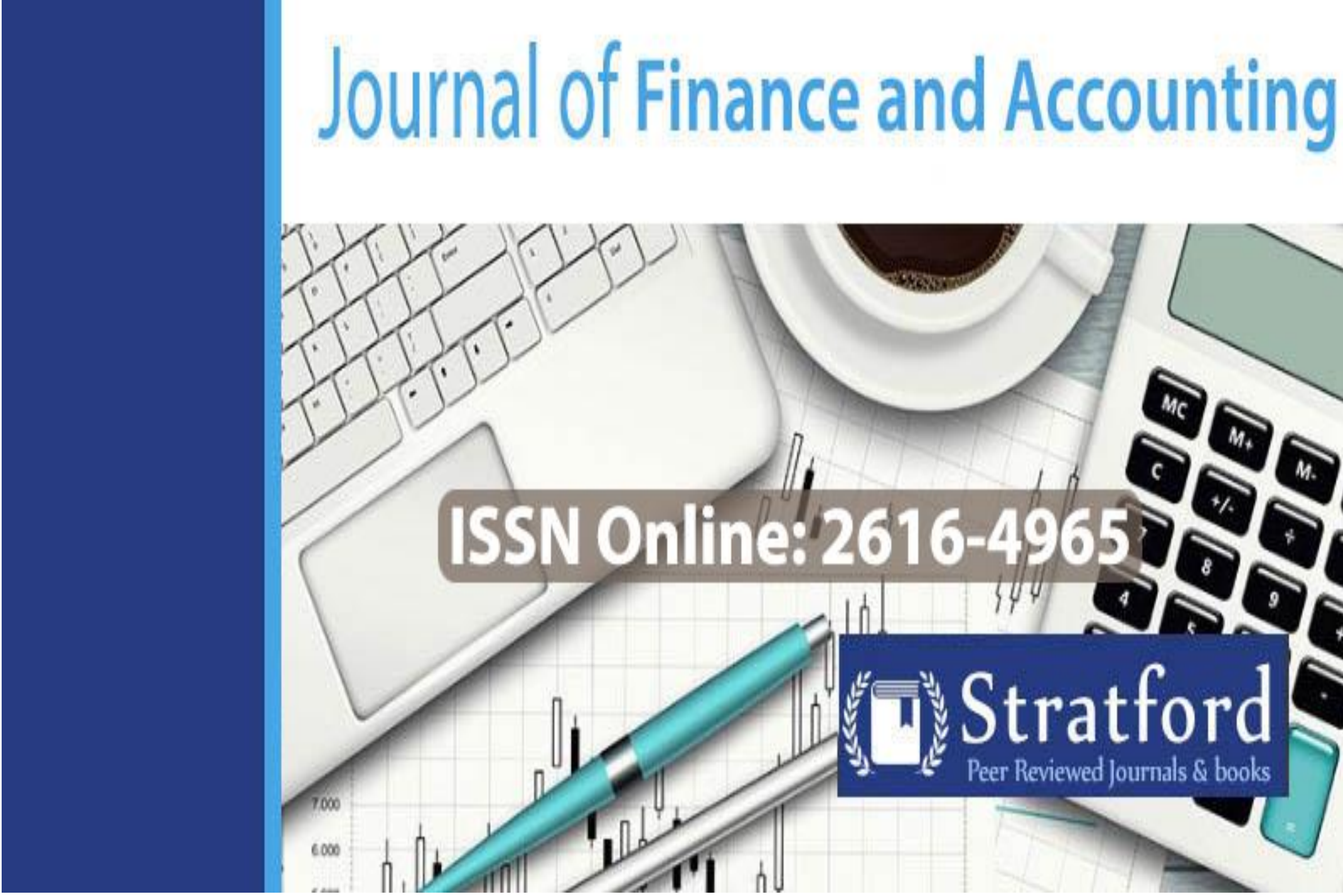

Corporate Social Responsibility and Financial Performance of Firms. A Case Study of Greek Companies in Athens, Greece

Pavlos Georgoulis Suttipun, Alexis Polakis Metaxas & Makis Voridis Kaplan

ISSN: 2616-4965

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 7||Issue 7 ||Page 12-20||October||2023|
Email: info@stratfordjournals.org ISSN: 2616-4965

Corporate Social Responsibility and Financial Performance of Firms. A Case Study of Greek Companies in Athens, Greece

[1*]Pavlos Georgoulis Suttipun, [2]Alexis Polakis Metaxas & [3]Makis Voridis Kaplan
[1,2,3]University of Crete
***Email of the Corresponding Author: pavlossuttipun43@gmail.com**

***How to cite this article*: Suttipun, P. G., Metaxas, A. P., & Kaplan, M. V. (2023). Corporate Social Responsibility and Financial Performance of Firms. A Case Study of Greek Companies in Athens, Greece. *Journal of Finance and Accounting*, 7(7), 12-20. https://doi.org/10.53819/81018102t5234**

Abstract

Corporate social responsibility (CSR) practices mostly results in cost savings through improved efficiency, reduced risks, and better resource management. The integration of CSR into business strategies attracts and retains top talent, fostering employee productivity and reducing turnover costs, which positively affects financial performance. Embracing CSR can lead to better access to capital and investment opportunities, as investors increasingly consider environmental, social, and governance factors when making investment decisions, contributing to improved financial stability and growth. The descriptive research method was employed for this study. Thirty Greek companies were selected as the primary focus. Twenty-five participants were randomly chosen from a larger pool of thirty Greek companies for the research. The information was gathered with the use of questionnaires. In conclusion, the influence of corporate social responsibility (CSR) on the financial performance of Greek companies is significant. Embracing sustainable practices, engaging in social impact initiatives, fostering stakeholder collaboration, and ensuring transparent reporting are key drivers that can positively impact financial outcomes. By integrating CSR into their business strategies, Greek companies have the opportunity to reduce costs, attract loyal customers, build stronger relationships with stakeholders, and enhance their reputation, ultimately leading to improved financial performance. Embracing CSR not only aligns businesses with societal and environmental values but also positions Greek companies as responsible and sustainable leaders, contributing to the long-term success and sustainability of the Greek business landscape. The study recommended that Greek companies should prioritize the integration of corporate social responsibility (CSR) into their business strategies to enhance financial performance. By embracing sustainable practices, engaging in social impact initiatives, and fostering stakeholder collaboration, Greek companies can create a positive impact on society while improving their financial bottom line. Transparent reporting and accountability should also be emphasized to build trust with stakeholders and attract responsible investors, further contributing to long-term financial success.

Keywords: *corporate social responsibility*, *financial performance*, *firms*, *Greek*

1.0 Background of the Study

Implementing CSR practices can positively influence a company's reputation and brand image. Greek firms that prioritize CSR often gain a competitive advantage, attracting customers who value socially responsible businesses (Liopa, Geitona, Latsou & LIOPA, 2023). This, in turn, can lead to increased sales, customer loyalty, and improved financial performance. CSR initiatives that resonate with consumers' values can foster customer loyalty. Greek companies that engage in socially responsible activities, such as supporting local communities or environmental conservation, may build stronger connections with their customers, resulting in repeat business and increased profitability. Greek companies that demonstrate a commitment to CSR are often more attractive to potential employees (Reklitis, Trivellas, Mantzaris, Mantzari & Reklitis, 2018). A positive corporate reputation and ethical practices can help recruit and retain talented individuals, reducing recruitment costs and enhancing workforce productivity, consequently positively affecting financial performance. CSR initiatives often lead to cost-saving opportunities. Greek companies that adopt sustainable practices, such as energy efficiency, waste reduction, or supply chain optimization, can experience reduced operating costs, improving their profitability and financial performance (Panagiotopoulos, 2021).

CSR has been shown to have a positive impact on the financial performance of firms. Companies that prioritize CSR initiatives often experience enhanced reputation and brand image, leading to increased customer loyalty and sales, ultimately driving financial growth. CSR practices can help Greek companies manage risks effectively. By proactively addressing environmental and social concerns, businesses can mitigate potential liabilities and regulatory risks. Long-term sustainability efforts contribute to a stable business environment, fostering better financial performance over time (Pham, Do, Doan, Nguyen & Pham, 2021). Investors increasingly consider CSR performance when making investment decisions. Greek companies that prioritize CSR may gain access to a wider range of capital options and investment opportunities. This can lead to improved financial stability, growth prospects, and increased shareholder value. CSR initiatives can enhance relationships with suppliers (Papacharalampous, Papadimitriou & Anagnostopoulos, 2019). Greek companies that enforce ethical sourcing, fair trade practices, or supply chain transparency are more likely to establish strong partnerships. This can result in improved efficiency, reduced costs, and ultimately, better financial performance. Greek companies that actively engage in CSR activities often receive government support and incentives (Zhou, Sun, Luo & Liao, 2021). This support can range from tax incentives and grants to preferential treatment in public procurement. Such benefits can positively impact the financial performance of these companies.

Ramzan, Amin and Abbas (2021) reported that CSR initiatives can influence investor perceptions of Greek companies. Investors increasingly consider environmental, social, and governance (ESG) factors when making investment decisions. Companies with strong CSR programs are perceived as lower risk and more sustainable, attracting investment and positively impacting their financial performance. Greek companies that prioritize CSR often foster positive relationships with local communities. Engaging in community development initiatives, sponsoring local events, or supporting social causes can create goodwill and public support (Khovrak, Polinkevych & Trynchuk, 2021). This can lead to increased customer loyalty, positive word-of-mouth, and improved financial performance. CSR practices help Greek companies ensure compliance with

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 7||Issue 7 ||Page 12-20||October||2023|
Email: info@stratfordjournals.org ISSN: 2616-4965

relevant regulations and avoid legal issues. Non-compliance can result in significant financial penalties, reputational damage, and disruption to business operations. By adopting CSR, companies can mitigate these risks and protect their financial performance (Devie, Liman, Tarigan & Jie, 2020). Greek companies that actively involve stakeholders in CSR initiatives can benefit from improved relationships and collaboration. Effective stakeholder engagement can lead to better business decisions, increased operational efficiency, and ultimately, improved financial performance.

2.0 Literature Review

Nugroho (2022) mentioned that in order to effectively carry out CSR initiatives, the firm should be able to strike a healthy balance in its interactions with stakeholders both within and outside the organization. Corporate social responsibility (CSR) refers to the efforts made by businesses to better the communities in which they operate and the world at large. CSR can take the form of anything from funding the upkeep of public facilities to providing financial aid to deserving local students to building and equipping new community centres or schools. Corporate social responsibility (CSR) refers to the movement and set of practices through which businesses seek to balance competing interests within their respective communities. Companies' efforts to implement CSR may be monitored by analyzing their financial performance and the information they make public about their CSR initiatives in their annual report. Return on assets (ROA), return on equity (ROE), net profit margin (NPM), and earnings per share (EPS) were used to evaluate CSR's impact on financial performance. Companies in the mining and basic industrial chemicals sector that were traded on the Indonesia Stock Exchange between 2010 and 2015 made up the study's population, and the purposive sampling method was utilized to choose the sample. Thirty businesses were sampled. Multiple linear regression analysis was employed to quantitatively examine the data, with the first step resting on the classical assumption. This research found that ROA, ROE, NPM, and EPS were all affected by CSR and control factors like leverage (DER) and company size. There is no statistically significant correlation between CSR and ROE or EPS.

Okafor, Adeleye and Adusei (2021) conducted study to investigate whether Corporate Social Responsibility (CSR) affects the financial performance of the United States (US) companies. In particular, the effect of CSR on financial performance is studied, albeit not in terms of result but rather as participation in socially responsible projects. Bloomberg's Environmental, Social, and Governance disclosure score is used as a stand-in for a company's commitment to CSR. By analyzing the financial data of S&P 500 firms from 2009 to 2013, we can determine the correlation between CSD and earnings using a model with fixed effects regression. Participation in socially responsible activities seems to have a substantial favorable impact on financial success, according to the findings. There is a statistically significant relationship between overall pay to directors, CEO duality, and women on boards, as well as other control factors. Although the sample is comprised mostly of big U.S.-based businesses, it is essential that a longer time frame be included in order to establish the favorable association between CSR and financial success. This research used a novel approach by considering the impact of CSD on socially responsible efforts in order to provide a fresh viewpoint on the subject.

Ziogas and Metaxas (2021) performed study to explore the relationship of CSR and firms' financial performance in Greek firms. The stakeholder theory and, more specifically, the "good

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 7||Issue 7 ||Page 12-20||October||2023|
Email: info@stratfordjournals.org ISSN: 2616-4965

management" hypothesis provide the basis for our investigation into whether or not enhanced CSR activities lead to increased stock returns. Using a data set of Greek listed firms and voluntary disclosures, our empirical research will determine whether CSR performance affects stock returns. The results indicate that CSR performance is positively related to stock returns for Greek enterprises. These findings have the potential to influence managers at the operational level to increase the scope of CSR initiatives in an effort to boost the competitiveness of their companies.

Suttipun, Lakkanawanit, Swatdikun and Dungtripop (2021) conducted study to examine the influence of expenditure on CSR on financial performance of Industries listed at Stock Exchange of Thailand (SET) in Bangkok, Thailand. Specifically, the researcher set out to learn how CSR affects the bottom lines of various sectors, how it affects a company's liquidity, and how it affects the expansion of its assets. Descriptive research methodology was used for this study. Out of the 1300 companies listed on the SET, 500 were included in the study's population. Financial accounts and the SET manual were mined for secondary data. SPSS was used to handle and analyze the data. The effect of CSR spending on the bottom lines of companies traded on the Stock Exchange of Thailand was studied using a variety of statistical methods, including descriptive statistics, T-Tests, Chi-square tests, and Person correlation studies. Findings were utilized to address research concerns and provide suggestions about the effects of CSR on the bottom lines of SET-listed companies. Companies spending more than \$20M on CSR had ROCE values that were considerably higher than those spending less than \$20M on CSR ($M = 17.34$, $SD = 4.25$ vs. $M = 3.87$, $SD = 9.17$). Therefore, it can be concluded that CSR has a substantial impact on an industry's bottom line. For sectors with CSR expenditures of 20 million or more, the asset growth scores were substantially higher ($M = 12.94$, $SD = 5.72$) than for enterprises with CSR expenditures of less than 20 million ($M = 5.09$, $SD = 9.01$). As a result, CSR has been shown to significantly impact a company's asset growth. According to the findings, SET -listed industries' bottom lines and asset growth are significantly affected by how much money they spend on Corporate Social Responsibility.

Kaplan and Kinderman (2019) performed study to establish the relationship between corporate social responsibility practice and financial performance of firms listed in the manufacturing, construction and allied sector in Caracas, Venezuela. Although a census survey was intended, only 12 of the 20 enterprises in the industry were included since they lacked the necessary data. Secondary information was gathered from the firms' audited financial filings for the years 2006 through 2012. Content analysis of the firms' reports on different components of corporate social responsibility as presented in their audited financial reports was used to calculate each company's score for corporate social responsibility. To analyze the connection between the two factors, a multiple regression model was built. The regression model additionally includes control variables for industrial efficiency and capital intensity. Using a correlation value of 0.870, the findings showed that the model's independent variables (corporate social responsibility score, manufacturing efficiency, and capital intensity) were related to the model's dependent variable (return on assets). This research confirmed previous findings that a weak positive correlation existed between CSR initiatives and bottom-line outcomes. It was discovered that there is a strong linear negative link between financial success and industrial efficiency.

Awaysheh, Heron, Perry and Wilson (2020) conducted study to identify the relationship between CSR and financial performance. It incorporates a survey of academic and research literature on

CSR and financial success from 2012 to 2018. The fundamental variables are examined, but so are ancillary ones like mediating variables, methods of approach, methodology, and relevant industries. This research digs further into the connection between CSR and business financial success by analyzing the aforementioned literature. Future research is expected to benefit from the granularity made possible by the literature review's partitioning. A favorable correlation between CSR and financial results was found in most studies. It proved that a company's CSR initiatives were worthwhile. This research also lays the groundwork for other studies that will help shape CSR in the business world.

3.0 Research Methodology

The descriptive research method was employed for this study. Thirty Greek companies were selected as the primary focus. Twenty-five participants were randomly chosen from a larger pool of thirty Greek companies for the research. Data was gathered with the use of questionnaires.

4.0 Research Findings and Discussion

4.1 Correlation Analysis

The results presented in Table 1 shows the correlation analysis

Table 1: Correlation Analysis

		Financial Performance	CSR
Financial Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
CSR	Pearson Correlation	.279 **	
	Sig. (2-tailed)	0.000	0.000

Table 1 displays the correlation data, which demonstrate a positive and statistically significant association between corporate social responsibility and financial performance (r=.279, p=.000). This concurs with Okafor, Adeleye and Adusei (2021) who found out that participation in socially responsible activities seems to have a substantial favorable impact on financial performance.

4.2 Regression Analysis

Coefficient regression, analysis of variance, and model fitness are covered here. Table 2 displays the model fitness results.

Table 2: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.293a	0.241	0.195	0.0011005

The findings from Table 2 reveal that corporate social responsibility was found to be satisfactory in explaining the financial performance of Greek Companies. This was supported by the coefficient of determination, which is R square of 0.241. It indicates that corporate social responsibility explain 24.1% of the variations in the financial performance of Greek Companies.

Table 3: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.68	1	6.68	20.24	.000b
	Residual	9.91	30	0.330		
	Total	16.59	29			

The findings in Table 3 indicates that the overall model was statistically significant. The results show that financial performance is a good predictor in explaining the corporate social responsibility among the Greek Companies. This was supported by an F statistic of 20.24 and the reported p-value of 0.000 which was less than the conventional probability significance level of 0.05.

Table 4: Regression of Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.561	0.135		4.156	0.016
CSR	0.759	0.242	0.912	3.136	0.006

Table 4 shows that there was a positive and substantial relationship between corporate social responsibility and financial performance (β=0.759, p=0.006). A t-statistic of 3.136 was found to be significant, above the minimum acceptable value of 1.96. These results indicates that when corporate social responsibility increases by one unit, the financial performance of Greek Companies will increase by 0.759 units while other factors that influence the financial performance of Greek Companies remain unchanged. Awaysheh, Heron, Perry and Wilson (2020) mentioned that it is proved that a company's CSR initiatives were worthwhile. A favorable correlation between CSR and financial performance was found in most instances.

5.0 Conclusion

It is evident that CSR initiatives can positively impact the financial performance of Greek companies. By prioritizing CSR practices, companies have the opportunity to enhance their reputation and brand image, which can attract more customers and lead to increased sales and customer loyalty. Greek companies that actively engage in CSR activities, such as supporting local

Stratford Peer Reviewed Journals and Book Publishing
Journal of Finance and Accounting
Volume 7||Issue 7 ||Page 12-20||October||2023|
Email: info@stratfordjournals.org ISSN: 2616-4965

communities or adopting sustainable practices, can differentiate themselves in the market and gain a competitive advantage, ultimately resulting in improved profitability and financial stability. The study concluded that CSR plays a crucial role in attracting and retaining talent within Greek companies. By demonstrating a commitment to ethical practices and social responsibility, businesses are more likely to appeal to potential employees who seek meaningful work experiences. Moreover, a socially responsible corporate culture fosters employee satisfaction, engagement, and productivity, ultimately contributing to improved financial performance through reduced turnover rates, enhanced teamwork, and increased operational efficiency. Customer behavior and loyalty are significantly influenced by CSR initiatives in the Greek context. Greek companies that prioritize CSR and align their practices with consumer values experience higher levels of customer loyalty, brand preference, and repeat business. Customers appreciate and support companies that demonstrate a commitment to environmental sustainability, community development, and ethical business practices. Such customer loyalty directly impacts the financial performance of Greek companies, as repeat customers contribute to sustainable revenue growth and increased profitability.

Furthermore, the identification of effective CSR practices has been a significant outcome of this study. By examining case studies, interviews, and industry data, it becomes evident that certain CSR initiatives yield more positive financial outcomes for Greek companies. For instance, engaging in environmentally friendly practices, investing in community development projects, and prioritizing employee well-being are among the key practices that have shown significant influence on financial performance. Understanding these practices allows Greek companies to allocate resources effectively and optimize their CSR efforts for maximum financial impact. Finally, the study acknowledges the importance of contextual factors and industry specificities in the relationship between CSR and financial performance. The unique social, economic, and cultural context of Greece has shaped the way CSR initiatives are implemented and perceived within Greek companies. Additionally, industry-specific dynamics and regulatory frameworks have an impact on the effectiveness of CSR in driving financial performance. Recognizing these contextual factors enables Greek companies to tailor their CSR strategies to suit their specific business environments, ensuring that CSR initiatives align with industry norms and meet regulatory requirements.

6.0 Recommendations

Greek companies should integrate CSR into their overall business strategy. This involves aligning CSR initiatives with the company's core values and business objectives. By embedding CSR practices throughout the organization, companies can ensure that social and environmental considerations are integrated into their day-to-day operations, decision-making processes, and long-term planning. This strategic integration will help maximize the financial impact of CSR efforts and ensure their alignment with the company's overall mission and goals. These companies should prioritize effective stakeholder engagement as part of their CSR strategy. Engaging with stakeholders, including employees, customers, suppliers, and local communities, enables companies to understand their expectations, concerns, and needs. This engagement can guide the development and implementation of CSR initiatives that are relevant and impactful, ultimately leading to improved financial performance. Regular communication, collaboration, and feedback mechanisms should be established to foster strong relationships and ensure that CSR efforts resonate with the interests of various stakeholders.

Furthermore, Greek companies should implement robust measurement and reporting mechanisms to track the impact of CSR initiatives on financial performance. This involves setting clear Key Performance Indicators (KPIs) that capture both financial and non-financial metrics. Companies should regularly evaluate the outcomes of their CSR initiatives and assess their contribution to revenue growth, cost savings, customer loyalty, and employee productivity. Transparent reporting of these results not only provides accountability but also helps build trust with stakeholders and demonstrates the value of CSR in driving financial performance. Greek companies should foster collaboration and knowledge sharing within their industry and across sectors to enhance their CSR practices. By collaborating with industry peers, sharing best practices, and participating in industry associations, companies can gain insights and learn from the experiences of others. This collaboration can lead to innovation, the development of new CSR strategies, and the identification of emerging trends that can positively impact financial performance. Additionally, companies can collaborate with academic institutions and research organizations to conduct joint studies, promote knowledge sharing, and contribute to the overall understanding of CSR's influence on financial outcomes.

REFERENCES

Awaysheh, A., Heron, R. A., Perry, T., & Wilson, J. I. (2020). On the relation between corporate social responsibility and financial performance. *Strategic Management Journal, 41(6), 965-987.* https://doi.org/10.1002/smj.3122

Devie, D., Liman, L. P., Tarigan, J., & Jie, F. (2020). Corporate social responsibility, financial performance and risk in Indonesian natural resources industry. *Social Responsibility Journal, 16(1), 73-90.* https://doi.org/10.1108/SRJ-06-2018-0155

Kaplan, R., & Kinderman, D. (2019). The business-class case for corporate social responsibility: mobilization, diffusion, and institutionally transformative strategy in Venezuela and Britain. Theory and Society, 48(1), 131-166. https://doi.org/10.1007/s11186-019-09340-w

Khovrak, I., Polinkevych, O., & Trynchuk, V. (2021, December). Management of financial institutions on the basis of corporate social responsibility as a driver of sustainable development. In Conference Proceedings Determinants of Regional Development (No. 2, pp. 246-264).

Liopa, M., Geitona, M., Latsou, D., & LIOPA, M. (2023). Factors Affecting the Implementation of Corporate Social Responsibility in the Health Technology Industry in Greece. Cureus, 15(6). https://doi.org/10.7759/cureus.39946

Nugroho, R. S. (2022). Company Financial Performance Before And During The Covid-19 Pandemic In Companies Listed On The Indonesia Stock Exchange. Jurnal Mantik, 6(2), 1647-1656.

Okafor, A., Adeleye, B. N., & Adusei, M. (2021). Corporate social responsibility and financial performance: Evidence from US tech firms. *Journal of Cleaner Production, 292, 126078.* https://doi.org/10.1016/j.jclepro.2021.126078

Panagiotopoulos, I. (2021). Novel CSR & novel coronavirus: corporate social responsibility inside the frame of coronavirus pandemic in Greece. *International Journal of Corporate Social Responsibility, 6, 1-12.* https://doi.org/10.1186/s40991-021-00065-7

Papacharalampous, N., Papadimitriou, D., & Anagnostopoulos, C. (2019). "Walking the talk" in times of recession: the case of corporate social responsibility in Greece. *Journal of Global Responsibility, 10(2), 102-118.* https://doi.org/10.1108/JGR-11-2018-0058

Pham, D. C., Do, T. N. A., Doan, T. N., Nguyen, T. X. H., & Pham, T. K. Y. (2021). The impact of sustainability practices on financial performance: empirical evidence from Sweden. Cogent Business & Management, 8(1), 1912526. https://doi.org/10.1080/23311975.2021.1912526

Ramzan, M., Amin, M., & Abbas, M. (2021). How does corporate social responsibility affect financial performance, financial stability, and financial inclusion in the banking sector? Evidence from Pakistan. Research in International Business and Finance, 55, 101314. https://doi.org/10.1016/j.ribaf.2020.101314

Reklitis, P., Trivellas, P., Mantzaris, I., Mantzari, E., & Reklitis, D. (2018). Employee perceptions of corporate social responsibility activities and work-related attitudes: the case of a Greek management services organization. Sustainability and Social Responsibility: Regulation and Reporting, 225-240. https://doi.org/10.1007/978-981-10-4502-8_10

Suttipun, M., Lakkanawanit, P., Swatdikun, T., & Dungtripop, W. (2021). The impact of corporate social responsibility on the financial performance of listed companies in Thailand. Sustainability, 13(16), 8920. https://doi.org/10.3390/su13168920

Zhou, G., Sun, Y., Luo, S., & Liao, J. (2021). Corporate social responsibility and bank financial performance in China: The moderating role of green credit. Energy Economics, 97, 105190. https://doi.org/10.1016/j.eneco.2021.105190

Ziogas, I., & Metaxas, T. (2021). Corporate social responsibility in south Europe during the financial crisis and its relation to the financial performance of Greek companies. Sustainability, 13(14), 8055. https://doi.org/10.3390/su13148055