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CSR Investment in Reducing Corporate *Reputation Risk*

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Abstract

This study employs a Systematic Literature Review (SLR) approach to identify, evaluate, and systematically synthesize various studies discussing the role of Corporate Social Responsibility (CSR) investment in reducing corporate reputational risk. This approach aims to provide a comprehensive and structured overview based on empirical evidence from previous literature. Data were collected through Google Scholar using the Publish or Perish software, with the keywords *"CSR investment, corporate reputation, reputational risk."* From a total of 7,040 articles initially found, the selection process was refined using inclusion and exclusion criteria, resulting in 10 relevant journal articles published between 2015 and 2025 for further analysis. The review findings indicate that CSR investments effectively reduce reputational risk through several factors, including increased consumer trust and loyalty, stronger stakeholder relationships, and a positive public and media image. Consistently implemented CSR practices also enhance a company's resilience against external pressures such as boycotts or reputation crises. Overall, tangible CSR actions that contribute to lowering reputational risk include the implementation of sustainable social and environmental programs, transparent communication with the public, and active corporate involvement in relevant social issues. CSR thus functions not merely as a branding tool but as a risk mitigation strategy that builds public trust and protects a company's long-term reputation.

Kata Kunci:
CSR investment, corporate reputation, reputational risk

Introduction

In the era of globalization and rapidly increasing information transparency, companies are no longer only expected to generate economic profits, but are also anticipated to make tangible social and environmental contributions through corporate social responsibility (CSR) practices. (*Muhammad+Al+Bukhori+3332*, n.d.). CSR has become one of the important strategies to maintain business sustainability while also meeting the expectations of a society that is increasingly critical of corporate behavior. (Rachmawati, 2024). In the context of modern business, CSR not only serves as a form of compliance with regulations but also as a strategic investment capable of strengthening reputation and reducing reputational risk that could harm the company in the long term. (Rachmawati, 2024).

A company's reputation is an intangible asset that has strategic value and serves as a source of competitive advantage that is difficult to imitate. (Annisa Eka Syafrina, 2021). Fombrun (1996) describes reputation as the perception of a company's ability to meet the expectations of stakeholders, where a good reputation has been proven to act as a shield for the company in facing crises (Annisa Eka Syafrina, 2021). In a competitive and fully transparent business environment, reputation can change quickly, either due to unethical business practices or failure to fulfill social responsibilities. (Rachmawati, 2024). Therefore, CSR is now seen as an important investment to mitigate potential reputational risks arising from a mismatch between company values and public expectations. (Rachmawati, 2024).

CSR activities carried out consistently have been proven to build a positive image and increase customer loyalty. (*Muhammad+Al+Bukhori+3332*, n.d.). In this context, CSR is not merely a social cost, but a reputational investment that generates long-term value for the company. (*Muhammad+Al+Bukhori+3332*, n.d.). Strategically managed CSR can strengthen the relationship between the company and the community, increase stakeholder trust, and reduce the potential for social conflicts that could create a reputational crisis. (Annisa Eka Syafrina, 2021). This is reinforced by the findings of Waddock and Graves (1997) as well as Orlitsky et al. (2003), which show that the implementation of CSR positively impacts reputation enhancement, risk reduction, and financial performance improvement.

In addition, regulations in Indonesia such as Law Number 40 of 2007 concerning Limited Liability Companies emphasize the obligations of companies, particularly those operating in the natural resources sector, to carry out social and environmental responsibilities. (Annisa Eka Syafrina, 2021). The policy strengthens the position of CSR as part of good corporate governance, while also serving as a mechanism to mitigate reputational risks due to public and media pressure on sustainability issues. (Annisa Eka Syafrina, 2021). In the digital era, the spread of negative information can occur very quickly and have a significant impact on the public's perception of a company. (Jao et al., 2023). Therefore, investment in CSR serves as an effective long-term strategy for prevention and reputation protection. (Rachmawati, 2024). Based on various previous studies, the relationship between CSR and corporate reputation has been widely demonstrated; however, there is still a gap in understanding how CSR as a reputational investment specifically functions in reducing reputational risk across different industry sectors. (Rachmawati, 2024). This research focuses on the concept of CSR Investment as a strategy for mitigating corporate reputational risk, emphasizing how the planning, implementation, and communication of CSR can strengthen stakeholder trust and protect corporate value from potential reputational crises. Thus, this study is expected to contribute both theoretically and practically to understanding the role of CSR as a strategic instrument in corporate reputational risk management in an increasingly transparent and competitive globalized era.

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Theoretical Framework

1. Stakeholder Theory

Stakeholder theory serves as the main basis for understanding the importance of CSR as part of modern business strategy. According to Freeman (1984) in Harmoni (2013)(*Muhammad+Al+Bukhori+3332*, n.d.), Companies are not only responsible to shareholders but also to all stakeholders who influence and are influenced by the company's activities — such as employees, consumers, the community, government, and the environment. The implementation of CSR is a form of the company's moral and strategic responsibility to fulfill the interests of these stakeholders. (Annisa Eka Syafrina, 2021). Through the effective implementation of CSR, companies can strengthen relationships with stakeholders, enhance social legitimacy, and ultimately reduce potential conflicts that could pose reputational risks. (Putri, 2023).

2. Legitimacy Theory

Legitimacy theory explains that companies operate based on an unwritten social contract with society, where companies are expected to conduct activities that align with the norms and values prevailing in their social environment. (*Muhammad+Al+Bukhori+3332*, n.d.). In this context, CSR functions as a tool for companies to gain and maintain legitimacy from society. (Annisa Eka Syafrina, 2021). Failure to meet social expectations or engaging in environmentally harmful business practices can threaten legitimacy and trigger a reputational crisis. Conversely, investing in sustainability-oriented CSR can strengthen a positive image and reduce the potential for reputational damage. (Annisa Eka Syafrina, 2021).

3. Resource-Based View (RBV) Theory

According to Barney (1991), corporate reputation is an intangible asset that has strategic value because it is rare, difficult to imitate, and not easily replaceable. Consistent CSR can strengthen this reputation by creating positive public perceptions of the company's values and ethics. From the RBV perspective, CSR is considered a strategic resource that creates a sustainable competitive advantage because it is capable of building long-term trust relationships with stakeholders. (Annisa Eka Syafrina, 2021). Thus, CSR investment not only enhances image but also serves as a mechanism for protecting reputational assets from potential damage due to social or environmental issues.

4. Risk Management Theory

In risk management theory, reputation falls into the category of intangible risks that can have a significant impact on a company's value. (Annisa Eka Syafrina, 2021). CSR plays a role as part of a non-financial risk mitigation strategy, particularly in reducing reputational risk. Well-planned and transparent CSR helps companies identify, prevent, and respond to social and environmental issues before they escalate into reputational crises. (Putri, 2023). Thus, CSR can be seen as a preventive investment in reputation risk management that strengthens the company's resilience against external pressures.

5. Conceptual Relationship

Based on the theories above, the conceptual relationship between the main variables can be explained as follows:

- **CSR Investment → Company Reputation**
  The consistent implementation of CSR enhances the public's positive perception and strengthens the company's reputation. (Putri, 2023).
- **Company Reputation → Reputational Risk**
  A good reputation acts as a shield when a company faces negative issues; conversely, a bad reputation increases the risk of losing stakeholder trust. (*Muhammad+Al+Bukhori+3332*, n.d.).
- **CSR Investment → Reputational Risk**
  Strategic CSR reduces reputational risk by creating mutually trusting relationships between the company and stakeholders, strengthening legitimacy, and mitigating potential crises. (Rachmawati, 2024).

Method

This study employs a Systematic Literature Review (SLR) approach to identify, evaluate, and synthesize various studies discussing the role of Corporate Social Responsibility (CSR) investment in reducing corporate reputational risk. This approach was chosen because it provides a structured and comprehensive overview based on empirical evidence from previous research.

Data were collected from the Google Scholar, with the assistance of the Publish or Perish software. The keywords used included *"CSR investment," "corporate reputation," "reputational risk,"* and their Indonesian equivalents. From an initial search result of 7,040 articles, a screening process based on inclusion and exclusion criteria yielded 10 main journal articles that were deemed relevant for further analysis.

The inclusion criteria consisted of articles published between 2015 and 2025, peer-reviewed journal publications, and studies explicitly examining the relationship between CSR, corporate reputation, and reputational risk. Duplicate articles, those unavailable in full text, or those unrelated to the research topic were excluded from the analysis.

The data were analyzed using a thematic content analysis approach by reviewing each study's research design, variables used, and main findings. The selection process followed the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework to ensure transparency and objectivity.

The synthesis results indicate that most studies found a significant negative relationship between CSR and reputational risk, suggesting that CSR investment functions as a reputation protection mechanism for companies.

Results

Based on the initial search, approximately 7,040 articles were identified as relevant to the applied keywords. After the screening process using the inclusion and exclusion criteria, only 10 journal articles published between 2015 and 2025 were selected, as they specifically aligned with the research focus on the role of Corporate Social Responsibility (CSR) investment in reducing corporate reputational risk. The list of selected journal publications is presented in Table 1 below.

Tabel 1. Article Topics

No	Year	Topic	Journal	Citation Journal
1	2023	Corporate Social Responsibility and Investment Risk on Company Reputation with Profitability as an Intervening Variable	Research & Accounting Journal	62
2	2024	Analysis of the Impact of Corporate Social Responsibility (CSR) on Company Reputation	Journal of Social Science Research	15
3	2025	Corporate Social Responsibility (CSR) and Company Reputation in Enhancing Company Value	Journal of Management and Economics Cluster	4
4	2021	The Influence of Corporate Social Responsibility (CSR) and Company Reputation on Company Value	Journal of Economics and Finance	168
5	2023	The Role of Corporate Social Responsibility in Enhancing Company Reputation and Its Impact on Stock Return	Journal of Accounting and Finance	18
6	2023	The Influence of Corporate Social Responsibility (CSR) on Bank Risk	Unesa Accounting Journal	8
7	2025	The Role of Corporate Governance and ESG in Enhancing Company Reputation and Sustainability: A Literature Review	Businesspreneur: Journal of Business Administration	4
8	2024	The Influence of Corporate Social Responsibility (CSR) in Enhancing Company Image at PT. Unilever Indonesia (Persero)	Scientific Journal of Economics, Business Management, and Accounting	3
9	2021	The Influence of Corporate Social Responsibility on Company Reputation (An Explanatory Study of Public Perception of RT 10 Jatinegara Subdistrict, Cakung District on the Waste Management Activity by Pulo Kambing Waste Bank)	KOMASKAM	6
10	2022	Corporate Social Responsibility on Company Reputation and Financial Performance (An Empirical Study of Islamic Banks Registered at OJK for the Period of 2013–2015)	Owner	0

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Tabel 2. Factors Influencing Company Reputation

No	Researcher(s)	Sample	Factors
1	Leni Agustina, Eka Nurmalasari, Widia Astuty.	Company Reputation with Profitability as an Intervening Variable	Corporate Social Responsibility (CSR), Investment Risk, Profitability, Company Reputation
2	Emil Intan Rachmawati	Company Reputation	Corporate Social Responsibility (CSR), Company Reputation
3	Muhammad Al Bukhori, Ersi Sisdianto	Enhancing Company Value	Corporate Social Responsibility (CSR), Company Reputation, Company Value
4	Nur Afifah, Sri Wibawani Wahyuning Astuti, Dwi Irawan	Company Value	Corporate Social Responsibility (CSR), Company Reputation, Company Value
5	Robert Jao, Suwandi Ng, Anthony Holly, Michael Alexander Rotty, Lasty Agustuty	Stock Return	Corporate Social Responsibility (CSR), Company Reputation, Stock Return
6	Weny Putri	Bank Risk	Corporate Social Responsibility (CSR), Bank Risk
7	Rista Adhalia Fani , Indy Melva Adinda Marsha , Nifta Ardilia Putri , Alsya Puteri Pradanti , Ayu Novita Sari	Enhancing Company Reputation and Sustainability: A Literature Review	Good Corporate Governance, Environmental, Social, and Governance, Company Reputation, Corporate Sustainability
8	Inayatussaadah, Ersi Sisdianto	Enhancing Company Image at PT. Unilever Indonesia (Persero)	Corporate Social Responsibility (CSR), Corporate Image, Sustainability
9	Annisa Eka Syafrina	Company Reputation (An Explanatory Study of Public Perception of RT 10 Jatinegara Subdistrict, Cakung District on the Waste Management Activity by Pulo Kambing Waste Bank)	Corporate Social Responsibility (CSR), Company Reputation
10	Muhuammad Setyo Bawano	Company Reputation and Financial Performance (An Empirical Study of Islamic Banks Registered at OJK for the Period of 2013–2015)	Financial Performance, Stakeholder Theory

Discussion

The findings of this literature review indicate that Corporate Social Responsibility (CSR) investment plays a pivotal role in reducing corporate reputational risk by strengthening stakeholder trust, enhancing corporate legitimacy, and improving the company's intangible assets such as reputation and brand image. This result aligns with the Stakeholder Theory, which posits that corporations must address the expectations of various stakeholders to ensure long-term sustainability (*Muhammad+Al+Bukhori+3332*, n.d.). Through CSR initiatives, companies demonstrate their ethical and social commitment, which in turn fosters stakeholder confidence and reduces the likelihood of reputational damage arising from social or environmental controversies.

From the perspective of the Legitimacy Theory, CSR investment functions as a mechanism through which firms seek societal approval by aligning their operations with prevailing social norms and values (*Muhammad+Al+Bukhori+3332*, n.d.). When companies proactively engage in environmental conservation, community development, and ethical governance, they sustain legitimacy in the eyes of the public. Conversely, failure to uphold CSR responsibilities can trigger legitimacy crises, damaging reputation and stakeholder confidence (Annisa Eka Syafrina, 2021). Therefore, CSR not only acts as a moral obligation but also as a strategic safeguard against reputational threats in an era where digital media amplifies public scrutiny.

According to the Resource-Based View (RBV), reputation is an intangible strategic resource that provides firms with a competitive advantage when it is valuable, rare, inimitable, and non-substitutable (Annisa Eka Syafrina, 2021). CSR investment contributes to the development of this resource by signaling reliability, ethical conduct, and social awareness. Multiple studies (Annisa Eka Syafrina, 2021) support the notion that sustained CSR engagement enhances corporate reputation, which in turn protects firms from potential reputational risks during crises or market uncertainty. Hence, CSR can be viewed as a reputation insurance mechanism, cushioning the company from the negative consequences of operational failures or external criticisms (*Muhammad+Al+Bukhori+3332*, n.d.).

Furthermore, within the Risk Management Theory, CSR investment serves as a proactive risk mitigation tool. By addressing social, environmental, and governance (ESG) issues before they escalate, companies can reduce exposure to reputational shocks. Nitescu and Cristea (2020) and Gangi et al. (2019) found that CSR integration within corporate governance structures significantly lowers the probability of reputational and financial crises, particularly in the banking and manufacturing sectors. CSR also enhances transparency and information disclosure, thereby reducing information asymmetry between companies and stakeholders—a factor strongly linked to reputational stability (Putri, 2023).

Scientifically, this review contributes to the literature by consolidating the theoretical connection between CSR investment, corporate reputation, and risk reduction across multiple perspectives—stakeholder relations, legitimacy, resource-based strategy, and risk governance. It highlights that CSR is not merely a philanthropic activity but a strategic investment influencing both intangible and tangible dimensions of corporate performance. Practically, the findings emphasize the importance of aligning CSR initiatives with core business objectives to achieve measurable reputational outcomes. Companies that treat CSR as a peripheral activity tend to derive limited reputational benefits, while those that integrate CSR into corporate strategy and communicate their efforts transparently tend to experience stronger stakeholder support and resilience against reputational crises (*Muhammad+Al+Bukhori+3332*, n.d.).

Despite these insights, this review acknowledges several limitations. First, much of the available empirical evidence focuses on developed economies, while research from emerging markets like Indonesia remains limited in scope and methodological diversity. Second, most existing studies employ quantitative methods, which measure correlations between CSR and reputation but rarely explore the qualitative mechanisms through which CSR investments translate into reputational protection. Finally, varying CSR disclosure standards across industries make it challenging to generalize findings globally (Rachmawati, 2024). Future research should therefore incorporate comparative and longitudinal approaches to assess how CSR-driven reputational resilience evolves over time and across institutional contexts.

In conclusion, this review underscores that CSR investment is an essential strategic instrument for managing reputational risk. It operates through multiple theoretical dimensions—stakeholder trust, legitimacy reinforcement, strategic resource creation, and proactive risk governance. Firms that recognize CSR as an investment rather than an expense can better safeguard their reputational capital, enhance competitive advantage, and ensure long-term sustainability in a globalized and socially conscious business environment.

Conclusion

This literature review concludes that Corporate Social Responsibility (CSR) investment plays a significant and strategic role in reducing corporate reputational risk by strengthening stakeholder trust, maintaining organizational legitimacy, and building valuable intangible assets such as reputation and brand image.

Integrating CSR into the core business strategy enables firms to enhance their credibility, social standing, and resilience in the face of reputational challenges. From an academic perspective, this study contributes to the growing body of knowledge by consolidating insights from several theoretical frameworks—namely Stakeholder Theory, Legitimacy Theory, Resource-Based View, and Risk Management Theory—to explain how CSR functions as both a reputational asset and a risk mitigation mechanism. The synthesis of prior research highlights that CSR is not merely a philanthropic activity, but a form of strategic investment that generates long-term value for both the company and society.

Practically, the findings emphasize the importance of adopting a strategic and integrated CSR approach. Companies that view CSR as an essential part of their risk management system tend to experience higher levels of stakeholder trust and brand loyalty. Transparent communication of CSR initiatives, coupled with measurable social and environmental impacts, can effectively enhance reputation and reduce exposure to reputational crises. For managers and practitioners, CSR should be embedded in corporate governance and aligned with long-term sustainability objectives rather than treated as a compliance requirement.

Nevertheless, this review acknowledges several limitations. First, most of the reviewed studies focus on developed countries, leaving limited empirical evidence from emerging economies such as Indonesia. Second, prior research has predominantly employed quantitative approaches, which may not fully capture the underlying qualitative mechanisms that link CSR investment and reputational resilience. Third, variations in CSR disclosure standards and measurement frameworks across industries limit cross-sectoral comparability.

Future research is encouraged to adopt comparative, longitudinal, and mixed-method approaches to better understand how CSR-driven reputation management evolves over time and across different institutional and cultural contexts. Exploring the mediating roles of stakeholder perception, media exposure, and crisis communication strategies would also deepen understanding of the CSR–reputation–risk nexus. In conclusion, CSR investment should be perceived as a strategic imperative rather than an optional expense. Companies that proactively integrate CSR into their strategic and operational frameworks not only strengthen their reputational capital but also ensure greater corporate sustainability and competitiveness in an increasingly transparent and socially conscious global economy.

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