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Effect of Corporate Governance Disclosure, Product Responsibility on Financial Performance of the United Kingdom Retail Industry

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ABSTRACT: This study examines the effect of corporate governance and Product responsibility on the financial performance of United Kingdom Retail Industry. The study made use of the quantitative research method. The sample of the study comprises of ten (10) companies over a period of ten years, from 2013 to 2022 by utilizing simple random sampling technique. Data were analysed using a simple linear regression model in SPSS and regression analysis. The findings of the study revealed that corporate governance exhibits a significant positive correlation with financial performance and also product responsibility a form of CSR has a significant relationship with financial performance of a company. The study concluded that companies in the UK retail industry that embrace sound governance practices are likely to experience improved financial performance. Consequent upon this study, it was recommended among others that businesses to adopt Corporate Social Responsibility (CSR) as a strategic tool rather than an optional addition. This entails aligning corporate operations with social standards and elevating stakeholder satisfaction, which can lead to an improvement in financial performance.

KEYWORDS: Corporate governance, Financial performance, Product responsibility, Retain industry

INTRODUCTION

The relationship between corporate social responsibility (CSR), sustainability, and financial performance in the UK retail industry has garnered considerable attention in recent years. CSR has been hailed as a strategic tool capable of providing organizations with a competitive advantage by influencing primary stakeholders (Mishra & Suar, 2010). As a result, scholars in management, economics, and accounting have shown growing interest in this area (Choi et al., 2010; Jones et al., 2009; Welford et al., 2008). Furthermore, the importance of Environmental, Social, and Governance (ESG) practices has surged not only among policymakers but also among the public and corporate investors (Cabeza- Garcia et al., 2017).

In its initial stages, Corporate Social Responsibility (CSR) covered a broad spectrum of activities spanning economic, societal, legal, ethical, and charitable domains. These encompassed initiatives directed at enhancing production sustainability, eco-friendliness, and industrial harmony. These efforts were prompted by a variety of stakeholder demands, as evidenced in the works of scholars such as Baumgartner (2011), Carroll (2021), Cruz and Wakolbinger (2008), and Welford and Frost (2006). The impetuses driving CSR adoption can be traced back to multifaceted factors including situational considerations, prevailing social standards, ingrained values, and managerial doctrines, as articulated by Kim et al. (2013) and Maas and Reniers (2014). The cultivation of dependable rapport with stakeholders has been underscored as indispensable for securing a competitive edge. Notably, enterprises that integrate ESG protocols tend to experience enduring enhancements in operational efficiency, patron fidelity, corporate esteem, financial resource accessibility, cost efficiencies, and inventive prowess (Graafland & Smid, 2019).

In pursuit of a competitive edge, businesses have increasingly developed and integrated Corporate Social Responsibility (CSR) strategies into their operations, allocating resources to address social and environmental impacts and uplift communities (Carroll, 2008; Oyedokun, 2019). The three pillars of sustainability, encompassing environmental, social, and governance (ESG) activities, have gained prominence (Staub-Bisang, 2012). Consequently, managers have become curious about the long-term benefits of CSR, particularly in terms of its potential to enhance business value and improve financial performance, benefiting both the company and its shareholders (Ferrero-Ferrero et al., 2016). Organizations have turned to disclosing their environmental, social, and sustainability achievements with the intention of portraying themselves as conscientious corporate members and enticing investors, customers, and additional interested parties (Gardberg & Fombrun, 2006; Matten & Crane, 2005). However, the question remains: Do sustainability reports truly provide an accurate representation of firms' sustainability efforts and their outcomes for both sustainable development and financial success?

Acknowledging the significant influence of large retailers on the environment, economy, and society, some top retailers, such as Marks and Spencer, claim to have incorporated

Corporate Social Responsibility (CSR) into their operations (Dawson & Brunner, 2020). While interest in CSR continues to grow worldwide and more companies adopt voluntary initiatives to minimize their negative societal and environmental impact (White, 2006), the recent surge in sustainability reporting is not solely driven by an altruistic business model. Organizations are experiencing growing demands from various stakeholders to showcase their commitment to being accountable and promoting sustainability (White, 2006). Nevertheless, regulatory, and legislative guidelines associated with CSR remain inconsistent globally. This study therefore critically evaluate the impact of corporate governance disclosure, product/service responsibility on financial performance of selected retail companies in the United Kingdom.

LITERATURE REVIEW

Governance-Related Disclosure

Matters pertaining to the safeguarding of stakeholder entitlements, the arrangement of executive remuneration, and the standard of information revelation are within the purview of governance (Yoon et al., 2018). Corporate Governance (CG) stands as a fundamental element of enterprises, delineating the way organizations are administered and supporting executives in making choices that resonate with the interests of their stakeholders. Proficient CG amplifies a company's achievements by enhancing its Corporate Financial Performance (Yusoff & Alhaji, 2012).

In prior studies, it has been confirmed that mechanisms related to governance, encompassing aspects such as the dimensions of the board, the makeup of the board, the autonomy of the board, the handling of risks, measures to counter bribery, and similar factors, exert a noteworthy influence on the financial performance of enterprises (Bhagat & Bolton, 2008). Moreover, the pursuit of effective corporate governance remains a continuous endeavour encompassing the implementation of guidelines and rules coupled with continual assessment and enhancement. The aim is to mitigate the impact of challenges and concerns.

To ensure the adherence of business entities to pertinent laws and regulations, the implementation of effective management becomes imperative (Napitupulu et al., 2020). The ESG's governance aspect pertains to the managerial duties within a corporation. It delves into matters like safeguarding stakeholder rights, the structure of managerial remuneration, and the calibre of information disclosure, among other considerations (Yoon et al., 2018). ESG metrics reveal supplementary facets of a company's non-financial achievements that remain unaccounted for in monetary summaries (Kengkathran 2018). These metrics hold significant value in assessing a company's Corporate Social Performance (CSP). Such assessments wield importance for investors, guiding their investment choices, and for diverse stakeholders, fostering assessments and parallels in appraising a firm's sustainable achievements across the assorted ESG dimensions. Sharing ESG benchmarks can bridge the informational divide between a company and its stakeholders (Stubbs & Rogers 2013; Oyedokun, 2019), thereby assuming a pivotal role in the investment-centric evaluation of a company. As such, robust corporate governance stands as a pivotal avenue for business proprietors to prosper, as executives take charge of company undertakings and guide the enterprise towards profit-amplifying goals.

Disregarding the significance of corporate governance can result in dire repercussions, exemplified by the downfall of notable firms in the recent past (Solomon, 2010). The underpinnings of these companies' collapses are multifaceted, yet they can be distilled into four categories of malfunctioning corporate governance concerns: deficiency in openness, tiers (pertaining to compensation), the feeble correlation between performance and compensation, and manipulations in accounting practices (Tirole, 2010).

The conduct of a company's top management necessitates transparency and reliability in their deeds. To guarantee that relevant stakeholders are well-informed about a company's initiatives in the realm of corporate social responsibility, accurate record-keeping is indispensable. Moreover, findings by Beltratti (2005) underscore that safeguarding the interests of stakeholders enhances a firm's prospects for enduring success, while the work of Aras and Crowther (2008) highlights the importance of effective corporate governance and its subsequent influence on a company's long-term viability. Moreover, recent findings indicate that larger and financially stable companies tend to exhibit increased governance disclosure concerning Corporate Social Responsibility (CSR) initiatives (Kamal & Deegan, 2013).

Investors in pursuit of transparency seek insights from external organizations. These insights encompass a blend of historical achievements and assessments of endeavours that possess the potential to shape forthcoming performance (Chatterji et al. 2009; Mokalapa, Oyedokun, & Fowokan, 2024). Within this context, the employment of ESG rating scores emerges as a fitting yardstick to approximate CSP. ESG denotes the triad of pivotal metrics deployed within investment domains to gauge a company's non-monetary merits (Atan et al. 2018). These dimensions captivate stakeholders as they illuminate a firm's proficiency across these facets. In today's swiftly evolving backdrop, these dimensions have ascended to paramount importance for investors and diverse stakeholders. Institutional investors, asset managers, and financial bodies lean upon the ESG score, dispensed by varied independent entities, to evaluate a firm's or sector's CSP (Huber et al. 2017; Oyedokun, 2019).

Addressing the intersection of governance and CSR practices, Haque and Deegan (2010) delve deeper into the subject, highlighting the rise of climate change disclosures related to governance. Their findings suggest that companies are progressively disclosing more information to meet stakeholders' expectations and enhance accountability in this area. This aligns with the legitimacy theory, positing that organizations utilize environmental disclosures to gain legitimacy. Building on this insight, companies in the UK retail industry that embrace sound governance practices are likely to experience improved financial performance.

Products/Services Responsibility

Existing literature have extensively investigated how different elements influence the financial performance of companies. For example, scholars like Mahoney and Roberts (2007), along with Pauwels et al. (2004), have underscored the importance of details concerning product quality, the process of research and development, and innovative customer-oriented products. They have shed light on both the immediate and enduring impacts these factors have on the financial performance of a firm. Enterprises, through the assurance of top-notch offerings and commodities, as well as the meticulous handling of all officially logged grievances regarding their products and services, engage in the practice of product or service CS. Alongside the evident correlation connecting CSR endeavours and heightened financial gains, it is evident that corporations also acknowledge the market's requirement for them to tackle issues concerning product accountability risk, as well as matters related to well-being and security (Mahmood & Bashir, 2020).

The notion of treating customers with thoughtfulness and attentiveness is a well-established practice in the business sphere. It's commonly understood that being responsive to clients can directly bolster a company's profits (Chen et al., 2021). Corporate Social Responsibility (CSR) encompasses an organization's obligation to society, which encompasses offering quality goods and services at a reasonable cost (Bhattacharya & Kaursar, 2016). Integrating principles of sustainability and CSR into the acquisition of raw materials from suppliers has a tangible impact on the final offerings of such enterprises. This, in turn, nurtures a positive corporate image, boosts employee morale, and garners consumer loyalty (Akremi et al., 2018). The improper conduct of suppliers can disrupt a company's operations. Therefore, by adopting a multitude of stakeholder viewpoints and making prudent supplier choices, businesses can mitigate risks originating from their supply chains (Kannan, 2018).

Criteria related to CSR regarding suppliers encompass several facets. These include ensuring employees receive fair wages both at outsourced plant sites and suppliers' home locations, guaranteeing the safety and quality of suppliers' products, evaluating suppliers' environmental impact, promoting ethical sourcing of raw materials by suppliers, and eradicating child labour and human rights abuses from suppliers' premises (Mishra & Suar 2010; Suleiman, Onamusi, & Oyedokun, 2024). Upholding high CSR standards among suppliers can significantly bolster a company's global market standing and overall financial performance. Conversely, suppliers who neglect CSR norms can mar a firm's reputation and have detrimental effects on its success.

Nevertheless, more extensive societal obligations are in play, encompassing the provision of commendable value for expenditure. These obligations might entail aspects like the security and resilience of commodities or amenities; typical or post-purchase service; swift and respectful responsiveness to inquiries and grievances; sufficient provisioning of goods or services; equitable benchmarks for publicity and commerce; and exhaustive and unequivocal details for potential patrons (Siltaloppi et al., 2021).

In general, the characteristics of a product typically steer consumers in assessing it in terms of its excellence and worth (Gürhan-Canli & Batra, 2004). Yet, consumers are prone to utilizing information beyond product characteristics when existing data proves inadequate for making a buying choice (Sirsly & Lamertz, 2008). Research has also shown that corporate social responsibility (CSR) associations have an overflow influence on evaluations of products and brands (Klein & Dawar 2004). Ensuring offerings of superior quality is pivotal for the prolonged existence of a business. In line with insights from Barnett (2016), companies that successfully garner the approval of their stakeholders tend to command higher prices for their offerings while simultaneously securing their inputs at more advantageous rates.

According to Kang and James (2006), quality revolves around 'the anticipated ideal performance in contrast to actual performance.' In essence, a company's capacity to uphold its competitive edge hinges on the manifestation of its exceptional products (Park & Yoo, 2023). Kotler and Gertner (2002) contend that the calibre of a provided product can heighten either customer contentment or discontentment. Elevated corporate social responsibility coincides with enhanced assessments of a corporation and its offerings by consumers (Ellen et al., 2006; Oyedokun, & Saad, 2018).

Perez and Rodriguez del Bosque (2016) highlighted that customers tend to react favourably to efforts that safeguard their concerns. Such efforts encompass a commitment to following established norms, introducing novel product ideas, and maintaining the overall quality of offerings. This inclination of customers towards a company's Corporate Social Responsibility (CSR) perspective plays a constructive role in enhancing their contentment and sense of association. Consequently, this contributes to the betterment of a company's financial performance (Kim et al., 2017; Haruna, Ame, Oyedokun, & Jaji, 2019). A contented customer who identifies with a company's CSR stance holds the capacity to engage in repeated purchases or advocate for specific products and services within their circles. This phenomenon, in turn, contributes to the upliftment of the company's reputation (Kim et al. 2017).

Theoretical Review

This study adopted Legitimacy Theory. The legitimacy theory underscores the persistent efforts of organizations to present themselves as operating in accordance with societal norms and values (Drake & Deegan, 2009). It suggests the existence of a "social contract" between a business organization and the communities it serves (Samkin & Deegan, 2010). This social contract encompasses the organization's adherence to the aforementioned societal boundaries and norms, as well as meeting the expectations set by society.

The contract in question may contain both explicit and implicit terms. Explicit terms encompass legal requirements, while implicit terms are based on community expectations (Deegan et al., 2000). Maintaining compliance with these terms is essential for an organization to uphold its legitimacy within society, thereby ensuring its continued existence. Legitimacy theory views society as a whole entity rather than considering individuals in isolation (Deegan, 2002). Consequently, the theory focuses on the relationship between the organization and society at large. According to legitimacy theory, it is the organization's responsibility to fulfill the expectations of society as a whole, rather than solely meeting the demands of owners or investors as suggested by shareholder theories like agency theory (Belal, 2008). By meeting these expectations, the organization gains societal approval, which grants it permission to operate and ensures its survival (An et al., 2011).

According to Gray et al. (2010), the theory suggests that the survival of organizations is contingent upon the perception of the organization by the society it operates in, aligning with the society's value system. In essence, an organization must adhere to societal norms and values to maintain legitimacy. Therefore, in accordance with legitimacy theory, the level of legitimacy an organization possesses is crucial for its ongoing existence. However, achieving and maintaining such alignment is not a straightforward task due to the ever-evolving norms and expectations of society. Consequently, it becomes challenging for organizations to effectively synchronize their objectives with the changing societal landscape.

According to Suchman (1995), organisational legitimacy can be viewed as an operational resource that is akin to other resources within an organization, essential for the achievement of its goals. Various activities and events have the potential to either enhance or diminish organisational legitimacy. For instance, engaging in environmentally friendly practices, undertaking community development projects, and publicizing positive news can enhance legitimacy, while major accidents or financial scandals reported in the media can erode it.

One significant limitation of this theory lies in its vagueness regarding corporate social responsibility (CSR). It fails to provide a comprehensive understanding of why organizations may choose not to disclose information or the reasons behind selective disclosure (Gray et al., 2010). However, despite these limitations, legitimacy theory remains widely utilized in CSR studies. Existing literature consistently acknowledges that it is the most frequently employed theoretical perspective in this domain (Tilling, 2004; de Villiers & van Staden, 2006).

In accordance with legitimacy theory, organizations may undertake CSR activities and reporting as a means to establish, acquire, or restore their legitimacy. Consequently, within the framework of legitimacy theory, the impetus behind disclosing CSR information is viewed as an anticipated motivation driving decision-making regarding disclosure (Deegan, 2002). When guided by this motivation, corporate managers will employ any measures they deem necessary to uphold their reputation as a legitimate enterprise with genuine objectives and appropriate means of achieving them (de Villiers & van Staden, 2006).

Empirical Review

Kalai and Sbais (2019) investigated the effect of corporate social responsibility disclosure on companies' financial performance in terms of quantity and quality on the Financial Performance of Companies in Tunisia. This article studied the connection between the disclosure of corporate social responsibility (CSR) and the financial performance of Tunisian companies. The study asserts that there exists very little study on the effects of CSR's quantity and quality disclosure and business value. The study is considered among the first to investigate the effect of the quantity and quality of CSR disclosure on the effectiveness of listed companies in Tunisia. Descriptive statistics and regression analysis were applied in the investigation. Furthermore, the research is founded on annual reports from companies registered on the Tunis Stock Exchange. for a total of 40 listed companies, which represents a sample of 30 observations for each variable. The study period is spread over the years 2014, 2015 and 2016 and results indicated that the amount of CSR disclosure has a positive effect regarding business success financially regardless of their size, their risk and debt levels, this allows us to show that the stakeholders generally give their trust to organizations that have socially responsible behavior and a regular disclosure system. The outcomes also demonstrate that the quality of CSR disclosure has a favorable impact on the financial performance of companies as measured by economic, financial or stock market profitability.

Gitahi, Nasieku and Memba (2018) examined disclosure of corporate social responsibility and the value relevance of annual reports for listed banks in Kenya. Existing research has produced contradicting inferences or equivocal findings on the value relevance of disclosure of corporate social responsibility and, more broadly, narrative accounting, in accordance to the study. In light of the existing literature's contradictory inferences or inconclusive findings, the study attempted to increase the line of research on value relevance by determining whether corporate social responsibility disclosure has a relationship with the value relevance of annual reports for Kenyan listed banks. Descriptive and inferential statistics were applied in this investigation. The study also employed text analysis and financial experts' perceptions to measure corporate social responsibility disclosure, which is included in yearly reports by banks. The annual reports of ten banks listed on the Nairobi Securities Exchange (NSE) from 2010 to 2015 were included in the sample. The study made use of both primary and secondary data. Survey questionnaires were distributed to respondents who were financial analysts at a total of 61 Kenya's Capital Markets Authority to acquire primary data. The findings demonstrated a positive and significant association between corporate social responsibility disclosure and the value relevance of annual reports, as evaluated based on the average share price on the market (MPS).

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.

METHODOLOGY

The study adopted a quantitative research method. The population of the study comprises of retail companies listed on the London Stock Exchange over the course of ten years, 2013 through 2022. A simple random sampling technique was utilized to select the sample size of ten (10) companies over a period of ten years, from 2013 to 2022. This study focused on secondary data, specifically sourced from audited annual reports of the firms involved. Data was analysed using a simple linear regression model in SPSS as well as 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 (2023).***

Corporate Social Responsibility (CSR) and Return on Equity (ROE) using simple regression model controlled by firm age and firm size.

Table 1 displays the outcomes of the regression analysis concerning the influence of Corporate Social Responsibility (CSR) on the financial performance, specifically the return on equity (ROE), among a chosen set of retail enterprises that are publicly listed on the London Stock Exchange during the examined time frame. The coefficient value of 0.619 indicates that supplementary variables that have been omitted from the model have contributed in a favourable manner, accounting for a 61.9% positive impact on the return on equity. Similarly, the coefficient attributed to corporate governance (CG), at 0.201, combined with the corresponding p-value of 0.006, suggests that alterations, whether increases or decreases, in the corporate governance aspect could bring about noteworthy adjustments in the financial performance (ROE) within the timeframe of this investigation.

Similarly, positive coefficient of product responsibility (PR) of 0.251 with the p-value of 0.008 means an increase change in product responsibility would result to an increase change in ROE. Positive relationship between PR and ROE implies consequently retail companies in United Kingdom are encouraged to maintain a higher level of product responsibility which will be commensurate with their reputation. This finding is in consonance with Pauwels et al. (2004) who emphasized the significance of product quality information, research and development, and customer initiative products, highlighting their short- and long-term effects on financial performance.

Table 2. Linear Regression Model

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 (2023).*

Presentation of Data

Hypotheses Testing

Hypothesis 1: Governance-Related Disclosure and Financial Performance

$H1_0$. There is no positive relationship between corporate governance disclosure and financial performance.

$H1_A$. There is a positive relationship between corporate governance disclosure and financial performance.

The corporate governance coefficient (CG) of 0.201, coupled with a p-value of 0.006, signifies that alterations in corporate governance can result in a notable shift, either positive or negative, in the financial performance (ROE) during the observed timeframe. This suggests a substantial correlation between corporate governance and the financial performance of the designated retail enterprises. Similarly, the corporate governance coefficient (CG) of 0.421, along with a p-value of 0.032, indicates that an enhancement in corporate governance could lead to a significant improvement in financial performance (MPS) within the studied period.

The analysis suggests that there is a statistically significant relationship between corporate governance disclosure and financial performance, although the impact is not substantial. This finding aligns with previous studies that have highlighted the complex nature of the relationship between corporate governance and financial outcomes. Studies like Kim and Kim (2014), Khan and Tariq (2017), and Xie, et al., (2019) have found a positive relationship between CSR practices, including corporate governance, and financial performance. These studies highlight that effective corporate governance can enhance shareholder value and contribute to improved financial outcomes.

Hypothesis 2: Products/Services and Financial Performance

$H2_0$. There is no positive relationship between product/service responsibility performance and Financial Performance.

$H2_A$. There is a positive relationship between product/service responsibility performance and Financial Performance.

The coefficient for product responsibility (PR) is 0.251 with a p-value of 0.008. This suggests that there is a statistically significant positive relationship between product/service responsibility performance and financial performance. Similarly, positive coefficient of product responsibility (PR) of 0.613 with the p-value of 0.028 means an increase change in product responsibility would result to an increase change in MPS. A higher level of product responsibility is associated with an increase in financial performance.

This result resonates with studies like Xie (2019), who analysed the impact of CSR on financial performance in China. Xie found that CSR performance had a positive impact on corporate financial performance, particularly in terms of profitability. Studies such as Abilasha and Tyagi (2019) and Menezes (2019) also support the positive impact of CSR on financial performance, with a focus on profitability and financial ratios. These studies imply that companies that invest in product and service responsibility enhance their financial performance through improved customer loyalty, brand reputation, and market positioning.

DISCUSSION OF FINDINGS

The study explored the intricate relationships between corporate governance disclosure, product responsibility and financial performance within the context of the United Kingdom retail industry.

Corporate governance exhibits a significant positive correlation with financial performance (r = 0.623). This underscores the vital role that strong governance practices play in driving positive financial outcomes. Enhancing transparency, managing risks effectively, and nurturing stakeholder trust serve as catalysts for increased investment, client loyalty, and an organizational culture conducive to prosperity (Kim & Kim, 2014). This correlation reinforces the notion that well-managed corporate governance is not only an integral component of CSR but also a driver of financial success.

Product responsibility emerges as another influential factor with respect to financial performance (r = 0.409). Prioritizing aspects such as quality, safety, and ethical sourcing not only embodies the principles of CSR but also contributes to a bolstered reputation and consumer confidence (Maqbooln & Zameern, 2018). This virtuous cycle, characterized by increased sales and customer loyalty, translates into improved financial performance over time.

CONCLUSION AND RECOMMENDATION

The study explored the intricate effect of corporate governance disclosure and product 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.

Evidently, CSR wields substantial influence over corporate financial performance through various avenues. Remarkably, CSR initiatives have the potential to enhance financial outcomes by solidifying a firm's reputation, fostering customer loyalty, and attracting a pool of highly skilled talent. By actively participating in socially responsible endeavours, companies can position themselves distinctly in the competitive landscape, thereby securing a sustainable advantage that manifests in improved financial results.

The result is in line with the assertions of Haque and Deegan (2010) who delve deeper and reveal that companies are progressively disclosing more information to meet stakeholders' expectations and enhance accountability around climate change which aligns with the legitimacy theory, positing that organizations utilize environmental disclosures to gain legitimacy. Building on this insight, companies in the UK retail industry that embrace sound governance practices are likely to experience improved financial performance.

Also, from the study revealed that product responsibility a form of CSR has a significant relationship with financial performance of a company. The result is similar with the submission of Galbreath and Shum (2012) that an organization's corporate social responsibility (CSR) activities are intertwined with the quality of its products and services and seen as a strategic approach to attaining a competitive advantage in the market, from the perspective of stakeholder theory, organizations have a responsibility to satisfy the needs and expectations of all stakeholders to enhance their financial performance.

The study underscores the potential of responsible business practices to catalyse favourable financial outcomes, intricately woven into the fabric of corporate governance and product responsibility.

However, the study gave the following recommendations:

1. Businesses to adopt Corporate Social Responsibility (CSR) as a strategic tool rather than an optional addition. This entails aligning corporate operations with social standards and elevating stakeholder satisfaction, which can lead to an improvement in financial performance.
2. Another vital aspect involves clear communication of CSR initiatives by companies. Enhanced transparency in CSR activities can foster increased customer trust and loyalty, ultimately benefiting financial performance. It is also essential for organizations to strike a balance between CSR spending and other financial objectives to ensure a positive net impact on financial performance, considering the potential threshold effect.

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