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Examining the Moderating Effect of Audit Committee Expertise on the Relationship between Corporate Social Responsibility and Financial Performance

Mehdi Zolfaghari^{1,*} , Iraj Shirinpour¹

¹ Department of Accounting, Sowme'eh Sara Branch, Islamic Azad University, Sowme'eh Sara, Iran; zolfaghari.mhd@gmail.com; shirinpour.irj@gmail.com.

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Abstract


The primary aim of the present study is to examine the relationship between Corporate Social Responsibility (CSR) and financial performance, while considering the moderating role of audit committee expertise in companies listed on the Tehran Stock Exchange (TSE). In this study, CSR and audit committee expertise are regarded as independent variables, whereas financial performance is considered the dependent variable. To achieve this objective, a sample of 145 companies listed on the TSE was examined over the period from 2019 to 2024. Following sample selection and data collection, the variables under investigation were measured, and the Chow and Hausman tests were ultimately employed to analyze the data and test the research hypotheses. The findings of the hypothesis testing indicate that CSR has a positive and statistically significant relationship with financial performance. However, the results of the second hypothesis indicate that, in firms with high audit committee expertise, CSR does not exhibit a significant relationship with financial performance. In other words, because there is no significant relationship between audit committee expertise and firms' financial performance, audit committee expertise neutralizes the positive relationship between CSR and corporate financial performance.

Keywords: Corporate social responsibility, Audit committee expertise, Financial performance.

1 | Introduction

Corporate Social Responsibility (hereafter, CSR) has become a significant component of business strategy in recent years. Researchers and business practitioners have increasingly focused on the relationship between CSR and financial success in emerging economies. CSR refers to a company's commitment to conducting its

 Corresponding Author: zolfaghari.mhd@gmail.com

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operations in a socially and environmentally responsible manner. It implies that, beyond profit generation, firms also consider the impacts of their activities on various stakeholders and society as a whole [1]. Scholars have extensively examined the impact of CSR on business performance, although the findings have been mixed. The relationship between CSR and financial performance varies across contexts and industries. Empirical evidence and theoretical foundations suggest that CSR and financial outcomes in developing economies may be positively associated. However, it is important to recognize that the impact of CSR on financial performance is complex and may not always be immediate or directly observable, as it often involves intangible outcomes and long-term strategic considerations. Observational evidence from emerging economies has provided insights into the relationship between CSR and financial outcomes, although contradictory findings have also been reported. Several studies have identified a positive association: firms that allocate resources to CSR initiatives, such as community development programs or environmentally sustainable practices, achieve superior financial performance compared to their counterparts [2].

Moreover, implementing CSR policies can help firms operating in emerging markets mitigate potential risks associated with environmental and social concerns. As noted by Frederiksen [3], this, in turn, may enhance firms' financial stability and resilience in facing future challenges. Previous studies further suggest that firms with strong CSR performance may enjoy advantages in obtaining capital and financing under more favorable conditions. Investors tend to place greater trust in such firms because they perceive them as carrying lower levels of risk. In addition, consumers in developing markets are becoming increasingly aware of social and environmental issues. Consequently, companies that align themselves with these priorities through CSR initiatives may attract more customers, thereby increasing sales and revenues. In emerging markets, regulatory authorities may encourage or even mandate CSR-related practices. Firms that comply with these regulations may benefit from certain advantages, such as tax exemptions or access to government contracts.

However, CSR may also lead to reduced financial performance for early adopters due to the absence of robust systems for measuring and reporting the benefits of sustainability reporting and disclosure. Furthermore, substantial investment in CSR activities may divert resources away from core business operations [4]. Cavaco and Crifo [5] argue that engaging in CSR activities that satisfy one stakeholder group may simultaneously dissatisfy another, potentially harming financial performance. Firms operating in developing markets may also engage in CSR activities primarily to comply with social expectations and governmental regulations rather than as part of strategic business decision-making. Empirical evidence in the literature supports these arguments. In addition, several factors influence the relationship between CSR and financial performance, among which the audit committee is an important but relatively underexplored factor. The audit committee is responsible for overseeing financial reporting, internal controls, and corporate risk management.

Therefore, the expertise of audit committee members is crucial for effective corporate governance. This study examines the relationship between CSR and firm financial performance in the Iranian capital market. Furthermore, it examines how audit committee members' expertise moderates the relationship between CSR and business performance in emerging markets. Specifically, the study seeks to determine whether audit committee members' expertise moderates the relationship between CSR and firm financial performance. To achieve this objective, the study employs various regression analysis techniques to evaluate the moderating effect of audit committee members' expertise on the relationship between CSR and firm financial performance. By focusing on developing markets, particularly within the distinctive context of Iran, the findings contribute to the existing literature on CSR and corporate performance [6]. Although the impact of CSR on business performance has been extensively examined in developed economies, this study addresses an important gap in the literature by investigating how CSR influences firms operating in emerging markets. Understanding the relationship between CSR and firm performance in these contexts is particularly important, as they present unique opportunities and challenges for businesses seeking to implement CSR practices.

Moreover, the findings provide practical implications for firms operating in developing regions. The study highlights the importance of appointing audit committee members who possess the expertise necessary to address the complexities associated with measuring and reporting CSR activities. The findings also help firms

better understand how CSR influences financial outcomes, strategically communicate their CSR initiatives, and capitalize on the benefits of these efforts. In addition, the insights derived from this study may assist policymakers in designing regulations that encourage CSR practices in emerging economies. The study further emphasizes the importance of appointing audit committee members with specialized expertise. It encourages policymakers to recognize such expertise as a critical factor in supervising and promoting CSR practices within regulatory frameworks.

The relationship between audit committees and CSR has attracted increasing scholarly attention in recent years. Audit committees are responsible for overseeing a company's financial reporting and disclosure processes and play a critical role in ensuring compliance with legal and regulatory requirements. Accordingly, the expertise of audit committee members is considered a key factor in promoting sustainable performance and disclosure practices within firms. By providing oversight and guidance regarding social and environmental risks and opportunities, audit committee members with greater expertise can help ensure that firms manage their CSR activities effectively and responsibly. Prior studies have documented a positive relationship between audit committee expertise and CSR performance. For instance, a study by Mohammadi et al. (2023)[7] found that the financial expertise of audit committee members positively affects CSR performance in Iranian firms during the 2012–2018 period. The authors argued that audit committee members with greater expertise are better able to identify and monitor social and environmental risks and opportunities, thereby contributing to improved CSR performance. They further suggested that other audit committee characteristics, such as committee size and independence, may also influence CSR outcomes. Similarly, Dwekat et al. [8] reported that audit committee expertise positively affects CSR disclosure among a sample of European firms listed on the STOXX Europe 600 Index during the 2012–2018 period. The authors suggested that audit committee members with higher levels of expertise are better able to recognize the importance of CSR disclosure and can work more effectively with management to ensure that firms provide accurate and relevant information regarding their CSR activities. In contrast, Buallay and Al-Ajmi [9] reported a negative relationship between audit committee financial expertise and sustainability reporting among banks in Gulf Cooperation Council (GCC) countries during the 2013–2017 period. This finding suggests that, within the GCC context during that period, higher levels of financial expertise within audit committees did not necessarily lead to increased sustainability reporting by banks.

Although the concept of CSR has been extensively discussed in both theory and practice, there is still no universally accepted conceptual definition for it [10]. In classifying the dimensions of social responsibility, three major dimensions have been identified: economic, social, and environmental. Accordingly, CSR can be measured across three areas: the interests of shareholders and employees, the interests of society and the public, and environmental considerations. With respect to the interests of shareholders and employees, criteria such as improvement in financial performance, reduction of operating costs, enhancement of corporate reputation and brand image, increased sales and customer trust, greater productivity and higher quality, reduced need for new regulations, improved access to capital, enhancement of product safety, and reduced need for additional guarantees are taken into consideration. Regarding society's and the public's interests, factors such as participation in charitable and public-benefit activities, implementation of employee volunteer programs, promotion of public education, employment initiatives, assistance programs for the homeless, and product safety and quality are emphasized. In the area of environmental considerations, indicators of corporate responsibility include increased recycling of materials, enhanced product functionality and durability, greater utilization of renewable resources, and the application of environmental management tools in business planning, including life-cycle assessment, environmental cost analysis, and environmental management standards. In this regard, senior corporate managers, through the engagement of human and financial resources, as well as through negotiation and collaboration with other pillars of civil society, such as non-governmental organizations, the United Nations, and local and regional governments, can play a significant role in implementing organizational social responsibility strategies [11].

On the other hand, evaluating market performance in the decision-making process is among the most important issues in financial economics. Therefore, the application of financial and market-based indicators

for assessing corporate performance is essential. In competitive environments, managers are required to employ performance measurement processes to effectively direct organizational activities toward progress and strategic objectives in a deliberate and informed manner [12]. CSR and adherence to ethical business practices send positive signals to society, attracting public attention and, in particular, encouraging investors to invest in the company [13]. Under such circumstances, the company's stock price increases, thereby maximizing shareholder wealth. Accordingly, the first hypothesis of the present study examines the effect of CSR on financial performance. In line with the main framework of the study, this research further seeks to investigate the effect of audit committee expertise on financial performance through the channel of CSR. Therefore, the second hypothesis examines the moderating role of audit committee expertise in the relationship between CSR and financial performance.

2 | Background

Li et al. [14], in a study entitled "CSR and financial performance in a cross-country context: A meta-analysis", analyzed 223 studies from different countries and found that the relationship between CSR and firms' financial performance is generally positive and significant. This relationship is more pronounced in emerging economies, in countries with weaker financial markets, and in countries with stronger voluntary CSR disclosure practices.

Hyusein [15], in a study entitled "The Relationship Between CSR and Financial Performance: reflections on the U.S. technology industry", examined 89 technology firms listed on the NASDAQ and found that CSR has a positive and significant effect on accounting performance but a negative effect on market performance. Among CSR dimensions, the environmental and governance pillars had a positive impact on accounting performance, whereas the social pillar had a negative effect.

Tripathi et al. [16], in a study entitled "The long-term impact of CSR on financial performance: evidence from emerging markets", using data from firms in emerging markets, found that CSR has a positive and significant impact on long-term financial performance. This effect is stronger in firms with consistent and sustainable CSR strategies.

Phan et al. [17], in their research titled "Disruptive and incremental innovation as mediators in the CSR-financial performance link: evidence from Vietnam", showed that disruptive innovations play a strong mediating role in the relationship between CSR and financial performance. They also found that the impact of CSR on incremental innovation is stronger in state-owned enterprises.

Wejesiri et al. [18], in a study entitled "exploring the link between CSR and financial performance in social enterprises: the mediating role of productivity", analyzed data from microfinance institutions in Latin America and found that productivity plays an important mediating role in translating CSR into sustainable financial outcomes. These findings suggest that CSR can simultaneously enhance both economic and social objectives.

Kaleem et al. [19], in a study titled "An exploratory study of the relationship between CSR and financial performance: the role of artificial intelligence in enhancing CSR and financial outcomes", demonstrated that the use of artificial intelligence in implementing CSR can enhance its effectiveness and efficiency, leading to higher financial returns compared to traditional CSR techniques. The study highlights the role of AI in ESG monitoring, risk analysis, and increasing investor confidence.

Omidvar et al. [20], in a study entitled "The impact of CSR dimensions on firm performance: quantitative research of Iranian SME's", found that CSR has a positive and significant effect on financial performance, financial stability, and financial inclusion. In other words, increasing CSR activities can improve profitability, reduce risk, and expand banking services within society.

Ram Rooz and Jafari [21], in a study entitled "Investigating the effect of audit committee size and independence on the relationship between social responsibility and earnings quality in companies listed on the Tehran Stock Exchange (TSE)", found that although firms participate in social activities, there is no

significant relationship between the level of CSR and cash flows. This result highlights the need for greater attention to how CSR activities are implemented and how their financial returns are measured.

Sari et al. [22], in a study titled “pengaruh tanggung jawab sosial perusahaan terhadap kinerja keuangan perusahaan dengan kualitas audit sebagai variabel moderasi (studi empiris pada perusahaan non keuangan yang terdaftar di bursa efek indonesia tahun 2”, concluded that CSR has a positive and significant effect on financial performance, and audit quality plays an important mediating role in this relationship; specifically, firms with higher audit quality benefit more financially from CSR activities.

Wahba et al. [23], in a study entitled “The mediating effect of financial performance on the relationship between social responsibility and ownership structure”, found that Return on Assets (ROA) and Tobin’s Q act as mediators between CSR and market value. It implies that stronger financial performance can enhance the effect of CSR on firm value.

Aghaie et al. [24], in their study “The Effect of CSR and managerial ability on firm value considering the role of profitability in companies listed in the TSE”, showed that CSR and managerial ability have a positive and significant effect on firm value, meaning that increases in CSR activities and managerial ability lead to higher firm value. In addition, profitability strengthens the relationship between CSR, managerial ability, and firm value.

Rostami et al. [25], in a study titled “Investigating the moderating role of ownership concentration on the relationship between CSR performance and information asymmetry in companies listed on the TSE”, found that CSR performance is significantly related to information asymmetry. Their results also indicate that ownership structure weakens the negative relationship between CSR performance and information asymmetry.

2.1 | Hypotheses

Hypothesis 1. There is a significant relationship between CSR and financial performance.

Hypothesis 2. There is a significant relationship between CSR in firms with high audit committee expertise and financial performance.

2.2 | Statistical Population

All companies listed on the TSE constitute the statistical population of the present study, and the proposed hypotheses are examined and tested within this population. Due to the large size of the population and the existence of certain inconsistencies among its members, the following criteria have been considered for selecting the sample. Accordingly, the sample has been selected using a systematic elimination method. The criteria are as follows:

The companies must have been listed on the stock exchange before 2019, and their shares must have been continuously traded on the stock exchange from the beginning of 2019 onward.

- I. These companies must not have experienced operational interruptions during the period 2019 to 2024, and their fiscal years must end on March 20 to enhance comparability.
- II. The companies must not have changed their fiscal year during this period, and the required data for extracting the research variables must be available.
- III. Companies in the banking and financial institutions sector, investment companies, brokerage firms, holding companies, and leasing companies are excluded, as their governance structures differ in terms of disclosure practices. In addition, only profitable companies are included in the sample.

Based on these criteria, a total of 145 companies were selected as the final sample using a systematic and purposive sampling method over the period 2019 to 2024.

2.3 | Models

To test the research hypotheses, the following models are used:

$$ROA_{it} = b_0 + b_1CSR_{it} + b_2SIZE_{it} + b_3AGE_{it} + b_4LEV_{it} + b_5DIV_{it} + b_6LIQ_{it} + b_7SG_i + vit. \quad (1)$$

$$ROA_{it} = b_0 + b_1CSR_{it} + b_2ACE_{it} + b_3(CSR_{it} \times ACE_{it}) + b_4SIZE_{it} + b_5AGE_{it} + b_6LEV_{it} + b_7DIV_{it} + b_8LIQ_{it} + b_9SG_i + vit. \quad (2)$$

In these models, ROA represents financial performance; SIZE denotes firm size; AGE represents firm age; DIV indicates Earnings Per Share (EPS); SG represents the percentage of sales growth; CSR denotes CSR; LEV represents financial leverage; LIQ indicates liquidity; and ACE represents audit committee expertise. The parameter b_0 is the constant term, while b_1 to b_8 represent the coefficients of the control variables. The subscripts i and t denote the firm identifier and the time period, respectively. The term v_{it} represents the standard random error term in regression models.

2.4 | Definition of Variables

Dependent variable: financial performance (ROA): Return on assets is calculated as net profit divided by total assets. Independent variables: In this study, CSR is measured using indicators of the social impacts of corporate activities, social commitments, and the firm's social benefits. Following the study of Carroll [26], CSR is measured using indicators of social impact, social obligations, and social benefits within the following framework:

CSR_i : $C_{society} + C_{environment} + C_{leverage}$.

CSR_i : represents the CSR of firm i .

$C_{society}$: Represents the social impacts of firm i 's activities, which is calculated using the following formula:

$C_{society}$: $(-1) * (Total\ assets\ of\ firm\ i \div (Operating\ cash\ flow\ of\ firm\ i - Net\ income\ of\ firm\ i))$.

$C_{environment}$: social commitments of firm i , which is calculated using the following formula:

$Total\ assets\ of\ firm\ i \div (Total\ market\ value\ of\ equity\ of\ firm\ i + Total\ cash\ holdings\ of\ firm\ i)$.

$C_{leverage}$: social benefits of firm i , which is calculated as:

$Total\ market\ value\ of\ equity\ of\ firm\ i \div (Short-term\ liabilities\ of\ firm\ i + Long-term\ liabilities\ of\ firm\ i)$.

ACE: represents audit committee expertise. It is coded as 1 if the audit committee has at least one member with financial expertise, and 0 otherwise.

2.5 | Control Variables

Firm size: Natural Logarithm of total assets at the end of the fiscal year.

Financial leverage: In this study, financial leverage is defined as the ratio of total liabilities to total assets.

EPS: In this study, EPS is measured as the logarithm of EPS.

Liquidity: In this study, liquidity is defined as the ratio of current assets to current liabilities.

Firm age: In this study, it refers to the number of years from the company's establishment to the year of the study.

Sales growth: Calculated as the difference between sales in year t and year $t-1$, divided by sales in year $t-1$.

$$\text{Sale growth} = \frac{\text{Sale}_{i,t} - \text{Sale}_{i,t-1}}{\text{Sale}_{i,t-1}}$$

In *Model (1)*, coefficient b_1 , and in *Model (2)*, coefficient b_3 , indicate the acceptance or rejection of each of the research hypotheses.

3 | Results

3.1 | Descriptive Statistics

Table 1 presents the descriptive statistics of the research variables over the study period. The descriptive statistics of the variables, calculated using firm-level data over the testing period, include the mean, median, standard deviation, minimum, and maximum.

Table 1. Descriptive statistics.

Variable Description		Mean	Median	Standard Deviation	Minimum	Maximum	Skewness	Kurtosis
Firm age	Age	1.191	1.230	0.235	0.301	1.690	-0.319	3.071
CSR	CSR	2.900	2.005	2.152	1.259	9.584	1.018	4.213
CSR in firms with high audit committee expertise	CSR*ACE	1.210	0.000	1.889	0.000	7.488	0.796	3.059
Dividend	DIV	1.977	2.352	1.157	0.000	3.813	-0.733	2.155
Audit committee expertise	ACE	0.214	0.000	0.365	0.000	1.000	0.057	1.003
Financial leverage	LEV	0.624	0.609	0.256	0.1145	0.935	0.487	2.956
Liquidity	LIQ	1.222	1.081	0.713	0.340	3.284	1.375	4.709
Return on assets	ROA	0.306	0.365	0.132	-0.250	0.950	-1.756	5.219
Sales growth	SG	0.135	0.112	0.305	-0.393	0.825	0.442	2.871
Firm size	SIZE	6.010	5.892	0.738	4.686	8.058	0.849	3.471

For example, for financial leverage, the mean, median, standard deviation, minimum, maximum, skewness, and kurtosis are 0.624, 0.609, 0.256, 0.1145, 1.235, 0.487, and 2.956, respectively. Since the mean of leverage is greater than its median, the distribution of leverage among the sample firms is right-skewed. The positive skewness also supports this pattern.

2.3 | Correlation

This *Table 2* shows the Pearson correlation coefficients between the variables used in the study, including company size (SIZE), Sales Growth (SG), return on assets (ROA), liquidity (LIQ), leverage (LEV), audit committee expertise (ACE), diversification (DIV), CSR, the interactive effect of CSR and ACE, and company age (Age). The results indicate that there is no very strong correlation among the variables and, as a result, multicollinearity is not observed in the research model.

Table 2. Matrix of correlation coefficients between research variables.

	Age	CSR	CSR*ACE	DIV	ACE	LEV	LIQ	ROA	SG	SIZE
Age	1.000									
CSR	0.173	1.000								
CSR*ACE	0.053	0.174	1.000							
DIV	0.237-	0.402-	0.026	1.000						
ACE	0.081-	0.294-	0.623	0.281	1.000					
LEV	0.150	0.634	0.034	0.354-	0.265-	1.000				
LIQ	0.040-	0.327-	0.018-	0.152	0.122	0.655-	1.000			
ROA	0.177-	0.304-	0.051	0.343	0.238	0.286-	0.033	1.000		
SG	0.052-	0.137-	0.076	0.067	0.159	0.128-	0.107	0.156	1.000	
SIZE	0.111-	0.026	0.090	0.176	0.114	0.008-	0.208-	0.865	0.070	1.000

The above table presents the correlation coefficients among the main research variables. If the coefficients are positive, it indicates a positive relationship between the variables, and vice versa. For instance, the correlation coefficient between firm size and sales growth is 0.070, while the correlation between leverage and firm size is -0.008 . Similarly, the correlation coefficients and their significance levels for the other variables are shown in the table. If the correlation coefficient between independent variables ranges from 0 to 0.25, it indicates a weak relationship; from 0.25 to 0.50, a moderate relationship; from 0.50 to 0.75, a relatively strong relationship; and from 0.75 to 1 (100%), a very strong relationship. In this table, the correlation coefficient between financial performance and firm size is 0.865, which is strong; however, since these variables are not both independent variables in the same model, this high correlation does not create a multicollinearity problem.

3.3 | Testing the First Main Hypothesis

To investigate the effect of CSR on financial performance, a panel-data regression model was estimated using the fixed-effects method. The results of the model test, variable coefficients, t-statistics, and the significance levels of the independent and control variables are presented in the table below. Also, the model fit indices and diagnostic tests used to assess the model's validity are reported.

Table 3. Results of the regression model estimation of the effect of CSR on the financial performance of companies.

Variable Name	Variable Coefficient	Coefficient Value	t-Statistic	Significance Level
Constant	β_0	0.59	2.77	0.00
Corporate social responsibility	CSR β_1	0.08	13.06	0.00
Firm age	Age β_2	0.23-	3.07-	0.00
Dividend	DIV β_3	0.06	5.61	0.00
Financial leverage	LEV β_4	0.12	2.02	0.04
Liquidity	LIQ β_5	0.08	4.07	0.00
Sales growth	SG β_6	0.06	2.64	0.00
Firm size	SIZE β_7	0.89	34.00	0.00
R ²		0.77	F-statistic	160.69
Adjusted R ²		0.76	P-value	0.0000
			Durbin–Watson statistic	1.89
Chow test: 26.69 (p-value = 0.00) → panel model	Hausman test: panel with fixed effects	Heteroskedasticity test: presence of heteroskedasticity GLS	Jarque–Bera test significance level: 0.00	

The F-statistic value (160.69) indicates the overall significance of the regression model. As shown at the bottom of the table, the model's R^2 and Adjusted R^2 are 0.77 and 0.76, respectively. Therefore, approximately 76% of the variation in firms' financial performance in the studied sample is explained by the independent and control variables included in the model.

In this table, positive (negative) values in the coefficient column indicate a direct (inverse) effect of each variable on firm financial performance.

Hypothesis testing results: the significance level (p-value) of the CSR variable (0.00) is lower than the significance level considered in this study (5%). Moreover, the absolute value of the t-statistic for this variable (13.06) is greater than the critical t-value at the same degree of freedom. Therefore, the null hypothesis (H_0) is rejected at the 95% confidence level, and the alternative hypothesis (H_1), stating that "there is a significant relationship between CSR and financial performance", is confirmed. This relationship is positive and significant.

4.3 | Testing the Second Main Hypothesis

To test the second hypothesis of the study, the effect of audit committee expertise on the relationship between CSR and financial performance was examined. For this purpose, the interactive variable CSR*ACE was entered into the regression model to evaluate the moderating role of audit committee expertise. The results of the model estimation, the variable coefficients, and the diagnostic tests are presented in the table below.

Table 4. Results of the second hypothesis test: The moderating role of audit committee expertise in the relationship between CSR and financial performance.

Variable Name	Variable Coefficient	Coefficient Value	t-Statistic	Significance Level	
Constant	β_0	0.60	2.84	0.00	
Corporate social responsibility	CSR	β_1	0.08	12.47	0.00
Audit committee expertise	ACE	β_2	0.00	0.17	0.86
CSR in firms with high audit committee expertise	CSR*ACE	β_3	0.00	0.61	0.54
Firm Age	Age	β_4	-0.23	-3.07	0.00
Dividend	DIV	β_5	0.06	5.58	0.00
Financial leverage	LEV	β_6	0.12	1.99	0.04
Liquidity	LIQ	β_7	0.08	4.11	0.00
Sales growth	SG	β_8	0.06	2.59	0.00
Firm Size	SIZE	β_9	0.89	34.08	0.00
Coefficient of determination (R^2)	0.77	F-statistic		142.32	
Adjusted coefficient of determination (adjusted R^2)	0.76	Significance (p-value)		0.0000	
		Durbin–Watson statistic		1.88	
Chow test: 26.53 (p-value = 0.00) → panel model	Hausman test: fixed effects panel model	Heteroskedasticity test: presence of heteroskedasticity (GLS approach)		Jarque–Bera test significance level: 0.00	

The F-statistic value (142.32) indicates the overall significance of the regression model. As shown at the bottom of the table, the model's R^2 and Adjusted R^2 are 0.77 and 0.76, respectively. Therefore, approximately 76% of the variation in firms' financial performance in the studied sample is explained by the independent and control variables included in the model. In this table, positive (negative) coefficient values indicate a direct (inverse) effect of each variable on financial performance.

Hypothesis testing results: the significance level (p-value) of the CSR in firms with high audit committee expertise (0.54) is higher than the significance level considered in this study (5%). Moreover, the absolute value of the t-statistic for this variable (0.61) is lower than the critical t-value at the same degree of freedom.

Therefore, the null hypothesis (H_0) is accepted at the 95% confidence level, and the alternative hypothesis (H_1), stating that "there is a significant relationship between CSR in firms with high audit committee expertise and financial performance", is not supported.

5 | Conclusion

The main objective of this study was to examine the relationship between CSR and firms' financial performance, as well as the moderating role of audit committee expertise in this relationship. The results of the descriptive statistics indicated that the research variables had an acceptable level of dispersion, and the data distribution was appropriate for conducting statistical tests. In addition, the correlation results showed that there were positive and significant relationships among some of the research variables, while no severe multicollinearity problem was observed among the independent variables; therefore, the use of regression models for hypothesis testing was justified.

The results of the first hypothesis indicated that CSR has a positive and significant effect on financial performance. The positive coefficient of the CSR variable and its statistical significance suggest that firms with higher engagement in social responsibility activities tend to have better financial performance. This finding is consistent with the study's theoretical foundations, particularly stakeholder theory and legitimacy theory. According to stakeholder theory, firms that respond to the needs and expectations of stakeholders are able to gain greater trust and support from customers, investors, employees, and other stakeholder groups, which ultimately leads to improved financial performance. Similarly, legitimacy theory suggests that CSR activities enhance firms' legitimacy in society and create a positive organizational image, which, in turn, improves their competitive position and increases profitability.

The results of this hypothesis are also consistent with previous studies, including Eccles et al. [27], Lin et al. [28], and Lu et al. [29], which suggest that firms with strong social performance tend to achieve better long-term financial outcomes. In fact, engaging in CSR activities can increase investor trust, reduce the cost of capital, improve corporate reputation, and enhance customer loyalty, thereby strengthening the firm's financial performance.

On the other hand, the results of the second hypothesis test indicated that audit committee expertise does not have a significant effect on the relationship between CSR and financial performance. In other words, a high level of audit committee expertise has not strengthened or moderated the relationship between CSR and financial performance. This finding may be attributed to the fact that, in many firms, the role of audit committees is mainly focused on financial aspects and internal controls, while less attention is given to issues related to CSR and sustainability. Moreover, audit committee members' expertise is often concentrated in accounting and finance, with insufficient knowledge and experience in sustainability reporting and CSR practices; therefore, this expertise has not had a significant impact on the examined relationship.

In addition, the study's findings indicate that some control variables, including dividends, liquidity, sales growth, and firm size, have a positive and significant effect on financial performance. In contrast, firm age has a negative and significant relationship with financial performance. The positive effect of firm size on financial performance may be due to greater access to financial resources, competitive advantages, and stronger market power in larger firms. Similarly, the positive impact of liquidity and sales growth indicates that firms with higher liquidity and stronger sales growth have greater capacity to improve their financial performance. Overall, this study's results emphasize that attention to CSR is not only an ethical and social obligation but can also serve as a strategic tool for improving financial performance and increasing firm value. Therefore, managers are advised to consider CSR-related activities as part of their long-term strategy and to strengthen transparency in CSR reporting to enhance stakeholder and investor trust. It is also recommended that, in addition to strengthening the financial expertise of audit committees, knowledge and expertise related to sustainability and ESG issues should be considered in the composition of these committees to improve their effectiveness in overseeing CSR activities.

5.1 | Research Limitations

The limitations of the present study include the following:

One limitation of this research is that, for measuring CSR, alternative models also exist; however, this study applied only the Carroll [26] model. The use of this specific model and the inverse or varying relationships observed between CSR and financial performance may represent a key limitation of the study, as applying other CSR measurement models might have yielded different results.

Another limitation of this study is the lack of firm-level time-series regression analysis due to the short time span of each firm's data.

5.2 | Practical Recommendations

Based on the analysis of the hypotheses, the following general recommendations can be proposed:

Designing precise, measurable CSR indicators that are consistent with Iran's cultural and economic context for evaluating firms' CSR activities.

Employing panel data methods, PLS-SEM, path analysis, or structural equation modeling to conduct a more robust examination of the relationship between CSR and financial performance.

Incorporating mediating variables (such as brand image, employee commitment, and financial risk) to achieve a more in-depth analysis of the relationship.

Examining the effects of the environmental, social, and governance dimensions of CSR on financial performance, as these dimensions do not necessarily exert identical impacts.

5.3 | Suggestions for Future Research

Based on the findings of the present study, the following recommendations for future research appear necessary:

- I. CSR should not be treated as a peripheral program; rather, it should be defined as an integral part of the company's core strategy and mission.
- II. The annual publication of CSR reports, accompanied by relevant financial data, is recommended to enhance investor and customer trust.
- III. The design of incentive systems for employees who contribute to the achievement of the company's social objectives is suggested, as this can enhance organizational commitment and productivity.
- IV. The systematic collection of feedback from customers, local communities, employees, and investors regarding CSR projects and the use of this feedback to improve performance is recommended.
- V. The establishment of a specialized unit or the appointment of a Chief CSR Officer within the organizational structure, with a defined budget and authority, is proposed.
- VI. The use of artificial intelligence and big data analytics to assess the social impacts of projects and to predict social and environmental risks is recommended.

Conflict of Interest

The authors declare no conflict of interest.

Data Availability

All data are included in the text.

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