

# CHAPTER NO. 1

## INTRODUCTION

Small medium businesses participate a crucial part in social, economic and industrial performance in the development of any country. SMEs are backbone of economy. By the Rohra & Panhwar (2009), utmost the advanced economies accept the significance of small-scale business. Small business plays the unique part in extension of any economy for example it has been a foundation of employment and revenue generation. According to Hodgetts & Kuratko (2004), Small scale businesses take a huge impact on enhancement and competitiveness of economy. Mostly, small-scale businesses in Pakistan perform an important role in financial development, performance innovation, sourcing to big organizations, promoting economic renewal and social improvement. Small and medium enterprises have major sources to diminish poverty and increase GDP of the any country. It also may be the supply of employment advent and social raising. Pakistan's financial system, like that numerous growing countries are an instantaneous mirrored image of its small and medium zone (Khalique, et al, 2011).

As indicated SMEDA, 3.2 Million businesses are running in Pakistan out of which small and medium enterprises represent more than (90%) of privately-owned firms and occupy approximately (78%) of non-agricultural labour in Pakistan (PBS, 2011). Small scale business commitment to Pakistan's "Gross Domestic Product" (GDP) is exceeding the (30%). Furthermore, SME's shows twenty five percent of export of finished goods and shows (35%) in assembling valuable merchandise. Nearly fifty three percent (53%) of small and medium enterprise sector is relating to retail, business who perform whole selling goods, food chain and hotel sector. As concerned about twenty percent (20%) of SMEs sector belongs to "industrial establishments" and (22%) related from services sectors (PBS, 2011).

Perceiving the critical commitment of small and medium enterprises to economic variation, income generation, business development and reduce the poverty level. The "Government of Pakistan" increasing considerable determination and effort closer to the promoting of the improvement of economy and small-scale enterprises. Such as, the Pakistani Government established "SMEDA a Small and Medium Enterprise Development Authority" in October 1998 for promoting the small-scale business. The "Government of Pakistan" has additionally

corroborated small & medium level firms and financial institution whose operate micro financing to provide loan to the SMEs. Furthermore, according to instructions of Government of Pakistan, many commercial banks in the Pakistan have specific branches for the assistance of small and medium enterprises (Bhutta, Arif, & Usman, 2008).

### **1.1 Background of Study:**

In this modern era, we have seen that the large numbers of educated citizens analytically examining the effects of organizations activities on the society. CSR has brought major impact on social equity, stress on inclusive growth, affirmative action and social expectations. Results business are not involving themselves into CSR activities. According to “European Commission” (2011), CSR may have defined as that “the responsibility of enterprises for their impacts on society”. According to Giovanna, Alfredo, and Lucio (2012), the perception of CSR represents “organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibility to earn a fair return for investors and comply with the law”. In other words, CSR is the needs SMEs to put into effect a broader view of its obligations that not includes shareholders, as well as other stakeholders (such as customers, suppliers, employees, local and national governments, local community and other special interest groups).

According to the EC (2011), “CSR protects the following aspects such as human rights, labour and employment practices (includes training, diversity, gender equality and employee health and well-being), environmental issues (includes biodiversity, climate change, resource efficiency, life-cycle assessment and pollution prevention), and reducing bribery and corruption”. Corporate social responsibility also includes social network association and improvement, integration of disabled person and protect end consumers interests, (for example, privacy). If companies focus on CSR ventures ultimately organizations achieve competitive advantage.

According to Ajala (2005) Companies offer the CSR programmes in the business then there is a chance to fabricate generosity and increase their corporate picture and reputation. She added that CSR increases the growth of investors. According to Ajala, company which constantly fulfils its social obligations makes himself an applauded member of the community and this may attract customers both local and foreign. Aside from providing a platform for companies to depict themselves as good corporate citizens, CSR is strategic tool for building good corporate reputation through the organizations wide range of stakeholders (Roberts, 2003). Many other studies have established the importance of CSR which include corporate social

responsibility helping organizations to achieve a competitive advantage (Wether & Chandler, 2005) and improve their financial performance (Hull & Rothenberg, 2008).

The idea of CSR gives sustainability for organizations to achieve long run profits therefore it could be an approach for maximization of profits or revenues. In the study, it is contended that organizations take part in CSR activities for business advantages to increase the value of the business for society and government (Sachs, Maurer, Ruhli, and Hoffmann, 2006). CSR is tool which help the organization to differentiate the business from other organizations (Morsing and Schultz, 2006), which could positively consequence on the stakeholders (Jamali and Mirshak, 2007).

In the absence of hypothetical justification and empirical examination the concept of CSR in the SMEs sectors generated a few clarifications of the CSR among SMEs relationship. Most of researchers have concluded several conclusions about the differences between small organizations and big companies concerning the degree of their CSR involvement. A few researchers have argued that massive corporations are more socially responsive because of that they have large resources, high technology and operational scales (Johnson et al., 1999). Some have distressed by expressing the similar attributes towards encourage the SMEs to behave responsibly (Mezner et al., 1995).

According to Labelle, (2008), corporate social responsibility and innovation are most important modern issues. Innovation plans closer to CSR facilitate new methods of enhancing company obligation by upgrading the connection between corporations and stakeholders, alongside the development of a comprehension of the learning that exists inside the communities which an association serves (Guoyou et al., 2013). Despite the fact propose that innovation performance and CSR has been the imperative factors of a company's performance measure, empirical studies tending to their joint outcomes for performance are very rare (Mahmoud et al., 2012). Whereas, innovation is the necessary tool for the growth of organizations, sustainable development and for those people who are the obstacle to economic growth. So, this study proposes the mediation model, to elaborates the linkage with CSR and perceived reviewed performance with the mediation effect of innovation.

Competition intensity has the circumstance with the help of which large number of opponents were found and less opportunity for business to grow. Competitive intensity was the environmental enmity factor (Zahra and Covin, 1995). In high rivalry power affiliation has no their very personal behaviour, association turned into appearing because the competitor's act.

When Industry competitive intensity is low companies are able to implement their plans and strategies and vice versa. Most of the firms involves in proactive activities and take risks in the high intensive market. These firms break their prices and promotions which played an important role in the high competitive market conditions (Zahra, 1993). Organizations only became innovative in processes and products, explore markets and deliver unique products from their competitors.

In last, many of these prior studies took place in developed countries with relatively high environmental support culture and the focus has been limited on large listed companies (Pintea et al. 2014) even though SMEs in most economies creates over 90% of the business population (Strandberg and Roberson 2009). Overall, the research on the CSR, firm performance and innovation performance in SMEs perspective have been very limited despite their pollution. The empirical research on the corporate social performance and firm performance with the SMEs point of view have been limited to some extent. This issue becomes very unclear from the context of a developing country like Pakistan where research evidence regarding CSR involvement of small business and its effect on firms perceived reviewed performance does not exist with mediation effect of innovation performance and moderation effect of industry competitiveness intensity.

### **1.1.1 Concept of CSR in Pakistani SMEs:**

The idea of CSR is another wonder in Pakistan, anyway awareness and the enthusiasm for CSR is expanding progressively in the developing countries like Pakistan. CSR in developed countries have created a wave of trust and business authenticity in the public, which corroborates long run survival of their organizations (Sajjad 2014). The idea of CSR has been confounded with labourer rights and labours law by Pakistani companies (Khan 2012). The misunderstanding about the CSR in Pakistan is because of the absence of learning of firms and less familiarity with public about the genuine concept of CSR. In Pakistan CSR is just practiced on voluntary basis because of that the absence of CSR specific laws and commitments which affirming the moral consistence (Arslan and Zaman 2014). Therefore, SECP which is an overseeing frame in Pakistan delivered guiding principle on CSR in 2013 (SECP 2013). Similarly, different organizations (such as National Forum for Environment and Health, Responsible Business Initiative Pakistan, Corporate Social Responsibility Association of Pakistan, CSR Centre Pakistan, Sustainable Development Policy Institute and NGOs) are

embracing the requirement for organizations and government to advance CSR mindfulness, culture and practices between private parts of Pakistan.

Importance of SMEs cannot be overlooked for the progress of any country. SMEs in Pakistan are the major foundation of creating jobs, mitigation of poverty and economic development. Besides, the critical commitment of SMEs is job creation and realizing monetary development of the country (Anas 2014). Good, sacred, and social qualities had strong impact on proprietor supervisor that immediate them to participate in social responsibilities.

Most of the studies concluded that the possibility of CSR in Pakistan has never again yet pulled considering a legitimate concern for researchers and policy makes. Therefore, no investigations have been conceded on CSR in the context of Pakistani business (Ehsan et al., 2012). Out of which most of research on CSR are relative investigations which are summing up on different nations, some are contextual analyses on enormous associations that can't be summed up with the Pakistani SMEs setting. SMEs in Pakistan did not focus the CSR practices in their business policy. Consequently, the present investigation is conceptualized to assemble understanding towards the concept of CSR and perceived reviewed performance with mediation the impact of innovation performance and moderation the effect of industry competitiveness intensity among SMEs in Pakistan.

## **1.2 Problem Statement:**

CSR is deliberate act where companies have adopted the strategies aligning their business operations for the interest of stakeholders. Focusing on CSR is a voluntary decision for business even though society pressures have motivated many firms to incorporate natural and social uncertainties in their strategic marketable plans (Nelling and Webb, 2009). Largely studies focused their concentration on big firms but avoiding small and medium enterprises outside the whole scenario (Ghelli, 2013). In Pakistan, corporate social duty plays very vital function in the large organization as well as SMEs which enhancing the reputation, brand image and performance of business. Generally, on the large organizations who are utilizing CSR practices as a corporate positioning tool and have persisted to enjoy high profits from positive market recognition but still small-medium business ignoring the concepts of CSR.

Corporate social responsibility has generally been limited to large companies, if small scale businesses have slighter and insignificant impact on society (Williams 2005). "Small and medium enterprises" have essential source of employment and producers of a large portion of total industrial output in developing economies. SMEs additionally have some benefits as

compared to large-scale competitors, because of that they can change very easily with market situation. Small and medium enterprises can decrease poverty and unemployment among both rural and urban cities in most developing countries like Pakistan

Various studies have focused some specific dimension of CSR, but this research focuses on five dimensions of CSR (such as customers, suppliers, local community, employees and environmental responsibility) at Pakistani context (Conesa et al., 2016). A few investigations have been done on corporate social performance in Pakistan but have mainly been in the context of large organizations where undeniable proof that CSR may be utilized as a key device to rise the competitiveness, but it can be observed that some SME's implement CSR practices on an occasional basis and do not involved in their permanent business strategy. It has been established that CSR improves firm performance but studying innovation performance as mechanism can improve the understanding of how it affects firm performance.

### **1.3: Theoretical Gap:**

Theoretical gap in the study elaborate in following manners, which are as given below:

- The concept of CSR has only focused public listed companies, private companies and state-owned business and they also publish CSR report, but a few of the SME's studies have focused on the impact of CSR on firm and innovation performance.
- Various studies have focused some specific dimension of CSR, but this research focuses on five dimensions of CSR (such as customers, suppliers, local community, employees and environmental responsibility) at Pakistani context (Conesa et al., 2016).
- The newness of my study is to explore the research with mediating role of innovation performance and moderating role of firm competitive intensity. The gap still exists in Pakistan context SME's do not focus on CSR practices want to motivate owner manager of SME's to implement policies of CSR in their business.
- Most of studies considered specific sectors but my research focus is not only on manufacturing business and servicing business but their combination which makes my research more unique and refine.

### **1.4 Definitions of variables:**

#### **1.4.1 Definitions of SMEs In Respect of Other Countries:**

The term "small and medium enterprises" differ from the economy to economy in light of various criteria like "number of employees, value of assets, sales and volume of output"

(Cunningham et al., 2008). For example, “France defines a small and medium enterprises as having less than 500 employees; whereas Germany uses less than 100 employees” (explained table 1). Also, within the countries the terms SMEs may have differ from sector or nature of business. For example, “Japan, manufacturing, mining, and transportation and construction industries defines a SME as having less than 300 employees or invested capitalization less than 100 million yen. While wholesale businesses define a SME as an organization employing less than 100 employees or capitalization less than 30 million yen. In retail it is defined as businesses employing less than 50 employees or capitalization less than 10 million” (explain table 1).

**Table 1:**

**Definitions of the SMEs with respect to International Countries:**

Country	Type of business	Definitions of SMEs with different perspective
Canada	SMEs	Independent firms having < two hundred employees
France	SMEs	Less than 500 workers
German	SMEs	Less than 100 workers
Hong Kong	Manufacturing sector	Less than 50 workers
Indonesia	SME	Below 100 workers
Ireland	SME	Below 500 workers
Italy	Small enterprises	Below 200 workers
Japanese	Manufacturing, mining, transportation and construction	Less than 300 employees or capital below the 10M yen
	Wholesaler & trader	Capital less than 30M or 100 workers minimum
	Services provider & trader	Capital less than 10M or 50 workers minimum
Korean	Manufacturing	Less than 300 employees
	Mining	Less than 300 employee's construction
	Transportation	Less than 200 employee's commerce and other service business; Less than 20 employees
Malaysian	Small medium industry	Less than 75 full time workers or with a shareholder fund of Less than RM 2.5 million (US \$ 1 million)
	Small industries	“Manufacturing establishments employing between 5 and 50 employees or with a shareholder's fund up to RM 500,000”
	Medium industries	Manufacturing Undertakings

Netherlands	Small enterprises	Less than 10 employees
	Medium enterprises	Ranging between 10-100 employees
Philippines	Small enterprises	Less than 200 employees, revenue Less than P 40 million
Singapore	Manufacturing	Fixed assets Less than S\$ 15 million
	Services	Less than 200 employees and fixed assets Less than S\$ 15 million
Spain	Small enterprises	Less than 200 employees
	Medium enterprises	Less than 500 employees
Sweden	SME	Autonomous firms with Less than 200 employees
Switzerland	SME	No fixed definition
Taiwan	Manufacturing	“Less than NT\$60 million of sale volume and < 200 employees”
	Construction & mining business	Total volume of sales less than \$ 80
	Service industries	Less than 50 employees
Thailand	Labour intensive sectors	Less than 200 employees
	Capital intensive sectors	Employees less than 100
UK	SME	Not exists
USA	Very small enterprises	Less than 20 employees
	SE	Lies between 20 to 99 employees
	M.E	Minimum 100 but not exceeding 500
Vietnam	SME	“No fixed definition, generally Less than 200 employees”

#### **1.4.2 Definitions of SMEs with respect to the Pakistani perspective:**

There is no standardised definition small and medium enterprise in Pakistan (Rana Khan et al., (2007). “Bank, SMEDA, Pakistan Bureau of Statistics (PBS) and State Bank of Pakistan (SBP) have defined SMEs in several ways. According to Securities and Exchange Commission of Pakistan (SECP) categorised large, medium and small companies”. For instance, “SMEDA” defines “a small and medium enterprises based upon the number of employees and total number of productive assets”. According to SMEs bank “uses only total number of assets as the criterion”. According to PBS “takes into consideration only the number of employees”. Although, SBP defines “SME is based on the nature of the business, number of employees, amount of capital employed and net sales value per annum”.

### **1.4.3 Definition of SMEs in Pakistan:**

Following two centuries pursued through examination and purifying at different degrees of government before its conclusion and endorsement by the “Federal Cabinet” in 2007 (SMEDA, 2007). “According to SME policy 2007 SMEs in Pakistan are defined on the bases on three criteria: first, employees’ size, which shouldn’t be exceed to 250, second, paid up capital should be Rupees. 25 million or less, and third, annual sales should be Rupees. 250 million or less”.

### **1.4.4 DEFINITION OF VARIABLES:**

In this study have discussed the four variables CSR is independent variable, innovation performance is the shows the mediating variable, industry competitive intensity is the moderating variable and perceived reviewed performance of SMEs is dependent variable. The definitions of the variables are as under:

### **1.4.5 Corporate social responsibility (CSR):**

According to the “World Business Council for Sustainable Development (WBCSD)” defined CSR as: “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, 2000: 6).

According to EC (2001) CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”.

According to Carroll (1999), “organization’s decision to contribute to society and environment on a voluntary basis is regarded as CSR, which in turn gives a higher profit”.

### **1.4.6 Innovation performance:**

Carnegie and Butlin (1993) define innovation as “something that is new or improved done by an enterprise to create significantly added value either directly for the enterprise or directly for its customer.”Livingstone et al. (1998) refer to innovation as “new products or processes that increase value, including anything from patents and newly developed products to creative uses of information and effective human resource management systems”.

#### **1.4.7 Industry Competitive intensity:**

Mitecz and Schezt (2004) well-defined the term industry competitive intensity “competition as a rivalry between two or more business striving for the same customer or market, and it has been conceptualized as a single dimensional construct consisting of factors which impact on intensity”.

#### **1.4.8 Perceived reviewed performance:**

Perceived reviewed performance of SMEs including the following:

- Financial performance
- Human relation performance
- Customer relation performance

#### **1.4.9 Financial performance:**

Financial performance (FP) elaborated that the primary indicators of any companies with the help of which organization can use the resources of business to earn profits. This term is similarly used as a general extent of an organization's as a rule money related prosperity over a given period. Investors and speculators utilize FP to analyse comparative firms over a similar industry or to decision making about ventures and various business sectors. In my research financial performance is divided into two indicators through which SMEs determined the financial positions through the financial indicators like Net Profit and Return on Assets ROA.

#### **1.4.10 Human relation performance:**

Human relation performance management is tied in with placing the clear & quantifiable goals for work and is a significant administrative and HR tools. “A well-run performance management system will provide staff with clear objectives for their job, and plenty of opportunities for feedback and discussion with their supervisor. The objectives will be clearly linked with the strategic priorities of the organization”.

In other words:

"Libraries that are concerned with improving organizational effectiveness, creating nimble organizations and enhancing employee performance and productivity are adopting a more structured performance management process based on the use of core competencies for staff."

#### **1.4.11 Customer relation performance:**

Customer relations performance is defined as the relationships of a business with its potential customers and the way how company treats with them. Customer relations performance mostly deals with the customers complaints and developed the long-term relationship with customers. In another word, “Customer relationship performance (CRP) is an approach to manage a company's interaction with current and potential customers and uses data analysis about customers' history with a company to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth”.

#### **1.5 Research Questions:**

- How does CSR practices affect the perceived reviewed performance?
- How does innovation performance mediate the link between corporate social responsibility and perceived reviewed performance?
- How does industry competitive intensity moderate the connection among CSR and perceived reviewed performance?

#### **1.6 Research Objectives:**

- To establish the impact of corporate social responsibility practices on perceived reviewed performance in SME's.
- To examine the mediation role of innovation performance and moderation role of competitive intensity on perceived reviewed performance.
- To present attractive implications for stakeholders.

#### **1.7 Significance of the Study:**

The concept of CSR has only focused public listed companies, private companies and state-owned business and they also publish CSR report, but a few of the SME's studies have concentrated the CSR on firm performance as well as innovation performance.

Various studies have focused some specific dimension of CSR, but this research focuses the five most important and major dimensions of CSR (such as customers, suppliers, local community, employees and environmental responsibility) at Pakistani context (Conesa et al., 2016).

The newness of my study is to explore the research with mediation the role of innovation performance and moderation effect of firm competitive intensity. The gap still exists in

Pakistan context SME's do not focus on CSR practices want to motivate owner manager of SME's to implement policies of CSR in their business.

Most of studies considered specific sectors but my research focus is not only on manufacturing business, servicing business and trading business but their comparison which makes my research more unique and refine.

### **1.8 Scope of Study:**

This examination will provide an approach towards understanding how attitude towards corporate social responsibility and business performance in the geographical region of Faisalabad due to financial and time constraint.

### **1.9 Organization of Study:**

The whole part of this research study is to categorise as: chapter two is examination of the study about the existing relationship develop the link among corporate social responsibility CSR, firm performance, innovation performance and industry competitiveness intensity. Chapter three contains the research methodology and development of hypothesis. Chapter four describes the empirical results and discussions. Chapter five comprises of conclusions, recommendations and direction for future studies.

### **1.10 Contribution of study:**

The advantages of this study relate to owner manager of small and medium enterprises, policy maker, the government, researchers and academicians. Major contributions of SMEs are as under:

- The study on SMEs is very important to the government in Pakistan due to which the contribution of SME to the Pakistan economy in both terms of business and gross domestic product.
- Policy makers will be enlightened to make policies relating to CSR and establish the appropriate guidelines to be put in place for running SMEs.
- Earlier research has regularly managed big firms from few decades, but the contribution of this study is how different dimensions of CSR affected the firm performance (such as financial performance, customer relation performance and human relation performance) of SME's work in Pakistan. This research motivates owner-manager of SME's to adopt the concept of CSR in their business.

- Practitioners can get benefits from this study to develop their business plans and integrate the concepts of CSR in their permanent business strategy due to which SMES can increase business performance and innovation performance. With the help of which they can possibly improve the models of public activity and the national economy on a large scale.
- The findings of this study produced new vision of knowledge into CSR in small and medium enterprises. The examination of the study will be helpful for future researchers from different countries to investigate business issues identified with small & medium enterprises and their social states of mind.

## **CHAPTER NO. 2**

The objective of this chapter is to present an assessment of existing literature on the importance of Corporate Social Responsibility to perceived reviewed performance and mediating role of innovation performance and moderating effect of industry competitive intensity of small and medium enterprises. The chapter covered the elements of each variable and how Growth of SMEs is precious by the variable.

### **REVIEW OF LITERATURE**

#### **2.1. CSR WITH RESPECT TO PUBLIC AND PRIVATE COMPANIES PERFORMANCE:**

Mustafaa S. A et al. (2012), explored “the relationship between implementation of corporate social responsibility and the company performance of public listed companies”. Recent studies concentrated the link between “corporate social responsibility” (CSR) and the company’s performance based on international data. Primary research was used to collect data from 200 respondents that had worked in the Malaysian public quoted organizations. Conclusion of the study derived from multi-group SEM by the using the AMOS 7.0 version. The Study indicated that CSR and company performance have significant association between them. The results also tested through the mediation effects of reputation in the connection with the CSR and performance. Which demonstrated the reputation partially mediated the connection of both variables like CSR and performance. This research paper has only focused on public listed companies in Malaysia but other companies, for example small and medium enterprises and privately-owned businesses were eliminated from that study.

Cavazotte, F., & Chang, N. C. (2016), researched “how corporate social responsibility affects the financial performance of companies”. The investigation concentrated on internal social responsibility of the company such as investments on workers. The study collected data about financial information from those companies who registered in the “São Paulo Stock Exchange” with effect from the period between 2001 to 2007. Two-Stage Least Squares equation model is utilized to reduce reverse causality and endogeneity issues. The opinions of the paper showed that internal obligations of the companies named as (I-CSR) associated with organizational performance after one or two years of the investments. Corporate expenses such as health care, employee education, pension plan etc. all had positive impact on profit after one or two years of investment in such ventures.

Fiori G. et al. (2000), examined the voluntary exposure about social responsibility and fluctuation in the prices of the shares of companies registered in Italian stock exchange. Empirical examination tested the correlation between the share prices and how organizations socially responsive with the shareholders. Shareholders have the wealth of any company. The study exploited a sample size of 25 Italian companies registered for the period of three years such as 2004,2005 and 2006 in stock exchange. The study used two variables Stock price by way of dependent variable, whereas CSR parameters indicated independent variable includes ROE ratio, debt over the equity ratio, Beta used in the study as proxy firm's risk. The findings of the study indicated the debt over the equity ratio has a negative impact on firm's stock price and beta has negative effect on the share prices. Whereas, ROE has a positive impact on stock price. CSR has no effect on the prices of shares.

Mishra S. et al. (2010), inquired about “how corporate social responsibility (CSR) towards primary stakeholders influences the financial performance and the non-financial performance of Indian firms”. Data related to (NFP) and (CSR) have been collected from the 150 top level directors and CEOs of the companies through structured questionnaire in the study. Whereas data related to (FP) of organizations received from annual reports. Questionnaire tools have measuring CSR perspective belongs to the six dimensions of stakeholder for example end consumers, investors, employees, environmental responsibility, local community and suppliers. Results demonstrate only those companies have better performance who traded the shares in stock exchange. Firm size and proprietorship model have not only influenced the CS but also effected the financial performance. Additionally, positive CSR towards each of the six stakeholders has expanded the firm performance.

Balabanis G. et al. (2006), observed the association between firms socially responsiveness towards the economic value of the high British organizations. Data collected from 56 large UK companies. The economic value indicators of the companies showed: financial performance “return on capital employed, return on equity and gross profit to sales ratios” and “systematic risk and excess market valuation”. The assessment decided the CSR affected positive effect on budgetary execution and capital market execution.

Babalola at el., (2012), were researched how the corporate social responsibility (CSR) increase or decrease the profitability of companies by the perspective of Nigeria. Data collected from 10 randomly companies. Secondary data were used in the study and which have been taken from the financial summary statements during the period between “1999-2008”. The study

used ordinary least square (OLS) for the analysis of data. The findings of the studied show that the pattern firms have invested on social responsibility less than 10 percent from the annual revenue. The examination also endorsed that rules and regulation to commit organizations to perceive satisfactory consideration given to social accounting in the terms of social fees and to accept as true with social responsibility constructed up.

Mohamed A. et al. (2014), investigated the impact of social responsibility of business on business performance. It used the cross-sectional facts from non-monetary organizations in Egypt that derived from the Kompas Egypt data base. To develop the link of CSR with the company's financial performance regression analysis was used. The aftereffects of this assessment found that there is a critical and positive effect of CSR on organization's exhibition. Likewise, all CSR measurements have a significant association with a company's financial performance. Besides, one of the finishes of this paper is that bigger and most experienced companies affected the financial performance of the business in the sense of profits.

Brammer S. et al. (2006), Studied the connection among company social performance and returns on stock inside the UK. Corporate social execution included condition, business and network exercises which enhance the business performance. Composite social performance indicators are significantly negatively correlated to stock returns. The connection among social and monetary performance can't justified by multifactor models for clarifying the industry impacts.

Mnyampi, L. M. (2016), "established the relationship between corporate social responsibility and financial performance of Safaricom Limited Company". The research involved the target populations of 1087 personnel of Safaricom's Limited key useful regions. The study used a sample of ninety-two respondents computed by the usage of Yamane's components. A purposive sampling utilized in the examination to choose the respondents. The examination gathered critical facts from standardized questionnaires and secondary information which become obtained from enterprise annual reviews to its shareholders. The results showed that the company is engaged with different corporate social responsibility programs for example, instruction programs, brandishing programs, social insurance, wiped out and impaired, calamity help and natural. The results of the study concluded that there may be a superb affiliation among company social obligation and economic overall performance (FP) of the enterprise.

Mahoneya L. et al. (2007), “examined the relationship of corporate social performance (CSP) to financial performance (FP) and institutional ownership”. The investigation performed empirical examinations of public organizations in Canada. we originate no significant connection between a composite dimension of company’s CSP and FP. The findings of the examination proposed that institutional investors focus on how companies handle the measurements of CSP. In addition to above, institutional investors have readily more investment in those companies who actively involved in CSR activities because they protect the stakeholders. Further study is required to examine the significance and importance, expecting any, of these CSP assessments when they are fused into more specific industry or firm-level examination.

Oyenje at el., (2013), established the “relationship between corporate social responsibility practice and financial performance of firms listed in the manufacturing, construction and allied sector”. Auditor reports were used to collection of data of the company and period taken from the 2007 to 2011. CSR data were obtained by the help of content analysis of reports and these reports bifurcated into several sections of CSR as mentioned in their audited annual reports. Multiple regression was utilized in the examination to discover the connection between the two factors, for example, CSR and money related performance of the organizations. Control variables such as production performance of the company and capital intensity have been additionally presented in the regression analysis. Corporate social obligation score, producing productivity and capital power utilized as free factors while return on assets act as dependent variable. The results suggested that the correlation coefficient of 0.870 exists among CSR and money related performance. CSR practice and financial performance indicated an insignificant positive relationship. Whereas money related performance and overall manufacturing efficiency were found the significant and linear inverse relationship.

Handyani R. et el. (2017), researched on how the “effect of corporate social responsibility on manufacturing industry performance: the mediating role of social collaboration and green innovation”. Manufacturing concern contributed to ecological contamination. So, the social responsibilities reduced the effects of social activities, enhance the long-term firm’s performance and developed the stakeholder trust on the organizations. The examination utilized simple random sampling to collect data of 173 large manufacturing organizations operated in Indonesia. Structural equation model (SEM) is used to acquire the association between CSR and business performance. The findings of the study suggested the positive significant attachment with social responsibility and the business performance. The most

important findings of study were to examination the critical impact of the social initiative at the enterprise performance and follow green innovation in all elements of enterprise approach.

Ibrahim S.A. et. al. (2016), the research paper examined the “impact of CSR on the financial performance of banks”. Study used 5 banks as sample out of 15 quoted companies registered in NSE by the total of 21 banks in Nigeria. The study used secondary and primary data to measures the variables included CSR and fiscal measures of banks. The consequences of the research paper indicated that significance of this study is utmost, as its findings will hopefully assist the banks management in Nigeria to know the CSR was influenced on the banks in the sense of economic performance.

Simionescu, L. N. (2015), examined the connection with the corporate CSR activities & organization performance by mediating effect of stakeholder capability. Numerous researchers, academicians and experts have seriously analysed social obligations and firm financial performance (FFP) in literature review from many years ago. Results of the previous studies suggested that some of have positive relationship together with CSR and firm’s financial performance, some have negative effects and some of found neutral relationship between them. So, this study developed the better understanding of the variables used in the research paper. Those companies whose social activities higher than other companies ultimately enhanced economic performance. The results of the study explained that the CSR activities have become vast effects on the firm economic performance.

Waddock, S. A. et al. (1997), have explored association of social performance with monetary execution of the organizations. To develop the results of the research by the help of social performance as well as financial performance for the enhancement of stakeholder’s trust on the company. Social performance incorporates social reputation as far as various social aspects, financial performance includes different financial measures. The investigation is based on 67 extensive US companies from the period between 1982-1992. The results presented that the strong positive correlation to the social reputation and FP. Powerfully reinforced the stakeholder theory.

Ali, I. et al. (2010), the study focused on the impact of CSR on firm performance & organizational commitments. Most of the research conducted on CSR significantly portrays its consequences for firm financial performance (FFP) or how consumers behave towards CSR. The study used exploratory analysis and data were gathered from 371 qualified professional operating one-of-a-kind sectors of Pakistan. SEM structural equation version used to test the

hypotheses. The findings of the observe indicated that there is powerful high-quality effect at the CSR on the organizational employee's commitments and firm performance. The examination talks about significant ramifications with respect to employments of CSR for upgrading organizational commitments and improving firm performance.

Aupperle, K. E. et al. (1985), established the correlation between social concerns and organization's profit. The social concerns are then corresponded to the organizations' profit measured return on assets (ROA). Data were obtained from CEOs of American corporations. Examination showed a significant correlation with (CSR) and financial performance (FP) of firms. Furthermore, they also concluded that organizations have A CSR committee at the board not result in higher income in comparison to those company who do not have a corporate social responsibility committee on the board.

Herremans, I. M. et al. (1993), study was focused on corporate reputations and exclusive financial measures as inventory go back and chance of manufacturing organizations in the United states. They bifurcate the organizations into two parts relying upon to what degree they are seen to experience social conflicts and to analyse the difference among them. The outcomes demonstrated that were positively connected among the socially responsibility (SR) and financial performance (FP) for the two groups. So, for the businesses that are more presented to social concerns for example chemicals industry, social responsibility impacts the profitability of the company and stock market performance. Control variable used for testing leverage which also showed that companies having poor socially responsible reputation have slightly higher leverage.

Manyerere, J. J. (2015), decided the impact of corporate social duty at budgetary execution of firm in less developed economies like Tanzania. There was a huge development for the enthusiasm in the field of CSR and the discussion is yet hot. The main motive of study was to determine whether the significant distinction in financial performance of firms that participate in CSR for those who don't utilized the concept of CSR in business. The study included data set of 101 firms randomly selected from Tanzania and statistical analysis such as t-test has been utilized in the study to test study hypothesis. Economic performance is the dependent variable included Return on Asset & Equity. The findings of the study contributed that there is an importance distinction in financial performance (FP) supporting those organizations that do Corporate Social Responsibility (CSR), suggesting that CSR positively affects financial

performance of firm. Finally, firms and managers should participate in CSR to improve financial performance. CSR programs are important source to attain the competitive advantage.

Maldonado G. et al. (2016), deliberated and investigated the existing linkage among CSR and firm performance. Data were collected through 397 small and medium enterprise. The new era brings a new ambiguous environment in business world, in addition a large pressure in organizations to enhance and build up new business strategies that permit not only to increase its market participation and to achieve a main level of business performance, but to endure in a market every time more globalized and aggressive. So, in the current literature many scholars, researchers and academics believed that CSR is one of the important firm strategy which increase the firm profitability. The findings of the study represented the significant and positive relationship among company social duty (CSR) and firm overall performance (FP) of SMEs.

Dincer, H. H. et al. (2016), explored the relationship between corporate governance and financial performance of corporation. Data were collected from 90 Turkey based companies with effect from the period 2008 to 2014. Under the lights of this examination, it has discovered corporate governance indicators have positive significant effect on the company financial and market value performance. On the other hand, there were found not significant impact on Board size and dependent variables, independency of board has significant positive effect on all studied variables.

Mujahid M. et al. (2014), investigated the “impact of corporate social responsibility on shareholders wealth and firm’s financial performance”. The study has nominated two variables comprising of dependent variable include firm fiscal performance (FFP) & shareholders wealth (SW), and one is the dependent variable included corporate social responsibility (CSR) to find out the effect of CSR and FFP and shareholders wealth. The study has selected the sample size of 10 companies that have high rated CSR firms and 10 companies have not high rated CSR firms. “Financial performance” indicators as “return on assets” and equity whereas shareholders indicators as EPS and stock price. The findings of the study suggested that there is strong positive relationship between CSR and company’s performance as well as shareholders wealth.

Luo, X. et al. (2015), the outcomes are yet uncertain in huge of the studies conducted on the impact of corporate social performance on financial performance. The nature of the manufacturing business purely concerned with environment and social issues. He explored the impact of CSR and financial performance by using the support of stakeholder theory. Data set

included 87 listed German manufacturing companies ranging from the period 2010 to 2015. The findings suggested that insignificant relationship among ROE and Tobin Q but significant & positive impact on CSP and ROA.

Ghose S. et al. (2012), the study focused on CSR activities in developing countries like India. The primary reason for the examination to research the relationship among real speculation in CSR activities and sales margin of the organizations. Data were collected from nine companies working in India such as “GAIL India, Gujarat Fluorochemicals Ltd, Hindustan Copper Ltd, L&T, Mahindra and Mahindra, ONGC, Mahindra UGINE Steel Company, National Aluminium Company Ltd., and Mangalore Refinery and Petrochemicals”. To test the hypothesis above relationship Pearson’s correlation test used in the study. Finally, result of the study indicated the significant correlation among the outlay on CSR and sales volume of the firm. Further he also discovered CSR interest. Corporate social responsibility greatly associated with the corporate governance. Only forty percent organizations work in India following the practice of CSR initiatives. Most of the organizations did not follow the CSR practices in the business seriously. Those organizations who did not philanthropic structure in the mind. In last, fifty percent of the organizations investing for the betterment of employees, not actually sponsoring to the outside society.

Arshad et al., (2015), examined how social obligations effects on the perceived financial measures. Corporate social responsibility (CSR) included the environment cost and donation, financial performance had Tobin’s Q & (ROA). Data about CSR and financial performance were taken from annual reports of the organizations with effect from 2009 to 2013 exactly 5 years data were used. The study conducted of the 125 companies quoted in KSE from 25 sectors. In the study panel regression is done to validate how CSR effect on financial performance (FP) of companies. In short run scenario the results of the study suggested that no significant effect of corporate social responsibility on financial performance at 5% level of confidence although recognized positive effect at 10% level of confidence. The study also recommended that (CSR) has no outcome on Tobin’s Q of selected firms in long run scenario.

Rana I. et al. (2018), the aim of this study inspected the rapport amongst CSR and financial performance of pharmaceutical organizations indexed in Pakistan inventory trade. As per available information of Pakistan Stock Exchange (PSX), a sum of 9 pharmaceutical organizations are accounted for in this sector. To achieve the purpose of the study, data has been gathered of three years from 2014 to 2016 from yearly reports of the organizations. Facts

and figures has been scrutinized by the utilizing PLS fixed effect regression. The study used dependent variables like FFP in the term of ROA, earning per Share and Return on Equity whereas CSR is the independent variable included Healthcare, environment, participation in workers welfare fund (WWF), environment. The results of the investigation showed that there CSR has the positive effect Financial Performance of the organizations. To increase the FP, then the CSR practice is a fundamental device for development in pharmaceutical industry of Pakistan.

## **2.2: CSR WITH RESPECT TO SMES:**

Sinha, N., Sachdeva, T., & Yadav, M. P. (2018), have examined the relationship between corporate social responsibility (CSR) and financial performance (FP) with stakeholder approach in small and medium enterprises (SME) industry perspective. A sample of 382 SMEs was analysed through a structured questionnaire having 22 items out of which due to low factor loading two items. Goodness of fit was determined through AMOS by SEM and path analysis was used to determine the relationship between CSR and financial performance. Results of the study depicted that weak positive relationship between CSR and financial performance. The result of the of the study confirmed with the previous research by the jain,vyas and durga (2016) and weber (2008). The findings of the study indicated that SMEs socially responsible towards stakeholder's theory. Additionally, the results suggested that CSR of SMEs relates to religious spirit.

Jain P. et al. (2016), explored the association between corporate social responsibility (CSR) and economic overall performance of Rajasthan small businesses (SMEs). For that motive, primary research was developed to collected data from 384 SMEs via the usage of established questionnaire based on pretested scale items and an exploratory research was conducted. "Structural equation modelling" (SEM) statistical tool was utilized to understand the hyperlink between company social duty (CSR) and economic performance of SMEs. The measurements demonstrate the general model is fit and the consequences of the investigation suggested a huge but a vulnerable advantageous courting between CSR and economic overall performance companies. Findings of the study also recommended that CSR in SMEs is as yet humanitarian and non-instrumental in nature.

Zaborek, P. (2014), investigated relationship between involvement of social obligations and financial performance in manufacturing SMEs, that work in nourishment, refreshment and beautifying agent's ventures. The measurable investigation includes creating and testing

structural model considering information from a study of 187 managers supplemented by approved financial metrics from an external database. The discoveries of the examination prescribed the nearness of feeble yet factually noteworthy positive connection between the CSR affiliation and deals overall revenue such as ( $\beta=0.2$ ). Be that as it may, CSR appears to have no obvious direct impact on profit for resources (ROA). The limitation of the examination is that the generalizability of its findings may be restricted to the beverage, food and cosmetics industries in Poland.

Akemu, O. (2017), explored the link between CSR and financial performance of SME's in Kenya. Sample size used in the study top 100 small and medium enterprises in Kenya. Optional information was acquired from reviewed budget reports and chairman reports for five years from the period between 2009 to 2013. The study used multiple regressions model to explain the link between dependent and independent variables. The significance effects were established using ANOVA, Z tests and coefficient of correlation and determination. The research of the study realized CSR was substantial tremendous effect on financial overall performance of SME's in Kenya. The study also established that size of SMEs showed direct effect on profitability for example bigger SMEs have superior financial performance as compared to smaller ones. Finally, the study recommends more investment in corporate social responsibility higher the profitability SME's.

Hammann et al. (2009), investigated the connection among CSR practices & value creation of businesses whose capital not in bulk operated in Germany. Past studies showed that the concept of CSR only focused in large organizations anyway little and medium endeavours have not received as extensive consideration. value creation includes personal values and economic value. In the investigation, research model demonstrated the connection between CSR practices and the value creation of a firm. The finding of the research showed that impact of CSR Practices closer to personnel and customers to a lesser degree, though society positively affect the business value and its performance.

Iturrioz C. et al. (2009), studied how Social Responsibility can be a wellspring of business esteem age in the little and medium ventures. The study used sample size of 245 SME's out of population of 1,317 SME's. The study concluded that Social responsibility can be a source of cost for the commercial enterprise such as concept of SR put into business operation successfully in SMEs, SR embossed in firm's designs and applied for the interest of

stakeholders that directly affect the SME's value, SME's survival and its competitiveness as a business.

Torugsa, N. A et al., (2012), the study examined the connection between, proactive CSR, capacities and financial execution in little and medium undertakings. The study used sample size of 171 SME's in equipment and machinery sector of Australia. Capabilities includes the stakeholder management, shared vision and strategic proactivity. Proactive CSR has been considerably less concentrated in little and medium undertaking rather than big organizations. SMEs are source to achieved competitive advantage by the help of proactive CSR. The findings of the study showed that capabilities are positively related to adoption of proactive CSR by means of small and medium corporations and proactive CSR is related with financial execution of SME's. So, the examination added to CSR research by showing a case for SMEs having the capacity to boost financial returns at the same time as proactively making progress closer to CSR.

Nair and Sodhi (2012), have stressed on the implementation of CSR adaption provides competitive advantages to SMEs in the form of retaining and wining end consumers of the goods or services and customers of the product, maintain relationship with internal and external stakeholders, innovation in business, strong business network and achieve economies of scale. The results of study suggested that majority of small-medium enterprises agreed that CSR is the source of competitive advantages in long term such as respond to new demand and approach to new customers. Ultimately CSR positively affected financial positions of the SMEs. which enhancement of business scale and business efficiency.

Agyemang et al. (2017), examined the "influence of corporate social responsibility (CSR) on financial performance of small- and medium-sized enterprises (SMEs) in Ghana by using stakeholder engagement as a mediating variable". The study used the sample size of 423 small firms working in "Accra Metropolis". The technique to develop the relationship of studied variables which was partial least square (PLS). Small and medium enterprises enhanced CSR practices have better placed to engage the stakeholders with the firms such as employees, supplier, customer and local community which increase financial position of SMEs. Finally, the findings of the study suggested that SMEs improve the CSR practices which will ultimately enhance the performance as well as stakeholder engagement with the small enterprises. Besides, this is the firstly to build the attachment between CSR practices and performance of SMEs in Ghana by utilizing stakeholder engagement as mediation.

Turyakira P. et al. (2013), researched the “impact of corporate social responsibility factors on the competitiveness of small and medium sized enterprises”. It has turned into the progressively imperative to the effectiveness firms operating small level business. Regardless of the broad viable and scholastic enthusiasm for CSR and its effect on the competitiveness of SMEs, couple of hypothetical and experimental commitments could be found. The major aims of this investigation were to distinguish and experimentally test the corporate social responsibility factors affecting it intensity. The study used purposive random sampling technique. Sample size of 750 SMEs selected to collection of data. Structured and self-administered questionnaire were distributed out of which 383 questionnaires were found correctly otherwise most of questionnaires were found to be incomplete. An exploratory factor investigation was completed. In the study cronbach's alpha is the measure which described the validity & reliability of questionnaire of the estimating instrument. The findings of the have a look at cautioned that there's huge tremendous courting between CSR elements and competitiveness of SMEs.

Ducassy, I. (2013), mostly the large number on research on CSR and financial performance found to be positive relationship among both the variables but this study elaborated the that how does CSR play different role during the period of uncertainty. Study used the sample of listed French companies. The findings indicated that which have showed significant positive relationship between CSP and firms financial performance conforming to the beginning of the second half 2007 and no significant rapport among the two variables.

Valdez Juárez<sup>1</sup> et al. (2018), explored the “impact of corporate social responsibility on the firm’s profitability”. Previously small and medium enterprises have concentrated their events only on short run financial results. The CSR has the essential factor currently being received by organizations to expand their aggressiveness. Whereas, some companies have focused the concept of CSR ultimately increase the financial as well as economic performance of the company. CSR had three dimensions such as social, environment and economic. The study used the sample size of 81 firms out of which the servicing sector include 45.7% and industrial sector 54.3% operating in the Mexico. Data collected through self-administered survey to firm managers ranging from August to November 2013. Results of the study validated and analysed by using structural equation models through Smart partial least square Professional software. The results showed that social and economic dimension of CSR have positively related to profitability of SMEs. This study also suggested that to support the theories like that sustainability theory, stakeholder theory and firm theory.

Uadiale, O. M at el. (2012), researched “the impact of CSR activities on financial performance measured with Return on Equity (ROE) and Return on Assets (ROA)”. It can possibly make positive commitments to the advancement of society and organizations. The expanding consideration regarding CSR depends on its capacity to impact firm’s performance. The CSR development was disbursed in all over the world and lately an extensive number of strategies and systems have been produced, the larger part being established in the West. The study mainly concentrated in developing countries specifically Nigeria. The study used sample size of 40 audited annual reports of the companies listed in Nigeria stock exchange. CSR has a significant positive association with FP.

Prior, D at el. (2008), explored the link between (CSR) and financial performance (FP) with mediation effect of firm’s intangible resources. Previous empirical findings showed the positive correlation with CSR and FP but failed to determine the mediating effects of intangible resources. The study demonstrated with the utilization of database consist of 599 firms from 28 countries. The findings of the have a look at indicated that there's no direct dating among CSR and monetary overall performance most effective oblique link that depends and firm's intangible resources act as mediation effect between both the variables used in this paper.

Wang at el. (2016), explored the impact how social responsibility of the corporation enhance the corporate financial performance (CFP). So, Previous researched provide unclear conclusion about CSR AND CFP. The main motive of this study to determined and quantified CFP with social activities. In this study focused on 119 effect size from 42 studies. They showed that there’s vast and high-quality relationship with corporate financial performance. In short CSR increase the firm financial performance. The finding of the study reinforced the stakeholder theory. Furthermore, “CSR in the developed countries”, a generally develop institutional framework and proficient market system, will be more noticeable as compared to “CSR in the developing countries”. The outcomes demonstrated that the CSR– CFP affiliation is stronger for organizations from developed economies as compared those organizations from emerging economies.

Neena Sinha at el., (2017), the aim of study was examined the link among corporate social responsibility and financial performance of small and medium-sized enterprises in Delhi by the stakeholder approach. Data collected from 382 small and medium enterprises through structured questionnaire having 22 items out of which 2 items were removed from the structured questionnaire due to lower the factor loading by using AMOS. Goodness of fit about

data was measured through SEM by AMOS and link among variables were observed by path analysis. The findings of the study suggested weak but positive link among the variables used in the research, also described that overall model fit. The results supported with previous research by Weber (2008). It was additionally seen that SMEs are socially dependable to their stakeholders, yet it is more informal in nature instead of embracing it as a business procedure. Further, the outcomes uncovered that CSR of SMEs is related with religious soul.

Jensen (2001), researched how corporate social responsibility improves the competitive performance of Small and medium enterprises by taking multi stakeholders' perspective. It examined the connection among firms' association with key partners with the goal to see whether there is an upper hand in applying CSR practices. Furthermore, the study was not focused on the direct impact of CSR and competitive performance but used mediating link among the variables. Data were collected from the small medium enterprises operates in the Brazil and SEM was used to testing the hypothesis used in the study. Questionnaires were filled from the respondents of the small medium enterprises from the Southern region of "Brazil mainly from the State of Rio Grande do Sul, Santa Catarina, and Parana". The findings of the research suggested that there is a significant relationship among the development of Social Responsibilities practices and competitive performance of SMEs. Higher the engagement in CSR increase the competitiveness.

Liu T. at el., (2014), explored the effect of corporate social responsibility (CSR) initiatives on brand value through the mediation of brand loyalty and brand image. Data were collected from CEOs, business leaders, managers through self-administered questionnaire. The study used structural equation modelling (SEM) to determine the relationship among studied variables. The outcomes of the study indicated that CSR initiatives positively effects on brand value with the mediation effects increased the brand loyalty and brand image. Finally, CSR have become a source of competitive advantage and value creation for the SMEs and managers need to recognize that CSR is an opportunity to enhance business performance. So, the concept of CSR should be assimilated to business strategy.

Ntiamoah, E. B at el., (2016), examined the impact of corporate social responsibility (CSR) awareness and organizational commitment on organizational performance of banking sector of Ghana. They embraced the quantitative as well as qualitative methods. Data were collected from the management, non-management staff and customers of UT banks and Barclays bank in Ghana. In the study regression and correlation method were used to test the hypothesis.

Findings of the study suggested that there are strong positive correlations among CSR awareness, organizational commitment and firm performance.

Fauzi, H., & Idris, K. (2009), the study explored the difference between environmental and social performance of Indonesian organizations and multinational companies (MNCs). A comparative study was done between Indonesian companies and multinational companies (MNCs) functioning in Indonesia. Data set collected from 21 companies operating in Indonesia. The results of the study represented that there is significant distinction in social performance among Indonesian organizations and MNCs. Furthermore, it is also suggested that significant difference in environmental performance among Indonesian organizations and MNCs.

Makni, R. et al. (2008), investigated the causal relationship between corporate social performance and financial performance of Canadian firms. Data were collected from 179 public listed companies from Canadian social investment database (CSID) ranging from the years 2004 to 2005. Financial performance indicators have three dimensions namely ROE, market returns and ROA. The outcome found that insignificant connection among a composite measures of an organization's corporate social performance and financial performance, except for market returns.

Hashi, I., & Stojčić, N. (2013), explored the effect of innovation activities on firm performance by the help of multi stage model. Innovation is the important drivers with the help of which firm increase competitiveness and performance of the business. But very few studies have been conducted on innovation and firm performance. Data were collected from 90000 firms. The findings showed that there is positive relationship between innovation activities and firm competitiveness. Ultimately those firms whose engaged themselves in innovation activities can also increase the firm performance

Liu, H., & Fong, M. (2010), studied the link between corporate social responsibility orientation and financial performance of small and medium enterprises China. CSR orientation included three dimensions environment sustainability, job creation and training of staff, whereas financial performance represented two dimensions sales revenue and profitability. The outcomes suggested that CSR have not impact on financial performance of Chinese small and medium enterprises. Furthermore, it additionally analysed the connection between their CSR orientation and company's financial performance. The study also suggested that job creation, training of staff and environmental sustainability have generated insignificant positive

relationship between financial performance, but CSR oriented activity showed the significant positive relationship between financial performance as profitability and sales.

Choi, J., Kim, S., & Yang, D. H. (2018), inspected the connection among corporate social responsibility and financial performance of SMEs in Rajasthan based on stakeholder. To explore the relationship between CSR and FP used of 384 small and medium enterprises as a sample size. Study discovered that small and medium enterprises not properly linked with CSR activities rather than they are related with institutionalized and philanthropic activities. Aside from this, it was discovered positive but weak connection among CSR and FP of SMEs.

Bolanle et al. (2012), examined the how CSR effects the firm's profitability. Purely this study focused on Nigerian banks and regression model is used to carried out the relationship among variables. The results of the study suggested that corporate social responsibility (CSR) positively effects the firm's profitability. Due to the following reasons CSR enhanced firm's profitability because reduces tax paid improved the overall performance of firms. They instructed that CSR faithfulness should not be misjudged regardless of some awful managers exploiting the funds and ensuring they have done the CSR practices which can misdirect the findings and eradicate the advantages that can be checked whether you complete the investigation under such a circumstance.

Uadiale and Fagbemi (2012), explored that how corporate social responsibility effects the company's performance. The study focused on Pearson correlation analysis to determine the relationship between CSR and company's performance based on sample size of listed Companies in Nigeria. The outcomes of the study indicated that there is a significant relationship between CSR and financial performance (FP). Also recommended that organization should designate their resources on corporate social responsibility to improve company reputation, goodwill as well as returns.

Tsoutsoura, (2004), explored the relationship between CSR and FFP. CSR as symbolic management skill with the help of which company goodwill is enhanced by activities to endure the community, bringing about positive impact on net sales. So, if the organization spends costs on CSR activities to achieve the competitive advantages, such CSR exercises can improve organization status and over the long term FFP can be increased, by losing short term financial performance. The examination focused on the significance of incorporating CSR into the business culture and ultimately reputation and brand image of the company enhanced. Showed the positive link among CSR and FFP. Also included that with the implementation of CSR in

business model firms can get borrowing loan, decrease employees' turnover rate and decrease training costs.

Rapti and Medda, (2010), examined the correlation between corporate social responsibility and firm financial performance. Those firms who do not fulfil the CSR in their business ultimately, they can decrease the firm financial performance. Whereas those who did not focus CSR and neglecting key stakeholders of the firms like that employees or the environment, this outcomes in a lower corporate social responsibility for the company, at that point FFP might be increased. The results of the study showed that there is negative correlation between CSR and firm financial performance.

Choongo P. (2017), purpose of this study was explored the effect of CSR on firm performance of small and medium enterprises. It was depicted the whole scenario of developing country like, Zambia. Data collected from 153 small and medium enterprises through surveys ranging from the period over twelve months using smart PLS. The outcomes of the study suggested that there is significant relationship between CSR and financial performance of SMEs. Also suggested that link between CSR and two dimension of financial performance such as employee commitment and corporate reputation shows partially significant.

Battaglia M. et al. (2014), analysed the relationship between the implementation of corporate social responsibility and competitive performance of small and medium enterprises (SMEs) working in fashion industry. The investigation based on the sample size of 213 small and medium enterprises (SMEs) situated in Italy and France and depends on the correlation examination between the CSR practice and competitive performance. The outcomes demonstrated that strong relationship about innovation process, from both the technical and organizational point of view, and intangible performance. Competitive performance measured in term of turnover, business attraction and demand trend. Findings suggested that there is a strong positive relationship between CSR adoption and competitive performance.

Bagh T. et al. (2017), "investigated the impact of corporate social responsibility (CSR) on financial performance (FP) of banking sector of Pakistan". Intensity of money related segment has prolonged complex and the issue of corporate social responsibility (CSR) has turned into a crucial concern parallel to focusing on productivity enrichment. Organizations are considered as social units, they must serve stakeholders, and have tendency to implement corporate social responsibility (CSR) on priority basis and consequent exposure also. Unfortunate CSR approaches may cause externalities and possible surrendered customers. 30 commercial banks

used in the study to examine the impact CSR and financial performance from the period between 2006 to 2015. To test the hypothesis, we used pooled regression model to investigate the link among CSR and financial performance of banking sector. In the study robustness of pooled model suggested that significant positive impact of corporate social responsibility and financial performance (such as, ROA, EPS and ROE). In short corporate

Feniser C. (2015), most of the studies focused on the CSR and financial performance of small and medium enterprises but very rare studies determined the relationship between corporate social responsibility and innovation. The study measured the relationship between CSR and innovation of SMEs. Previous studies like open innovation depends on the idea that the partner's discourse that covers with certain components of CSR. Data were collected through self-administered questionnaire from managers. Being imaginative intends to bring authoritative and specialized upgrades which will convert into a superior position in the market. Innovation not only focused on the product but also involvement in process and the whole life cycle. The result of the study determined that there is strong relationship between CSR and innovation. With the help of which firms achieve the economies of scale and achieve the social goals.

Mousaid et al. (2012), "social responsibility has significant positive effect on financial performance" of commercial banks of Pakistan. Considered the key discoveries, this examination proposed CSR marvel was considered as a fundamental development component and financial performance boosting instrument in banking sector of Pakistan. Also suggested that well established organizations and economies focuses the concept of CSR as compared to developed economies. Consequently, the findings of the study critically provided essential implications for financial sectors and policy makers of banking sector.

Makni R. et al. (2009), "this study assessed the causal relationship between corporate social performance (CSP) and financial performance (FP)". They used empirical analyses of a sample size of 179 public quoted companies in Canada from the period between 2004 and 2005. For that purpose, they used Canadian social investment data base. Using the "Granger causality" Approach, we discover no good-sized relationship among a composite degree of a company's CSP and FP, besides for market returns. However, the usage of man or woman measures of CSP, we discover a strong sizable bad impact of the environmental measurement of CSP and 3 measures of FP, particularly return on property, return on equity, and market returns. This latter finding is regular, as a minimum within the brief run, with the alternate-off speculation

and, in element, with the terrible synergy speculation which states that socially responsible corporations revel in lower earnings and decreased shareholder wealth, which in turn limits the socially responsible investments.

Wati R. et al. (2014), this have a look at aimed to reap empirical proof about the impact of real manipulation practices on Corporate Social Responsibility (CSR), and in addition tested the impact of actual manipulation on relationship between CSR and the monetary performance of agencies within the destiny. 27 agencies listed on Indonesian Stock Exchange during the years 2006-2008 have been selected as pattern for this look at. Data have been amassed through purposive sampling approach and statistical method used for analysis became everyday least rectangular regression. The study supplied empirical proof that agencies engaged inside the exercise of actual manipulation had no influence on CSR activities. The effects confirmed that the better stage of real manipulation on operation cash waft results in terrible effect on the relationship between CSR and economic overall performance.

Anwar M. et al. (2018), were examined that how internal capabilities effects on new venture performance with the mediating effects of competitive advantage. Internal capabilities of new firms included corporate strategy and intellectual capital. In powerful markets, newly settled business endeavours competitive strategies and skills to confirm their existence and to avoid disappointment. Data were taken with the help of structured questionnaire. Sample size used in the study of 227 ventures out of 227 ventures data were collected from 17 ventures through interview. The outcomes of the research suggested that internal capabilities (such as intellectual capital business strategy) and competitive advantage have significant positive effect on the performance of new ventures. Therefore, business strategy and intellectual capital have positively contributed to competitive advantages. Finally, competitive advantages showed fully mediated between the new business performance and intellectual capital in addition to that it showed partial mediation among the business strategy and new business performance. The outcomes recommend that the inside abilities assume a huge job in new pursuit achievement which may be advantageous for the owner managers to accomplish aggressive position in a fierce market.

Guest D. E. et al. (2003), the study focused on two sections such as subjective performance and objective performance of companies. For that purpose, data collected from 366 companies located in UK and cross sectional as well as longitudinal data were used to test the hypothesis. By the objective measure performance of companies, companies engaged more in HRM like

that lower employee's turnover and low productivity. In the wake of controlling for earlier years' presentation, the affiliation stops to be significant. By the subjective performance of companies, strong connection of human resource management HRM with the productivity and financial performance. Finally, the study suggested that confirmed the relationship between HRM and company's performance but insignificant the relationship between HRM and performance in case of higher performance.

Malik M. S. et al. (2014), the aim of this paper was to analyse the effect of CSR on FP of the banks in servicing sector of Pakistan. In the study data collected from annual general auditors verified reports of the banks ranging from the period between 2008 to 2012. Regression model was used in the study to performance of banks with CSR. Financial performance included EPS, ROE, Net profit and ROA. The findings of the study explained there was less CSR adoption in Pakistan and indicated, the performance enhanced by adoption of social obligations. If the financial institutions implement CSR practices in their business operations generate long term profits.

Obeidat B. Y. (2016), explored the link between corporate social responsibility (CSR) and organizational performance with the mediating effect of employee engagement in the telecommunication sector. Data were collected from 350 respondents with the help of 37 items. Regression analyses such as simple and multiple were used to test above hypotheses. In the study Baron and Kenny mediation model was used to test the link between CSR and company performance with mediation effect of employee engagement. The outcomes of the above study indicated that CSR such as internal and external and employee's engagement have significant positive link between company performance. However, internal as well as external CSR and employee engagement showed strong positive relationship between them. Finally, the finding of the study suggested that employee engagement fully mediated between CSR and company performance. The aftereffects of the current investigation have numerous managerial implications for telecommunication sector. Decision makers will have to focus on CSR in business operation ultimately increase employee engagement as well as improved company performance.

Herrera J. et, al. (2015), have researched the corporate social practices and competitive performance by the multi stakeholder perspective. To achieve this work, data were gathered from 481 SMEs and smart PLS software utilized in the examination. Consequently, the presence of direct and intervened connection among the advancement of social practices and

competitive performance of SMEs by the stakeholder perception. The final discussion of study demonstrated that the advancement of CSR practices enhances the competitive performance by the ability of firm to manage their stakeholders. Also, recommended that relational capacity mediates the causal connection among the CSR and competitive performance.

### **2.3: INNOVATION PERFORMANCE:**

Ruiz-Jiménez et al. (2016), “were examined the influence of management capabilities on the innovation performance of SMEs with the moderating role of gender diversity in the top management team”. They were used the sample size of 205 SMEs working in Spain. To test the study variables regression analysis was use. The results of the study proved that administration abilities emphatically impact the product as well as process innovation. By the addition of moderating variable, gender diversity emphatically directs the connection between management capabilities and innovation performance. Therefore, management capabilities have a more prominent influence on both product as well as process innovation, while the top management team is more effectively balanced in the number of males and females. Contribution of the study included for the better comprehension of the components that clarify how the board abilities convert into more organizational goals and to analyses the top management team specifically in SMEs.

Zhu, Q., Zou, F., & Zhang, P. (2019), Small and medium-sized enterprises (SMEs) in developing countries have been motivated to implement corporate social responsibility (CSR) practices, whereas innovation is needed or even necessary to enhance firm performance. Data were collected from 494 chinses firm and hieratical regression model was run to determine the relationship between CSR and firm performance with the moderation and mediation effect. The findings of the study suggested that technology innovation improves the relationship between CSR and firm performance, management innovation necessary improve the stakeholder satisfaction and marketing innovation also improves the stakeholder’s satisfaction together with organization governance.

María I. et al. (2014), enthusiasm for the connection by the environmental obligations and innovation performance has increased impressively over the most recent couple of years. The study examined the link between CSR and technological innovation performance, based on stakeholders and knowledge base theories. Composite model was tested through structural equation model (SEM) by smart PLS techniques test the studied hypothesis. Data set considered in the study from Spanish firms of energy sector. The outcomes of the study

indicated corporate social responsibility shows positive effects on innovation performance. Finally, suggested engagement of firms in higher CSR activities then ultimately higher level of innovation performance achieved.

Bocquet, R et al. (2013) many researchers have tried established the CSR and firms value creation but the study on innovation performance remains uncertain, especially between small and medium enterprises (SMEs). Firstly, they explored that the impacts of responsive and strategic CSR on gender and nationality diversity. Secondly, also determined that the impact of diversity on the innovation. The study used data set from 1348 (SMEs) from Luxembourg. two main variables strategic and responsive CSR exert the differentiated effects. Strategic CSR significant positive influences on diversity index, irrespective of the type while responsive CSR only impact the gender diversity. By the control variables like that group membership and firm size have negative impact on the strategic CSR as well as responsive CSR. By and large, our discoveries demonstrate that vital and responsive CSR diverse effect on the two kinds of diversity. CSR is the integral and most important strategy for the SMEs through which they can enhance the firm value through the diversity in the name if innovation.

González-Moreno A. et al. (2014), most of the studied conducted the environmental activities on firm's performance from last decades but there were very few studies conducted on environmental activities on innovation performance. The study focused on effects of environmental orientation on innovation performance of firms in the perspective of chemical industry. Logistic regression was run to test the relationship with environment and innovation. The major significance of the study represented that environmental activities greatly impact the innovation of firm. In short environmental activities improve the innovation performance particularly in manufacturing process as well as logistic system.

Bocquet R. et al. (2015), researched very few studies examined the combine effects of corporate social responsibility and innovation on the firm performance it the sense of financial performance. In the study focused the simultaneous effect of technological innovations both product as well as process and corporate social responsibility on the economic performance. Data were collected from 213 firms with two-way procedure. The study established the link between strategic versus responsive corporate social responsibility behaviour on technological innovation after that impact of technological innovation on firm performance. Therefor they suggested that firms having strategic CSR ultimately increase firm performance through both product as well as process innovation.

Olughor R.J. (2015), examined in the study how innovation performance influences firm performance small industry in developing economy like Nigeria. For conduct the research conclusion data collection was important part of the success of any research. So, it was selected the 200 respondents of 6 firms working in Nigeria. Innovation performance measured by using OECD Oslo scales. The outcomes of study firstly represented that there was strong correlation between the factors used in the study to research on innovation and secondly on innovation performance showed positive relationship with firm performance. So, the study also contributed that innovation effects the business performance.

Kalay F. et al. (2015), the main goal of his paper must ascertain the bond with innovation management efficiency on the innovation performance of firm. In the era of competition, innovation is very essential for the success of the organization. It plays the very vital role in the competitive market. In this regard understand the concept of innovation management practices is very essential for the firms. In the study innovation management practices used as independent variables and their dimensions includes: “innovation culture, innovation strategy, customer and supplier relationships, technological capability and organizational structure”. Data were gathered from the 132 managers of 66 SMEs working in the manufacturing sector in Turkey. In this manner, to test the hypothesis SEM technique was used by smart PLS. The results of the study have depicted the organizational structure, innovation culture and innovation strategy have significant impact on innovation performance of SMEs. while client and provider connections and mechanical capacity have no noteworthy effect on development execution.

Makanyeza C. et al. (2015), study focused the “influence of innovation on performance of small and medium enterprises in Zimbabwe”. Primary study was used in the research, data gathered from survey of 200 small and enterprises in Harare. The primary reason for the investigation was the impact of development on execution of little and medium ventures in Harare at Zimbabwe. Innovation positively associated with the performance of SMES. Innovation categorized into four dimensions such as item advancement, showcasing development, process advancement and authoritative development. Discoveries of the examination illustrated that product and organizational innovation have positively influenced the firm performance, whereas process and marketing innovation have not affected the performance of SMEs. It has future implications for and future researchers and owner managers because of that the effects of innovation on firm performance of SMEs differed from county to country.

Rosli, M. M. et al., (2013), examined that how the dimension of business innovation effects the performance (SMEs) in Malaysia. From the last two decades innovation became the most essential for the achievement of little and medium undertakings. Sample size of 284 SMEs taken in the study. Primary study was conducted to collect data from SMEs operating in textile, beverage, wood-based industry and clothing in the Malaysia. Hierarchical regression was used to test the connection between the components of advancement and SMEs performance. Dimension of innovation included: product and process innovation. The outcomes demonstrated that product and process innovation have critical positive connection between firm execution of SMEs. Also suggested to SMEs and policy makers that innovation was the expressive element in present entrepreneurial actions.

Abdilahi, M. H et al. (2017), were ascertained the how innovation became the business more competitive in the perspective of Hargeisa in Somaliland. The target population of the examination was 6930 SMEs out of which a sample size of 378, which were taking from the population. Data about these SMEs provided by the “Hargeisa Local Government and Somaliland Ministry” these two institutions provide the registration licence to the SMEs. The study was used descriptive as well as regression was run to investigate the link between innovation and profitability of SMEs. The results indicated that there has strongly positive association with innovation and profitability of SMEs. Similarly, the product, marketing and organizational innovation have positively significant influenced between these SMEs.

Tinuke, F. M. (2015), has researched that companies progressively perceiving corporate social responsibility as an innovative and management functions requiring for their existence. Maintainability has necessitated that associations volte-confront their organization objectives and targets from exclusive esteem to profit making to CSR. Generally, the impact of CSR is getting to be evident in social orders extending from human stakes and work and business practices to healthcare services and the local community. HR possesses a fundamental position including coordinating and teaching their associations on the implication of CSR and at the same time persistently implementing the effective human resource management practices were very important for the sustainability of companies and CSR aspirations. For the collection of data set semi- structured questionnaires have been used and data collect from 380 respondents. The study determined that firm’s CSP has positively correlated with their reputation as well as their attractiveness and described that ability to attract and retain the potential workers. By the attractiveness and retention of the workers provided the competitive advantages to the firms.

Wu, W et al. (2018), has explained the effect of green CSR and on the advancement execution of open recorded organizations working in China, by the directing job of open perceivability and firm straightforwardness. Organizations being green and social can acquire impalpable resources that are extremely fundamental for advancement execution. Hardly any examinations have directed on green CSR and advancement execution. Information gathered from Chinses recorded assembling firms. They recommended that critical and positive connection between green CSR and development execution by the control of firm straightforwardness and open perceivability. Also suggested that higher the green CSR eventually higher the innovation performance.

Madueño, J. H. et. al. (2016), explored the investigated between CSR and firm concert with the practices of CSR by the mediation effect of innovation performance. For that purpose, data had collected 552 SMEs operating in Spain. To accomplish this task SEM was used to test the hypothesis by the technique of smart PLS. Previous studies examined the linkage between CSR, but very rare studies conducted in the perspective SMEs to explore the link with theses variables and firm performance simultaneously. The study focused the five dimensions of CSR such as: “suppliers, customers, employees, local community and environmental responsibility” to explore the link between innovation performance and firm performance. The findings of the study indicated that innovation performance shows the partial mediation with them. Also explained that the impact of CSR on firm performance diminishes by the consider of organizational innovation performance.

Gupta S. et al. (2012), have determined how CSR effective increase the credibility of small enterprises is certifiably not another idea; organizations have tried to recognize the concept of CSR obligation towards the internal and external stakeholders. CSR is very essential for the sustainable development and maximization of company’s profit. In the study data were taken from 100 manufacturing SMEs operating in the Punjab. Following techniques have used to test the hypothesis such as: Two-way ANOVA, factor analysis approach and Kruskal–Wallis test. After the complete data analysis, the study showed the very small and medium enterprises implementing the CSR initiatives due to lack of finance, lack of resources, lack of the proper awareness about community and no support from government (like rebate and subsidiary). The outcomes also indicated that no relationship between CSR and organizations performance. So, strong relationship with stakeholders is very necessary for the organizations to increase the profitability.

Hansen, S. D. et al. (2011), were determined CSR on the elaboration of employee's behaviour with the mediating effect of employee trust. The study focused on the external stakeholders how CSR effect the firm performance. Data were collected from two population sets. Sample size is 1116 & 2422 for tested the hypothesis. Both studies provided the overall general relationship among the studied variables. The findings of the study suggested that CSR perceived reviewed has insignificant effect on employee's behaviour in addition to above employees trust partially mediated between CSR.

Anwar M. (2018), has researched the significance of business model innovation (BMI) in the performance of small and medium enterprises SME with the mediation effect of competitive advantages. In the time of globalization and dynamic market, companies look for competitive advantages and survival for fits. Earlier examinations have shown that Business Model Innovation (BMI) is a major driver for firm's survival and higher performance particularly in developing industries. So, the study about business model innovation has been discussed about hypothetically and exploratory whereas empirical examinations are yet scarce. structured questionnaires were used to collect data from 303 manufacturing small and medium enterprises functioning in the developing market of Pakistan. The study used SEM through AMOS to test the research hypothesis. Finally, the results specified that business model innovation (BMI) significant positively influence on the performance of SMEs and competitive advantage. While competitive advantage has partially mediated the among the relationship between the performance of SMEs and BMI. Companies are mandatory to generate the operative business model to attain the competitive advantage and enhance the financial performance of SMEs.

Malesios C. et al. (2018), "have assessed the relationship between social, environmental and operational practices and performance with financial performance, focusing on small- and medium-sized enterprises (SMEs)". They try to build up a connection between the sustainability of firms as far as financial performance measured in term of business growth and annual turnover. In the study data set taken from 119 SMEs such as British, French and India. Hypothesis were tested through regression model and model comparison technique. Findings of study indicated that items of sustainability showed the significant positive effects on the profitability performance. They also found that different dimensions of sustainability show the associations with the financial indicators and the adoption of CSR activities may influence the performance of SMEs.

Saeidi, S. P. et al. (2017), numerous researches conducted in the view of the paper, have investigated the advantages of CSR, particularly concentrating more on the financial perspective yet generally less on employee's perspective. In this manner, CSR investigate with respect to employee's point of view can be considered as relatively extraordinary way. According to the authors which must determine the impact of CSR and sales growth with the moderating role of employee's individual perception. A sum of 328 SMEs in manufacturing industry from Tehran (capital city of Iran) were occupied with this investigation. Composite model was tested through SEM based on AMOS to test the hypothesis use in the study. Result included that corporate social responsibility has weak but positively impact on sales growth. Also revealed that CSR positively enhance the sales growth by included moderator such as employee's individual beliefs.

Ahmadi A. et al. (2017), have explored the "effect of Small and Medium Enterprise (SME) family characteristics 'on their strategy through the concept of knowledge of corporate social responsibility". Data collected from 141 SMEs from 2012. Previous studies showed that social capital has positive & low effects on CSR. The finding of the study indicated the commitment of the hierarchical learning and the advancement of information on the appropriation of CSR practices inside the privately-owned business, despite the negative impact which activities the information of CSR practices. Likewise, the results demonstrated that the variable conservatism negatively affects information of the CSR. In any case, the informal community influences decidedly the CSR development information.

Padgett R.C. et al. (2010), were explored the connection between CSR, advancement power (R&D) and the firm performance. By the resource-based theory which has supported to the relationship between innovation intensity and CSR activities because of that which clearly accepted the significance of the intangible resources. According to the author of study, explained that CSR activities and innovation intensity can generate assets that enhance the competitive advantage. Also suggested that both CSR and innovation intensity positively associated with firm performance in the term of competitive advantages. R&D and social procedures of business may differ from industry to industry due to which the study further extended to analyse the effect of CSR and innovation intensity in both manufacturing and non-manufacturing industries. They indicated that innovation intensity positively associated with CSR in manufacturing industries, however non-significant results attained in the case of non-manufacturing industries.

Ahn J.M. et al. (2015), understood the link between open innovation of SMEs with the overall effectiveness of business. Study used to collect data from 306 small level firms who's not included in private and public companies. The outcomes of the study showed that: (1) intensive and broad engagement in open innovation (OI) with external stakeholders were positively connected through SMEs performance, (2) market and technology oriented open innovation (OI) involving comparatively small amount of changes have positively contributed towards performance enhancement. This work has widened the proof accessible on SMEs' open innovation adoption and has proposed another approach to the study about open innovation implementation and adoption.

Chang, C. H. (2011), examined the impact of corporate natural morals on the upper hand of the organizations via mediation effect of green innovation of the Taiwanese manufacturing companies. The study investigated the connection between corporate natural morals and upper hand by the utilization of SEM. Green innovation divided into further two dimensions such as: "green product innovation" and "green process innovation". Entire picture of discoveries of the examination spoke to that corporate ecological morals positive effect on the green item just as green procedure advancement. Also, verified that green product innovation positively mediated between the environmental ethics and competitive advantage, while green process innovation did not affect. Therefore, corporate environmental ethics did not directly impact on the competitive advantage, but it influence the connection between natural morals and upper hand through the green item advancement.

#### **2.4: Industry Competitive intensity:**

Lau A. et al. (2018), have explored the "relationship between corporate social responsibility (CSR) and operational level performance in Korea's manufacturing industry with the moderating effects of law enforcement, regulatory uncertainty, market turbulence and competition intensity". Scarcely any examinations have been led to demonstrate the connection between corporate social obligation (CSR) and performance of business operations with the role of institutional environment. Data were collected online from 209 manufacturing companies operating in Korea and then examined the hypothesis through multiple regression model. The outcomes of the study confirmed that CSR has significantly influenced the operational performance. In the addition of law enforcement and competitive intensity have positively moderated between CSR and operational performance but administrative vulnerability and market disturbance have not moderated. These outcomes stimulated that the

distinctive institutional environment where CSR is executed are especially essential to consider for ideal business activities.

Lee, M., & Kim, H. (2017), were explored the relationship between the business performance and social values of firms with moderating role of organizational culture. They utilized contentions from the CSR technique view to feature the viability of CSR and the possibility way to deal with clarify the vertical fit the organizational culture in the business and CSR also the important part of the success of any firm. In addition, we inspected the moderating influence of the organizational culture on the linkage between CSR and business performance. The findings of the study suggested that organizational culture moderates the link together with CSR and firm efficiency in the sense of monetary value (such as financial performance). So, the organizational culture showed that the positive and critical connection between CSR-firm execution. Organizational culture of the business may increase the firm performance.

Aras G. et al. (2010), had focused on the impact of CSR and overall performance of the organization in developing countries. CSR has very essential and major to the sustainable activities of the organizations. They used to investigate 100 index companies listed in the (ISE). The connection among CSR and financial performance were observationally inspected from the period 2005 to 2007 with various methodologies and estimation techniques. The study demonstrated that some causality was identified with slacking between periods have explained the and firm FP. So, the they were not ready to be focused on the connection between corporate duty or profitability. The study has suggestions in improving the perception of the performance management through understanding the connection between CSR and FP especially in developing nation, although it is essentially restricted by sample size.

Ahamed, W. S. W. et al, (2014), were examined the effect of social performance on the corporate monetary exhibition as the name of (CFP). Dimensions of CSR based on the environment, local community, market and workplace as an independent variable while ROA, ROE used as dependent variable. Empirical study was conducted to collect secondary data from the annual report of three listed companies and the time span of data ranging from the period between 2007-2011. Previous examinations had delivered mixed outcome yet mostly the research indicated that there is close relationship among CSR and CFP. Regression was used through SPSS to test the linkage between CSR activities and corporate financial performance. The outcomes of the examination proposed that there is a strong positive connection among CFP and CSR along with Firm Size and Firm Revenue used as control

variable. The study contributed that investment in CSR will become increase the corporate financial performance.

Zafar, F., & Farooq, M. (2014), have studied the relationship between corporate social responsibility and its connections with the small and medium enterprises. Most of the studies focused on large organizations but very few researchers have been developed CSR with firm performance due to the financial constraints, lack of Government support and lack of business knowledge. So that's why they were not familiar with the concept of CSR and its long term and short-term benefits. The study depicts the whole picture of CSR and its benefits in the term of monetary level enhance by fulfilling the CSR. On other side, CSR also achieved many benefits such as firm's reputation increase, trust on consumers and better employee's relationship.

Bai X. et al. (2015), the effect of responsibility of firm on society and company performance have been studied greatly in the context of the developed countries. So, the present investigations have diverse conclusions on the connection among CSR and FP in developing economies. They have researched the connection between CSR practices and firm execution with the moderation role of competitive intensity and mediation effect of market competence based on the stakeholder theory and institutional theory. The discoveries of an experimental investigation directed in China demonstrate that marketing competence has completely mediated the impacts of all CSR practices on firm performance. While, competitive intensity has indicated the weak positive influence of CSR with respect to employees on the marketing competence and strong positive impact of CSR with respect to society in which there is industry competition. The findings of the study highlighted the significance of CSR activities towards the firm performance and market competition in China.

Shafique, M. N et. al. (2015), were researched that the organizational performance and success depends on the maintaining, identifying and attracting customers in the intensive competition environment. For that purpose, the main motive of study was to enhance the firm performance by the customer relation management (CRM) with the moderation effect competition intensity of the telecommunication sector. Data were collected from 300 respondents of the telecom organizations. Structured questionnaire was used to collect data and multiple regression and Pearson correlation analysis adopted to test the hypothesis. The results of the study suggested that firstly CSR capabilities have significant positive link between the organization performance by using Pearson correlation tests. Secondly competitive intensity has positively

connected with the CRM capabilities and organizational performance through the multiple regression model. Finally, the current examination was empowering organizations to make a long term and solid association with their clients

Hernández-Carrión, C. et al. (2017), had examined the impact of “social capital on the economic performance of SMEs through the moderating role competitive intensity and the entrepreneur's experience”. Overall model tested through the SEM by the smart PLS software. Data had collected the owner managers of 951 small sized business. Social capital resources included the “personal, professional, associative, and institutional relationship networks”. Finally, the conclusions of the examination indicated that institutional and professional network resources more effect on the profitable performance as compare to the associative and personal network resources. By the addition of competition level prevailed in sector has decreased the impact of institutional network resources and increase the effect of personal resources. While another moderating variable like entrepreneur's experience strengthened the effect of professional and institutional network resources. So, the study concluded that institutional and professional network resources largely enhance the firm economic performance rather than other network resources.

Lin, C. S. et al. (2015), “the effects of corporate social responsibility (CSR) on the financial performance” developed the link through the intervening variable of intellectual capital and directing job of industry type. Corporate social responsibility was the critical implication for the performance of ventures and nations. It importance of this issue can't be overlooked. In the study data of all the variables (such as CSR, Financial Performance, Intellectual capital and Industry type) were taken from two sources Kinder Lindenberg Dominik (KLD) rating system and CompStat databases. Final sample size used in the study about 1144 firms. The results of the study demonstrated the intellectual capital fully mediated with the perceived reviewed performance of business and social obligations. While industry type has moderated direct effect between CSR and financial performance.

Hull, C. E. et al. (2008), most of studies were conducted how corporate social performance and financial performance of the companies but this study focused the impact of CSP on financial performance via moderation effect of innovation and level of differentiation. Hypothesis were tested by secondary data of 69 companies lagging from the period between 1998-2001. They concluded that innovation and level of differentiation shows the positive link between CSP and

financial performance. In other words, CSP very strongly impact on financial performance in the less innovative organizations and industries with little differentiation.

Abdulai Mahmoud M. et al. (2012), have explored the influence of social responsibility and market orientation on the firm performance through the mediation role of innovation. The main objective of the study was to scrutinise that how CSR, innovation, and market orientation jointly effect the firm performance. In the examination information were gathered through oneself regulated poll from the 200 managers of telecommunication organizations and adopted quantitative research design. A regression analysis was used to test the proposed hypotheses in the research. The findings of the study showed that the level of market orientation and social responsibility have noteworthy impact on the innovation and then impact on the firm performance. Additionally, market orientation directly influenced the significant impact on the CSR. The study recommended that CSR and innovation have essential components for refurbishing the “market orientation” into effective business strategy.

Irshad A. et al. (2017), had explored the “impact of corporate social responsibility on customer satisfaction and customer loyalty via moderating role of corporate image evidence from Pakistan”. From the last twenty years, the concept of CSR with respect to the customer’s point was very important because of that competitions are increasing very speedy now a day. The study examined that how customer satisfaction and customer loyalty influenced through the activities of organizations with the moderation of corporate image. Qualitative research used in the study and questionnaires were distributed to 370 respondents and 236 questionnaires were collected back out of which 219 were reliable for test the hypothesis. Propose hypothesis were tested through SPSS. In last, overall findings of the study demonstrated that CSR has affected the customer loyalty and customer satisfaction. By the addition of high-level corporate structure strengthened the relationship between corporate social responsibility and customer loyalty and satisfaction.

Brine M. et al. (2007), had focused on the link with the implementation of firm’s obligations to protect the stake of investor and those who have not directly link with the organizations and the financial performance of organizations inside the Australia. Whereas, recent studies on CSR and company’s performance focused on the international data. The idea of CSR of the organizations has induced impressive enthusiasm for Australia from previous years. several monetary drivers for CSR have been acknowledged that may clarify its deliberate implementation by organizations. The outcomes of the study exposed that no significant link

among the corporate social responsibility (CSR) and company performance such as financial performance. Therefore, most of the opportunities for improving the research were recognized.

Yasa, N. N. K et al. (2014), attempted to study the “effect intensity of industry competition and entrepreneurial company to the implementation of differentiation strategy, Small and Medium Enterprise (SMEs) performance, and poverty alleviation”. This examination occurred with the target population of small and medium type business and data were collected from managers. According to Solvin’s formula sample size were 100 SMEs that spread crosswise over the regions in Gianyar and purposive random sampling technique was used in the study. Statistical technique SEM was used to test the hypothesis. The outcomes of the study showed that industry competitive intensity has significant positive impact on the differentiation strategy, and industry competitive intensity has significant positive impact effect on the performance of SMEs. Whereas, entrepreneurial company was insignificant positive impact on the differentiation strategy, and insignificant positive impact on the performance of SMEs but differentiation strategy has significant positive effect on the performance of SMEs. Therefore, the performance of SMEs may increase the poverty alleviation the district of Gianyar regency.

Rahman M. et al. (2017), have explored the connection to the corporate social obligation activities and marketing performance of the companies with the moderation of advertising intensity. While, CSR initiative and business performance have studied broadly but the major source of this study has focused on marketing performance rather than business performance. The sample size was comprised of 264 organizations, which were contemplated from 2000 to 2009. The CSR activities included the “corporate community” and “environmental activities” and marketing performance measured in the term of market share. Finally, the examination of the outcomes of the study was suggested that CSR activities have significant effects on the marketing performance and also shows the positive relationship together. Furthermore, advertising intensity has positively moderated the link among the CSR activities and marketing performance.

Servaes, H. et al. (2013), have studied the link between corporate social responsibility (CSR) with the firm value through the mediating effect of customer awareness. Data were collected from the 1991 to 2005 through KLD stats database. Customers awareness related to advertising expenditures. The outcomes of the study suggested that CSR positively correlated with the firm value with higher customer awareness. Low customers awareness showed the negative or insignificant effect with the firm value. Furthermore, Negative effect of advertising on the CSR

Grigoris et al. (2016), have studied how the corporate Social Responsibility (CSR) impact the financial performance of US based companies. In the study Fixed effects regression was utilized to assess the link among the corporate Social responsibility (CSR) and company's financial performance (FP), and data were taken from quoted companies on "Standard & Poor's 500" ranging from the period 2009 to 2013. The results of the study indicated that CSR initiatives has significant and positive impact on the financial performance. By the addition of control variables like CEO duality, compensation to directors and women presence on the board have also showed the significant effect on the financial performance.

Giannarakis, G. et al. (2016.), explored the impact of corporate social duty and its significances on the corporate sustainability. CSR has been one of the key components that have an impact on the business operations and profitability. Data were collected from 147 ISO 14000 certified companies operating in Thailand. In the study regression analysis has been done to check the hypothesis. The discoveries of the examination proposed that corporate social obligation affects the corporate picture, organizational credibility, stakeholder's acceptance and company sustainability.

Yang, L. et al. (2017), have explored the link between corporate social duty and corporate execution with the mediation effect of corporate reputation. Corporate social responsibility (CSR) divided into two dimensions such as internal CSR and external CSR, and whereas corporate performance classified into corporate operational performance and corporate financial performance. Data were collected through structured questionnaire from 309 (SMEs) working in China. Smart PLS used to examine the connection among CSR and CP with the mediation effect of corporate reputation. The outcomes of the study suggested that internal as well as external CSR significantly influence the corporate reputation. Therefore, corporate reputation mediated the link among the external CSR and operational performance, and internal CSR directly influence the corporate financial performance. These discoveries give a confirmed hypothetical structure to managers to design and execute CSR to upgrade corporate financial performance as well as reputation of SMEs.

Gorondutse, A. H. (2014), determined how business social responsibilities (BSR) impact the presentation of little and medium undertakings through the mediation role of organizational culture in the Nigeria. Business social responsibility (BSR) classified into trust, commitment, perceived ethics. In the study purposive random sampling technique was used for the selection of appropriate sample size and data were collected via hand delivery method by sending

questionnaire to 800 owner managers. Smart PLS and bootstrap techniques were used to estimate the link between BSR, performance and organizational culture. The results ensured that commitment, trust, perceived ethics and organizational culture have significant and positive effects on the small enterprises performance. Conversely, only commitment showed significant and negative effects on the performance. However, commitment, perceived ethics and trust showed significant and positive influences on the organizational culture. Besides, the outcomes of mediation showed that all the three-hypothesis were statistically significant. The result of this examination gives noteworthy commitments to the owner managers and policy makers for further comprehension on the impact of BSR and hierarchical culture on firm performance.

Ogaga, B. J. et al. (2017), have developed that how business level strategy effects on the firm performance via moderation role of industry competition. Little research consideration has been coordinated towards examining the indirect impact of competitive environment on the firm performance. Conversely, past examinations have yielded conflicting. They used cross sectional survey for the data collection from the listed companies and structured questionnaire used to collect data. The discoveries showed that industry competition affects the connection between the performance of firm and corporate strategy. Drawing from the discoveries, we inferred that execution of the firm performance relies upon the level of arrangement of corporate strategy to industry competition.

Adnan Z. et al. (2016), explored the study through (HRM) practices can affect the organizational performance or not with the moderating role of competitive intensity. These days, organizations in R&D department confront numerous difficulties in upgrading the firm performance. So, the main purpose of the study was to examine the relationship between HRM practices and organizational performance with the moderation of competitive intensity based on the contingency theory. Data were gathered from 64 highly R&D organizations and hierarchical regression technique was used to test the hypothesis. Findings of the study suggested that competitive intensity failed to show the significant relationship between HRM practices and the organizational performance.

Iqbal N. et al. (2012), elaborated through research that how effect of corporate social performance (CSP) on market value of share and financial performance and which indicators affect the performance of business. Sample size of 156 companies quoted in KSE from the period between 2010 to 2011. Data were collected from textile, tobacco and chemical sector.

Finally, the findings of the study indicated that corporate social presentation has no critical effect on the monetary exhibition and Debt over the Equity level of the organization. However, CSP has negative effect on the MV of shares.

Ali, et al. (2010), researched the effects of corporate social responsibility (CSR) on “employee’s organizational commitment” and “organizational performance”. Most of the thinks about on CSR portrays its effect on firm execution or consumer’s behaviour towards CSR but relatively few studies focused with the employee’s perspective towards CSR. The main purpose the study examined the multi-layer impacts of CSR on the authoritative execution and worker's hierarchical duty. The study used the exploratory approach and primary data were collected from 371 respondents operating in the various divisions of Pakistan. The study was used SEM technique to estimate the linkage of study variables used in the study. the results of the study suggested that CSR exercises have huge positive effects on the “employee’s organizational commitment” and “organizational performance”. The investigation examined the vital implications with respect to the practises of CSR in the business for upgrading worker's commitments and enhancing the organizational performance.

Alafi, K. et al. (2012), have explored the connection between CSR administrations and money related execution with the meditating effect of customer satisfaction. Data were collected through structured questionnaire to research the connection between CSR administrations and money related execution with the intervening the variable of customer satisfaction. The outcomes of examination proved that CSR services significant and constructive outcomes on the money related execution. While consumer loyalty completely intervened the association between CSR practices and money related execution of the little and medium business.

Tilakasiri (2012), investigated the relationship between corporate social responsibility (CSR) performance and corporate performance (CP) of companies listed in Colombo stock exchange (CSX), Sri Lanka. corporate social responsibility (CSR) performance indicated two dimensions such as: health related and community related. He considered the execution of 50 organizations quoted on stock exchange in Colombo from 2004 to 2009 to look at the long-run connection among CSR performance and CP. In the study, he used cross sectional and time series data to get more precise outcomes. The discoveries of his examination uncovered that “community related activities” demonstrated a positive association with corporate performance, while “health-related activities” demonstrated a negative relationship corporate performance.

Rajput, Arora and Khanna (2013), have experimentally tried the effect of ecological execution on the budgetary presentation of banking area working India. Financial performance included net income and profitability while environmental performance displayed the green banking. The investigation found a critical connection between total income and firm profitability, and insignificant connection between the execution of green banking and profitability of banks. Finally, the examination inferred that natural activities and green banking system in India are in their early stages stage and need a major push.

Angappan S. et al. (2014), directed a perceptual investigation to determine the linkage of (CSR) on the (FP) of stock broking firms situated in Chennai. The investigation utilized SEM technique to break down the effect of CSR on employee's attraction and retention, reputation, customer loyalty and access to capital and the impact of these factors on the FP of the organizations. The outcomes of examination indicated that business responsibility towards the environment shows the significant impact on the reputation and employees' retention & attraction and moderate the effect on "customer loyalty" and "access to capital". Furthermore, the advantageous of corporate social responsibility employee attraction and retention, customer loyalty, reputation and access to capital all have positively effect on the financial performance of firms.

Kemper J. et al. (2013), have explored the impact of marketing capabilities and organizational performance with the moderation of corporate social responsibility. Despite CSR having turned into a key technique for firms to use in progressing on an economical way, the job of CSR for organizational performance results remains inadequately comprehended. They collected data from the 891 firms. The exploration reveals insight into the interaction among corporate social responsibility and marketing by demonstrating that tremendously contending firms should utilize CSR as a noteworthy switch for expanding the effect of marketing on firm performance. The findings of the study suggested that corporate social responsibility, marketing capabilities and competition intensity have significant positive relationship between firm performance. For firms in enterprises with high competition level and marketing capabilities have a more grounded positive effect on firm performance when CSR is high versus low.

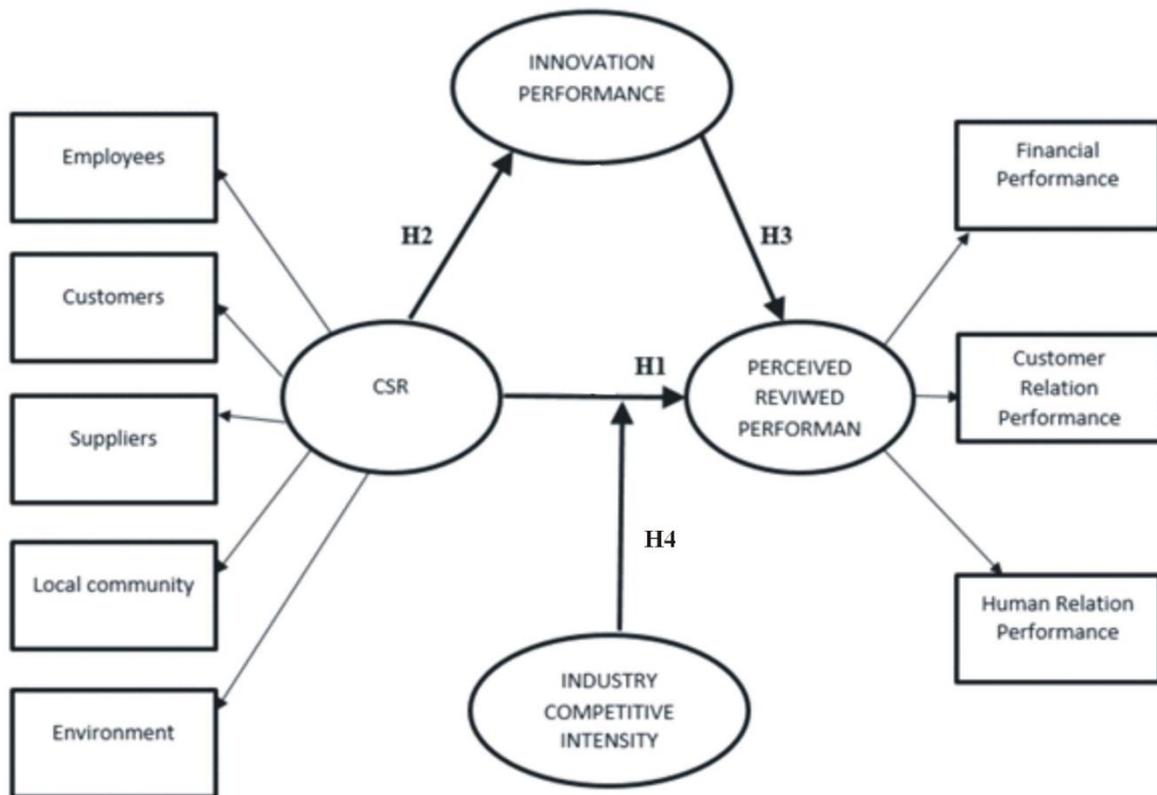
Jabeen R. et al. (2016), motivation behind the examination was to investigate the impact of market direction and firm execution of little and medium measured ventures with the moderating effect of external environment in Punjab, Pakistan. This investigation looks to determine the irregularities found in the contemporary writing with respect to the connection

among market orientation and firm performance. Survey utilizing a 5-point Likert scale was used from past studies to find out the reactions of the respondents. In the study self-administered questionnaire utilized to gather the information from 364 SMEs and used simple random sampling technique. The examination was directed utilizing SPSS 20. The most important conclusions of the examination showed MO has a significant association with firm performance whereas external environment showed the moderation among market orientation (MO) and firm performance.

Purnama, C. et al. (2016), examined the “impact of competition intensity (CI), uncertainty environment (UE) of business and the use of information technology on the business performance (BP) of small and medium enterprises (SMEs)”. In business world, concept of the information technology (IT) innovation transformation prompted enormous changes in marketing, rivalry, production and HRM. The utilization of IT is an indispensable part of business performance. The sample size of 130 little business (SMEs) were used in the study and utilized purposive random sample technique. Through tested with the investigation of SEM technique the results of this examination found that: firstly, the competitive intensity showed the significant and positive influence on the IT investment, then competitive intensity described the highly significant and negative relationship with business performance. Secondly, uncertainty environment of business has significant and positive effects on the business of small-scale business level and information technology (IT). Thirdly, IT speculation has noteworthy and positive effect on the business execution of little and medium undertakings.

Luo, X., and Du, S. (2015), examined the link among CSR and firm innovation. Drawing upon the exploration takes a shot at CSR and the learning-based view, we conceptualize that an affiliation's CSR programs empower it to manufacture more extensive and more profound relationship systems with the stakeholders, encouraging the sharing and exchange the external information with the shareholders; thus, external shareholders knowledge promotes the company's internal knowledge and boosts the firm innovation. Data were collected from the 128 firms from the period between 2001 to 2004. They demonstrated that organizations with higher CSR exercises show higher “innovativeness capability” and develop new product. Moreover, they demonstrated that positive connection among CSR and innovation performance.

## 2.5: Theoretical Framework



## **2.6: Hypotheses:**

**H1:** CSR is positively related to perceived reviewed performance.

**H2:** CSR is positively related to innovation performance.

**H3:** Innovation performance is positively related to perceived reviewed performance.

**H4:** Competitive intensity moderates the relationship between CSR and perceived reviewed performance.

**H5:** Innovation performance mediates the relationship between CSR and perceived reviewed performance.

## **2.7: Research gap:**

Firstly, the concept of CSR has only focused public listed companies, private companies and state-owned business and they also publish CSR report, but a few of the SME's studies have focused on the impact of CSR on firm and innovation performance. Secondly, Various studies have focused some specific dimension of CSR, but this research focuses on five dimensions of CSR (such as customers, suppliers, local community, employees and environmental responsibility) at Pakistani context (Conesa et al., 2016). Thirdly, the newness of my study is to explore the research with mediating role of innovation performance and moderating role of firm competitive intensity. The gap still exists in Pakistan context SME's do not focus on CSR practices want to motivate owner manager of SME's to implement policies of CSR in their business. Fourthly, most of studies considered specific sectors but my research focus is not only on manufacturing business and servicing business but their combination which makes my research more unique and refine.

## **2.8: Stakeholder Theory**

Stakeholder theory important theory that is related to the corporate social responsibility (CSR) studies (Hörisch et al., 2014). The stakeholder theory is directly related to the relationship among the company and its behaviour to the external environment in the process to achieving business operations (Hamidu et al., 2015). These days, stakeholders apply much pressure on organizations to improve their corporate social performance. In stakeholders of the organizations include business owner, suppliers, customers, local community and government (Sen & Cowley, 2013).

As per stakeholder viewpoint, associations ought to fulfil desires for investors as well as other premium gatherings (Asif et al., 2013). Vital to partner hypothesis is that supervisors should adjust the individuals who have interests with the activities of associations.

By the stakeholder's theory, company can improve the performance develop positive image towards the suppliers, customers, government and local community. Ultimately cost of capital became very low and firms enjoy the profit and financial position became strong (Siegel, 2000 and McWilliams). The overwhelming partners who have financial stake in the business, affect CSR choices than discretionary partners. Stakeholders theory gives the benefits to the investors for investing and develop the strong relationship with company. So that's why this theory support with my research because of that this theory covers all the dimensions of CSR such as suppliers, customers local community, environmental responsibility and employees.

## **CHAPTER NO. 3**

This chapter elaborates research design, population and sample, Tools and strategies of data collection and data analysis. which was used to determine the relation among CSR and Perceived reviewed performance of SMEs with the mediation effect of performance innovation and the moderating role of industry's competitive intensity.

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design:**

When preceding any sort of research, the greatest choice after selecting on the research topic is to choose the research design. Research design in short means the complete arrangement of how to responds according to research questions (Saunders et al. 2012, 159). Data was collected with the help of structured questionnaire from respondents and focused on quantitative research design. The term survey is defined as that it is the technique through which assembling the information from the individuals.

#### **3.2 Population and Sample:**

When the word “population” originated towards our attention, we deliberate the common population of our environment and demographic attributes, for example male or female, marital status, education level, age, religion. In statistics “population” has quite diverse meaning. The definition of population is defined as “number of possible observations which are to be investigated”.

According to Fraenkel (2003), “sampling is a method to pick sample from the population”. Before conducting any type of research sampling plays a very vital role in the research process as it relies upon how population is defined to choose the sample length. Determining the target population is the first step of sampling done which findings of studies are employed, next step of sampling is to determine the accessible population and final step of sampling is to draw sample size.

##### **3.2.1 Population:**

In this study the population was managerial staff including managers and employees of small-medium size enterprises working in the geographical region of Faisalabad division. The whole population divided into two sectors such as: manufacturing sector and servicing sector. There

are 1498 small scale enterprises registered in the Faisalabad Chamber of Commerce and Industry of the period of 2017. Out of 1498 SMEs 1147 related to manufacturing concerns and remaining 351 related to servicing concerns.

### **3.2.2 Sample Size:**

Different methods were used to selecting the appropriate sample size. A sample of 307 respondents were used in the study. Distinctive rules were discussed to evaluate the suitable sample size. Firstly, according to Hair et al., (2012), sampling criteria studied that 5-20 observations against every variable would be considered. In this study 4 variables were used therefore sample size became 80 respondents. Moreover, a sample size is greater than 30 and it meets the minimum requirement of t-distribution. For t-distribution minimum sample size should be greater than 30. Furthermore, according to Krejcie and Morgan, (1970), recommended that for 15000 population the 375 is sufficient and enough sample size used to examine the studied restrictions and to examine the hypothesis based on sample size. Finally, according to the 2<sup>nd</sup> rule of thumb (Cohen and Welch, 1988, p.192) if population size 1498 then sample size was 307 with 5% error chance. According to (Sivo et al., 2006) suggested for structured equation model (SEM), a sample size is 200. So, my study comprised of 307 SMEs works in Faisalabad, but 370 questionnaires distributed to owner managers.

### **3.3 Sample Technique:**

Stratified proportionate random sampling technique was used in this study. There are two predominant types of sampling techniques: “probability sampling and non-probability”. Probability sampling method consist of systematic and simple random sampling, cluster random, stratified random sampling and multi stage random sampling. Non-probability sampling method comprise of purposive sampling, convenience sampling, quota sampling. In this study stratified random sampling tool was used to collect data from respondents. This technique is cost effective and records may be collected in quick term and it is beneficial for generating of hypothesis.

#### **3.3.1 Component of Analysis:**

In the study component of analysis was individuals SMEs. The respondents such as managerial staff like highest rank officers and employees were recognized based on their position and job title in the company (Vida et al., 2000). These people assumed that knowledgeable and familiar with the company day to day operations. Therefore, unit of analysis was managerial staff

including managers and employees of small-medium size enterprises working in the geographical region of Faisalabad division.

### **3.3.2 Data Collection Method:**

A self-administered questionnaire turned into used to gather data from the respondents. Questionnaire is adapted from the previous research.

### **3.4 Data Collection Instrument:**

The research questionnaire was created on “Likert scaling technique”. This rating scale is extensively used, and it required that the respondents of the study suggest their responses within scales of strongly agree to strongly disagree of each item (Albaum, 1997). The Likert scaling may be very smooth to constructs and respondents without difficulty recognize how to pick out the given scale (Malhotra and Birks, 2003). So, five-point Likert scale (strongly agree to strongly disagree) used to gather data from the sample respondents. The whole questionnaire divided into two sections. In first phase, respondents demanded questions relating to their demographic profile such as nature of business, age, education and experience. In second phase, respondents were also demanded questions relating to the studied variables such as CSR, innovation performance, industry competitive intensity and perceived reviewed performance.

#### **3.4.1 Demographic Profile:**

In demographic profile, Questions concerning demographic characteristics of the respondents have been requested to ask the questions relating to their nature of business (like manufacturing or servicing), age and qualification level. Experience was also asked from the respondents. These above things included in demographic of respondents.

#### **3.4.2 Measures:**

Following items used in the study for the collection of data from respondents. All the constructs in the questionnaire were adapted from previous research. The explanation of measurement questions /items and literature where from the questions are adapted presents table 3.1.

**Table 3.1: Research Questionnaire**

Construct	No. of Items	Item	Source
CSR with Employees	5	<ul style="list-style-type: none"> <li>• Our company takes into account employees' interests for decision-making</li> <li>• Develops training programmes for employees regularly</li> <li>• Supports employees willing to take further training</li> <li>• Helps employees achieving work-like balance</li> <li>• Understands the importance of stable employment</li> </ul>	Lindgreen et al. (2009)
CSR with Customer	4	<ul style="list-style-type: none"> <li>• Our company meets its commitments about quality and price</li> <li>• Informs customers about appropriate use and risks of products</li> <li>• Takes the necessary steps to avoid customer complaints</li> <li>• Give response to customer complaints</li> </ul>	Lindgreen et al. (2009)
CSR with Suppliers	3	<ul style="list-style-type: none"> <li>• Our company takes into account suppliers' interests for decision-making</li> <li>• Asks suppliers about the image of our firm</li> <li>• Informs suppliers about changes in our company</li> </ul>	Lindgreen et al. (2009)
CSR with local community	5	<ul style="list-style-type: none"> <li>• Takes into account the local community's interests for decision-making</li> <li>• Supports cultural and sport activities</li> <li>• Keeps transparent relationships with local politicians</li> <li>• Considers itself as a part of the community and worries about its development</li> <li>• Conducts programmes to support disadvantaged groups</li> </ul>	Lindgreen et al. (2009)
Environmental Responsibility	6	<ul style="list-style-type: none"> <li>• Designs products and packaging to be reused, repaired or recycled</li> <li>• Exceeds voluntarily environmental regulation</li> <li>• Invest in saving energy</li> <li>• Adopts measures to design ecological products or services</li> <li>• Implements programmes to reduce water consumption</li> <li>• Performs environmental audits periodically</li> </ul>	Lindgreen et al. (2009)

<b>INNOVATION PERFORMANCE</b>	<b>5</b>	<ul style="list-style-type: none"> <li>• The number of new or improved products/services launched to the market is above the average of your industry</li> <li>• The number of new or improved internal processes is above the average of your industry</li> <li>• Top management emphasizes on research and development</li> <li>• In the last five-year, new product lines have been introduced</li> <li>• Changes introduced in our products during the last five years are important</li> </ul>	Bocquet et al., (2013)
Industry Competitive intensity	<b>5</b>	<ul style="list-style-type: none"> <li>• There is a lot of competition among firms</li> <li>• Aggressive business practices are normal (price wars, special offers, etc.)</li> <li>• When a firm introduces an innovation the rest quickly copy the idea</li> <li>• Price competition is a hallmark of our industry</li> <li>• There are many competitors who enter and leave the sector</li> </ul>	Jaworski and kholi (1993)
Perceived reviewed Performance (With respect to financial performance)	<b>2</b>	<ul style="list-style-type: none"> <li>• In the last 3 years, our company has improved regarding Profits</li> <li>• In the last 3 years, our company has improved Return on assets</li> </ul>	Aragón-Correa et al., (2008) Quinn and Rohrbaugh, (1983)
Perceived reviewed Performance (With respect to customer relation performance)	<b>3</b>	<ul style="list-style-type: none"> <li>• In the last 3 years, our company has introduced improvements relative to Customer service</li> <li>• In the last 3 years, our company has introduced improvements relative to Relations with customers</li> <li>• In the last 3 years, our company has introduced improvements relative to Customer loyalty</li> </ul>	Aragón-Correa et al., (2008) Quinn and Rohrbaugh, (1983)
Perceived reviewed Performance (With respect to human relation performance)	<b>3</b>	<ul style="list-style-type: none"> <li>• In the last 3 years, our company has improved with regard to staff absenteeism</li> <li>• In the last 3 years, our company has improved with regard to the working environment</li> <li>• In the last 3 years, our company has improved with regard to Employees' loyalty and morale</li> </ul>	Aragón-Correa et al., (2008) Quinn and Rohrbaugh, (1983)

### **3.5 Data Analysis:**

Reliability and validity of questionnaire was determined by using SEM to avoid the multicollinearity errors and measurement (Hair et al, 2010). Our examination investigated the variables in the hypothetical model utilizing a variance-based SEM, which was the best fit for our own model and research goals. In this study smart PLS was used to represent the connections between research variables. Smart PLS technique has two phases: structural model and measurement model (Ringle et al, 2012).

Measurement model established CFA to neglect the indicators having low correlation in examination with whatever is left of the scale. Moreover, measurement model also determined the discriminant validity, internal consistency and convergent validity (Fornell et al, 1981). Smart PLS professional software was suitable option for confirmatory and exploratory investigation (Chin, 2010). In measurement model hypothesis was tested by bootstrap method by using 5000 subsamples recommended by Wynne W Chin (1998).

### **3.6 Problem in Data Collection:**

Numerous issues were faced during this exploration. While most of the respondent did not sincerely respond against data collection process. Various questionnaires did not fill completely. Some of the respondents did not fulfil all the items of questionnaire. While directing this examination it was very difficult to make a few people to comprehend the significance of this exploration and their involvement to execute the examination. Out of which some of the respondent were not interested to take part in the research process, they refused to give data due to some personal issues.

### **3.7 Statistical Tools:**

SPSS and smart PLS statistical tools used in the study. SPSS used to test the reliability and validity of questionnaire, demographic and descriptive statistics. Composite model was tested through SEM by using smart PLS. This technique used to analyse the affiliation between CSR and perceived reviewed performance of small and medium enterprises with mediating effect of innovation performance and moderating effect industry competitive intensity.

### **3.8 Testing for Mediation:**

In this study innovation performance act as mediator variable. Mediation model which recognizes and explains the process that observe the link among the independent and dependent

variable through adding the third instructive variable it is known as mediator variable. Mostly the researchers avoid to checking out the direct linkage between dependent and independent variables by applying the mediation model to examine the effect of independent variable on mediating variable and then to test the effect of mediation on dependent variable. The main motive of mediator variable is to elaborates the relationship between independent and dependent variables.

### **3.9 Testing for Moderation:**

In this study industry competitive intensity act as moderator variable. The moderating variable increase or decrease the concentration of the relationship between independent and dependent variables in this study it is also called intervening variable. Whereas mediating variable elaborates the relationships between dependent and independent variable.

### **3.10 Pilot Testing:**

Pilot study was conducted before distributing the questionnaire to the sample respondents. According to peter (1979), for that intention 10% of sample size such as 31 respondents were selected and disbursed the questionnaire to the ultimate respondents. After getting filled questionnaires from the respondent data were entered SPSS 22 software to check the reliability and validity of the questionnaire. Reliability relates to consistency and stability. To check the reliability the term used as Cronbach alpha. The value of Cronbach alpha ranges from 0 to 1. Higher value close to 1 indicate high reliability and minimum satisfactory value of Cronbach alpha is “0.7” (Nunnaly, 1978). However, sometimes values lower than 0.7 are useful for literature.

### **3.11 Missing Value Treatment:**

According to sample size, 370 questionnaires were distributed among the respondents. Out of which 287 questionnaires were received back. Some of them missing and out of 370 some of the questionnaire not fill properly such as double tick on one option.

## Chapter No. 4

In this chapter elaborates the findings attained from data analysis. This chapter divided into two sections. First section of this chapter covers demographic analysis & over-all information about the respondents. Second section illustrate the findings of the data analysis and its understanding.

### DATA ANALYSIS AND RESULTS DISCUSSION

#### 4.1 Demographic analyses

In this research 370 questionnaires distributed among the respondents, out of which 287 questionnaires received valid for the data analysis. The demographics features of the study respondents are as under:

**Table 4.1 Respondents' Age**

Age	Frequency	Percent
20-29	55	19.2
30-39	67	23.3
40-49	87	30.3
50-Above	78	27.2
Total	287	100.0

Greater part of the respondents was inside the age between 40 to 49 that was 30.3 percent of the all-out rate of reaction. While 23.3% were inside the age section of 30 to 39 and 27.2 % were inside the age of 50 or more. Likewise, 19.2 were inside the age section of 20-29.

**Table 4.2 Respondents' Experience**

Experience	Frequency	Percent
1 to 3 years	63	22.0
4 to 6 years	77	26.9
7 to 9 years	65	22.6
above 9 years	82	28.5
Total	287	100.0

Most of the respondents included involvement inside the section are above 9 years' experience that was 28.5 percent of complete rate of respondents. Whereas, 26.9% were within the business experience 4 to 6 year and 22.6 percent belongs to the business experience 7 to 9 years. Also, 22 percent were inside the section of 1 to 3 years business experience.

**Table 4.3 Respondents' Education**

<b>Education</b>	<b>Frequency</b>	<b>Percent</b>
Matric	45	16.0
Intermediate	58	20.2
Graduation	78	27.1
Master	71	24.6
MPhil- Above	35	12.1
Total	287	100.0

The results of the examination showed that 16 percent respondents had got matriculation, while 20.2 percent had accomplished intermediate and 27.1 percent had got graduation capability. Besides that, 24.6 % respondents had accomplished post graduate degree holders and 12.1 percent had got M.Phil. level capability.

#### **4.1.1 Descriptive Statistics:**

In our research descriptive statistics categorized into two mean and standard deviation.

#### **4.1.2 Mean & Standard Deviation of CSR Independent Variable:**

In the study independent variable divided into five dimensions CSR with employees, CSR with customers, CSR with suppliers, CSR with local community and CSR with environmental responsibility. Descriptive statistics describes the Mean and Standard Deviation. Means of the items ranges between 2 to 4 and Standard deviation ranges between 0.5 to 1.5.

<b>Items</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Our company takes into account employees' interests for decision-making	285	3.4140	1.21195
Develops training programmes for employees regularly	284	3.6232	1.11318

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Supports employees willing to take further training	287	3.4808	1.11826
Helps employees achieving work-like balance	285	3.7579	.90050
Understands the importance of stable employment	286	3.7517	1.01804
Our company meets its commitments about quality and price	287	3.9582	.97790
Informs customers about appropriate use and risks of products	287	3.9164	.96439
Takes the necessary steps to avoid customer complaints	287	3.8223	.98934
Give response to customer complaints	287	3.8362	1.03657
Our company takes into account suppliers' interests for decision-making	287	3.1080	1.10885
Asks suppliers about the image of our firm	287	3.4007	1.01203
Informs suppliers about changes in our company	287	3.2439	1.06588
Takes into account the local community's interests for decision-making	287	3.2753	1.27270
Supports cultural and sport activities	287	2.9094	1.14300
Keeps transparent relationships with local politicians.	287	3.0767	1.15618
Considers itself as a part of the community and worries about its development	287	3.8014	.93060

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Conducts programmes to support disadvantaged groups	287	3.2787	1.06058
Designs products and packaging to be reused, repaired or recycled	287	3.4669	1.07325
Exceeds voluntarily environmental regulation	287	3.4669	1.03680
Invest in saving energy	287	4.0523	.90495
Adopts measures to design ecological products or services	287	3.6272	.87127
Implements programmes to reduce water consumption	287	3.3101	1.06338
Performs environmental audits periodically	287	2.8711	1.24067
<b>Valid N (listwise)</b>	<b>279</b>		

#### 4.1.3 Mean & Standard Deviation of Perceived reviewed performance dependent Variable:

Descriptive statistics of dependent variable describes the Mean and Standard Deviation. Means of the items ranges between 2 to 4 and Standard deviation ranges between 0.5 to 1.5.

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
In the last 3 years, our company has improved regarding Profits	287	3.5575	.96223
In the last 3 years, our company has improved regarding Profits	287	3.2160	1.09130
In the last 3 years, our company has introduced improvements relative to Customer service	287	3.8711	.94282
In the last 3 years, our company has introduced improvements relative to Relations with customers	287	3.7840	.92102

In the last 3 years, our company has introduced improvements relative to Customer loyalty	287	3.5679	1.02149
In the last 3 years, our company has improved with regard to staff absenteeism	287	3.9861	.88092
In the last 3 years, our company has improved with regard to the working environment	287	3.6655	.93099
In the last 3 years, our company has improved with regard to the working environment	287	3.6167	1.05420
Valid N (listwise)	287		

## 4.2: Results

### Reliability

Above model diagram represents the model diagram for present study. Arrow direction indicates the reflective nature of the model. Abbreviations used in this model are as follows: CSR stands for Corporate Social Responsibility, IP for Innovation Performance, ICI for Industry Competitive Intensity and FP for Firm Performance. Cronbach alpha shows the reliability of the latent constructs used in the study. As per recommendations given by Nunnally (1967), Cronbach alpha for any construct should be at least 0.60. It can be seen from the table given below that Cronbach alpha values for CSR was 0.952, IP was 0.830, ICI was .598 and FP was .841. Only ICI value was found to be on the threshold level otherwise all values are above 0.60. Generally, composite reliability and Cronbach alpha are used for measuring consistency and reliability of the scale that used for data collection. Composite reliability is suggested in prior literature (Hair et al., 2012). Table: 3 tabulated data provides evidence that composite reliability indicators values are greater than 0.70 ( Hair et al., 2011). As value for CSR is 0.957, for FP is 0.880; for ICI is 0.784 and for IP is 0.880. Consequently, all latent variables depicting higher level of internal consistency.

Convergent validity evaluated via AVE values of all latent variables CSR, FP, ICI and IP are greater than 0.5 benchmark value and it is the confirmation of convergent validity (Bagozzi & Yi, 1988; Hair et al., 2017).

Variables	Cronbach's Alpha
CSR	0.952
FP	0.841
ICI	0.598
IP	0.830

**Table 4.4. Reliability and Validity**

Variables	Composite Reliability	Average Variance Extracted (AVE)
CSR	0.957	0.514
FP	0.880	0.514
ICI	0.784	0.551
IP	0.880	0.596

Calculated values of composite reliability of CSR 0.957, ICI 0.784, IP 0.880 and FP 0.880 are greater than minimum accepted value i.e. 0.50 and indicating the reliability of scale and responses of the respondents (Hair et al., 2017). According to Hair et al. (2017), value of 0.60 for Cronbach alpha and composite reliability is acceptable in exploratory research. It also indicating the constructs are entirely significant for said study. Moreover, average variance lies in between 0.51 to 0.60.

**Table 4.5. Discriminant Validity**

Variables	CSR	FP	ICI	IP
<b>CSR</b>	<b>0.717</b>			
<b>FP</b>	0.300	<b>0.717</b>		
<b>ICI</b>	0.064	0.428	<b>0.742</b>	
<b>IP</b>	0.197	0.491	0.347	<b>0.772</b>

Fornell and Larcker (1981) devised a calculation method for ascertaining discriminate validity as “square root of AVE (average variation explained) of each latent variable and this value should be greater than other correlation values in same column”. AVE value for CSR is 0.514

and square root of this value is 0.717 (Table: 4.5) and greater than other values listed in the column under the head of CSR latent variable. Table: 4.5 depicted same trends for all other latent variables square root values. So, discriminate validity is established.

**Table 4.6. Outer Factor Loadings**

<b>Items</b>	<b>CSR</b>	<b>IP</b>	<b>ICI</b>	<b>FP</b>
RE2	0.615			
RE3	0.782			
RE4	0.776			
RE5	0.760			
RC1	0.691			
RC2	0.777			
RC3	0.749			
RC4	0.754			
RS1	0.624			
RS2	0.698			
RS3	0.646			
RLC1	0.621			
RLC2	0.650			
RLC3	0.775			
RLC4	0.697			
RLC5	0.750			
ER1	0.746			
ER2	0.803			
ER3	0.778			
ER4	0.681			
ER5	0.618			
IP1		0.727		
IP2		0.783		
IP3		0.736		
IP4		0.840		
IP5		0.769		
ICI1			0.848	

ICI2	0.694	
ICI4	0.672	
FP1		0.781
FP2		0.736
CRP1		0.736
CRP2		0.778
CRP3		0.771
HRP2		0.593
HRP3		0.594

Items loadings should be above 0.40 whereas cross loadings should not exceed 0.40. Each item loading must be above 0.40 and cross loading not surpass 0.40 limit (Straub et al., 2004). So, table 4.6 presenting items have greater than 0.40 loading values. HRP1, ICI3, ICI5, RE1, and ER6 have been removed from final analysis due to lower loading values.

**Table 4.7. Collinearity Statistic (Variance Inflation Factor)**

Indicators	VIF
CRP1	1.922
CRP2	2.494
CRP3	2.254
ER1	2.486
ER2	2.931
ER3	2.752
ER4	1.898
ER5	1.819
FP1	1.767
FP2	1.671
HRP2	1.874
HRP3	1.911
ICI1	1.433
ICI2	1.393
ICI4	1.082
IP1	1.897
IP2	2.102

IP3	1.550
IP4	2.539
IP5	2.156
RC1	1.962
RC2	2.459
RC3	2.189
RC4	2.411
RE2	1.694
RE3	3.257
RE4	3.393
RE5	2.843
RLC1	1.957
RLC2	2.097
RLC3	2.730
RLC4	2.065
RLC5	2.367
RS1	1.890
RS2	2.038
RS3	1.965

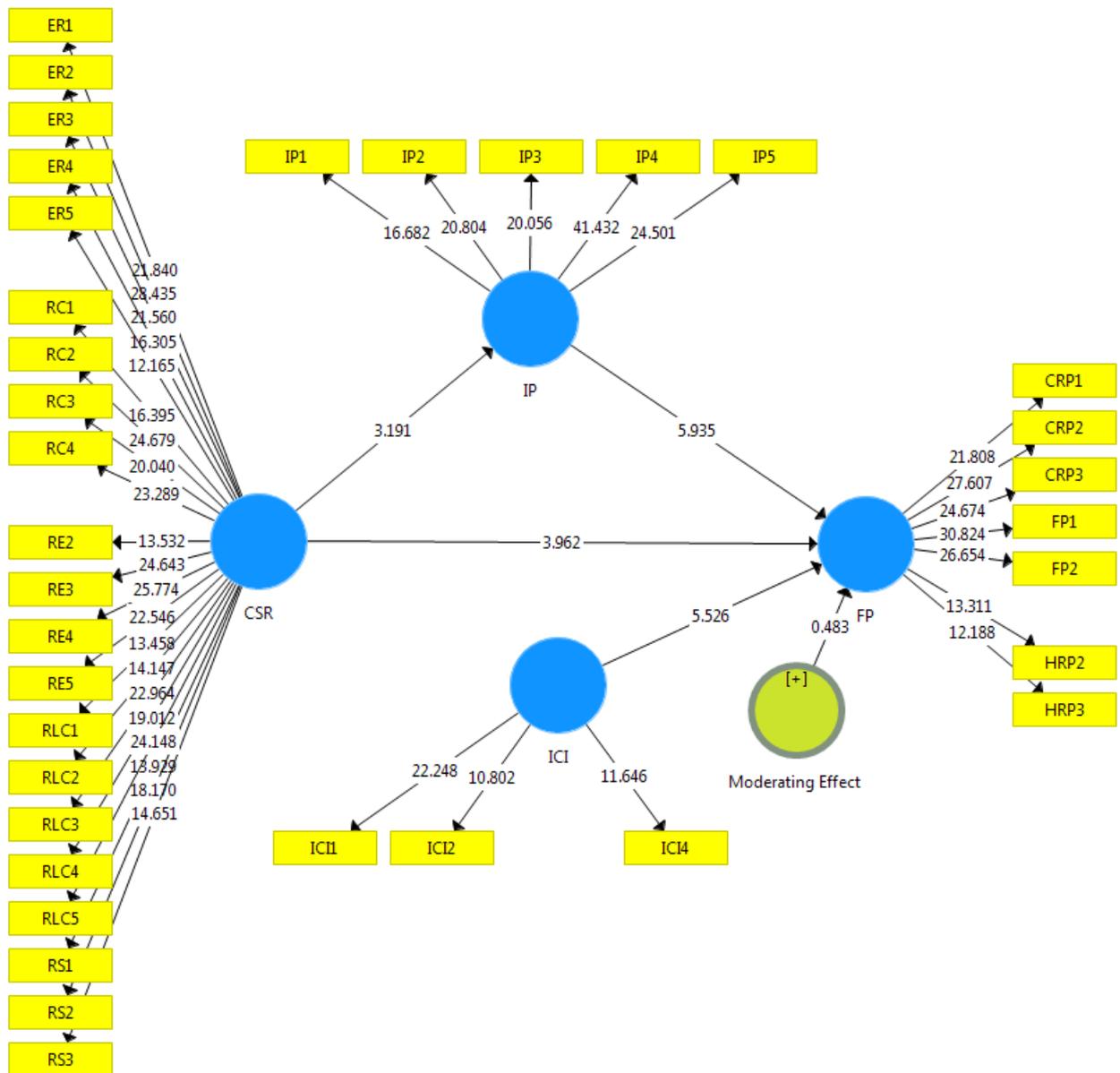
All the VIF values given for outer for items of different constructs are less than 5 (Hair et al., 2011). Therefore, no problem or issue exists regarding multi co linearity.

**Table 4.8. R. Square**

<b>Variables</b>	<b>R Square</b>	<b>R Square Adjusted</b>
FP	0.473	<b>0.448</b>
IP	0.383	<b>0.366</b>

Table 4.8 tabulated R square and adjusted R square values. R square also known as coefficient of determination provides predictive accuracy of the structural model. Its value ranges from -1 to +1 where more close value to 1 suggest more strong association or combined effect made by endogenous constructs on exogenous ones. Results depicted that 47.3 % variation explained by the CSR and Innovation performance in the FP and 38.3% variation in IP can be explained by CSR exogenous variables.

**Structural Model:**



**Table 4.9. Hypothesis Testing through Path Coefficients (Direct Effects)**

<b>Variables</b>	<b>Beta</b>	<b>P Values</b>
CSR -> FP	0.211	<b>0.000</b>
CSR -> IP	0.197	<b>0.001</b>
IP -> FP	0.327	<b>0.000</b>
Moderating Effect -> FP	-0.077	<b>0.629</b>

Model significance is tested through Bootstrapping. P value of each path shows the significance of paths. Table: 4.9 represents the path coefficients. (CSR) has a positive and significantly affects ( $\beta= 0.211$ ;  $p= 0.000$ ) Financial Performance (FP). So, H1 was accepted. CSR also has a positive and significant affect ( $\beta= 0.197$ ;  $p= 0.001$ ) on (IP), H2 is accepted. IP also has a positive and significant affect ( $\beta= 0.327$ ;  $p= 0.000$ ) on (FP), H3 is accepted.

Results of the study showed that industry competitive intensity did not moderate between relationships of Corporate Social Responsibility and firm performance. Findings of this study are inconsistent with Hernandez et al., (2016) who stated that industry competitive intensity had a positive role in determining economic performance of Small and Medium Enterprises and reduces effect of institutional resources and are aligned with Antonio et al., (2018 Small and Medium Enterprises needs to explore how to survive in the market dominated by large companies like Multinational or even Global Companies. For this purpose, they need to consider industry competitive industry which has been considered as moderator in this study which can become as source of competitive advantage for Small and Medium Enterprises. When industry competitive intensity is high. Certain characteristics exists in the market like intense competition among the firms, price war and promotional offers are a common practice, copying of new idea is also a common practice and rate of entry and exit of competitors is high. All these factors add to the barriers for survival or sustainability of the Small and Medium Enterprises. In other words, ICI is very important variable in the study because of that no doubt the competition of public or private companies is very high but in SMEs competition level is higher than other companies, about 90% businesses belonging to small and medium size businesses that why this variable used in the study. Industry competitive intensity not strengthen/weaken the relationship between Corporate Social Responsibility and firm performance. It may be due to the current macro environment of the country which is not supportive. However, no moderating effect found on FP, therefore, H4 is rejected.

**Table 4.10. Specific Indirect Effects**

Variable	Original Sample (O)	P Values
CSR -> IP -> FP	0.640	<b>0.001</b>

Mediation effect of IP between CSR and FP is statistically significant as p value is 0.001 and  $\beta$  is 0.640. Type of mediation can be determined through Variance Accounted For (VAF), through formula to explain the mediation effect.

VAF=Indirect effect/Total effect\*100

$$0.064/0.278*100=23.02\%$$

**Explanation:**

If the value of VAF is below 20%, no mediation exists. If the value of VAF is between 20% to 80% then partial mediation exists. If the value of VAF is above 80% then full mediation exists. It can be observed that in this study value of VAF was 23.02%. Therefore, partial mediation exists in our study.

**Table 4.11. Goodness of fit (GoF) index**

	R Square	Average Variance Extracted (AVE)
CSR		<b>0.514</b>
IP	0.383	<b>0.596</b>
ICI		<b>0.551</b>
FP	0.473	<b>0.514</b>
Average Scores	.428	<b>0.5438</b>
$AVE \times R^2$	.2327	
$GoF = \sqrt{(AVE \times R^2)}$	<b>.4823</b>	

Although Smart PLS does not produce any goodness of fit model (GoF) like in Co-Variance based software like in AMOS. R square is considered main analytical tool for evaluating model fitness and explanatory power (Henseler et al., 2016). However, an analytical tool is used for analyzing goodness of fit for this model using PLS-SEM as per suggestions given by Tenenhaus et al., (2005). Although Tenenhaus et al., (2005) did not provide any values for interpretation of the results for determining goodness of fit. However, Wetzel et al., (2009) provided cut of

values for evaluating goodness of fit model i.e. GOF large = 0.36, GOF medium = 0.25, GOF small = 0.1. Following the guidelines provided by Tenenhaus et al., (2005) and Henseler et al., (2016), goodness of fit for this model was calculated. GoF value for this model resulted in 0.4823 which is large effect size. According to Henseler et al., (2016), proposed an alternate approach to evaluate model fit for any given study using “Standardized Root Mean Square Residual” (SRMR) through Smart PLS. Ideally this value must be equal to zero, but it can go down to the minimum level of 0.08. For this model, value of SRMR was 0.072. Therefore, it can be concluded that our model is a good fit.

## Chapter No. 5

### CONCLUSION, DISCUSSION AND RECOMMENDATIONS

The purpose of this chapter is to introduce a discussion dependent on findings in contrast with study discoveries from the literature evaluation in section two. Conclusion and suggestions dependent on the finding of the investigation and proposals for further examination were set up thereafter.

#### 5.1: Discussion

Findings of this study are dependable through Wagner (2010) who stated that Corporate Social Responsibility (CSR) is a multi-facet construct. It affects firm's performance and leads towards innovation performance of the firms (SMEs) and ultimately bringing social benefits to the firms practicing Corporate Social Responsibility. Results of this research are also in line with Surroca et al., (2010) who revealed that intangible resources like organizational culture, organizational reputation, human capital and innovation mediates between the relationship of firm's financial performance and CSR. However, these results are not aligned with Gallego-Alvarez et al. (2011) found negatively association with innovation performance and CSR using panel data taking support from Resource Based View (RBV). Probable reasons for negative association between CSR and innovation performance can be operationalization of the innovation performance construct or specific measure of innovation that cannot fully understand innovation perspective. Various types of innovation can have different effects on performance of the firms (Bocquet, 2011). Another probable reason can be due to the CSR projects that not always provide value for the companies and add to the cost of the project (Hillman and Keim, 2001).

Sustainable development is a broader concept from which corporate sustainability has been derived. Corporate sustainability is a framework that addresses bundle of sustainability issues. This concept is equivalent to Corporate Social Responsibility. Corporate Social Responsibility makes sense to develop sustainability integration (Engert et al., 2016).

Findings of the study suggests that Small and Medium Enterprises (SMEs) who are active in Corporate Social Responsibility activities can also perform better through enhancing their innovation performance. These findings can assist Small and Medium Enterprises to improve their performance in terms of customer relations, human relations and financially. In the era of intense competition, researcher argue that enhancing innovation can lead towards sustainability

and that ultimately lead towards more responsible approach to business. These approaches not only provide solution at the macro level but also are economically sound, can provide profits to the firms which have lack of resources. Therefore, aim should be to integrate these activities and including them into company's strategies to deliver value (Lozano et al., 2015).

Despite the increasing trend and growth in the literature and practice of Corporate Social Responsibility in the current era, it is considered to be tied to only Multinational Companies (MNCs) or large firms. Results of this study shows that Corporate Social Responsibility is a crucial driver that can be used by Small and Medium Enterprises to be more effective, efficient and innovative. It can be observed that Corporate Social Responsibility is being practiced by large firms on occasional basis only whereas Small and Medium Enterprises do not practice it because they do not have faith in it that Corporate Social Responsibility can enhance their firm performance through innovation performance. Advantages of Corporate Social Responsibility can only be seen if it is considered as part of corporate business strategies and be included in the decision making made by managers and owners of them. If we (academics and industrialist) can assist small businesses to generate value for their customers through involving in Corporate Social Responsibility and acting with responsibility, there are real chances of bringing positive changes.

This study provides support to Corporate Social Responsibility (CSR) report that indicates Corporate Social Responsibility with innovation. Social innovation is the capability of the firms to include opportunities of the society in their respective services and products through process innovation. Social innovation can be the success factor for competitive business in the future. Innovation is one of the driving forces for corporate success. Corporate Social Responsibility is not an easy task for Small and Medium Enterprises and innovation is even more difficult. A company has to develop a collaboration between sustainability and innovation. Corporate sustainability is not possible without continuous innovation, it needs to be understood as business core and critical for the long-term survival of the firms like Small and Medium Enterprises (Tosmic et al., 2015).

Results of the study showed that industry competitive intensity did not moderate between relationships of Corporate Social Responsibility and firm performance. Findings of this study are inconsistent with Hernandez et al., (2016) who stated that industry competitive intensity had a positive role in determining economic performance of Small and Medium Enterprises and reduces effect of institutional resources and are aligned with Antonio et al., (2018 Small

and Medium Enterprises needs to explore how to survive in the market dominated by large companies like Multinational or even Global Companies. For this purpose, they need to consider industry competitive industry which has been considered as moderator in this study which can become as source of competitive advantage for Small and Medium Enterprises. When industry competitive intensity is high. Certain characteristics exists in the market like intense competition among the firms, price war and promotional offers are a common practice, copying of new idea is also a common practice and rate of entry and exit of competitors is high. All these factors add to the barriers for survival or sustainability of the Small and Medium Enterprises.

Industry competitive intensity reduces the relationship between Corporate Social Responsibility and firm performance. It may be due to the current macro environment of the country which is not supportive. Policies and regulations are not in favor of the businesses, government are not providing appropriate level of subsidies to the businesses especially Small and Medium Enterprises which are in dire need of it for their sustainability. Small and Medium Enterprises competes on price bases in Pakistan where cost of production is increasing day by day due to high inflation rates. As a result, profit margins are decreasing, and such small businesses already lack resources.

Based on the current scenario, several recommendations can be made on the basis of the findings in order to reduce negative effects posed by industry competitive intensity in Pakistan context. Resources acquired by the Small and Medium Enterprises through personal networks are more relevant to enhance economic performance of the small firms as compared to institutional resources because it can provide secure support. Findings of the study are aligned with study conducted by Lahiri et al., (2009) who explained that internal resources (organizational and human) of the firms had far greater effects for high or intense competition as compared to low competition. He further stated that relational or external resources work better for developing business related relationships with customers when the competition is low. Small and Medium Enterprises can develop their expertise by developing their human capital by providing them with trainings or little guidance to the employees. These employees can share their knowledge and expertise to help each other to build sustainable competitive advantage. Competitive advantage can also be attained by building good relations with your suppliers, customers, employees (Danis, 2006) which are also part of Corporate Social Responsibility dimensions as mentioned before.

## **5.2: Conclusion:**

The main purpose of the thesis was to explore the relationship between corporate social responsibility and firm performance whereas considering innovation performance as mediator and industry competitive intensity as moderator. For this purpose, five hypotheses were developed to be empirically tested using samples of Small and Medium Enterprises in Faisalabad. These hypotheses included Corporate Social Responsibility affects firm performance positively, Corporate Social Responsibility is positively associated with innovation performance, innovation performance is positively linked with firm performance, innovation performance mediates between CSR and firm performance and Industry Competitive Intensity does not moderate the link among corporate social responsibility and firm performance.

The quantitative approach was utilized by the research based on deductive reasoning. Sample size for this study was 287 determined through formula and technique applied was proportionate stratified sampling. Small and Medium Enterprises list for Faisalabad was obtained from Faisalabad Chamber of Commerce and Industry (FCCI). Pilot testing was done, and minor changes were made to the adapted questionnaire from different authentic sources that ensured validity and reliability of the questionnaire adapted for this thesis. Primary data were collected from small and medium size enterprises operating in Faisalabad using structured questionnaire. The analyses were done using “Statistical Package for the Social Sciences” (IBM SPSS) statistical for descriptive statistics and PLS-SEM approach “Partial Least Square Structural Equation Modelling” using Smart PLS software. Further SEM were divided into two parts for data analysis: Measurement and Structural model. Measurement model ensured validity, reliability, Variance Inflation Factor (VIF) whereas R square, hypothesis testing, and model fitness were examined through structural model.

Findings of the study showed that measurement model tests ensured validity and reliability were into the acceptable range. Structural model revealed that four hypotheses relevant to Corporate Social Responsibility were accepted whereas Industry Competitive Intensity did not moderate the effects of between corporate social responsibility and firm performance. Implications, limitations and future direction of the study have been provided in the next subheadings.

### **5.3: Contributions:**

From the theoretical viewpoint, association or link between innovation performance and corporate social responsibility is supported under the conditions when effects of different Corporate Social Responsibility practices on innovation performance are reviewed. Still, most of the research have focused on social responsibility and its effects on firm performance especially financial performance using different sectors and in various context. Only few empirical studies have focused on exploring the mediation effects of innovation performance between corporate social responsibility (CSR) and firm performance (FP). Corporate Social Responsibility dimensions includes environmental responsibility, employees, local community, suppliers and customers. Firm performance was also segregated into human, financial and customer relations. A large portion of the examinations have considered corporate social responsibility (CSR) and firm performance (FP) as one concept not considering of different dimensions of these two constructs. Innovation performance as mediator and industry competitive intensity were considered as constructs. These all four constructs were taken into a single proposed model integrative by using “Partial Least Square structural equation modelling” (PLS-SEM) technique on population of Small-medium size enterprises in the Pakistani context. Few studies have been investigating the connection between Corporate Social Responsibility and performance of firm taking innovation performance mediator. However, considering industry competitive intensity has not been found as per researcher’s limited knowledge. Pakistan has different socio-economic structure from the western world where most of the theories have been developed. Developing economy like Pakistan where institutional support is weak, exploring this integrative model to determine firm performance can add to knowledge regarding innovation, CSR and FP literature. The sample includes only manufacturing and service-based businesses. This study aims to fill this void in the literature by contributing to understand how relationship between Corporate Social Responsibility and firm performance in depth through mediation of innovation performance at the strategic level and moderation effects of industry competitive intensity.

### **5.4: Implications:**

The findings of the study have many implications for the research and theory in the sub-domain of innovation, CSR and Firm’s competitive advantage. Specifically, this study proposed, and confirmed assumptions based on the previous literature between the links of Corporate Social Responsibility, firm performance and innovation. Therefore, innovation is considered to be

crucial for the implementation of Corporate Social Responsibility. These findings are also in line with OECD (2009) report that recommends innovation as driver for social concerns. For policy makers, there has been a huge debate about CSR and Small and Medium Enterprises reactions to it Corporate Social Responsibility (Amato and Amato, 2007; Jenkins, 2006). Small and Medium Enterprises are key vital player for social integration, employment, innovation and economic growth. In this regard, “Small and Medium Enterprises Development Authority” (SMEDA) needs to play crucial part by devising a mechanism for corporate sustainability. It can generate awareness among Small and Medium Enterprises about Corporate Social Responsibility and ways to improve it as well as innovation. It also needs to induce innovation-based culture in these enterprises. According to European Commission (2020) Vision, one of the seven initiatives was to provide funds for innovation to bring improvement for small scale enterprises in such a way to compete at the global level.

As external or institutional environment is changing rapidly due to fluctuation in technology and market regulations (McCarthy et al., 2010). These changes can influence (moderate) the relationship between Corporate Social Responsibility and firm performance. Previous studies have shown that firm performance may enhance due to implementation the practices of Corporate Social Responsibility as it assists companies to differentiate themselves from their competitors in customer’s mind (Bai and Chang, 2015). Bai and Chang (2015) argued that overall Corporate Social Responsibility improve firm performance as well as market competence. This finding is inconsistent with previous studies suggesting that when industry competitive intensity is high, Corporate Social Responsibility can be a way with the help of which firms can achieve the competitive advantage in the manufacturing sectors. This study found that industry competitive intensity did not moderated between the relationship of CSR and company’s performance. It infers that corporate social responsibility does play its role regardless of the presence of industry competitive intensity despite the absence of regulatory certainties and presence of market turbulence. This might be due to the reason that government do not take headache maintains close contacts with Small and Medium Enterprises and provide them with facilities and subsidies like providing loans, tax reduction etc. It can be also due to the reason that Pakistan have specific and unique institutional environment. Jaworski and Kohli (1993) also argued that Corporate Social Responsibility may be more effective in more intense competition environment which contradicts our findings as argued and justified above.

### **5.5: Limitations and Future Direction:**

Every study has some limitations which are considered as future avenues for the researchers. This study was based on Pakistani Small and Medium Enterprises sample. Sample size was not large due to time and resources constraints which poses question about its generalizability to other countries. Same theoretical model can be used for other sectors or industries to check its robustness. Research was undertaken based on perceptions of Small and Medium Enterprises regarding constructs taken into study. Other constructs could be incorporated into the model. Future research can consider limitations of this study. Same theoretical model can be applied to other countries with large sample size to address generalizability issues. Specific sector or industry wise study can be conducted in the future. Business uncertainty, industry growth or dynamism can also be considered as moderator instead of industry competitive intensity whereas in depth analysis of innovation including product and process simultaneously with organizational innovation affects productivity (Polder et al., 2010), therefore, can also be considered.

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# Appendix

## RESEARCH QUESTIONNAIRE

**Dear Respondent:**

I am a student of MSBA at NUML Islamabad (FSD campus). I am conducting research on CSR and Perceived Reviewed Performance of Small and Medium Enterprises: Mediating effect of Innovation Performance and Moderating role Industry competitive intensity. You can help us by completing the attached questionnaire, which I think you will find quite interesting. I appreciate your participation in my study and I assure that your response will be held confidential and will only be used for educational purposes.

Nature of Business: \_\_\_\_\_

**DEMOGRAPHICS:**

Sr.	Question					
1	Age	1- 20-29	2- 30-39	3- 40-49	4- 50-above	
2	Experience	1-1 To 3 y	2-4 To 6 y	3- 7 To 9 y	4- Above 9 y	
3	Education	1-Matric	2-Intermediate	3-Graduation	4- Masters	5- MPhil-above

**SD:** Strongly Disagree    **D:** Disagree    **N:** Neutral    **A:** Agree    **SA:** Strongly Agree

CODE	#	QUESTIONS	SD	D	N	A	SA
<b>CSR DIMENSIONS</b>							
<b>CSR with employees</b>							
RE1	1	Our company takes into account employees' interests for decision-making	1	2	3	4	5
RE2	2	Develops training programmes for employees regularly	1	2	3	4	5
RE3	3	Supports employees willing to take further training	1	2	3	4	5
RE4	4	Helps employees achieving work-like balance	1	2	3	4	5
RE5	5	Understands the importance of stable employment	1	2	3	4	5
<b>CSR with customers</b>							
RC1	6	Our company meets its commitments about quality and price	1	2	3	4	5
RC2	7	Informs customers about appropriate use and risks of products	1	2	3	4	5
RC3	8	Takes the necessary steps to avoid customer complaints	1	2	3	4	5
RC4	9	Give response to customer complaints	1	2	3	4	5
<b>CSR with suppliers</b>							
RS1	10	Our company takes into account suppliers' interests for decision-making	1	2	3	4	5
RS2	11	Asks suppliers about the image of our firm	1	2	3	4	5
RS3	12	Informs suppliers about changes in our company	1	2	3	4	5
<b>CSR with local community</b>							
RLC1	13	Takes into account the local community's interests for decision-making	1	2	3	4	5
RLC2	14	Supports cultural and sport activities	1	2	3	4	5
RLC3	15	Keeps transparent relationships with local politicians.	1	2	3	4	5

RLC4	16	Considers itself as a part of the community and worries about its development	1	2	3	4	5
RLC5	17	Conducts programmes to support disadvantaged groups	1	2	3	4	5
<b>Environmental Responsibility</b>							
ER1	18	Designs products and packaging to be reused, repaired or recycled	1	2	3	4	5
ER2	19	Exceeds voluntarily environmental regulation	1	2	3	4	5
ER3	20	Invest in saving energy	1	2	3	4	5
ER4	21	Adopts measures to design ecological products or services	1	2	3	4	5
ER5	22	Implements programmes to reduce water consumption	1	2	3	4	5
ER6	23	Performs environmental audits periodically	1	2	3	4	5
<b>INNOVATION PERFORMANCE</b>							
IP1	24	The number of new or improved products/services launched to the market is above the average of your industry	1	2	3	4	5
IP2	25	The number of new or improved internal processes is above the average of your industry	1	2	3	4	5
IP3	26	Top management emphasizes on research and development	1	2	3	4	5
IP4	27	In the last five year, new product lines have been introduced	1	2	3	4	5
IP5	28	Changes introduced in our products during the last five years are important	1	2	3	4	5
<b>Industry Competitive intensity</b>							
ICI1	29	There is a lot of competition among firms	1	2	3	4	5
ICI2	30	Aggressive business practices are normal (price wars, special offers, etc.)	1	2	3	4	5
ICI3	31	When a firm introduces an innovation the rest quickly copy the idea	1	2	3	4	5
ICI4	32	Price competition is a hallmark of our industry	1	2	3	4	5
ICI5	33	There are many competitors who enter and leave the sector	1	2	3	4	5
<b>Perceived reviewed Performance</b>							
<b>With respect to financial performance</b>							
FP1	34	In the last 3 years, our company has improved regarding Profits	1	2	3	4	5
FP2	35	In the last 3 years, our company has improved Return on assets	1	2	3	4	5
<b>With respect to customer relation performance</b>							
CRP1	36	In the last 3 years, our company has introduced improvements relative to Customer service	1	2	3	4	5
CRP2	37	In the last 3 years, our company has introduced improvements relative to Relations with customers	1	2	3	4	5
CRP3	38	In the last 3 years, our company has introduced improvements relative to Customer loyalty	1	2	3	4	5
<b>With respect to human relation performance</b>							
HRP1	39	In the last 3 years, our company has improved with regard to staff absenteeism	1	2	3	4	5
HRP2	40	In the last 3 years, our company has improved with regard to the working environment	1	2	3	4	5
HRP3	41	In the last 3 years, our company has improved with regard to Employees' loyalty and morale	1	2	3	4	5