputation, and better relationships with the community and other relevant parties.

In addition, most of the literature analyzed indicates a positive relationship between CSR and company profitability, although the impact is more dominant in the long term. This confirms that CSR should be positioned as an integral part of a sustainable business strategy, not as a short-term effort to increase profits.

Thus, companies are advised to strategically integrate CSR into business planning and operations in order to achieve a balance between financial performance, social responsibility, and environmental sustainability. For further research, it is recommended to combine qualitative and quantitative approaches so that the relationship between CSR, sustainable business strategy, and profitability can be analyzed more comprehensively and empirically.

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