

## The relationship between social and financial performance with the objectives of the kingdom vision (2030)



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### ABSTRACT

The objective of this paper is the study of the link between social and financial performance and the objectives of the Kingdom's Vision 2030. The methodological tool of this contribution tries to measure the effect of social and financial performance and the objectives of the Kingdom's Vision 2030. The main purpose of the research is focused on the empirical approach justified by the use of a linear model. The paper presents the results of an empirical analysis that showed a positive effect of social and financial performance on the objectives of the Kingdom's Vision 2030. The results found suggest that size, risk, and sector do not moderate the relationship between social responsibility and financial performance. The results showed a positive impact between social and financial performance with the objectives of the Kingdom Vision (2030) and implied that social and financial performance has a positive and significant relationship with the Kingdom Vision (2030). The results of the research can be useful for companies to promote the social and financial performance for a good realization of the Kingdom Vision (2030) and provide information to take the necessary policy suggestions to maintain the social performance and limit the average of financial performance.

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### 1. Introduction

The origin of the concept of corporate social responsibility (CSR) was born in the United States. In fact, the phrase "corporate social responsibility" comes from the European Commission. In the European sense, the term "social" is translated from English and must be, In French, the term "community" approaches the environmental element. As defined by Bowen (1953), corporate social responsibility is "a series of commitments that require a series of policies, decisions, and policies that are compatible with the goals and values of society. The concept of performance is intangible with the concept of sustainable development. In this context, the concept of social responsibility is well understood as an essential component of sustainable development. This is of great importance in various public performance developments to reveal their different methods. Thus, new methods emerge, such

as social and environmental classification or stakeholder-oriented "governance" accompanied by "stakeholder theory." In particular, the objectives of the Vision encourage development and the creation of an investment climate in line with international standards to attract and induce foreign buyers to invest in Saudi Arabia.

Carroll (1991) pointed out that social responsibility goes beyond the limits of a company to serve the diverse interests of different stakeholders in the organization. This idea makes it possible to highlight the expectations expressed towards organizations. For Carroll (1991), liability has four components: Economic, legal, ethical, and discretionary. Although Carroll (1991) has expanded the company's liability by emphasizing ethical and discretionary considerations, not to mention that the company's primary responsibility is economic. Through this observation, the evolution of CSR as a new concept stems from societal acceptance. Carroll (1999) defined this idea as a company's ability to respond to social pressures. For Wood (1991), reception means the establishment of a relationship department with different "stakeholders." This concept has given a new, more managed, and operational vision of social responsibility. In this long tradition of thinking about social responsibility, the concept of community performance arises.

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According to [Carroll's \(1991\)](#) research, community performance is a series of three dimensions: The principles of social responsibility (economic, legal, ethical, and discretionary) and the philosophies of responding to societal problems. [Carroll \(1999\)](#) and [Wood \(1991\)](#) regard community performance as "an organizational set of principles of social responsibility, processes of community sensitivity and notable programs, policies, and outcomes associated with community relations of society. According to [Essid and Berland \(2010\)](#), "social responsibility is not a new issue because societal concerns have regularly burst into ideas about organizations since the mid-century." In this context, the Kingdom Vision (2030) aims to transform the Saudi economy into a balanced and investment-based model. It focuses on common foundations to establish a relationship between the Kingdom of Saudi Arabia and the countries of the world in the educational, economic, and medical fields. According to Vision (2030), improvement and progress relate to the learning environment. This vision encompasses many of the most important aspects of which are the establishment of a prominent education system. It symbolizes the formation of a joint association between the government and various companies to overcome the difficulties of communication worldwide. It has become clear that the importance of higher education institutions in the development of all aspects of social, economic, and political has become an important role in these institutions in advancing the development process in its comprehensive sense. In this context, we ask the following question: What is the relationship between social and financial performance and its compatibility with the objectives of the Kingdom's Vision 2030?

## 2. Literature review

The existence of social and financial standards of performance is also particularly important for other stakeholders who engage with investors and who need such information to choose the best performers on key standards of quality human resources management and respect for human rights. Theoretically, similar to those identified to define the concept of CSR: The multiple approaches and dimensions of this complex concept make it difficult to report objectively on its more subjective components, which are often associated with an assessment based on criteria linked to morality or the social context.

The definition of the World Business Council for Sustainable Development (WBCSD) proposed in 2008 incorporates corporate social responsibility in the context of sustainable development. The CSR formulation is one of the three main responsibilities of companies with economic and environmental responsibility.

The study of [La Torre et al. \(2021\)](#) advanced the new area of corporate social responsibility and financial performance in a new context linked to

technological development. The study investigates the linear and non-linear relationship between corporate social performance (CSP) and banking performance (BP) by using the dataset of Chinese banks from 2009 to 2018. [Bowen \(1953\)](#) asserted that businesses are vital centers of decision and power and that their actions affect the lives of citizens in many fields. Through this, [Bowen \(1953\)](#) concluded that companies are responsible for their actions in a wider sphere than just the economic sphere. Thus, he defined CSR as "an obligation of businessmen to make policies to make decisions and to follow policies that meet the goals and values that are considered desirable in our society." Indeed, [Davis and Putnam \(1960\)](#) proposed the following definition: "For the purpose of this discussion corporate social responsibility refers to the firm's considerations and responses to problems beyond the economic, technical and legal conditions of society. It is the obligation of the firm to evaluate these decision-making processes and the effects of these decisions on the external social system in such a way that it achieves social benefits with the traditional economic gains that the firm seeks. Similarly, [Gond and Mullenbach-Servaryre \(2004\)](#) discussed the dimensions of the company's social performance and the distinguished process between the company's behavior that could be called social engagement, social responsibility, and social response. Thus, social responsibility is still an emerging concept with somewhat vague meaning.

[Kaplan \(1984\)](#) assumed the integration of non-financial indicators in business performance measurement systems. As a result, management control goes beyond the traditional thresholds of financial approaches to introduce a variety of indicators that meet societal expectations and that of sustainable development. This has given management control over the appearance of a tool for managing overall performance. [Branzei et al. \(2001\)](#) examined the influence of national culture upon leader's interpretations of corporate environmentalism. These authors tried to investigate the influence of national culture, environmental values, and socioeconomic contexts upon firm-level greening in both countries. [Ringov and Zollo \(2007\)](#) studied the impact of differences in national cultures on the social and environmental performance of companies around the world. Subsequently, [Ringov and Zollo \(2007\)](#) proved that companies based in countries characterized by higher levels of power distance, individualism, masculinity, and uncertainty avoidance exhibit lower levels of social and environmental performance. [Husted \(2005\)](#) tested the significance of culture in examining the relationship between income and the environment. And find that there are significant multidimensional interrelationships among the cultural and environmental sustainability measures.

This research examines the relationship between social and financial performance and the objectives of the Kingdom's Vision 2030. Measuring social and financial performance in line with the objectives of

the Kingdom's Vision 2030 is a necessary condition to determine the degree to which Saudi companies are prepared and able to conform to the Vision 2030 goals and thus to create an investment climate capable of attracting foreign investment.

Also, the Saudi government has developed several measures reflected in the vision (2030) announced by His Royal Highness Prince Mohammed bin Salman. The vision of the Kingdom of Saudi Arabia (2030) is one of the important measures that led to a major economic transformation.

After, the establishment of Saudi Arabia in 1932, Vision 2030 aims to transform the challenges in the education system to ensure effective educational opportunities and to ensure the quality of higher education following international standards. As a result, higher education institutions are pursuing the goals of national transformation in parallel with the educational goals of vision. Universities have restructured the mainstream curriculum based on this vision. For this reason, we have turned our attention, through this research, to study the determinants of education in achieving the goals of the vision (2030).

This study tries to test the relationship between social and financial performance, in Saudi companies toward the objectives of Saudi vision 2030. With this objective, we cite the contributions of Peng et al. (2009), Dhiab and Dkhili (2019), Park and Javed (2020), and Vachon (2010).

For Peng et al. (2009), the authors are interested in the relationship between environmental performance and economic variables. The purpose of Peng et al. (2009) was justified by a composed model of culture and education. The results of this study showed that national culture, economic development, and population growth would significantly influence environmental performance directly. The contribution of Dkhili and Dhiab (2019) concluded that the control variables (size, risk, and sector) do not moderate the relationship between social responsibility and financial performance. For Morosini et al. (1998), the study of environmental performance is materialized by cultural values.

Park and Javed (2020) examined the Environmental Kuznets Curve (EKC) phenomenon, by studying the applicability of the EKC notion when cultural variables are included in the model. Vachon (2010) examined the conjuncture of these two trends by assessing the linkage between national culture and corporate sustainable development practices in 55 countries. The results of Vachon (2010) supported the results of Husted's (2005) national culture dimensions. In this context, our hypothesis is:

**H1:** Social performance has a positive impact on financial performance and on the objectives of the Kingdom's Vision 2030.

**H2:** Social performance has a negative impact on financial performance and on the objectives of the Kingdom's Vision 2030.

**H3:** There is no link between social and financial performance and the goals of the Kingdom's Vision 2030.

Fig. 1 shows the theoretical model.

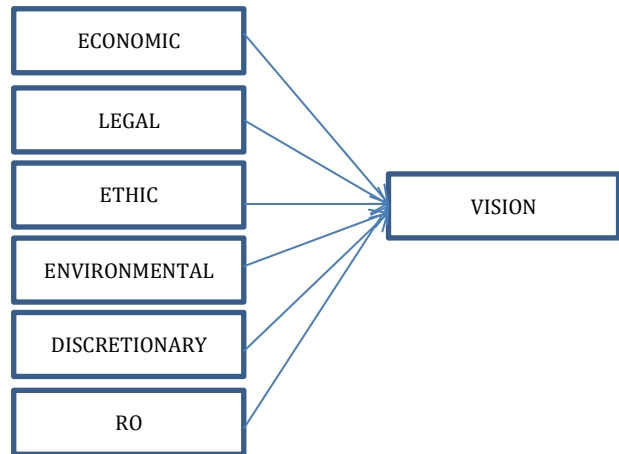


Fig. 1: Theoretical model

### 3. Empirical analysis

#### 3.1. Data and methodology

In what follows we will try to present the regression results, before presenting the results we first define the regression function as follows:

$$ROE_{i,t} = \beta_0 + \beta_{1t}DECO_{i,t} + \beta_{2t}DLEG_{i,t} + \beta_{3t}DETH_{i,t} + \beta_{4t}DDISCR_{i,t} + \beta_{5t}DENV_{i,t} + \beta_{6t}VISION_{i,t} + \xi_{i,t} \quad (1)$$

- ROE: Return on Equity
- DECO: Economic Dimension
- DLEG: Legal Dimension
- DETH: The Ethical Dimension
- DDISCR: discretionary Dimension
- DENV: Environmental dimension
- VISION: Vision 2030
- $\beta_0, \alpha_1, \alpha_3, \alpha_4, \alpha_5, \alpha_6$ : The regression coefficients
- $\xi_{i,t}$ : The error term
- T: time
- I: number of companies [1,300]

The data are collected from the World Bank's World Development Indicators database-The World Bank.

The following stages will be followed for each country in the period between 1990 and 2018 so that we can compare.

#### 3.2. Results

In this section, we present the relationship of the results between social responsibility and financial performance measured by ROA reveals a relationship between these two variables. Indeed, the low value of  $R^2$  (55%) and adjusted  $R^2$  Absolute (75%) show a linear fit, so an explanation of financial performance is based on social responsibility. The overall significance of the model is examined by Fischer's test that has a value greater

than 0.005, which proves that the model is not globally significant. Using SPSS and Amos

**3.2.1. Exploratory and confirmatory factor analysis**

Using SPSS software, we first tested the reliability and validity of measurement scales by adopting an exploratory factor analysis of the principal component analysis type. In this context, we have repeated the main component analysis in the case where the commonalities are less than 0.5. Similarly, Cronbach's alpha coefficient of 0.60 was used as the threshold for deciding whether or not to include an element in a scale. As an additional tool for reliability assessment, inter-item correlations were calculated for each dimension. The KMO index and Cronbach's alpha test are allowed to purify the different scales of measurements of the object variables of our empirical study.

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The results of the analysis of the structural model in Table 1 show that all the coefficients are significant at the 5% threshold. In addition, the results express a strong and significant relationship between social and financial performance with the objectives of the kingdom vision (2030) materialized by a positive regression coefficient equal to 1,028.

**Table 1: Quality of adjustment**

Quality adjustment index	ROE	ECO	LEG	ETH	DISCR	ENV	VISION
$\chi^2$ (associated p value) $\chi^2 / ddl$	0.838	0.900	3.773	1.524	0.831	0.591	6.932
GFI	0.999	0.995	0.992	0.994	1	0.999	0.991
TLI	1.007	1.003	0.957	0.958	1.045	1.012	0.987
CFI	1.000	1.000	0.986	0.987	1.000	1.000	0.995
RMR	0.033	0.038	0.048	0.054	0.004	0.019	0.041
CAIC tested model	0.000	0.000	0.095	0.041	0.000	0.000	0.049
CAIC saturated model	16.838 20.000	36.500 42.000	12.000 12.773	28.573 30.000	28.045 30.000	27.052 30.000	28.932 30.000

A review of estimates inherent in each of the five dimensions of CSR shows significance, except that the economic dimension has a coefficient ( $\alpha$ ) negative and statistically significant. The analysis, therefore, shows a neutral effect of CSR on ROE. When we moderate the relationship by the kingdom vision 2030, we observed that  $R^2$  increases and becomes 10%, which indicates that the variable size slightly improves the estimate. We noted also that F Fischer displays a value of 3.9% < 5%, which shows that the model is globally significant. Despite this improvement, the relationship remains neutral. With the introduction of variable risk (F=0.039) and industry (F=0.46), we noticed that the model is generally not significant, which means that the kingdom vision 2030 variables have an effect on the relationship between CSR and financial performance. Therefore, we conclude that with the introduction of control variables (size, risk, and industry) the relationship between social responsibility and financial performance remains neutral. In this respect and according to the study by Ullmann et al. (1985), indicates that there are many variables that can intervene and moderate the relationship between social responsibility and financial performance. The author argues further that the possible exception that social responsibility moderates the financial performance, there may be random, and the problem of measuring social responsibility can mask the potential link between the two built. In this context, other authors have argued that the relationship between social

responsibility and financial performance was so complex and indirect that it is not possible to postulate the existence of a stable relationship between the two variables.

Contrary to ROA, the social responsibility of the company explains better financial performance which is measured in this case by the ROE. Indeed,  $R^2$  is around 38%, that is to say, the change in ROE is explained at a rate of 38% by social actions. The variable components of social responsibility have no effect on financial performance measured by ROE at 95% of confidence. But at the risk of 10%, certain variables become relevant in explaining the financial performance like the discretionary dimension.

The probability of Fisher displays a value of p=0.000 indicating that the model is globally significant. With moderation by the control variables, we found no improvement. In fact, decreases  $R^2$  and has a value of 27% with variable size, 33% with the risk variable, and 27% with the variable area. So we can conclude the lack of moderating effect of control variables on this relationship. Similarly, with the introduction of variable size and risk, we have noted that the discretionary dimension has a positive effect on financial performance measured by ROE. This result is advanced in large firms and less risky Debt undertakes more in philanthropy to gain in terms of image.

It is also appropriate to conclude that the environmental dimension in both cases of the measurement of financial performance produced a

negative effect. Also, we remark that investment in the environment is very expensive, which negatively affects financial performance. In conclusion, we can say that the social responsibility of the company has a positive impact on financial performance measured by ROE. Indeed, the inclusion of stakeholders will result in improved economic performance, that is to say, the most successful companies on non-financial criteria, benefit from a more favorable behavior of the stakeholders than their competitors and will, therefore, have a higher financial performance.

#### 4. Conclusion

The results of this study may be of great importance to Saudi companies, especially with the beginning of work to achieve the goals of Vision 2030, as well as to Saudi society as a whole in terms of more attention to the social and environmental aspects. These findings can support Saudi companies in focusing more on the social aspect and giving more attention to the social and environmental aspects. Investing in corporate social responsibility is one of the objectives of the Kingdom's Vision 2030 and will achieve higher corporate financial performance.

This research examines the effects of social and financial performance in the Kingdom Vision (2030) context. Assessing the social and environmental performance, the establishment of a steering system for the performance and accountability on these external dimensions imply the existence of metrics to assess the quality of management of the business-related non-financial.

In fact, the existence of these metrics is also of particular importance to other stakeholders that ethical investors who require such information to select the best-performing companies on the main criteria the quality of resource management Human and respect for human rights. In this work, we tried to study the impact of corporate social responsibility on financial performance on a sample of Saudi companies. We had specified the factors of social responsibility we then studied the impact of that on the financial performance indicators measured by ROA and ROE. Hence, we can conclude that social responsibility has a positive impact on financial performance if the latter is measured by the ROE, but we note that there is no relationship between the two built if financial performance is measured by ROA.

We can also conclude that the control variables (size, risk, and sector) do not moderate the relationship between social responsibility and financial performance.

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#### Compliance with ethical standards

#### Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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