



## Impact of Corporate Social Responsibility on Firm Financial Performance: Evidence from Insurance Sector of Pakistan

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### Abstract

Corporate social responsibility (CSR) has become an emerging field of research and practice and little is known about its implications for financial sector firms in developing countries like Pakistan. This study investigates impact of CSR on firm performance for insurance sector of Pakistan. Using data of twenty-eight insurance companies for eight years, this study found that CSR has a positive influence on return on assets (ROA) and earnings per share (EPS), and insignificant influence on return on equity (ROE). Further, firm size predicted ROA, while leverage predicted ROE and EPS. Overall, this study documents that CSR could be a significant predictor of financial performance of firms in financial sector of developing economies like Pakistan. Findings of this study enable the managers of financial sector firms to understudy value of CSR and adopt it to manage their performance.

**Keywords:** Corporate Social Responsibility, Financial Performance, Insurance Firms

### 1. Introduction

The motive of each firm is to earn more profit by expending its occupational activities. But each organization is responsible for that how its business activities affect the society and people including community, partner of business, vendors of an organization, purchasers and worker etc. The firms must be responsible for social work for sustain the productivity and compatibility of business. The benefit of firms in a competitive atmosphere is their goodwill which drive from effectual corporate social responsibility efforts. The big organization implementing CSR strategies for tolerate their operations and maintain and enhanced the growth of business profits by dominant the emotions and concentrations their customers. Numerous factors that become a reason for donation by a firm in Pakistan includes enhance the marketing, religion, for availing the benefits from taxes, family wisdom and maintain the good image in society. The biggest portion of multinational firms that's in Pakistan in corporate social work, local organization also contribute but due to unbalanced market complaint its stride is stumpy. When we compared the CSR activities of developed countries in Pakistan that work was on a premature stage. In finance theories the main objective of an organization is to increase the value of shareholder wealth (Arnold & Valentin, 2013). Main object of organization based on shareholder interest but today shareholder interest is not enough because companies are also affected by other stakeholders its interest, values also importance for an organization (Singh, 2014). Financial rewards are not enough for stakeholders because stakeholder also have non-monetary attention in business such as social activities environment and community improvements (Pirsch, Gupta, & Grau, 2007). The following are the objective of the study.

- To analyze whether CSR influence on financial performance of selected insurance firms listed PSE.
- To empirically investigate, the influence of CSR on FP of selected insurance companies listed on PSE.
- To analyze whether firm size has impact on FP of selected registered insurance companies.
- To analyze whether leverage has impacts on FP of selected listed insurance companies.

From past theories found that most of the research on CSR has been done in advanced countries but rarer study takes remained directed in unindustrialized states like Pakistan. The concept of CSR practices is not well recognized in developing countries. Therefore, this study will be beneficial in this favor. Additionally, the recommendation and finding of this study will be more important for those people who have interest in this area, for those people who does not know about the importance of CSR, some firms in Pakistan consider CSR activities as cost that is increase their expense this research will give the answer to these firms. To the best of researcher's knowledge, the research model that was used in this study is first time investigated in Pakistani context. This study is taking insurance sector as a sample and FZ and LEV use as a control variable in this study.

#### 1.1. Research Gap

According to my knowledge no systematic view dedicated to the relationship between CSR and FP in Pakistan were made before. The dimension used for measuring financial performance in this research not used in past studies. Insurance sector no used for checking social work but our research showed this sector have major involvement in social work that have good impact their performance. If companies and business not do this work more investment not gain because mostly investors more like social activities of business. In Pakistan, no research has been done by taking the insurance firms by way of a sample for patterned the connection between CSR and FP. More studies used

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manufacturing sector or others for sample but my work showed insurance sector have good financial performance with social work. Insurance sector selects for this study from all financial sectors. No economy get progress without financial factor involvement. In developing countries like Pakistan financial sector necessary substance for economic growth. The banking sector contain of 88% share of financial sector. Non-banking financial institution is around 12% share in financial sector that institution includes leasing firms, Modaraba firms, insurance firms, hosing fiancé firms, mutual funds and venture capital firms. The economy functionary of country depends on financial sector. The financial system is deeply ingrained in society. Financial institution provides protect to all business and individuals in case of Sudden needs. Due to this facility the business of the country/ world is carry on in case of different business caries. Financial system is also helpful in success of capital market. Business issue share and debenture for rising capital, financial institution done their investment in these instruments for resolved the business needs. The most important economy activity is trade. All national and international trade are done by the support of financial institution. The existence of foreign exchange is possible due to present of financial sectors. The precious foreign exchange earns by this sector.

All financial needs of trade fulfil by financial institution. Financial sector plays a significant role in employment growth because industries and business are support by financial institution that's lead to employment growth that's enhance economic activities and domestic trade. Because when business financial needs fulfill then their business operation enhance, for the fulfillments of operation of business firms need more labor force by this unemployment reduced. Mostly financial institution invests in venture and take a risk because mostly peoples not invest in venture due to more risk, just a financial institution funding in ventures and enhance economic growth. Only financial system in country that balance all sector because all others sector need a sufficient funds for their growth, financial institution provides this funding to all sector industrial, agricultural and service that's become a reason of developing a balance and sustain growth. Finance play a significant role in economic development; no economy can get success without sound economy system. Economic development of any country depends on infrastructure facility. Financial institution provides funds to these infrastructure industries growth. By this economic growth sustain. The government of Pakistan regulate the financial system by proper legislation due to this all speculative transactions are avoiding. The function of black money is also control. The backward area of Pakistan is also developed by the help of financial institutions. These financial sectors play a significant part in corporate social responsibility activities. They give charity and donation to civil society organization(CSO), foundation and NGOs and those institution that involved in social work like health, education and environment perfections. The national bank of Pakistan is the biggest bank that received an award from prime minister on the excellent performance of CSR. This bank contributes for social, educational and public welfare. This bank give finance to different hospital for free treatment of poor patients and organized eye and medical comps for providing free service to people. HBL established a HBL foundation for social work. The bank donates annually to this foundation. The INSURANCE sector helps the economy of Pakistan from two ways. 1<sup>st</sup> this sector reduce uncertainty by enable the business for doing their business during different disastrous and catastrophic events. The insurance firms also helpful for households, they protect to households from major losses like accident, death etc. The second way that contribute in economy is provision of financial resources. The fund generates by insurance firms invest in other financial instruments like stocks, government securities, corporate debts and other certificate issued by further financial institutions. This sector become a reason of success for other sectors. This provide the protection to business, by get insurance of different things from insurance industry firms done their business without any fear. By the availability of insurance facility and funding organization easily enter in the market. By entering into life insurance agreements people save himself and invest effectively for extended period. These life insurance firms are helpful in enhance capital market growth by invest periodic amount in different portfolio.

## 2. Literature Review

In the previous 50 years CSR has predominately developed due to the increasing contribution by the corporation toward the society welfare. The meaning of CSR varies person to person, stakeholder to stakeholder as it holds them (Jones, Bowd, & Tench, 2009). According to the Carroll (1979) stakeholder presumed the work done by organization for society welfare (Mohr, Webb, & Harris, 2001). stakeholders focus on work for welfare of others today more than profit maximization (Ramasamy, Yeung, & Au, 2010). The social obligation of corporate involves legal, fiscal, moral and discretionally prospects which stakeholders and humanity has from organization at a specified period. The main purpose of this activities is to provide protection to all stakeholders or society (Carroll, 1979) (Chaudhry & Amir, 2020). broadly used definition of corporate social responsibility are an organization commitment is to minimize or remove any injurious properties from culture and exploit its advantageous impact of humanity. This is a good for both society and organization (Mohr et al., 2001). CSR is the obligation to improve public wellbeing through discretionally occupational repetition and corporate resources contribution (Chaudhry & Chaudhry, 2022; Kotler & Lee, 2008). 76 percent executives of organization agreed that stakeholder value is positively affected by corporate social activities

from a company. The 55 percent executives believe that company goodwill is strongly built-up from social activities. The Tsoi (2010) suggested that organization should include corporate social responsibility into major business functions, operation and strategies. According to him firms should implement social activities as a worldwide not in a specific country. With the increasing reliance in large formation, business give largest amount for donation or environment protection and make efforts for resolving different social issues (Mohr et al., 2001). Now organization know that one thing destroys all reputation of company. today bad promotion about CSR of company destroys all perception of company goodwill in customer mind. So, company should be careful about corporate social activities. So bad promotion is closed to truth or not, but it leaves a negative effect on society or more harmful for an organization (Dean, 2004). D. M. Thorne, Ferrell, and Ferrell (2011) (Sang, Zhang, Ye, & Jiang, 2022) argued that firm implement CSR activities have good reputation in society. These actions circuitously contribute to economic benefit of company. When company have good reputation in society its goodwill is automatically high, or its primary objective is also fulfilled. Company management necessity spend its resources on internal and external CSR activities. That's helpful for becoming a good and consistent citizen in society. This action is also helpful in achieving the strategic complete advantage.

Fayad, Ayoub, and Ayoub (2017) Observe the result of CSR on FP (financial performance) of Lebanese banking industry. This work was made in Lebanese by collecting the data of 7 Lebanese banks for 5 years. This study used panel data approach. In this research two-panel data regression was used for conducting the results (Amir, Siddique, Ali, Bukhari, & Kausar, 2022). (Coelho, Jayantilal, & Ferreira, 2023)The results showed that CSR consume positive influence on financial performance of banks if bank invest more in CSR, then its position grow up. CSR have significant impact on ROA, ROE showed by the results run through SPSS. According to researcher CSR improve financial performance, low operating cost, enhance sale, and increase ability for attracting more customer and rise access to capital market. Rasheed, Arshed, Malik, and Mahmood (2018) checked the consequence of CSR on FP (firm performance) of non-financial area in PAK (Chaudhry, Asad, Abdulghaffar, & Amir, 2021). (Adamkaite, Streimikiene, & Rudzioniene, 2023)This research collected the data from 50 non-financial firms for 6 years. Simultaneous regression model was used in it with E-views. The outcomes show that CSR has optimistic impression on ROA, ROE, EPS. LEV and FZ has been negative effect on firm performance that's used as a control variable in this study. Overall CSR impact was positive in this research. This research finding showed that's if firms invest in CSR its intangible assets automatically boom up. Firm good will or brand equity enhance. Business seek to generate value for their holders through offering product and services that's satisfy their needs. Since the 1950, business involve in corporate social activities and the concept of only generating profit change. The stakeholder frequently good react with those companies that well perform CSR activities. The CSR concept was concerned with these activities including community programs, rights of employments but in recent year moved toward environmental responsibilities including water pollution, emission(Flammer, 2013). The CSR concept increasing in firms for maintain image and reputation and attracting more customers (Peloza, Loock, Cerruti, & Muyot, 2012). Stakeholder Pressure;(An & Albattat, 2023) Stakeholders have a potential to negative or positive influence firm's operation while they act formally or informally, individually or collectively. Many executives suppose by mistake that stakeholders interfere in private dealings because of fewer progressive business can select to overlook in response to community matter. In contract, well reformist firm can select to contrivance glowing accomplished program of CSR as per with expectation of public at any stage of issues. Because the focus of firm's business is to satisfy the stakeholders if business CSR policies are not according to the expectation of stakeholder than this work not get a good response from them. This approach insists of managers recognize fundamental issues that threaten and of mutual interest for firms and their stakeholders for avoiding future dissatisfaction. This theory described that's all matter that able for discussing from stakeholder must be discussed for sustain peaceful environment in organization (Murray & Vogel, 1997). One example of such displeasure that mention above is in case in which Greenpeace applied pressure on nestle for using palm oil in their product. In many consumer product palm oil is a crucial component but the enlarged world demand of product linked with wide deforestation of rainforest for production of palm oil. Greenpeace published on YouTube in 2007 in which firms encouraged a boycott of KitKat bars and product of nestle for putting a pressure on these firms for using palm oil in their product. Similar example include apple for use of sweatshops and Nikes association to child labor (Wolf, 2014).

Due to these activities more, firms beyond the basic supervisory requirements of business operations and actively contribute to the needs of stakeholders (Maignan, Ferrell, & Ferrell, 2005). Legitimacy Theory: This theory depends upon concept that there is social agreement between firms and society where organization operates its function. So, firms try to legitimate their business action through engaged in CSR reporting for getting an approval from society, thus confirming their ongoing presence. The communal agreement described as from Deegan (2002) represents numerous of expectation that humanity has around how a firm should comportment its processes or actions. O'Donovan (2002) maintains that's the legitimacy theory trunks though the impression which is for companies to-

do functioning effectively, they must perform its acts in those norms and bounds that identify from society as communal responsible behavior. Maignan and Ralston (2002) described that validity of organization is depends on the affiliation that maintain by firms with its stakeholders, this study also give obligation to organization must include moral obligation to a wide range of stakeholder into their stockholders. Recently, CSR reporting practice has become a key tool of management to the rising complexity to the international business administration. The reporting of CSR practices also helpful to integrate CSR work into firm's strategic risk management therefore the influence of CSR has been maximized (Kytile & Ruggie, 2005). Waddock, Bodwell, and Graves (2002) Explained that staff perception about how a firm take and accomplished its responsibilities are frequently a part of decision of employees where they perform their actions. So, publication of information connected to sustainability can play a significant role of position of firms as employer's choice, this status enhances the loyalty of firm and decrease employee's turnover and enhance the ability of firm to attract and hold high superiority staff. Margolis and Walsh (2003) Argues that firm's assignation in CSR actions can adoptive the FP (firm performance) and their study accomplish a meaningful affiliation between CSR and firm FP (financial performance). Roberts (1992) Claims that if companies satisfy the expectation of shareholder through this organization have more access to capital and shareholder. Investor are investing their money in those firms that have elevated level of CSR activities. Social Contract Theory: Social contract thinking is obviously recognized as a procedure of post conservative moral reasoning (Rest, Thoma, & Bebeau, 1999). Donaldson (1982) claims that an implied communal agreement exist between firms and this agreement suggests some indirect commitment of organization business toward society. The social contract theory is also protracted by Donaldson and Dunfee (1999) (Van Ha, Phuc, Giang, & Giang, 2023) the integrative this theory as a means for executive to take decision in ethical behaviors. The societal approach explained that organization are social responsible as one of which they are essential component. The key impression behind this opinion is that business firms work by public consent to serve beneficially the society needs and give satisfaction to society (Van Marrewijk, 2003). The societal approach looks to be deliberate response to altering conditions and new firm contests previously not happened for instance CSR. Ramanathan (1976) define the concept social equity, social component and net social contribution. Social components are dissimilar of social groups to which the firm assumed to be bound by social agreement. Each group can measure fluctuations in their rights with respect to organization, resulting by social transaction thus he explained social equity. Finally, it is likely to define net social contribution of organization as an accumulation of its non-market involvement to society welfare, fewer non-market contribution done by firm on society resources (Mohamed, Olfa, & Faouzi, 2014).

Dunfee (2006) define social contract theory that suit as a developed economy where government is restricted to its competent ends, where people can direct scares possessions to its maximum value, where money value is effortlessly predicable, where free moving of prices are allowable to indication the comparative value of substitute for rare resources without the tax distortion, where private property agreements and rights among individuals decision maker are obligatory in unbiased fashion. Signaling Theory; This theory clarify why organization has an incentive to report information willingly to capital market, voluntary disclosed of information is necessary for business to strive effectively in market for risk capital. Insiders recognize about firm and its upcoming predictions than stockholder do, so stockholders has protest themselves through offering an inferior value for firms (A. Omran & M. El-Galfy, 2014). The value of organization has been increased if the companies report their information about CSR, that is worthy and minimize outsider uncertainty (Connelly, Certo, Ireland, & Reutzel, 2011). Spence (1978) Explained that signaling theory was initially established for illuminate the info asymmetry in labor market. From the results of the information asymmetry issues, companies signal confidential information to stockholder for showing they better perform in market from others CSR work for attracting more shareholder for investment or attain more reputation (L. S. Mahoney, 2012). Toms (2002) described that monitoring, application and disclosure of environmental strategies and disclosed this information in annual reports donate significantly for the construction of environmental reputation preceding to financial performance has no influence and there is no indication as environmental status is formed by financial radiance impact or from the obtainability of slack financial resources. Hasseldine, Salama, and Toms (2005) Assimilate that quality signaling theory and resources-based opinion of organization to exam the different possessions of extent and excellence conservational disclosure on firm environmental status. L. Thorne, S. Mahoney, and Manetti (2014) Claims that quality of CSR disclosure has a stronger effect on environmental reputation of firm. Always subsequently the concept of CSR has been popularized from 1970, the perception and its possible association to FP enlarged attention of consultants and researcher similar. In one of initial article printed in this area, Alexander and Buchholz (1978) claimed that the idea may be view though double separate ways, 1<sup>st</sup> is that the communally conscious organization too owns skills for running a firm through superior's ways due to this its financial performance improved or better results, 2<sup>nd</sup> is the cost sustained in CSR activities reduce the competitive difficulty. Alexander and Buchholz (1978) used the RI (reputation index) for evaluating the performance of CSR, this process is criticized from the Cochran and Wood (1984) for the idiosyncratic landscape of estimation and this evaluation method not essentially

emulating the actual CSR performance of organization. in later years, researcher counted discussion about various approach that used by different researcher for measuring CSR and FP, not even today reaching the agreement which has delayed the possibilities of simplifying outcomes (Martínez-Ferrero & Frías-Aceituno, 2015).

One cause to the tricky condition is the presence of huge number of variables and that the investigator assortment of parameter that's used in their studies can have main allegation on its ultimate outcomes (McGuire, Sundgren, & Schneeweis, 1988). Cochran and Wood (1984) Claimed that if firm action which is classified as CSR are negatively related with financial performance of organization, then the manager of organization is recommended to be caution. If the CSR association with financial performance is positive, then the manager is encouraged to push these CSR activities with passion. Researcher argued that increase investment on CSR activities improved the organization relation with stakeholder that decrease firm transaction cost and enhance market opportunities and price premium. More studies disclosed that the effect of CSR on FP (financial performance) (X. Wang et al., 2023) is comparatively solider in slight innovations organization with low differentiation. More theories stand through the clue that an elevated close of CSR sympathy help to build moral relation of firms with their investors therefore financial performance improved. The prominent close of community sympathy of organization supposed a superiority of venture and ethical value amongst the personnel. Due to the greater satisfaction of worker, they incline to recognize with business more powerfully. Strong identification with company from employees specify great loyalty and more contributing to firm success. CSR also enhance firm relation with external like client's, public and potential worker. CSR involved business attract improved superiority of staff as these organization are professed as striking occupation explorers (H. Wang & Choi, 2013). With a consideration for creating a relationship between CSR and financial performance of organization, Past exploration inspected the strategic use of firm compassion program for achieving earning goals and found which organization that report little enhancement in its earning tend to incline to philanthropy program. Past studies originate an optimistic association between earring association and CSR for structured/ arranged organization.

### 3. Methodology

The research philosophy of this study is positivism. This research is purely objective and based on facts because annual reports information is properly legal, figures based. Data collected through annual reports, no human interference in it. The finding of this research is observable and measurable. This approach of this study is deductive because this study tests the exiting theory did not develop a new theory. Research methodology is a specific technique that's used to classify, select, evaluate information about a research topic. Two type of research methodology used in dissertation writing. First is qualitative research methodology and second is quantitative. Qualitative research is a mainly exploratory research. It is used for understanding of fundamental problems, opinion and motivations. It delivers insight into problem and helpful in developing idea, hypothesis for probable quantitative research. It is also used for expose tendency in thought and opinion and joint deeper into problem. Quantitative research can be explained as a systemic examination of phenomena by collecting measurable information and performing statistical techniques. The research methodology of this theory is quantitative because our research describes the relation of variables empirically. Clearly relationship of dependent, independent and control variable define in this dissertation. This study collects numeri information from annual reports. This research finding is quantifiable and measurable. This theory not based on common sense that's collected by researcher in respondent's opinion in questionnaire, interview etc. this theory is fact and figures based. This quantitative research clearly specifies the association of dependent, independent and control variables. This quantitative research uses high quality data because firms report information is more qualifiable due to this result giving more qualified information about study. This study results are clearly understandable because in quantitative form like chart, tables etc. this study systematic investigate research problem by collecting quantitative information form financial firm report and performing statistical techniques for giving results. In quantitative research usually involve number and measures statically that's help in define, explain and describe relation between variables. The quantitative results are reality based and give generalizable information.

H1 there is significant relation between CSR and ROA.

H2 there is significant relation between CSR and ROE.

H3 There is significant relation between CSR and EPS.

Succeeding econometric model is applied for stimulating the hypothesis conferring to the landscape of study and investigation purposes.

$$FP_{IJ} = \beta_0 + \beta_1 CSR_{IJ} + \beta_2 FZ_{IJ} + \beta_3 LEV_{IJ} + \epsilon \quad (1)$$

The above equation is further sub separated addicted to three compilations according toward the proxies of financial performance.

$$ROA_{IJ} = \beta_0 + \beta_1 CSR_{IJ} + \beta_2 FZ_{IJ} + \beta_3 LEV_{IJ} + \epsilon \quad (1A)$$

$$ROE_{IJ} = \beta_0 + \beta_1 CSR_{IJ} + \beta_2 FZ_{IJ} + \beta_3 LEV_{IJ} + \epsilon \quad (1b)$$

$$EPS_{IJ} = \beta_0 + \beta_1 CSR_{IJ} + \beta_2 FZ_{IJ} + \beta_3 LEV_{IJ} + \epsilon \quad (1c)$$

The firms are selected from financial sector of Pakistan. The insurance firms make the business save, stimulate the economy, affluences the business transaction, protect trade and assets purchase by others. Due to the availability of insurance facility innovators, entrepreneur and businessman can takes substantial risk. Insurance companies also provide information to business how to improve their safety standards and product quality. Insurance is an indicator of economy, if economy grow than insurance automatically grow. In the same way if insurance industry grow then economy automatically grow. When business of all sector grow then economy grow and insurance industry link to both side of business due to this insurance also boom. Insurance is a risk transfer instrument whereby all individuals and business transfer their risk on the others shoulder. The present business world cannot survive without insurance industry because more risky business not have a capacity for taking all risk. The growth of life insurance firms is 52 to 69%.

This finance and insurance industry is live under the head service sector. According to the economy survey of Pakistan during the fiscal year 2017 the service sector grew at 5.98 percent against the producing sector that grew at 4.26 percent. Service sector contributes a significant role in sustaining the economy. The share of service sector reached to 59.59 percent of GDP in fiscal year 2017. The performance of all components of service sector on boot and this superior performance contribute positively in economy. The finance and insurance sector grew by 10.77%, general government service grew by 6.91% and another private sector grew at 6.28%. The share of finance and insurance sector in service sector is 5.7% during fiscal year 2017. The share of finance & insurance sector in GDP during 2015-2016 is 3.2% & during 2016-2017 is 3.4%. Service sector share of GDP during 2017 is 59.6%. The financial sector reorganizations have expanded the access to finance by implementation of national financial inclusion strategy and through legislative measures special for small and medium enterprise. The government of Pakistan considered this strategy as a key policy for comprehensive economic development. The government has permitted a PSDP (ministry of planning, development & reforms) funding projects for amounted to 137 million dollars for the achievement of NFIS objectives that's related to digital payments and credit for microfinance and SME risk sharing. The contribution of insurance and finance in GNP (gross national product) is 10.8% during 2016- 17. The sample size of this study consists of top 30 insurance firms that is listed on Pakistan stock exchange. After screening data of 28 insurance firms collected, 2 firms exclude due non-availability of data some years report miss of these two insurance firms. in Pakistan, no research has been done by taking the insurance firms by way of a sample for patterned the connection between CSR and FP. This study is cross sectional because data is collected for specific time from 2010 to 2017 only one time not again and again and this study not doing a comparison of data, this study is relational because this check the relation of variable and its finding is measurable and observable because statically techniques used for finding the relation of variable. In these cross-sectional studies panel data collected because it takes multiple observation inform of twenty-eight insurances for multiple years. The nature of data is quantitative in this study. The data of companies for several periods is collected from various source of secondary data, these sources comprise annual financial reports of firms that are taken from various sources like PSE data base, official firms' website where there is midpoint of investor relation and annual reports, open data base and annual report of Pakistan stock exchange listed firms. The data of variable that's used in the model of this study collected from this financial report or calculated by using specific formula. The software that used for empirical testing of this study is SPSS, where regression and correlation is run for checking the influence of CSR on FP (financial performance) with FZ (firm size) and leverage. Linear regression model used in this study.

#### 4. Data Analysis

All the variable delimited in the model together with predicted (FP),(Hamdoun, Achabou, & Dekhili, 2022) predictor (CSR) and control variable (FZ, LEV), (Bashir, 2022) this section delivers the explanation of descriptive statistics for above stated variables. The descriptive statistics included the number of observations that's 224 and mean, SD (standard deviation) values of all variables are existing in the model are presented in descriptive statistics table. The lowest and maximum value for variables is also presented in descriptive statistics table. ROA has an average value 22.56 and the value of SD is 33.23. The dependent variable (ROA) has lowest value -70.82 and extreme value is 315.95. The normal worth of dependent variable (ROE) 10.25 and the value of SD is 8.88. The dependent variable (ROE) has minimum and maximum value is -5.29 and 62.57 respectively. The average rate of EPS remains 7.44 then the worth of SD stands 14.816. The minimum rate of dependent variable (EPS) is -8 and maximum value of EPS is 79. LEVERAGE is a leverage ratio that used as control variable has average vale 3.52 and value of SD .37. However, the minimum value of control variable (leverage) is 2.78 and maximum value is 4.43. Firm size also use as control variable has average value .94 and value of SD (standard deviation) is 1.78.

The smallest and supreme worth of FZ (firm size) is -10.49 and 11.58 individually. The CSR use as an explanatory variable, and the average value of CSR is 20.72 and the value of SD is 25.10. the independent variable has minimum

value .00. This value .0 presented that minimum quantity of resource used by the organization for CSR activities is 0, that's means some firms are existing in model which in some years of its working was not indulge in activities of CSR. The table of descriptive statistics showed the maximum value of CSR is 92.89.

**Table 1: Descriptive statistics**

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROE	224	-5.29	62.57	10.25	8.88
ROA	224	-70.82	315.94	22.56	33.23
EPS	224	-8.00	79.00	7.44	14.82
Leverage	224	2.77	4.43	3.52	.37
Firm size	224	-10.49	11.58	.94	1.78
CSR	224	.00	92.89	20.72	25.10

**Table 2: Correlation**

Variables		ROE	ROA	EPS	Leverage	Firm Size	CSR
ROE	Pearson Correlation	1	.410**	.173**	.246**	-.082	-.053
	Sig. (2-tailed)		.000	.009	.000	.222	.431
	N	224	224	224	224	224	224
ROA	Pearson Correlation	.410**	1	-.047	.122	.352**	.227**
	Sig. (2-tailed)	.000		.480	.069	.000	.001
	N	224	224	224	224	224	224
EPS	Pearson Correlation	.173**	-.047	1	.520**	-.034	-.134*
	Sig. (2-tailed)	.009	.480		.000	.617	.046
	N	224	224	224	224	224	224
leverage	Pearson Correlation	.246**	.122	.520**	1	.106	.099
	Sig. (2-tailed)	.000	.069	.000		.113	.139
	N	224	224	224	224	224	224
Firm Size	Pearson Correlation	-.082	.352**	-.034	.106	1	.246**
	Sig. (2-tailed)	.222	.000	.617	.113		.000
	N	224	224	224	224	224	224
CSR	Pearson Correlation	-.053	.227**	-.134*	.099	.246**	1
	Sig. (2-tailed)	.431	.001	.046	.139	.000	
	N	224	224	224	224	224	224

The association between dependent, independent and CV (control variables) can have constructed as; there is an optimistic and insignificant affiliation between ROA and leverage. The correlation between ROA and firm size is significant and positive. ROA have a noteworthy and optimistic correlation with CSR. ROE has sig and confident relation through control variable (leverage). The association between ROE and firm size is insignificant and inverse. The positive as well as significant correlation results presented that there is linear relation exist amid variables. ROE has insignificant too inverse correlation with CSR. EPS has positive and significant correlation with leverage. There is positive as well as insignificant correlation between EPS and firm size. The correlation between EPS and CSR is inverse and significant. There is insignificant and constructive link between leverage and FZ. Leverage has constructive and insignificant link with CSR. Firm size has noteworthy and constructive parallel by CSR. The explanation of results of correlation explained that nearby is not at all multicollinearities occur amongst variables.

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.388 <sup>a</sup>	.151	.139	30.8304614

**Table 4: ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37277.846	3	12425.949	13.073	.000 <sup>b</sup>
	Residual	210064.334	220	950.517		
	Total	247342.180	224			

**Table 5: Coefficients**

Model		Unstandardized Coefficients		Standardized	T	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	-10.609	19.894		-.533	.594
	CSR	.191	.085	.144	2.244	.026
	Leverage	6.745	5.656	.075	1.192	.234
	Firm Size	5.783	1.201	.309	4.817	.000

The ROA regressed on 3 different variables (FZ, LEV and CSR). The regression analysis confirmed an adjusted R square .13(13%) and R square .15(15%). These .15 figure described that .15 variance in ROA is explained by CSR, FZ and LEV. This also displayed that there are some further aspects that can explain .85 variance in ROA. These regression result revealed that depended on variable (ROA) is not well described by independent variable (CSR) and control variable FZ and LEV in prototypical with that R square is 15% (0.15). Remaining .85 variance is not contributing to ROA by explanatory variable (CSR) and control variables (FZ, LEV). The overall fitness of regression model used in study specify by F-statistics. The value for F- Statistics explained through analysis is 13.073 that is highly significant (sig F; .000). This described that model used in this research is an acceptable and goodness-of-fit. The test of hypothesis showed that CSR has substantial and optimistic influence on ROA with the value of significance P .02(2%) that less than .05(5%) and beta value .14 (14%) therefore H1 is accepted. There is confident and not momentous connotation amid ROA and LEV through sig value .23(23%) that greater than .05(5%) and beta value .07(7%). FZ has constructive and momentous outcome on ROA with beta worth .30(30%) besides sig value P.000 (0%). My study is aligned with Singh (2014) he find out the negative and insignificant association between financial performance(ROA) and CSR. He took data from 3 sectors in UK including industry of extraction natural gas and crude peritoneum, industry of mining and metal and industry of paramedical manufacturing product. According to my study low involvement of these firms in CSR activities due to this insignificance results developed. The major reason of insignificance relation between ROA and CSR is firms feel a burden these social works or not invest more amount on these activities. My study is also support with Deng, Kang, and Low (2013) that's described which firms have low investment in CSR activities have low stock return. My study is also support with Siddiq and Javed (2014) they also find insignificance relation between organization financial performance(ROA) and CSR. They conduct their study in Pakistan and collect data from six organization listed on Pakistan stock exchange. According to my study in Pakistan specific policy and procedure developed by government and compulsory for all organization to follow them. In Pakistan there is no specific laws and regulation in way of CSR due to this organization of these developing countries not doing these CSR activities, this is the cause of insignificant results because low donation is the major reason of this negative influence. This study also explained that CSR feature that would help firms to prioritize its conscientious actions along with firm obligations.



**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.274 <sup>a</sup>	.075	.063	8.5939349

**Table 7: ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1328.969	3	442.990	5.998	.001 <sup>b</sup>
	Residual	16322.113	220	73.856		
	Total	17651.082	224			

**Table 8: Coefficients**

Model		Unstandardized Coefficients		Standardized	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-11.206	5.546		-2.021	.045
	CSR	-.019	.024	-.055	-.824	.411
	Leverage	6.331	1.577	.262	4.016	.000
	Firm size	-.479	.335	-.096	-1.433	.153

The ROE regressed on 3 dissimilar variables involved FZ, LEV and CSR. The regression results demonstrated adjusted R square .06(6%) and R square .07(7%). The figure .07(1%) described that just 7% variance in ROE from CSR, LEV and FZ. The remaining 93% variance in ROE indicated by other factor in error term. The regression results showed that dependent variable (ROE) is not well described by independent variable (CSR) and control variable (FZ, LEV) in model with the value of R square .07(7%). The 93% contribution in ROE not from explanatory variable (CSR) and control variable (FZ, LEV), it's from other factors. F-statistics showed the overall fitness of regression model that used in this study that's significant or not. F- statistics value show by analysis that's 5.998 which is insignificant because sig F value is .00(0%) that is less than standard .05(5%). This result showed that model used in this research with ROE is good-fit. The test of hypothesis enlightened that here is not any noteworthy and negative relation among ROE and CSR with the value of beta is -.05(5%) and sig value P .41(41%) that above standard .05(5%). Therefore, CSR has insignificantly contributed to the monetarist recital of insurance partnerships. The relation between FZ and ROE is negative and insignificant relation by beta value -.09(9%) and sig value is P .15(15%) that greater than standard value. LEV has significant and positive influence on ROE through beta vale .26(9%) and P .000(0%) that less than .05.

The EPS regressed on 3 different variables (FZ, LEV and CSR). The regression analysis confirmed an adjusted R square .29(29%) and R square .30(30%). These .30 figure described that .30(30%) variance in EPS is explained by CSR, FZ and LEV. This also displayed that there are some further aspects that can explain .70(70%) variance in EPS. These regression result revealed that depended on variable (EPS) is not well described by independent variable (CSR) and control variable FZ and LEV in model with that R square is 30% (0.30). Remaining .70 variance is not contributing in EPS by explanatory variable (CSR) and control variables (FZ, LEV). The overall fitness of regression model used in study specify by F-statistics. The value for F- Statistics explained through analysis is 32.641 that is highly significant (sig F; .000). This described that model used in this research is an acceptable and goodness-of-fit. The test of hypothesis showed that CSR has significant and inverse influence on EPS with the value of significance P .00(0%) that less than .05(5%) and beta value -.17 (-17%) therefore H3 is accepted. There is optimistic and significant association between EPS and LEV with P value .00(0%) that less than .05(5%) and beta value.54(54%). FZ has inverse and insignificant effect on EPS with beta value -.05(-5%) and P value .35(35%).

**Table 9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.555 <sup>a</sup>	.308	.299	12.408

**Table 10: ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	15076.861	3	5025.620	32.641	.000 <sup>b</sup>
1	Residual	33872.385	220	153.965		
	Total	48949.246	224			

**Table 11: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	-67.939	8.096		-8.392	.000
1	CSR	-.102	.034	-.173	-2.986	.003
	Leverage	22.093	2.300	.544	9.604	.000
	Firm size	-.453	.485	-.054	-.934	.351

## 5. Discussion

This study was presented with the object to observe the impression of CSR on FP by organizations in Pakistan. To view the influence this study, take a set of eight years that is from 2010 to 2017. In these study CSR is an independent variable and measured through donation ratio. ROA, ROE and EPS use as proxy of FP and use as a dependent variable. FZ and LEV use as a control variable. Linear regression and correlation test run through SPSS for checking the impact of CSR on FP with other control variable that's FZ and LEV. It is found in results that CSR takes substantial and optimistic relation through ROA, and insignificant with ROE and inverse and significant with EPS. Sebastian Johansson (2015) done their research in Swedish firms during the year of 2006 to 2009 for checking the impact of CSR on FP. They conclude their results according to their finding that CSR has negative relation with FP of Swedish firms. FZ has significant relation with ROA. FZ insignificantly related with ROE, EPS. LEV has significant relation with ROE and EPS. LEV is insignificantly related with ROA. According to the consequences of this study CSR has sig and constructive relation thru ROA. My results is aligned with Fayad et al. (2017) his research is done in UK, he also find significant and positive link among CSR and ROA. Mansaray, Yuanyuan, and Brima (2017) in their research found significant relation between ROA and CSR. They conduct their research in Africa. Manokaran, Ramakrishnan, Hishan, and Soehod (2018) found significant association between CSR and ROA L. Mahoney and Roberts (2007) conduct their study in Canada and found insignificant association between CSR and ROA. Selcuk and Kiyamaz (2017) done their research in emerging economy and found significant link amongst CSR and FP (Malik, Ali, Kausar, & Chaudhry, 2021). My results are confirmed with Manokaran et al. (2018), they done their research in Malaysia with insurance sector and found insignificant influence between CSR and ROE and EPS. Fijałkowska, Zyznarska-Dworczak, and Garsztko (2018) Done their study in central and eastern European countries and used banking sector and found insignificant relation between ROE and CSR. The study of Mehar and Rahat (2007) showed that CSR has not one noteworthy inspiration on financial performance. They done their research in Pakistan and showed no influence between CSR and ROE. The control variable of this study is FZ and LEV. FZ has inconsequential linked with ROE and EPS and partakes substantial reminder with ROA. LEV has significant association with ROE and EPS as well as insignificant association with ROA. Matuszak and Rozanska (2017) use FZ and LEV as a control variable and find FZ and LEV has insignificant relation with ROA, ROE. Jiang, Fu, and Liu (2016) use FZ as a control variable and showed that FZ has immaterial link with FP (ROA). Kamatra and Kartikaningdyah (2015) use LEV and FZ as

control variable and find FZ and LEV has significant influence on EPS. Pan, Sha, Zhang, and Ke (2014) explore the relationship between CSR and financial performance in Chinese mineral companies. They originate that inverse rapport in CSR and financial performance (Chaudhry et al., 2021; Malik et al., 2021). According to their research some dimension of CSR has positive influence on FP, but more negative relation developed between CSR and FP. They suggest that if government resolve conflicts and solve different problems that become an issue in the development of CSR and encourage firm for doing more investments in CSR then the CSR work become developed.

### 5.1. Implication

Insalubrious CSR policies may become a reason for externalities, resulting in injury to investors interest and dissatisfied stake owners can go around as relinquished consumers and become a reason of decline in earning. Also, policy producer is recommended to make sure CSR associated disclosure, which will not only profitability yield, but it will further expand the market value of shares, eventually accumulation of various social and economic benefits. This study will help government and financial firms in policies making regarding their CSR practices. The managers of financial and other firms can help from this study for understanding the importance of CSR in business operations.

### 5.2. Limitations

However, the conclusion derivative from this, organize a role in responding to the question that whether CSR has an influence on FP of firms in Pakistan. But this study holds some limitation as well. As the financial sector is selected for the study and undoubtedly these sector is the backbone of Pakistan, all sector directly indirectly depends on it and this is a largest sector of Pakistan but still these sectors not represent all firms working in Pakistan. The results of this study showed that firms take as a sample for this research not invest more in CSR activities due this insignificantly impact developed between CSR and FP. But the results of these study only represent the financial sector not all industry in Pakistan. This study takes only insurance firms, while number of organization listed on PSE, so model can be used with comparatively substantial number of sample size from Pakistan. This study used 8-year data for investigation the association between variable. However, my results found insignificant relation between CSR and FP, until now extended time may produce meaningful results. This study is rational to anticipate the set of developed and developing state to examine the practices of CSR and consequent influence on FP.

### 5.3. Future recommendation

This study recommend that Companies should fortify their distinctiveness and accumulation their repute by satisfying their responsibilities, by these practices' firms initiate well-being effort for humanity and resolve their issues. The most imperative object is start of nationwide consciousness programs, arranging conference by firms about CSR, from these activities other business or people aware about the true CSR concept. Firms should reflect CSR as competitive benefit and should implement their vision and mission so that they understand the CSR advantages. Government should institutionalize the CSR standards and develop guidelines for best practices of CSR in firms thus, firms benchmark themselves and implement their policies conferring to them. The outcomes of this research add toward the prevailing form of literature that consumes unsuccessful to discovery the statically significant relation between CSR and ROE. The outcomes yet constructed on two financial variable and further upcoming exploration should use the enormous quantity of variables to find the significance association between CSR and FP by using listed firms of Pakistan. The custom of additional fiscal variables might to propose a broader opportunity of intuition into by what means CSR performance effects on dissimilar financial variables. More, coming study might do comparable challenging in additional current years toward examine if association is more noteworthy than in the period that used in this study. The observation can be developed my research results that firms CSR scores are predominately increasing during the period of 2010 to 2017, if further research that conducted in future scrutinize the affiliation between CSR and FP could be more significant in current period because firms expend its CSR activities. Other suggestion for research that conducted in future is to apply the larger sample size than the sample size used in this study.

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