

УДК 336.71:658.14:005.35
JEL Classification: G21, M14, C23

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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE: EVIDENCE FROM THE TURKISH BANKING SECTOR

DOI: <https://doi.org/10.32620/cher.2026.2.09>

Formulation of the problem. The relationship between corporate social responsibility (CSR) and financial performance remains a debated issue in finance and banking literature, especially in emerging markets where institutional frameworks and sustainability practices are still developing. In the Turkish banking sector, empirical evidence on whether CSR contributes to stronger financial outcomes is still limited. *The purpose of the research.* This study aims to examine the impact of CSR on financial performance in the Turkish banking sector and to determine whether CSR engagement improves bank profitability. *The object of the research.* The object of the research is the relationship between CSR practices and financial performance indicators in banks operating in Turkey. *The methods of the research.* The study applies a quantitative research design based on panel data analysis. The sample includes 23 banks operating in Turkey during 2015–2024, producing 230 bank-year observations. Financial performance is measured by return on assets and return on equity, while CSR is proxied by sustainability and disclosure indicators. Fixed and random effects models are estimated, and the Hausman test is used to select the appropriate specification. *The hypothesis of the research.* The study hypothesizes that CSR has a positive and statistically significant effect on financial performance in the Turkish banking sector. *The statement of basic materials.* The findings show that CSR positively and significantly affects both ROA and ROE. Banks with stronger CSR engagement tend to demonstrate higher profitability. Firm size has a positive effect, leverage has a negative effect, while bank age is statistically insignificant. *The originality and practical significance of the research.* The study provides updated empirical evidence from the Turkish banking sector as an underexplored emerging market context and shows that CSR can serve as a strategic tool for improving financial performance and stakeholder trust. *Conclusions and perspectives of further research.* The results confirm the positive role of CSR in enhancing bank performance. Future research may focus on cross-country comparisons, ESG-based indicators, and mediating factors such as corporate governance and digital transformation.

Keywords:

corporate social responsibility (CSR), financial performance, banking sector, emerging markets, panel data analysis.

ВПЛИВ КОРПОРАТИВНОЇ СОЦІАЛЬНОЇ ВІДПОВІДАЛЬНОСТІ НА ФІНАНСОВІ РЕЗУЛЬТАТИ: ДОСВІД БАНКІВСЬКОГО СЕКТОРУ ТУРЕЧЧИНИ

Постановка проблеми. Взаємозв'язок між корпоративною соціальною відповідальністю (КСВ) та фінансовими результатами залишається дискусійним питанням у сучасній фінансовій та банківській науці, особливо в умовах ринків, що розвиваються, де інституційні умови та практики сталого розвитку ще формуються. У банківському секторі Туреччини, попри зростання значущості КСВ, емпіричні докази її впливу на фінансові результати залишаються обмеженими. *Мета дослідження.* Метою дослідження є визначення впливу КСВ на фінансові результати банківського секто-

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ру Туреччини та з'ясування, чи сприяє КСВ підвищенню прибутковості банків. *Об'єкт дослідження.* Об'єктом дослідження є взаємозв'язок між практиками КСВ та показниками фінансової ефективності банків, що функціонують у Туреччині. *Методи дослідження.* У дослідженні застосовано кількісний підхід на основі панельного аналізу даних. Вибірка охоплює 23 банки за період 2015–2024 рр., що становить 230 спостережень. Фінансові результати оцінюються за показниками рентабельності активів і капіталу, тоді як КСВ вимірюється індикаторами сталого розвитку та розкриття інформації. Використано моделі фіксованих і випадкових ефектів та тест Хаусмана. *Гіпотеза дослідження.* Передбачається, що КСВ має позитивний і статистично значущий вплив на фінансові результати банків. *Виклад основного матеріалу.* Результати показують, що КСВ позитивно впливає на показники ROA та ROE. Банки з вищим рівнем КСВ демонструють кращу прибутковість. Розмір банку має позитивний ефект, рівень заборгованості – негативний, тоді як вік банку не є статистично значущим. *Оригінальність та практична значущість.* Дослідження надає актуальні емпіричні докази для банківського сектору Туреччини та доводить, що КСВ може виступати стратегічним інструментом підвищення фінансової ефективності та довіри стейкхолдерів. *Висновки та перспективи подальших досліджень.* Отримані результати підтверджують позитивну роль КСВ у підвищенні фінансових результатів банків. Подальші дослідження можуть бути спрямовані на міжкрайові порівняння, використання ESG-показників та аналіз впливу корпоративного управління і цифрової трансформації.

Ключові слова:

корпоративна соціальна відповідальність, фінансова ефективність, банківський сектор, ринки, що формуються, панельні дані.

Problem statement. In recent decades, corporate social responsibility (CSR) has increasingly evolved from a voluntary and philanthropic activity into a strategic component of corporate governance and performance management, particularly within the financial sector. Banks, as central actors in financial intermediation, are expected not only to ensure economic efficiency but also to address broader social, environmental, and ethical responsibilities. This transformation is largely driven by heightened regulatory expectations, stakeholder pressure, and the growing importance of transparency and sustainability in financial systems. As a result, CSR is no longer perceived merely as a reputational tool but as a potential determinant of long-term financial success.

Despite the growing importance of CSR, the relationship between corporate social responsibility and financial performance remains one of the most debated and empirically ambiguous issues in the finance and banking literature. While a substantial number of studies suggest that CSR engagement enhances firm value, profitability, and stakeholder trust, other research reports mixed or context-dependent findings. This inconsistency indicates that the CSR–financial performance nexus is influenced by sector-specific characteristics, institutional environments, and methodological differences across studies.

The banking sector presents a particularly complex context for examining this relationship due to its high level of regulation, exposure to financial risks, and strong dependence on stakeholder confidence. In this regard, CSR activities may play a dual role by simultaneously enhancing financial performance and mitigating risk. However, the extent to which these benefits translate into measurable financial outcomes remains insufficiently explored, especially in emerging market settings.

In particular, there is a notable lack of comprehensive and up-to-date empirical evidence regarding the impact of CSR on financial performance in the Turkish banking sector. As an emerging economy with a rapidly developing financial system, Turkey provides a unique institutional and economic environment where CSR practices are gaining importance, yet their financial implications remain underexplored. Existing studies in this context are limited and fragmented, thereby creating a clear research gap.

Therefore, there is a strong need for empirical research that systematically examines the relationship between CSR and financial performance in the Turkish banking sector using robust econometric methods and recent data. Addressing this gap is essential not only for advancing academic understanding but also for providing practical insights for bank managers, policymakers, and stakeholders seeking

to promote sustainable and responsible banking practices.

Analysis of recent research and publications. The relationship between corporate social responsibility (CSR) and financial performance has been extensively examined in the academic literature; however, empirical findings remain inconclusive and, in some cases, contradictory. A significant body of research suggests that CSR engagement positively influences firm performance by enhancing reputation, customer satisfaction, and stakeholder trust. For instance, CSR has been shown to improve market value and competitive positioning, thereby contributing to superior financial outcomes [17]. Similarly, empirical studies indicate that firms with higher CSR performance tend to benefit from lower costs of capital and improved financial efficiency [9; 7].

In addition, CSR has been closely linked to corporate governance quality and transparency. Prior research demonstrates that socially responsible firms are more likely to exhibit stronger governance mechanisms and higher earnings quality, which ultimately contribute to improved financial performance [14; 15]. Furthermore, sustainability-oriented practices have been associated with enhanced organizational processes and long-term value creation [8].

More recent studies provide additional empirical evidence supporting the positive relationship between CSR and financial performance. For example, sustainability reporting and ESG-related disclosures have been found to significantly enhance financial performance, particularly in the banking sector [4; 5]. Empirical findings from both developed and emerging markets further confirm that CSR engagement contributes to profitability and financial stability [12; 13; 23]. These results suggest that CSR can function as a strategic resource that generates long-term economic benefits.

However, not all studies support a uniformly positive relationship. Several scholars argue that the CSR–financial performance nexus is context-dependent and may vary across industries, institutional environments, and measurement approaches. Meta-analyses and review studies highlight that the impact of

CSR on financial performance may differ depending on firm characteristics and external conditions [19; 21]. This indicates that the relationship is complex and cannot be generalized across all contexts.

In the banking sector, the role of CSR becomes particularly significant due to the industry’s reliance on trust, reputation, and regulatory compliance. Studies show that CSR activities in banks are closely associated with risk reduction, improved governance, and enhanced financial stability [11]. Moreover, CSR initiatives contribute to strengthening stakeholder relationships and corporate reputation, which are critical determinants of bank performance [18; 24]. Recent empirical research also demonstrates that CSR engagement reduces risk-taking behavior and improves overall financial outcomes in banking institutions [12; 13].

Despite the growing body of literature, there remains a notable gap in empirical research focusing on emerging markets, particularly in country-specific contexts. While some recent studies have begun to address this issue [22; 27], comprehensive and up-to-date analyses of the CSR–financial performance relationship in the Turkish banking sector remain limited. Existing research in Turkey primarily focuses on general financial performance dynamics rather than explicitly examining the role of CSR [1; 3].

Therefore, further empirical investigation is required to better understand how CSR practices influence financial performance in emerging market banking systems. Addressing this gap is essential for advancing the literature and providing context-specific insights that can inform both academic research and practical decision-making.

Research hypotheses. Based on the theoretical framework and prior empirical studies, the following hypotheses are proposed:

H1: Corporate social responsibility (CSR) has a positive and statistically significant impact on financial performance in the Turkish banking sector.

H2: CSR has a positive and statistically significant effect on return on assets (ROA).

H3: CSR has a positive and statistically significant effect on return on equity (ROE).





The purpose of the article. The purpose of this article is to examine the impact of corporate social responsibility (CSR) on financial performance in the Turkish banking sector. Specifically, the study aims to determine whether CSR engagement contributes to improved financial outcomes, measured by key indicators such as return on assets (ROA) and return on equity (ROE).

In addition, the study seeks to provide empirical evidence on the nature and direction of the relationship between CSR practices and financial performance by applying panel data analysis to a sample of banks operating in Turkey over the period 2015–2024. Furthermore, the research aims to address the existing gap in the literature by offering context-specific insights from an emerging market and evaluating the strategic role of CSR as a determinant of financial performance in the banking industry.

Presentation of the main research material. In order to empirically examine the relationship between corporate social responsibility (CSR) and financial performance, the present study adopts a quantitative research design based on panel data analysis. The sample consists of 23 banks operating in the Turkish banking sector over the period 2015–2024, resulting in 230 bank-year observations. Panel data methodology is particularly appropriate for this analysis as it allows for controlling unobserved heterogeneity while capturing both cross-sectional and time-series variations [4; 24].

The Turkish banking sector represents a relevant empirical setting due to its increasing focus on sustainability practices, regulatory pressures, and the growing importance of transparency and responsible governance in

financial institutions [11]. In this context, examining the financial implications of CSR is essential for understanding whether socially responsible practices contribute to measurable performance outcomes.

Financial performance is measured using return on assets (ROA) and return on equity (ROE), which are widely accepted accounting-based indicators in banking studies [4; 5]. The key independent variable, CSR, is proxied through sustainability reporting and ESG-related disclosure indicators derived from banks' annual and sustainability reports [4; 5]. In addition, several control variables are included to ensure the robustness of the analysis, namely firm size (SIZE), leverage (LEV), and bank age (AGE), as these variables are commonly identified as important determinants of financial performance in the literature [9; 7].

To test the proposed hypotheses, the following panel regression model is specified:

$$FP_{it} = \beta^0 + \beta^1 CSR_{it} + \beta^2 SIZE_{it} + \beta^3 LEV_{it} + \beta^4 AGE_{it} + \varepsilon_{it} \quad (1)$$

Where: FP_{it} denotes the financial performance of bank i at time t (ROA or ROE); CSR_{it} represents corporate social responsibility; $SIZE_{it}$, LEV_{it} , and AGE_{it} denote the control variables; ε_{it} is the error term.

The model is estimated using both fixed effects and random effects approaches, and the Hausman test is applied to determine the most appropriate model specification. In addition, diagnostic tests such as multicollinearity, heteroskedasticity, and autocorrelation tests are conducted to ensure the validity and reliability of the results (Table 1).

Table 1 – Panel regression results

Variables	ROA (Model 1)	ROE (Model 2)
CSR	0.042***	0.087***
SIZE	0.015**	0.021**
LEV	-0.033**	-0.052**
AGE	0.006	0.009
Constant	0.112***	0.245***
R ²	0.41	0.46
Observations	230	230

Notes: ***p < 0.01, **p < 0.05

Source: Authors' work

The empirical results reveal that CSR has a positive and statistically significant impact on financial performance, supporting the main hypothesis of the study. Specifically, CSR is positively associated with both ROA and ROE, indicating that banks with higher levels of CSR engagement tend to achieve superior financial outcomes. These findings are consistent with prior studies highlighting the value-enhancing role of CSR in the banking sector [4; 24].

Firm size is also found to have a positive and statistically significant effect on financial performance, suggesting that larger banks benefit from economies of scale and stronger market positioning. In contrast, leverage exhibits a negative relationship with financial performance, indicating that higher debt levels may adversely affect profitability.

The variable representing bank age is found to be statistically insignificant, indicating that the maturity of banks does not exert a meaningful influence on financial performance within the context of CSR engagement. This finding suggests that, unlike structural and financial factors such as size and leverage, organizational longevity alone is insufficient to generate improved financial outcomes in the absence of effective CSR integration.

Overall, the results confirm that CSR functions as a strategic driver of financial performance rather than merely a reputational mechanism. By integrating CSR into their operations, banks can enhance stakeholder trust, improve corporate reputation, and achieve more sustainable financial outcomes.

Conclusions and perspectives for further research. This study examined the impact of corporate social responsibility (CSR) on financial performance in the Turkish banking sector using panel data covering 23 banks over the period 2015–2024. The empirical findings provide strong evidence that CSR has a positive and statistically significant effect on financial performance, as measured by return on assets (ROA) and return on equity (ROE). These results confirm that CSR is not only an ethical obligation but also a strategic factor that contributes to improved financial outcomes in the banking industry.

The findings indicate that banks with higher levels of CSR engagement tend to

achieve superior profitability and enhanced financial stability. In addition, firm size is found to positively influence financial performance, suggesting that larger banks benefit from economies of scale and stronger market positioning. Conversely, leverage has a negative effect, indicating that excessive reliance on debt may adversely affect financial outcomes. The analysis also reveals that bank age does not have a statistically significant impact on financial performance, implying that organizational maturity alone is insufficient to generate improved results without effective strategic and CSR integration.

From a theoretical perspective, the study contributes to the existing literature by reinforcing stakeholder theory and the resource-based view. The results demonstrate that addressing stakeholder expectations and investing in socially responsible practices can create intangible assets, such as trust and reputation, which translate into measurable financial benefits. Furthermore, by focusing on the Turkish banking sector, the study provides context-specific evidence from an emerging market, thereby addressing a significant gap in the CSR–financial performance literature.

From a practical standpoint, the findings offer important implications for bank managers and policymakers. Financial institutions are encouraged to integrate CSR into their core business strategies in order to enhance competitiveness, strengthen stakeholder relationships, and improve long-term performance. Policymakers, in turn, should support the development of regulatory frameworks and reporting standards that promote transparency, sustainability, and responsible banking practices.

Despite its contributions, the study has several limitations. First, CSR is measured based on disclosure indicators, which may not fully capture the quality or actual impact of CSR activities. Second, the analysis is limited to the Turkish banking sector, which may affect the generalizability of the results to other countries or industries. Third, although panel data methods are employed, there may still be unobserved factors influencing financial performance that are not fully captured in the model.

Future research may address these limitations by incorporating alternative CSR





measurement approaches, such as ESG scores or qualitative indicators, and by extending the analysis to multiple countries or comparative regional studies. In addition, further studies could explore the role of mediating and moderating variables, such as corporate governance, digital transformation, and risk management practices, in shaping the relationship between CSR and financial performance. Expanding the methodological framework by applying advanced econometric techniques may also provide deeper insights into the dynamics of the CSR–performance nexus.

In conclusion, this study highlights the strategic importance of CSR in the banking sector and provides robust empirical evidence that socially responsible practices contribute positively to financial performance. The findings underscore that sustainable and responsible business conduct is not only beneficial for society but also essential for achieving long-term financial success.

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Стаття надійшла
до редакції : 21.04.2026 р.

Стаття прийнята
до друку: 17.05.2026 р.

Стаття опублікована :
30.06.2026 р.

Бібліографічний опис для цитування :

Pashayeva D., Yildiz U. The impact of corporate social responsibility on financial performance: evidence from the turkish banking sector. *Часопис економічних реформ*. 2026. № 2(62). С. 79–85.

