



# Profit with purpose: How corporate social responsibility shape financial payoff in Oman manufacturing sector

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**Abstract:** The present study examines the mediating role of financial performance in the relationship between Corporate Social Responsibility (CSR) and firm value (FV) among nine manufacturing companies listed on the Muscat Securities Market (MSM) in Oman. The study employed quantitative research design, using secondary data collected from 2020 to 2024 to analyze the effect of CSR activities on key efficiency metrics (Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and Return on Capital (ROC). The correlation results between CSR activities and these efficient metrics showed varied relationships across the nine manufacturing firms. The mediation results suggest that CSR activities influence FV through factors other than financial performance.

**Keywords:** Financial Performance, Return on Assets, Return on Equity, Earning Per Share, Return on Capital.

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## 1 | INTRODUCTION

In contemporary era, the integration of Corporate Social Responsibility (CSR) into operational procedures has progressed from a peripheral concern to a central element of corporate governance and performance management. Businesses worldwide have begun to recognize that long-term success requires attention to social and environmental objectives alongside financial goals. This major shift has been driven by several factors, including rising stakeholder expectations, tighter regulatory frameworks, and increased social awareness of CSR. Over the past two decades, scholars have examined the relationship between CSR and financial performance, yet the nature and strength of this association remain unclear across industries and regions. Within the manufacturing sector, this debate is particularly significant given its substantial environmental footprint and reliance on stakeholder trust. CSR initiatives can enhance firm performance through mechanisms such as improved reputation (Saeidi et al., 2015; Miller et al., 2020; Akram et al., 2024), customer loyalty (Le, 20203), and increased operational efficiency (Lau et al., 2018). On the other hand, Friedman (1970) argues that a company's fundamental objective is to maximize financial payoff within legal frameworks, emphasizing that shifting towards social objectives may compromise shareholders' wealth. Contemporary literature, however, reveals a more diverse reality. While some studies indicate that the relationship between CSR and financial performance is influenced by factors such as context, industry, and governance structure (Mugova et al., 2025; Ahmad & Kumari, 2025; Arici et al., 2025), other research shows that strategically incorporating CSR can enhance firm performance and firm value (You et al., 2025; Tasnia & Alhabshi, 2025; Nguyen et al., 2025). Furthermore, some studies emphasized that excessive CSR spending might reduce efficiency and payoff in certain situations (Zeng et al., 2025; Wang et al., 2025; Ding et al., 2025). Within the manufacturing sector, this debate is particularly relevant given its significant environmental footprint and reliance on stakeholder trust. Prior meta-analyses (Orlitzky et al., 2003; Wang et al., 2016) have shown that industry characteristics, geographic context, and governance frameworks moderate the relationship between CSR and firm performance. In emerging economies, where institutional and cultural settings differ markedly from those in Western contexts, CSR practices often evolve in alignment with national development goals.

In Oman, Vision 2040 emphasizes CSR as a strategic lever to promote economic diversification, social welfare, and sustainable industrial growth (Government of Oman, 2020). However, empirical evidence on how CSR quantitatively influences financial outcomes in the Omani manufacturing sector remains limited. Therefore, this study investigates the relationship between CSR engagement and financial performance among manufacturing companies listed on the Muscat Securities Market. By employing quantitative indicators of CSR, such as the number and scale of CSR activities and evaluating their relationship with financial metrics including Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and Return on Capital (ROC), this research seeks to bridge the existing empirical

gap and contribute to both academic and policy discussions on corporate sustainability in Oman.

## 2 | LITERATURE REVIEW

The theoretical foundation of this study is built on stakeholder theory and the resource-based view (RBV), both of which suggest that corporate social responsibility (CSR) can serve as a strategic asset that enhances organizational reputation, operational efficiency, and financial performance. When effectively implemented, CSR practices create shared value by aligning corporate objectives with societal needs, thereby strengthening the firm's competitive position and long-term profitability. Empirical literature consistently supports the notion that CSR engagement is positively associated with various indicators of financial performance. Studies have shown that CSR enhances both profitability and market performance in Indian banks, and CSR initiatives have been found to contribute positively to corporate financial performance in Korean firms (Oh & Park, 2015). Similarly, Bag & Omrane (2022) reported a significant positive relationship between CSR and firm profitability among Indian manufacturing firms. These findings support the assumption that CSR investments can enhance firm efficiency and strengthen stakeholder confidence, leading to superior financial payoff.

### 2.1 | Corporate Social Responsibility and Financial Performance

The relationship between Corporate Social Responsibility (CSR) and financial performance (FP) has been extensively examined in both developed and emerging economies, yet results remain context dependent. Foundational studies have established that CSR can enhance firm performance through improved corporate reputation, stakeholder trust, and operational efficiency. Several empirical studies provide evidence of a positive relationship between CSR engagement and financial performance. Maqbool & Zameer (2018), in their study of Indian commercial banks, found that CSR has a positive impact on payoff and market returns. Similarly, Oh & Park (2015) identified a positive association between CSR activities and corporate financial performance (CFP) among Korean firms, supporting the view that proactive CSR strategies enhance firm competitiveness. Bag & Omrane (2022) further confirmed this relationship in Indian companies, demonstrating that CSR participation significantly improves payoff and firm value when it is systematically implemented and measured. Extending this perspective to small and medium-sized enterprises (SMEs), Bahta et al., (2021) showed that CSR initiatives enhance firm performance through reputation building. Likewise, Platonova et al. (2018) reported a strong positive correlation between CSR disclosure and financial performance among Islamic banks in the Gulf Cooperation Council (GCC), indicating that transparent CSR practices foster stakeholder trust and long-term profitability. In the hotel industry, Babajee et al. (2022) also found that CSR activities directly contribute to improved financial outcomes, with this relationship moderated by growth opportunities. Furthermore, CSR practices

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can reduce risk exposure and operational disruptions, thereby enhancing profitability and capital efficiency (Albuquerque et al., 2019). Within Oman's manufacturing sector, where CSR initiatives closely align with the national Vision 2040 development agenda, the financial benefits of CSR are therefore expected to be particularly substantial.

*H1: There is a significant positive relationship between Corporate Social Responsibility (CSR) activities and the financial performance of manufacturing companies listed on the Muscat Securities Market.*

**Financial Performance and Firm Value:** Financial performance is a crucial determinant of firm value, as it conveys signals of profitability, efficiency, and sustainability to investors (Orlitzky et al., 2003). Firms that exhibit strong ROA, ROE, and ROC are more likely to gain investor confidence, leading to higher market capitalization and firm valuation. Nollet et al., (2016) identified a nonlinear, U-shaped relationship between CSR and accounting-based performance metrics (ROA and ROC), suggesting that CSR investments may initially depress returns but yield long-term financial benefits as firms advance in their CSR practices. Consequently, sustained improvement in financial performance indicators can enhance firm value in both accounting-based and market-based terms.

*H2: There is a significant positive relationship between financial performance and firm value among manufacturing firms listed on the Muscat Securities Market.*

**Corporate Social Responsibility and Firm Value:** Beyond financial performance, CSR may significantly affect firm value through its reputational and signaling effects. Signaling theory posits that CSR disclosures provide positive information about a firm's quality, stability, and ethical commitment, thereby reducing information asymmetry and attracting investors (Elhag et al., 2026; Su et al., 2016). Tsang et al. (2024) shows that voluntary CSR reporting significantly increases firm value, particularly when financial analysts interpret and endorse CSR disclosures. Similarly, Saeidi et al. (2015) find that CSR contributes to financial success by enhancing competitive advantages, corporate reputation, and customer satisfaction factors that collectively strengthen firm value and long-term profitability. Empirical evidence from studies such as Platonova et al. (2018) further indicate that firms with higher levels of CSR engagement enjoy greater market valuation due to improved legitimacy and stakeholder trust. Consequently, it is hypothesized that CSR practices contribute not only to short-term profitability but also to the long-term value of the firm.

*H3: Corporate Social Responsibility (CSR) has a significant positive relationship with the value of the firm.*

**The Mediating Role of Financial Performance:** Corporations that effectively manage and implement CSR practices tend to achieve better financial performance, which in turn enhances firm value through improved market reputation and increased investor trust. Prior literature suggests that the relationship between CSR and FV may be mediated by financial performance (Wang & Sarkis, 2017; Escamilla-Solano et al., 2024). Since CSR-driven financial performance represents an internal resource that contributes to long-term value creation, this mediating relationship is consistent with the RBV.

*H4: Financial performance mediates the relationship between Corporate Social Responsibility (CSR) and firm value.*

Overall, the literature provides strong evidence of a positive and often reciprocal relationship between CSR engagement and financial performance. However, prior studies have largely concentrated on developed markets or specific sectors such as banking and hospitality, with relatively limited attention given to manufacturing industries in emerging economies such as Oman. Furthermore, while much of the existing research relies on qualitative or perception-based measure of CSR metrics, few studies have examined the quantitative dimension of CSR specifically, the measurable number of CSR activities and their statistical association with financial indicators such as ROA, ROE, EPS, and ROC. Addressing this gap, the present study empirically examines whether quantitative CSR engagement contributes to improved financial performance and firm value among manufacturing companies listed on the Muscat Securities Market. By integrating insights from prior research, the researcher aims to extend CSR and FP literature to the Omani context, providing evidence-based guidance implications for corporate managers, policymakers, and investors.

### 3 | METHODOLOGY

This research adopted a quantitative research design, which facilitated the systematic examination of numerical data to establish statistical relationships between corporate social responsibility (CSR) and financial performance among manufacturing companies listed on the Muscat Securities Market (MSM) in Oman. Quantitative approaches were particularly effective for assessing causal relationships and testing hypotheses using measurable variables (Saunders et al., 2019). The

population of the study comprised all manufacturing companies listed on the Muscat Securities Market (MSM). A random sampling technique was employed to select a representative sample of manufacturing firms. The final sample consisted of nine manufacturing companies listed on the MSM. These firms were selected based on the availability of financial reports and CSR disclosures for the period 2020 to 2024. This study examined the relationship between corporate social responsibility (CSR) and financial performance. CSR served as the independent variable and was measured quantitatively by the number of CSR activities undertaken by each company within a financial year. This measurement was consistent with prior research emphasizing quantifiable CSR engagement (Akram et al., 2025; Havlinova & Kukacka, 2023; Choi et al., 2023; Nazarenko, 2025). Financial performance was assessed as the dependent variable using four accounting-based indicators commonly employed in corporate finance research (Al Frijat et al., 2024; Costa & Fonseca, 2022): Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and Return on Capital (ROC). In addition, firm value was measured using market capitalization (Chettri & Kabra, 2024; Bhagawan & Mukhopadhyay 2025), which reflected the firm's perceived value in the financial market.

Data collection focused on extracting consistent and verifiable financial and CSR information for each firm for the period from 2020 to 2024. The use of secondary data was advantageous because it provides reliable, objective, and verifiable sources suitable for quantitative financial analysis. Data analysis will be conducted using statistical software, such as SPSS, to ensure accuracy and reproducibility. The analysis is carried out in two stages. First, descriptive statistics are used to summarize the key characteristics of CSR activities, financial performance indicators (ROA, ROE, EPS, and ROC), and firm value. Measures including the mean, standard deviation, minimum, and maximum values are calculated to provide an overview of the data distribution. Second, inferential statistical methods are employed to examine relationships and test hypotheses regarding the influence of CSR on financial performance and firm value. Correlation Analysis is used to assess the strength and direction of associations between CSR activities and financial performance metrics.

Mediation was examined using a regression-based framework in which the effect of CSR on firm value was partitioned into direct and indirect components through financial performance indicators (ROC, ROA, and ROE). The a-path (CSR → Financial Performance), b-path (Financial Performance → firm value while controlling for CSR), c-path (total effect), and c'-path (direct effect) were estimated using ordinary least squares (OLS) regression. Because indirect effects are typically non-normally distributed, their significance was assessed using 5,000 bootstrap resamples to generate bias-corrected 95% confidence intervals; mediation was inferred only when the confidence interval excluded zero.

## 4 | RESULTS

### 4.1 | Descriptive Analysis

The EPS indicators reveal relatively low mean values across firms, suggesting modest profitability. The standard deviation (SD) ranges between 0.010 and 0.193, indicating limited volatility except for Company 4 (SD = 0.193) and Company 6 (SD = 0.060), which exhibit higher earnings variability. Negative minimum values for Company 4, 7, and 9 imply instances of net loss within those entities, reflecting possible financial stress. Company 4 displays significant variability across entities, as reflected by the wide range of SD values (0.121–3.333). Company 7 shows the most pronounced fluctuation (SD = 3.333; Min = -0.180; Max = 7.780), highlighting differences in capital utilization efficiency. The negative means for Company 3 (-0.116) and Company 4 (-1.258) suggest periods of capital inefficiency. ROA values demonstrate relatively low variation, with means ranging from -0.202 (Company 4) to 0.102 (Company 6). The consistency of ROA across entities, coupled with small SD values ( $\leq 0.076$  for most firms), indicates stable asset utilization and conservative investment behavior. Negative mean values for Company 3, 4, and 7 point to occasional underperformance or asset write-downs.

ROE reveals greater heterogeneity, with Company 1 and 4 displaying extreme variability (SD = 0.788 and 1.948, respectively). The mean ROE for Company 1 (0.529) suggests solid equity profitability, while Company 4's negative mean (-1.273) indicates a structural or operational inefficiency affecting shareholder value. The maximum ROE of 2.265 (Company 8) underscores superior shareholder value creation for that entity. The firm value data (in millions) show substantial variation across entities. The mean FV ranges from 0.010 (Company 3) to 88.608 (Company 1), with Company 4 and 8 exhibiting the highest dispersion (SD = 25.460 and 32.934, respectively). CSR engagement displays relatively stable means, with Company 1 consistently performing CSR activities (Mean = 2.000; SD = 0.000). In contrast, Company 4 and 8 show higher variability (SD = 1.342), suggesting uneven CSR intensity.

## 4.2 | Correlation Analysis

### Correlation analysis between CSR Activities and Financial Performance

**Table 1:** Correlation analysis between CSR Activities and ESP

Company	Correlation (r)	Relationship Type
C1	-0.359	Moderate negative
C2	0.487	Moderate positive
C3	0.375	Weak positive
C4	0.766	Strong positive
C5	-0.232	Weak negative
C6	-0.337	Moderate negative
C7	-0.085	Very weak negative
C8	0.24	Weak positive
C9	-0.902	Strong negative

The correlation analysis in Table 1 reveals a diversified and inconsistent association between CSR efforts and EPS. Four companies (C2, C3, C4, and C8) have positive correlations, indicating that increased CSR activity relates to higher profitability per share. Five companies (C1, C5, C6, C7, and C9) have negative correlations, implying that CSR efforts may lead to poorer immediate earnings. The average correlation across all companies is at -0.004, indicating a neutral to weak relationship between CSR and EPS at the industry level. This trend demonstrates the firm-specific character of CSR's financial impact, which is influenced by variables such as company size, management approach, industry sub-sector, and market reputation.

**Table 2:** Correlation analysis between CSR Activities and ROC

Company	Correlation (r)	Relationship Type
C1	-0.591	Moderate negative
C2	0.476	Moderate positive
C3	0.335	Weak positive
C4	0.764	Strong positive
C5	0.106	Very weak positive
C6	0.044	Very weak positive
C7	-0.451	Moderate negative
C8	0.227	Weak positive
C9	-0.903	Strong negative

The correlation study in Table 2 demonstrates inconsistent connections between CSR efforts and ROC. Six companies (C2, C3, C4, C5, C6 and C8) have positive correlations, showing that increasing CSR involvement is often related with improved capital efficiency. Three firms (C1, C7, and C9) show negative correlations, indicating that CSR initiatives may coincide with a decrease in short-term returns on invested capital. The average correlation ( $r = +0.11$ ) indicates a weak positive relationship between CSR activity and capital returns in the business.

**Table 3:** Correlation analysis between CSR Activities and ROA

Company	Correlation (r)	Relationship Type
C1	-0.14	Weak negative
C2	0.6	Moderate positive
C3	0.323	Weak positive
C4	0.778	Strong positive
C5	0.633	Moderate positive
C6	-0.305	Moderate negative
C7	0.267	Weak positive
C8	0.627	Moderate positive
C9	-0.906	Strong negative

Table 3 shows that six companies (C2, C3, C4, C5, C7, and C8) have positive associations, implying that more CSR engagement correlates with improved asset utilization and operational success. Three companies (C1, C6, and C9) had negative associations, implying that CSR spending may be associated with decreasing efficiency or short-term profitability. Overall, the data shows a moderate positive connection ( $r = +0.25$ ) between CSR and ROA, indicating that CSR improves asset efficiency over time for most organizations.

**Table 4:** Correlation analysis between CSR Activities and ROE

Company	Correlation (r)	Relationship Type
C1	-0.393	Moderate negative
C2	0.484	Moderate positive
C3	0.338	Weak positive
C4	0.754	Strong positive
C5	0.335	Weak positive
C6	-0.339	Moderate negative
C7	0.298	Weak positive
C8	0.18	Very weak positive
C9	-0.901	Strong negative

Table 4 shows that there are a variety of correlations between CSR efforts and ROE. Six companies (C2, C3, C4, C5, C7, and C8) have positive correlations, demonstrating that CSR efforts often lead to higher equity-based financial performance. Three companies (C1, C6, and C9) had negative correlations, indicating that CSR spending may temporarily harm profitability or that such programs are not yet yielding measurable financial gains. The total mean correlation ( $r \approx +0.15$ ) shows a small but positive association between CSR and ROE in the sample.

### Correlation analysis between Financial Performance and Firm Value

**Table 5:** Correlation analysis between EPS and FV

Company	Correlation (r)	Relationship Type
C1	0.627	Strong positive
C2	0.108	Very weak positive
C3	—	Undefined (no variation in Firm Value)
C4	0.426	Moderate positive
C5	0.623	Strong positive
C6	-0.936	Strong negative
C7	0.404	Moderate positive
C8	-0.191	Weak negative
C9	0.667	Strong positive

The correlation results between EPS and FV in Table 5 show both positive and negative associations, depending on the company's financial characteristics. Six companies (C1, C2, C4, C5, C7, and C9) exhibit positive associations, demonstrating that higher earnings per share correlate with higher firm valuation. Two companies (C6 and C8) show negative relationships, implying that EPS growth does not always correspond to higher firm market value, possibly due to low investor confidence, financial instability, or low payout ratios. C3 exhibits an unclear correlation because its firm value has stayed constant. The average association between EPS and FV across all enterprises is fairly positive ( $r = 0.30$ ).

**Table 6:** Correlation analysis between ROC and FV

Company	Correlation (r)	Relationship Type
C1	0.733	Strong positive
C2	0.075	Very weak positive
C3	—	Undefined (no variation in Firm Value)
C4	0.444	Moderate positive
C5	0.355	Weak positive
C6	-0.205	Weak negative
C7	-0.47	Moderate negative
C8	-0.136	Very weak negative
C9	0.546	Moderate positive

The correlation results between ROC and FV in Table 6 are mixed, with positive and negative relationships depending on firm-specific financial dynamics. Five companies (C1, C2, C4, C5, and C9) show positive associations, implying that higher returns on capital lead to higher firm valuation. Three companies (C6, C7, and C8) exhibit negative associations, showing that greater ROC values do not always transfer into market appreciation, possibly due to investor skepticism, excessive leverage, or earnings volatility. C3 has an unknown correlation because its firm value has stayed constant throughout the period.

**Table 7:** Correlation analysis between ROA and FV

Company	Correlation (r)	Relationship Type
C1	0.302	Weak positive
C2	0.078	Very weak positive
C3	—	Undefined (no variation in Firm Value)
C4	0.459	Moderate positive
C5	0.103	Very weak positive
C6	-0.915	Strong negative
C7	0.692	Strong positive
C8	-0.633	Moderate negative
C9	0.548	Moderate positive

The results of Table 7 show that ROA and FV have mixed associations. Six companies (C1, C2, C4, C5, C7, and C9) have positive correlations, indicating that increased asset profitability increases firm value. Two companies (C6 and C8) have negative correlations, demonstrating that increased ROA may not equate to higher market valuation, maybe due to financial instability, high leverage, or investor distrust. Because of the consistency of firm value data, C3 has an unknown correlation. The total average correlation ( $r = 0.23$ ) suggests a weak positive association between ROA and firm value across the sample.

**Table 8:** Correlation analysis between ROE and FV

Company	Correlation (r)	Relationship Type
C1	0.653	Strong positive
C2	0.087	Very weak positive
C3	—	Undefined (no variation in Firm Value)
C4	0.441	Moderate positive
C5	0.399	Moderate positive
C6	-0.937	Strong negative
C7	0.707	Strong positive
C8	-0.094	Very weak negative
C9	0.586	Moderate positive

The correlation analysis in Table 8 shows that Return on Equity (ROE) and Firm Value (FV) have primarily favorable connections. Six firms (C1, C2, C4, C5, C7, and C9) show positive correlations, implying that better profitability (ROE) is associated with higher firm valuation. Two corporations (C6 and C8) have negative correlations, showing that increased ROE may not convert into better market valuation, either due to inconsistent financial performance or investor distrust. Company C3 could not be studied since its firm value stayed constant during the time period. The sample average correlation is at +0.35, indicating a moderate positive relationship between business profitability (ROE) and market valuation (FV).

#### Correlation analysis between CSR Activities and Firm Value

**Table 9:** Correlation analysis between CSR Activities and FV

Company	Correlation (r)	Relationship Type
C1	—	Undefined (no variation in CSR)
C2	-0.105	Very weak negative
C3	—	Undefined (no variation in Firm Value)
C4	0.126	Very weak positive
C5	-0.339	Moderate negative
C6	0.612	Strong positive
C7	0.461	Moderate positive
C8	-0.914	Strong negative
C9	-0.617	Moderate negative

The correlation study between CSR activities and FV in the table demonstrates that the strength and direction of correlations vary greatly between organizations. Three companies (C4, C6, and C7) have positive associations, implying that increased CSR activity boosts firm value. Four companies (C2, C5, C8, and C9) exhibit negative correlations, implying that CSR activities do not always result in rapid market valuation gains, presumably due to high costs or inefficient CSR strategies. Two companies (C1 and C3) could not be studied since their CSR or FV levels were constant. The average correlation ( $r = -0.11$ ) indicates a poor and inconsistent association between CSR and company value across the sample.

### 4.3 | Mediation Analysis

To determine whether financial performance mediates the relationship between Corporate Social Responsibility (CSR) and firm value, a series of mediation models were estimated using three financial performance indicators from the dataset: Return on Capital (ROC), Return on Assets (ROA), and Return on Equity (ROE). CSR activities (measured as each firm's yearly number of CSR efforts) were the predictors, financial performance was the mediator, and firm value (expressed in millions) was the outcome variable. The 5,000-sample non-parametric bootstrap approach was used, to produce more robust confidence intervals for the indirect impact.

**Table 10:** Mediation Analysis Results (Bootstrap 5,000 Samples)

FP Metric	N	a	b	c <sub>total</sub>	c'	Indirect (a×b)	Boot Mean	95% CI (LL-UL)	p (boot)
Return on Capital	45	0.1	3.1	-10.2	-10.4	0.16	0.27	-1.75 to 2.53	0.694
Return on Assets	45	0	31	-10.2	-11	0.8	0.83	-0.71 to 2.92	0.277
Return on Equity	45	0.1	4.3	-10.2	-10.8	0.53	0.52	-0.88 to 2.75	0.523

Note: CI = Confidence Interval; Indirect effects with confidence intervals crossing zero are nonsignificant.

The mediation analysis results presented in Table 10 show that financial performance does not mediate the relationship between CSR and firm value, regardless of the financial performance metric used. For Return on Capital (ROC), the indirect effect ( $a \times b = 0.16$ ) was minimal and statistically nonsignificant, as indicated by the bootstrap estimate (0.27) and the 95% confidence interval (-1.75 to 2.53), which spans zero. A similar pattern is observed for Return on Assets (ROA), where the indirect effect (0.80) and corresponding bootstrap estimate (0.83) remain nonsignificant, supported by a confidence interval (-0.71 to 2.92) that also includes zero. For Return on Equity (ROE), the indirect effect (0.53) again fails to demonstrate significance, with a bootstrap confidence interval of -0.88 to 2.75, further

confirming the absence of mediation. Although the total effect of CSR on firm value ( $c_{total} = -10.23$  across all models) is consistently negative, the direct effect ( $c'$ ) remains similarly negative after controlling for financial performance, indicating that financial performance does not account for or explain this relationship.

## 5 | DISCUSSION

The correlation analysis between Corporate Social Responsibility (CSR) activities and financial performance indicators revealed diverse relationships across manufacturing firms. The findings indicate that CSR engagement can either enhance or constrain financial outcomes. Companies exhibiting positive correlations (e.g., C2, C4, C6, C7, and C8) demonstrate that CSR functions as a strategic resource that promotes long-term profitability, strengthens brand reputation, and enhances stakeholder confidence. In contrast, firms showing negative or weak correlations (e.g., C1, C5, C6, and C9) suggest that CSR initiatives may impose short-term financial costs. Overall, these results imply that the influence of CSR on profitability and value creation depends on managerial intent and the depth of integration, reflecting the level of maturity of sustainability-oriented management within emerging markets. Firms that institutionalize CSR and maintain transparent environmental, social, and governance (ESG) disclosures tend to exhibit stronger alignment between financial performance metrics (ROE, ROA, and firm value) and CSR engagement. This finding supports the growing body of empirical evidence from the Gulf Cooperation Council (GCC) and other emerging markets, which highlights that integrating CSR enhances firm value by strengthening stakeholder relationships and reducing financial risk. In contrast, firms that engage in symbolic or reactive CSR often display inconsistent or negative correlations, primarily due to inadequate reporting standards, weak governance structures, and low levels of investor awareness. As the Muscat Securities Market advances toward more robust ESG reporting frameworks, CSR is expected to transition from a legitimacy-driven practice to a strategic mechanism for financial resilience and competitive advantage, reinforcing evidence that sustainability-oriented strategies are positively associated with firm valuation and market credibility in developing economies. The results of the mediation analysis indicate that, in the context of Omani firms, CSR activities affect firm value through channels other than short-term financial performance. These findings suggest that the market may perceive CSR-related expenditures as costs rather than value-enhancing investments, or that the benefits of CSR materialize through non-financial mechanisms such as reputation building, risk mitigation, or stakeholder engagement rather than through immediate financial returns.

## 6 | CONCLUSION

The study recommends that manufacturing firms in Oman adopt strategic, stakeholder-oriented CSR frameworks that align social objectives with long-term financial goals. Strengthening CSR governance structures, integrating environmental, social, and governance (ESG) standards, and improving disclosure quality can enhance investor confidence and capital market efficiency. Firms are also encouraged to institutionalize CSR reporting in line with Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) frameworks to better link non-financial performance with measurable financial outcomes. At the regulatory level, policymakers and the Capital Market Authority (CMA) of Oman should promote CSR transparency through mandatory ESG disclosures and sustainability indices, in alignment with Vision 2040. Strategically embedded CSR practices can ultimately transform social responsibility from a cost-driven obligation into a source of competitive advantage, strengthening profitability, corporate legitimacy, and long-term firm value.

## 7 | LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The study is constrained by a small sample size of nine manufacturing firms, which may limit the generalizability of the findings to other sectors or emerging markets. Additionally, CSR was measured solely based on the number of disclosed activities, which may not adequately reflect the quality, intensity, or strategic depth of CSR engagement. Finally, the reliance on secondary data and a quantitative, correlation-based approach restricts the ability to account for firm-specific contextual factors and to establish robust causal inferences regarding the relationship between CSR and financial

performance. Future research should therefore examine alternative mediating and moderating mechanisms such as corporate reputation, risk management practices, governance quality, and investor awareness that may better explain how CSR contributes to firm value in Oman. Additionally, longitudinal analyses, sector-specific comparisons, and the incorporation of qualitative insights from investors and regulators could further enhance understanding of how CSR investments are interpreted and valued over time in developing economies.

#### Conflict of Interest

The author(s) declare that there are no conflicts of interest regarding the publication of this manuscript.

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#### Author Contributions

The author(s) contributed substantially to the conception and design of the study, data collection, data analysis, and manuscript preparation. All authors reviewed and approved the final version of the manuscript.

#### Informed Consent

Informed consent was obtained from all participants involved in the study.

#### Use of Generative AI

The author(s) confirm that generative AI tools were used solely for minor language refinement purposes and did not contribute to the intellectual content, analysis, interpretation, or conclusions of the study.

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