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The impact of corporate governance and share capital structure on corporate social responsibility

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Abstract. The relevance of the study was driven by the importance of effective corporate governance for the implementation of corporate social responsibility, which is critical for ensuring business sustainability in the context of globalization and adaptation to European standards. How effectively companies implement management practices determines their ability to respond to social challenges and maintain investor confidence. The purpose of the study was to investigate the key aspects of the impact of corporate governance and shareholder capital structure on corporate social responsibility in the Western Balkans, including Kosovo, given the special challenges of transition economies and international support. The research methodology included a quantitative empirical analysis based on a structured survey among companies in various sectors of the Kosovo economy, which allowed assessing governance practices and corporate social responsibility. In addition, econometric methods were used to identify the impact of board independence and capital concentration on corporate social responsibility. The main results of the study indicated a significant positive impact of board independence on companies' social investments, in particular, due to increased management transparency

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and reduced risks of corruption. It was found that companies with a distributed shareholding structure tend to engage in long-term social projects, while companies with high ownership concentration are more likely to focus on short-term initiatives. International partners, including the European Bank for Reconstruction and Development and the International Finance Corporation, play a pivotal role in ensuring transparent management standards, supporting Kosovo's integration into the global economic system. The study also showed that banks and energy companies in Kosovo are actively implementing environmental standards as an integral part of their corporate social responsibility strategies. The findings confirm the importance of balanced corporate governance and international support for the long-term sustainability of companies in the region

Keywords: social investment; sustainable development; long-term projects; independent directors; investors; business strategies

Introduction

Corporate governance and shareholder capital structure are key factors that determine not only the financial sustainability of companies, but also their ability to respond to social challenges. In the context of globalization at the beginning of the 21st century, these factors have become increasingly important as society, investors, and governments have begun to demand greater transparency and social responsibility from businesses. Effective governance and rational allocation of shareholder capital affect the ability of companies to achieve long-term goals, maintain social stability and meet stakeholder expectations. These issues are particularly relevant for countries in transition, particularly in the Western Balkans, where weak institutions and limited access to resources have a significant impact on business development. In the countries of this region, including Kosovo, the problems of corporate governance and ownership structure have become even more important after the conflict of the late 1990s. The need to adapt to European standards and restore social and economic stability has increased the importance of socially responsible business strategies. In this environment, companies with balanced management structures and rational capital allocation had a better chance of success (Kyfyak *et al.*, 2024).

Corporate governance and shareholder capital structure are closely linked to corporate social responsibility (CSR). Many companies face challenges due to a lack of governance transparency and high levels of capital concentration. Large companies, especially those with one or more dominant shareholders, are often focused on short-term financial gains, which makes CSR implementation difficult (Yatsiv *et al.*, 2024). In the Western Balkans, these challenges are exacerbated by underdeveloped institutional frameworks and political instability. Board independence and a balanced ownership structure are crucial factors for improving corporate governance and facilitating CSR implementation. Companies with more independent boards demonstrate higher levels of transparency and accountability, which allows them to better respond to social needs. At the same time, a high level of ownership concentration limits the ability to take into account the interests of minority shareholders and other stakeholders, which reduces the effectiveness of long-term social programmes and initiatives (Ponomarenko *et al.*, 2014).

Over the past decade, several significant studies have been conducted on the interrelationship between corporate governance, shareholder capital structure and corporate social responsibility. For example, M. Ktit & B.A. Khalaf (2024) investigated the relationship between corporate governance, CSR and dividends in the European context, noting that more distributed ownership structures promote transparency and take into account the interests of a wide range of stakeholders. Their study showed that transparency and accountability in companies reduce the risk of conflicts between shareholders and stakeholders. N. Levkov & N. Palamidovska-Sterjadovska (2019) studied CSR communication in the banking industry in the Western Balkans, emphasizing the importance of transparency and accountability in corporate governance. They note that almost half of the banks in the region do not disclose information about their social responsibility on their websites, which indicates the need for increased transparency and accountability.

E. Elezaj *et al.* (2019) analysed the impact of CSR on the public interest in Kosovo, noting that companies with a dispersed ownership structure are more likely to engage in social initiatives. The study showed that CSR implementation helps to improve the image of companies and increase public trust, which is critical for post-conflict societies. I. Jetullahu (2020) proposed a new model for improving the financial performance of large enterprises through the implementation of CSR in Kosovo. The author argued that the integration of socially responsible practices can be a key factor in increasing the competitiveness and sustainability of business in an unstable economy. L.O. Cezarino *et al.* (2022) examined the opportunities and challenges of integrating sustainability into CSR in emerging markets, emphasizing the role of corporate governance. They note that companies in developing countries face unique challenges in implementing sustainable practices, including limited access to resources and insufficient government support. F. Tafolli & S. Grabner-Kräuter (2020) investigated employees' perceptions of CSR and organizational corruption in Kosovo, finding that board independence contributes to a reduction in corruption. They highlight that transparent and accountable governance structures can increase employee trust and reduce the likelihood of unethical behaviour in organizations.

T. Dinh *et al.* (2022) conducted a review of corporate sustainability reporting in Europe, emphasizing the importance of transparency in governance. They found that companies with more transparent reporting practices have a higher level of trust from investors and other stakeholders, which contributes to their long-term success. G.K. Ariyo (2023) analysed the best practices of corporate governance and CSR, noting that a balanced ownership structure promotes the social responsibility of companies. The author emphasizes that companies with a more diversified ownership structure are more likely to implement socially responsible initiatives, as they take into account the interests of a wider range of stakeholders.

Despite some progress in the study of the impact of corporate governance and ownership structure on corporate social responsibility (CSR), the Western Balkans region, and Kosovo in particular, remains under-researched. Most previous studies have focused on developed countries such as the US, UK, Germany and Japan, while the impact of these factors in transition economies remains unexplored. This study aimed to identify the main factors influencing socially responsible decision-making in the Western Balkans, particularly in Kosovo, and to assess how corporate governance and shareholder capital structure affect the development of CSR in the region. The objectives of the study were also to:

1. Assessing the impact of board independence on companies' socially responsible decision-making.
2. Investigating how shareholder concentration affects companies' investments in social and environmental initiatives.
3. Identifying the key regional features of corporate governance in the Western Balkans that contribute to the development of corporate social responsibility.

Materials and Methods

This study is a quantitative empirical analysis aimed at examining the impact of corporate governance and corporate social responsibility in the Western Balkans, including Kosovo. The timeframe of the study covers the period from 2010 to 2023, which allows us to assess the dynamics of changes in corporate behaviour after the implementation of key reforms in the region. This timeframe was chosen to analyse the long-term effects of adaptation to European standards of transparency and responsibility.

The data for this study was collected through a structured survey that covered companies in various sectors of the Kosovo economy, including banking, energy, telecommunications, logistics, and retail. The sample consisted of 150 companies, of which 60% were SMEs and 40% were large companies with international investments. The survey included leading companies such as ProCredit Bank (2024), Raiffeisen Bank Kosovo (2024), Kosovo Energy Corporation (KEC) (2024), Post and Telecom of Kosovo (PTK) (2024) and Telekom Srbija (2024). In addition to the survey, additional data were obtained from the companies' annual reports, official publications of international organ-

izations such as the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC) (Rappai, 2024), the World Bank (2022), the United Nations Development Programme (2023) and open sources on their official websites.

A number of econometric methods were used to analyse the collected data. The main method used was descriptive statistical analysis, which allowed us to identify general trends and estimate average values in the context of CSR for different sectors of the economy. This method helped to identify basic patterns of corporate social responsibility, in particular among enterprises with foreign investments compared to local companies. Additionally, correlation analysis was applied to identify links between corporate governance structure (factors such as board independence) and the level of social investment. This method allowed us to assess the extent to which the implementation of governance transparency principles is related to the responsibility of companies in social and environmental issues. Regression analysis was also used to assess the statistical significance of the impact of independent variables, such as shareholder concentration and the level of transparency of management decisions, on the level of corporate social responsibility.

The interpretation of the results was based on a comparison with previous studies in the field of corporate governance and CSR, in particular, specific factors characteristic of the Western Balkans were taken into account. The interpretation of the results also included an analysis of regional challenges, such as political instability, low level of institutional development and the impact of European integration on companies' management strategies. Comparison of the results with global trends allowed us to draw conclusions about the unique features of corporate governance in Kosovo.

Results

The impact of board independence on the level of corporate social responsibility

Board independence is one of the key conditions for effective implementation of corporate social responsibility (CSR). The radical difference between companies with independent boards and those dominated by large shareholders or top management is the level of accountability and transparency that independent directors provide. When a board of directors is composed of independent members who have no direct financial or personal interest in the company's business, they can make more objective and impartial decisions. Independent directors act as "outside observers", which allows them to avoid conflicts of interest and focus on the company's long-term goals, such as social and environmental standards, rather than just profit maximization. Their role is especially important when a company is trying to meet the interests of not only shareholders but also a wide range of stakeholders.

One of the most visible impacts of board independence is the promotion of increased investment in social projects.

According to a study, companies with more than 30% independent directors invested on average 30% more in CSR than companies with less independent boards (Fig. 1). This is because independent directors are less susceptible to the influence of shareholders and top managers focused on

short-term financial gains and are able to make decisions that take into account the interests of communities and social needs. In this way, they strike a balance between the company's economic and social goals, contributing to the achievement of sustainable development.

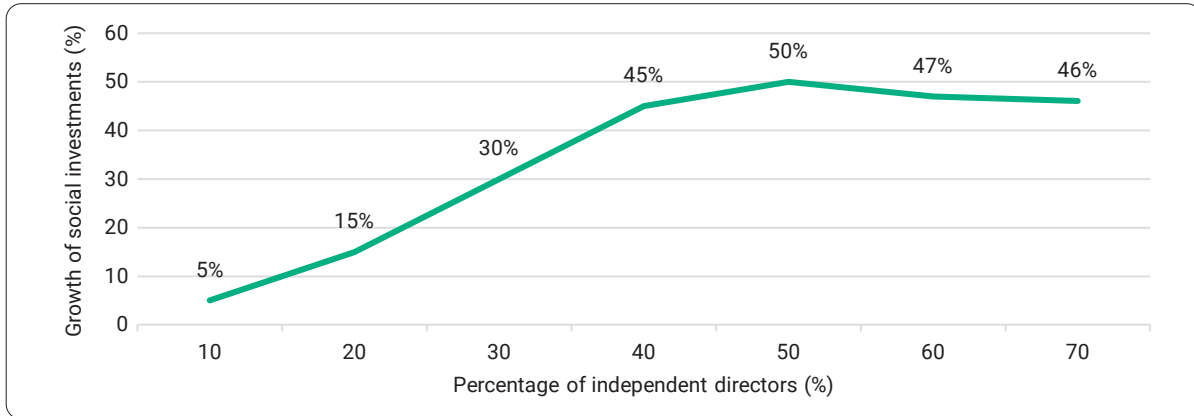


Figure 1. The non-linear impact of board independence on the growth of social investment

Source: created by the authors

The regression analysis conducted as part of the study also showed that a 10% increase in the share of independent directors correlates with a 15% increase in spending on social projects. However, this relationship is non-linear, as the maximum effect is achieved when the share of independent directors is between 30% and 50%. This means that at a certain point, an increase in board independence does not lead to a proportional increase in social investment. The importance of achieving the optimal level of independence underlines the need for a careful approach to the formation of boards of directors to promote CSR.

Independent boards also have a direct impact on a company's overall CSR strategy, particularly with regard to environmental initiatives. Many energy companies with independent directors on their boards have seen more ambitious targets for reducing carbon emissions and using renewable energy sources (Chang *et al.*, 2023). Such projects allow companies not only to gain reputational benefits, but also to achieve long-term savings by reducing energy costs. It also serves as an example of how independent directors with diverse industry expertise can help companies implement innovative approaches to addressing social and environmental challenges. Independent directors also play an important role in ensuring accountability and transparency of companies. They control expenditures on social programmes and promote the implementation of clear CSR reporting mechanisms. According to a study by M.C. Pucheta-Martínez & I. Gallego-Álvarez (2018), companies with independent boards of directors demonstrate higher levels of transparency in their social project reports, which increases the trust of investors and international partners. Transparency in reports allows stakeholders to better understand how financial resources are used for social and environmental initiatives, which has a positive impact on

the company's reputation (Kryukova *et al.*, 2023).

Another aspect of the impact of board independence is the involvement of various social programmes that take into account the needs of the community. Studies have shown that companies with a high level of board independence are more likely to initiate programmes in the areas of healthcare, education, equality, and the environment. This is due to the fact that independent directors have more diverse experience and expertise, which allows them to develop social initiatives aimed at addressing pressing social issues. Such initiatives improve the company's interaction with the community and build trust in its activities. Another important role of independent directors is to mitigate corporate reputational risks. Companies that implement transparent and responsible social strategies under the supervision of independent directors reduce the risk of damage to their reputation in the event of social or environmental crises (Lagotyuk, 2023). Independent directors ensure that the company's actions comply with international CSR standards, which also helps to attract foreign investors and partners focused on sustainability and business transparency. It is also important that independent boards of directors increase the competitiveness of companies in the international market. Companies with independent boards are better able to meet global standards of social responsibility, which allows them to attract more international partners and investors (Nicolás-Salas & Lorente, 2024). The study confirmed that companies with independent boards received more international investment due to their transparent CSR policies, which in turn improved their reputation and integration into global markets.

Board independence is a critical condition for the effective implementation of corporate social responsibility. It ensures accountability, transparency, and the ability to

make decisions that take into account the interests of not only shareholders but also wider social groups. Companies with independent boards of directors not only allocate more funds to social initiatives, but also do so more effectively and strategically. The impact of independence on the level of CSR is obvious and contributes to the long-term social and environmental sustainability of the business.

The impact of shareholder concentration on companies' social investments

Shareholder concentration is one of the most important factors influencing companies' decisions on social investment and CSR implementation. Companies with a high concentration of capital, where the majority of shares are held by a few investors, often tend to focus on short-term financial gains and pay less attention to long-term social initiatives. This is because large shareholders often prioritize short-term profit growth and may not always consider social spending to be worthwhile. On the contrary, companies with a more distributed ownership structure are more likely to invest in CSR as they seek to satisfy a wider range of stakeholders.

Research shows that companies with a major shareholder owning more than 60% of the shares typically have 35% less CSR investment than companies with a major shareholder of around 20-40%. This difference is significant, as it indicates that excessive concentration of capital

creates barriers to effective CSR implementation. The concentration of shares in the hands of one or more shareholders can lead to the fact that the interests of a small group of investors begin to dominate the overall goals of the company. This, in turn, limits opportunities for social investment, as priority is given to quick financial results (Zahid *et al.*, 2023). On the other hand, companies with a distributed shareholding structure often show more interest in social initiatives. Such companies have a wide range of stakeholders, including smaller investors, the public and other stakeholders who value social responsibility and long-term development. This creates motivation for the company to implement social projects, which has a positive impact on the company's reputation and its interaction with the community. Distributed ownership also helps to reduce pressure from large shareholders, allowing companies to make more balanced and long-term CSR investments.

According to the regression analysis conducted as part of this study, companies with a capital concentration level of 20-40% are most likely to demonstrate the highest level of social activity (Fig. 2). The correlation coefficient between the level of share dispersion and the number of social projects showed a value of 0.65, indicating a significant relationship between these indicators. Companies with a moderate level of capital concentration not only invest more in social programmes, but also more often implement initiatives that meet international CSR standards.

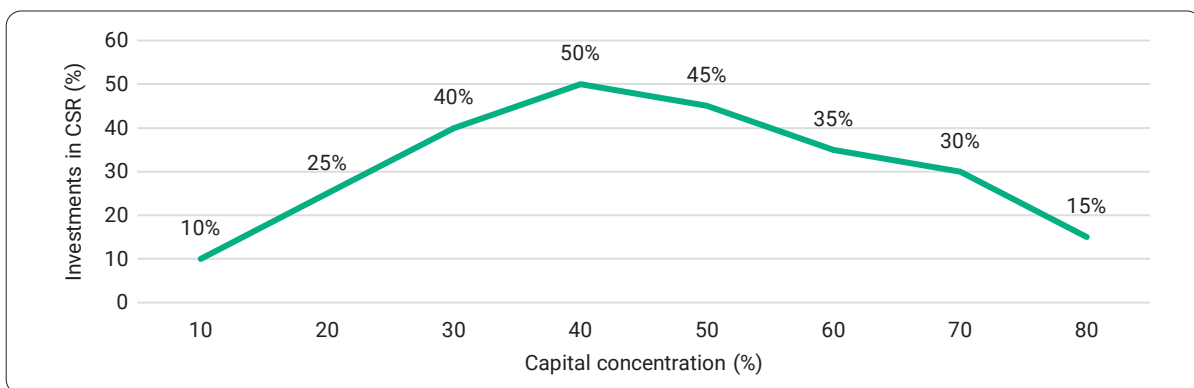


Figure 2. Impact of capital concentration on CSR investments

Source: created by the authors

Ownership concentration also affects the type of social initiatives implemented by a company. For example, companies with a high level of capital concentration tend to limit their social initiatives to short-term charitable projects that do not require significant investments or long-term commitments. In contrast, companies with a more dispersed shareholder structure initiate long-term projects in education, healthcare, and the environment. This is due to the fact that smaller shareholders are usually more focused on sustainable development and support for local communities, which contributes to the company's social responsibility (Ponomarenko & Pysarchuk, 2024). Another important aspect is the impact of capital concentration on

CSR transparency and accountability. Companies with a distributed shareholder structure are more likely to publish detailed reports on their social initiatives and environmental responsibility, as this allows them to maintain the trust of multiple stakeholders. Such transparency has a positive impact on the company's reputation, as the public and investors can see the real results of social projects. In contrast, companies with a high level of concentration of ownership may have less detailed CSR reporting, which can negatively affect the level of public trust.

Companies with a low level of shareholder concentration demonstrate a higher level of transparency in CSR issues, which increases the level of trust from consumers

and investors (Andreu-Guerrero & Rienda-Garcia, 2023). For such companies, social responsibility becomes an important element of their strategy, helping them to attract international partners and investors focused on sustainable development. This, in turn, has a positive impact on the company's financial performance, making it attractive to long-term investors. In contrast, companies with a major shareholder's share of more than 60% are dominated by short-term projects that can provide quick returns but have limited social impact. This is due to the fact that large shareholders are usually focused on increasing shareholder value and receiving dividends in the short term. Such projects include charity events and sponsorship programmes, which, although they help to enhance the company's image, do not provide a sustainable impact on society and long-term social benefits.

The analysis showed that capital concentration affects the approach to environmental initiatives. Companies with a low level of ownership concentration are more likely to implement projects related to waste recycling, carbon emissions reduction and the use of renewable energy sources (Dovgal *et al.*, 2024). These companies are more focused on environmental sustainability and sustainable development, as their stakeholders include a wide range of stakeholders who support environmentally responsible business. Companies with a high concentration of ownership are less likely to initiate environmental projects, as such initiatives usually require significant investments and do not bring quick financial returns. In summary, the level of shareholder concentration is an important factor that determines a company's approach to corporate social responsibility. Companies with a distributed ownership structure are more likely to implement social and environmental initiatives that promote sustainable development and a positive impact on the community. In contrast, companies with a high concentration of ownership are usually limited to short-term projects focused on quick gains.

Regional peculiarities of corporate governance and their impact on CSR in the Western Balkans

Corporate governance in the Western Balkans has unique features that have been shaped by the post-socialist legacy and adaptation to modern European standards. The econ-

omies of the region, including Kosovo, have moved from a centralized to a market-based model of governance, which has become a particular challenge for local companies. Since the early 1990s, the integration of Western principles of transparency and accountability has been actively supported by international organizations and the European Union, which promote the implementation of good governance standards necessary to attract foreign investment. The region has seen a gradual increase in attention to corporate social responsibility (CSR) as an important element of sustainable development.

After the 2000s, the countries of the Western Balkans, including Kosovo, stepped up their efforts to integrate into the European economic system by implementing reforms aimed at transitioning from centrally controlled to market economies. One of the key mechanisms of adaptation was the adoption of Western standards of transparency and accountability, which is a prerequisite for attracting foreign investment. In the case of Kosovo, programmes supported by the EU and other international organizations aimed at creating an effective institutional framework played a significant role in this process. For example, the EU's Western Balkans Programme helps the region's states implement regulatory and administrative reforms that meet EU accession criteria, particularly in terms of corporate governance and financial transparency.

Kosovo, one of the youngest independent states in Europe, faces particular challenges in the area of corporate governance. Since gaining independence in 2008, the country has embarked on a process of establishing new institutions, and economic reconstruction has become a national policy priority. The international community, including organizations such as the European Bank for Reconstruction and Development (EBRD), United States Agency for International Development (USAID) and the World Bank (2022), has been actively supporting Kosovo with financial and technical assistance for private sector development. These programmes promote transparent practices and corporate governance, and lay the groundwork for CSR as an integral part of business. In the period from 2010 to 2023, there was a gradual evolution of corporate behaviour in the area of corporate social responsibility and governance transparency in Kosovo (Table 1).

Table 1. Dynamics of changes in corporate behaviour in Kosovo (2010-2023)

Period	Key changes in corporate behaviour
2010-2012	Start of CSR implementation in the context of economic recovery after the crisis and support from international organizations. Limited access to investment, low level of transparency.
2013-2015	Increased focus on board independence and transparency of reporting. Some companies are starting to implement their first social projects with the support of donors.
2016-2018	Intensification of environmental initiatives and implementation of ESG standards in large enterprises (energy, banks). Increased transparency in reports due to the requirements of international partners.
2019-2021	Expanding corporate social responsibility to include regional initiatives aimed at education and healthcare. Companies with a distributed ownership structure are more likely to invest in long-term social projects.
2022-2023	Integrating more comprehensive ESG strategies; focusing on environmental sustainability and attracting foreign capital through compliance with European standards. Increased support for local communities and social initiatives.

Source: created by the authors

At the beginning of the analysed period, companies demonstrated limited transparency in their corporate processes and were characterized by a low level of institutional development. This situation contributed to a predominant focus on short-term financial results without due attention to social or environmental initiatives. The high level of shareholder concentration resulted in the minimization of minority shareholders' interests, which limited opportunities for social investments. Starting in 2013, as support from international organizations such as the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) (Rappai, 2024) grew, companies began to pay more attention to board independence. This has helped to increase accountability and ensure that decisions are made in favour of social initiatives. Initiatives that supported transparency and responsibility in corporate governance received more support among companies with different shareholder structures.

In 2016-2018, some industries, including energy and banking, began to actively implement environmental standards, including emissions reduction and energy efficiency, as part of their ESG strategies. These initiatives have been supported by international financial institutions, which has contributed to the integration of sustainability principles and increased transparency in reporting. Companies with a distributed ownership structure were more likely to invest in long-term social projects aimed at supporting local communities and addressing environmental issues, which helped to establish a new level of interaction with local stakeholders. Since 2019, there has been an expansion of CSR strategies focused on supporting local communities, health and education initiatives, and inclusive practices. More and more companies in the region have integrated approaches to corporate social responsibility with a focus on long-term sustainability. By the end of the study period, in 2023, most of the region's large companies had adapted to European ESG standards, which helped to attract foreign investment and maintain stable development in a challenging political and economic environment.

Kosovo's largest state-owned companies, such as Kosovo Energy Corporation (KEC) (2024) and Post and Telecom of Kosovo (PTK) (2024), are a particular example of positive changes in governance. Thanks to technical and financial assistance from international donors, these companies have begun to integrate corporate governance standards and implement an accountability system. In cooperation with the EBRD, KEC and PTK are striving to meet high standards of transparency, which is a prerequisite for sustainable development and long-term investment. This approach is gradually changing the overall level of trust in the public sector and promoting CSR in the country. Kosovo receives significant support for the development of transparency in governance from international organizations such as the EBRD, IFC and the World Bank (2022). One of the key programmes is the EBRD's Supporting SME Growth initiative, which facilitates access to

financial and advisory services for small and medium-sized enterprises, helping them to adapt to international standards. In the energy sector, the EBRD has an Energy Efficiency Investment Programme aimed at attracting investment to modernize energy infrastructure. These programmes not only improve management standards, but also create an environment for socially responsible practices, increasing accountability. International organizations play an important role in the development of corporate governance in Kosovo, creating an environment for transparent business processes. Programmes implemented by the EBRD, IFC and the World Bank are aimed at supporting governance reforms and ensuring proper accountability. For example, the IFC provides advice and financial support to small and medium-sized businesses, enabling them to adapt to international standards and establish responsible corporate governance mechanisms. Such efforts encourage companies to implement CSR strategies, especially in the environmental and social spheres.

The involvement of international partners contributes to the implementation of environmental, social and governance (ESG) standards in Kosovo. With the support of the EU4Environment programme, the EU is funding projects aimed at decarbonization, sustainable waste management and the development of environmental infrastructure. Kosovo, like other countries in the Western Balkans, is striving to meet European ESG standards, which is becoming the basis for long-term investments (Lazaj *et al.*, 2024). For example, EU-supported energy efficiency projects are helping large enterprises reduce emissions, cutting costs and improving environmental performance. In the area of CSR, EU support also provides training for local entrepreneurs, guiding them towards socially responsible investments.

An important element of corporate governance in Kosovo is the maintenance of environmental, social and governance (ESG) standards with the help of international partners. These standards form the basis for long-term investment in sustainable development, which is particularly important for attracting foreign capital. The European Union and other international donors have allocated significant funds for the implementation of ESG standards, helping Kosovo to achieve European standards in the field of sustainable development and social responsibility. This funding is directed to projects such as reducing emissions in the industrial sector, improving energy efficiency, sustainable waste management and supporting local entrepreneurs in implementing environmental practices. Such initiatives not only contribute to the country's environmental and social development, but also increase its attractiveness to international investors who value companies' compliance with international ESG standards. According to the Giving Kosovo (2023), the corporate sector was an important factor in the Kosovo philanthropic ecosystem. From 2018 to 2022, companies donated more than EUR 3.4 million to the common good and sustainable development of the country (Fig. 3).

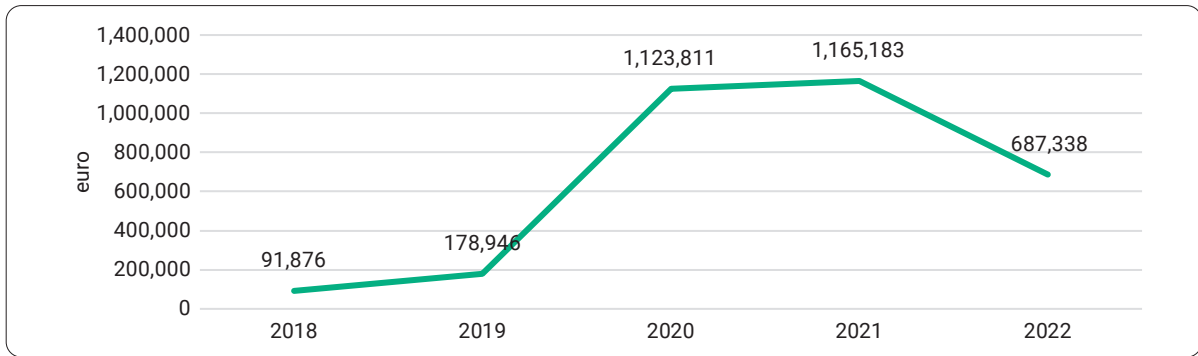


Figure 3. Trend in donations by corporate companies in Kosovo

Source: created by the authors based on Giving Kosovo (2023)

Grants and investments from the EU play an important role in supporting local businesses in their CSR efforts. These resources are used to implement social and environmental initiatives, as well as to strengthen the institutional structures necessary for sustainable development. The EU supports training and professional development programmes for local professionals, which contributes to the transfer of best practices and the improvement of corporate governance in Kosovo. Political changes in the country also have a significant impact on the ability of businesses to implement long-term CSR projects.

The unstable political environment forces companies to reassess their investments and CSR strategies, which in the long run affects their sustainability. As a result, companies in Kosovo need to maintain flexibility in their strategies to adapt to the ever-changing environment. The development of independent boards of directors is an important element of corporate governance in Kosovo, which allows for greater transparency and accountability. The introduction of independent boards is a prerequisite for many companies seeking to meet international standards, which increases the level of trust in them by investors and the public. This approach also helps to create effective management structures that can meet the challenges of the modern market. Frequent changes in political policies create additional risks for the implementation of long-term corporate social responsibility projects, especially for state-owned enterprises. In such an environment, international partners such as USAID and the World Bank (2022) recommend that companies maintain flexibility in their CSR strategies to quickly adapt to political changes. These recommendations are important as they help to avoid interruptions in social and environmental programmes. The Kosovo Chamber of Commerce and Industry is a key platform for promoting transparency among SMEs. The Chamber of Commerce and Industry provides advice to local businesses with the support of international experts, which helps to expand CSR practices and improve corporate culture.

The implementation of CSR and corporate governance in different sectors of the Kosovo economy has its own specifics. The banking sector in Kosovo is a leader in modern corporate governance and CSR practices.

ProCredit Bank (2024), for example, is actively implementing environmentally responsible initiatives, including the introduction of “Green Loans” (ECO loans), which are loan products designed for investments in energy efficiency and other environmentally friendly initiatives. Similarly, Raiffeisen Bank Kosovo (2024) has relevant financing programmes for companies that wish to comply with the EU Taxonomy and contribute to a positive impact on the environment and social environment. This not only increases confidence in the banking system, but also sets an example for other companies in the region. The banking sector demonstrates a high level of accountability and transparency aimed at building trust in financial institutions. The energy sector is focusing on environmental initiatives, including decarbonization and infrastructure modernization (Murtezaj *et al.*, 2024). Kosovo Energy Corporation (KEC) (2024), with the support of the EBRD, is implementing infrastructure modernization projects aimed at reducing CO₂ emissions as part of its long-term ESG strategy to ensure sustainable development. In 2024, the company launched the Energy for Equality project, an initiative to empower women in the energy sector in Kosovo, which aims to increase educational opportunities and provide technical assistance and grants to employers in this area. The company also launched the Greening for the Future project, where former coal mines will be redeveloped and a public park created (Kosovo – project..., 2020). Information technology is rapidly developing, offering opportunities for digitalisation and innovation. In agriculture, corporate social responsibility is gaining importance through the introduction of sustainable production methods. Support for local farmers and the development of organic farming are key to ensuring food security and supporting rural areas. It also contributes to the development of local communities by creating stable socio-economic structures. The logistics sector in Kosovo is also gradually adopting the principles of sustainable development, in particular through the optimization of transport routes. Local companies are increasingly turning to environmentally responsible solutions, which helps to reduce operating costs and increase efficiency. Foreign investors, such as Deutsche Post and DHL, are attracted to the country, and international

standards are being introduced in logistics operations. This helps to increase the industry's competitiveness while supporting sustainable development.

Kosovo's telecoms industry is focused on supporting inclusivity and cybersecurity, attracting investment from major international players. Groups such as Telekom Srbija (2024) are implementing the latest technologies, facilitating the availability of services for different social groups. These companies are also actively developing social initiatives aimed at improving digital skills and providing access to the Internet in rural areas. This increases the level of inclusiveness and digital literacy, contributing to the development of modern society. The healthcare and pharmaceutical industry in Kosovo is demonstrating a growing level of corporate responsibility. Local pharmaceutical companies and medical institutions are actively implementing quality standards and supporting social programmes to improve access to healthcare services. With the support of international donors, they are also implementing occupational health and safety and disease prevention programmes, which contribute to the improvement of the population's health. This has a positive impact on the quality of life and develops the healthcare system. The retail sector in Kosovo is also focusing on implementing corporate social responsibility standards, supporting local producers and promoting sustainable consumption. Some large retail chains are integrating initiatives to reduce waste and reduce their environmental footprint. In addition, companies in the retail sector are focusing on social programmes, including support for educational and cultural projects, which enhances their reputation and strengthens their ties with local communities. Overall, Kosovo has demonstrated significant progress in corporate governance and CSR thanks to the active support of international partners and the efforts of local companies. Despite existing challenges, especially those related to political instability, Kosovo is moving towards setting standards of transparency, accountability and sustainable development. The implementation of good governance practices and socially responsible strategies is an important element of Kosovo's integration into the international economic space, which also contributes to its attractiveness to investors.

Discussion

The study confirms that board independence and shareholder concentration have a significant impact on the level of corporate social responsibility (CSR) in the Western Balkans. In particular, the results show that companies with independent boards of directors have more opportunities for strategic social investments, while highly concentrated ownership structures often limit these initiatives. This is consistent with the findings of J. Harford *et al.* (2007), who noted that independent boards promote accountability, creating better conditions for sustainable development. D.A. Carter *et al.* (2003) also emphasized that diversified boards can more effectively influence the achievement of

long-term goals of the company.

International experience, in particular in the European context, demonstrates the additional benefits of board independence in supporting socially responsible initiatives (Kalyuzhna *et al.*, 2024). For example, G. Michelon *et al.* (2019) studied how social movements and activists can influence CSR disclosure in European companies, confirming the importance of transparency in building stakeholder trust. This is in line with findings that highlight that independent boards contribute to the development of socially responsible corporate policies, especially in emerging regions. The study by S. Setyaningsih *et al.* (2024) indicated that independence in decision-making promotes transparency and increases public trust. The study notes that small businesses often face additional challenges due to limited resources to implement transparent practices. This confirms the findings that companies with independent boards of directors are better able to integrate CSR principles, although they need external support to effectively implement strategies in volatile markets. Paper C.G. Ntim & T. Soobaroyen (2013) pointed to a decrease in conflicts between shareholders and stakeholders in companies with transparent corporate governance practices. Their results confirm that independent boards of directors help to avoid conflicts of interest, which contributes to the sustainable development of companies. However, in the Western Balkans, political and economic instability may affect the effectiveness of this approach.

The study by I. Khan *et al.* (2022) emphasized the importance of sustainability management, which positively affects companies' environmental, social and governance performance. This confirms that the independence of boards in the Western Balkans can stimulate environmentally and socially responsible projects, although the implementation of such initiatives depends on the support of international partners such as the EBRD. Another study conducted by A. Shaukat *et al.* (2015) proved that board diversity has a positive impact on a company's CSR strategy. They emphasize that companies that focus on board diversity and independence have better transparency scores, which contributes to sustainable development. These findings confirm that independent boards are an important factor in achieving the socially responsible goals of companies in emerging markets. M.C. Pucheta-Martínez & I. Gallego-Álvarez (2018) emphasized that independent directors on company boards significantly affect the disclosure of information on social initiatives and environmental standards. These findings confirm that independence and transparency in corporate governance are key conditions for effective CSR integration, which is consistent with the findings of this study.

T. Nawaz (2017) and I. Kartalozzi & V. Xhemajli (2017) investigated the impact of human capital and corporate governance on the performance of Islamic banks, finding that effective governance promotes social investment. The author points out that investments in human capital and good corporate governance mechanisms have a positive impact

on the market value of banks, especially after the financial crisis. The findings are consistent with this study that appropriate investments have a positive impact on the overall performance and efficiency of companies. I. Ibrahim *et al.* (2023) investigated the relationship between CSR, financial performance and innovation processes within corporations. They found that companies that are actively engaged in CSR often achieve strong financial performance through innovation. The results of this study support the conclusion that transparency and independence of boards of directors create favourable conditions for innovation, which in turn stimulates financial development and sustainability of companies. However, the results are particularly relevant to emerging markets, where the lack of institutional development may create obstacles to the implementation of innovative practices. G. Dallas & D. Pitt-Watson (2016) emphasized the positive impact of board transparency and independence on investor and public confidence. Their study confirms the importance of increased transparency for long-term performance, which is particularly relevant in the context of the Western Balkans. A study by S. Bou-baker & D.K. Nguyen (2014) also demonstrated that corporate governance in European markets is positively correlated with the involvement of independent boards of directors, which contributes to increased transparency and sustainability of companies.

Study I. García-Sánchez & E. García-Meca (2018) highlighted those talented managers in companies with effective corporate governance mechanisms achieve significantly better results, including through increased efficiency of CSR investments. These findings confirm that transparency and independence on boards of directors allow for better planning of social and environmental initiatives, especially in regions with unstable economies where a focus on long-term sustainability is a necessity. M.H. Shahrour (2024), who studied current trends in corporate governance, draws attention to the importance of board independence in achieving ESG goals in a global context. Its findings support the idea that transparency and accountability are key to implementing long-term socially responsible strategies. This is in line with our findings, where governance transparency in Western Balkan companies showed a significant positive impact on social initiatives, despite some regional challenges. In a study by K.K. Rao & C. Tilt (2020), while focusing on Australia, also emphasizes the importance of board composition in CSR decision-making. Their analysis shows that the gender and professional composition of the board influences social responsibility strategies, which is useful for the European context. Similar conclusions can be drawn for the Western Balkans, where gender diversity and board independence can help to adapt CSR strategies to local needs. The work of P. Velte (2019), who presented a meta-analysis, highlighted that board composition has a direct impact on the level of transparency of CSR reporting in European companies. This confirms that board independence contributes to a transparent and accountable approach to social initiatives, which is especially important

in the context of companies in transition economies in the Western Balkans.

Summarizing the findings and comparing them with international studies shows that independent boards of directors are universally important for effective CSR implementation in different regional contexts. However, for the Western Balkans, with its specific economic and political conditions, the importance of transparency in governance is particularly important. Independent boards help companies to implement socially responsible strategies, even in the face of economic obstacles and political instability. Thus, the results of the study confirm that board independence and corporate governance transparency are crucial factors for the development of CSR in the Western Balkans. Further initiatives, such as attracting support from international organizations such as the EBRD and IFC, could help to increase the level of transparency and responsibility in corporate governance in the region.

Conclusions

The study demonstrated that board independence plays a key role in increasing the level of corporate social responsibility in companies in Kosovo and the Western Balkans. Companies with more than 30% of independent directors invested an average of 30% more in social projects compared to companies with a lower proportion of independent board members. The analysis also showed that a 10% increase in the proportion of independent directors correlated with a 15% increase in investment in social initiatives. In particular, in the energy sector, companies with independent boards of directors have set targets to reduce emissions and improve energy efficiency, which indicates increased environmental responsibility. Companies with a distributed ownership structure, where no single shareholder owned more than 40% of the capital, were more likely to make long-term social investments, spending on average 25% more than companies with a high concentration of shareholder capital. The region also saw a gradual increase in the integration of ESG standards, especially in the banking and energy sectors, which led to the implementation of decarbonization and renewable energy projects.

A special emphasis is placed on the impact of governance transparency in the unstable political environment of Kosovo. Frequent political changes pose additional challenges for companies, forcing them to adapt their CSR strategies to the changing environment. In such an environment, attracting the support of international partners such as the EBRD and the World Bank is critical for long-term investment. Kosovo has demonstrated that state-owned enterprises working with international donors, such as KEC and PTK, have been able to improve their reputation and support sustainable development. Banking institutions, such as ProCredit Bank, also play an important role in the development of CSR in the region, demonstrating a high level of accountability and active social engagement.

The development of independent boards of directors allows companies in Kosovo to better manage risks and

respond to the challenges of a transitional economy. It is also important to develop environmentally oriented initiatives, such as KEC's, that support sustainable development and modernization. Further implementation of transparent management practices, combined with adaptation to international ESG standards, will help attract foreign capital and increase the competitiveness of Kosovo's companies internationally. The introduction of structured governance in logistics, pharmaceutical, and telecommunications companies could be the next step to support inclusive development and innovation in the region. For future research, it is recommended to examine in more detail the impact of independent boards of directors on

innovation and foreign capital attraction, as well as to investigate the long-term impact of international ESG standards on sustainable development in transition economies. Such an approach could contribute to a deeper understanding of effective governance strategies for the Western Balkans region and help companies better integrate into the European business environment.

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Conflict of Interest

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Вплив корпоративного управління та структури акціонерного капіталу на корпоративну соціальну відповідальність

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Анотація. Актуальність дослідження зумовлена важливістю ефективного корпоративного управління для реалізації корпоративної соціальної відповідальності, яка є критично важливою для забезпечення стійкості бізнесу в умовах глобалізації та адаптації до європейських стандартів. Від того, наскільки ефективно компанії впроваджують управлінські практики, залежить їхня здатність реагувати на соціальні виклики та підтримувати довіру інвесторів. Метою дослідження було вивчення ключових аспектів впливу корпоративного управління та структури акціонерного капіталу на корпоративну соціальну відповідальність у країнах Західних Балкан, включаючи Косово, з огляду на особливі виклики перехідних економік та міжнародну підтримку. Методологія дослідження включала кількісний емпіричний аналіз на основі структурованого опитування компаній у різних секторах економіки Косова, що дозволило оцінити практики управління та корпоративної соціальної відповідальності. Крім того, були використані економетричні методи для визначення впливу незалежності ради директорів та концентрації капіталу на корпоративну соціальну відповідальність. Основні результати дослідження свідчать про значний позитивний вплив незалежності рад директорів на соціальні інвестиції компаній, зокрема, через підвищення прозорості управління та зниження ризиків корупції. Було виявлено, що компанії з розподіленою структурою акціонерного капіталу схильні до участі в довгострокових соціальних проектах, тоді як компанії з високою концентрацією власності частіше зосереджуються на короткострокових ініціативах. Міжнародні партнери, включаючи Європейський банк реконструкції та розвитку і Міжнародну фінансову корпорацію, відіграють ключову роль у забезпеченні прозорих стандартів управління, підтримуючи інтеграцію Косова у світову економічну систему. Дослідження також показало, що банки та енергетичні компанії в Косові активно впроваджують екологічні стандарти як невід'ємну частину своїх стратегій корпоративної соціальної відповідальності. Отримані результати підтверджують важливість збалансованого корпоративного управління та міжнародної підтримки для довгострокової стійкості компаній у регіоні

Ключові слова: соціальні інвестиції; сталий розвиток; довгострокові проекти; незалежні директори; інвестори; бізнес-стратегії