Corporate Social Responsibility and Financial Performance of the Firms Listed on the Pakistan Stock Exchange

Sharif Khan, Nadir Khan, Safiullah, Abdul Sattar, Mir Sadaat Baloch

Abstract

Corporate Social Responsibility (CSR) has emerged as a prominent topic for researchers that has helped firms to gain goodwill, social welfare returns and better financial performance. The present research, therefore, studies the influence of corporate social responsibility (CSR) on the profitability of firms listed on the KSE 100 index of the Pakistan Stock Exchange (PSX). The sample for the study is the top 100 firms of the country based on market capitalization. Secondary data was collected from the annual reports of the firms starting from 2015 to 2019. Donations were used to measure CSR whereas, Net Profit Margin (NPM) Return on Equity (ROE) and Return on Asset (ROA) were the measures of financial performance. The results of the study discovered that CSR does affect the financial performance of the listed companies in the PSX. The study concluded that businesses must engage more in performing CSR activities.

Introduction

Ever since industrial revolution and globalization, Corporate Social Responsibility (CSR) has gained immense popularity among the practitioners, policymakers, and organizations (Amorelli & García-Sánchez, 2020; Orlitzky et al., 2003). In today’s organizational environment, the primary motive of organizations is to maximize shareholders’ value, but this has been challenging owing to value concepts (Barauskaite & Streimikiene, 2020). The latest concepts of CSR state that organizations are no more economic entities but social entities (Sarkar, 2005). The responsibility of the firms to make policies, objectives, formulate strategies is valuable for the society’s wellbeing. Due to its prominent role in businesses and societies, CSR has opened a new chapter in the field of research, to explore CSR’s role on firm profitability (HomRoy, Li & Selmane, 2020).

Corporate Social Responsibility (CSR) actions that coordinate the welfare of stakeholders have attracted the minds of researchers and policymakers (Velte, 2021). Several studies have been conducted on the linkages between CSR and a firm profitability (Nazir et al., 2021). Ikrarn et al., (2019) claim that CSR has a positive influence on the firm financial performance. Similarly, Galant & Cadez, (2017) argue that CSR does have a positive influence on firms’ performance. Likewise, Sinha et al., (2018), are of the opinion that CSR contributes positively in firm’s financial performance.

However, several studies have concluded that CSR has a negative impact on firms’ performance and engaging in CSR actions are unwanted resources of an organization and agency problem within the company (Di Giulia & Kostovetsky, 2014). So this in consistency in the literature was one the motivations of this study.

Furthermore, since its inception, Pakistan has always been in the hot water in terms of its economic progress nationally and globally due to bad governance, innate disasters, fragile institutions, and corrupt administrative operations and policies. Thus, due to the above-mentioned governing issues, corporate governance is not enough mature. Although, the aim of the firms is to increase the shareholder’s profit at the same time they have not paid attention towards the betterment of society. In Pakistan, the social segment has significantly been ignored compared to other economic sectors such as health and education in terms of the investment made. Furthermore, the less attention of corporations towards CSR activities creates more hurdles for the economic prosperity of Pakistan (The Economic Survey of Pakistan, 2015). According to Memon et al., (2014), CSR is in its evolutionary stage in Pakistan. Furthermore, he explains that it should be introduced at the academic level and higher education centre should also initiate CSR as an academic content to make it an effective element in the country’s corporate sector. Limited literature is available in developing countries compared to developed countries. CSR is an emerging concept in Pakistan and not practiced in organizations at a broader level.

Therefore, this study aims to empirically investigate the influence of CSR on a firm’s financial performance.
According to Grewatsch & Kliendienst (2015), most of the current studies favour the idea that engaging in CSR can enhance a firm’s financial performance. Despite the number of studies that exist on CSR and its impact on firm performance, in the context of Pakistan, like CSR in SMESs of Pakistan (Ikram et al., 2019), CSR in Banking Sector. Nevertheless, as per our best of knowledge no study exists to see the impact on CSR on stock exchange 100 index firms. Thus, to address the inconsistencies in literature in terms of CSR’s impact on firm’s performance, and to fill the research gap in exploring the role of CSR on KSE 100 index firms this study uses the sample of the top 100 firms of the country based on market capitalization. Study uses secondary data from the annual reports of the firms started from 2015 to 2019. Furthermore, study opts donations to measure the corporate social responsibility whereas; Net Profit Margin (NPM) Return on Equity (ROE) and Return on Asset (ROA) as the measures of financial performance. Moreover, Panel data regression is used for estimation of results. Hence, this paper would help investors, policymakers, common public, and governments to have a better sight of the impact that CSR has on the financial performance.

Literature Review
Since the induction of CSR, there is an increasing trend over its adaptation in the organizations across the globe (Janowski, 2020). In early 1960, it was considered that CSR is not the responsibility of the firms. The only responsibility of the firm is to gain profit or create value for the stakeholder. However, with the passage of time firms realized that they have responsibilities to contribute towards betterment of the society and environment. Because firms also use the natural resources and play a pertinent role in disturbing the outlook for nature. Therefore, the purpose of CSR is to give back or return to society, participate in philanthropic causes, contribute by providing positive social value. Today, CSR is being used in a broader prospective with different concepts and ideas. The interchangeable terms of CSR are, corporate accountability, corporate responsibility, corporate citizenship, business ethics, environment, and sustainable development (Lu et al., 2019). The concept of CSR is very old and for the last 60 years the theory of CSR has been practiced in a variety of settings, but to date no specific definition of the construct is available (Barauskaite & Streimikiene, 2020). Therefore, many definitions persist for CSR, McWilliam et al., (2006) states that companies involved in CSR practice, when they go beyond the requirements, which are mandatory to perform, in activities the benefits society, may not have a positive direct impact on the firm’s profit. Likewise, another definition of CSR, which was presented by Carroll (1979), the extent to which company to adopt the strategies, make decisions, perform those activities, which does not violate society’s expectations and values. Majority of the scholars are of the opinion that this is a firm’s main responsibility to engage in activities like well-being of societies. To conclude, the concept of CSR states that the main purpose of an organization is not only to gain profit, but also their contribution towards betterment of society’s wellbeing (Barauskaite & Streimikiene, 2020).

The importance of CSR is growing globally, and it has becoming imperative for the companies to contribute to social responsibilities so that their businesses can grow further (Mandal & Murthy, 2021). According to Dahlrsd (2008), organizations initiated practicing CSR activities nearly a decade ago, when the companies noticed a high demand for environment-friendly products and services (Van Beurden, & Gossling, 2008). Moreover, studies also prove that contributing to CSR would help companies to gain competitive advantages as it promotes good public image and reputation. Furthermore, there is no doubt that successful business is dependent on how companies interact and take care of the environment in which they are operating. Hence, if a firm wants to go global, it must deal with two main problems, first, how it copes with consistent change in society’s need and second, maintaining the balance between self-interest and caring about environment or nature the firm is operating in. Thus, being successful globally is becoming imperative to look for the betterment of society and nature. Hence, CSR is becoming a need for the companies to practice ethical and social activities, which provide rich dividends to organizations in terms of goodwill that increases productivity Barauskaite and Streimikiene (2020). Likewise, implementation of CSR in companies leads to a reduction in turnover rate, building competitive advantage, good reputation, building a friendly relationship between customers and investors, gaining economic profits, promoting positive market value and financial conditions. Similarly, Gossling and Vocht (2007) argued that organizations must consider CSR activities while making strategies and policies.

Keeping in view the positive role of CSR, various studies conducted to examine its relationship with the firm’s financial performance (Nejati, & Ghasemi, 2012). According to Carroll (1979), there are four categories of CSR: economic, legal, ethical, & discretionary. Various studies exist on the association between CSR and a firm’s financial performance (FP), and inconsistent results have been produced (positive, negative, and inconclusive). Keeping in view its importance on firm performance, many scholars have presented the role of CSR in variety of settings. Authors have argued on the relationship between CSR and firms’ financial performance. Like, Chieh & Hou, (2018) explored the connection between CSR and FP in the context of Taiwan. A sample of 640 firms was selected listed on the TWSE from 2010 to 2014. Using CSR awards as a socially
responsible indicator, they found a positive association between CSR and FP. Thus, this was proved that the socially liable companies could achieve maximum financial results as compared to those firms that do not practice CSR (Chieh & Hou, 2018). Similarly, Maqbool and Zameer, (2018) analysed the influence of CSR on FP of the firms empirically in the Indian context, where study was conducted on 28 Commercial Banks (15 Public and 13 Private named in Bombay stock exchange (BSE), for a period of 10 years (2007-2016)), and concluded CSR has a positive influence on FP. Likewise, Siewu et al, (2019) argued the impact of CSR on FP in the Sub-Saharan Banking sector by selecting a sample of 22 Banks from the Central bank of South Africa from 2012 to 2016, where they proved a strong positive relationship between CSR and FP. Furthermore, they suggested that CSR behaviour is helpful to boost up the profitability of the Banks.

In addition, Bagh et al., (2017) explored the role of CSR on FP by conducting a study on the banking sector of Pakistan, using a sample of 30 commercial banks registered with the Pakistan stock exchange (PSX) from 2006 to 2015, concluded that CSR has a significant positive impact on FP. Likewise, Ikram et al., (2019) empirically studied the impact of CSR on a firm’s FP, and they selected small and medium-sized enterprises (SMEs) in Pakistan with a sample of 240 SMEs located in different cities of Pakistan such as Karachi, Lahore, and Faisalabad. Further, they concluded that there is a strong positive impact of both social and environmental dimensions of CSR on a firm’s financial performance and significant connection in the economic growth of a developing country.

In contrast, studies exist who examined the influence of CSR on the FP in the context of Agribusiness Industries of Bangladesh. They had taken a sample of four well reputable Agribusiness industries from 2015 to 2017 and concluded proposed insignificant relation between CSR and FP in terms of profitability and stock performance. Likewise, many scholars have studied empirical relationship between corporate social responsibility (CSR) and financial performance by using earnings management as a moderating variable. Where they had taken 80 non-financial businesses registered on the Pakistan stock exchange, from 2013 to 2017, found a negative connection between CSR and FP. A sample of 40 Pakistani financial sector firms was chosen between 2012 and 2015, they concluded that impact of CSR on FP is inconclusive, and it endorses the agency theory. Similarly, Rehman et al., (2020) proved the relationship between CSR and a firm’s profitability in the context of the Islamic banking industry of Pakistan. Content analysis was used for gathering the figures from the financial performance of all four full-fledged Islamic banks functioning in Pakistan between 2012 and 2017. Ethical, Legal, Environmental, Philanthropic activities had been used as proxy variables to assess the CSR; the findings of the study indicated a strong negative relationship between CSR and FP of Islamic banks in Pakistan. The other CSR dimensions such as, ethical, philanthropic, and legal have no significant or positive relationship with the financial performance of these banks. Therefore, these findings are well matched with Friedman (1970), who contended that CSR might cause additional costs to the firms that eventually cut their profits.

Thus, the inconsistency shown in the above literature suggests that the relationship between CSR and financial performance is vaguely determined and demands further study to have a clear understanding of the role of CSR on financial performance. Particularly, in the context of Pakistan. Therefore, the current study tries to fill the gap and add value to the literature.

Methodology
Data and Variables
The secondary data was collected from the Pakistan Stock Exchange (PSX) for top 100 listed firms indexed on the KSE 100 index between the period 2015 and 2019 from their annual reports available on the website of PSX as well as on individual company’s site. The sample included those firms whose CSR activities were mentioned. Donations were used as a proxy to measure CSR for the firms. Most of the previous studies had used different measures of CSR mentioned in the annual reports such as environment, energy, community involvement and employee health and safety measures (Teoh & Shiu, 1990; Szegedi et al., 2020). However, instead focusing on qualitative aspects of CSR, this study took the quantitative measure in the form of monetary donations (Fombrun and Shanley, 1990; Brammer and Millington, 2008).

For measuring the financial performance (dependent variable), three proxies were used, namely return on assets (ROA), return on equity (ROE), and net profit margin (NMP) (Waddock and Graves 1997). These accounting measures reflect the financial efficiency of the firm. Size of the firm, leverage and the liquidity ratios were used as control variables as used by Ullmann (1985) and Blazovich (2011) in similar previous studies. The detailed description of all the variables of interest is given in table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variable</td>
<td>Corporate Social Responsibility (CSR)</td>
</tr>
</tbody>
</table>

Table 1 Description of variables

No. 1
Dependent Variables
Return on Asset (ROA) Earnings before tax / Total Asset
Return on Equity (ROE) Earnings before tax / Number of Common Shares Outstanding
Net profit margin (NPM) Net Income / Total sales revenue

Control Variables
Firm Size (F_SIZE) Total assets
Leverage ratio (LEV) Debt to total asset ratio
Liquidity ratio (LIQ) Quick ratio sum of cash, marketable securities, and account receivable to current liabilities

Model estimation
Panel data regression model was used that helped to control for the individual heterogeneity, more efficiency, less collinearity among predictors and more degree of freedoms compared to time series data (Baltagi, 2005). Following is the basic model specification used by Selcuk & Kiymaz (2017).

\[ FP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 F\_SIZE_{it} + \beta_3 LIQ_{it} + \beta_4 LEV_{it} + \epsilon_{it} \]

Whereas, \( FP_{it} \) is the financial performance of firm \( i \) in time \( t \). \( CSR_{it} \) is the donations given by firm \( i \) in time \( t \), while \( F\_SIZE_{it} \) is the size (measured as total assets), \( LIQ_{it} \) is the liquidity ratio and \( LEV_{it} \) is the leverage ratio (measured as quick ratio) of firm \( i \) in time \( t \). Finally, \( \epsilon_{it} \) is the error term.

Results & Discussion
Descriptive analysis
Table 2 summarizes the descriptive analysis of the variables for 69 firms from KSE 100 index from 2015 to 2019. As shown, the net profit margin (NPM) has a mean value of .128 (12.8 %) with a minimum value of -16.7 % which suggests that there are few firms which recorded loss in certain years between 2015 and 2019. The variability of the NPM data from mean (i.e. standard deviation) is .107. Similarly, the average return on equity for the firms included in the sample is 23.5 % with a higher deviation (.343) compared to NPM. The third proxy of profitability that is return on assets has the lowest mean value (9.2%) but the variability of the data from mean is also lowest (.101).

Table No. 2
Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std.Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPM</td>
<td>345</td>
<td>.128</td>
<td>.107</td>
<td>-.167</td>
<td>.825</td>
</tr>
<tr>
<td>ROE</td>
<td>345</td>
<td>.235</td>
<td>.343</td>
<td>-.866</td>
<td>3.16</td>
</tr>
<tr>
<td>ROA</td>
<td>345</td>
<td>.092</td>
<td>.101</td>
<td>-.296</td>
<td>.936</td>
</tr>
<tr>
<td>LEV</td>
<td>345</td>
<td>.539</td>
<td>.263</td>
<td>.06</td>
<td>.95</td>
</tr>
<tr>
<td>LIQ</td>
<td>345</td>
<td>1.156</td>
<td>.832</td>
<td>.1</td>
<td>4.38</td>
</tr>
<tr>
<td>F_SIZE</td>
<td>345</td>
<td>11.74729</td>
<td>2.305572</td>
<td>8.206011</td>
<td>17.87273</td>
</tr>
<tr>
<td>DONATIONS</td>
<td>345</td>
<td>2.952158</td>
<td>1.794025</td>
<td>-2.302585</td>
<td>6.726171</td>
</tr>
</tbody>
</table>

Note: For the descriptive statistics, we have included all the observations from collected data.

The descriptive analysis of the control variables depict that the average leverage ratio of the firms included in the sample is 53.9 %, whereas the average liquidity ratio is 1.156 with the variability of .263. Similarly, the mean value of log (11.74729) of firm size depicts that the average assets of the firms included in the sample for the period between 2015 and 2019 is Rs. 27,66,783 million, while the smallest firm (in terms of assets) has total assets of Rs. 3662.9 million. Finally, the main predictor i.e., CSR (DONATIONS) shows that on average Pakistani firm are engaged in charitable donations of Rs. 63.91 million (log 2.9522) with a maximum of Rs. 8.33948 million (log 6.726). The standard deviation of the donation is log 1.794.

Correlation analysis
Table 3 shows pairwise correlation matrix with the magnitude and the direction of the relationship between the dependent and independent variables. As we can see from the table, Donations as proxy of CSR activities of
firms, is positively associated with all proxies of dependent variable. Similarly, the control variables such as size of the firm (F_SIZE) and liquidity (LIQ) are also positively related to the firm’s profitability, while leverage is negatively related to profitability. The pairwise correlation also helps us identify if the explanatory variables have multicollinearity issue. In the data, no such issue was observed. As can be seen from the table, the pairwise correlation in the explanatory variables is not seriously high. The highest correlation is between firm size and leverage (0.3268) which is still well below the level that might have raised the multicollinearity concerns. 

Table No. 3
**Correlation Matrix**

<table>
<thead>
<tr>
<th>Variables</th>
<th>(NPM)</th>
<th>(ROE)</th>
<th>(ROA)</th>
<th>(DONATIONS)</th>
<th>(F_SIZE)</th>
<th>(LEV)</th>
<th>(LIQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DONATIONS</td>
<td>0.070</td>
<td>0.061</td>
<td>0.156</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F_SIZE</td>
<td>0.194</td>
<td>0.198</td>
<td>0.072</td>
<td>0.090</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>-0.187</td>
<td>-0.190</td>
<td>-0.224</td>
<td>0.039</td>
<td>0.326</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>LIQ</td>
<td>0.301</td>
<td>0.301</td>
<td>0.163</td>
<td>-0.065</td>
<td>0.057</td>
<td>-0.309</td>
<td>1</td>
</tr>
</tbody>
</table>

After specifying the basic econometric model and descriptive analysis, the test for the impact of CSR activities on firm’s profitability was performed, but before that the assumptions of fixed and random effects to select the appropriate model were tested. In the fixed effect model, the effects are constant across individuals, or they are correlated with explanatory variables, while the random effect assumes that individual effects are not correlated with all observed variables. The violation of this assumption results in an inconsistent model. Therefore, we test for the appropriateness of the model. Table 4 summarises the results of Huasman (1978) test. The Hausman test is conducted to verify if the difference between fixed and random coefficients are not systematic. If the results verify that the null hypothesis is rejected, we assume fixed effect as the appropriate model, vice versa.

Table No. 4
**Hausman Test**

<table>
<thead>
<tr>
<th></th>
<th>(1) NPM</th>
<th>(2) ROA</th>
<th>(3) ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Sq. Statistics</td>
<td>1.4657</td>
<td>0.9273</td>
<td>1.5862</td>
</tr>
<tr>
<td>Chi-Sq. d.f.</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Prob.</td>
<td>0.8327</td>
<td>0.9206</td>
<td>0.8113</td>
</tr>
</tbody>
</table>

Table 4 contains results of Hausman test. In column (1), net profit margin was used as the dependent variable. The results suggest that the null hypothesis is not rejected as the probability is greater than 0.05. It is interpreted as the difference between fixed effect and random effect coefficients that are not statistically significant which implies that random effect model is more appropriate. We obtained similar results for the other two dependent variables, ROA in column (2) and ROE in column (3). Hence, for all our model specifications, random effect model was used to find the impact of CSR on firm’s profitability.

After deciding on the regression model, in table 5, the CSR (donations) and profitability relationship using random effect model was tested. In model (1) NMP was used as the dependent variable. The results suggest that the increase in charity (CSR activities) in the form of donations has a positive impact on firm’s profitability. Although the level of significance is low, it can be accepted in social science research context and in the presence of mixed findings of previous studies. These results are in line with the meta-analysis studies of Orlitzky et al., 2003; and Wu, 2006). It can be suggested that charitable donations to serve the purpose of CSR, are significant determinants of financial performance of firms. Theoretically, we suggest that CSR activities and profitability of firms in emerging countries like Pakistan is driven by social impact hypothesis where firms meet various needs of corporate stakeholders that will lead to favourable financial performance (Freeman, 1984). The results also support positive synergy hypothesis which concludes that higher level of CSR activities leads to more profitability which offers the possibility of reinvestment in socially responsible projects. From Pakistan’s perspective our results are also like Ishtiaq et al (2017) and Ehsan and Kaleem (2012).

The analysis of control variables suggests that firm size (F_SIZE) and liquidity (LIQ) are also significant determinants of profit margin with positive association. The larger firms have the capacity to generate more profit from their resources because they can get the benefit from economies of scales and can use them more efficiently (Fiegenbaum and Karnani, 1991; and Winter, 1994). Similarly, the companies with more liquidity can be more profitable because in a volatile competitive environment, the firms with more liquidity are capable to adapt to the changing circumstances which may have beneficial effects on profitability (Benito &Vlieghe,
Contrary to firm size and liquidity, leverage ratio (LEV) is negatively associated with net profit margin, which suggests high debts (interest bearing loans) have a negative impact on the profitability of firms or more profitable firms use less debts. A possible explanation of this negative association is that the high debt interest payment may reduce the ability of the firm to take advantage of growth opportunities, hence negatively affecting the overall profitability (Goddard et al. 2005).

The model (1) was also tested for autocorrelation problem by using Durbin Watson test. The findings suggest that there is no serious problem of serial correlation as the tested value is less than 2.5. Finally, the adjusted R-square of the model (1) suggests that 14.64% of the variability in net profit margin is explained by our main explanatory variables and other control predictors.

Table No. 5

<table>
<thead>
<tr>
<th></th>
<th>(1) NPM</th>
<th>(2) ROE</th>
<th>(3) ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DONATIONS</td>
<td>0.0427*</td>
<td>0.0377*</td>
<td>0.1129**</td>
</tr>
<tr>
<td>F_SIZE</td>
<td>0.8355***</td>
<td>0.8722***</td>
<td>0.5738***</td>
</tr>
<tr>
<td>LEV</td>
<td>-0.5066***</td>
<td>-0.5303***</td>
<td>-0.7686***</td>
</tr>
<tr>
<td>LIQ</td>
<td>0.4279***</td>
<td>0.4259***</td>
<td>0.1823</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.1372**</td>
<td>-0.1349*</td>
<td>-0.1567***</td>
</tr>
<tr>
<td>F-Statistics</td>
<td>11.766</td>
<td>11.977</td>
<td>7.1880</td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>2.1899</td>
<td>2.1938</td>
<td>2.3328</td>
</tr>
<tr>
<td>Adjusted R-Square</td>
<td>0.1464</td>
<td>0.1488</td>
<td>0.0891</td>
</tr>
<tr>
<td>No. of Observations</td>
<td>252</td>
<td>252</td>
<td>252</td>
</tr>
</tbody>
</table>

Note:
- Standard errors are in parenthesis.
- *** p<0.01, ** p<0.05, * p<0.1.
- For all the model specifications, the test on the standardized values of all variables to remove outliers was performed.

To further verify the above-mentioned findings, in model (2) the second measure of profitability that is ROE was taken as the dependent variable and applied the similar method to obtain the results. The empirical findings verify the direction of the association between dependent variable and independent variables. The magnitudes of all coefficients are also meaningful with similar level of significance. As far as the overall predictability of profitability of the model (2) is concerned, the adjusted R-square is slightly higher. Finally, ROA was taken in model (3). Unlike model (1) and model (2), CSR donations have a greater positive impact on ROA with a higher significance level. However, firm size has a lesser impact on ROA, while the effect of leverage on profitability is higher in model (3). As far as firm’s liquidity is concerned, it fails to obtain any significance, which is reflected in the explanatory power of model (3) as it shows the lowest R-Square compared to the two preceding models.

To conclude, the results indicate that firms operating in Pakistan consider stakeholder’s theory in their activities to enhance their performance. They try to meet societal demands (stakeholders’ demands) (Freeman, 1984), which in turn is reflected in their financial performance either through cost reduction or increased revenue.

Conclusion
This study analysed the impact of Corporate Social Responsibility on a Firm’s financial performance. For that purpose, firms from the KSE 100 index of PSX were selected. The study used donations as a proxy variable to assess the corporate social responsibility dimensions, while Return on Asset (ROA), Return on Equity (ROE) and Net Profit Margin (NPM) to measure the financial performance of firms. By using panel regression, the findings of this study concluded that there is significantly positive relationship between CSR and dependent variables (ROA, ROE, and NPM). The firms in Pakistan may be considering stakeholder demands and positive synergy hypothesis in conducting their operations to get favourable financial results.
References


<table>
<thead>
<tr>
<th>Author Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sharif Khan</strong></td>
</tr>
<tr>
<td>Institute of Management Sciences, University of Balochistan, Sariab Road, Quetta, Pakistan</td>
</tr>
<tr>
<td><strong>Safiullah</strong></td>
</tr>
<tr>
<td>Institute of Management Sciences, University of Balochistan, Sariab Road, Quetta, Pakistan</td>
</tr>
<tr>
<td><strong>Mir Sadaat Baloch</strong></td>
</tr>
<tr>
<td>Institute of Management Sciences, University of Balochistan, Sariab Road, Quetta, Pakistan</td>
</tr>
<tr>
<td><strong>Nadir Khan</strong></td>
</tr>
<tr>
<td>Institute of Management Sciences, University of Balochistan, Sariab Road, Quetta, Pakistan</td>
</tr>
<tr>
<td><strong>Abdul Sattar</strong></td>
</tr>
<tr>
<td>Department of Management Sciences, Balochistan University of Information Technology, Engineering and Management Sciences, Quetta, Pakistan</td>
</tr>
</tbody>
</table>