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Corporate Social Responsibility and Financial Performance in Eco-Tourism: Exploring Their Relationship

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Abstract. This study investigates the relationship between Corporate Social Responsibility (CSR) initiatives and financial performance among environmentally friendly businesses. Despite growing interest in CSR, the specific impact of various CSR activities on financial outcomes remains unclear, highlighting a critical research gap. The study aims to assess how specific CSR initiatives—such as environmental sustainability, employee welfare, and community engagement—affect key financial performance indicators. A quantitative approach was employed, utilizing survey data from 150 eco-friendly firms and analyzing financial metrics over three years. The results demonstrate a positive correlation between targeted CSR efforts and enhanced financial performance, with an average ROI of 9.83% and notable improvements in profit margins and return on assets. These findings suggest that strategic CSR investments can drive financial success, though causation remains uncertain due to potential influencing factors such as market conditions and regulatory changes. Future research should explore the underlying mechanisms driving this relationship, particularly the role of stakeholder engagement and operational efficiency.

Keywords: Corporate Social Responsibility; Eco-tourism; Financial performance; Profitability; Sustainability.

1.0 Introduction

Tourism is a major driver of global economic growth, contributing significantly to employment and national income. Within this sector, eco-tourism has emerged as a sustainable alternative that promotes environmental conservation and supports local communities. As eco-tourism grows, businesses face increasing pressure to adopt Corporate Social Responsibility (CSR) practices to align with sustainable development goals and stakeholder expectations. CSR initiatives, such as environmental preservation, employee welfare, and community engagement, have gained prominence in shaping business strategies and influencing financial performance.

Existing studies have explored the relationship between corporate social responsibility (CSR) and financial performance across various industries, but the findings have been mixed. While some research suggests that CSR enhances profitability and operational efficiency, other studies highlight the high costs and uncertain returns of CSR investments. However, limited research has focused on the eco-tourism sector, where aligning CSR with environmental and social goals presents unique challenges and opportunities. This gap in understanding the financial impact of CSR initiatives in eco-tourism underscores the need for further investigation.

This study aims to address this gap by examining the specific CSR initiatives adopted by eco-tourism businesses and their effect on financial performance. By providing empirical evidence, the research seeks to clarify whether CSR investments contribute to financial success and under what conditions. The findings will offer practical insights for eco-tourism operators and policymakers, helping them design more effective CSR strategies that balance sustainability with profitability. Understanding the financial impact of CSR in eco-tourism is crucial for guiding business decisions and promoting sustainable growth. This study will contribute to the broader body of CSR research while offering actionable recommendations for improving financial outcomes in the eco-tourism sector.

2.0 Methodology

2.1 Research Design

This study employed a quantitative research approach and a cross-sectional research design to examine the relationship between Corporate Social Responsibility (CSR) initiatives and financial performance among eco-tourism businesses. To evaluate this relationship, a multiple linear regression analysis was utilized, as it allows for assessing the effect of multiple independent variables, such as CSR initiatives, on dependent variables like financial performance indicators: profit margin, return on assets (ROA), and revenue growth. This statistical method was chosen for its ability to capture the strength and significance of these relationships while also accounting for potential confounding factors, including company size, ownership structure, and geographic location.

2.2 Research Locale

The research was conducted in five major eco-tourism regions, representing diverse environmental and business contexts. The locations were systematically selected based on their prominence within the eco-tourism industry, the presence of well-established eco-tourism businesses, and the availability of reliable financial data. A review of eco-tourism industry guided this selection process reports and consultations with eco-tourism associations. By ensuring geographic diversity, the study aimed to reflect the broader eco-tourism market while maintaining relevance to the research objectives.

2.3 Research Participants

The study involved 150 eco-tourism businesses, carefully chosen through purposive sampling to ensure variation in location, business size, ownership structure, and operational style. Beyond these factors, eligibility criteria included active engagement in eco-tourism activities, implementation of formal CSR programs, and the availability of financial performance data from the last three years. Participating businesses were identified and approached using targeted outreach methods, including industry networks, eco-tourism associations, and business directories. Invitations to participate were sent via email, followed by personalized follow-ups to maximize the response rate and ensure adequate representation.

2.4 Research Instrument

CSR initiatives were assessed using a comprehensive questionnaire developed based on internationally recognized frameworks such as the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (SDGs). The questionnaire covered critical CSR dimensions, including environmental protection, community development, and ethical business practices. To ensure its reliability and validity, the questionnaire underwent a pilot test with 10 eco-tourism businesses, yielding a Cronbach's alpha of 0.76, which is considered acceptable. Refinements were made to enhance clarity and relevance before distribution.

2.5 Data Gathering Procedure

Data collection involved several systematic steps. First, eligible eco-tourism businesses were identified. The validated questionnaire was then distributed via email to participating businesses. Financial performance data, including market capitalization, ROI, revenue, expenses, and assets, were retrieved from publicly available financial reports and, in some cases, directly requested from participants. These financial metrics were carefully verified using cross-referencing techniques to ensure reliability and accuracy. Once collected, the data were cleaned, coded, and organized.

2.6 Data Analysis

Descriptive statistics were used to summarize CSR initiatives and financial performance indicators. A multiple linear regression analysis was conducted to investigate the impact of corporate social responsibility (CSR) initiatives on financial outcomes. This approach allowed for measuring the strength and significance of relationships between CSR variables and financial performance while controlling for potential confounding factors such as company size and geographic diversity.

2.6 Ethical Considerations

Ethical considerations were strictly observed throughout the study. Participation was voluntary, with informed consent obtained before data collection. The confidentiality of participating businesses was ensured by anonymizing company identities to protect their privacy. Ethical guidelines for conducting responsible and unbiased research were strictly adhered to, ensuring the integrity of the research process. Additionally, all collected data were used solely for research purposes and securely stored to safeguard participant information. Modifications to previously published methods were made to align with the specific context of eco-tourism businesses.

3.0 Results and Discussion

3.1 CSR Practices

Table 1 illustrates the result from the corporate social responsibility (CSR) of the gathered samples.

Table 1. *CSR Practices Questionnaire Results*

Statement	Mean	Standard Deviation
We have implemented environmentally sustainable practices.	4.20	0.72
We actively engage in community development initiatives.	3.90	0.65
We promote ethical business practices and fair trade.	3.75	3.75
We support local culture and heritage preservation.	3.80	0.68
We have a comprehensive CSR policy and reporting mechanisms in place.	4.10	0.70
We invest in employee well-being and professional development.	3.95	0.62

Notes: *The statements were rated on a scale of 1 to 5, with higher scores indicating stronger implementation of CSR practices. Mean values and standard deviations are presented.*

Each statement from the CSR practices questionnaire is accompanied by its mean and standard deviation, as listed in the table below. The standard deviation shows how spread out the ratings for eco-tourism businesses are around the mean, which reflects an average rating. With a mean score of 4.20 and a standard deviation of 0.72, the results show that eco-tourism businesses have implemented a high level of ecologically friendly practices. This suggests that, on average, the companies have implemented energy and water conservation measures, waste management procedures, and biodiversity protection into their daily operations. The eco-tourism businesses indicated a moderate amount of involvement in community development activities, with a mean score of 3.90 and a standard deviation of 0.65. This indicates that the companies are engaged in a variety of activities, such as infrastructure development, education and healthcare programs, and relationships with local groups, all with the goal of helping and benefiting the areas in which they operate.

The mean score for encouraging honest dealings in business was 3.75, with the standard deviation being only 0.60 points. This suggests that eco-tourism businesses have a reasonable dedication to ethical norms, including openness, honesty, and responsible management of resources and the environment. In addition, they may participate in fair trade methods that guarantee local artisans and producers a just wage and a safe working environment. The average score was 3.80 out of 5 for support of preserving local culture and tradition, with the standard deviation being 0.68. This indicates that the companies care about and work to protect local customs, landmarks, and indigenous knowledge in order to promote tourism that is respectful of and beneficial to the local community.

3.2 Financial Performance of Eco-Tourism Enterprises

Popșa (2023) emphasizes the critical role of sustainability in the hotel industry, aligning closely with the statement regarding the increasing value placed on economy and thrift by hotels. The study highlights how the adoption of sustainable practices, such as energy-saving technologies, recycling programs, and environmental certifications, enables hotels to reduce their carbon footprint while optimizing resource utilization. These measures not only address environmental concerns but also contribute to economic efficiency and financial performance. The study highlights the increasing importance of sustainability initiatives in eco-tourism enterprises, demonstrating their capacity to reduce waste, enhance energy efficiency, and conserve natural resources while ensuring guest satisfaction. Successful practices, such as implementing green policies and adopting resource-efficient technologies, provide both environmental and financial benefits. However, challenges such as securing management buy-in and aligning operations with eco-tourism goals remain critical for maximizing the positive impacts of these initiatives on both nature and profitability (Meeroff et al., 2020). The statement claims that hotels are increasingly valuing economy and thrift. One motivating aspect has been the requirement for business operations to have a reduced impact on the natural world. There has been a recent uptick in the number of hospitality companies actively working to lessen their carbon footprint. These measures benefit the environment and the bottom line by maximizing the efficiency with which resources are utilized.

Table 2. *Financial Performance of Eco-Tourism Enterprises by Profitability Group*

Profitability Group	Number of Enterprises	Average Profitability	Average Return on Investment (%)	Average Market Valuation
Group 1 (Highest)	25	1,500,000	15	30,000,000
Group 2	30	1,200,000	12	25,000,000
Group 3	35	950,000	10	20,000,000
Group 4	25	800,000	8	15,000,000
Group 5	20	650,000	6	10,000,000
Group 6 (Lowest)	15	500,000	4	5,000,000

As shown in Table 2, the eco-tourism businesses in the sample were divided into six groups, from Group 1 (the most profitable) to Group 6 (the least profitable). Profitability, ROI, and market value are shown in the table as mean values for each profitability category. Based on the data, we know that the most profitable businesses (Group 1) earned an average of 1.5 million PHP annually, generated a 15% return on investment (ROI), and were valued at 30 million PHP in the market. Profitability, ROI, and market cap all tend to decline as we progress down the groups. Group 6 companies are the least profitable ones, with average returns on investment of 4%, average market valuations of 5,000,000 PHP, and average profits of 500,000 PHP. The group-based analysis allows for a comparison of financial performance across different profitability levels within the eco-tourism sector. It highlights the variations in financial success among the enterprises and provides a basis for further investigation into the factors contributing to these differences.

3.3 Analysis of Financial Performance

Ibrahim (2023) analyzed the influence of accounting measures on market performance. The research focused on the Gulf Pharmaceutical Industries Corporation in the United Arab Emirates (UAE). It examined the relationship between accounting-based profitability measures, such as earnings per share, and market performance indicators, including stock price. The findings revealed a strong positive correlation between accounting measures and earnings per share but a weaker and more variable relationship with stock prices. This variability was attributed to the susceptibility of stock prices to investor speculation. Table 3 presents a summary of the financial performance measures, including profitability, return on investment, and market valuation, for eco-tourism businesses categorized into six groups based on their level of profitability.

A total of 150 eco-tourism enterprises were analyzed, and it was found that their average annual profit was 950,000 Philippine Pesos, with a standard deviation of 322,748. Indicative of the company's normal net profit margin as a percentage of total revenue. Companies in the sample range widely in terms of their profitability and this variation is quantified by the standard deviation. The standard deviation for the return on investment for the eco-tourism businesses was 3.18%, and the average return on investment was 9.83%. Return on investment (ROI) is a metric that measures the effectiveness of an investment in generating profits. The standard deviation provides an indication of the range of returns on investment achieved by the companies included in the sample.

Table 3. *Summary Analysis of Financial Performance*

Financial Performance Indicators	Average (in PHP)	Standard Deviation
Profitability	950,000	322,748
Return on Investment	9.83%	3.18%
Market Valuation	18,333,333	9,574,271

Eco-tourism enterprises had a mean market value of PHP 18,000,000 and a standard deviation of PHP 9,574,271,000. The term "market valuation" refers to the process of determining a company's worth in the marketplace. Their standard deviation measures the dispersion in estimations of market value among the sampled companies. These results offer insight into the financial health of eco-tourism companies, revealing average profit margins, rates of return on investment, and market valuations in this sector. The standard deviations highlight the dispersion and variation in the numbers.

According to studies that support the idea of a link between corporate social responsibility (CSR) and financial performance, the study highlights that CSR has a positive impact on financial performance, with green innovation serving as a vital mediator. By integrating environmentally sustainable practices, eco-tourism enterprises can enhance both profitability and competitive advantage. These findings highlight the importance of CSR and innovation in achieving long-term financial success, as noted by Homayoun et al. (2023). The study by Cho et al. (2019) confirms a partial positive relationship between Corporate Social Responsibility (CSR) and financial performance, with social contributions significantly enhancing profitability and firm value. CSR activities, particularly those that enhance corporate soundness, have a positive influence on both asset growth and firm value, highlighting the financial benefits of socially responsible practices.

The median score for CSR practices is 3.95, indicating a high level of adoption of CSR among eco-tourism enterprises (see Table 4). The standard deviation figure of 1.19 in the preceding statement represents the variation in CSR practices among the sample companies. This suggests that corporations' CSR actions cluster close to the mean. Alternatively, the average degree of profitability for ecotourism enterprises is 8.2%. The table indicates a 2.4% difference in profitability among various companies. This suggests that most companies' profit margins are close to the median number. These descriptive data aim to shed light on the average state of CSR practices and profitability in eco-tourism enterprises, as well as the variation within these states. Mean values are an indicator of the central tendency of the data, whereas standard deviations provide insight into the spread of scores or percentages around the mean.

Table 4. *Descriptive Statistics of CSR Practices and Financial Performance*

Variables	Mean	Standard Deviation
CSR Practices	3.95	1.19
Financial Performance	8.2%	2.4%

According to studies that support the idea of a link between Corporate Social Responsibility (CSR) and financial performance, a study by Okafor et al. (2021) examines the relationship between CSR and Corporate Financial Performance (CFP) in U.S. tech firms. Analyzing data from the top 100 tech companies listed on the S&P 500 between 2017 and 2019, the study finds that increased spending on socially responsible initiatives correlates with higher revenue and profitability. However, the study shows no significant link between CSR and Tobin's Q, a measure of firm value. These findings underscore the long-term financial benefits of CSR while highlighting its limited impact on market valuation metrics.

The correlation coefficient has a range of -1 to +1, and it is used to express both the strength and direction of a linear relationship that exists between the variables (see Table 5). Within the context of this discussion, the coefficient of connection between CSR practices and profitability is 0.62. This suggests a positive association and a relationship that is both positive and somewhat strong between CSR practices and profitability among eco-tourism businesses.

Table 5. *Correlation Matrix Between CSR Practices and Profitability*

	CSR Practices	Profitability
CSR Practices	1.00	0.62
Profitability	0.62	1.00

A study by Miras-Rodríguez et al. (2020) explores the impact of increased Corporate Social Responsibility (CSR) reporting on corporate reputation, emphasizing the role of CSR consistency. Findings suggest that while CSR reporting can enhance stakeholder perceptions when aligned with genuine CSR commitments, it often hurts corporate reputation if perceived as merely an impression management strategy. This highlights the importance of coherence between CSR reporting and actual CSR practices for fostering trust and maintaining a positive reputation. The study offers valuable insights for companies and regulators to enhance their CSR reporting frameworks and mitigate potential reputational risks.

The expected value of financial success is shown by the intercept term, which is 0.50 and equals zero when CSR measures are absent (see Table 6). This level of financial performance serves as the benchmark for future comparison. The coefficient for CSR practices is 0.75, indicating a correlation of 0.75 units in financial performance for each unit added to the total number of CSR activities. This variable represents the estimated impact of CSR practices on an organization's financial performance.

Table 6. *Regression Analysis Result*

Variables	Coefficient	Standard Error	T-Value	P-Value
Financial Performance	0.50	0.10	5.00	<0.001
CSR Practices	0.75	0.20	3.75	0.002

Notes: *$p<0.05$*

The Influence of Corporate Social Responsibility (CSR) on Corporate Financial Performance (CFP) within the Hospitality Industry. It reveals a U-shaped relationship, where CSR initially incurs a cost but yields higher financial benefits when strong stakeholder relationships are established. Interestingly, the simultaneous application of CSR and Quality Management (QM) proves less advantageous than implementing CSR alone, as overlapping activities targeting stakeholder satisfaction create redundancies. These findings offer valuable insights into the nuanced role of CSR in enhancing financial outcomes, as noted by Franco et al. (2020). The paper of Huang et al. (2020) conducts a meta-analysis of 437 primary studies to investigate the relationship between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP). It identifies macroeconomic fluctuations at the macro level as a key factor contributing to the mixed findings in the literature. The results suggest that, when these economic influences are taken into account, a clear and positive impact of CSR on CFP emerges. This highlights the importance of accounting for economic fluctuations to accurately assess the financial benefits of CSR initiatives.

Descriptive analyses of CSR practices revealed that the sampled eco-tourism enterprises reported a high level of implementation for environmentally sustainable operations. The descriptive data of CSR activities demonstrated this. They took the initiative to maintain biodiversity, conserve energy and water, and manage waste by sustainable business practices. Furthermore, corporations invested in employee well-being and professional development, as well as local cultural preservation, fair trade, and ethical business practices, including ethical dealings with customers. Second, there was a wide range of diversity in financial performance across the various profitability groups that were analyzed. Higher profitability is an indicator of overall financial performance.

Therefore, companies with higher levels of profitability also tend to have larger returns on investments and higher market valuations. On the other hand, low-profit enterprises had a lower return on investment and were worth less overall.

Analyzing the connections between CSR and financial success revealed a positive and marginally significant trend. This suggests that ecotourism enterprises with a higher number of CSR initiatives also tend to have greater financial success. However, it is crucial to remember that correlation does not imply causation, and further study is necessary to uncover the underlying mechanisms and rule out potential confounding variables. The regression analysis results further supported the positive correlation between CSR and financial outcomes. Higher levels of CSR activities were found to have a beneficial effect on financial performance, and the coefficient for CSR practices was statistically significant. This supports the theory that more extensive CSR efforts will improve business results.

4.0 Conclusion

This study explored the relationship between Corporate Social Responsibility (CSR) initiatives and financial performance in eco-tourism businesses. The findings reveal a statistically significant positive correlation, indicating that firms with well-integrated CSR strategies tend to achieve better financial outcomes, as measured by profitability, return on investment (ROI), and market valuation. However, the strength of this relationship suggests that while CSR contributes to financial performance, other external factors, such as market conditions and regulatory frameworks, also play a role. The study contributes to the literature by addressing a gap in CSR research within the eco-tourism sector, demonstrating that strategic CSR implementation can enhance both sustainability and financial success. Unlike prior studies that have provided mixed conclusions on the financial impact of CSR, this research confirms that CSR, particularly in environmentally and socially responsible tourism businesses, serves as a valuable investment rather than a financial burden.

To further advance this area of study, future research should investigate the causal mechanisms underlying CSR's financial benefits, including enhanced stakeholder trust, improved brand reputation, and increased operational efficiencies. Additionally, longitudinal studies could provide deeper insights into how the financial impact of CSR evolves. From a policy perspective, concrete measures such as tax incentives, regulatory frameworks, and certification programs can be developed to encourage CSR adoption in the eco-tourism sector. Policymakers should focus on fostering responsible tourism practices that benefit not only businesses but also local communities and environmental conservation efforts. Ultimately, while this study highlights the benefits of CSR for businesses, policymakers, and society, the roles of consumers and investors should not be overlooked. As demand for sustainable tourism grows, consumer preferences and investor priorities are likely to drive further adoption of corporate social responsibility (CSR), reinforcing its long-term financial viability.

5.0 Contributions of Authors

Benjamin S. Villagonzalo Jr. is responsible for the conception, design, analysis, writing, or revision of the manuscript.

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7.0 Conflict of Interests

No conflict of interest.

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