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THE IMPACT OF CSR DIMENSIONS ON FIRM PERFORMANCE: QUANTITATIVE RESEARCH OF IRANIAN SME'S

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Abstract:

This study looks into how Carroll's concepts of corporate social responsibility (CSR) and environmental responsibility affect the performance of SMEs in Iran. By examining 483 questionnaires collected from Iranian small and medium-sized businesses, the research's conclusions were drawn. The conceptual model was examined using structural equation modeling. The results show that two dimensions of CSR including economic and legal aspects directly and significantly affect firm performance. This study specifically evaluates how each aspect of corporate social responsibility affects firm performance. Due to the growing significance of environmental challenges, a new dimension - environmental responsibility has been added to Carroll's suggested paradigm in this research. The findings of this study provide managers with a better understanding of CSR and its effects on business performance. This study demonstrates to managers how concentrating on specific CSR elements can affect business performance.

Key words: *Corporate social responsibility; Firm Performance; SMEs; Iran.*

1. Introduction

Concerns of societies about social problems brought on by commercial activity date back many generations (Asongu, 2007). Since 1953, researchers and academics have considered the concept of corporate social responsibility (Anjum, 2016; Raimi & Aljadani, 2024) studying CSR's impact on numerous variables over the past years. Among the many factors that play a significant role in the success of firms in the competitive business world of various industries, the proper performance of firms is one of the most important factors. This is especially true for the financial performance of firms. Many researchers have investigated whether CSR affects firm performance over the years since firm performance is one of the topics that researchers have focused on for many years

(Bahta et al., 2021; Griffin and Mahon, 1997; Hu et al., 2020; Kang et al., 2010; Key and Popkin, 1998; Le et al., 2021; McWilliams and Siegel, 2000; Rhou et al., 2016; Roman et al., 1999; Waddock and Graves, 1997). Based on the results of the study by Le Thanh et al. (2021), it was found that CSR has a direct and significant impact on the firm performance (FP). According to Bahta et al. (2021), there is a significant relationship between CSR and SMEs' performance in developing countries (Eritrea) and the researchers concluded that CSR has a significant impact on SMEs. In addition, earlier studies have also confirmed that there is a positive correlation between CSR and FP (Frooman, 1997; Griffin and Mahon, 1997; Key and Popkin, 1998; Roman et al., 1999; Waddock and Graves, 1997).

It is estimated that about 400 million small and medium-sized businesses are working today in the economy; they produce about 36,300 billion US dollars per year, which is a significant amount (The World Bank Group, 2020). This means that there is a great need for the literature to conduct more research on SMEs and the need to examine the factors that can assist SMEs in improving their operations is apparent. Therefore, the findings of this research will have a significant impact on the global economy and could make a significant difference for small and medium-sized businesses.

Furthermore, most of the research in this field has been done in developed countries, and there has been a very limited amount of research done in emerging economies (Ansu-Mensah et al., 2021; Sifa and Tshiunza, 2020). It should be mentioned that this research was conducted in a Muslim country, and this issue may have different impacts on the moral part of CSR, and the impact of this part of CSR on other aspects of life, as compared to research conducted in other countries with different conditions. Due to this research result, company managers operating in developing countries as well as in Muslim countries will be able to use these results to their advantage.

In addition, most of the existing research on corporate social responsibility has focused on large companies, and a limited number of studies have explored the issue of small and medium-sized businesses. Nonetheless, a few studies have indicated that the participation of SMEs in CSR initiatives can be beneficial for such companies because of the many benefits they could receive (Chen, 2022).

There are probably a number of examples of these advantages that can be mentioned, including the possibility of more profits (Galbreath, 2010), higher level of employee loyalty (Hart and Thompson, 2007), enhancing competitiveness and gaining an edge over competitors (Thanh et al., 2021), improvement of the image of the business (Longo et al., 2005), achieving shareholder and business partner trust (Le Thanh et al., 2021), and improving the performance of SME's (Torugsa et al., 2012).

In addition, to the best of our knowledge, most research that has examined the relationship between CSR and firm performance has considered CSR as a variable. However, in this research, we are investigating the impact of 5 dimensions of CSR on firm performance as a whole.

In the field of CSR, a number of models exist, but one of the most well-known and widely used models is Carroll's Pyramid of Social Responsibility, which consists of four levels (Carroll, 1991; Hamid et al., 2020; Jamali and Karam, 2018; Lu et al., 2020; Smirnova, 2012; Yilmazdogan et al., 2015). It has become evident that this model has

gained considerable interest among researchers in this area of research over the past few years (Aupperle et al., 1983, 1985; Baden, 2016; Da et al., 2018; Dusuki and Yusof, 2008; Hamid et al., 2020; Lantos, 2001; Lee et al., 2020; Lo, 2020; Lu et al., 2020; Salmones et al., 2005).

Furthermore, today there is a great deal of attention being paid to the issue of the environment. There have been a number of studies which have attempted to find out what consumers think about the acceptance of environmental responsibility by companies and the effect of their adherence to environmental protection on the level of consumer satisfaction (Aro et al., 2018; Han et al., 2020a, 2019; Han and Hwang, 2015).

Among the many factors that play a significant role in the success of firms in the competitive business world of various industries, the proper performance of firms is one of the most important factors. This is especially true for the financial performance of firms.

Even though many studies have been conducted in the field of corporate social responsibility, companies appear to be cautious or even skeptical about investing in it. Thus, the findings of this research will assist managers who are in a dilemma of whether to adhere or not to their social responsibilities in order to show them the effects of adhering to these responsibilities. As a result of this study, we can determine whether or not the commitment to CSR improves the performance of the finances of SMEs.

There will be a literature review in the following section, where the existing literature and previous studies are reviewed and hypotheses formulated. Following this, the methodology section explains methods, sampling, and data collection procedures. The section on research results consists of an analysis of the data, as well as an examination of the hypotheses outlined in the study. There will be a discussion of the results and conclusions highlighting the theoretical and managerial implications of this research. As a final point, we state the limitations of this research and make some suggestions for future studies.

2. Literature Review

2.1 Corporate social responsibility (CSR)

Corporate social responsibility (CSR) has an ancient history in different societies, and this concept has existed since ancient times, though it wasn't until 1953 that a formal discussion of this issue was addressed with Bowen's book *Social Responsibilities of the Businessman* which was published in 1953 (Carroll, 2009, 1979; Li et al., 2020; Maignan, 2001; Thomas et al., 2017; Wartick and Cochran, 1985). The concept of CSR has evolved considerably over the last century, with many studies having been conducted since 1953, and it has undergone many changes (Anjum, 2016). There have been several definitions of this concept over the years as a result of these studies, which have led to different interpretations (Dahlsrud, 2008). However, it is important to note that CSR is not a universally understood concept (Anjum, 2016; Freeman and Hasnaoui, 2011; Omidvar and Deen, 2023; Secchi, 2007; Zicari, 2014). Corporate Social Responsibility of the company can be considered as a set of activities that are carried out in order to improve the state of society (Han et al., 2020b; Lee et al., 2019; Tsai and Hsu, 2008) and impress the

stakeholders (Rodríguez et al., 2013). Lo (2020) defines CSR as a set of specific practices in which companies prioritize the social good over their personal interests.

In recent years, researchers have investigated the direct and indirect impact of CSR on FP (Bahta et al., 2021; Hu et al., 2020; Kang et al., 2010; Key and Popkin, 1998; Le et al., 2021; McWilliams and Siegel, 2000; Rhou et al., 2016; Roman et al., 1999). Among the research that has examined the direct and indirect impact of CSR on FP, many of them have concluded that CSR and FP have a correlation (Bahta et al., 2021; Frooman, 1997; Griffin and Mahon, 1997; Key and Popkin, 1998; Le Thanh et al., 2021; Roman et al., 1999; Waddock and Graves, 1997).

There is a relationship between CSR and financial performance that can be explained by the attitude of a group's stakeholders toward social responsibility as highlighted by Rhou et al. (2016). The results of this study show that the positive attitude of the organization's stakeholders towards CSR has a positive effect on the organization's firm performance. In a paper published by Kim et al. (2017), it is stated that companies that engage in CSR activities can significantly increase their market share. A study by Saeidi et al. (2015) explored the impact of CSR on the financial performance of an organization. According to the findings of this study, which was conducted with data collected from Iranian companies, there is a fully mediated relationship between CSR and FP, with an impact on both.

2.2. Economic Responsibility

For a company to be profitable, it has to have several reasons for doing so. The main reason for this is the fact that companies need to be profitable in order to survive, repurchase raw materials, and attract more investors in order to succeed (Carroll, 2016). In addition to that, it is also important to note that the profitability of the company contributes to the economic growth of the society in which it operates, which in turn aids in the development of its own economy (Han et al., 2020b; Palihawadana et al., 2016). According to Le Thanh et al. (2021), CSR has a direct and significant impact on firm performance (FP). As a result, we propose the following hypothesis:

H 1 . Economic CSR has a direct and significant effect on FP.

2.3. Legal Responsibility

A company's legal CSR involves adhering to the laws of the society in which it operates (Carroll, 2016; Kim et al., 2020; Schwartz and Carroll, 2003; Uhlig et al., 2020). In other words, legal CSR refers to the fact that companies are committed to adhering to the rules and regulations that are set by organizations, governments, and society as a whole (Mohammed and Rashid, 2018). Bahta et al. (2021), found a significant relationship between CSR and SMEs' performance, and the researchers concluded that CSR benefits SMEs. Therefore, we propose the following hypothesis:

H 2. Legal CSR has a direct and significant effect on FP.

2.4 Ethical Responsibility

Companies have an ethical responsibility to adhere to society's moral norms through their strategies (Mohammed and Rashid, 2018). As a result, ethical CSR can be said to reflect society's expectations of a company towards its social responsibilities (Wagner-Tsukamoto, 2019). (Frooman, 1997) indicated that there is a significant relationship between CSR and FP. Thus, we propose the following hypothesis:

H 3. Ethical CSR has a direct and significant effect on FP.

2.5 Philanthropic Responsibility

According to Carroll's pyramid of CSR, philanthropic responsibility is the fourth level. As good corporate citizens, companies are expected to engage in philanthropic CSR (Mohammed and Rashid, 2018). As part of CSR, companies engage in voluntary activities that go beyond ethical issues (Hossain, 2017) and make a positive contribution to society (Chen et al., 2019). According to Griffin and Mahon, (1997), CSR and FP have a significant relationship. As a result, we propose the following hypothesis:

H 4. Philanthropic CSR has a direct and significant effect on FP.

2.6 Environmental Responsibility

Over the past decade, researchers have paid a lot of attention to environmental issues (Panait et al., 2023; Han et al., 2019; Han and Hwang, 2015; Kim and Hall, 2020; Rashid et al., 2015). When it comes to environmental CSR, it can be described as the interests of a company in protecting the environment (Han et al., 2019). Waddock and Graves (1997) showed that there exists a significant relationship between CSR and financial performance. For this reason, we propose the following hypothesis:

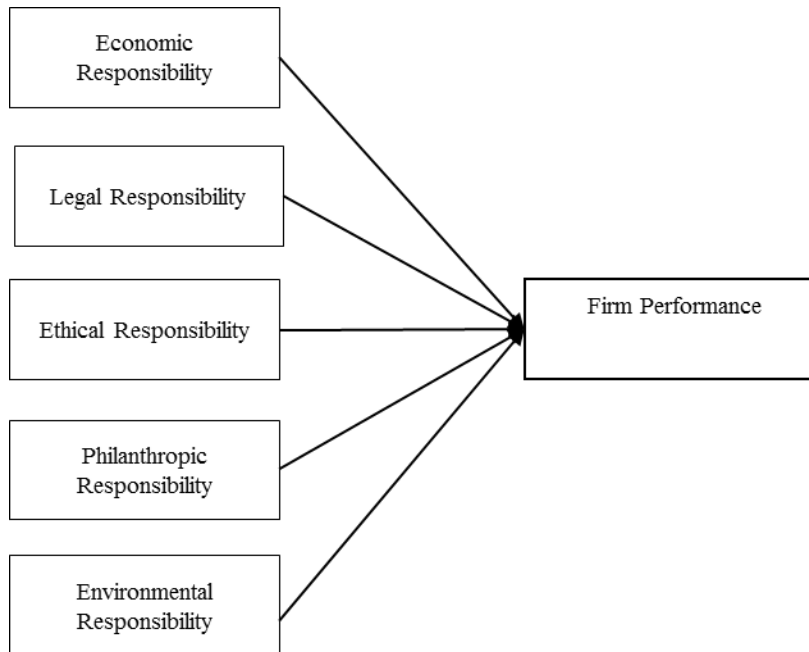
H 5. Environmental CSR has a direct and significant effect on FP.

3. Research Methodology

3.1 Conceptual model

The conceptual model of this study is derived from several studies (Abeysekara et al., 2019; Anwar, 2018; Handoko et al., 2015; Hu et al., 2020; Nyuur et al., 2019; Saeidi et al., 2015; Songling et al., 2018; Zhao et al., 2019) and is summarized in Figure 1.

Figure 1 - A proposed conceptual model



Source: Authors' own.

3.2 Research design

This study employed a quantitative research methodology to investigate the associations between CSR dimensions and FP. The selection of a quantitative methodology is considered more appropriate for this specific research undertaking for various reasons. First and foremost, this approach facilitates the incorporation of a significant sample size, hence augmenting the generalizability of the results. Additionally, the incorporation of quantitative data enables a more streamlined analysis procedure, enabling a thorough investigation of the factors under consideration. Finally, the utilization of the quantitative approach enables the systematic examination of hypotheses, hence facilitating the development of strong and reliable findings (McCusker and Gunaydin, 2015).

3.3 Data and sample

The sample of this study consists of Iranian SMEs from different industries. The data was collected through the survey. 652 questionnaires were distributed among the top employees of the companies -Owners, Senior managers, Middle managers, and Operations managers, of which 517 (79.29%) were completed. Among these questionnaires, 483 valid questionnaires were extracted.

3.4 Measurement

The measurement scales of the constructs were derived from the literature and adapted to the current research context of Iran. It is worth noting that the questionnaire items were originally in English. But due to cultural disparities and the need for transparency, it was then translated into Farsi (Persian). All participants were guaranteed anonymity regarding their opinions and personal identity. Kline (2015) suggests that several items should be used to measure a structure instead of one item. Therefore, in this research, three items were used to measure the research structures for each variable, specifically, three items for each CSR dimension based on Han et al (2020), and six items for firm performance based on (Nguyen et al., 2021).

3.5 Data analysis

According to Galbreath and Shum (2012) SEM is better than common regression analysis in the CSR field. For the statistical analysis, confirmatory factor analysis (CFA) and structural equation model (SEM) were used to test the conceptual model. In order to analyze the data, SPSS version 21, AMOS version 24 software and SmartPLS 4 were used. The SPSS program was only used to enter the data into the AMOS program and to obtain Cronbach's alpha. As AMOS is specially used for Structural Equation Modeling, path analysis, and confirmatory factor analysis, and since the conditions of this research followed the characteristics of the covariance-based test, the AMOS program was used.

The data analysis was developed in two phases. In the first phase, confirmatory factor analysis (CFA) was run to estimate to evaluate the dimensions. Confirmatory factor analysis is a statistical technique used to verify the factor structure of a set of observed variables. Confirmatory factor analysis is often the analytic tool of choice for developing and refining measurement instruments, evaluating the fit of the measurement model and verification of the construct fit indices, assessing construct reliability and validity, and identifying method effects (Brown, 2015). In the second phase, a SEM analysis was run to test the hypotheses and the model fit.

4. Research Results

Table 1 shows the firms' information. There were 83 owners with 17.2 % who participated in the study. From the 483 responses, 145 (30.0%) respondents were senior managers, 145 (30.0%) were middle management and 110 respondents (22.8%) were operations managers. 11% of the companies from which data were collected are in the ICT industry, 19.9% of the companies in the Finance and banking industry, 19.9% of the companies in the Pharmaceutical chemical industry, 24.4% of them in the Construction industry, 14.5% of them were in education, and 10.4% of them were in other industries. Seventy-one owners and managers of these companies have 20 to 50 employees, 125 have 51-100 employees, 125 have 101-150 employees, 116 have 151-200 employees, and 46 have 20-250 employees. Three hundred and twenty firms started their operation 10

years ago, 156 firms started operation 11-20 years ago while 107 firms have been working for more than 21 years.

Table 1: Profile of the firms

	Total (N = 483)	
	N	Percentage (%)
Position		
Owners	83	17.2
Senior manager	145	30.0
Middle management	145	30.0
Operations management	110	22.8
Industry		
ICT	53	11.0
Finance and banking	96	19.9
Pharmaceutical chemical	96	19.9
Construction	118	24.4
Education	70	14.5
Other	50	10.4
Size of firms		
20–50 employees	71	14.7
51–100 employees	125	25.9
101–150 employees	125	25.9
151–200 employees	116	24.0
201–250 employees	46	9.5
Age of firms		
10 years and less	220	45.5
11–20 years	156	32.3
21 and above years	107	22.2

Source: Authors' own.

The result of the measurement model test showed a good fit to the data: $\chi^2 = 334.189$, $df = 174$, $\chi^2/df = 1.921$, $RMSEA = 0.044$, $PNFI = 0.721$, $GFI = 0.938$, $AGFI = 0.918$, $CFI = 0.932$, $IFI = 0.933$, $TLI = 0.918$).

Table 2 displays the factor loadings, Cronbach's α , Composite reliability (CR), and Average variance. Based on Table 2, the standardized factor loadings of most items are higher than 0.5, the recommended threshold value by Hair et al. (2019). However, the standardized factor loadings of one item is between 4 and 5. Based on Guadagnoli and Velicer (1988) standardized factor loadings higher than 0.4 are considered stable. Therefore, the standardized factor loadings are all statistically significant. Cronbach's alphas of 2 items are higher than 0.70, which is higher than the suggested threshold (Fornell and Larcke (1981). Cronbach's alphas of 4 items is between 6 and 7. According to Cronbach, (1951) and Hajjar, (2018) a reliable item can be indicated by a Cronbach's alpha score exceeding 0.6. Table 3 also shows the CR and AVE. Based on Hair et al. (2019). CR above 0.7 shows good internal consistency, and as shown in the table, all the numbers related to CR are higher than 0.7. According to (1998) and Jr et al. (2017), to

achieve an acceptable level of convergent validity, the AVE of each latent construct should be higher than or equal to 0.50. Based on the table, the AVE of 3 variables is higher than 0.5, but the AVE of 3 variables is less than 0.5. According to Fornell and Larcker (1981), if the AVE is less than 0.5 but the CR is higher than 0.6, the construct's convergent validity is deemed satisfactory. Therefore, the convergent validity of the construct is deemed acceptable.

Table 2: Properties of the Measurement Model (N = 483)

Measurement items	Factor loading	Cronbach's α	CR	AVE
Economic Responsibility		0.607	0.926	0.478
ECO1	0.639			
ECO2	0.467			
ECO3	0.735			
Legal Responsibility		0.602	0.886	0.460
Leg1	0.531			
Leg2	0.635			
Leg3	0.578			
Ethical Responsibility		0.612	0.888	0.504
Eth1	0.637			
Eth2	0.566			
Eth3	0.556			
Philanthropic Responsibility		0.747	0.940	0.625
Phi1	0.729			
Phi2	0.713			
Phi3	0.673			
Environmental Responsibility		0.683	0.925	0.541
Env1	0.665			
Env2	0.622			
Env3	0.666			
FP		0.776	0.949	0.424
FP1	0.503			
FP2	0.654			
FP3	0.649			
FP4	0.599			
FP5	0.597			
FP6	0.657			

Source: Authors' own.

In Table 3, the numbers related to the evaluation of Henseler et al., (2015) are given. Based on Henseler et al., (2015) HTMT greater than 0.90 indicates a lack of discriminant validity. As shown in Table 3, all the numbers related to this rate are lower than this amount.

Table 3: Heterotrait-Monotrait Ratio (HTMT)

	<i>ECO</i>	<i>LEG</i>	<i>ETH</i>	<i>PHIL</i>	<i>ENV</i>	<i>FP</i>
<i>ECO</i>						
<i>LEG</i>	0.645					
<i>ETH</i>	0.538	0.461				
<i>PHIL</i>	0.169	0.385	0.403			
<i>ENV</i>	0.448	0.448	0.506	0.391		
<i>FP</i>	0.719	0.623	0.504	0.235	0.454	

Source: Authors' own.

Note. ECO = Economic CSR; LEG = Legal CSR; ETH = Ethical CSR; PHIL = Philanthropic CSR; ENV = Environmental CSR; FP= Firm Performance

Table 4 shows the result of structural equation modeling (SEM) and thr results of testing hypotheses.

Table 4: Results of the structural equation modeling (n = 483)

Paths	Standardized coefficients	t-value	p-value	Hypotheses
H 1 . Economic CSR has a direct and significant effect on FP.	0.464	4.192	0.000	Supported
H 2 . Legal CSR has a direct and significant effect on FP.	0.242	2.403	0.016	Supported
H 3 . Ethical CSR has a direct and significant effect on FP.	0.104	1.225	0.221	Not Supported
H 4 . Philanthropic CSR has a direct and significant effect on FP.	-0.014	-0.214	0.831	Not Supported
H 5 . Environmental CSR has a direct and significant effect on FP.	0.092	1.288	0.198	Not Supported

Source: Authors' own.

Note. R-square (R²): FP (0.572)

According to the Standardized coefficients, t-value and p-value Table 4, economic CSR has a direct and significant effect on FP ($\beta = 0.464$, $p < .01$). This result supports hypothesis 1. Legal CSR has a direct and significant effect on FP ($\beta = 0.242$, $p < .05$). This result supports hypothesis 2. Ethical CSR does not have a significant effect on FP ($\beta = 0.104$, $p > .05$). This result rejects hypothesis 3. The philanthropic CSR does not have a direct and significant effect on FP ($\beta = -0.014$, $p > .05$). This result rejects hypothesis 4. Environmental CSR does not have a significant effect on FP ($\beta = -0.092$, $p > .05$). This result rejects hypothesis 5.

Table 4 shows R-square (R²) value for FP is 0.572 which means that the CSR dimension could affect the service quality variable by 57.2 % while the remaining 42.8% can be the influence of other variables which was not included in this study.

5. Discussions

This study aim is to show the impact of different dimensions of CSR on FP. The framework and results of this research can help the existing literature as well as managers of different companies to make decisions about CSR strategies. The results of this research help managers, especially managers of small and medium Iranian companies, to gain a better understanding of CSR. This research shows which dimensions of CSR have a greater impact on FP.

The result is that Economic CSR directly and significantly affects FP. It is clear that the more companies focus on their profitability, the more they will pay attention to their FP. It can be said that as much as the company pursues its economic responsibilities, it can affect the profitability of the company. This result is consistent with Le Thanh et al. (2021), which has shown that CSR has a direct and signification effect on FP. Moreover, our findings resonate with previous studies (e.g. Dvorský et al., 2023; Kim et al., 2017; Bahta et al., 2021; Han et al., 2020b) confirming the correlation between CSR and FP. In addition, these study findings support recent results by Oduro et al. (2022), that CSR significantly impacts the financial and non-financial performance of SMEs.

The results indicate that legal CSR directly and significantly affects FP. This can be because companies that adhere to the laws of society can be supported by the people, the government, and even the employees of that company, which can have a significant impact on FP. This is consistent with Bahta et al. (2021), who found a significant relationship between CSR and SMEs' performance.

The results show that ethical, philanthropic and environmental CSR does not affect the performance of the company. This issue can be due to three reasons, two of which are caused by the concept of CSR in Iran. The first reason can be that company managers cannot correctly identify how to invest in these three aspects of CSR that are beneficial to society and the environment and affect the company's performance simultaneously. This means that companies invest in those CSR activities that do not affect the company's performance. The second reason is probably that Iranian companies have not been completely successful in showing the CSR activities they have done and also reflecting the benefits and results of their CSR activities to the stakeholders. The third reason could be that the concept of CSR is not well-known to Iranian people. Also, Iranian people are probably not well familiar with CSR strategies and the benefits of these strategies.

Previous studies affirmed that CSR and SME performance are considerably affected by different factors such as region of study, country context and sector (Oduro et al., 2022). Besides, the lack of resources impedes SMEs from taking into consideration all dimensions of CSR (Ortiz-Martínez et al., 2023) and hence, they have to implement CSR activities exerting a more direct and positive impact on firm performance.

It is noteworthy that some scholars do not consider philanthropy as a part of CSR due to its association with charity (Luetkenhorst, 2004; Lourenço et al., 2012). However,

introducing strategic philanthropy to implement CSR programs with greater social impact can in turn generate non-financial benefits for companies (Puime et al., 2022; Gigauri, 2021; Palazzo et al., 2019). Furthermore, prior studies argued that philanthropic activities towards disadvantaged communities may positively influence companies in the long run (Saeidi et al., 2015; Okafor et al., 2021). Although prior studies maintain that ethical aspects facilitate stakeholder satisfaction, which in turn affects the financial performance of companies (e.g. Berrone et al., 2007; Halamka and Teplý, 2017), this research did not corroborate it. On the contrary, the results show no significant effect of the ethical dimension of CSR on firm performance within the sample.

Similarly, the conducted analysis revealed that environmental dimensions of CSR do not influence the financial performance of SMEs in Iran. This result is not in harmony with some previous studies (e.g. Panait et al., 2023; Bacinello et al., 2020; Walker et al., 2014) but is consistent with other studies conducted by Kraus et al. (2020), Rötzel et al. (2019), Smith et al. (2007).

Still, companies of all sizes and types need to take into account their ecological footprints and implement environmental activities within CSR in order to respond to the increased environmental awareness of consumers, investors and other stakeholders. Hamid et al. (2020) found that companies in Pakistan pay more attention to the environmental dimension of CSR in comparison to other dimensions (economic, legal and ethical) thanks to government regulations. Thus, the environmental performance of companies increases in accordance with the legal requirements.

CSR integrates economic, social, and environmental concerns into business strategy. Managers and owners cannot ignore the importance of CSR dimensions on firms' performance. Although the research demonstrated that some aspects of CSR have no direct effect but can have an indirect influence on the overall performance of a firm. CSR practices should be implemented in all dimensions simultaneously in order to derive benefits; however, firm size determines the correlation between CSR and firm performance as larger companies reap more benefits (Hernández et al., 2020). CSR influences customers' perceptions, brand image, and reputation of companies in developing economies (Nyarku and Ayekple, 2019) as well as stakeholders' trust leading to improved competitiveness (Santos-Jaén et al., 2021).

6. Conclusions

Attention to CSR is increasing all over the world (Palazzo et al., 2019; Gigauri, 2021), because company managers have realized that CSR can bring many benefits to companies (Omidvar and Palazzo, 2023). For example, it should be stated that during the past years, many studies have investigated the relationship between involvement in CSR activities and FP, and the number of these types of studies is increasing. However, there are still scarce studies in terms of all dimensions of CSR and FP (Orazalin, 2020), especially, in SMEs (Hernández et al., 2020). As a result, this research was conducted with the aim of investigating the relationship between Iranian SMEs' involvement in CSR activities, and FP. The results of this research show that two dimensions of CSR - economic and legal affect FP. Also, this research shows the need to pay more attention to

the concept of CSR and try to educate society more about this concept. As a result, according to the specific results of this research, SMEs in emerging economies like Iran can be recommended to pay special attention to CSR and their shareholders.

A key finding of this research is its contribution to the CSR discussion as it analyzes the impact of four dimensions of CSR on FP and puts emphasis on Iranian SMEs since studies particularly examining SMEs in developing nations are limited.

6.1. Theoretical and managerial implications

The current research supports the relationship of responsibilities (economic, and legal) with FP, and provides better insight into the literature on the impact of CSR on FP. Furthermore, in this study, the impact of each dimension of CSR on the FP has been investigated; while in most previous studies that have been conducted to investigate the impact of CSR on these issues, CSR has been discussed as a whole. Therefore, the outcome of this study creates a lucid view of which dimension of CSR can affect FP. Second, despite much research on CSR, little research has empirically examined the impact of CSR on FP in relation to SMEs especially in developing countries. Thirdly, in most previous research that investigated the relationship between different aspects of CSR and FP, CSR dimensions were included (economic, legal, ethical and Philanthropic), and the environmental dimension was considered as a part of ethical CSR, and it has been discussed. In this research, environmental CSR is considered the fifth dimension of CSR.

Furthermore, academic implications can be drawn from this research by highlighting the importance of the knowledge and awareness of managers towards all dimensions of CSR. Practitioners play a critical role in advising on and implementing CSR activities. In this regard, researchers and academics can empower managers by providing knowledge and evidence-based conclusions for CSR in SMEs.

In terms of policy implications, the findings demonstrate that encouraging policies can be carried out to inspire CSR practices and CSR-oriented strategies. SMEs with fewer resources need support to raise public awareness about CSR.

In summary, this research sets itself apart from other studies on corporate social responsibility by examining the link between CSR dimensions, and financial performance through a survey. Fifth, a few studies have been conducted regarding the impact of CSR on small and medium-sized enterprises (SMEs), making this an area ripe for exploration for Iranian researchers and countries with similar circumstances to Iran. In Iran, much like numerous other Middle Eastern nations, SMEs constitute the majority in terms of numbers and hold significant potential for contributing to the economy. Nevertheless, due to their SME status, there is a scarcity of statistical data and research in these geographical regions. Consequently, conducting research on this distinct business category is imperative for the advancement of CSR. In light of these initial observations, it is evident that our findings must be approached with caution, and applying them to larger corporations necessitates thoughtful consideration. Consequently, there is room for future research focusing on large enterprises, particularly in developing nations.

In addition, the findings of this study provide noteworthy information to Iranian managers. First, it was shown in this study that there is a direct and significant relationship

between economic CSR and FP. This shows that companies should shift a significant part of their focus on profitability and finding new and different ways to earn profit from their competitors in the market. Also, the results of this research show that legal CSR has a significant positive effect on FP. As a result, company managers should pay special attention to complying with the laws set by the communities in which they operate. These results show that company managers should know the laws of the countries in which they operate and follow them. It should be noted that non-compliance with the laws of the countries may lead to dissatisfaction of the stakeholders and especially the governments towards the company, which can have adverse consequences for the company. In addition, this research shows the need to pay more attention to the concept of CSR and try to educate society more about this concept to embrace all dimensions of CSR. Thus, managers can increase CSR practices in order to improve corporate performance.

6.2. Limitations and future research direction

This research is not without limitations. First, the findings of this study are limited to Iran. The research review can be conducted in several countries to achieve more general results. Iran is a developing economy; future research can be done in developed economies and compare their results. Secondly, in this research, we investigated the impact of CSR dimensions on FP. Therefore, future research can examine these dimensions in other aspects of firm performance.

Third, the data of this study was collected using a questionnaire. Although this method has been used by many other researchers in this field, the use of questionnaires may lead to measurement bias. As a result, future research could address potential biases from other data collection tools and thereby address this limitation. Similarly, additional variables influencing the relationship between CSR dimensions and FP can be explored.

7. References

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