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THE CSR–FINANCIAL PERFORMANCE NEXUS: SECTOR AND SIZE EFFECTS IN MOROCCO

A RELAÇÃO ENTRE A RESPONSABILIDADE SOCIAL CORPORATIVA E O DESEMPENHO FINANCEIRO: EFEITOS DO SETOR E DO TAMANHO NO MARROCOS

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Loubna Oumari*
*Faculty of Legal,Economics and Social Sciences, Sidi Mohamed Ben Abdilah, Fez, Morocco,
Orcid: https://orcid.org/0009-0009-8652-3235
oumari.loubna1990@gmail.com

Mouad Zarou*
*Faculty of Legal,Economics and Social Sciences, Sidi Mohamed Ben Abdilah, Fez, Morocco
Orcid: https://orcid.org/0009-0009-5631-7238
zarou88@gmail.com

Soukaina Alami Harrak*
*Faculty of Legal,Economics and Social Sciences, Sidi Mohamed Ben Abdilah, Fez, Morocco
Orcid: https://orcid.org/0009-0004-7967-6034
elalami.h.k@gmail.com

Noutaila Alami Harrak*
*Faculty of Legal,Economics and Social Sciences, Sidi Mohamed Ben Abdilah, Fez, Morocco
Orcid: https://orcid.org/0009-0006-1223-5351
nouta.xo.alami@gmail.com

Abstract
This study examines the contingent relationship between corporate social responsibility (CSR) and financial performance (FP) in an emerging market. Using Moroccan firms listed on the Casablanca Stock Exchange across three industries—banking and insurance, agri-food, and construction & building materials—we combine correlation analysis and Granger causality tests to assess the CSR–FP nexus and the moderating roles of sector and firm size. We find no generalized causal link between CSR and FP at the full-sample level. However, sectoral context and firm size shape the relationship: regulated industries exhibit more structured—yet often inverse—associations, and larger firms show stronger CSR engagement without systematic financial outperformance. These results underscore the need to account for structural heterogeneity when evaluating CSR outcomes in emerging markets.

Keywords: Corporate Social Responsibility (CSR). Financial Performance. Firm Size. Sectoral Context. Emerging Markets.

Resumo
Este estudo examina a relação contingenteentre a responsabilidade social corporativa (RSC) e o desempenho financeiro (PF) emum mercado emergente. Utilizando empresas marroquinas listadas na Bolsa de Valores de Casablancaem três setores — bancos e seguros, agroalimentar econstrução e materiais de construção — combinamos a análise de correlação eos testes de causalidade de Granger para avaliar a relação entre RSC e PF e os papéis moderadores dosetor e do tamanho da empresa. Não encontramos nenhuma relação causal generalizada entre RSE e PF em todo o nível da amostra. No entanto, o contexto setorial e o tamanho da empresa moldam arelação: os setores regulamentados apresentam associações mais estruturadas — mas muitas vezesinversas — e as empresas maiores mostram um envolvimento mais forte com a RSE, semum desempenho financeiro sistematicamente superior. Esses resultados ressaltam a necessidade delevar em conta a heterogeneidade estrutural ao avaliar os resultados da RSE em mercados emergentes.

Palavras-chave: *Responsabilidade Social Corporativa (RSC). Desempenho financeiro. Tamanho da empresa. Contexto setorial. Mercados emergentes.*

1 INTRODUCTION

The relationship between corporate social responsibility (CSR) and financial performance (FP) has long been debated in academic and managerial circles. Despite decades of research, the empirical evidence remains fragmented, with studies reporting positive (Wang et al., 2016; Choi et al., 2018 Oumari, L, & al. (2025).), negative (Masoud & Halaseh, 2017; Han et al., 2016), or even neutral and inconclusive results (Orlitzky et al., 2003; García-Castro et al., 2010 Oumari, L, & al. (2025). In addition, evidence from MENA economies confirms that CSR outcomes often depend on structural and macroeconomic conditions (Mohamed et al., 2025). This heterogeneity suggests that the CSR–FP nexus is complex, non-linear, and highly sensitive to contextual factors (Galant & Cadez, 2017; Ioannou & Serafeim, 2015).

Several explanations have been advanced to account for these divergent findings. They include methodological differences (choice of CSR and FP indicators), temporal horizons, and the multidimensional nature of CSR itself (Clark, Feiner & Viehs, 2015; Malik, 2015). More recently, scholars have emphasized contingency effects, whereby structural factors—such as company size or sector of activity—moderate the CSR–FP link (Awaysheh et al., 2020; Fatemi et al., 2018). Large firms often benefit from greater visibility, resources, and stakeholder pressure, which may strengthen CSR adoption. Similarly, some industries—particularly those subject to regulatory scrutiny or reputational risk—exhibit stronger or more structured CSR–FP dynamics (Cardillo & Basso, 2025).

Emerging markets provide a relevant context to investigate these dynamics. In Morocco, CSR maturity varies across sectors and disclosure practices remain uneven, raising questions about how investors and markets value CSR initiatives. Recent empirical work on Moroccan listed firms highlights the role of institutional transformation and digital adoption in shaping corporate strategies (Ali et al., 2025), as well as the influence of macroeconomic uncertainties on performance (Mohamed et al., 2024). Thus, analyzing Moroccan companies offers an opportunity to examine whether

global CSR-FP patterns apply in environments characterized by heterogeneous governance systems and evolving regulatory frameworks.

Accordingly, this article seeks to answer the following question: *to what extent do firm size and sector of activity influence the relationship between CSR and financial performance in Moroccan listed companies?* Two hypotheses are proposed:

- **H1:** The CSR–FP relationship significantly differs across sectors of activity.
- **H2:** The CSR–FP relationship significantly differs according to firm size.

To test these hypotheses, we use correlation analysis and the Granger causality framework applied to data from the Casablanca Stock Exchange. The paper is structured as follows: Section 2 reviews the theoretical and empirical literature on the CSR–FP nexus; Section 3 presents the research design, methodology, and results; Section 4 discusses the findings; and Section 5 concludes with implications for managers, policymakers, and future research.

2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 The CSR–financial performance nexus

The relationship between corporate social responsibility (CSR) and financial performance (FP) has been studied across finance, management, and accounting disciplines, yet the results remain inconclusive. While some scholars report a positive relationship, others find negative or insignificant effects, suggesting that the CSR–FP nexus is contingent upon multiple factors (Orlitzky et al., 2003; Wang et al., 2016).

On the positive side, CSR is often associated with enhanced corporate reputation, competitive advantage, improved stakeholder trust, and ultimately higher profitability (Choi et al., 2018; Laskar, 2018; Li et al., 2025). Vogel (2005) emphasizes that CSR initiatives can act as a source of differentiation, strengthening brand loyalty and contributing to long-term growth.

Conversely, critics argue that CSR represents a costly diversion of resources that can erode shareholder value, particularly in the short term (Friedman, 1970; Jensen, 2001; Han et al., 2016). Some empirical evidence supports neutral or even negative associations, reflecting the trade-offs between social investments and immediate financial returns (Masoud & Halaseh, 2016; Ngoc, 2018). This debate has also given rise to the idea of a

non-linear relationship, whereby the impact of CSR varies with firm-specific characteristics, governance quality, or market conditions (Wang et al., 2016).

2.2 Divergence factors influencing the CSR–FP link

i. Study Period

Temporal factors contribute significantly to variations in CSR–FP findings. Social and environmental issues shift in salience over time—from labor rights and equity issues in the 1970s, to sustainability and environmental concerns in later decades, and more recently to ethics and governance scandals (Barnett & Salomon, 2006; Orlitzky et al., 2003; Huang et al., 2020; Azevedo et al., 2021). As CSR issues gain societal prominence, their corporate financial impact tends to increase.

ii. Measurement Challenges of CSR and FP

Heterogeneity in CSR measurement—including ESG scores, disclosure indexes, and reputation metrics—raises comparability issues, complicating generalizations (Galant & Cadez, 2017; Matuszak & Różańsk, 2019; Carroll, 2000; Preston & O'Bannon, 1997). Similarly, financial performance is assessed via accounting-based metrics (ROA, ROE, net income) and market-based indicators (stock returns, Tobin's Q), each capturing different performance dimensions that may yield inconsistent correlations with CSR (Galant & Cadez, 2017; Karagiorgos et al., 2010).

iii. Investment Horizon

The time frame of analysis influences the observed CSR–FP relationship. Short-term evaluations often fail to capture lagged benefits of CSR, whereas studies focusing on a longer horizon reveal clearer positive relationships between sustained CSR efforts and financial outcomes (Shirasu & Kawakita, 2021; Oikonomou et al., 2020; Boubaker et al., 2017).

iv. Sector of Activity

Industry-specific characteristics notably moderate the CSR–FP association. Studies suggest that analyzing CSR impacts within homogenous sectors yields more consistent findings because of the shared regulatory environment, social expectations, and operational contexts unique to each sector (Chand & Fraser, 2006; Cardillo & Basso, 2025; karyawati G et al., 2020; Hirsch, 2023).

3 METHODOLOGY

The primary objective of this study is to analyze the nature of the relationship between social performance (SP) and financial performance (FP), focusing on two key divergence factors that are likely to condition this relationship: industry sector and company size.

The SP–FP relationship is known to vary significantly according to sectoral contexts and company characteristics. To capture these dynamics, our analysis specifically targets three sectors with distinct economic and social features: Banking and Insurance, Construction Equipment and Building Materials, and the Agri-Food sector. These sectors differ in their CSR commitment levels, regulatory pressures, and exposure to financial risks, providing a relevant comparative framework.

Company size is considered through a categorical classification of firms listed on the Casablanca Stock Exchange, divided into three market segments: the Development Market, the Growth Market, and the Main Market. This classification reflects differences in company maturity and resource availability, which may influence how social performance affects financial outcomes.

Methodologically, the study begins with a statistical examination of the time series for both SP and FP variables. Stationarity of the data is tested through unit root procedures, including the Augmented Dickey-Fuller (ADF) test (Dickey & Fuller, 1979, 1981) and Phillips-Perron test (Phillips & Perron, 1988), ensuring the robustness of subsequent correlation and causality analyses.

Initial correlations between social and financial performance are computed using a global approach that does not account for divergence factors. Subsequently, sector and size variables are explicitly introduced in the models to assess their moderating effects on the SP–FP linkage. A Granger causality test is employed to explore the directional influence between social and financial performance while controlling for sectoral and size factors.

This dual-step methodology provides a comprehensive and contextualized understanding of the interactions between CSR and firm financial metrics within the Moroccan context, furnishing evidence crucial for managerial decision-making and policy formulation tailored to varied market segments.

4 RESULTS AND DISCUSSIONS

The empirical investigation focuses on a sample of publicly traded companies in order to assess the impact of selected divergence factors on the relationship between social performance (PS) and financial performance (FP). Three divergence factors are considered: firm size (proxied by turnover), sector of activity (agri-food, banking and insurance, and construction and building materials), and market type (core, growth, and development markets).

Financial performance is assessed using four conventional ratios: **PER** (Price-to-Earnings Ratio), **PBR** (Price-to-Book Ratio), **EPS/BPA** (Earnings per Share), and **ROE** (Return on Equity). Social performance is proxied by a composite indicator constructed in reference to the seven principles of ISO 26000**,** thereby providing a multidimensional evaluation of corporate social responsibility (CSR).

4.1 Results without divergence factors

Table 1

Correlation Matrix between PS and FP (without divergence factors)

	EPS (BPA)	PBR	PER	PS	ROE
EPS	1	0.623	0.122	0.077	0.633
PBR	0.623	1	0.211	-0.011	0.736
PER	0.122	0.211	1	0.086	-0.090
PS	0.077	-0.011	0.086	1	-0.027
ROE	0.633	0.736	-0.090	-0.027	1

The results indicate very weak correlations between CSR and financial performance. For example, the relationship between EPS and PS is slightly positive (0.07), whereas that between PBR and PS is nearly null (–0.01). Similarly, PER–PS shows a weak positive association (0.08), while ROE–PS is slightly negative (–0.02). These values suggest that, when divergence factors are not considered, CSR practices do not have a substantial impact on financial outcomes. Firms may engage in social initiatives, but these do not directly translate into financial performance improvements at the aggregate level.

Table 2

Granger Causality Test (without divergence factors)

Null Hypothesis	Obs	F-Statistic	Probability
ΔPBR does not Granger-cause ΔPS	41	0.0960	0.9111
ΔPS does not Granger-cause ΔPBR	41	0.1561	0.8620
ΔPER does not Granger-cause ΔPS	41	0.5902	0.6080
ΔPS does not Granger-cause ΔPER	41	0.1297	0.8831
ΔEPS does not Granger-cause ΔPS	41	0.0747	0.9297
ΔPS does not Granger-cause ΔEPS	41	4.3148	0.1310
ΔROE does not Granger-cause ΔPS	41	0.1607	0.8585
ΔPS does not Granger-cause ΔROE	41	8.7305	0.0561

The causality test refines the analysis. Two unidirectional influences appear from social to financial performance: CSR seems to cause variations in ROE (at the 6% level) and EPS (at the 13% level). Even if these thresholds are above the conventional 5% significance level, they suggest a weak but non-negligible influence of CSR on certain profitability indicators. No reverse causality is observed, which indicates that financial performance does not drive CSR engagement in this sample.

Synthesis: Without accounting for divergence factors, the CSR–FP relationship appears globally weak, with only marginal causal effects detected. This confirms the complexity and instability of the link when analyzed at the aggregate level.

4.2 Results with divergence factors – firm size

Table 3

Correlation Matrix (Firm size proxied by turnover)

	CA	EPS	PER	PS	ROE	PBR
CA	1	-0.703	0.298	0.341	-0.627	-0.829
EPS	-0.703	1	-0.356	-0.426	0.972	0.791
PER	0.298	-0.356	1	-0.312	-0.250	-0.222
PS	0.341	-0.426	-0.312	1	-0.487	-0.390
ROE	-0.627	0.972	-0.250	-0.487	1	0.780
PBR	-0.829	0.791	-0.222	-0.390	0.780	1

The correlation matrix highlights a negative relationship between turnover and financial indicators**,** particularly EPS (–0.70), ROE (–0.63), and PBR (–0.83). This implies that larger firms, although financially solid, may experience lower efficiency when compared proportionally to their size. Interestingly, the correlation between turnover and PS is moderately positive (0.34), which shows that larger firms engage more

actively in CSR practices. However, these efforts do not translate into proportional financial gains.

Table 4

Granger Causality Test (Firm size)

Null Hypothesis	F-Statistic	Probability
ΔCA → ΔPBR	4.533	0.124
ΔROE → ΔCA	3.122	0.185

The Granger test reveals only two weak causal effects. Turnover influences PBR at the 12.5% level, while ROE influences turnover at the 18.5% level. These results indicate a **bidirectional but weak relationship between size and financial performance**, while the connection between size and CSR remains ambiguous.

Synthesis: Firm size emerges as a divergence factor. Large firms display stronger CSR commitment, but this commitment is not accompanied by better financial performance. This underlines the cost–benefit paradox of CSR in large firms.

4.3 Results with divergence factors – market type

Table 5

Correlation Matrix (by Market type)

	CAMC	CAMD	CAMP	EPS	PER	PBR	PS	ROE
CAMC	1	0.832	0.856	-0.555	0.107	-0.808	0.473	-0.526
CAMD	0.832	1	0.906	-0.785	0.371	-0.840	0.411	-0.700
CAMP	0.856	0.906	1	-0.713	0.340	-0.809	0.312	-0.630
EPS	-0.555	-0.785	-0.713	1	-0.356	0.791	-0.426	0.972
PER	0.107	0.371	0.340	-0.356	1	-0.222	-0.312	-0.250
PBR	-0.808	-0.840	-0.809	0.791	-0.222	1	-0.390	0.780
PS	0.473	0.411	0.312	-0.426	-0.312	-0.390	1	-0.487
ROE	-0.526	-0.700	-0.630	0.972	-0.250	0.780	-0.487	1

The results demonstrate that the correlation between turnover and financial performance depends strongly on the market segment considered. In the growth (CAMC) and development (CAMD) markets, correlations are more pronounced, particularly the negative relationships between EPS and turnover (–0.55 to –0.78). In contrast, in the core market (CAMP), the effects are slightly weaker but remain negative. By comparison, CSR (PS) maintains relatively stable correlations with turnover across the three market

types (0.31–0.47). This suggests that CSR engagement is less sensitive to market structure, whereas financial indicators are highly conditioned by market classification.

5 RESULTS AND DISCUSSIONS

The results of this study reveal no significant causal relationship between social performance (SP) and financial performance (FP) across the full sample, as evidenced by Granger causality tests. This absence of a generalized, robust link—whether unidirectional or bidirectional—is consistent with the literature highlighting the complex, context-dependent, and variable nature of the SP–FP connection (Galant & Cadez, 2017; Cardillo & Basso, 2025).

Although certain correlations between SP and financial ratios such as ROE, EPS, and PER were detected, these were neither systematic nor statistically robust, often occurring above conventional significance levels ($p > 0.10$), suggesting that CSR commitment does not inherently lead to financial benefits. Instead, the relationship appears contingent upon moderating factors. Two key divergence factors emerged as particularly relevant: the sector of activity and company size, evident through their differentiation across the Casablanca Stock Exchange segments.

Sectoral influence proves a critical determinant of the SP–FP nexus. Our findings reinforce prior observations (Matuszak & Różański, 2019; Cardillo & Basso, 2025) that different sectors exhibit varying CSR integration intensities and financial consequences owing to their unique regulatory, economic, and social characteristics. The banking sector, subject to elevated governance and transparency demands, shows a more structured though statistically nonsignificant association. In contrast, the agri-food and construction material sectors, often subject to less stringent CSR regulation, display more diffuse or negligible effects.

Concerning company size, firms listed in the core market demonstrate superior social performance, corroborating the "size premium" identified by Drempetic et al. (2020), attributed to their enhanced capacities for CSR investment, communication, and stakeholder management. However, this premium does not consistently translate to better financial returns in emerging markets such as Morocco (Azevedo et al., 2021), highlighting possible constraints in CSR visibility or financial market valuation.

Methodological considerations also crucially shape findings. Traditional financial metrics (ROE, ROA, Tobin's Q) exhibit structural limitations in capturing the multifaceted nature of CSR's financial impact (Gregory, 2021; Galant & Cadez, 2017). Moreover, aggregated CSR indicators may conceal heterogeneity across environmental, social, and governance dimensions, advocating for differentiated measurements (Matuszak & Różański, 2017).

Overall, the evidence affirms the contingent, unstable, and context-sensitive nature of the SP–FP relationship (Azevedo et al., 2021; Cardillo & Basso, 2025). In Morocco, characterized by an evolving financial market and emerging CSR culture, investors may not yet fully acknowledge social performance as a driver of financial success. Despite the exclusion of institutional and cultural variables here, firm-specific factors like size and sector visibly modulate the SP–FP dynamics.

6 CONCLUSION

This study finds no definitive causal relationship between social performance (SP) and financial performance (FP) across all companies and financial ratios analyzed. While some significant associations emerged for select ratios at relaxed significance levels (up to 12.5%), these findings were neither consistent nor strong at conventional thresholds (5% or 1%).

The SP–FP relationship proves to be complex, contingent on multiple moderating factors. Key determinants include the specific financial metric used (PER, EPS, ROE, PRB), firm characteristics such as size and sector of activity, and the market segment (core, growth, or development).

In particular, company size appears influential, with larger firms generally exhibiting stronger CSR performance, though this does not necessarily translate into superior financial returns, notably in emerging markets like Morocco. Sectoral differences also play a major role—regulated sectors like banking tend to have more structured CSR practices, whereas sectors such as agri-food or construction show weaker or no financial effects from CSR engagement.

Methodological factors further contribute to heterogeneous results: traditional financial ratios might inadequately capture nuanced SP impacts, and aggregate CSR

scores risk masking the effects of distinct environmental, social, and governance dimensions.

Given the sample size and period limitations, as well as sector coverage, future research should broaden both firm and sector samples, incorporate additional moderating variables (e.g., governance quality, market competition, firm reputation), and explore qualitative approaches to refine understanding of CSR's multifaceted interactions with financial performance.

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Authors' Contribution

Both authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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