

**THE RELATIONSHIP BETWEEN
CORPORATE SOCIAL RESPONSIBILITY,
EARNINGS MANAGEMENT AND FINANCIAL
PERFORMANCE OF THE FIRM IN THE
CONTEXT OF PAKISTAN**

**By
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**NATIONAL UNIVERSITY OF MODERN LANGUAGES
ISLAMABAD**

2019

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CONTEXT OF PAKISTAN**

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BBA Honor from Abdul Wali Khan University Mardan 2014

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF SCIENCE

In **BUSINESS ADMINISTRATION**

To

FACULTY OF MANAGEMENT SCIENCES



NATIONAL UNIVERSITY OF MODERN LANGUAGES, ISLAMABAD

March, 2019

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This thesis has been read by me and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style, and consistency, and thus fulfils the qualitative requirements of this study. It is ready for submission to the Faculty of Advanced Integrated Studies and Research for internal and external evaluation.

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DEDICATION

I dedicate this research to my parents and specially to my father who is a real source of motivation and inspiration to me , not because he is my father rather because of his conduct , honesty, dedication towards his profession and way of living . No doubt due to special blessing of ALLAH and prayers of my parents today I am able to complete this study.

ACKNOWLEDGEMENT

I am especially thankful to my supervisor, Dr. Muhammad Asad Khan, whose constant support and guidance made this dissertation possible for me. I also acknowledge his soft, approachable attitude which had always been a source of great encouragement for me, especially in my most challenging times during the research. However, this study would not have been possible without the cooperation of few other individuals. That is my parents and Chairman who took some burden off me regarding my domestic responsibilities during the research and supporting me, practically and psychologically, in every possible way until the completion of my thesis.

Thank you all very much!

ABSTRACT

Title: The Relationship between Corporate Social Responsibility, Earnings Management and Financial Performance of the Firm in the Context of Pakistan

The purpose of this research study is to fill the gap by conducting a research to know that what impacts CSR has on earning management and financial performance. The meaning of corporate social responsibility is to give anything of value other than the core product by the company which is in the favour of society, understanding the actual needs of the society, ensuring workplace safety of employees, employees' retention and maintaining a clear relationship between the employees and management results in enhanced financial performance in term of profits, committed employees, customer loyalty and increased sale to face a competitive environment. The purpose of this research is to find out the relationship between corporate social responsibility, earning management and firm's financial performance in term of employee's retention, firm reputation and increased profits. The study is quantitative, data collected through questionnaire distributed among the employees and annual reports of different companies on Pakistan Stock exchange, OLS for earning management dummy of 0 and 1 were used to regress the result of dependent and independent variable of the companies performing business in Pakistan. The Financial Performance is dependent variable while Corporate Social Responsibility and Earning Management are the independent variable of the study. Analysis of the study shows that there is a positive correlation between Earning Management and corporate social responsibility and performance. This means that there is a significant relationship between CSR, EM and Performance revealing impacts that CSR and EM have on performance. The purpose of this study is to observe the relationship between Corporate Social Responsibility (CSR), Earning Management (EM) in firms registered on Pakistan Stock Exchange. The findings of the study show that CSR and EM lead to higher financial performance in Firms in PSX.

Key words: Corporate Social Responsibility (CSR), Earning Management & Financial Performance.

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CHAPTER 1

INTRODUCTION

1.1 Background of the study

This study exploits the relationship among corporate social responsibility, earnings management and firm financial performance in the context of Pakistan. First this study exploits the direct impact of corporate social responsibility on firm financial performance and then goes to find out the effect of earnings management on firm financial performance.

The financial performance is a subjective measurement of how effectively and efficiently a firm uses its primary resources to produce revenues or profits. It can be define as the measurement of a firm's operations and in term of monetary policies. These monetary terms can be measurement through different means and there is no such a consensus on the proper measurement method. Financial performance can be measured in the form of accounting returns and investor's returns. In investors return it has been seen that how much a business activity contribute to the shareholder's wealth or share prices. And in accounting returns the benefits of business activities has been measured in the form of price to earnings ratios (P/E) or earnings per share (EPS).

CSR is defined as a business strategy through which the businesses focus on the interests of the entire society while performing its business activities. The presence of CSR practice plays a vital role in employees' retention, their commitment and ultimately enhances the financial performance of the firm (Stawiski, Deal, & Gentry, 2010). The findings of many researchers' show that CSR involvement in businesses increases employees motivation, commitment and overall growth of the company (Turban & Greening, 1997) Therefore it is important for the businesses to be engaged in CSR practice to make employees more satisfied

and to enhance the company growth and financial performance. Here we elaborate what CSR is and how it has been defined by well-known researchers. A generally accepted definition was offered by Leonard and McAdam (2003). They viewed CSR as "acceptance of responsibility of corporate actions would have a positive impact on the environment, employees 'consumers and communities as a whole'" Cochran and Wood (1984) defined CSR as "business desire to achieve sustainable economic development, aspiration to work for employees, their families and the community/society as a whole thereby making efforts to improve the quality and standard of workers life and the society".

Mc Donald and Rundle-Thiele (2008) conducted a research and defined CSR as "Communities, environment and people are affected by the activities of corporates thus it held liable for the effects of its actions/operation". Another important definition by Carroll (2008) explained CSR as "having concentration on the collective interest of social system and taking the responsibility of every action the individual do in the community /society". Most often, the principles of UN Global Compact is more important here to elaborate the concept of Corporate Social responsibility. The sustainability of corporation is mainly dependent on its value system and approaches to these ten principles. The operation of a company should be in in such way to accept the minimum responsibilities of human rights, environment, and labour and anti- corruption. Responsible businesses comply with these responsibilities in the areas where they operate. These principles are discussed as under:

Principle first refers to respecting and supporting the internationally stated human rights. Principle second refers to Business should make sure that they are not involved in illicit activity or violating any human rights. Principle third recommends that Business should support freedom of association and acknowledgement of rights for the labours. Principle fourth advocates that Business should dishearten force labour. The fifth Principle refers to discouraging/ eliminating Child labour. Principle sixth enforces Business to eradicate any kind of discrimination in employment, workplace and occupation. Principle seven suggests that Business should support tactics that help them to meet environmental challenges. Principle eight proposes that Business should take active steps for environmental protection. Principle ninth refers to the use of environmental friendly technologies i.e. businesses have to use such technologies that have least impacts on the environment. The last principle enforces the Business to work against corruption and any other kind of bribery.

Research conducted by Said, Hj Zainuddin, and Haron (2009) has defined CSR as "a business strategy to make parallel its business operation with environmental and social

concern". While discussing CSR, four components are more important to be discussed here; environment, workplace, market place and community. Marketplace refers to the connection of company/business with supplier, customers and competitors. Compliance with obligations/policies increases customer trust, customer retention and attraction which further appeal for the support of community. By having trusted and committed customers' will further enhance the financial performance of that firm (Vilanova, Lozano, & Arenas, 2009). However, McWilliams, Siegel, and Wright (2006) , founded different results. He analysed the impacts of CSR upon financial performance and observed that spending on social practices increases the costs of the company/ business which decrease the competitive advantages of the company. Stanaland, Lwin, and Murphy (2011) conducted a research and found positive outcomes of Corporate Social Responsibility (CSR). He argued that a company hires skilful employees and create better product and service image in the market while adapting to social practices. Having skilful and committed employees eventually boost the financial performance of the firm. Aupperle, Carroll, and Hatfield (1985), founded positive impacts of CSR on financial performance of company. However, no consensus result was found among the scholars in literature i.e. different scholars have different views regarding interrelationship of CSR & financial performance. Different opinions of scholars exist regarding what CSR responsibilities are and to whom they are concerned. Friedman (1970) is against CSR practice and argues that a business has no responsibility except maximizing stockholders profit by using legal ways. Many researchers view that corporations have a number of ethical and legal responsibilities towards their stakeholders (Carroll, 1993; Donaldson & Preston, 1995). Frederick viewed are somewhat in between the two limits. The study defined CSR as the "the reaction of business to the social prospects of the society / community". The current literature of CSR is more important in which Carroll (1979) defined the four main characteristics of the Corporate Social Responsibility i.e. He included four responsibilities in the definition of CSR. These are economic responsibility; or profit maximization is the first and sole duty of the business. Legal Responsibility; refers to Submission of businesses to government laws and guidelines.

Ethical Responsibility; this responsibility is not imposed by law but the companies itself practice it for their good name and reputation. Philanthropic Responsibility; It is also named discretionary responsibility. A corporation/business is an important part of the society cannot be isolated from the society where it runs. It has some impacts on the society in which it operate. Therefore it is necessary for the corporation to fulfil the basic essentials and wants of the society/community while performing it business actions. Carroll and Shabana (2010)

broadly defined CSR as “embracing the social needs and goals of the society beyond the sustainable economic development, the continued existence of a business is more dependent on a free functioning and effective society thus corporate social responsibility is more concerned to support and develop the social order of society”. Eilbirt and Parket (1973) , termed Corporate Social Responsibility (CSR) as a good neighbour. He defined CSR as “performing the deeds that do no harm to the neighbour and involving in voluntary actions that solve the problems of the neighbourhood (society). Studying the relationship between corporation and society, the Committee for Economic Development (1974) defined three levels of social responsibility. The first level of responsibility refers to economic responsibility i.e. creating job opportunity, delivering good products struggle for economic growth. The second level is using a portion of economic growth for bringing awareness and changing social values and priorities like environmental protection, workplace safety and responding to the expectations of customers and society as a whole. The third and final level of responsibility is to be engaged in improving social environment (Committee for Economic Development 1971). In short, the concept of corporate social responsibility clearly defines that businesses should positive contribution to the social expectations of the society and not to hurt the society at the gain of self-interest”.

Research conducted by Vilanova et al. (2009) examined that corporate social responsibility is significantly impact on the financial performance of a firm. He proved this relationship in his research on chemical industry. He argued that CSR increases a firm level competition through learning and innovation cycle resultantly the firm achieves complete edge and increased financial performance. His findings show positive association between CSR and firm financial performance. He argues that engagement of chemical firms in CSR activities leads to enhanced financial performance in future time. He argued that the impacts of CSR on financial performance for chemical firm are greater because of intense competition in the market.

Porter and Kramer (2006) argued that engagement in CSR activities brings opportunities, innovation and competitive edge to the businesses. They view that maximum social and financial benefits may be accomplished through better performance in the society. Many studies have been conducted to explore the relationship between CSR and performance. Porter and Kramer (2006) conducted his research on chemical firms and found that chemical firms in United State engaged in CSR activities make them more productive.

According to Vilanova et al. (2009), CSR activities have positive impacts on financial performance of chemical industry.

In order to achieve predictable and stable financial results, the legal and reasonable managerial decision making and reporting are called earning management. There is a difference between earning management and manipulating the financial information, and earning managements should not be confused with those illegal activities. Earnings managements were done in order to smoothly run the company. But most times it has been used by managers and accounting personnel for wrong purposes. The numbers of accounting scandals are increasing due to the results of inflated and wrong accounting information. Enron and WorldCom scandals are the obvious examples of these kinds of misstated financial information. These types of scandals are due to the misstated financial information.

Socially responsible corporations are considered to be less involved in such types of misstatement activities. These are thought to be more ethical than those companies that have no active role in corporate social responsibility. This study explore whether socially responsible corporations are doing earnings managements or not. It has been also attempt to find out whether earnings management has impact on the financial performance or not, and it has been also tried to find out that investing in socially responsibilities activities have any impact on the financial performance of a firm or not?

1.2 Problem statement

There is a difference between earning management and manipulating the financial information, and earning managements should not be confused with those illegal activities. Earnings managements were done in order to smoothly run the company. But most times it has been used by managers and accounting personnel for wrong purposes. The numbers of accounting scandals are increasing due to the results of inflated and wrong accounting information. Enron and WorldCom scandals are the obvious examples of these kinds of misstated financial information. These types of scandals are due to the misstated financial information.

Socially responsible corporations are considered to be less involved in such types of misstatement activities. These are thought to be more ethical than those companies that have no active role in corporate social responsibility. This study will explore whether socially responsible corporations are doing earnings managements or not. It will also attempt to find out whether earnings management has impact on the financial performance or not. And it

will also try to find out that investing in socially responsibilities activities have any impact on the financial performance of a firm or not.

1.3 Research Questions

The following research questions will be determined in this study.

1. What is the effect of CSR on firm financial performance?
 1. a How Human Rights effect the firm financial performance?
 1. b What is the effect of Philanthropy on firm financial performance?
 1. c How effective are the employee and labour rights in describing the firm financial performance?
 1. d What is the impact of legal responsibility on firm financial performance?
 1. e How effective is the ethical responsibility in determining the firm financial performance?
 1. f How firm financial performance is affected by the environmental responsibility?
2. What is the effect of Earnings Management on Firm Financial Performance?

1.4 Objective of the study

Based on the research question, following will be the objectives of the study.

- i. To investigate the effect of Human Rights on Firm Financial Performance
- ii. To explore the impact of Philanthropy on Firm Financial Performance
- iii. To investigate the effect of Employee and Labor Rights on Firm Financial Performance
- iv. To analyze the effect of Legal Responsibility on Firm Financial Performance
- v. To explore the effect of Ethical responsibility on Firm Financial Performance
- vi. To investigate the impact of Environmental Responsibility on Firm Financial Performance
- vii. To analyze and point out the effect of Earning Management on Firm Financial Performance.

1.5 Purpose

The purpose of this study is to identify knowledge gaps through literature review and then to propose a theoretical framework.

1.6 Significance

The suggested research will be beneficial for investors, managers, and other stakeholders in the context Pakistan market. If the CSR practices have positive impact on the earnings management then it will assist the investors and other stakeholders, because there will be least probabilities that they would be misled by misrepresentations of financial results. And for the managers it would be valuable in the sense if engaging in CSR activities raises the value of the firm they would like to involve more in CSR activities. And it would be valuable for other stakeholders like creditors, labour unions, customers, government, etc. because they would also get profits from the real representations of financial information.

1.7 Contribution

This research will also add to the literature as well. Previous studies have been done on the relationship between earnings management and CSR. Some studies did on the relationship between CSR and firm performance, while some studies see the relationship between earnings management on firm performance. But no study has been included earnings management, CSR and firm performance. So this research will contribute a new angle to the literature by presenting a new variable. Also empirical contribution from the market of Pakistan will contribute to the literature.

1.8 Systematic way of conducting literature review

My broad research idea was Earnings Management and Corporate Social Responsibility. And through literature review I came up with research topic which is “the relationship between earnings management, CSR, and performance of the firm: evidence from Pakistan”. To build a reliable and understandable knowledge base of the earnings management, corporate social responsibility and performance of the firm I have used a systematic review. The systematic process includes the classifications and organizations of existing literature on earnings management, CSR and firm performance into a table. And the name given that table is Literature review table. Published papers from different Journals of Accounting, Finance

and Business were selected during the period 1980 to 2016. To search for papers different key words were typed in the databases and some of the keywords are earning management, earning smoothing, CSR, firm performance, profitability, and firm valuation. The reason of selecting old papers was because there were not enough papers from the recent period. Another reason was that some old papers were important enough to be selected. To select the papers, mostly papers were downloaded from Google scholar and digital library, Emerald, Journal of accounting and Economics, Journal of corporate Finance, International Journal of Global business etc. Finally 150 most relevant journal articles were selected for the analysis. The next step is the writing of literature review.

CHAPTER 2

LITERATURE REVIEW

2.1 Corporate Social Responsibility

This section talks about the previous work that has been done on the topic. In the first step of literature review earning management has been discussed, and in the second step CSR has been discussed. The third step talks about earning management and CSR, and then in the fourth step earning management and firm performance has been discussed. The fifth steps talks about earning management, CSR, and Firm performance. The topic of CSR is inexplicit which has got increasing attention of the researchers. Many studies have been carried out to explore the relationship of CSR and financial performance in different sectors. Friedman (1970), indicates that social responsibility as a “donation” given from shareholders wealth to stakeholders that decrease a firm’s profits. Ali, Rehman, Ali, Yousaf, and Zia (2010); Backhaus, Stone, and Heiner (2002); Greening and Turban (2000), viewed that corporate social responsibility engagement play a vital role in appealing inspired potential employees and also develops commitment level of current employees which further increase the financial performance of the firm. Stawiski et al. (2010) proposed that maximum benefits of CSR are achieved when employees are involved in decision making concerning their activities in the environment and community. The employees are partial by Corporate Social Responsibility actions, the upper will be their organizational agreement, and resultantly it will be improve employee’s financial performance. “Fleishman-Hilliard says that sale and reputation of a company is enhanced by engagement in social practices. Wright and Ferris (1997), founded negative impacts of CSR on firm financial performance. Saleh, Zulkifli, and Muhamad (2008), had been reported a positive relationship, while Teoh, Welch, and Wazzan

(1999), have tried their best to find relationship between CSR and financial performance but they had not succeeded. Aupperle et al. (1985), proposed that there is a negative relation between CSR and firm performance. Karnani (2010), claimed that CSR activities enhance costs without sufficient offsetting benefits and badly effect performance of the firm. Vilanova et al. (2009), Claimed that CSR activities make a good move towards financial performance. Luo and Bhattacharya (2006), founded no relationship between CSR and firm performance. Cochran and Wood (1984), fined a positive link between CSR and financial performance. Stanwick and Stanwick (1998), and Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi (2015), argued that CSR is positively related with sale growth and that return on sale is positively related to CSR. Simpson and Kohers (2002), finds a positive association between CSR and financial performance in banking sector. Freedman and Jaggi (1982);Ingram and Frazier (1983); Waddock and Graves (1997), found negative relationship. Sprinkle and Maines (2010), said that the costs which are incurred on corporate social practices are greater than the benefits which we are getting via it. They view that the costs of CSR cannot be compensated by employee's morale and financial performance. According to (Vilanova et al., 2009) CSR activities have positive impacts on financial performance of chemical industry. Porter and Kramer (2006); Russo and Fouts (1997), conducted in their research that Chemical firm engaging in CSR activities make them more productive. According to their view CSR and financial performance are positively related with each other.

All these studies have adopted various research methodologies but they presented quite different views regarding CSR results. None of the study has been conducted regarding CSR and financial performance association in the sector. Studying relevant views of CSR indicate an existing gap in the literature regarding impacts of CSR on financial performance of the firm. The purpose of this study is to cover this research gap and to examine the impacts of CSR on financial performance in Pakistan

Corporate Social Responsibility is viewed an ambiguous term as it summons a wide range of definitions. Meanwhile its presence stage in late 1990 and early 2000s the Corporate Social Responsibility creativities have not only extended through every firm and country but it too has occupied a range of procedures. Employee led- public service projects, donations to different welfare organizations, reducing harmful impacts of operations and a diverse work force were considered as initiatives of CSR.

But due to unique circumstances and today's business environment corporate social responsibility has adopted a new and modern concept. Now day's corporate social responsibility is considered as a part of each firm/business showing proudly their social

responsibility statements in advertisements to attract people's attention convincing them about their contribution for better world and safe workplace. The purpose of this chapter is to clarify the concept of CSR. A generally accepted definition was offered by Leonard and McAdam (2003). A business is considered as an agent for changes in the society because a single organizational decision has potential to affect the life of shareholders, employees, customers and the overall society. therefore the objectives of business is not only to make money and to provide goods and services to the society but it also includes to take part in activities that are necessary for the welfare of the community. So organization community relationship entails the needs of social responsibility upon corporate sectors. A number of changes and challenges were faced by the world leading companies in 21st century which defined their survival and prosperity. Viewing these issues pressurized the businesses to rethink their responsibility towards their various stakeholders to investigate the role of CSR in firms financial performance and what type of relationship exist between CSR and firm's financial performance. The debates of researchers show that they have found positive, negative and no or neutral relationship between CSR and FP, which is still a conflicting result; As we are concerned with CSR in Pakistani culture corporations and general public are less aware about their rights and responsibilities towards the society. So it is intensely needed to investigate the important issues and understand the socially responsible behaviour and financial performance of sector in Pakistan. Before 1950s no enough literature available on corporate social responsibility but the practices of CSR cannot be ignored in that era, during 1800s in the emerging stage of businesses employees were stressed to make them more productive workers Carroll (2008). But from that time till now it is difficult to understand what the businesses are doing for social reasons Aupperle et al. (1985); Carroll (2008). Prior to 1900s CSR was considered in a negative way as "giving away the stockholder's assets without their will". But later on they perceived CSR as a positive step for better performance of company. According to Carroll (2008) owners of businesses use their own money to support social concern. Some of those initiatives are nowadays used by businesses. Thus it is cleared from the history that prior to 1950s companies would behave as socially responsible but they were never called as socially responsible. The era of 1950s was characterized by a lot of discourse about CSR but few corporate social actions were taken other than philanthropy. The period of 1960s was more similar to 1950s but here manifesto of CSR was a continuous philanthropy. More actions regarding CSR were taken in this period. Much contribution was done by (Davis, 1960). According to Korten (1998), social responsibilities of a firm arise from the contrast of political and cultural with economic

system. But according to Friedman (1970) a corporation is considered to be an economic institution which wants to be specialized in economic environment while the social responsibility may be fixed by its market profit. Friedman (1970), views that protection of stakeholder's property is the only one social responsibility of organizations. Corporate social responsibility was a native term prior to World War-II. It has become a worldly after 1960's. The past half century phenomena are safeguarded by business associations like Business Social Responsibility (BSR) providing the business intelligentsia the expertise and clues to further develop the subject. BSR a London based firm was founded in 1992. The subject has gain popularity around the globe and several ethical corporations are engaged in organizing conferences to address the business ethics and social responsibilities of the business (Carroll & Shabana, 2010).

The initial slight discussions were cantered on business responsibilities and the good works done by business for the society. Theodore Levitt Warned the business community about the outcomes of social responsibility but his criticism ignited the popularity of CSR instead of ignoring the subject by the stake holders (Orlitzky, Schmidt, & Rynes, 2003). Theodore thought that social responsibility is the job of government because the whole-sole purpose of business establishment is profit. Later in 1960, the activists of human and civil rights strongly demanded proper formulation of CSR activities by the companies in 1960's. The protests and demands provided productive results and significant contribution has been experienced from the government, academics and the businesses (Carroll & Shabana, 2010). Amid 1960's and 1970's, studies were conducted related to defining the term CSR". The concept emerged in the business context slowly. The expansion of literature was mostly based on defining the term CSR again and again in business terms, its importance and its significance for the society. Keith Davis was of the view that CSR actions are beyond the technical and economic interests of the firm (Davis, 1960).

Corporate social responsibility has been caught the attention of the world. A large number of research studies are found that motivate corporations to do socially for public and environmental protection. Porter and Kramer (2006), defined Corporate Social Responsibility as "an interdependence relationship between a corporate or business and the communities where it operates". It means that if a business is doing well according to the expectation of the society it will brings benefits and wealth to the society and when the society is flourished then corporate reaps the fruits of its better performances.

In Pakistan, corporate social actions are mostly undertaken by multinational companies because of their tough competition. Organizations like Pepsi, Nestle, Siemens, Lever

Brothers, and Unilever have done much contribution regarding CSR in Pakistan. Later on banks have started sports marketing and led a trend in social talent. Survey conducted by Agha Khan Foundation and Resource Centre NGO over senior officials in hundred majors companies which are working in Pakistan. According to this survey businesses and companies have numerous potential and trend towards municipal upgrading actions in the country. Business Corporations donate in various ways. Mainly they are contributing cash to different issues in education and health etc. Some firms donate their financial funds to schools, universities and colleges to promote education on regular basis. They also donate funds for keeping a clean environment and reduced pollution. Social marketing is way undertaken by the companies in order to link their products or services to the social cause. For example pharmaceuticals, food and beverage, and chemicals industries donate their products on usual basis to different beneficiaries and charitable organizations. These firms also take active part in situations of disasters caused by flood, earthquakes or natural calamities and war. Thus customers are more likely to buy products of firms which are more socially more responsible. CSR activities related to Nestle Pakistan (2009) include long humanitarian relief aid, food donations, and education and rehabilitation programs to improve the lives of deprived Pakistanis. The generosity of this firm can be seen in its CSR areas. To improve the socio-economic life of the country it provides monetary and physical aid to hospitals and victims of natural disasters. General observation indicate that most of the businesses in developing countries do not pay full attention towards CSR practices or they do not do any extra ordinary thing to meet their true CSR obligations. Some of the institutes are continuously advocating these businesses about the importance of corporate social responsibility. Much struggle has to be done to bring awareness about social activities like environmental protection, community welfare and public good. In Pakistan, Regular awards programs are continuously arranged to recognize and excite industries on the practice of social responsible behaviour. A number of debates are under investigation to promote social behaviour of CSR.

2.2 History and Growth of Corporate Social Responsibility

Corporations and businesses need natural and human resources for their routine operations. So the natural and human resources of the environment are used by these corporations for running their businesses and generating profit, thus it causes the reduction and scarcity of these resources which have a negative impact on the community

and natural and environment. Thus the concept of corporate social responsibility evolved with the damages created by these businesses operations on the society and the environment. As discussed above, During 1980s CSR was considered as a corporate philanthropy and the businesses were expected to clean up the dirty things of the environment they made. In 1980's and 1990's the shell spoiled the environment and violated the human rights in Nigeria which got criticism and complete thinking about CSR hence it caused the emergence of different definitions of CSR. Similarly companies like Nike and GAP Inc. were seriously affected by the bad reputation of their suppliers who violated labour laws and promoted discrimination. Looking at these things the groups of activists and government felt that the prevailing laws and situations badly affect health; environment and human protection thus the United Nations took initial steps by explaining the code of conduct for such international companies. This first step was failed due to lack of government support an opposition from different organizations. In 1991 World Business Council for Sustainable Development (WBCSD) have been voluntarily formed. This initiative was also criticised as they suggested that CSR actions must be made obligatory in its place of intended because the corporations are not accountable for voluntary CSR actions. The next step has to develop the social auditing that have been introduced by a third party verifier for evaluating the social states of businesses. This results the emergence of social reports. In the late 80's Ben's and Jerry's Ice-Cream led in voluntary social auditing as they opened up the records of businesses during evaluation and inspection of their processes. As a result of these event social and environmental standard were established. Later on a number of certification cantered groups like Social Accountability International (SAI), Forest Stewardship Council, and Fair Trade Labelling Organizations International (FTLOI), established who continued work on different aspects of CSR. Hence rapid evolution of CSR is continued since last thirty years.

Due to customer and public expectations and demand for clean and green environment the organizations have set Benchmarks and guidelines like Sullivan Principles, the UN Global Compact and the Organization for Economic Cooperation and Development (OECD).

2.3 *Types of CSR*

The purpose of a business is not just to maximize the profit but it has maintained several other responsibilities as well, which can be arranged in the form of pyramid. The main and the basic responsibilities are placed near to the bottom the lower the responsibility the more it will be in the favours of shareholders and the higher is the level of responsibility the more it benefit to society.

2.3.1 Economic responsibility

The main and first purpose of the company is to maximize its profit thus a company is initially concern with economic gain because it is a fact that a company existence depends upon money, if a company does not earn money it will not be able to retain its employees and even to continue its operations so it will not care about social responsibility. Thus the first need of company is its economic responsibility. Therefore a company definitely thinks about social actions or social welfare after earning profit. To get a good corporate citizenship and reputation a company needs to be profitable in its business career.

2.3.2 Legal Responsibility

Legal responsibilities show the obligations imposed on the company by law. A company operation and activities must be in accordance with the rules and requirements of law. A company is profitable but it should ensure that it follows and obey laws of corporate social responsibility. A company should not be involved in any illegal or unlawful activity which is against the government law. All aspects of legal responsibilities like security and labour law, criminal Law, environmental laws must be followed by company if it obeys the law.

2.3.3 Ethical Responsibility

Legal and the economic responsibilities are the two main and basic responsibilities of the company. After performing these two obligations a company has to meet its ethical responsibility which is not required by law or imposed on the company but it put on itself some social actions for the sake of achieving good corporate image and citizenship. Fair wages safe working conditions, employees satisfaction welfare funds donations to local

communities, care for society and using environmental friendly technologies all come in the range of ethical responsibility.

2.3.4 Philanthropic Responsibility

After performing economically/ legally and ethically a company has to meet the philanthropic responsibility which simply means the company to be involved in such practices which benefits to the society i.e. donating money and services to the society launching welfare projects for communities and donating money to charitable organizations working for social cause of society. The company's actions and practices must meet the need of environment customers, society, community, employee and other key stakeholder.

2.4 CSR Practice in Pakistan

In Pakistan CSR is still in the stat of infancy. Most of follow CSR standards and policies are multinational while a few big Pakistani companies practice existing CSR strategies. The local industries in Pakistan are mostly unaware of CSR practices as they think adopting CSR practices and policies will push them into a stat of danger. International human right organizations are continuously keeping their eyes on child labour, employees' exploitation, an adequate employee's benefits, environmental safety and workplace safety. They are making efforts pressurize the business firms to follow the ten principles of UN Global compact. In 2003 a forum of "Pakistan compliance initiatives" was launched by the stakeholders of commerce and textile sector which was also supported by the international buyers. A draft of national standards was signed by the forum on the use of social and environmental practices by the companies which was approved by the government.in this way many international social and environmental compliance standards and code of conduct were adopted. As a result of these efforts social and environmental compliances were included in trade policies and project proposal was handed over to European Union to subsidize consulting and implementation costs. In Pakistan corporate philanthropy is considered as CSR activity. In Pakistan the meaning of CSR is still vague. People in Pakistan consider CSR as abiding law. The top management is also unaware about the meaning of CSR. It is compulsory for the government to bring a high awareness of CSR practices among business people, entrepreneurs and customers. In this way would be able to appreciate CSR practices and social and environmental benefits of CSR in the daily life. In short understanding and defining the nature of CSR is useful in in first step.

2.5 UN Global Compacts & its Local Application

The importance of corporate Social Responsibility in today's world cannot be left unnoticed. CSR is of great value for each and every organization and UN Organizations contemplate it as a measure of competitive and sustainable development. The UN Global Compacts emphasizes these organizations to assist and facilitate less developed countries through CSR practices. According to a survey by Price Water house Cooper from CEOs around the world to gather their views about CSR. These are feels satisfaction and proud over their companies for having positive CSR reputation. According to Ben Cohen, businesses should not play game to exploit the communities and their workers instead it must give back to the community and support the society where it operate.

Following are the Sullivan principles that act as a standard of CSR.

- i. Promoting equal opportunity for employees without any discrimination of race, colour, gender, age, ethnicity, religion and beliefs.
- ii. Compensation to Employees so that they meet at least their basic needs.
- iii. Developing an environment of fair and transparent competition.
- iv. Promote the solicitation of the above principles with which the business is concerned.

The importance of CSR is more clearly elaborated by UN Global Compact. The UN Global Compact emphasizes companies to assist and embrace within their sphere of influence i.e. to establish a set of fundamental morals in the areas of human rights, labour standard and the environment. These principles are explained as under;

1. Human rights businesses are required to support and protect the international standard of human rights.
2. They should not complicit in human rights abuses.
3. Labour Rights they should support the freedom of connotation and effective recognition of the rights to collective bargaining.
4. All sorts of forced and compulsory labour should be eliminated.
5. Child labour should be eradicated.
6. Any discrimination of race, age, gender, religion and ethnicity in employment and occupation should be abolished.
7. Environment; Businesses should take defensive approach to environmental challenges and its protection.
8. Businesses have to encourage practical steps for promoting environmental responsibility.

9. Businesses must encourage and develop environmental friendly technologies.
10. Business should discourage corruption and all its forms like bribery and extortion.

2.6 Attitudes towards CSR Implementation

Most of the corporations of the world are making efforts in different ways in order to fulfil the needs of current generation without taking the consideration of next generations. These corporations struggle with a new role to meet their own needs. Organizations are also forced to take the responsibility of their ways of operations, as their operations have impacts on the society where they operate. A corporation cannot achieve its economic growth without impacting environmental and societal agents by its actions. Therefore to be a good corporate citizen a firm should perform socially in term of environmental protection. Keeping in view financial and global obligations, organizations are pressurized to redesign their rules and ways of operation for both public and private benefits. These changes require the companies to approach to sustainable development which is mainly influenced by individual and organizational leadership. That is why organizations have adopted various strategies in order to fulfil the needs of society, natural and business environment.

According to Some authors CSR is a part business strategy and corporate identity while some authors argue that CSR is used as a defensive policy for the businesses. According to Campbell (2007), Corporate Social Responsibility is influenced by many factors like financial conditions of the business, strength of economy and rule regulations of the state. CSR can be implemented and developed through change in awareness, developing CSR strategy and actions over time (Mirvis & Googins, 2006).

2.7 Corporate Social Responsibility with Globalization

2.7.1 International trend of CSR Demand & Supply

A “European Multi-stakeholder Forum” commission was established by European commission. The purpose of this forum was to give-and-take the best practices and to develop the approach of European to CSR. Progress of corporate towards greater responsibility is always due to two opposing forces. Leaders of business organizations pulled their organizations towards higher standard where as their opponents in the society push for

change. According to Pascal Lamy, EU's Commissioner for Trade CSR should be integrated in public policies and border strategies to get the benefits of CSR.

2.7.2 Globalization Requirements

The imbalances resulted from Increased globalization process have attracted the high concentration to the use of CSR practices. Inequality between the advanced governance system in industrialized countries, who provide a highly sophisticated set of economic and social regulations, and the lack of such governance in developing countries as well as at international level resulted from increased globalization have badly affect the use of CSR activities.

Competition among the smaller business economies has increased due to the efforts of world trade organization and International growth that further removed the global obstacles. Big businesses are greatly concerned with CSR strategies and they make sure that their suppliers, distributors also acknowledge the ethical and social performance of these businesses. Efforts have been made by various investment groups to pressurize the business firm concerning their social issues. These groups have made it compulsory for businesses to disclose their social activities like environmental protection, workplace security, commitment to community, ethics in decision making process and corporate governance.

2.8 Corporate Social Responsibility Concept in Islam

Fair, transparent and moral businesses are suggested as the best sources of earning income in Islam. Islam is in favour of fair practice of business and proclaims punishment for unfair and illegal practices of income. Written contracts, acceptable working conditions, and corruption free agreements fair exchange of natural and human efforts are reinforced in Islam. Individual rights and care of society, environment community, rights of neighbour and poor are highly insisted in Islam. Rich are highly stressed in Islam to share their wealth with poor and oppressed people. Similarly actions and decisions regarding all aspects of life should be based on ethical and internal intentions of individuals. Good actions and intentions of people are considered as worship in Islam. People are allowed to express their opinions freely in Islam. Right and wrong things are clearly defined in Islam. Social behaviour and business ethics are well defined in Islamic laws which motivate investors to invest for the welfare of society. Justice and accountability are compulsory in all sorts of business

activities. Researchers viewed that the practice of CSR is consistent with Islamic laws and Shariah. The values and principle of Islam since the period of the Holy prophet Muhammad (P.B.U.H) is indeed a link of CSR activities.

The concept of CSR is not a new phenomenon, indeed an Islamic society is based on justice and accountability. Riba (interest) which is an extra burden on debtor is strictly prohibited in Islam.

The most near term used for ethical behaviour in Quran is Khuluq. Islam has defined private ownership and freedom of economic activities but these activities should not be against the laws and principles of Islam. Islam does not oppose of earning profit or any kind of legal business but stresses that it should be transparent and should be based on Taqwa. Islam says that the profit maximization is not the ultimate goal of a business .It further defines that sons and wealth are merely fascination of life in this world but the good deeds/ activities are greatest in the sight of God. It does not mean that Islam denies of earning wealth and profit because a wealthy and stable economy of a country leads to well perform the Islamic obligations like hajj, Zakat and jihad which play a strategic role in the national defence of a country. Islam suggests that all the economic and business activities should be carried out in accordance to the basic principles of Sharia. The ways of Halal (law full) and Haram (unlawful) in commercial and business activities are clearly mentioned in Islam. In Islam the Resources and assets of the businesses are considered as Amanah of the owners, therefore the management must take care of all the assets and its use. Islam says that the funds of the investors should be fairly utilized and the owners must be paid a fair amount. The management of the businesses should be based on Shura and concept of Akhlaq (Ethics). In Islam Cheat is strictly forbidden and the Holy Prophet Muhammad (P.B.U.H) has said that those who cheat are not from us.

2.9 Main Factor of Corporate Social Responsibility

2.9.1 Cultural Tradition

Many researchers on CSR consider that CSR is strongly rooted in cultural traditions of philanthropy, business beliefs and in communal level of developing countries. Many of these traditions are concerned with past periods. For example in developing countries of Islam, Christianity and Hinduism the practice of interest is ethically condemned (Visser & Macintosh, 1998).

According to Mehra (2006) the business practices based on moral values were advocated in India. Amaeshi, Adi, Ogbechie, and Amao (2006), find that CSR in Nigeria is greatly influenced by socio cultural, charitable traditions, religious and ethnic beliefs. Brønn and Vrioni (2001), says that the Philosophy African Humanism is also based on approaches to CSR actions.

2.9.2 Socio Political Reforms

The role of socio political Reform process in developing countries toward CSR cannot be ignored as it attracts business behaviour towards social and ethical problems/issues.

According to De Oliveira the political and associated economic and social changes like liberalization, privatization and democratization since 1980's attract the attention of business problems towards the ethical and environmental issues in Latin America. One of the significant drivers of CSR is the political changes towards democracy and improvement in corporate governance has addressed the issues of injustices in the past. (Broomhill, 2007). Brønn and Vrioni (2001), argued that a lot of reforms have been done in South Africa between 1994 and 2004, bearing socio economic, environmental and labour related aspects of CSR.

2.9.3 CSR as Socio economic priorities

CSR practices of a firm in developing countries are strongly affected by socio and economic development of a country. The purpose of CSR actions in developing countries like Nigeria is to address the socio economic challenges of health care, education, infrastructure development and poverty alleviation (Amaeshi et al., 2006). Various problems of deforestation, unemployment and poverty are major issues which are addressed by local CSR drivers in the region. The socio economic priorities of CSR play a key role to respond to socio economic challenges of HIV/AIDS faced by the developing countries.

2.9.4 CSR in Corporate Governance as Governance Gap

Kaplan (1987) Argues that CSR is a form governance which is particularly more concerned with developing as it fill the “Governance Gap” left by the weak, corrupt Government having low resources, that unfortunately does not provide Social Services like roads, electricity, education and Health care etc.

The CSR actions are often undertaken by tribe religion, private business and private Sectors because of weak governance and weak institutions in developing countries (Explicit).

Initiatives have been taken by the Governance of developing country in order to improve the weak living conditions of people. According to World Bank Council for Sustainable Development (WBCSD 2000) the purpose of CSR in developing country is to enhance local capacity and to fill the gap left by the corrupt and under resourced government. That the role of political government is to develop and share new approaches of operations to improve the social value of society.

2.9.5 CSR as Emergency Response

CSR practices are also affected by different kinds of crisis in developing countries. Social environmental, industrial, educational and health related issues commonly known crises. Excessive attention has been given toward the significance of CSR to reduce poverty in Argentina in 2001 during economic crises (Newell, 2005). Many debates have given that emphasized the role of business in this regard. That crisis of HIV/AIDS reflected the significance of CSR in developing countries. Responses in disastrous event like tsunami stimulate the philanthropic aspect of society. Response to industrial events/accidents is also considered a clue for CSR. For example the response of union Carbide’s during Bhopal Disasters in India in 1984 and reaction of Shall towards hanging of human rights activities are the Events that stimulate CSR activities. (Shrivastava, 1995).

2.9.6 Socio Economic Drivers

The aim of socio economic drivers is to fulfil the unsatisfied needs of Haman in the available market. The companies of developing countries suggest CSR as a motivator for access new markets in developed countries. For example Multinational companies enter in

Asia, central and eastern to get a competitive advantage and this is a key driver for CSR many companies from developing tends to globalize and comply with the code of international stock market and CSR codes (Brønn & Vrioni, 2001). (Chapple & Moon, 2005), studied seven countries in Asia and predicted a strong connection between international exposure / foreign ownership and CSR reporting.

2.9.7 International standardization

Discussion on various aspects of CSR shows that codes and standards are the key drivers for CSR in emerging countries. These codes are used by textile, horticulture and agricultures sectors of developing countries that mainly focus on social issue, child labour, anti-corruption and woman role in workplace (Fliess, Lee, Dubreuil, & Agatiello, 2007); (Kolk & Van Tulder, 2010). Much standardization is imposed by multinational companies that strive business of developing countries in order to achieve global consistency in their operations. Chapple and Moon (2005), argued that CSR approaches are expected more to be used by multinational companies than the local companies.

2.9.8 Investment incentives

Investment on social activities is also a significant driver for CSR in developing countries. Garriga and Melé (2004), argued that investment by multinational is indirectly associated with social well-being of emerging countries. The documented record of socially responsible investment (SRI) in developing countries like South Africa shows an increasing trends in the social, ethical and environmental performance of the companies (Brønn & Vrioni, 2001). A survey conducted by Clandinin and Connelly (2000), in Thailand shows socially responsible behaviour and environmental reporting have positive impacts on firm valuation. Debates on socially responsible investment (SRI) shows that businesses gain more benefits while addressing to sustainability in developing countries.

2.9.9 Stakeholder Activism

Ignorance of ethical, social and environmental performance of the companies by the Government in developing countries aspire the stakeholders' activism which plays a vital

role as a driver for CSR. The global and economic forces of the world emphasize the community and the companies to make efforts for the social and environmental issues caused by them (Porter & Kramer, 2006). As a result of these forces a micro level struggle is produced which work to address social and environmental vulnerabilities distributed by companies and communities. Four stakeholders groups in developing countries act as a powerful driver for CSR. These stakeholders' activists include development Agencies (Jenkins, 2005). Trade unions (Fliess et al., 2007), international NGOs and Business Associations (WBCSD, 2000), which run a campaign to assist local organizations (NGOs) and persuade the community about CSR significance.

2.9.10 Supply Chain

Requirements and regulations imposed by Global companies on the supply chain of small and medium sized companies (SMEs) are also considered another substantial driver for CSR in developing countries. These regulations caused various ethical trading initiatives (Blowfield & Frynas, 2005). Poor labour working conditions and violation of human rights in the multinational supply chain of sports and cloths companies have attracted the attentions towards the importance of CSR regulations / Requirements (Hussain-Khaliq, 2004);(Fliess et al., 2007). After studying various drivers of CSR in developing countries, a question arises whether the current CSR initiatives and models of western are sufficient to describe CSR in developing countries. For this purpose the popular of model of Carroll and Shabana (2010), is more important to be studied. This model is termed as CSR pyramid, which consist of for basic kinds of responsibilities i.e. economic, legal, philanthropic and ethical responsibility. Some experimental studies argued that culture would have an important impact on apparent CSR significances (Shafer, Fukukawa, & Lee, 2007) and (Carroll, 1999) Four elements of (Carroll pyramid) are discussed as under in which economic responsibility get high significance which the ethical responsibility gets low emphasis.

2.9.10.1 Economic Responsibility

It is a famous fact that developing countries face predominant poverty, low foreign investment and high level of unemployment. Therefore welfare fund donations, social practices or any other economic contributions of the companies are highly valued and appreciated by the government as well as the communities in developing countries. That is

why, companies operating in developing countries report on their economic responsibility by making value added statements.

2.9.10.2 Philanthropic Responsibilities

In European countries like United State (US) the Philanthropic responsibility is obligatory for successful companies and developing countries. Due to local tradition and socio-economic needs of developing countries Philanthropic responsibilities are expected from the companies where they operate. Businesses are expected to do the right things where they operate. It is a fact that philanthropic activities improve the life standard of communities and the companies that fail to meet the expectations of communities remain unsuccessful to continue their operations. Businesses are expected to consider more philanthropic activity in case of diseases like HIV/ AIDS.

2.9.10.3 Legal Responsibilities

Legal responsibilities have given lower priorities in developing countries as compared to that in developed countries. There is less/no pressure on the companies to follow the legal requirements in developing countries. Lack of administrative efficiency, recourses and poorly developed legal infrastructure are the reasons in developing countries due to which companies do not care for social activities/ good conduct. Many developing countries have several problems in collaborating human rights and legislation issues relevant to CSR (Blowfield & Frynas, 2005). (Brønn & Vrioni, 2001), argued that not all developing countries are behind there legislation but there are some developing countries that have made significant progress in improving the social and environmental facets of legal responsibilities.

2.9.10.4 Ethical Responsibilities

Ethical responsibility is not imposed on the companies but they put at on their selves. Ethical responsibility is more likely practiced by European companies while in developing countries CSR is less influenced by ethics. But this does not mean that the ethical responsibility is not carried by developing countries, in fact the 1992 and 2002, king reports on corporate governance in South Africa shoes a significant progress in CSR.

2.10 CSR Relationship with employees' commitment and organizational performance

A lot of studies have been done to explore the effects of corporate social responsibility on commitment level of employees towards the organization. Different Studies showed that the commitment level of employees with corporate social responsibility is increased because CSR activities really used for the well-being of employees and their families. Many other studies including Turban and Greening (1997); Collier and Esteban (2007); Greening and Turban (2000); Backhaus et al. (2002); Ali et al. (2010), viewed that corporate social responsibility involvement appeal motivated potential employees and improves commitment level of presently working employees. Holcomb, Upchurch, and Okumus (2007), noted that CSR increased employee organizational commitment. Fombrun, Gardberg, and Barnett (2000), suggested that corporate social contribution builds better reputation of organization in the society that helps in attracting new customers. This study therefore examines that CSR has positive impacts on employee's commitment towards the organization. Moreover, researchers introduced a model which combines corporate social responsibility, employee organizational commitment and organizational performance. . Researches proved that the good deeds of organization forces the employees to discuss with others outside organizations and motivate them too proud on their belongingness with that organization (Stawiski et al., 2010). The study proposed that CSR yields maximum benefits when employees are involved in decision making regarding their activities in the environment and community.

Moreover, CSR itself is having positive effects on organizational performance by building positive reputation of the corporation with other stakeholders including customers, investors, suppliers, government, which results in favourable decisions by these stakeholders in respect of corporation. The 'doing good' reputation also provides many competitive advantages to the corporations, which again effects positively on organizational performance. According to Wood (1991), a corporate social performance is comprised of three major components. The first component shows lawfulness within society, public responsibility within the organization, and managerial preference by each individual within the organization. The second component is the social responsiveness of the corporate towards environmental assessment, stakeholder management and issues management. The third element refers to the effects of corporate social performance it includes social impacts, social programs and social policies.

2.11 CSR Initiatives Relationship with Consumers

The first worldwide survey on CSR consisted of a sample of thousand individuals belonging to 23 countries showed that 2/3 of these individuals desired the companies to establish higher ethical standard and contribute more to the society. Research showed that seventy percent (70%) of the consumers considered social responsibility of the company while making a purchase decision. Similarly, Van Oostdam et al. (2004), conducted observed that half of the consumers wished more to buy products from organizations with good social status, while six in ten are more expected to avoid an organization with a bad reputation. Brown and Dacin (1997), concluded that a negative image of CSR can damage the consumer's valuation of a product or a service while in contrast a positive CSR image can improve product evaluations. Hence CSR can create the context where the consumer develops purchase intentions about a products or service as he/she has a positive image about a company. A survey conducted by (Creyer & Ross, 1997), predicted that ethical behaviour of a firm may strongly influence consumers while making a purchase decision. They showed that due to ethical actions customers are willing for paying higher prices for product/service of ethical company. Furthermore McWilliams et al. (2006) argued in their research that seventy four per cent (74%) of consumers would think that their purchase decisions are influenced by ethical behaviour. Twenty-five per cent (25%) strongly agreed with this statement while forty-nine per cent (49%) a little agreement (ibid).....another survey conducted by Greek company: "MEDA communication S.A." Another worldwide survey which involved 1000 students showed that CSR is one of the important factors that students think about while forming impression about a corporation (Globe scan website). The same research also indicates that one out of two students was studied that he would not apply for job to a company which is socially irresponsible.

2.12 CSR & Financial Performance

Caroline Flamer conducted a research that examines the effects of CSR on financial performance. His question is: Does CSR result in higher financial performance? This question has attracted the researchers' attention which is viewed in the literature. Shareholder theory (Friedman, 1970), indicated that social responsibility as a "payment" from the wealth of shareholders to stakeholders which lessens profit of the firm. While some researchers

consider the prospective value of Corporate Social Responsibility (CSR) and they found a positive link between CSR and Financial performance (FP).

It is found that firms are engaged in CSR practices creating trust, efficiency, enhanced financial performance and brand reputation in the mind of customers. In rewards of these practices firms attract new customers which increase their profitability and robust their competitive advantage multinational companies like Google, IBM, Intel, Nestle, Unilever and Wall Mart etc. also view the benefits particularly competitive advantages of CSR initiatives. Accenture and UNGC suggested that CSR improves the competitiveness of a firm and have a key role in the forthcoming success of a business. Thus there is inconsistency in the results of CSR and Financial performance relationship of these studies. They gave different models that form the basis of empirical estimation. Sharma and Mishra (2018), supported that there is positive relationship between Corporate Social Responsibility and organizational financial performance. All these studies show that there is a strong relationship between Corporate Social Responsibility and Financial Performance. Kiran, Kakakhel, and Shaheen (2015), conducted a practical study for measuring the impacts of CSR on Financial performance. They found a positive and significant association between CSR and Financial performance. Elsayed and Paton (2005), worked on panel data and run a random effect modal; they found a positive significant relationship between the variables of CSR and Financial performance. Elsayed and Paton (2005), worked on tobacco sector of Pakistan. They say that CSR awareness is very less in Pakistan. They chose Pakistan Tobacco and Lakson Tobacco Company and viewed that though these companies are itself dangerous but still they are involved in different CSR practices to create a good image in the mind of customers. Carroll and Shabana (2010), also found positive impacts of CSR on financial performance. They argued that CSR has dual benefits for the companies as it not only create a positive image in the mind of stakeholder but also enhance their financial position as well. Hategan, Sirghi, Curea-Pitorac, and Hategan (2018), studied Romanian companies and found a positive connection between the firm sizes and profitability to CSR practices. Uwuigbe (2011), also found positive relationship between CSR and size of companies. He suggests that large companies have more resources and capable of doing more CSR activities.

2.13 CSR & Profitability of Multinational Companies

Multinational corporations can be defined as “ corporations that are engaged in its operations across the borders and offer its products and services across the globe.

Multinational companies are engaged in offering their products and services in several countries. Multinational companies play a powerful role to bring change than governments do. Researchers view that multinational companies operate along the globe therefore they must play an active role in resolving social and economic problems and should be involved in the interest of both native and host countries. According to Fatehi (1996), multinational companies are compelled to practice more CSR activities due to increasing awareness public and pressure from the society. Smith (2003), said that multinational companies like food, drugs and tobacco are highly involved in CSR activities. The European Commission (2001) defined CSR as “incorporating social and environmental concerns in the business procedures of companies to get sustainable advantage”. The managing change caused by CSR practices in a business can be viewed from two dimensions.

- Internal; social and environmental practices deal with employees, human capital, safety, health and managing natural resources and its procedure to use them in production process respectively.
- External; a company should give emphasis on various areas such as economic, environmental and social at the time of developing strategy for sustainability of firm (Székely & Knirsch, 2005). They should carry activities which are acceptable to community and giving growth to community awareness (Ardichvili, Page, & Wentling, 2003). In business CSR is concerned with providing employment opportunities, participation of workers in decision making process, equability and integration of people towards structuring and industrial changes. Similarly Training programs arranged for safety, health and environmental protection, donations, establishment of educational schemes, provision of medical and others benefits are all we get through CSR related strategies. Conducting recycling process, initiatives taken to reduce noise and environmental pollution, preservation of water and other natural resources can be protected through environmental precautionary programs. CSR social activities may also include donations to charitable, local and national organizations to raise funds for establishment of strategies to resolve social and environmental. All these activities assist firms to make close friendly association with community where it operates. Conducting seminars, campaigns, workshops and donations to society to society meet the firms with CSR obligations and also indirectly act as a marketing and persuasive strategy as a result of which increase business shares leading to higher sale, hence revenue is increased. The buying habit of the customers is increasingly changing with information about social and environmental concern so the firm may maintain a good relationship by fulfilling the

demand of providing such information. Majority of the customers wished to buy the products of firms that were more socially responsible than those which were not socially responsible. The survey also shows that 76 per cent of the customers were willing to switch their brand towards firms that are actually practicing CSR activities. Survey conducted by Hess, Rogovsky, and Dunfee (2002), USA, showed that 43% out of 1000 consumers wished to buy products of those firms that are more socially responsible and working for the welfare of the society. The relationship between CSR and a firm profitability gives a mix result. Vora (2005), view that financial performance of a firm is greatly flounced by CSR activities. Matute- Vallejo, Bravo, and Pina (2011), conducted a survey on banking sector and viewed that during financial crises different sizes showed different behaviour with CSR practices.

2.14 CSR and its effects on Corporate Community

The relationship between a corporation and its community partner is important because to maintain a long lasting and sustainable relationship between them. According to Fukuyama this relationship can be deepen through active and transparent steps to create social trust between the two. CSR Strategy is designed to robust this relationship between corporate and community. By keeping a balance in environmental and social practices corporations create a long lasting and sustainable relationship with their communities to which they belong. For a business CSR also means to maintain a healthy and trusting relationship with the customers by delivering them reliable products. Referring Texaco Incident in Oil industry Porter and Kramer (2006), argued that corporations have the moral responsibility to keep their workers safe whether harm is intended or not. Creating CSR is a way of keeping the worker safe and healthy during their work environment thus the corporations build a strong relationship with the communities. Similarly

Husted (2005), argued that CSR is a mean of economic returns by investing in communities. He argues that CSR should be considered as a Real option in investment strategies in order to decrease the risk of the business and encourage investment within the communities of interest. Communities are important part of the corporate and corporations make efforts to understand the corporate and community's relationship as they consider it an asset that leads to greater prosperity. A successful corporate community relationship is possible when the corporate is socially responsible and serves the community. Investing in social capital like non- profit foundations and welfare organizations create inter related

network between the community and corporate that further increase social trust and economic prosperity.

2.15 Corporate Social Responsibility & Consumer Retention, Attraction and Motivation

Petkus and Woodruff (1992) defined corporate social responsibility as “avoiding harm and doing well”. Deetz (2003), defined corporate social responsibility as “action taken by a business according to the needs of the social community”. Mohr, Webb, and Harris (2001), defined corporate social responsibility as “commitment of a company to minimize or eliminate any harmful impacts and maximize its long run beneficial impacts on the society”. All these definitions give the same concepts that CSR activities are undertaken to produce hygienic and valued products, to protect a better and safe environment, safe working conditions, faire treatment with employees and social awareness of leading issues to achieve a sustainable business market. The concept of corporate social responsibility is aimed that the business community is required to examine the ethical and moral characters in order to minimize issues in the business and social environment and to maximize social good. Wartick and Cochran (1985), said that businesses should have to adopt those policies, line of actions and decisions that add value to the society. During 1960s and 1970s the corporate social activities were highly focused and social activism arose very high. Manne and Wallich (1972), argued that social actions of corporate are highly enjoyed by the people outside the market. Porter and Kramer (2006), argued that the future relationship between businessmen and community is sustained by social responsibility through clean environment, wealth distribution and fair and positive actions. Drucker (1974), says that corporations are greatly expected by the public to pay them. So these corporations take social actions to fulfill public expectations as well as their own responsibility. A number of other researchers have contributed towards corporate social responsibility such as Turban and Greening (1997); Hart (1995); Klassen and McLaughlin (1996); Judge and Douglas (1998), who viewed that the performance of a business can be improved by environment consciousness because firms which act environment friendly can reduce their costs through which they create sustainable competitive advantages. In this way these firms can maintain differentiation, positive corporate image and strategic vision. Social marketing is way undertaken by the companies in order to link their products or services to the cause .for example pharmaceuticals, food and beverage, and chemicals industries donate their products on customary basis to different

beneficiaries and charitable organizations. These firms also take active part in situations of disasters caused by flood, earthquakes or natural calamities and war .thus customers are more likely to buy products of firms which are more socially more responsible.

Falck and Heblich (2007), say that CSR created opportunity for high quality job applicants and enhance the moral of existing employees. Maignan, Ferrell, and Hult (1999), found a positive relationship between CSR activities and employee commitment. Collier and Esteban (2007), found that employees with few job choices valued CSR performance lower than high –choice job seekers. According to empirical research CSR actions matter to employees (Collier & Esteban, 2007); Brammer, Millington, and Rayton (2007); (Greening & Turban, 2000). They say that companies with high CSR activities have high reputation and have the ability to attract and motivate high educated employees. They also have the view that once these employees are attracted through CSR reputation then the company has to retain and maintain their moral and motivation. This leads to reduce turnover rate and the costs of recruitment and training. CSR can create opportunities for high quality employees who lead to higher morale and commitment and employees loyalty. McDonald and Rundle-Thiele (2008), views that best CSR activities cause to increase financial performance, profitability as well as employees' satisfaction. He suggests that it is easier to evaluate employee's satisfaction through CSR survey. Collier and Esteban (2007), state that managerial practices that represent CSR towards employees are likely to result employee commitment towards their organization. For example training practices and job equity policies have found to have positive effects on employee commitment.(Hess et al., 2002) & (Lantos, 2001) said that CSR activities involve employees in structured volunteer programs which further benefits the community from the donations of employees' time and talent and benefit the company from more loyal employees, help in recruiting and teaching teamwork skills to the existing employees. Collier and Esteban (2007).Viewed that to attract qualified employees organizations should investigate different CSR areas. They say that these CSR areas are; investment on community and outreach, workforce diversity support, benefits and employee involvement product safety and solving global issues. Castelo Branco and Lima Rodrigues (2006), suggested that CSR engagement regarding faire wages, safe working conditions, training opportunity, health and education benefits may result more productive and motivated employees, and reduce employee absenteeism rate and employee turnover.

2.16 CSR and Employee Turn over

Research conducted by many researchers has shown that there is a positive significant relationship between CSR and employees turn over. When employees' expectations about CSR are satisfied by the business/company it results in better employee attitude, increased financial performance and decreased employees turn over (Trevino & Brown, 2004);(Tuzzolino & Armandi, 1981).

According to (Panwar & Hansen, 2008), retention of employee is the sign of organizational success. Most of the researchers have confirmed that by retaining employees' organizations an increased financial performance (Carlin & Guthrie, 2001; Huselid, 1995).

2.17 Impacts of CSR Activities over internal Stockholders/Employees

A considerable research has been done by many researchers to answer the question that how employees respond to an organization which is indulged in CSR practices.

Balmer and Greyser (2002), say that the ethics and services provided by the businesses to the community play a vital role in changing the attitude and insight of employees regarding that organization, but this aspect of CSR is ignored by the researchers of the this area. This view is further explained by Aguilera, Rupp, Williams, and Ganapathi (2007), that limited attention is given to employees in CSR literature. Cropanzano, Byrne, Bobocel, and Rupp (2001), views research on organization behaviour has shown that employees not only react to the way the organization treat them but also observe that how it respond to the society/people outside the organization. Aguilera et al. (2007), is also of the view that the act attitude of employees may be shaped by CSR initiatives in which organization is engaged. Aguilera et al. (2007), an interesting link between CSR and employees. A socially responsible behaviour of organization results more committed and motivated employees while an irresponsible behaviour like a damaged environment, victim group or exploiting general public cause a negative work attitude and behaviour. Employees will have positive attitude and behave more productively while looking their organization more socially responsible outside and apart from the organization. Stakeholders are more likely to maintain their employment relationship when they regard their organization as more socially responsible. No impacts can be experienced on employees when they are unaware of the CSR activities of the firm. This leads to frustration among employees delivering the view that the firm is using its resources ineffectively.

Ashforth and Mael (1989), viewed that CSR initiatives not only affect current employees working in the organization but also shape the perception/choice of the potential employees.

According to Collier and Esteban (2007). (2000) new job seekers are more attracted towards those organizations which are involved in social activities. In short CSR is considered a more marketable tool to attract more qualified employees which further enhance the reputation of organization (Fombrun & Shanley, 1990).

2.18 CSR and Organizational Commitment

Researchers argue that "doing well leads to doing well" and what that are Good for the society is also worthy for the company. A lot of work is done by researchers to address the impacts of CSR on organizational outcomes comprising workplace attitude and behaviour. According to social exchange theory the commitment of employees depend upon the perception of value and benefits they get from the organization (Collier & Esteban, 2007). Organizational commitment is an important and effective component that reduces employees' absenteeism and turnover rate which results in an improved performance. According to theory of organizational support an effective commitment affect the perception of employees that how they valued and treated at their workplace (Schutte et al., 2001). Thus on the basis of organizational support theory socially responsible practices of the firm towards employees results in effective organizational commitment. The influence and contribution of corporate social responsibility on the organizational commitment can be best studied by social identity theory (Brammer et al., 2007; Turker, 2009), They view that identification of organization for social practices enhances the social identity and positively affect the organizational commitment (Turker, 2009). Positive perceptions of Corporate Social Responsibility have a positive relationship with employee commitment (Ali et al. (2010); (Brammer et al., 2007; Tao et al., 2010; Turker, 2009). The perception of employees is influenced by both external and internal CSR practices like actions and programs for external stockholders (customers, suppliers, society) and how the employees are treated(internal employees).External practices of CSR includes philanthropy and social contribution, environmental safety and the extent of ethical behaviour towards the employees and other stockholders. Perceptions of CSR are also influenced by public reputation of the company as well as media, and specifically, employees' perceptions of the company's public reputation (Mignonac & Herrbach, 2004). According to these researchers a corporate

unethical behaviour towards employees and environmental damage by the company cause negative employees perception about the company. Similarly a company involvement in philanthropy and social activities cause a positively influence on employees. Tao et al. (2010), views that the way in which believe outsiders see their organization have a positive relationship with employee company identification.

2.19 Corporate Social Responsibility and stock Holders

Though various studies have been conducted to define different aspect of CSR but the consumer side of CSR is still deserve investigation of more researchers. According to Green and Peloza (2011), if consumers get value from the exchange of CSR actions of firms they would definitely support CSR. Murray and Vogel (1997). agreed with the concept of (Green & Peloza, 2011). They argue that firms receive support of customers in exchange of delivering valuable thing (social benefits) to the customers. Therefore the customers receiving CSR benefits favour the product and services of the firm. This strategy is termed as a win-win strategy by Green and Peloza (2011), which benefit for both firms and for the customers. This way of exercising Corporate Social Responsibility is beneficial for the customers and firm itself. (Lai & Peng, 1995; Sheth, Newman, & Gross, 1991),are against the view of Green and Peloza (2011), they view that exchange for value occurs between firm and customer whether the irrespective of firm engagement in CSR activities. Lai has further explained that creating customer value is the aim of both profitable as well as non-profit able organizations. Customer value and consumer value was distinguished by Sheth et al. (1991), saying that customer value is a marketing term while consumer value is concerned with consumer behaviour. Lai and Peng (1995), has further explained this difference and said that valuation of product by customer at the time of purchasing is termed as customer value while valuing a product's possession & consumption value is considered as "consumer value".

Green and Peloza (2011), has written articles in which customer value can be derived by using CSR in different ways. According to Green and Green and Peloza (2011), CSR contributes to customer value in three ways; emotional value, social value and functional value. They view that all these three things enhance customer value in some ways. Emotional value is the perceived utility a customer gets from buying a product with social feature. Customer feels good when he/she buys a company product linked with CSR activities. A company perusing a policy of making products from recycled materials will be most welcomed by customers because they think the company is contributing in making the

environment cleaner and safer. Another type of Value Company can get from doing CSR activities is the social value. People feel honoured while purchasing things from firms active in CSR because they think it can boost their social status and People would get impressed when they know about our purchases from that specific firm. Functional value is the last type of value a company can get from pursuing CSR activities. When a customer gets actual and material benefit from using products of socially performing companies then they perceive about functional value. Fuel effective products can save the environment and save the money in long run (Green & Peloza, 2011). Green and Peloza (2011), demonstrated in their papers that customer value derived from CSR through emotional, functional and social value is continuously changing especially in recession. They view that functional value may be some time the sole driver for customer at the time making of purchase decision. Other people consider that social and emotional can more impact the purchase decision of customer during economic uncertainty. Hamzaoui Essoussi and Zahaf (2008), illustrated that the functional value of CSR is the main criteria for consumer at the time of purchase decision.

2.20 Importance of Corporate Social Responsibility (CSR) for consumer

The big question in the mind of researchers is whether CSR matter for consumers. In this regard d'Astous and Legendre (2009), conducted a research and their conclusion says that CSR really matters for consumer. According to their views, consumers buy and prefer the products of those firms which are actively involved in CSR activities. They have a positive attitude towards firms involved in CSR activates. Smith (2003), has further explained that up to 90 per cent of the consumers consider corporate social responsibility while purchasing products. Mohr et al. (2001), found in their study that most of the consumers expect high levels of CSR from companies.

Roberts (1996) have investigated in their study that the debate shifted from “whether to how”. The debate has extended from whether companies should incorporate CSR into their activities and how the companies perform all this. Companies have to be careful in this regard because consumers are critically analysing companies CSR programs. Companies can't just highlight some events as their CSR activities but they are required to perform on grounds. Boulstridge and Carrigan (2000), have acknowledged that by confirming consumers take care regarding CSR. The gap between attitude and purchase behaviour has been noted by (Katon et al., 1995; Roberts, 1996). This gap refers to phenomena stating that what people say about their purchase behaviour and what they actually do are two different aspects

(Roberts, 1996). Roberts (1996), has referred to several other authors which say that people claim to prefer other than what they actually buy. He commented based a standard of studying consumer attitudes of US residents Roper Starch Worldwide and Cone/Coughlin Communications (Katon et al., 1995). Roberts (1996), have stated several reasons for attitude-behaviour of consumer. The first is that green products are more expensive. Another reason is that the price, convenience and quality are also important decisions to be made. Consumers are also confused about green products at large. Mohr et al. (2001), referred to buying decision issue based on the traditional criteria like quality, price and convenience and the confusion of consumers regarding CSR. All of these add to attitude-behaviour gap. This is because when consumers are asked about their reactions to the social activities of company they want to give good impressions in favour of firms. Mohr et al. (2001), believe that as actual behaviour of respondents is more expensive than simply answering the asked questions that is why practical survey is more likely to overestimate the impacts that CSR has on the purchase decision of consumer. Awareness about CSR activities of firm is essential for consumer while making purchase decision. Mohr et al. (2001), point this as lack of consumer responsiveness to CSR activities.

Roberts (1996), points out that communication strategy should be first developed to assess consumers' awareness about CSR activities then its impacts on the purchase decision of consumer can be evaluated easily. Mohr et al. (2001), says that as the consumers are less aware of what CSR practices are, therefore there are difficulties to assess perception of consumers integrated to CSR. Boulstridge and Carrigan (2000), believe that it is a never ending discussion to fill the attitude-behaviour gap and whether corporate behaviour really influences purchase decision of consumers is still to be answered.

2.21 Impacts of CSR on costumer's loyalty and purchase decision

2.21.1 Customers Loyalty

It is a well-known fact for the companies that the cost of retaining existing customers is much lower than the cost of attracting new customers. Thus the major focus of the management is on the issue of consumers' retention and customers' loyalty. The issues of management agendas are" how to retain existing customers and how to make them loyal to repurchase their goods or products. A long term beneficial relationship of company with

customers has based on retaining existing and loyal customers. It will benefit both the company as well as the customers the company get benefit in terms of reducing cost of attracting new customers while the customers received trusted and reliable products or brands (Pan, 2011). According to Klinger and Merlob (1998), loyalty does not mean to repurchase to product or brand but it is a belief customers have about a brand or product. Customer loyalty is defined as the attitude or behaviour towards the product brand or service of a company. It shows a customer's commitment that continuously purchases the product or brand of a company in a competitive market. As the customers are more committed their purchase intention or decisions are directed towards the same company brand or products. Fombrun and Van Riel (1997), conducted a research where he proved that reputation of a company play key role in brand choice in company. He viewed that seventy seven percent of customer purchase the brands of those companies that have good reputation in competitive market Maignan and Ferrell (2004), viewed that CSR programs are in favours of customers there for they positively affects the purchase decision of customers and customers always buy the products or brands that benefits them. Social and ethical practices of a company make the customer more committed and loyal which further transform in the customer behaviour and affects their purchase decisions (Alig, Kline, & Lichtenstein, 2004). CSR attributed products strongly influence the behaviour and beliefs of customers about the products hence they repurchase those products or brands (Li & Benezra, 1996). Similarly the products concern with corporate social responsibility grandly impacts the perception of consumers about those products or brands. (Smith, 2003), argued that eighty eight per cent of the consumers wish to buy the products of the companies that are involved and socially responsible practices. As they like that by having social programs the company fulfils the social needs of community or society. According to (Van Rekom, 1997), the image of a company depends upon the combination of person's trusts feelings and impressions about a company.

2.21.2 Purchase intentions

CSR programs and practices enhance the preferences of customers while making a purchase decision (Brown & Dacin, 1997). Consumers often expects some social practices and ethical behaviour during a company businesses life/activities, when the company performs well than the expectation of customers it will positively impacts their impact decisions or intention. Thus ethical and social behaviour of a company is positively

correlated with purchase intention of customers. The products and services of a socially and environmentally responsible company or more likely favoured by consumers and customers responds negatively respond to those companies that do not care for social aspects of society and community (Creyer & Ross, 1997). Consumers repeatedly purchase the trustee and reliable products which they link with the future consequence of the products. The perception of consumes about a products may be changed into a purchase decision their by considering the social practices of a business. Social practices of a company enhances the perceived value of consumer about a product hence motivate the consumer to purchase the product. Ethical and unethical actions of a company influence the behaviour and beliefs of consumers about the products or brand of that company. Consumer will buy the products of those companies which perform ethically and meet social expectations of consumers. Consumers pay high prices for products of socially and ethically successfully companies, and will pay lower price for unethical actions as a response of punishment.

2.22 CSR & Corporate Reputation

A key aspect of corporate reputation is stakeholders' perception about CSR that is i.e. the perception of stakeholders that how will the organization CSR creativities and consequences meet shareholders, environmental and social values. The perception of all these stakeholders is influenced by corporate social responsibility which maximizes the earning level of firms and hence its reputation (Unerman, 2008). This fact that CSR has positive impact on reputations has revealed form various studies in the past. That is literature shows that CSR is positively correlated with corporate reputation Husted and Allen (2007), argued that when the customers and stakeholders are aware of the value of CSR enriched products than it will positively affect the reputation of the company. Viewed that CSR activities have positive relationship with company reputation as the actions of CSR activities attract more customers and investors hence increase customers' satisfaction and commitments of existing employees. In fact arguments of Husted (2005), show that good image or reputation of company plays a key role in value creation which provides an edge in a competitive environment. He views that CSR activities by a company further strengthen the competitive advantage in a competing market (Melo & Galan, 2011).

Purchase decision of customers is greatly influenced by CSR actions of a firm. Surveys have proved that customers are influenced by CSR activities delivered by organization (Castaldo, Perrini, Misani, & Tencati, 2009). The ethical and philanthropic aspects of CSR activities

build the beliefs of the customers in a sense that the company meet the expectations of society and communities thereby following ethical standards, care for society and donation for welfare communities. These positively impact the customer's belief about firm reputation. Awareness of customers about CSR activity of a firm maintains a quality standard and reputation of the firm. Melo and Garrido- Morgado (2012), viewed that various dimension of CSR influence the firm reputation and different ways. For example using environmental friendly technology shows strong environmental record of company that influence firm reputation in short CSR practices of company can strengthen its reputation. That is why most of the organization invest in CSR activates because at positively impact on employees commitment, motivation and finally build the good reputation of the company. Reputation of a company is views as intangible assets which play a key role to attract stakeholders and impact their response towards company products or service (Fombrun, Van Riel, & Van Riel, 2004). Corporate reputation is one of the important aspects that more along with CSR activity. Customers want to buy the products of those companies which are more concerned with good CSR action. Suppliers and community wish to concern more with companies having good CSR performance. Firms concerns with high level of motivation and commitment in their activities achieve good corporate citizenship. The social performance of a company is based on CSR which further enhance good reputation of a firm. Companies that link their CSR activities with corporate image will enhance and create good image of their brand and product which in term build corporate reputation. A company that performs ethically and involves in social activities with good brand image positively impacts stakeholders perception about the company which is crucial for company reputation. Reputation of company depends upon its success to address stakeholders' demands and fulfil their expectation. A company that meets the expectation and demands of stakeholders achieve good reputation which is fundamental for long term survival and profitability of the firm (Davenport, 2000). Brammer and Millington (2005), argue that CSR is a key component in attaining trust and goodwill of company and thus acts as foundation of reputation.

2.23 Outcomes of CSR

Spending on CSR activities is not just wastage of shareholders but it brings some benefits to the firm as well. Bird, Hall, Momentè, and Reggiani (2007), view that investment on CSR activities enhances firms value in various ways. In other words outcome of CSR activities can be created through several ways. For example, the immediate costs of several

activities can be saved as a result of various CSR practices, which increase the market valuation of the company. As CSR activity have positive impact on the environment therefore it makes the company more efficient and energetic which further increase the profitability of the firm (Bird et al, 2007) company that spends more on CSR activities get high reputation and goodwill which benefit the firm in long run. According to Bird et al (2007) providing improved product quality and services attract more customers which results in increased sale and profits. Bird et al (2007) stats that providing improved quality products may apparently increase the company costs but it contribute to the company reputation which in turn increase profitability and market valuation of the firm in longer term. Another idea introduced by Bird et al (2007) explains that the future of govt. and other regulatory bodies is decreased in that area whereas companies voluntarily involve in CSR activities. For example if a company voluntarily indulges in controlling environmental pollution its costs will increase which might decrease firm profit. But as companies engage in CSR voluntarily, it deters government imposition of taxes on the company that result in greater erosion in the company's market value. Theses all ways of CSR create the value of firm Green and Pelozza (2011), conducted a research which shows a positive impact of CSR on firm valuation. They found that CSR leads to increased customer loyalty, which influence them to pay higher prices for the products. Green and Pelozza (2011) viewed that the positive company valuation, higher purchase intentions and positive word of mouth are the outcomes that have the potential to increase the long term profitability of the firm. Argue that reporting CSR strategy has many benefits for business like selling a coherent corporate goals with society, increased reputation and reduced risk associated with firm's costs. Nowadays firms are investing a lot of money on CSR programs. The ultimate goal of these programs is to get return on these programs in term of good reputation, increased sale and profitability. Pelozza and Shang (2011), suggested that shareholders of firms wish to measure the outcomes of CSR activities in order to understand the direction of positive impact on profitability. Return on CSR is very important now days. Carroll (2008) argued that CSR provide sustainable advantage in global competition which leads to high valuation and future success of the firm.

2.24 CSR and Quality

Product quality is viewed as important factors for customer, satisfaction and customer retention Folkes and Kamins (1999), found a link between CSR and customer attitude, customer attitudes are influenced by the ethical and unethical behaviour of the company

which further affect their evolution of the company and product. Folkes and Kamins (1999), argued that product quality cannot be improved through virtuous behaviour of the company nor is a superior product quality a substitute for ethical behaviour to influence customer attitudes awards the firm. However CSR activities of firm motivate customers to differentiate products in a competing market (Folkes & Kamins, 1999). Research conducted by Folkes and Kamins (1999), is in favour that CSR activities affect the perceived product quality. But CSR have low significant impacts in case of low product attributes. Bhattachary and Sen (2004), also support the views of (Folkes & Kamins, 1999). A positive firm image can be cleared through good CSR behaviour which in turn leads to more committed and improved attitude of customers toward the firm (Brown & Dacin, 1997).

2.25 Earnings management

In order to achieve predictable and stable financial results, the legal and reasonable managerial decision making and reporting are called earning management. Bhattachary and Sen (2004), says via Kotter (2012), that the true economic reality of a message is affected by such actions while conveying to the external users. However, these actions are done in order to smoothly run the company.

Research conducted by Vilanova et al. (2009) shows a positive relationship between CSR and financial performance of a firm. He proved this relationship in his research on chemical industry. He argued that CSR increases a firm competitiveness through learning and innovation cycle. He says that when a company integrates its CSR activities into its business process then learning generate innovative ideas and practices, finally the innovative practices of the firm lead to competitiveness including financial performance. His overall results support a positive relationship between CSR and firm financial performance. He suggests that when chemical firm engages in CSR activities it makes them more productive in future time. He argued that the impacts of CSR on financial performance for chemical firm are greater because they face intense competition in the market. This finding was consistent with Porter and Kramer (2006). Epstein (2018) , say that the costs of corporate social practices are more than the benefits we get through it. They view that the costs of CSR cannot be compensated by employee's morale and financial performance. Vilanova et al. (2009) conducted his research and found that CSR of a firm is linked with the competitiveness based on innovation and learning. According to his study the learning process occur by two steps i.e. integrating CSR activities in the business operation of the

firm which generates innovative ideas and practices. Second the innovative ideas leads to the competitiveness of the firm. He included five dimensions for the competitiveness of the firm which are; 1) financial performance 2) quality of products/service 3) image and reputation 4) innovation 5) financial performance. According to Vilanova et al. (2009) CSR has positive impacts on the financial performance. Many researchers explained a positive relationship between CSR and financial performance. In this regard the work of Cochran and Wood (1984); McGuire, Sundgren, and Schneeweis (1988), is more significant. They find a positive association between CSR and Financial performance. Waddock and Graves (1997), conducted a research on CSR and financial performance association and documented two findings. According to their findings, well financial performance of a firm hints to better CSR performance in the future, and better CSR performance leads to healthier financial performance. Aguilar, Guzmán, and Castro (2017); Tsoutsoura (2004), also finds a significant positive relationship between CSR and Financial performance. They suggested that firms that involve more in social practices will perform better in today's society. However, Waddock and Graves (1997), opposed these views and found quite different results. He conducted a research on CSR and financial performance association and documented two findings. According to their findings, better financial performance of a firm leads to better CSR performance in the future, and better CSR performance leads to better financial performance. His results show a positive relationship between CSR and Financial performance. Stawiski et al. (2010) proposed that CSR yields maximum benefits when employees are involved in decision making regarding their activities in the environment and community. The more employees were influenced by CSR actions, the higher would be their organizational commitments, and consequently it would increase employee's financial performance. His findings support a positive relationship between CSR and financial performance, Collier and Esteban (2007); Backhaus et al. (2002); Ali et al. (2010); McWilliams et al. (2006) viewed that corporate social responsibility contribution attracts motivated potential employees and improves commitment level of existing employees which further increase the financial performance of the firm. (Iwata, 2006; Verschoor, 2006), says that sale and reputation of a company is enhanced by engagement in social practices. Iwata (2006); Vilanova et al. (2009) argued that CSR activities leads to higher financial performance in Chemical industry. Porter and Kramer (2006), argued that engagement in CSR activities brings opportunities, innovation and competitive edge to the businesses. They view that maximum social and financial benefits may be accomplished through better

performance in the society. They view that engagement in CSR activities make chemical firms in the United State more productive.

Porter and Kramer (2006) argued that engagement in CSR activities brings opportunities, innovation and competitive edge to the business. They view that maximum social and financial benefits may be achieved through better performance in the society. Company engagement in CSR practices plays a vital role in the retention and attraction of skillful workers who further will enhance financial performance of the firm thus CSR has positive impacts on financial performance.

The topic of CSR is still controversial which has received increasing attention in the recent years. Epstein (2018), say that the costs of corporate social practices are more than the benefits we get through it. They argue that the costs of CSR cannot be compensated by employee's morale and financial performance. According to Karnani (2010), argued that investment on CSR increases the unnecessary expenses of the company. He says that CSR activities increase the costs of the company without offsetting the profits hence it hurts the performance of the company. Aupperle et al. (1985) conducted a survey and found a negative relationship between CSR and financial performance (FP). Moore (2001) conducted a survey of eight companies in the super market industry of United Kingdom and found a negative association between Corporate Social Responsibility and Financial performance. However Nelling and Webb (2009), found no relationship between CSR and Financial performance. Luo and Bhattacharya (2006), found no conditional relationship between CSR and firm performance. He views that the relationship between CSR and financial performance can be better explained in term of market competition. Is against the practices of CSR. He argues that commitment to CSR practices increases the unnecessary costs of the company which results in lower financial performance. He views that indulging in CSR activities will be an extra burden on managers and the auditing, accounting and monitoring process of such activities are more expensive and time consuming. According to Friedman (1970), a business is only responsible to maximize its profit and not responsible for any social activities. Carroll (2008), is of the opinion that attaining social good is possible only to sacrifice the profit of the company. Robert explored a negative relationship between CSR and profitability and suggested CSR practices as expense which negatively impacts financial performance.

To summarize the overall literature it is concluded that the topic of CSR has achieved a great attention researchers towards it. The impacts of CSR have been studied by a large number of researchers who examined different conclusions i.e. positive, negative and no

relationship between CSR and financial performance. For example Moore (2001) conducted a survey of eight companies in the super market industry of United Kingdom and found a negative association between Corporate Social Responsibility and Financial performance. Epstein (2018), say that the costs of corporate social practices are more than the benefits we get through it. They argue that the costs of CSR cannot be compensated by employee's morale and financial performance. His results show a negative relationship between CSR and Financial performance. According to Karnani (2010), argued that investment on CSR increases the unnecessary expenses of the company. He says that CSR activities increase the costs of the company without offsetting the profits hence it hurts the performance of the company which reveal that CSR Negatively impacts firm's financial performance. Aupperle et al. (1985), conducted a survey and examined a negative relationship between CSR and financial performance (FP). Handerson, Podolny, and Pfeffer (2001), is against the practices of CSR. He argues that commitment to CSR practices increases the unnecessary costs of the company which results in lower financial performance. He views that indulging in CSR activities will be an extra burden on managers and the auditing, accounting and monitoring process of such activities are more expensive and time consuming. . According to Friedman (2007) a business is only responsible to maximize its profit and not responsible for any social activities. Vogel (2005), is of the opinion that attaining social good is possible only to sacrifice the profit of the company. Robert explored a negative relationship between CSR and profitability and suggested CSR practices as expense which negatively impacts financial performance.

Nelling and Webb (2009), are of the opinion that CSR has no impacts on financial performance/Financial performance.

Burgstahler and Dichev (1997), says that earning decreases and losses are managed by firms through earning management. If the firms have some earnings managed before they decreases it to report increases earnings and if the firm has negative pre-managed earnings they do earning management to report positive earnings. Cash flows from changes in working capital and operations are used as earning management tool to avoid losses and reporting earning decreases. But these actions can also lead to more financial losses and that is evident from the work of Bardos, Golec, and Harding (2011), according to them when at first time a firm misstated it earnings investor see it as true information, but when the restatement dates come near investor identify the mistakes. And when the restatements are done it has 3 times more effect than the announcement effect. So the results show that the transparency of financial information would be beneficial for investors.

A study by Bergstresser and Philippon (2006), investigated the relationship between top executive's compensations and earnings management and finds that if a CEO compensation is tied with the share price of the firm, that leads more likely to do high level of earning management. However, the ratio of earning managements can be reduced by practicing some better roles by Board, managers and committees in the company. A study by Alzoubi, Saleem, and Selamat (2012), attempted to find out the role of audit committee and corporate governance on earning managements. Their findings show that when there are effective boards and audit committee there will be less chances of EM because they do not allow it, and the reason of it is that EM cause uncertainty about a firm's economic value. A same kind of study also revealed that when a board has more independent directors, they are less likely to do EM. And there is also a negative relationship between EM and the proportion of the audit committee (Xie, Davidson III, & DaDalt, 2003). Dechow, Sloan, and Sweeney (1995), identified the different models through which earning managements can be detected. They found that the most reliable model for detecting the earnings management is the model of Jones that was developed in 1991. The next step is to look at the literature of corporate social responsibility.

One of the seminal influential works on corporate social responsibility was done by (Shafer et al., 2007). According to him, to constitute total CSR there are four types of social responsibilities, economic, legal, ethical and philanthropic. He named these four social responsibilities as CSR pyramids. Earnings management is the mis-representation of financial information in the financial statements. And it is thought to be unethical to deceive the stakeholders by misrepresenting the financial information. So it basically violates the third component of CSR pyramid, which is the unethical one. A study by Chung, Pan, Huang, & Chung, Pan, Huang, and Chen (2015), examines that when firms are warned for earning managements they change their behaviour or not. They conducted their study in Taiwan which includes 708 year observations during the period 2003 to 2010. The results show that firms prefer to do real activities manipulations to avoid penalties and punishments instead accrual based earning management. So it is evident from this study that firms are not practicing CSR by their will instead when they are forced they only obey the law. The next step is to see the relationship between earning management and CSR.

2.26 Relationship between CSR and Earnings Management.

In the recent years companies are engaged in such actions and programs which can build good reputation and can mitigate corporate crises. They appear to be doing well for environmental protection, raising funds, and other philanthropic activities. All these activities can benefit the company in long term and short term as well. When a company is socially responsible it does not only benefits the shareholders, but can be beneficial for all the stakeholders. Here in this part we will see whether there is any relationship between corporate social responsibility and earning managements or not. Earning managements are thought to be unethical in nature because the managers deceive the shareholders and other stakeholders by mis-presenting the information in financial statements. A study conducted by Campbell (2007), tries to identify the situations when corporations behave in socially responsible ways. He proposed some propositions, first of all the economic conditions- the level of competition and health of the company effect the profitability and CSR. The second one is if there are strong state regulations then the companies will behave in more socially responsible ways. The third one is if there are independent monitoring organizations then firms will behave in socially responsible ways. And the last one is that if there is good relation with stakeholders and employees then firm behave in socially responsible ways.

Hong and Andersen (2011), examined the relationship between CSR and EM in United States for non-financial firms for the period 1995 to 2005. They find that the firms that are more socially responsible have less activity based EM, and high quality accruals. And the financial reporting quality of a firm is affected by both of them. Another study by Prior, Surroca, and Tribó (2008) of 26 countries during the period 2002 to 2004 finds that there is a positive impact of CSR practices on EM, and the combination of EM and CSR negatively affects the financial performance. The financial performance of the firm is negatively affected by the CSR practices so the managers and the shareholders would not be in favour of doing CSR practices. Chih, Shen, and Kang (2008), scrutinizes the relationship between CSR and EM, and they included 1653 companies from 46 countries in their study. Their results show that CSR and EM depend on the type of EM which we consider. If earning smoothing (ES) is used as a proxy for EM then the result shows that increase in CSR decreases ES. When earning aggressiveness (EA) is used as a proxy for EM that shows that increase in CSR is positively related with EA. When EM is proxies by earning losses and decreases avoidance (ELA), an increase in CSR reduce ELA. There is a contradiction between the findings of (Hong & Andersen, 2011). The findings of (Prior et al., 2008) show that there is negative relationship between CSR and EM, but the findings of (Hong & Andersen, 2011), show that there is positive relationship of CSR with EM when the EM is

proxy by earning aggressiveness. The next step talks about earning management and firm performance.

2.27 Relationship between Earnings Management and Firm Financial Performance

Some studies suggest that there is a positive relation between earning managements and firm performance while some studies suggest that there is a negative relation between them. In this section we will see the relation between earning management and firm performance by looking in the previous literature.

Gong, Louis, and Sun (2008), studies the relationship earning management and firm performance and finds that around open market repurchase announcements there are significant negative abnormal accruals. If the benefit from downward EM is greater then there is more chance for the managers to reduce earnings. However, there are some situations where the managers and top executives do earning managements and one example of it is given in the study of (Pourciau, 1993). The results of his study shows that when an executive is changed in a year he records the write offs and accruals in such manner that seem decreased that year, but then he increases them the next year.

Another study by Dechow (1994), also investigates the relation between earnings management and firm performance. The findings reveal that stock returns are associated with short measurement intervals. The earnings and stock returns have higher association than do realized cash flows. And the second one is applicable when the firms are experiencing a significant change in their investment decisions and working capital management

It is also essential to know when companies do high level of earning managements and when they opt to do low level of earning managements. Leuz, Nanda, and Wysocki (2003), investigates 31 countries data using cluster analysis and multiple regressions. The data they studied include 8618 non-financial firms during the period 1990 to 1999. They find out that there are systematic differences in the EM level. There are lower EM when the ownership is dispersed, large stock markets and strong investor protection. While for the less developed market, relatively concentrated ownership and weak protection the level of EM is high. In the next step discussion is about the relation between EM, CSR, and Firm Performance.

2.28 Relationship between CSR, Earnings Management, and Firm Financial Performance

Aupperle et al. (1985), studied the relationship between corporate social responsibility, and profitability and finds that there is no relationship between CSR and profitability. But another study by Gao and Zhang (2015), also tries to find the relationship between earning smoothing, CSR, and valuation and finds that smoothness has no effect on the firm value and earning-return relations are not improved by smoothness. However, when smoothness is combined with CSR it affects the earning return relation and has also positive impact on the firm value. So, there is a contradiction of findings between the study of (Aupperle et al., 1985). Another study by Hassan and Ahmed (2012), in Nigeria studies 25 non-financial firms during the period 2008 to 2010 listed on the Nigerian Stock Exchange using Univariate OLS multiple regression and finds that firm performance is inversely related to board composition but there is positive relationship between performance and executive compensation.

Mackey, Mackey, and Barney (2007), also studied the relationship between CSR and firm performance and finds out that some investors while taking investment decisions may have interests despite profit maximizations. If the demands of these investors for socially responsible investments are more than the supply of these kinds of investments, then the economic value of the firm can be created by these kinds of investments. On the other hand, CSR activities can reduce the market value of the firm if the demand and supply conditions are not favourable. The problem here is that identifying those investors who wants something else instead of profit maximization is very difficult. Using a new methodology, variables and statistical tools the relation between CSR and firm performance has been examined and the results show that CSR and asset age is strongly correlated within industry groups. The CSR ratings are lower for firms with older assets (Cochran & Wood, 1984)

2.29 Findings from the literature

The main findings from this literature review when talking about CSR and EM are that some of the authors are saying that corporate social responsibility has a positive relationship with earnings management and some are saying that there is negative

relationship between them. While talking about CSR and Firm Performance there is some findings show that there is positive relationship between CSR and firm value while some papers finding oppose it and say that there is negative relationship. There have been studies about Earnings management and CSR, and CSR and firm financial performance but there has not been a work which includes EM, CSR and firm financial performance. So there is a variable gap to work on. There is also an empirical gap to work in Pakistan on EM and CSR. The second empirical gap is to work on CSR and firm financial performance in Pakistan.

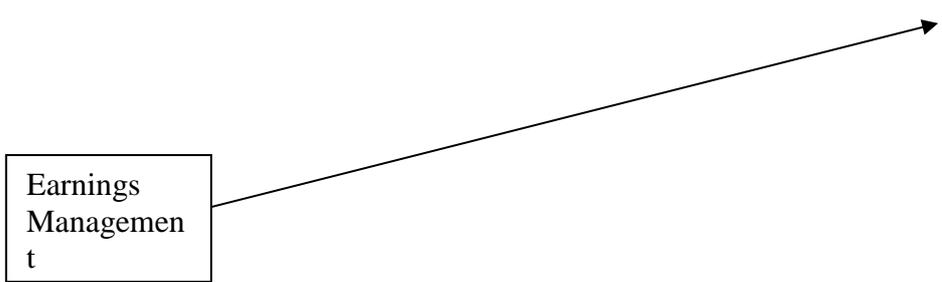
It is very important to address these knowledge gaps from the point of view of practitioners and academia. From practitioners point of view if the CSR practices have positive effect on the earnings management then it will benefits the investors and other stakeholders, because there will be least chances that they would be deceived by misrepresentations of financial results. And for the managers it would be beneficial in the sense if engaging in CSR activities increases the value of the firm they would like to engage more in CSR activities. And it would be beneficial for other stakeholders like creditors, labour unions, customers, government, etc. Because they would also get benefits from the real representations of financial information.

From the point of view of academia it will bring a new angle to the literature. Previous studies have been done on the relationship between earnings management and CSR. Some have been done on the relationship between CSR and firm performance, while some studies sees the relationship between earnings management on firm performance. But no study has included earnings management, CSR and firm performance. So this research will add a new angle to the literature by introducing a new variable. Also empirical contribution from Pakistani market will contribute to the literature as well.³

Theoretical Framework



Earnings
Managemen
t



Hypotheses

Following are the hypotheses which have been developed based on the proposed theoretical framework.

H1: There is significance relationship between CSR and firm financial performance.

H2: There is significance relationship between Earning Management and firm financial performance.

Based on the findings of systematic and critical literature review of corporate social responsibility, earnings management and firm financial performance a new theoretical framework is proposed. Previous studies have been conducted on the relationship between corporate social responsibility and firm financial performance. Aupperle et al. (1985), studied the relationship between corporate social responsibility, and profitability and finds that there is no relationship between CSR and profitability. Mackey et al. (2007), also studied the relationship between CSR and firm performance and finds out that some investors while taking investment decisions may have interests despite profit maximizations. Some studies have been done on the relationship between corporate social responsibility and earnings management. Nayak et al. (2011), examined the relationship between CSR and EM in United States for non-financial firms for the period 1995 to 2005. They find that the firms that are more socially responsible have less activity based EM, and high quality accruals. And the financial reporting quality of a firm is affected by both of them. Another study by Prior et al. (2008), of 26 countries during the period 2002 to 2004 finds that there is a positive impact of CSR practices on EM, and the combination of EM and CSR have a negative impact on the financial performance. While few studies have examined the relationship between earnings management and firm financial performance. Gong et al. (2008), studies the relationship between earning management and firm performance and finds that around open market repurchase announcements there are significant negative abnormal accruals. Another study by Dechow (1994), also investigates the relation between earnings management and

firm performance. The findings reveal that stock returns are associated with short measurement intervals.

This theoretical framework shows the relationship between corporate social responsibility, earnings management and firm financial performance. The first hypothesis H1 is used to identify that relationship between corporate social responsibility and firm financial performance. The second hypothesis H2 is telling the relationship between corporate social responsibility and earnings management. Finally the third hypothesis is used is show the relationship of earnings management and firm financial performance.

Firm Financial Performance = Constant + CSR+EM.....1

Here CSR represents corporate social responsibility and EM represents earnings management.

Where constant will be the average financial performance of those firms who are not spending on CSR activities and also not mis representing their financial information.

The value CSR will be the differential effect of engaging in CSR activities. And if we add this value with the constant that will be the average financial performance of those firms which are doing CSR activities.

The value of EM will be the differential effect of doing earnings management. When we add this value with constant that will be the average financial performance of those firms which are mis representing their financial information.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the methods and techniques used by the researcher in order to find out solutions to a problem or issue. It is a kind of generalized attempt adopted by the researcher to find out an appropriate solution/answer for a problem presently faced or likely to be appear/happen in future (Bogdan & Taylor, 1975), while others labelled it as a way to study and envisage and examine research matters (Wahyuni, 2012). But Sigger, Polak, and Pennink (2010), simply defined it the way adopted by the researcher to carry out research.

In short, research methodology refers to the means or ways used to uncover a problem solution.

3.2 Research Design

This part of research tells about the research designs and explain the reason that why such design have been used here. It further explains the how questionnaire was distributed among the respondents representing the true population.

One should be very careful about setting research design as various issues are involved in the research design. It is important to note that a more sophisticated and rigorous the research design is more time consuming, more expensive in term of cost and expended resources. So it is important to ensure the accuracy, confidentiality and generalizing along with investment of resources and benefits of a research design. Six things should be keeping in mind while developing a research design of a study. These six aspects of research design includes; the purpose of study, unit of analysis, item analysis, factor analysis, reliability and validity. The purpose of the study should effective summarizing the goals of research which

gives the reader a true understanding of the problem. Unit of analysis is the entity that the researcher wants to analyse in his or her study. Item analysis being statistical technique is used for selecting and discarding the items of the test on the basis of their troubled value and distinguished power. Item analysis is carried to check that the items in the instrument belong there or not. Each item is checked to discriminate between those subjects whose total scores are high, and those with low scores. The main determination of item analysis is to handpick suitable items for the concluding draft.

The current research used a large size of sample which is a true representative of the whole population. Here the research design used is a quantitative in nature based on the objective measurement and statistical analysis of data collected through questionnaire distributed across the employees. Previous studies revealed that data for analysing the impact of CSR on firm financial performance collected through questioners. So for this study questioner is adopted from pervious study.

3.3 Type of Research

The current research used is quantitative in nature which is based on questionnaire. The questionnaires were distributed among the employees of the companies registered on Pakistan Stock exchange; the results obtained were generalized to the whole population.

3.4 Population and Sample of Research

The True representation of population depends upon the size of the population. Saunders et al (2009) suggests that larger the size of the population the better the representation of the population. The population of this study consists of the total number of employees of the two Pharma firms Peshawar. A stratified sampling technique was used in this study. The whole population of employees is divided in three groups' managerial level, middle level and operational level employees. After this a random sampling of (a total of 324 employees of two firms) 150 employees stainlay of and 174 employees of Z Jan were selected which was the population of the study. The instrument (Questionnaire) was distributed among the employees. Respondents were asked to the items of the Likert scale by indicating their level of agreement and disagreement. All the employees participated to respond to questionnaire; therefore the response rate was 100%. 20 female representing 13.33 % and 130 male representing 86.66% of the employees of both companies took part in the study. On the basis of above sample size Correlation and regression analysis was conducted.

3.5 Sources of Data and Data Collection

Various methods of data collections are used in various studies. These methods include questionnaire, structured and unstructured interviews, observations, experiment and telephone calls etc. Questionnaire can be either sent by mail or it may be distributed physically among the respondents. The questionnaire is returned after being carefully fulfilled by the respondents. This research is quantitative in nature which is based on primary data. The tool used here for data collection is Questionnaire. The data collected here is primary in nature. Before collecting data permission was taken from Human Resource Department of proposed companies. The respondents who agreed were handed over questionnaires. The questionnaire was consist of five liker scale ranging from strongly agree to strongly disagree which was suitable to measure the intensity of respondents, feelings in the given scenario. Data collected through questionnaire was analysed for the mentioned purpose of the study.

3.6 Statistical tools and models

Descriptive statistics, Factor analysis, Confirmative Factor Analysis, Independent T-test, correlation, regression & regression assumptions, reliability, validity and questionnaire were the techniques which are used in this study to get the true intended results of the research.

Factor analysis is used to define the inter correlation in the questions in a variable. Cronbach's alpha test is used to test the internal consistency or reliability of measurements. KMO and Bartlett's tests have been applied in this research study to know the adequacy of sample size in this research study. Confirmatory Factor Analysis (CFA) is used to appraise the appropriateness of the measurement model for every concept separately. Correlation analysis is used to understand the nature of relationship in the variables. Regression analysis used here is to determine the impacts on dependent variable caused by independent or predictive variables.

CHAPTER 4

RESEARCH ANALYSIS

This chapter of the study provides detail of the tools and techniques used for data analysis of this study.

4.1 Research techniques & Tools

Reliability and validity are the two important aspect of research process which is used by researchers to maintain the quality of research.

Reliability is a test which shows the consistency of the measuring instrument. Reliability shows the degree to which a measuring instrument shows the stable and consistent results.it shows whether the research is trusted or not. In this study the views of well -known researchers have been taken from relevant literature as evidence which insures the reliability of the research. Validity is a test which shows that how well an instrument measures the intended concept. A reliable test needs to be valid. Validity shows us whether we measure the right concept. It refers to the selection of correct and suitable method of research (Biggam, Hough, Kay, & Simmons, 2011). In short a research design launches a decision making process, conceptual structure of investigations and methods of analysis used to address the research problem. In this research a number statistical techniques have been used to assess the reliability and validity of the study.

4.2 Reliability Analysis

Variables	Cronbache's Alpha	No. Item
Human Rights	0.788	9
Philanthropy	0.789	5
Employees & Labour Rights	0.709	9
Legal Responsibility	0.734	3
Ethical Responsibility	0.767	3
Environmental Responsibility	0.702	5
Economic Responsibility	0.781	3

Anti-Corruption	0.877	3
Supplier	0.711	3
Financial performance	0.762	8

The above table shows the reliability of the data collected for the variables mentioned. The result shows that the data is reliable due to the Cronbach's value above the acceptable ranges. The researchers argued that alpha value of above 0.60 is acceptable; however the value of alpha of this variable is well above the desired and acceptable level. So the scale is highly reliable for further analysis of this study.

4.3 Explorative Factor Analyses

Factor analysis is a statistical method used to describe variability among observed correlated variables in terms of a potentially lower number of unobserved variable called factors. Factor analysis is used for data reduction. Factor analysis is used for large sample size. For example, it is possible that variations in four observed variables mainly reflect the variations in two unobserved variables. Factor analysis searches for such joint variations in response to unobserved latent variables. The observed variables are modelled as linear combinations of the potential factors, plus "error" terms.

Table: 1. KMO and Bartlett's of Human Rights

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.789
Approx. Chi-Square	71.90
Df	10
Sig.	.000

Component Matrix Human rights

	Component 1
HR1	.544
HR2	.712
HR3	.612
HR4	.626
HR5	.543

HR6	.543
HR7	.578
HR8	.68
HR9	.543

The above table shows CSR component Human rights. The results show that value of KMO's is 0.789 which indicates enough inter correlation among all questions of the variable and also show that the sample is sufficient and adequate for conducting research. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table: 2. KMO and Bartlett's of Philanthropy

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.521
Approx. Chi-Square	61.56
Df	10
Sig.	.000

Component Matrix Philanthropy

	Component 1
PL1	.578
PL2	.745
PL3	.809
PL4	.567
PL5	.543

The above table shows the factor analysis of the variable philanthropy. The results show enough inter correlation among all questions of the variable and also showing that the sample is sufficient enough as the KMO's value (0.521) for the test is significant. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table: 3. KMO and Bartlett's of Employees and labour rights

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.732
Approx. Chi-Square	66.89
Df	10
Sig.	0

Component Matrix Employees and labour rights

	Component 1
ELR1	.578
ELR2	.734
ELR3	.677
ELR4	.690
ELR5	.734
ELR6	.609
ELR7	.543
ELR8	.576
ELR9	.687

The above table shows the factor analysis of the variable employees and labour rights. The results showing enough inter correlation among all questions of the variable and also showing that the sample is sufficient enough as the KMO's value (0.732) for the test is significant. All the variables have been loaded at values above 0.5 which shows that the questions of this variable are inter related.

Table: 4. KMO and Bartlett's of Legal responsibility

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.879
Approx. Chi-Square	87.90
Df	10
Sig.	.000

Component Matrix legal responsibility

	Component 1
LR1	.555
LR2	.509
LR3	.612

The above table shows the factor analysis of the variable employees and legal responsibility. The results showing enough inter correlation among all questions of the variable and also showing that the sample is sufficient enough as the KMO's (0.879) for the test is significant. All the variables have been loaded at values above 0.5 which shows that the questions of this variable are inter related.

Table: 5. KMO and Bartlett's of Ethical Responsibility

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.723
Approx. Chi-Square	71.45
Df	10
Sig.	.000

Component Matrix Ethical Responsibility

	Component 1
ER1	.545

ER2	.523
ER3	.690

The above table shows the factor analysis of the variable employees and ethical responsibility. The results showing enough inter correlation among all questions of the variable and also showing that the sample is sufficient enough as the KMO's (0.723) for the test is significant. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table: 6. KMO and Bartlett's of Environmental responsibility

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.546
Approx. Chi-Square	62.89
Df	10
Sig.	0

Component Matrix environmental responsibility

	Component 1
ENR1	.554
ENR2	.533
ENR3	.589
ENR4	.677
ENR5	.654

The above table shows the factor analysis of the variable employees and environmental responsibility. The results showing enough inter correlation among all questions of the variable and also showing that the sample is sufficient enough as the KMO's (0.546) for the test is significant. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table: 6. KMO and Bartlett's of Economic Responsibility

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.631
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	Approx. Chi-Square	63.76
Bartlett's Test of Sphericity	Df	10
	Sig.	.000

Component Matrix Economic responsibility

	Component 1
ECR1	.521
ECR2	.711
ECR3	.689

The above table shows the factor analysis of the variable economic responsibility. The results showing enough inter correlation among all questions of the variable. KMO's value for the test is 0.631 which indicates the sample is significant for conducting research. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table: 7. KMO and Bartlett's of Anticorruption

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.712
	Approx. Chi-Square	66.67
	Df	10
	Sig.	.000

Component Matrix Anti-corruption

	Component 1
AC1	.670
AC2	.545
AC3	.620

The above table shows the factor analysis of the variable anti-corruption. The results showing enough inter correlation among all questions of the variable. The KMO's value for the test is 0.712 which is significant. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table: 8. KMO and Bartlett's of Supplier

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.623
Approx. Chi-Square	64.65
Df	10
Sig.	.000

Component Matrix supplier

	Component 1
SP1	.523
SP2	.511

The above table shows the factor analysis of the variable supplier. The results showing enough inter correlation among all questions of the variable and also showing that the sample is sufficient enough as the KMO test value (0.623) is significant. All the variables have been loaded at values above .5 which shows that the questions of this variable are inter related.

Table 9. KMO and Bartlett's of financial performance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.765
Approx. Chi-Square	80.89
Df	10
Sig.	.000

Component Matrix financial performance

	Component 1
FM1	.523
FM2	.567
FM3	.589
FM4	.768
FM5	.612
FM6	.564
FM7	.624
FM8	.768

The above table shows the factor analysis of the variable financial performance. The results indicating a clear sample sufficiency and adequacy of the data for this variable as the KMO test (0.765) value is above 0.5. Suggesting that this variable data collected for the analysis of this study is sufficient enough and the sample is the true representative. The components matrix indicate that there is ample inter correlation among all questions of this variable. That is why all questions loaded at the desired level.

4.4 Confirmative Factor Analysis (CFA)

Due to abstract and theoretical nature of concepts in the field of social sciences, chances of errors in measurements are always expected which are unpredictable. Thus before testing of measurement modal, the researchers are required to minimize these errors by testing the hypothetical relationship among the construct/scale (Cheng, 2001). One of the techniques of measurement modals is Confirmative Factor Analysis (FAC). The main objective of accepting the CPA is to assess the aptness of the measurement model for every concept individually.

4.4.1 Confirmative Factor Analysis for the construct used for measurement of Human Rights

The dimension model for the Human rights having a single factor with nine (09) predictors is offered as under. The results of the study documented that the model is much

fitted for this research study the values obtain by the study is well accurate according to chi-square acceptance level. The results of the aforesaid model is 17.68 is significant at accepted level similarly it shows that p is less than 0.008. The relationship demonstrated that the model and statistically obtained values of different construct is very fitted and well accepted such values of the study are RMSEA, 0.081, standardized PMR, 0.011, GFI, 0.985 and CFI, 0.971.

Measurement Modal for Human Rights

Table 10: Confirmative Factor Analysis for Construct used for Human Rights

Indicators	Completely Standardized Loadings	Indicator Reliability	Error Variance
Hr1	0.72	0.73	0.28
Hr2	0.83	0.87	0.22
Hr3	0.63	0.96	0.34
Hr4	0.86	0.75	0.23
Hr5	0.76	0.84	0.31
Hr6	0.88	0.81	0.28
Hr7	0.76	0.78	0.37
Hr8	0.86	0.67	0.24
Hr9	0.56	0.88	0.39

Fit Statistics, Chi-square = 17.68 (DF= 9, p = 0.008), Standardized RMR = 0.011, RMSEA = 0.081, GFI = 0.985, CFI =0.971

4.4.2 Confirmative Analysis for the construct used for Philanthropy

The dimension model for Philanthropy has been one element of the 05 predictors is shows as under. The researcher argued that analysis measurement approximation in the concept as mentioned under assure that the above model is much fitted statistically according to their values. The statistical values of the results documented the obtained values as 105.77 to 05 shows that the freedom model is statistically acceptable at their corresponding values p is less than 0.007 levels. The above results show the overall fitness of the model.

Measurement Modal for Philanthropy

Table 2: Confirmative Factor Analysis for Construct used for Philanthropy

Indicators	Completely Standardized Loadings	Indicator Reliability	Error Variance
Ph1	0.82	0.68	0.38
Ph2	0.73	0.72	0.22
Ph3	0.83	0.78	0.29

Ph4	0.88	0.75	0.31
Ph5	0.98	0.64	0.27

Chi-square = 105.77 (DF= 5, p = 0.007), Standardized RMR = 0.027, RMSEA = 0.119, GFI = 0.987, CFI = 0.983

4.4.3 Confirmative Analysis for the construct used for Measurement of Employees & Labour Rights.

The measurement model for Employees & Labour Rights shows the predictor variables of 9 with one element. The results of the study documented that the performance forecasting of different variables of the study have been used for the generation of accurate results of findings. The statistically values for the research study is 19.52 to 9 per cent while the p values is less than 0.005 probability level. Similarly the results show the significant of the model using statistical tools like chi-square.

Measurement Modal for Employees & Labour Rights

Table 3: Confirmative Factor Analysis for Construct used for Employees & Labour Rights

Indicators	Completely Standardized loadings	Indicator Reliability	Error Variance
Elr1	0.82	0.83	0.2
Elr2	0.73	0.67	0.29
Elr3	0.86	0.86	0.39
Elr4	0.77	0.85	0.24
Elr5	0.83	0.74	0.22
Elr6	0.92	0.81	0.27
Elr7	0.71	0.78	0.29
Elr8	0.78	0.87	0.39
Elr9	0.89	0.85	0.3

Fit Statistics, Chi-square = 19.52 (DF= 9, p = 0.005), Standardized RMR = 0.021, RMSEA = 0.117, GFI = 0.94, CFI = 0.90

4.4.4 Confirmative Analysis for the construct used for Measurement of Legal Responsibility.

The result of study indicates that the legal responsibility has 3 factor represents the underline facts and figure. The model analysis and performance shows that the statistical values of the results are considered much fitted. The resulted value of the study is 154.20 and 3 degree of freedom having p value is less than .05. The relationship showing the fitness of the model having different vales RMSEA 0.119, RMP standardized 0.023, GFI 0.976 and CFI 0.958 at acceptable level.

Measurement Modal for Legal Responsibility:

Table 4: Confirmative Factor Analysis for Construct used for measurement of Legal Responsibility

Indicators	Completely	Indicator Reliability	Error Variance
	Standardized Loadings		
Lgr1	0.72	0.78	0.29
Lgr2	0.83	0.82	0.34
Lgr3	0.80	0.88	0.19

Chi-square = 154.20 (DF= 3, p = 0.003), Standardized RMR = 0.023, RMSEA = 0.119, GFI = 0.976, CFI = 0.958

4.4.5 Confirmative Analysis for the construct used for Measurement of Ethical Responsibility

The result of study indicates that the legal responsibility has 3 factor represents the underline facts and figure. The model analysis and performance shows that the statistical values of the results are considered much fitted. The resulted value of the study is 108.30 and 3 degree of freedom having p value is less than .04. The relationship showing the fitness of the model having different vales RMSEA 0.132, RMP standardized 0.021, GFI 0.980 and CFI 0.991 at acceptable level.

Measurement Modal for Ethical Responsibility:

Table 5: Confirmative Factor Analysis for Construct used for measurement

of Ethical Responsibility

Indicators	Completely Standardized Loadings	Indicator Reliability	Error Variance
Etr1	0.72	0.88	0.24
Etr2	0.83	0.84	0.22
Etr3	0.87	0.77	0.45

Chi-square = 108.30 (DF= 3, p = 0.004), Standardized RMR = 0.021, RMSEA = 0.132, GFI = 0.980, CFI = 0.991

4.4.6 Confirmative Analysis for the construct used for Environmental Responsibility

The measurement model for Environmental Responsibility having a single factor with 05 indicators is presented in the following figure. The analysis measurement estimation of the construct as demonstrated below confirms that this model fit well by considering the statistical values. The chi-square value of 127.68 with 05 degrees of freedom is statistically at $P < 0.001$. The associated fit statistics indicate that the model is acceptable (RMSEA= 0.127; Standardized RMR= 0.021; GFI= 0.908; CFI= 0.941). The following table provides the results of the confirmatory factor analysis for Environmental Responsibility as follows.

Measurement Modal for Environmental Responsibility

Table 6: Confirmative Factor Analysis for Construct used for Environmental Responsibility

Indicators	Completely Standardized Loadings	Indicator Reliability	Error Variance
Enr1	0.82	0.78	0.22
Enr2	0.73	0.82	0.29
Enr3	0.86	0.69	0.34
Enr4	0.76	0.75	0.38
Enr5	0.89	0.74	0.29

Chi-square = 127.68 (DF= 5, p = 0.001), Standardized RMR = 0.021, RMSEA = 0.127, GFI = 0.908, CFI = 0.941

4.4.7 Confirmative Analysis for the construct used for Measurement of Economic Responsibility

The measurement model for Economic Responsibility having a single factor with 03 indicators is presented in the following figure. The analysis measurement estimation of the construct as demonstrated below confirms that this model fit well by considering the statistical values.

The chi-square value of 137.68 with 3 degrees of freedom is statistically at $P < 0.05$. The associated fit statistics indicate that the model is acceptable (RMSEA= 0.102; Standardized RMR= 0.029; GFI= 0.976; CFI= 0.968). The following table provides the results of the confirmatory factor analysis for Economic Responsibility as follows.

Measurement Modal for Economic Responsibility:

Table 7: Confirmative Factor Analysis for Construct used for measurement of Economic Responsibility

Indicator s	Completely Standardized Loadings	Indicator Reliability	Error Variance
Ecr1	0.84	0.86	0.22
Ecr2	0.76	0.79	0.38
Ecr3	0.87	0.88	0.29

Chi-square = 137.68 (DF= 5, p = 0.05), Standardized RMR = 0.029, RMSEA = 0.102, GFI = 0.976, CFI = 0.968

4.4.8 Confirmative Analysis for the construct used for Measurement of Anti-Corruption

The measurement model Anti- Corruption having a single factor with 03 indicators is presented in the following figure. The analysis measurement estimation of the construct as demonstrated below confirms that this model fit well by considering the statistical values. The chi-square value of 115.71 with 3 degrees of freedom is statistically at $P < 0.006$. The associated fit statistics indicate that the model is acceptable (RMSEA= 0.111; Standardized

RMR= 0.128; GFI= 0.993; CFI= 0.906). The following table provides the results of the confirmatory factor analysis for Anti- Corruption as follows.

Table 8: Confirmative Factor Analysis for Anti-Corruption

Indicators	Completely Standardized Loading	Indicator Reliability	Error Variance
Anc1	0.72	0.78	0.22
Anc2	0.83	0.82	0.23
Anc3	0.75	0.88	0.34

Chi-square = 115.71 (DF= 5, P = 0.006), Standardized RMR = 0.128, RMSEA = 0.111, GFI = 0.993, CFI = 0.906

4.4.9 Confirmative Analysis for Supplier

The measurement model Supplies having a single factor with 03 indicators is presented in the following figure. The analysis measurement estimation of the construct as demonstrated below confirms that this model fit well by considering the statistical values. The chi-square value of 110.18 with 3 degrees of freedom is statistically at $P < 0.002$. The associated fit statistics indicate that the model is acceptable (RMSEA= 0.121; Standardized RMR= 0.131; GFI= 0.98; CFI= 0.98). The following table provides the results of the confirmatory factor analysis for Suppliers as follows.

Measurement Modal for Suppliers:

Table 9: Confirmative Factor Analysis for Suppliers

Indicators	Completely Standradized Error	Indicator Reliability	Error Variance
Sup1	0.72	0.78	0.27
Sup2	0.83	0.82	0.35
Sup3	0.82	0.71	0.22

Chi-square = 110.18 (DF= 5, P = 0.002), Standardized RMR = 0.131, RMSEA = 0.121, GFI = 0.956, CFI = 0.988

4.4.10 Confirmative Analysis for the construct used for Measurement of Financial performance

The measurement model for financial performance having a single factor with 09 indicators is presented in the following figure. The analysis measurement estimation of the construct as demonstrated below confirms that this model fit well by considering the statistical values. The chi-square value of 112.68 with 9 degrees of freedom is statistically at $P < 0.008$. The associated fit statistics indicate that the model is acceptable (RMSEA= 0.114; Standardized RMR= 0.141; GFI= 0.899; CFI= 0.998). The following table provides the results of the confirmatory factor analysis for financial performance as follows:

Measurement Modal for Financial performance

Table 11: Confirmative Factor Analysis for Construct used for financial performance

Indicators	Completely Standardized Loading	Indicator Reliability	Error Variance
Pr1	0.82	0.56	0.24
Pr2	0.71	0.87	0.25
Pr3	0.83	0.81	0.22
Pr4	0.67	0.65	0.22
Pr5	0.86	0.84	0.34
Pr6	0.82	0.75	0.21
Pr7	0.82	0.85	0.28
Pr8	0.72	0.67	0.31
Pr9	0.56	0.85	0.37

Fit Statistics Chi-square = 112.68 (DF= 9, p = 0.008), Standardized RMR = 0.141, RMSEA = 0.112, GFI = 0.899, CFI = 0.998

4.5 Correlation Matrix

Variables	Human right	Philanthropy	Employees & labour right	Legal responsibility	Ethical responsibility	Environmental responsibility	Economic responsibility	Anticorruption	supplier	financial performance
Human right	1									
Philanthropy	-0.095	1								
Employees & labour right	0.065	.163**	1							
Legal responsibility	0.05	.233**	0.182**	1						
Ethical responsibility	0.015	0.007	.297**	.115*	1					
Environmental responsibility	0.029	0.144**	.213**	0.301**	.173**	1				
Economic responsibility	0.177**	0.297**	.166**	0.028	.193**	.311**	1			
Anticorruption	0.177**	0.297**	.166**	0.028	.193**	.311**	1.000**	1		
Supplier Financial performance	0.113*	0.172**	0.088	0.035	.156**	.148**	0.03	0.03	1	
	.143**	0.099	.275**	0.053	.168**	.172**	.263**	.263**	0.075	1

** . Correlation is significant at the 0.01 level (2-tailed).

** . Correlation is significant at the 0.05 level (2-tailed)

The results in the above table show that there is a strong correlation among the variables of interest. The results show that all variables of the CSR (Human rights, Philanthropy, Employees and Labour rights, Environmental, Ethical, Legal, Economic responsibilities, Anti-corruption and Supplier have positive correlation with the financial performance of these firms.

4.6 Regression Analysis

Variables	Beta	St. error	T. values	P values
Human rights	0.088	0.053	1.667	0.096
Philanthropy	0.109	0.05	2.188	0.029
Employees & labour rights	0.163	0.053	3.064	0.001
Legal responsibility	0.025	0.043	0.594	0.553
Ethical responsibility	0.026	0.031	0.835	0.404
Environmental responsibility	0.066	0.053	1.253	0.091
Economic responsibility	0.157	0.041	3.782	0
Anti-corruption	0.044	0.041	1.626	0.08
Supplier	0.044	0.027	0.626	0.105

Dependent Variable: Financial performance, F Value= 12.752, R² = 0.364

The table above shows that all facets of CSR have positive impact on the financial performance. R² shows the change in dependent variable (Financial performance) caused by Independent variable (CSR), value of Beta shows the in predictor (independent variable) that will carry a % age change in response variable (dependent variable) and F- value indicates the overall significance of the modal . The R-square value indicates that almost 36 % changes are incurred due to the changes in independent variables of this study. The F-value is 12.75 which suggest that the model is significant. Table shows that Philanthropy, Employees and labour rights and economic responsibility have positive and significant impacts on financial performance of these firms, as the t- value is above 2 and significant at 5% probability level. Similarly human rights, environmental, legal, ethical responsibilities, anti- corruption and suppliers have positive but insignificant impacts on the financial performance of these firms, as the T-value is less than 2 and is insignificant at 5% probability level.

4.7 Regression assumptions/ multicollinearity statistic

Model	Co linearity Statistics	
	Tolerance	VIF
Human Rights	0.944	1.059
Philanthropy	0.706	1.416
Employees & Labour rights	0.645	1.55
Legal responsibility	0.614	1.629
Ethical Responsibility	0.685	1.459
Environmental Responsibility	0.792	1.263
Economic responsibility	0.837	1.195
Suppliers	0.786	1.272

a. Dependent Variable: Financial performance, Durbin-Watson= 2.196,

Regression assumption Results shown in the above table shows that VIF (Variance Inflation Factor) values for the variables of Human Rights, Philanthropy, employees and Labour rights, ethical, economic, legal, environmental responsibilities, Ant-corruption and supplier are so small/below threshold value; therefore there is no auto correlation and multicollinearity.

4.8 Independent T-test

Variable	Respondents Mean	Respondents Mean	Levant F value	Sig
Human Rights	4.3	4.29	0.271	0.603
Philanthropy	4.27	4.3	0.123	0.736
Employees & Labour Rights	4.18	4.25	2.43	0.12
Legal Responsibility	4.4	4.49	0.375	0.541
Ethical Responsibility	4.06	4.18	2.38	0.123

Environmental Responsibility	4.19	4.26	0.471	0.493
Economic responsibility	4.12	4.12	0.126	0.723
Ant-Corruption	4.12	4.12	0.126	0.723
Supplier Responsibility	4.39	4.39	0.027	0.87
Financial performance	4.28	4.29	0.164	0.668

The test was conducted to compare the difference in the feelings of employees about CSR practices .The Levant test for variables of CSR is insignificant at 5% level for all the facets used to predict the CSR, thus there is no difference in the CSR practices.

CHAPTER 5

DISCUSSION & CONCLUSION

5.1 Discussion

The value of Cronbach's alpha of all 10 variables i.e. Human rights, Philanthropy, employees & labour rights, legal, ethical, environmental and economic responsibilities, anti- corruption, suppliers and financial performance are (0.788, 0.789, 0.709, 0.734, 0.767, 0.702, 0.781, 0.877, 0.711, 0.762) respectively having value more than 0.60 which suggest that all 10 variables tested are reliable for further analysis of research study.

Factor analysis of the stated variables conducted to check the rationality of queries of all variables. The results showed enough correlation among all questions of variables. All the variables have been loaded at values above 0.5 which shows that the questions of this variable are inter related and are valid.

The results of KMO's of Human rights is 0.789 which is well above the critical value 0.5 and Bartlett's is significant having $p > 0.05$. Thus KMO and Bartlett's tests are significant. KMO and Bartlett's for Philanthropy is 0.521 and 0.000. KMO and Bartlett's for employees and labour rights is 0.732 & 0.000. similarly KMO and Bartlett's of legal, ethical, environmental, economic responsibilities, suppliers, ant-corruption and financial performance are 0.879, 0.723, 0.546, 0.631, 0.712, 0.623, and 0.765 respectively which are significant at $p > 0.05$. So the results of all the KMO, s and Bartlett's components indicate that sample is adequate to conduct the research.

Results of the descriptive statistics indicate all values with in prescribed value of research. Values of correlation show positive correlation, which shows a positive correlation between dependent and independent variables, and an increase in financial

performance when spending on CSR Practices is increased. Regression analysis of corporate social responsibility with financial performance results indicated that $R^2=0.364$, i.e. 36% changes in dependent variable (financial performance) may be carried out due to change/ spending on CSR activities by firms.

The complete outcomes show that there is an important positive correlation amid CSR activities and financial performance in the firms having UN Global status. This reveals that CSR activities have positive impacts on the financial performance of these firms.

5.2 Conclusion

The trend of CSR activities in Pakistan has been increasing nowadays which attracted the business firms to engage in these practices. It is very obvious that engagement in such kind of activities have impacts on the firms' value/Financial performance/financial performance. In this regard, different schools of thoughts have different opinions indicating positive, negative as well as no relationship at all. Thus the question of causality arises, that in which direction CSR impacts financial performance of the firm. The connection of CSR with financial performance can be found in both directions and there is no clear answer for this. However, there are evidences that CSR and Financial performance are directly related. The resolve of this study is to fill the present research gap by investigating the impacts of CSR on financial performance of firms having UN Global status (exercising ten principles).

This study was conducted to explore the impacts of CSR practices on the financial performance of firms. This research finds that there is a noteworthy relationship between the dependent variable financial performance and an independent variable Corporate Social Responsibility (CSR) in the firms of Pakistan. This shows that independent variable CSR has impacts on dependent variable financial performance of firms. The research found that a positive significant relationship between CSR and financial performance. The results also prove that CSR contribute much to more financial performance. This study further suggests the Mangers of the companies have to contribute much to CSR efforts to enhance financial success. This research provides an opportunity to firms to invest in CSR practices to achieve an enhanced financial performance in term of high profit, sale and financial performance. This research further found that the variable which contributes to financial

performance is Corporate Social Responsibility. The results of this research will contemplate the company/ business in socially responsible activities. Findings show that CSR activities of a business lead to higher financial performance in term of sale, profit, employees' commitment and employee retention. On the other hand, results also show firms with poor CSR reputation have low financial performance. Having aspiration for higher financial performance, the business will have to engage more in social and welfare activities to enhance its financial performance.

5.3 Recommendations/Future Research

This study will help in future research. This research provides a pathway to future studies to determine the value of CSR for the companies. This study can be studied in other sector as well. Viewing the conclusions of the study, it is therefore suggested that companies indulge in CSR activities increase its financial performance thus future research should be done using a large sample size and other measures of variables. This study will also help to determine the relationship of CSR with other variables apart from financial performance.

Following are the recommendations for conducting future research;

The target population chosen in this research was all the employees' Pharma industry. Future research may be conducted in any other set up.

The same study can also be tested in any other organization like Cement, Textile, Telecom indulged in CSR practices; hence their impacts on financial performance can be assessed.

It is recommended that in future, the issue related to female work ethics must be addressed, so that the association if CRS in firm's performance may be further clarified.

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Appendix 1

The Relationship between Corporate Social Responsibility, Earning Management and Firm financial performance

Dear Respondent,

This study is about the relationship of Corporate Social Responsibility, Earning management and firm financial performance. You have been identified as a key informant, please spare a few minutes of your busy schedules to fill this questionnaire. Please be assured that your responses will be treated with utmost confidentiality and only for academic purposes.

Personal Information

Name (Optional): _____

Organization Name: _____

Post: _____

Section 1

BACKGROUND INFORMATION (Please tick as appropriate)

- a. Age:** 20-29 years 30-39 years 40-49 years 50 years and above
- b. Gender:** Male Female **c. Marital status:** Single Married
- d. Number of years worked:** Up to 3 years 3-6years 7-10 years More than 10 years
- e. Education:** Matric Intermediate Graduation Masters PHD

Section 2

The questions in the following section concern Corporate Social Responsibility (CSR). CSR refers to an organization's self-implemented policy that ensures a business's active compliance with the spirit of the law, ethical standards, and international norms.

The objective of CSR policy is to encourage a positive impact through the organization's activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. 'Service' refers to a helpful act conducted for the benefit of the community/ public institutions and organization.

Please encircle the appropriate number against each statement:

(Key: SA-5-Strongly Agree, A-4-Agree, N-3-Not Sure, D-2-Disagree, SD-1- Strongly Disagree)

A	Human Right					
1	How much you understand the concept of corporate social responsibility.	1	2	3	4	5
2	How much you willingly participate in organizations' CSR activities.	1	2	3	4	5
3	Are you regularly participating in social programs.	1	2	3	4	5
4	How much willing you spends your time voluntarily on community service.	1	2	3	4	5
5	How much you willingly support your junior in your department.	1	2	3	4	5
6	Your roll towards human right.	1	2	3	4	5
7	What you expect from other in your society.	1	2	3	4	5
8	What is your organization approach toward human right.	1	2	3	4	5
9	Hygiene facilities provide by your organization in work environment.	1	2	3	4	5
B	Philanthropy					
1	Are your satisfy from your organization by providing education scholarship facilities for employee children.	1	2	3	4	5
2	How much your follow Employee get concession.	1	2	3	4	5
3	Organization helping the poor people in society	1	2	3	4	5
4	How much you are satisfy form your organization for society poor reduction seminars/ Program	1	2	3	4	5
5	How much your organization is engaged in charitable organization activity	1	2	3	4	5
C	Employee and Labour Rights					
1	CSR is a marketing tool has a positive impact on today's global economic climate in respect to business sector.	1	2	3	4	5
2	CSR has a positive impact in business sector economic climate.	1	2	3	4	5

3	This organization is interested in Stimulating sustainable local economy. I think CSR is important for sustainability of this organization.	1	2	3	4	5
4	This organization is concerned with Supply chain activities (fair trade, driving standards through monitoring of social standards of suppliers...).	1	2	3	4	5
5	This organization promotes Stakeholder engagement (Actively engaging employees, customer, suppliers and the community...)	1	2	3	4	5
6	Provide Fair wage rate	1	2	3	4	5
7	Not compulsory over time on employee	1	2	3	4	5
8	Timely payment of salary and other emolument	1	2	3	4	5
9	Pension grant and gratuity to old employees	1	2	3	4	5
D	Legal Responsibility					
1	Involved in Workforce activities (Listening to and engaging employees, combating harassment and bullying, skills development).	1	2	3	4	5
2	interested in Community activities (Charity, partnerships for social investment, philanthropy, volunteering...).	1	2	3	4	5
3	I agree that conducting CSR activities for the local community would improve our staff.	1	2	3	4	5
E	Ethical Responsibility					
1	Is your organization is doing any harm to employees (like stress, extra ordinary competitions between them etc.)	1	2	3	4	5
2	Respecting their employees or not	1	2	3	4	5
3	Is there is right man on right job	1	2	3	4	5
F	Environmental Responsibility					
1	Any activities by your organization that harm the environment	1	2	3	4	5
2	Production activities are environmental friendly	1	2	3	4	5
3	Internal check system for green business	1	2	3	4	5
4	Proper maintenance of plant and machinery	1	2	3	4	5
5	Properly wasting the wastage	1	2	3	4	5

G	Economic Responsibility					
1	Timely payment to their shareholder	1	2	3	4	5
2	Timely payment to creditors	1	2	3	4	5
3	Timely payments to employees	1	2	3	4	5
H	Anti-corruption					
1	Internal control system (whether strong or weak)	1	2	3	4	5
2	Any availability of controlling tolls	1	2	3	4	5
3	Punishment	1	2	3	4	5
I	Supplier					
1	Trustworthiness towards their supplier or not	1	2	3	4	5
2	Timely payment of their dues	1	2	3	4	5
J	Financial Performance					
1	Organization is earning and distributing in reasonable proportion in between stake holders	1	2	3	4	5
2	Firm has a responsibility to use the resources available to produce goods and services for society	1	2	3	4	5
3	Try to balance the interests of all stakeholders.	1	2	3	4	5
4	Levels of financial Responsibility Obstruction response	1	2	3	4	5
5	Levels of financial Responsibility Accommodative response	1	2	3	4	5
6	Levels of financial Responsibility Defensive response	1	2	3	4	5
7	Levels of financial Responsibility Proactive response	1	2	3	4	5
8	Levels of financial Responsibility Worst Best Social response	1	2	3	4	5