

## Corporate social performance in search of financial meaning: Evidence from Moroccan listed companies

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**Abstract:** This paper examines the causal relationship between corporate social responsibility (CSR) and financial performance in Moroccan listed companies. Using a quantitative methodology, the study analyzes whether socially responsible practices can influence firms' financial results. Based on data from 30 firms listed on the Casablanca Stock Exchange over the period 2007–2017, the findings reveal no significant causal link overall, although some context-specific effects may exist. These results highlight the complexity of the CSR–financial performance relationship and emphasize the importance of considering sectoral, temporal, and methodological factors. The research contributes to the literature by providing insights from an emerging market perspective.

**Keywords:** Corporate social responsibility, Financial performance (FP), Social performance (SP), Socially responsible investment.

### 1. Introduction

Corporate Social Responsibility (CSR) is today both a central and controversial concept in the business world. Although it is not universally accepted, it has become essential given its fluid, adaptable, and multidimensional nature. Indeed, the diversity of interpretations and practices testifies to its flexibility, but also to its complexity, reflecting the evolving expectations of society towards companies [1, 2].

In the Moroccan context, CSR has taken on growing importance in recent years, within an environment marked by the modernization of financial markets, the strengthening of legal and governance frameworks, the rapid evolution of technological infrastructures including the rise of artificial intelligence and digital solutions, and the progressive integration of sustainable development objectives [3, 4]. Moroccan listed companies, in particular, are increasingly exposed to stakeholder demands, including compliance with environmental, social, and governance standards, which are now considered key drivers of legitimacy and competitiveness. Moreover, Morocco's ambitions to position itself as a regional economic hub, supported by major infrastructure projects and digital transformation strategies, further highlight the need for companies to integrate CSR principles to maintain their long-term competitiveness and resilience [5, 6].

Hence, the importance of this topic lies in its ability to reconcile economic performance with social responsibility, two dimensions that are becoming inseparable in modern strategic management [7, 8]. Yet, despite the large body of international literature on CSR, a scientific gap persists concerning emerging economies, and especially the Moroccan context, where empirical evidence remains scarce. As such, exploring the link between CSR practices and financial performance in Morocco fills a crucial research gap and provides insights adapted to local specificities.

This leads to the central research question: *Is there a causal relationship between corporate social performance and financial performance in the Moroccan market?* More specifically, does engaging in socially

responsible practices enable companies to improve their financial results, or does it rather represent a cost that reduces their profitability?

In this regard, the traditional vision of capitalism focused exclusively on maximizing shareholder profit is increasingly being challenged. A renewed form of capitalism is emerging, promoting a more inclusive model that considers the expectations of all stakeholders (employees, customers, communities, environment) and encourages ethical and sustainable practices. This paradigm shift suggests that CSR can no longer be seen merely as a philanthropic or marketing tool, but rather as an integral part of corporate strategy, encouraging a redefinition of both performance itself and the company's role in society.

Nevertheless, the debate remains open on whether the "cost" of social responsibility is justified by its potential benefits. This raises the issue of a possible trade-off between social performance and financial performance, and whether this trade-off is positive, negative, or neutral.

Accordingly, the objectives of this research are twofold:

- i. First, to empirically test the existence and direction of a causal relationship between social performance and financial performance among Moroccan listed companies;
- ii. Second, to enrich the academic debate on CSR by providing context-specific evidence based on a rigorous quantitative econometric approach.

To address these questions, this paper is structured as follows: first, it will present a literature review on the relationship between social and financial performance; second, it will describe the econometric methodology adopted in the study; and finally, it will analyze and discuss the empirical results obtained from data on companies listed on the Casablanca Stock Exchange.

## **2. The Relationship Between Social Performance and Financial Performance: Literature Review**

Exploring the link between social performance (SP) and financial performance (FP) is a rapidly expanding field of research, at the intersection of economic, managerial, and societal concerns. This issue is part of a growing desire to understand whether, and under what conditions, companies' socially responsible commitments can be aligned with their profitability objectives. It originates from a persistent tension between two opposing visions: on the one hand, a traditional approach considering social responsibility as a cost that harms performance [9] on the other, an integrated perspective suggesting that responsible practices can generate long-term value. More recently, synthetic studies have sought to structure this debate by analyzing the variety of theoretical and methodological approaches mobilized, highlighting both the richness of the existing corpus and the complexity of the relationships at stake [10-12]. Thus, the following literature review aims to present the main results of research in this area, highlighting the diversity of empirical perspectives on this relationship.

### *2.1. The Relationship Between Social Performance and Financial Performance*

Analyzing the link between social performance (SP) and financial performance (FP) is one of the most explored avenues of research in the field of "Business and Society." Numerous empirical studies have attempted to define this interaction, but the results often remain ambiguous and contradictory [13-16]. For several decades, the relationship between SP and FP has been the subject of intensive investigation, without reaching a clear consensus on its nature.

This research has focused on various categories of companies, over different periods, using multiple measures of social and financial performance, and adopting diverse methodologies. This heterogeneity in empirical approaches makes it difficult to formulate a definitive answer. It has also motivated several meta-analyses seeking to synthesize, classify, and analyze the available results. While these generally tend to highlight a positive relationship between social performance and financial performance [17, 18], their authors nevertheless call for caution in interpretation, highlighting the lack of prevailing certainty and the fragmentation of the research field.

Thus, the proliferation of studies on this topic has only accentuated the complexity of the debate, contributing to persistent confusion regarding the true impact of social practices on corporate profitability [19, 20].

*H<sub>1</sub>: Social performance positively influences financial performance*

This hypothesis, known as the "social impact" hypothesis, posits that social performance has a favorable influence on financial performance. It is part of stakeholder theory [21] according to which taking into account the expectations of a company's various stakeholders ultimately contributes to improving its economic results. Several empirical studies support this hypothesis and highlight a positive correlation between PS and PF [22-28].

These studies highlight that a failure to meet stakeholder expectations can lead to market disruptions, resulting in an increase in the company's risk premium, additional costs, and even financial losses [29].

*H<sub>2</sub>: Financial performance positively influences social performance*

This "available funds" hypothesis suggests that financial performance constitutes a favorable lever for improving social performance. Although companies may demonstrate a willingness to adopt socially responsible behaviors, this orientation remains closely conditioned by the availability of financial resources. Indeed, high profitability at a given point in time allows the company to mobilize funds to support discretionary projects that are likely to strengthen its commitment to social responsibility Aziz, et al. [30] and Heubeck and Ahrens [31].

Kraft and Hage [32] demonstrated that the availability of resources such as past profits, combined with the values and attitudes of management, significantly influences the level of corporate social commitment. Thus, differentiated profitability becomes a prerequisite for the implementation of more equitable and socially responsible behaviors, through a more favorable redistribution of the generated surplus [33]. This perspective suggests that financial performance is often the primary motivation for companies to adopt a socially responsible approach [34, 35].

*H<sub>3</sub>: Social performance negatively influences financial performance*

This hypothesis, referred to as "trade-off," posits that social performance, as an independent variable, can have a negative effect on financial performance. It is consistent with the classic theory defended by Friedman [9] according to which socially responsible initiatives primarily represent a cost for the company.

According to this approach, engaging in actions related to social responsibility—such as charity, environmental protection, or community development—mobilizes additional resources and generates additional costs, which can negatively affect financial profitability. Several empirical studies confirm this hypothesis, highlighting that such an investment, although ethically valued, can put the company at a disadvantage compared to its competitors who do not incur similar expenses [36-40].

*H<sub>4</sub>: Financial performance negatively influences social performance*

The so-called "managerial opportunism" hypothesis is based on the idea that managers may pursue personal goals to the detriment of the interests of shareholders and other stakeholders [41]. Along these lines, Preston and O'Bannon [42] argue that when financial performance is high, managers may be tempted to increase their own rewards [43] particularly in the form of compensation or perks, by reducing investments in social commitments. Conversely, a deterioration in financial performance could encourage managers to artificially increase social performance by increasing spending in this area, with the aim of diverting stakeholders' attention and symbolically compensating for the profitability deficit.

*H<sub>5</sub>: Social performance and financial performance influence each other reciprocally and positively*

This hypothesis combines the postulates of Hypotheses 1 and 2, suggesting a virtuous dynamic between social performance (SP) and financial performance (FP). Thus, a high level of social performance is likely to strengthen financial performance, which, in turn, supports more socially responsible initiatives. This bidirectional and positive relationship is supported by several authors who consider that the adoption of responsible practices constitutes a virtuous circle for the company, contributing to its competitiveness and sustainability [44].

*H<sub>6</sub>: Social performance and financial performance negatively influence each other*

This final hypothesis combines the arguments of Hypotheses 3 and 4 and proposes a circular but unfavorable relationship between PS and PF. It argues that weak social commitments can lead to a deterioration in financial performance, which, in turn, limits the ability to invest in socially responsible actions. This negative feedback mechanism highlights a downward spiral, in which weakness in one area fuels the deterioration of the other [33, 42].

### 3. Methodology

#### 3.1. Research Design

This study investigates the causal relationship between financial performance and social performance using a quantitative econometric approach. Financial performance is measured through standard indicators: Price-Earnings Ratio (PER), Return on Equity (ROE), Earnings Per Share (EPS), and Price-to-Book Ratio (PBV). Social performance is assessed using a composite index derived from ISO 26000's seven core themes (governance, human rights, labor practices, environment, fair operating practices, consumer issues, and community involvement).

The empirical analysis is based on panel data from 30 Moroccan companies across three key sectors—banking and insurance, construction, and agri-food—over the period 2007 to 2017.

#### 3.2. Econometric Strategy

To explore causality, we apply the Granger causality test within a Vector Autoregressive (VAR) framework [45]. Prior to estimation, we test for stationarity of all variables using the Augmented Dickey-Fuller (ADF) [46] and Phillips-Perron (PP) tests [47]. Only stationary series (I(0)) are retained for the VAR model to avoid spurious regressions.

Granger causality is tested by evaluating whether past values of one variable significantly improve the prediction of another. Causality is inferred when the null hypothesis of zero lagged coefficients is rejected via F-tests.

### 4. Presentation and Discussion of Results

#### 4.1. Descriptive Statistics

The following descriptive statistics provide a preliminary description and insight into our sample.

**Table 1.**  
Descriptive statistics.

	BPA	PBR	PER	PS	ROE
Mean	53.24567	2.612667	23.36400	0.676000	0.139000
Median	27.77500	2.220000	17.16500	0.715000	0.130000
Maximum	219.4800	7.140000	107.0000	0.980000	0.490000
Minimum	-17.79000	0.900000	2.150000	0.300000	-0.080000
Std. Dev.	59.78718	1.553130	21.43679	0.228286	0.101109
Skewness	1.529359	1.280057	2.691881	-0.220499	1.322420
Kurtosis	4.731808	4.191179	10.11028	1.639971	6.812146
Jarque-Bera	15.44364	9.966368	99.42618	2.555195	26.90954
Probability	0.000443	0.006852	0.000000	0.278706	0.000001

From the table above, the following observations can be made:

The average social performance is 0.67, which is low compared to the average of various financial performance ratios. The median value of PS is 0.71, meaning that half of the companies have a performance above 0.71 and the other half have a performance below 0.71.

All values of the Skewness coefficient are very far from the characteristic value (0), but the same is true for the Kurtosis coefficient, which is not very close to the characteristic value (3). We can therefore

say that the series studied do not follow a normal distribution. Conclusion confirmed by the Jarque-Bera test.

To gain an idea of the correlation of the variables used, the following correlation matrix was calculated:

**Table 2.**  
Correlation Matrix of the Study Variables.

	BPA	PBR	PER	PS	ROE
BPA	1	0.622829	0.121853	0.076897	0.632564
PBR	0.622829	1	0.211051	-0.011483	0.736264
PER	0.121853	0.211051	1	0.085619	-0.090459
PS	0.076897	-0.011483	0.085619	1	-0.027219
ROE	0.632564	0.736264	-0.090459	-0.027219	1

The correlation between EPS and SR is 0.07, the correlation between PBR and PS is -0.01, the correlation between PER and PS is 0.08, and the correlation between ROE and PS is -0.027. From these results, we can deduce that financial performance ratios are very weakly correlated with the social performance ratio. Thus, we can argue that, even if companies are generally well engaged socially, this has no significant effect on their financial performance with regard to all the ratios considered in this study.

#### 4.2. Results of the Non-Stationarity Tests for the Series Used

The application of the ADF and PP non-stationarity tests to the different variables at the level yielded the following results.

**Table 3.**  
Results of the Non-Stationarity Tests.

The Variables	Test ADF		Test PP	
	t-Statistic	Conclusion	t-Statistic	Conclusion
BPA	-1.763304	I(1)	-1.735894	I(1)
PER	0.614011	I(1)	-0.467330	I(1)
PRB	-2.024307	I(1)	-3.324146	I(1)
ROE	-2.059936	I(1)	-2.053117	I(1)
PS	-2.270394	I(1)	-0.368557	I(1)

The results show that all series are non-stationary in level with respect to the ADF and PP tests.

Since the hypothesis of an integration order equal to zero is rejected by both tests, it is appropriate to move on to the study of the non-stationarity of the studied series differentiated to order one. The results obtained are as follows:

**Table 4.**  
Results of the ADF and PP tests.

Variables	Test-ADF		Test PP	
	t-Statistic	Conclusion	t-Statistic	Conclusion
Dpba	-3.014437	I(0)	-3.040070	I(0)
Dper	-7.852014	I(0)	-7.852014	I(0)
Dprb	-3.445517	I(0)	-5.252401	I(0)
Droe	-3.420081	I(0)	-3.556632	I(0)
Dps	-5.048474	I(0)		I(0)

The results of the ADF and PP tests show that the first-order differenced series are all stationary, given that the calculated Student ratios are all below the critical values.

#### 4.3. Causality between Social Performance and Financial Performance

Applying the Granger causality test between the different variables used in this work yielded the following results:

**Table 5.**  
Results of the Granger Causality Tests Between the Study Variables.

Null Hypothesis	Obs.	F-Statistic	p-value
DPRB does not Granger-cause DPS	41	0.09600	0.91114
DPS does not Granger-cause DPRB	—	0.15610	0.86200
DPER does not Granger-cause DPS	41	0.59016	0.60795
DPS does not Granger-cause DPER	—	0.12967	0.88305
DPBA does not Granger-cause DPS	41	0.07466	0.92973
DPS does not Granger-cause DPBA	—	4.31484	0.13102
DROE does not Granger-cause DPS	41	0.16066	0.85845
DPS does not Granger-cause DROE	—	8.73050	0.05614
DPER does not Granger-cause DPRB	41	0.11777	0.89282
DPRB does not Granger-cause DPER	—	1.27590	0.39722
DPBA does not Granger-cause DPRB	41	1.14010	0.42826
DPRB does not Granger-cause DPBA	—	0.87997	0.50036
DROE does not Granger-cause DPRB	41	3.42624	0.16802
DPRB does not Granger-cause DROE	—	0.42238	0.68925
DPBA does not Granger-cause DPER	41	1.14374	0.42737
DPER does not Granger-cause DPBA	—	0.00004	0.99996
DROE does not Granger-cause DPER	41	0.76524	0.53885
DPER does not Granger-cause DROE	—	0.09994	0.90778
DROE does not Granger-cause DPBA	41	0.30606	0.75690
DPBA does not Granger-cause DROE	—	0.02306	0.97738

The results obtained show that there are no causal relationships, either unidirectional or bidirectional, between the various financial performance ratios, namely: PER, ROE, EPS, and PRB, and social performance in a categorically significant manner. Indeed, in our sample, the calculated thresholds are all greater than 0.05, thus indicating acceptance of the null hypothesis of the absence of a causal link between PS and PF.

However, regarding the causal effect between social performance and financial performance, the results show only two significant unidirectional effects from social performance to financial performance. These are the causal relationship between PS and ROE at the 6% threshold and the effect of PS on EPS at the slightly broader threshold of 13%. That said, it is appropriate to revisit the correlation calculations already presented and note that the correlation between social performance and financial performance is positive for EPS and PER ratios, while it is negative for PBR and ROE ratios.

#### 4.4. Discussion of Results

The results of our study on the causal link between social performance (SP) and financial performance (FP) of companies listed on the Casablanca Stock Exchange confirm the existence of a neutral relationship, with no significant influence in either direction. This lack of a clear correlation illustrates the complexity of the subject and reinforces the thesis already put forward in the literature, highlighting the divergence of conclusions depending on the contexts, methodologies, and measures used.

Globally, the majority of studies tend to confirm a positive relationship between SP and FP. For example, the recent meta-analysis by Li, et al. [10] which examines this relationship in an international context, highlights that CSR generally improves financial performance, with particularly pronounced positive effects in emerging economies such as China and several African countries. These results

support the signaling theory, according to which good social performance signals effective management and creates financial value.

Similarly, Homayoun, et al. [24] show that financial performance plays an important mediating role in the relationship between CSR and green innovation, suggesting that socially responsible actions indirectly promote financial performance through sustainable innovation.

Furthermore, Saher and Siddique [48] confirm that CSR and environmental investments strengthen long-term financial sustainability, although financial performance is not always a direct driver of sustainable performance. These findings highlight that the financial benefits of CSR may be more visible in the long term, which may explain the lack of significant effects in some short-term studies such as ours.

Finally, several recent studies on the European Hakimi, et al. [23] and Chinese Li, et al. [49] markets highlight the non-linearity of the relationship: moderate CSR commitment is optimal; beyond a certain threshold, the impact becomes positive and significant. At the same time, a number of studies reveal a negative or mixed relationship between SP and FP. For example, Waddock and Graves [44] find a negative impact of CSR on financial performance, particularly through an increase in risk or costs. Similarly, Chetty, et al. [50] in South Africa notes a negative relationship with ROA over a recent period.

Along the same lines, our results are consistent with those in Morocco Benali, et al. [51] who did not identify a significant link between social performance and FP [48, 49] reinforcing the hypothesis of a neutral relationship. This neutrality can be explained by the offsetting of revenues generated by CSR by the additional costs associated with social commitments, as also suggested by some economic models.

This ambivalence is further confirmed by more detailed analyses, such as the study by Ha Nhu Thao, et al. [52] which shows differentiated effects depending on stakeholder perspectives. Specifically, CSR has a positive effect from the perspective of shareholders, employees, suppliers, and the government, but a negative effect from the customer perspective.

The diversity of results observed, including our own, is largely explained by several divergent factors: the study period, the geographic and sectoral context, the indicators chosen to measure social performance and FP, as well as the methodology used. For example, taking into account excess resources (slack resources), as shown by several recent studies [35] is crucial. These resources determine a company's ability to invest in CSR without compromising its financial performance, which explains the need for sophisticated econometric approaches that take these moderating variables into account.

Furthermore, the question of temporality is crucial. As highlighted by Saher and Siddique [48] and Pham, et al. [40] suggest, the financial benefits of CSR can manifest themselves in the long term through improved reputation, loyalty, or sustainable innovation, but are less visible in the short term.

Our study contributes to a rich but heterogeneous literature in which the relationship between social performance and financial performance remains controversial. Our neutral results support the hypothesis that the relationship is highly dependent on contextual, structural, and methodological factors. This complexity underscores the importance of continuing research with diversified approaches, including longitudinal analyses, more robust causal models, consideration of excess resources, and the distinction between the multiple dimensions of social performance and financial performance. These efforts will shed further light on the true nature of the relationship between CSR and financial performance in diverse contexts such as Morocco, and help decision-makers optimize their social engagement strategies.

## 5. Conclusion

In this work, we pursued two main objectives. The first was to present a literature review on the nature of the relationship between social performance and financial performance, emphasizing the main hypotheses explaining this causal link, which has attracted the interest of many researchers in several fields. The second objective was to present the results of our empirical study conducted on thirty



companies listed on the Casablanca Stock Exchange, which confirmed that the question of the causal link between social performance and financial performance remains inconclusive, given the divergent results, which may be due to several contingency factors, including company size, social performance measures, sector of activity, etc.

Proponents of stakeholder theory argue that satisfying the needs of various internal (employees, shareholders) and external (customers, suppliers, etc.) stakeholders will serve to develop the company's reputation and enhance its profile, which has a direct impact on sales, the recruitment of talented employees, the conclusion of partnerships, and therefore on its financial performance.

Opponents of this theory assert that corporate social engagement can generate additional costs that can lead to a deterioration in financial performance. This confirms Friedman's classic theory, which sees that imposing a responsibility on a company beyond profit maximization is harmful [9] and that the integration of environmental and social concerns into corporate responsibility, in a neoclassical view, requires demonstrating that this integration results in improved profitability, something that has not yet been clearly demonstrated in the literature.

Other studies have concluded that there is no relationship between social performance and financial performance, while others stipulate the existence of a non-linear relationship [28, 43]. While profit maximization remains the primary objective of all for-profit companies, this does not prevent them from addressing social issues. A legitimate business today is one that is able to reconcile social responsibility and financial performance [41].

### Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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