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The impact of Environmental and Community Responsibility on the Financial Performance of Selected Retail Industries in the United Kingdom

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ABSTRACT: This study investigates the relationship between environmental and community responsibility and financial performance of retail companies in the United Kingdom. The study employed quantitative research methods. The study's population consists of retail companies that are listed on the London Stock Exchange throughout a ten-year period (2013-2022). A simple random sampling technique was used to choose a sample size of ten (10) companies during a ten-year period (2013-2022). Data was collected from secondary data, specifically sourced from audited annual reports of the firms involved. Data was analyzed using both a simple linear regression model in SPSS and regression analysis. The result shows that their Environmental responsibility exhibits a positive correlation with financial performance, community responsibility also holds a significant positive correlation with financial performance. In view of the foregoing, the study recommended that ethical considerations should be prioritized in areas such as sourcing, manufacturing practices, product quality, and safety. By doing so, businesses can gain consumer trust, boost sales, foster customer loyalty, and consequently enhance financial performance. Also, another avenue to explore is the need to promote environmentally friendly practices within operations.

KEYWORDS: Community responsibility, Environmental responsibility, financial performance, Retail companies

INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has gained widespread popularity, but its intended impact on firms remains a matter of debate. Scholars such as Cheng et al. (2014) argue that CSR can enhance stakeholder relationships, lower capital constraints, and facilitate strategic investments through improved access to bank loans. Additionally, the increased influence of diverse stakeholders has been identified as a compelling reason for corporations to actively engage with CSR (Grafström & Windell, 2011; Oyedokun, & Saidu, 2018).

However, the relationship between CSR and financial performance has drawn considerable attention from researchers due to inconsistent findings and contradictory results (Whitehouse, 2006). Ekatah et al. (2011) conducted early research examining the impact of CSR activities on financial performance and found that companies with low social responsibility exhibited weaker financial performance. They also highlighted that inadequate CSR performance exposed such firms to higher risks compared to their socially responsible counterparts.

While subsequent studies by Simpson and Kohers (2002), Lai et al. (2010), and Saeidi et al. (2015) indicated a positive association between CSR and financial performance, the overall body of research in this area lacks consensus. Numerous researchers have failed to establish a clear positive relationship between these variables (Raza et al, 2012; Peng & Yang, 2014; Jaji, & Oyedokun, 2019). Methodological differences, varying approaches, and the selection of different variables have been cited as potential causes for the inconsistency in results (Simpson & Kohers, 2002; Girerd-Potin et al., 2014; Haruna, Ame, Oyedokun, & Jaji, 2019).

Moreover, most studies in this domain have predominantly focused on the US Stock Exchange, limiting the generalizability of findings as governance practices, environmental policies, and business norms differ globally (Peng & Yang, 2014). Therefore, there is a pressing need to explore the relationship between CSR, sustainability, and financial performance specifically within the UK retail industry, which will provide valuable insights into the nature of this association and potentially uncover the underlying factors contributing to the inconsistency in previous research.

The retail industry in the United Kingdom is a major contributor to the economy (Office for National Statistics, 2021), and it is important to ensure that this sector operates in a sustainable manner. However, there is a lack of research that specifically focuses on the relationship between CSR, sustainability, and financial performance in the retail industry in the United Kingdom (Peloza & Shang, 2011; Falade, & Oyedokun, 2022). Therefore, this study aims to fill this gap in the literature by examining this relationship in the context of the UK retail industry.

This research is justified by the need to understand the impact of Environmental and Community Responsibility and sustainability practices on financial performance in the retail industry as well as the potential benefits that can be gained by companies that incorporate these practices into their business models (Marom, 2006; Oyedokun, & Amafa, 2022). This research will also provide insights into the factors that affect the level of CSR and sustainability practices in the retail industry in the United Kingdom and will offer recommendations for how companies can improve their CSR and sustainability practices to achieve sustainable financial performance. The research is set to investigate the effect of environmental and community responsibility and Financial Performance of selected retail companies in the United Kingdom.

LITERATURE REVIEW

Environmental Responsibility

Given the rising attention from the public regarding the ecological footprint of businesses, it becomes increasingly crucial for companies to consider the potential environmental ramification of their decisions (Chatterji et al, 2009). Research in this area has yielded diverse findings concerning the relationship between an organization's environmental performance and its financial performance (Wong et al., 2012; Erinoso, & Oyedokun, 2022).

The environmental facet of corporate social responsibility (CSR) has emerged as a pivotal concern among the trio of CSR dimensions. This consideration dates to the 1970s, gaining recognition as a paramount responsibility within the corporate realm (Stojanović et al., 2016). With many industrial operations entailing environmental predicaments and the depletion of natural reserves, corporations find themselves under duress to ameliorate the repercussions of environmental predicaments (Aggarwal, 2013; Oyedokun, Akingunola, & Somoye, 2022). Given that biological systems universally contend with finite resources and capacities, corporate activities necessitate operating within margins that preserve the equilibrium of the environmental ecosystem (Matten & Moon, 2004). In the view of Dahlsrud (2008), the aspect related to the environment pertains to the natural surroundings. As pointed out by Balqiah (2018), there is a requirement for corporate social responsibility (CSR) to encompass ecological concerns as a fundamental ethical baseline. Conversely, Arsić et al., (2017) emphasize that while businesses may desire to engage in initiatives safeguarding the environment to secure favourable public perception and societal backing, these endeavours must surpass mere adherence to legal mandates.

In the contemporary landscape, corporations are awakening to their roles as societal constituents, hence bearing a responsibility to mitigate environmental quandaries (Kumar, 2015). Regrettably, the operational undertakings of corporations have given rise to grievous environmental contamination and the unwarranted exploitation of natural resources (Uddin et al., 2008). A viable resolution necessitates corporations to engage in environmentally conscious initiatives surpassing the mere compliance with legal requisites (Arsić et al., 2017). In a study by Choi and Ng (2011), it was demonstrated that companies adhering to sustainable strategies have a favourable impact on consumers. This influence is reflected in their inclination to purchase from and their overall attitude toward such corporations. Building upon this, Mo's research in 2019 delved into how a brand's ecological performance is intricately connected to customer perceptions of the brand. In simpler terms, companies that prioritize environmental achievements find themselves in the good graces of their customers.

Horvathova (2010) underscored the consequential influence of environmental performance on fiscal outcomes, accentuating that the absence of affirmative environmental practices could imperil a firm's standing. However, Alareeni and Hamdan (2020) unearthed an adverse influence of this element on ROA, a stance corroborated by Wagner et al. (2002) but at odds with Velte's findings (2017). A plausible catalyst for the affirmative correlation between ROE and the environmental pillar could be investors' cognizance and valuation of environmental practices as a principal catalyst for enhanced asset efficiency, thereby shaping their investment judgments (Buallay, 2019). As for findings suggesting an adverse association between the environmental pillar and ROA and ROE, the underlying rationale might be the escalated costs incurred by the company due to disclosure requirements (Alareeni & Hamdan, 2020).

As the public’s interest in CSR keeps growing, companies must take these actions seriously or they risk severely damaging their brand image which will lead to profit loss. In support of this view, Deegan (2002) contended that organizations often adopt legitimizing strategies within their corporate social responsibility (CSR) initiatives to meet stakeholder expectations. By employing these legitimizing strategies, organizations can enhance their environmental performance, consequently leading to improved financial performance. Committing to CSR positions a company as a long-term player, indicating a mind-set aligned with sound economic long-term policies in general. Greater trust and credibility can translate into reduced borrowing costs and increased profitability. As a result, investors stand to benefit by receiving a higher return on their invested capital.

An exploration carried out by Flammer (2013) delves into how shareholders respond to the ecological effects of businesses. The results propose that companies displaying eco-conscious actions generally experience significant increases in their stock prices, while the opposite is also true (Mishra & Suar, 2010). Furthermore, the company's eco-friendly performance and initiatives related to corporate social responsibility could generate value for stakeholders as the improved response from the stock market contributes to an augmentation in the company's overall value (Hu et al., 2018).

Consequently, the sentiment of consumers toward responsible companies is positive, leading to corresponding shifts in their buying behaviours. Porter and Linde suggest that on a broader scale, environmental CSR activities can stimulate innovation, curtail expenses, conserve resources, ultimately fostering competitive advantage and loyal patrons (Wagner et al., 2002). A company could reap rewards from embracing Corporate Social Responsibility (CSR) due to the alignment of its ecologically mindful choices with decreased waste production, subsequently resulting in reduced expenses (Ellen et al, 2000). To illustrate, a Texan Ford manufacturing facility underwent a revamp aimed at minimizing waste-water runoff. This initiative culminated in diminished fees from local authorities concerning pollution concerns, and as per certain appraisals, it safeguarded the corporation millions through the evasion of penalties. These enhanced affiliations possess the potential to amplify investments in these enterprises from stakeholders (Moskowitz, 2002), enhance workforce morale, augment positive sentiment among customers, and foster improved interactions with governmental bodies, which in turn could curtail regulatory expenditures (Sen & Bhattacharya, 2001).

The research carried out by Galema et al., (2008) demonstrates that the environment exerts favourable effects on market value. Despite the contentions supporting this affirmative association, several contemporary investigations propose that endeavours towards sustainability hold the capacity to erode corporate value, amplifying financial jeopardy and ambiguity (Mayer, 2018; Renneboog et al., 2008; Kiernan, 2007; Seeger & Hipfel, 2007). Nevertheless, numerous scholarly inquiries disclose that the correlation between the environment and corporate performance manifests as unfavourable or inconsequential (Filbeck & Gorman, 2004).

Previous research has presented varied outcomes concerning the correlation between an entity's ecological accomplishments and its fiscal achievements (Wong et al., 2012). Numerous investigations have affirmed a favourable association between ecological accomplishments and fiscal success (Horvathova, 2010). Deegan (2002) contended that companies embrace strategies of validation in their corporate social responsibility endeavours to fulfil the projections of interested parties. It is posited that the influence of ecological accomplishments on fiscal success is noteworthy, and detrimental ecological performance endangers a company's credibility.

Subsequently, approaches of validation contribute to the enhancement of ecological accomplishments, thereby bolstering the fiscal prosperity of an enterprise. Nonetheless, inquiries have identified an unfavourable link between declarations of ecological responsibility and fiscal success (Azizul, 2017). Stakeholder theory also emphasizes an organization's responsibility to consider the interests of all stakeholders, including employees, customers, communities, and shareholders (Taghian et al., 2015). Engaging in CSR activities and sustainable practices can lead to improved financial performance by enhancing reputation and stakeholder relationships (Latapí et al., 2019).

Community Responsibility

Hansen and Juslin, (2023), emphasized that Corporate Social Responsibility (CSR) constitutes a vital obligation for companies. Furthermore, they highlighted the importance of ensuring employee contentment, implementing safeguards for the betterment of society, establishing optimal work environments for task execution, and dedicating resources towards societal amelioration, all contributing to the enhancement of overall quality of living conditions.

Focusing on the ongoing discourse surrounding the involvement of businesses in community advancement, Velvet-de-Oliveria and Huertas (2018) contended that enterprises exhibit concern for their clientele, suggesting that a similar regard should be extended to society holistically. Correspondingly, Nwachukwu et al. (2017) underscored the necessity of equating the significance attributed to profit with that assigned to Corporate Social Responsibility (CSR) for societal preservation. This clearly illustrates the interwoven nature of the pro and con dialogues pertaining to social responsibility that have emerged over time.

A corporation's endeavours towards community-centric CSR encompass benefactions in terms of finances and products, enabling staff to contribute services fostering communal undertakings, facilitating the engagement of students in IT roles, backing public health initiatives, disseminating pertinent information to the public, endowing scholarship schemes or comparable endeavours, patronizing educational conventions, seminars, training sessions, or exhibitions, extending assistance to calamity-stricken individuals, and bolstering the augmentation of community-centric programs (Aggarwal, 2013; Albahussain, 2015). Corporate giving has a notably beneficial impact, influencing the financial performance of businesses. The strategic allocation of resources towards charitable donations can serve to enhance a company's public perception and standing. This can concurrently bolster the accumulation of the company's 'ethical reputation' (Wang & Qian 2011). Furthermore, it is evident that corporations enforcing more rigorous environmental safeguards mitigate the likelihood of substantial penalties incurred due to undue pollution (Tsoutsoura, 2004). Moreover, the assimilation of elevated environmental benchmarks not only readies a firm to contend with more stringent future regulations but also propels them into a leading stance within their competitive sphere (Mishra & Suar 2010).

According to Darškuviene and Bendoraitiene (2014), stakeholders generally hold expectations for the company in various ways, emphasizing the significance of considering and analysing these expectations when engaging with stakeholders. These expectations encompass not only purely economic factors such as share returns but also incorporate aspects related to corporate social responsibility (CSR). With the growing urgency of sustainability, CSR considerations are increasingly prevalent, rendering them essential for stakeholders. Consequently, stakeholders' expectations are further amplified (Darškuviene & Bendoraitiene, 2014).

Previous studies have examined the impact of community investment on firms' profitability, with some indicating a negative effect (Saleh et al., 2011). However, it is important to acknowledge that community investment can also bring about competitive advantages for companies. For instance, it can lead to tax savings, reduced regulatory burden, and improved hiring quality of local labour (Zhao & Murrell (2016).

Bowen et al. (2020) have further demonstrated that community engagement offers multiple benefits to firms. One such benefit is the potential for an increased return on investment through community investment. Additionally, Rowe et al. (2019) have argued that community investment goes beyond mere profitability and contributes to the establishment of long-term trustworthiness, legitimacy, trust, and reputation for firms. In fact, community responsibility can be employed as a stakeholder management strategy to ensure greater financial returns, as suggested by Esteves and Barclay (2011).

Brammer et al., (2006) highlight that engagement with the local community has a negative correlation with firm performance, whereas Kacperczyk (2009) underscores the favourable impact of community involvement on market-based performance. Additionally, Galema and co-researchers (2008) report that the influence of community involvement yields inconclusive results.

Ofori and Hinson (2007) observe that managers from Ghana perceive community engagement as encompassing support through social initiatives, extending beyond mere corporate philanthropy to strategic endeavours addressing diverse community needs within business operational contexts. Newell (2005) suggests that communities can constitute a significant component of CSR strategy, particularly in cases where communities are underdeveloped. The realm of environmental CSR can be advanced through measures aimed at diminishing the ecological footprint.

Theoretical Review

This study is anchored on the Stakeholder Theory. The Stakeholder Theory, developed by Edward Freeman, posits that a company's stakeholders encompass all individuals and entities who can exert influence on, or are impacted by, the company and its actions (Freeman et al., 2010). These stakeholders are vital to the company's existence, rendering the environment in which the company operates akin to an ecosystem, where all involved parties are interconnected and reliant on one another (Agle et al., 2008).

In order to achieve sustained success, a thriving company must actively engage in the analysis and evaluation of all pertinent stakeholders, including employees, business partners, and customers (Agle et al., 2008). By proactively assessing and understanding the needs, expectations, and concerns of these stakeholders, a company can effectively navigate its operational landscape and make informed decisions to maintain its success.

Moreover, it is crucial to recognize that the stakeholder theory encompasses a robust social responsibility component and has emerged as the prevailing paradigm within the realm of corporate social responsibility (CSR) (McWilliams & Siegel, 2001; Laplume et al., 2008). However, some scholars propose that the application of stakeholder theory extends beyond mere analysis of stakeholders; it can also significantly enhance a firm's prospects for survival. Through comprehensive stakeholder analysis, firms can effectively anticipate and avert unforeseen challenges while simultaneously gaining access to essential resources (Laplume et al., 2008). In support of this notion, Godfrey et al. (2009) discovered that CSR activities directed towards secondary stakeholders can generate value for shareholders. By functioning as a form of insurance-like protection, such activities have the potential to anticipate and prevent unanticipated problems (Laplume et al., 2008; Godfrey et al., 2009), thereby satisfying multiple stakeholders, fortifying survival prospects, and capitalizing on the principles of stakeholder theory to facilitate financial gain. Ultimately, stakeholder theory emphasizes the interconnectedness between corporations and various stakeholders, urging them to look beyond short-term gains and embrace a long-term perspective (Hörisch et al., 2014).

The traditional concept of stakeholder theory revolves around how companies manage their stakeholders to maximize their own benefits (Nie et al., 2019). However, in recent years, there has been a growing argument that governments should be viewed as entities similar to businesses, with shared interests in managing stakeholders (Nie et al., 2019). This perspective highlights the importance for corporations to consider the impact of governmental organizations on their stakeholder relationships.

To further emphasize this viewpoint, Li et al. (2018) distinguish between political and economic stakeholders in their research. Political stakeholders encompass local and central governments, possessing significant power to influence firm strategies. On the other hand, economic stakeholders comprise market actors such as competitors, suppliers, and buyers. It is crucial to note that the influence of these stakeholders is context-dependent, as it varies based on the combined impact of both economic and political factors (Li et al., 2018).

The expectations of a company's stakeholders play a crucial role in stakeholder theory. According to Darškuviene and Bendoraitiene (2014), stakeholders generally hold expectations for the company in various ways, emphasizing the significance of considering and analyzing these expectations when engaging with stakeholders. These expectations encompass not only purely economic factors such as share returns but also incorporate aspects related to corporate social responsibility (CSR). With the growing urgency of sustainability, CSR considerations are increasingly prevalent, rendering them essential for stakeholders. Consequently, stakeholders' expectations are further amplified (Darškuviene & Bendoraitiene, 2014).

Empirical Review

Wagner (2010) delved into examining the interrelation between the operational sustainability of businesses and their economic standing, gauged by Tobin's q metric. The investigator amassed a dataset of ecological and societal gauges, in conjunction with financial statistics hailing from the most prominent American corporations during the period of 1992 to 2003. A statistical model employing random effects for panel data was then computed. The outcomes unveiled a noteworthy and favourable influence of corporate ecological and societal efficacy on Tobin's q. It's worth noting that the direct connection between ecological effectiveness and the metric was particularly intriguing, as it was demonstrated to exist independently from the extent of research and development or advertising efforts. Conversely, the sway of societal effectiveness was completely modulated by the intensity of advertising endeavours. Furthermore, the exploration disclosed that the positive and substantial impact of corporate sustainability performance on Tobin's q was also channelled through the prism of advertising intensity.

Barnett and Salomon (2012) examined the hypothesis of a curvilinear relationship between corporate social performance (CSP) and corporate financial performance (FP), measured by return on assets (ROA) and net income. Their analysis was based on an unbalanced panel of 1,214 firms and 4,730 firm-year observations spanning from 1998 to 2006. The results supported a U-shaped relationship between CSP and FP, suggesting that companies with low CSP had higher FP compared to companies with moderate CSP, while companies with high CSP demonstrated the highest FP. The authors also provided support for the claim that a company's stakeholder influence capacity (SIC), which consists of its dynamic relationship with numerous stakeholders developed through engagement in corporate social responsibility (CSR), enhances the company's ability to translate social investment into financial returns.

In the study conducted by Lee et al., (2018), information regarding the sustainability performance of 22 different countries was gathered. The aim was to explore its impact on the connection between corporate sustainability performance (CSP) and corporate financial performance (FP). By utilizing a fixed effects model, their analysis uncovered an intriguing finding: the overall sustainability performance at the country level seemed to exert a dampening effect on the typically positive correlation between CSP and FP. This outcome implies that the process of incorporating the value of CSP into financial considerations becomes notably intricate within nations where sustainable development principles and practices have deeply ingrained institutional presence.

Hermawan and Mulyawanb (2014) embarked on an exploration of whether the profitability of companies contributes to the manifestation of Corporate Social Responsibility within the specific context of Indonesia. Their findings propose that not all metrics of profitability display a noteworthy correlation with CSR disclosure. Echoing this sentiment, a parallel investigation by Oppong (2014) delved into the interplay between CSR and financial performance using the Top 100 Performing Firms in Ghana. The outcome revealed a dearth of substantial correlation between any of the indicators of financial performance and the realm of CSR.

METHODOLOGY

The study used a quantitative research method. The study's population consists of retail companies that are listed on the London Stock Exchange throughout a ten-year period (2013-2022). A simple random sampling technique was used to choose a sample size of ten (10) companies during a ten-year period (2013–2022). Secondary data, specifically sourced from audited annual reports of the firms involved was obtained for the purpose of this study. Data was analyzed using both a simple linear regression model in SPSS and regression analysis.

Analysis and Presentation of Data

Descriptive Analysis Results

Table 1 Linear Regression Model

Variable	Coefficient	t-Statistic	Prob.
C	0.619	0.495	0.002
CG	0.201	0.273	0.006
PR	0.251	0.414	0.008
ER	0.119	0.039	0.017
CR	0.262	0.292	0.007
FS	0.159	0.210	0.034
FA	0.103	0.921	0.009
R-squared	0.414		
Adjusted R-squared	0.439		
S.E. of regression	2.08705		
F-statistic	0.259		
Prob(F-statistic)	0.034[b]		
Durbin-Watson stat	1.938		

Source: *Researcher’s Computation (2053).*

Positive coefficient of environmental responsibility (ER) of 0.119 with the p-value of 0.017 implies as ER of the selected retail company increase, ROE increases significantly. Positive relationship agrees with Deegan (2002) contended that organizations often adopt legitimizing strategies within their corporate social responsibility (CSR) initiatives to meet stakeholder expectations by employing these legitimizing strategies, organizations can enhance their environmental performance, consequently leading to improved financial performance.

Also, Positive coefficient of community responsibility (CR) of 0.262 with the p-value of 0.007 implies an increase change in CR would result to a significant increase change in ROE with the period under study. This finding corroborates Zhao and Murrell (2016). findings that it is important to acknowledge community investment can also bring about competitive advantages for companies. For instance, it can lead to tax savings, reduced regulatory burden, and improved hiring quality of local labour.

The coefficient of determination (R-square) at 0.414 signifies that 41.4% of the fluctuations in the equity's return can be attributed to alterations in the explanatory elements within the model. The remaining 58.6% of the shifts in return on equity are ascribed to external factors that affect equity but are unaccounted for in the model. The F-statistic recorded at 0.259, coupled with a p-value of 0.034 which is below the threshold of 0.05, strongly suggests that Comprehensive Risk Score (CRS) exerts a significant and noteworthy influence on the return on equity. This finding agrees with Wu and Wang (2014) that engaging in socially responsible acts, such as public donations, can yield a good reputation that functions as a form of free advertising, subsequently boosting sales and profit. While these acts may initially appear altruistic, they are in line with the company's self-interest. Filbeck et al. (2019) supports this notion, asserting that market mechanisms penalize actors who do not adhere to certain CSR standards. Consequently, abstaining from CSR could be regarded as a reputational risk, potentially leading to economic risks and diminished financial performance.

Variable	Coefficient	t-Statistic	Prob.
C	0.403	-1.716	0.039
CG	0. 421	0. 201	0. 032
PR	0.613	-0.276	0.028
ER	0.396	-0.384	0.012
CR	0.321	-1.502	0.037
FS	0.696	2.847	0.005
FA	0.103	4.099	0.000
R-squared	0.524		
Adjusted R-squared	0.520		
F-statistic	6.937		
Prob(F-statistic)	0.000[b]		
Durbin-Watson stat	1.304		

Source: *Researcher's Computation (2025).*

Presentation of Data

Hypotheses Testing

Hypothesis 1: Environmental Performance and Corporate Financial Performance

$H1_0$. There is no positive relationship between environmental responsibility performance and FP.

$H1_A$. There is a positive relationship between environmental responsibility performance and FP.

The coefficient for environmental responsibility (ER) is 0.119 with a p-value of 0.017. Positive coefficient of environmental responsibility (ER) of 0.396 with the p-value of 0.012 implies as ER of the selected retail company increase, MPS increases significantly. This indicates a statistically significant positive relationship between environmental responsibility performance and financial performance. An increase in environmental responsibility is associated with an increase in financial performance.

Menezes (2019) and He, at al., (2023) are examples of studies that highlight the positive impact of CSR, particularly environmental responsibility, on corporate financial performance. These studies support the idea that environmentally responsible practices can lead to cost savings, improved stakeholder perception, and regulatory compliance, all of which contribute to better financial performance.

Hypothesis 2: Community Responsibility and Corporate Financial Performance

$H2_0$. There is no positive relationship between community responsibility performance and FP.

$H2_A$. There is a positive relationship between community responsibility performance and FP.

The coefficient for community responsibility (CR) is 0.262 with a p-value of 0.007. Also, Positive coefficient of community responsibility (CR) of 0.521 with the p-value of 0.037 implies an increase change in CR would result to a significant increase change in MPS with the period under study. This suggests a statistically significant positive relationship between community responsibility performance and financial performance. A higher level of community responsibility is associated with a significant increase in financial performance.

This result is in line with studies like Abilasha and Tyagi (2019), who studied the impact of CSR on the financial performance of top CSR-performing companies in India. They found a significantly positive impact of CSR on financial ratios like PBT, ROC, ROE, and ROA. Studies such as Maqbool and Zameern (2018) and Brammer, et al., (2006) suggest that community responsibility initiatives can enhance a company's reputation, attract loyal customers, and positively impact financial performance. These findings align with the results, demonstrating that community involvement can lead to improved financial outcomes.

DISCUSSION OF FINDINGS

Environmental responsibility exhibits a positive correlation with financial performance (r = 0.693). As businesses respond to the growing demand for environmentally conscious practices, they stand to leverage this momentum to enhance sales, all while aligning with stakeholder and customer expectations (Xie, 2019). Interestingly, community responsibility also holds a significant positive correlation with financial performance (r = 0.639). This finding underscores the power of community engagement in enhancing financial success through multiple avenues. Actively participating in local initiatives and charitable endeavours not only elevates an organization's profile within the community but also nurtures lasting customer loyalty (Rowe et al., 2019).

It is essential to acknowledge that the integration of a CSR strategy may not yield immediate returns; rather, its impact often manifests over the long term. As firms invest in building stakeholder trust, fortifying market stability, and cultivating a commendable reputation, the cumulative effect translates into improved financial outcomes.

CONCLUSION AND RECOMMENDATION

The study examined the impact of environmental responsibility and community responsibility on Financial Performance within selected firms operating in the United Kingdom's retail industry. The metrics for financial performance were represented through return on equity and market price per share, serving as the study's dependent variables. The study revealed that environmental responsibility a form of CSR has a significant relationship with financial performance of a company. The result corroborates with the view of Horvathova (2010) who emphasized the significant impact of environmental performance on financial outcomes, underscoring that a lack of positive environmental practices may jeopardize a firm's legitimacy even though this may not directly have a positive input in the financial performance of the company.

Lastly, the study underscores the significant relationship between community responsibility as a form of CSR and financial performance. This result aligns with Rowe et al. (2019) perspective that community investment extends beyond mere profitability, contributing to long-term trustworthiness, legitimacy, and reputation for firms. Community responsibility can effectively serve as a stakeholder management strategy, ensuring greater financial returns.

This study offers the following recommendation:

1. Ethical considerations should be prioritized in areas such as sourcing, manufacturing practices, product quality, and safety. By doing so, businesses can gain consumer trust, boost sales, foster customer loyalty, and consequently enhance financial performance.
2. Promoting environmentally friendly practices within operations is another avenue to explore. This can attract environmentally conscious customers and enhance brand image, contributing to improved financial performance. Establishing relationships with local institutions and non-profit organizations is a key approach in this regard.

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