CSR and financial performance: are CSR practices a factor in reducing transaction costs?

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Abstract: This article examines the role of Corporate Social Responsibility (CSR) in reducing transaction costs and improving the financial performance of companies. Based on transaction cost theory, the study explores how CSR practices such as transparency, stakeholder engagement, and litigation management can reduce costs associated with information search, negotiation, and contract execution. Through an empirical analysis of 358 Moroccan SMEs practicing CSR, the article uses Ridge regression to mitigate the effects of multicollinearity and extreme values, thus providing robust estimates of the impacts of CSR on transaction costs and financial performance. The results indicate that transparency practices and effective contract relations are particularly effective in reducing these costs, while CSR engagement requires deeper integration to demonstrate significant financial effects. CSR practices are not only beneficial from a social standpoint but also serve as an economic lever to improve the competitiveness and financial stability of companies.

1. Introduction

Corporate Social Responsibility (CSR) has become a central element in the strategies of modern businesses due to its numerous potential benefits, including the improvement of financial performance. One important way through which CSR practices can positively influence financial performance is by reducing transaction costs. Transaction cost theory, introduced by Coase (1937) and developed by Williamson (1985), posits that costs associated with information search, negotiation, and contract execution can be substantial. CSR practices, by promoting transparency, trust, and stakeholder engagement, can significantly reduce these costs, thereby enhancing the company's financial performance. This study focuses on this hypothesis by examining whether CSR practices constitute a factor in reducing transaction costs for Moroccan companies. Specifically, it explores how specific CSR practices influence different aspects of transaction costs and, consequently, the financial performance of companies.

This research is based on a sample of 358 Moroccan SMEs practicing CSR, selected using the snowball sampling method. The methodology employs Ridge regression to mitigate the effects of multicollinearity and extreme values, thus providing more robust estimates of the impacts of CSR practices on transaction costs and financial performance. By examining the relationships between CSR transparency, CSR engagement, litigation cost reduction, contract relations efficiency, and financing cost, this study provides insight into the mechanisms by which CSR can create value for companies by reducing transaction costs. The results of this research underscore the importance of CSR not only as a social responsibility strategy but also as an economic lever to improve the competitiveness and financial stability of companies.

2. Literature Review

Corporate Social Responsibility is a concept that has evolved thanks to contributions from numerous authors. Bowen (1953), often considered the pioneer of CSR, highlighted the importance for companies to consider their social responsibilities beyond the mere pursuit of profit. This idea was taken up and expanded by Davis (1973), who defined CSR as the obligation of companies to "consider issues beyond the narrow economic, technical, and legal requirements of the firm." These contributions emphasized that companies must integrate social and environmental considerations into their activities, thus responding to the expectations of various stakeholder groups. In contrast to this vision, Friedman (1970) argued that "the only social responsibility of a company is to increase its profits" while adhering to the rules of the game, meaning complying with laws and regulations. According to him, companies have no responsibility to society beyond maximizing profits for their shareholders. This strictly economic perspective has been criticized by other authors who have emphasized the importance of social responsibility.

The European Commission (2011) also contributed to the definition of CSR, describing it as "the actions of companies that go beyond their legal obligations towards society and the environment." This definition highlights the voluntary commitment of companies to contribute to sustainable development, stressing that social responsibility goes beyond mere legal compliance. By integrating these different perspectives, CSR is now seen as a set of voluntary and proactive actions aimed at balancing the economic, social, and environmental objectives of companies.

Orlitzky et al (2003) conducted a meta-analysis to examine the relationship between CSR and Corporate Social Responsibility is positively correlated with financial performance due to risk reduction and improved reputation. Their analysis suggests that this relationship is stronger when companies use integrated and comprehensive CSR measures. Barnett and Salomon (2012) explored stakeholder theory and found that managing stakeholder relationships directly affects the long-term success of companies.

Their study shows that companies with low CSR performance have high financial performance, those with moderate CSR performance have lower financial performance, while those with high CSR performance see a significant improvement in their financial performance. Ali et al. (2020) highlighted the importance of studying CSR in developing economies, revealing that CSR practices can improve the financial performance of manufacturing companies. They found that these practices reduce environmental degradation and carbon emissions, allowing companies to avoid environmental taxes and thus improve their financial results. Eccles, Ioannou, and Serafeim (2014) studied the impact of sustainability practices on the financial performance of 180 US companies from 1993 to 2009. They found that high-sustainability companies significantly outperform low-sustainability ones in terms of both market value and accounting performance. Their research shows that integrating sustainable practices is beneficial for long-term financial performance.

Khan et al. (2016) introduced a new dimension in the study of CSR by analyzing the "material factors" of CSR, which are aspects of CSR significant to the specific operations of the company and the expectations of stakeholders. They found that companies focusing on material CSR factors see a more significant improvement in their financial performance compared to those adopting a more generic CSR approach. Margolis et al. (2007) explored the relationship between CSR and financial performance of companies over a 35-year period, finding that 60% of studies show a positive relationship between CSR and financial performance, while 15% show a negative relationship and 25% are neutral or inconclusive. They emphasized the importance of methodology and context in interpreting results, noting that companies strategically integrating CSR into their operations tend to benefit from better financial outcomes. Jo and Harjoto (2011) studied the impact of corporate governance on this relationship, finding that companies with better governance show a stronger and more positive relationship between CSR and financial performance.

Hillman and Keim (2001) explored how CSR can influence shareholder value creation, finding that CSR initiatives focused on improving stakeholder relationships are associated with better financial performance. In contrast, they noted that purely philanthropic investments do not have the same positive impact on financial performance. Friede, Busch, and Bassen (2015) conducted a meta-analysis of over 2000 empirical studies to examine the relationship between environmental, social, and governance criteria and financial performance. They found that 90% of studies show a non-negative relationship between these criteria and financial performance, with the majority of studies indicating a positive relationship. Their analysis revealed that the positive impact of environmental, social, and governance criteria on financial performance is stable over time. Cheng, Ioannou, and Serafeim (2014) examined the impact of CSR on corporate access to finance, concluding that companies with better CSR performance have fewer financing constraints, primarily due to reduced agency costs and increased transparency that decreases information asymmetry.

Kraus et al. (2020) also studied the role of green innovation as a mediating mechanism between CSR and financial performance. Their research showed that green innovation reduces operational costs and improves efficiency, leading to better financial outcomes. Thus, CSR emerges as an important element for improving the financial performance of companies. Strategic integration of CSR into a company's operations can lead to significant financial benefits, including risk reduction, reputation enhancement, and attraction of investments. Additionally, green innovation, when aligned with CSR practices, acts as a powerful mediating mechanism that transforms CSR efforts into measurable financial gains. Effective management of stakeholder relationships and the development of dynamic capabilities are also essential to maximize the benefits of CSR.

Companies that voluntarily engage in sustainable and ecological practices are better positioned to achieve sustainable and competitive financial performance in the long term. Analyzing financial

performance through transaction cost theory helps understand how CSR can reduce agency costs and economic frictions by enhancing transparency and trust among stakeholders. This approach highlights the impact of CSR practices on reducing costs related to conflicts and organizational inefficiencies, thereby promoting a more efficient allocation of resources. Moreover, CSR engagement can improve access to financing and attract investments by decreasing information asymmetries and perceived risks by investors.

3. Methodology
3.1. Data and Model

CSR is increasingly adopted by companies for its numerous potential benefits, including the improvement of financial performance. An important way through which CSR practices can positively influence financial performance is by reducing transaction costs. Transaction cost theory, introduced by Coase (1937) and developed by Williamson (1985), suggests that costs associated with information search, negotiation, and contract execution can be substantial. CSR practices, by promoting transparency, trust, and stakeholder engagement, can significantly reduce these costs, thereby improving the company's financial performance. Based on transaction cost theory as an analytical framework, we pose the following research questions:

H1: CSR transparency practices reduce transaction costs related to information and monitoring, thereby improving the company's financial performance.

Justification: Transparency in the context of CSR reduces information asymmetry and monitoring needs, thus decreasing transaction costs associated with information search and contract supervision.

H2: Engagement in CSR reduces transaction costs related to stakeholder negotiation, contributing to better financial performance.

Justification: Trust generated by CSR practices simplifies negotiations and reduces the need for detailed contractual clauses, thereby lowering transaction costs associated with negotiation.

H3: CSR practices reduce transaction costs related to litigation and regulatory sanctions, leading to improved financial performance.

Justification: Companies adhering to high CSR standards are less likely to be involved in litigation or sanctions, thus reducing transaction costs associated with risk and litigation management.

H4: CSR practices improve the efficiency of contractual relationships with suppliers, reducing transaction costs and resulting in better financial performance.

Justification: Collaboration based on shared CSR values reduces conflicts and renegotiation costs, thereby decreasing transaction costs and increasing contractual efficiency.

H5: CSR practices attract lower-cost financing, reducing financial transaction costs and thus contributing to improved financial performance.

Justification: Investors perceive companies engaged in CSR as less risky, resulting in lower financial transaction costs. Additionally, these companies attract lower-cost financing due to their commitment to socially responsible practices.

The objective of this study is to examine whether CSR practices can serve as a factor in reducing transaction costs, using transaction cost theory as an analytical tool. The sample for this study consists of 358 Moroccan SMEs that adopt CSR practices. These companies were selected using the snowball sampling method, a participant recruitment technique where initial subjects suggest additional subjects who meet the study criteria. The use of snowball sampling facilitates access to SMEs practicing CSR,

which might otherwise be difficult to identify and recruit through classical random sampling methods. By relying on the recommendations of initially recruited subjects, this method allows for the construction of a representative sample for studying CSR practices. The econometric model equation can be formulated as follows:

$$FINP = \beta0 + \beta1.TRAN + \beta2.ENGC + \beta3.LITI + \beta4.CONR + \beta5.FINC + \beta6.SIZE + \beta7.AGEC + \epsilon$$

The dependent variable is FINP (Financial Performance), measured by return on investment (ROI). The main independent variables are measured by items, each item obtained through a Likert scale from 1 to 7, and the average is then calculated to obtain the main variable. For TRAN (Transparency in CSR), items include the quality of disclosed information, the accessibility of CSR information to stakeholders, and the verifiability of CSR data by independent third parties. For ENGC (Engagement in CSR), items include the company's active participation in social and environmental initiatives, support for local communities, efforts to minimize environmental impact, and collaboration with NGOs and other stakeholders on CSR projects. For LITI (Reduction of Litigation Costs), items include the number of litigations related to business practices, costs associated with litigation resolutions, efforts to prevent legal conflicts, and the speed of resolving existing litigations.

For CONR (Contractual Relationship Efficiency), items include the efficiency of contractual relationships with suppliers, satisfaction of business partners, frequency of contract revisions, and the ability to quickly resolve contractual disagreements. For FINC (Lower Cost Financing), items include interest rates on obtained loans, favorable financing conditions, ease of access to capital, and diversification of funding sources. Control variables include SIZE (Company Size), measured by the number of employees, and AGEC (Company Age), measured in years since the company's establishment. The table below succinctly presents the research hypotheses, corresponding variables, and the expected direction of their correlation with the financial performance of companies, illustrating how CSR practices can potentially reduce transaction costs.

Table 1: Assumptions, Variables and Expected Correlations

Hypothesis	Represented Variable	Correlation
H1: RSE Transparency	TRAN (Transparency in RSE)	Positive
H2: RSE Engagement and Negotiation	ENGC (Engagement in RSE)	Positive
H3: RSE and Litigation Cost Reduction	LITI (Reduction in Litigation Costs)	Positive
H4: RSE and Efficiency of Contractual Relations	CONR (Efficiency of Contractual Relations)	Positive
H5: RSE and Financing Cost	FINC (Lower Cost of Financing)	Positive

Source: authors

3.2.   Choice of Empirical Method to Adopt

Table 2 presents the centered Variance Inflation Factors (VIF) for different variables in a regression model using OLS method. Centered VIFs are used to detect multicollinearity among the independent variables. A high VIF (typically greater than 10) indicates strong multicollinearity, which can bias the estimates of the regression coefficients.

Table 2: Variance Inflation Factors / OLS

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.005689	23.80607	NA
TRAN	0.196250	259.6280	65.49114
ENGC	0.002802	172.4262	34.88749
LITI	0.003134	4.278278	1.019002
CONR	0.002867	175.3962	34.64861
FINC	0.002898	4.053430	1.011635
SIZE	0.003122	4.335743	1.030697
AGEC	0.002778	3.877415	1.009566

Source: authors

The results show that the variables TRAN (transparency in CSR), ENGC (engagement in CSR), and CONR (contractual relationship efficiency) have very high VIFs, with values of 65.491, 34.887, and 34.649 respectively. These values indicate strong multicollinearity, meaning that these variables are highly correlated with each other. The presence of multicollinearity can lead to unstable regression coefficient estimates and make it difficult to interpret the individual impact of each variable on financial performance. In contrast, the variables LITI (reduction of litigation costs), FINC (lower-cost financing), SIZE (company size), and AGEC (company age) have centered VIFs below 10, with values of 1.019, 1.012, 1.031, and 1.010 respectively. These low VIFs suggest weak multicollinearity for these variables, indicating that they are not highly correlated with each other. Thus, the results indicate that the strong multicollinearity among the variables TRAN, ENGC, and CONR poses a problem for the accurate estimation of regression coefficients. This justifies the use of alternative methods, such as Ridge regression, to mitigate the effects of multicollinearity and obtain more robust and reliable estimates.

Figure 1 presents the extreme values identified by the DFFITS test in a regression model using OLS method. The DFFITS test measures the influence of each observation on the model's predictions. A high DFFITS value indicates that an observation has a significant impact on the model's results and may be considered an extreme value or an outlier.

Figure 1: Extreme values/ OLS (DFFITS test)

Source: authors
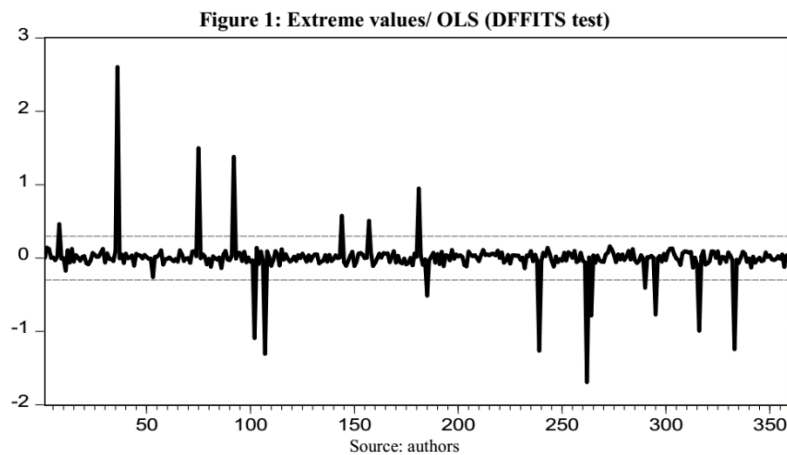
The analysis of the figure shows several significant peaks, both positive and negative, exceeding the reference thresholds indicated by the dotted lines. These extreme observations can bias the regression model results by disproportionately influencing the coefficient estimates. The presence of these extreme values justifies the use of robust methods such as Ridge regression, which is less sensitive to outliers compared to classical linear regression. By reducing the impact of extreme values, Ridge regression allows for more reliable and stable coefficient estimates, thereby improving the accuracy and robustness of the conclusions drawn from the model.

3.3. Robustness Analysis of the Model

The use of Ridge regression is justified in this context due to the identified issues of multicollinearity and the presence of extreme values in the data. Ridge regression introduces a regularization term that penalizes the regression coefficients, which reduces their variance and mitigates the effects of multicollinearity. Additionally, this method is less sensitive to outliers, allowing for more stable and reliable coefficient estimates. Consequently, Ridge regression offers a robust and efficient solution to improve the accuracy of econometric models, thereby ensuring more solid and reliable conclusions. Since this method is not directly available in the standard options of EViews, the use of a specific add-in for Ridge regression was necessary to carry out this analysis.

Table 3 presents the results of the Ramsey RESET test, used to assess the specification of the Ridge regression model. This test checks whether the model is correctly specified, meaning it does not miss any nonlinear variables or have other specification errors.

Table 3: Ramsey RESET/ Ridge regression test

Specification: FINP C TRAN ENGC LITI CONR FINC SIZE AGEC

	Value	df	Probability
t-statistic	0.484148	349	0.6286
F-statistic	0.234399	(1, 349)	0.6286
Likelihood ratio	0.240363	1	0.6239

Source: authors

The obtained values include a t-statistic of 0.484 with 349 degrees of freedom and an associated probability of 0.629. Additionally, the F-statistic is 0.234, with (1, 349) degrees of freedom and a probability of 0.629. Finally, the likelihood ratio test shows a value of 0.240 with 1 degree of freedom and a probability of 0.624. These p-values, all above 0.05, indicate that the results are not statistically significant at the 5% significance level. This means there is insufficient evidence to reject the null hypothesis that the regression model is correctly specified. Thus, the results of the Ramsey RESET test suggest that the specification of the Ridge regression model does not present major issues related to variable omission or non-linearity. Therefore, the model used is appropriate for the data and variables analyzed, thus reinforcing confidence in the robustness and reliability of the conclusions drawn from this analysis.

Figure 2 presents the confidence ellipses of the Ridge regression coefficients. The confidence ellipses show the region where the estimated coefficients are likely to be found with a certain level of confidence, here 95%. The relatively wide and well-distributed circles around the center indicate good precision of the estimates. In the graph, most ellipses are not too tight, suggesting that the uncertainty associated with the coefficient estimates is reasonable and that the estimates are generally robust. The robustness analysis shows that the estimated coefficients are reliable. The circles around the estimation points are sufficiently wide to indicate some variability, but not to the extent of suggesting excessive instability. This means that the coefficient estimates are accurate and resilient to data variations.

Figure 2: Ridge regression confidence ellipses

Source: authors
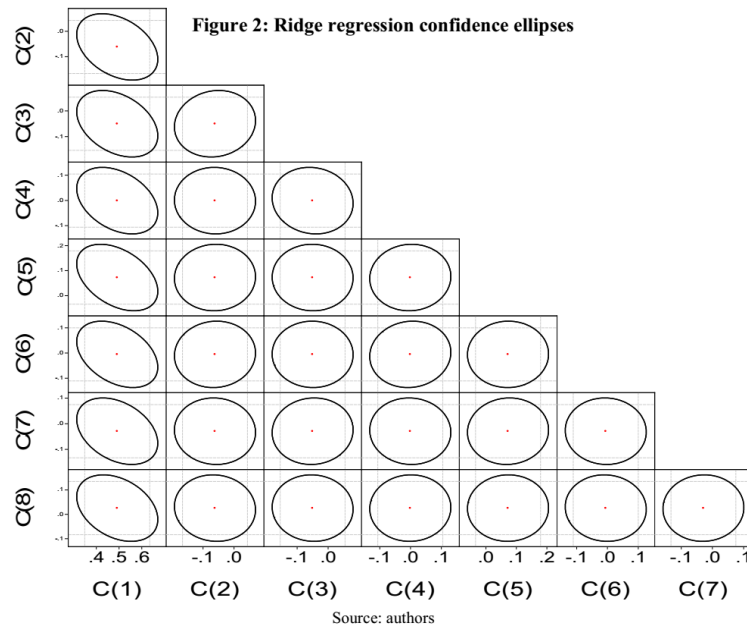
The collinearity diagnostic is also reassuring. The ellipses do not show excessively elongated shapes, which would indicate strong collinearity between the explanatory variables. The general shape of the ellipses in this figure is close to that of circles, suggesting low collinearity and good independence between the variables. Thus, the results presented in Figure 2 show that the Ridge regression tests are generally good.

Table 4 presents the centered VIFs for the different variables in the Ridge regression model. Centered VIFs are used to detect multicollinearity among the independent variables. Compared to the VIFs obtained from the OLS regression, the results show a significant improvement.

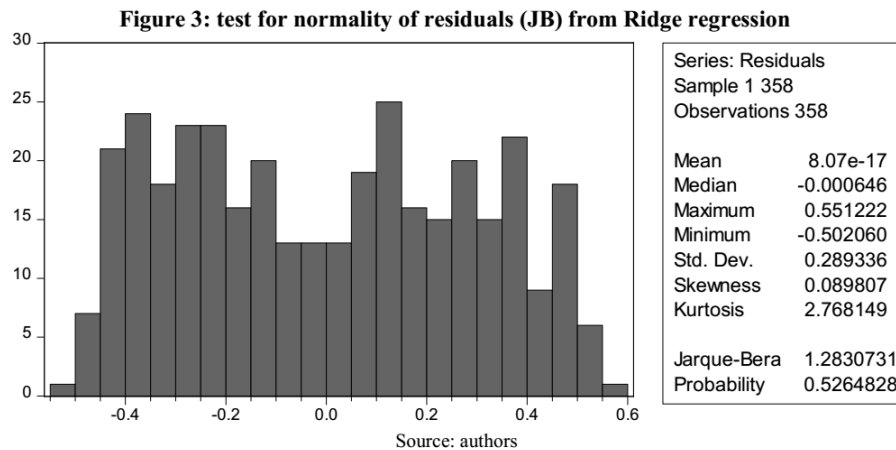**Table 4: Variance Inflation Factors for Ridge regression**

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.005276	22.11848	NA
TRAN	0.002813	3.758093	1.015609
ENGC	0.002802	4.002919	1.018733
LITI	0.002872	4.094826	1.013180
CONR	0.002929	4.140775	1.003745
FINC	0.002876	4.007675	1.007673
SIZE	0.002786	3.775606	1.006543
AGEC	0.003088	4.037532	1.005357

Source: authors

For the variable TRAN (transparency in CSR), the centered VIF decreases from 65.491 with OLS to 1.016 with Ridge regression. This reduction indicates an effective elimination of multicollinearity, making the coefficient estimates much more reliable. Similarly, for ENGC (engagement in CSR), the centered VIF drops from 34.887 to 1.019, and for CONR (contractual relationship efficiency), from 34.649 to 1.004. These reductions indicate that Ridge regression has significantly mitigated the multicollinearity issues present in the initial model. The other variables, such as LITI (reduction of litigation costs), FINC (lower-cost financing), SIZE (company size), and AGEC (company age), also show centered VIFs below 2 with Ridge regression, compared to the values observed with OLS. For LITI, the VIF decreases from 1.019 to 1.013; for FINC, from 1.012 to 1.008; for SIZE, from 1.031 to 1.007; and for AGEC, from 1.010 to 1.005. Although the initial VIF values for these variables did not indicate significant multicollinearity, the improvement is still notable, confirming the increased

robustness of the estimates under Ridge regression. Ridge regression has effectively reduced multicollinearity, leading to more reliable and robust coefficient estimates.

Figure 3 presents the residual analysis for Ridge regression, using the Jarque-Bera (JB) test to assess the normality of the residuals. The residual plot shows a relatively symmetrical distribution around zero, although the shape is not perfectly Gaussian. The descriptive statistics indicate a mean residual very close to zero, with a mean of 0.000 and a median of -0.001. The maximum and minimum residuals are 0.551 and -0.502, respectively, while the standard deviation is 0.289, indicating moderate dispersion of the values.

Figure 3: test for normality of residuals (JB) from Ridge regression

Series: Residuals	
Sample 1 358	
Observations 358	
Mean	8.07e-17
Median	-0.000646
Maximum	0.551222
Minimum	-0.502060
Std. Dev.	0.289336
Skewness	0.089807
Kurtosis	2.768149
Jarque-Bera	1.2830731
Probability	0.5264828

Source: authors

The skewness of 0.090 indicates a slight rightward asymmetry, while the kurtosis of 2.768 suggests that the residual distribution is slightly flatter than the normal distribution, although close to the expected value of 3 for a normal distribution. The Jarque-Bera test, which combines these two measures to assess normality, gives a statistic of 1.283 with an associated probability (p-value) of 0.526. This high p-value indicates that the null hypothesis of normality of the residuals cannot be rejected at the 5% significance level. In other words, the residuals follow a normal distribution.

Table 5 presents the results of the Breusch-Pagan-Godfrey heteroscedasticity test for the Ridge regression. The test results indicate an F-statistic of 0.475 with a probability (p-value) of 0.853. This high p-value suggests that there is insufficient evidence to reject the null hypothesis of homoscedasticity, implying that the variance of the residual errors is constant.

Table 5: Heteroskedasticity Test: Breusch-Pagan-Godfrey of Ridge regression

| Statistic	Value	Probability
F-statistic	0.474937	0.8526
Obs*R-squared	3.368552	0.8489
Scaled explained SS	1.439746	0.9843

Source: authors

Additionally, the Obs*R-squared statistic is 3.369 with a probability (p-value) of 0.849. This test, which is a version of the chi-squared statistic, confirms the results of the F-statistic. The high p-value once again indicates that the null hypothesis of homoscedasticity cannot be rejected. Also, the Scaled Explained SS statistic is 1.440 with a probability (p-value) of 0.984, further reinforcing the indication that the variance of the residuals is homogeneous. The combined results of these tests show that the residuals from the Ridge regression do not exhibit significant heteroscedasticity.

Figure 4 presents the results of the DFFITS test for the Ridge regression, used to identify influential observations in the model. The DFFITS test measures the influence of each observation on the model's

predictions. High DFFITS values indicate that certain observations have a significant impact on the model results and may be considered influential values or outliers.

Figure 4: Ridge regression DFFITS test

Source: authors
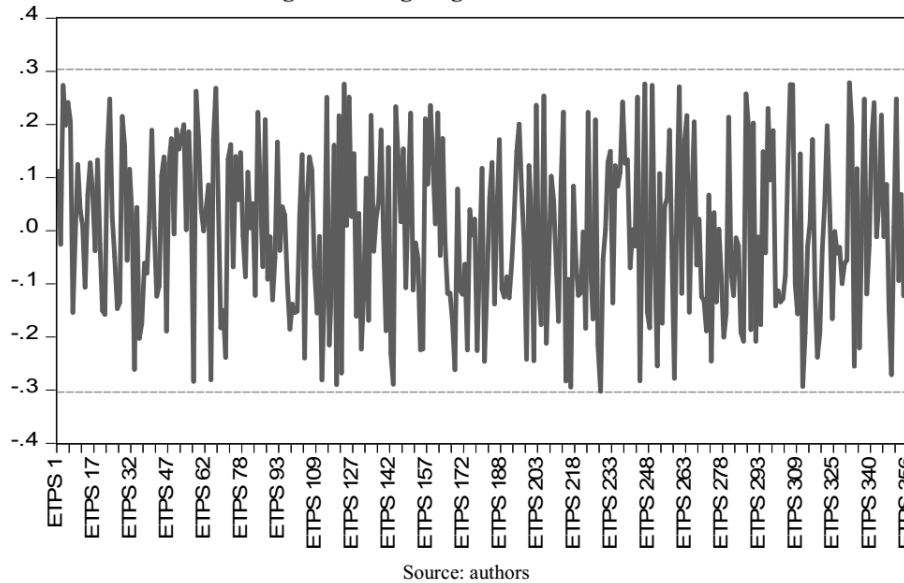
In the figure, the DFFITS values are represented by points along the x-axis, with each point corresponding to a particular observation. The dotted horizontal lines indicate the thresholds beyond which an observation is considered influential. Visual analysis shows that most points are well within the thresholds, suggesting that the majority of observations do not have a disproportionate influence on the model. These results suggest that the model is generally robust.

4. Results and discussion

Table 6 presents the results of the Ridge regression. The variable TRAN (Transparency in CSR) is significant at the 1% level, with a p-value of 0.0011, and displays a positive coefficient. Therefore, hypothesis H1 is accepted. This suggests that transparency practices in CSR effectively reduce transaction costs related to information and monitoring, thereby improving the financial performance of the company. The reduction of transaction costs related to information and monitoring through transparent practices allows companies to better allocate their resources, thus enhancing their financial performance. Transparency also fosters trustful relationships with stakeholders, reducing costs associated with conflicts and contractual negotiations. Furthermore, increased transparency can enhance the company's reputation, attracting loyal customers and responsible investors, which translates into improved financing opportunities and reduced capital costs. Promoting transparency in CSR can encourage a culture of responsibility and ethics within companies, contributing to a more stable and sustainable economy.

Table 6: Ridge regression results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1,17482	2,14307	0,54819	0,58390
TRAN	***4,56033	1,38596	3,29037	0,00110
ENGC	6,47756	5,06426	1,27907	0,20170
LITI	**2,48480	0,97214	2,55602	0,01100
CONR	***2,82909	1,06046	2,66779	0,00798
FINC	**2,32097	1,06778	2,17364	0,03039
SIZE	***14,12037	5,05533	2,79317	0,00550
AGEC	0,73396	0,60792	1,20734	0,22810

*** significant at 1%; ** significant at 5%; * significant at 10%.
Source: authors

The variable ENGC (Engagement in CSR) is not significant, with a p-value of 0.2017, although its coefficient is positive. Therefore, there is not enough evidence to support the hypothesis that engagement in CSR reduces transaction costs related to stakeholder negotiations and contributes to better financial performance (H2). This suggests that other factors may play a more important role in the influence of CSR on financial performance or that engagement alone is not sufficient without effective and integrated implementation of CSR practices. For companies, these results imply that simply engaging in CSR does not automatically guarantee a reduction in transaction costs and improved financial performance. Companies may need to review and strengthen their engagement strategies, ensuring that these initiatives are well integrated into their operational model and supported by concrete and measurable actions. It is also possible that the perception and communication of this engagement play an important role in obtaining the expected financial benefits.

The variable LITI (Reduction of Litigation Costs) is significant at the 5% level, with a p-value of 0.0110, and has a positive coefficient. Thus, hypothesis H3 is accepted. This indicates that CSR practices reduce transaction costs related to litigation and regulatory sanctions, leading to improved financial performance. CSR practices can include preventive measures, strict compliance policies, and mediation initiatives that reduce the risk of litigation. These results emphasize the importance of adopting robust CSR practices to minimize legal and regulatory risks. By investing in well-structured CSR programs, companies can not only avoid significant litigation costs but also enhance their reputation and stakeholder trust. Reducing litigation can also free up resources that can be reinvested in revenue-generating activities, thereby contributing to better overall company performance.

The variable CONR (Contractual Relationship Efficiency) is significant at the 1% level, with a p-value of 0.0080, and has a positive coefficient, which supports the acceptance of hypothesis H4. This confirms that CSR practices improve the efficiency of contractual relationships with suppliers, reducing transaction costs and resulting in better financial performance. Improved contractual relationships can manifest as smoother negotiations, better collaboration, and reduced contractual conflicts. These results highlight the importance of integrating CSR practices into the management of supplier relationships. By enhancing transparency, communication, and accountability, companies can establish stronger and more effective relationships with their business partners. This not only reduces negotiation and contract management costs but can also lead to more favorable procurement conditions and a more resilient supply chain. Companies can benefit from supplier loyalty and cooperation, which translates into greater operational stability and cost reduction opportunities.

The variable FINC (Lower Cost Financing) is significant at the 5% level, with a p-value of 0.0304, and has a positive coefficient. This validates hypothesis H5, which posits that CSR practices attract lower-cost financing, reducing financial transaction costs and contributing to improved financial performance.

CSR practices can make companies more attractive to investors and lenders, who perceive these companies as less risky and more stable in the long term. For companies, these results highlight the importance of CSR in enhancing their financial attractiveness. By adopting rigorous CSR practices, companies can benefit from lower interest rates, more favorable financing conditions, and easier access to capital. This can also lead to a reduction in the cost of capital, enabling companies to make more significant investments in their development and expansion. Additionally, a strong reputation in CSR can attract institutional investors and funds focused on sustainable development, thereby diversifying the available sources of financing. Finally, the variable SIZE (Company Size) is significant at the 1% level, with a p-value of 0.0055, and has a positive coefficient, indicating that company size has a significant impact on financial performance. In contrast, the variable AGEC (Company Age) is not significant, with a p-value of 0.2281, although its coefficient is positive, suggesting that the age of the company does not have an important effect on financial performance in this model.

5. Conclusion

The results of this study confirm that CSR practices can serve as a lever for reducing transaction costs, thereby improving the financial performance of companies. Examining a sample of 358 Moroccan SMEs, this research demonstrated that specific CSR practices, such as transparency, CSR engagement, reduction of litigation costs, efficiency of contractual relationships, and attracting lower-cost financing, have distinct impacts on transaction costs. For companies, transparency in CSR is a key factor. Companies that adopt transparency practices benefit from reduced costs associated with information search and monitoring. By providing clear and verifiable information about their activities, these companies can decrease information asymmetry, strengthen stakeholder trust, and reduce the need for costly monitoring. Improved transparency can also attract customers and investors, thereby increasing loyalty and financial stability.

Although CSR engagement did not show a significant reduction in transaction costs in this study, it remains important for building reputation and trust. Companies must ensure that their CSR engagement is well integrated into their operational model and supported by concrete and measurable actions. The perception and communication of this engagement also play a important role in obtaining the expected financial benefits. For policymakers, it is essential to complement incentive policies promoting CSR engagement with measures encouraging more integrated and rigorous practices. CSR practices can also reduce litigation costs and regulatory sanctions, leading to improved financial performance. Companies investing in well-structured CSR programs can avoid significant litigation costs, enhance their reputation and stakeholder trust, and free up resources for revenue-generating activities. For policymakers, encouraging companies to adopt robust CSR practices can reduce the burden on the judicial system and the costs associated with regulatory enforcement.

The efficiency of contractual relationships with suppliers is another area where CSR practices can have a positive impact. By enhancing transparency, communication, and accountability, companies can establish stronger and more effective relationships with their business partners. This reduces negotiation and contract management costs, leads to more favorable procurement conditions, and results in a more resilient supply chain. Policymakers supporting these practices can contribute to a more transparent and collaborative business environment, stimulating innovation and improving the competitiveness of national companies. Additionally, CSR practices can attract lower-cost financing, thereby reducing financial transaction costs and contributing to improved financial performance. Companies engaged in CSR are perceived as less risky and more stable in the long term, benefiting from lower interest rates and more favorable financing conditions. Thus, this study demonstrates that CSR practices are not only a strategy for social responsibility but also an essential economic lever for improving companies'

competitiveness and financial stability. The implications for companies are clear: adopting and integrating CSR practices can lead to significant reductions in transaction costs, thereby improving their financial performance. For society, these practices contribute to a more stable, transparent, and collaborative economic environment, thus fostering long-term sustainable development.

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