Corporate Social Responsibility and Firm Performance: 
The Moderating Effect of Ownership Concentration
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Abstract
The relationship between CSR and firm performance: ownership concentration as a moderator has been the crucial topic of literature and the subject of a rich empirical literature. However, the current literature is characterized by a lack of consistency and consensus regarding the nature and direction of this relationship. This article aims to contribute to literature by reviewing the diverse literature on this subject related to developing market economies. The aim of this study is to investigate whether the impact of ownership concentration moderates the link between corporate social responsibility (CSR) and firm performance (FP). This study uses a set of unique, hand-collected CSR disclosure data to measure CSR, based on a sample of Pakistan Stock Exchange (PSX) 100 index non-financial listed companies during the period from 2006 to 2015. For this purpose the data is taken from annual reports and sustainability reports of non-financial firms. Regression and Correlation has been used to establish the relationship between CSR and firm performance with ownership concentration as moderator. The results reveal that there is highly significant and positive relationship between CSR and firm performance. The result also conclude that the CSR disclosure and FP has a positive and significant relationship but the impact has been weakened as a consequence of inclusion ownership concentration as a moderator.

Keywords: CSR, Firm Performance, Ownership Concentration

Introduction
From last few decades researcher and practitioners are paying their maximum attention on corporate social responsibility (CSR). CSR is commonly defined as the company’s creativities to measure and take obligation for the company’s effects on social and environmental wellbeing. In the recent business world, CSR has become one of the most

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important features of corporate business practice. Companies that are engaged to CSR activities have overall improvement in reputation, boost employee engagement with the corporations as well as attract and retain investors, and also enhance financial return of the company.

The idea of CSR begins in 1950s which noticeable the modern age of CSR. This era start in 1953 with the Bowen publication entitled the “Social Responsibility of the business”. He defined CSR is the responsibility of businessmen to follow those policies, to take those decisions, or to pursue those lines of action which are required in term of the aim & objective and values of our society (Bowen 1953). This modern period of CSR evolved in 1953 with the Howard Bowen’s definition. He defined the businessman’s social responsibility as CSR is the responsibility of business person to follow the policies for decision making of take actions which are desirable to meet the objectives of the society (Bowen, 1953).

Hooghiemstra, (2000) state that from previous many years emerging economies are more cohesive and face a lot of hurdles and take pressure to disclose CSR evidence. Jo and Kim, (2008) stated that from Fortune 1,000 companies more than half issue their sustainability report frequently. Ullmann, (1985) and Ness et al., (1991) suggest that if the corporations give their maximum attempt to invest on community and also inform their stakeholder about CSR undertakings than they achieve maximum trust of participants, ultimately the corporate profitability turn to increase. Gray, et al., (1995); C: Bewley et al., (2000); Toms, (2002) conclude that disclosing CSR related information to their related parties has fascinated substantial research interests.

According to Kanwal et al. paper (2013), CSR practices are an investment of the corporation’s instead of expense as it express the relationship between firms and the stakeholders. It will become a topic of interest in finances and management studies that relate the arrangement and extent of stock ownership with managerial behavior, and, ultimately, firm’s value (Jensen and Warner, 1988; Short, 1994).

Sethi (1975), discuss different dimension of “corporate social performance” and corporate behavior this term might be used as “social responsibility”, “social obligation” and “social responsiveness.” Juslin and Hansen (2003) said that CSR is a responsibility of the corporations to invest in community for attaining economic progress, satisfy employee, taking protection measures for society, best workplace for performing activities and invest for the society to increase quality of life.

CSR is the obligation of firms to contribute to sustainable economic development, maintain employee relation, working with employees, their families, the local community and society to improve
quality of life. It goes beyond the legal, technical, and economic requirements of the company and is viewed differently by people having different values. CSR has appeared as an important matter in corporation. Vidal (2008) state that firms that have huge sales volume incline to concentrate on maximum CSR presentation and focus on environment betterment.

CSR has become popular issue for every corporation because every stakeholder have interest to know everything about the Business in a true and fair manner (Singh, 2014). Many other related terms are used for CSR by scholar and manager of corporation such as corporate citizenship, corporate philanthropy, Business Ethics, Corporate accountability, Responsible entrepreneurship, socially responsible investment and involvement in community.

McWilliams and Siegel (2001) define CSR as undertake all those actions which are not restricted by laws of those economies in which the firms are run their trade and those are not designed for the prime welfares of the industry also for the assistance of the general public.

Tsoutsoura (2004) define that CSR viewed as a broad range of business practices, set of strategies, plans, and agendas that are included into business actions, decision making process and supply chain all over the company and generally contain matters regarding to business ethics, environmental concern, community investment, human right, governance, society involvement, the market place as well as the work place. Tsoutsoura (2004) suggest that corporations operational cost can be minimize by engaging in CSR related developments.

In under developed economies like Pakistan the society and peoples are less aware about their rights and obligations regarding CSR. The intention of this study is to explore the association among the CSR and FP. Taking initiatives on CSR lead to enhance firm performance. And better firm performance will lead to better CSR. It is very essential to explore the factors which affect the CSR. In Ownership Concentration the owners of the firms are dispersed in minority and majority (dominating shareholder). The real concept of agency issue is not only the clash between the executive and stockholder but also taking risk by the supervisory stockholder at the cost of smaller shareholder. The controlling shareholder take the major actions of the corporation but not bear all cost. Large shareholder have an opportunity to control over manager and minority shareholder.

According to agency theory, separation of possession and control lead to a deviation in the detection of managerial interest that are not in accord with owner interest (Jensen and Meckling 1976), and thus monitoring the assessments of CEOs become important for board of
directors in order to assure that stakeholder interest are secure (Fama and Jensen 1983). There is dissimilarity among family concentrated corporations and ownership concentration firms. Family controlled companies are rely on external governance mechanism. Shareholders are rely on both external and internal governance strategies. Gillan, (2006) suggest that the external governance mechanism system like lawful structure appropriate marketplaces. It composite a corrective role in observing executive attitude to alleviate agency issue and hence serve to expand performance. Jensen & Meckling (1976) explain shareholder use their ownership concentration as one of the crucial and essential inside control appliance to diminish agency problem elevated by separation of hold and possession.

1.2. Ownership Concentration, CSR and FP

The aim of this study is to investigate the causes of ownership concentration and the association among ownership concentration and firm performance in the framework of an economy undertaking significant variations in its regulatory and legal background. Numerous studies suggest practical indication on the link between corporate ownership forms and FP everywhere in the world (La Porta et al., 2000.).

Ownership of Top five Shareholders = Proportion of possession held by Top 5 shareholders in the share capital. The ownership concentration use as an indication of percentage share ownership of five top shareholder. From a corporations view, ownership structure controls the organizations success, large market share which is enjoyed by different shareholders. Specifically ownership concentration is an incentive for reducing the agency problem and agency cost with the separation of management and ownership, which might be used for the protection of firms property rights.

In developing countries including Pakistan, family owned firms or companies widely held by financial institution (closely held companies) take over the economic background. The agency problem is not only the conflict between manager and shareholder but also the issue of expropriation by the controlling or dominant shareholder at the cost of minority shareholder. The controlling shareholder whose have great influence make decisions but not bear fully cost. Large family shareholders may be influence negatively on firm performance.

Empirical studies of the relationship between the ownership concentration and firm performance have also develop mixed results. The United States studies, Demsetz and Lehn (1985) conclude no influence of ownership concentration on firm performance. McConnell and Servaes (1990) find ownership concentration have no impact on the percentage of market value to additional cost of assets (Tobin’s Q), while
they conclude a positive impact of ownership concentration by business internals and by institutional depositors.

**Problem Statement:**

Corporations are mostly conscious and concerned about the influence of their actions on the employee, stakeholder, environment and society at large. CSR become a topic of interest for researcher from last few decades. They always try to find the top factor which influence the firm performance, CSR is one among them. Some researcher find positive relationship Haleem et al., 2015; Platonova et al., 2016; and some find negative association between CSR and FP. Here is the problem why results between CSR and FP are mixed. Is there any factor that makes this relationship weak or strong? For find this problem this study intends to observe the degree of disclosing CSR practices among Pakistani non-financial enterprises. It will investigate the link among CSR disclosure and FP. This study also examines how Ownership Concentration moderates the link between CSR and FP in selected Pakistani non-financial listed firms.

Simpson and Kohers, (2002) also give their viewpoint about the CSR disclosure and FP. There is a restricted or limited study on CSR disclosure in emerging countries perspective (Hossain et al., 2006). Prior studies on CSR and firm performance still unexplored and ambiguous. It’s become a research gap to do more research on this topic. (Wijesinghe and Senaratne, 2011). This topic of CSR disclosure has not been much explored in the developing countries like Pakistan.

**Objectives of the Study**

Previous research emphasized that developing countries necessities more consideration to improve CSR notions because these markets have a lot discriminates with established countries. (Blofield and Frynas, 2005) argue that underdeveloped countries which have weak governmental rules and regulation tries to put pressure on the management for establishing societal betterment policies. The main objective of this study is to maintain an index for measuring CSR in Pakistani non-financial listed companies. Keeping in opinion the background and need of the study, the study undertaken is done in order to inspect the moderating consequence of Ownership Concentration on CSR and FP in Pakistani selected listed non-financial firms, by taking the annual panel data of the non-financial companies included in KSE 100 index for the period covering 2006 to 2015. The following are the objectives which would be fulfilled in this research:

- To inspect the association among CSR and FP.
- To measure the impact of Ownership Concentration on the relationship between CSR and FP.
Literature Review

In literature review mostly studies investigate the association between CSR disclosures and FP. The Association between CSR and FP in finance has attained a lot of attention of researcher, academics, media, and the business community from many previous years. Today in business world for survival of corporations in society CSR investments are not consider as a cost but it become important or compulsory for a corporations. In competitive business world those companies which invest in CSR initiatives attain good repute and continue to survive in society. The Securities and Exchange Commission of Pakistan (SECP) restrict all companies for invest in CSR activities.

The purpose of theoretical review is to present the review of literature on CSR related theories. This comprise studies which relate to framework of relevance theory on CSR in Pakistan and other advanced economies, and connection among CSR and FP. CSR reporting develop an integral part and basis of communication tool and competitiveness for all participants. Many Pakistani companies have tried to develop a structure concerning CSR accomplishments. On the other hand the understanding of CSR concept is limited in Pakistan and other developing countries. Pakistani corporations face challenges for evaluating CSR activities in term of community development, public relations, employee’s information, public relations and societal promotion undertakings.

Different studies present a lot of concepts in the prior studies which try to clarify CSR disclosure. All theories in CSR are helping as topic of reference for every set of CSR action, but since there is no specific and single accepted theoretical perspective and concept to CSR. It means there are a lot of variations in what constitute the practical and theoretical aspect of CSR. The theories supporting CSR studies show how CSR is perceived and interpreted from different perspective by different stakeholder. A lot of studies have emphasized various theories which tried to explain CSR disclosure. Example of these theories are: classical theory; institutional theory; signaling theory; political theory; stewardship theory; agency theory; legitimacy theory and stakeholder theory. Some theories have some limitation in explaining CSR issues.

These theories are classical theory deals with profit earning and profit maximization from a shareholder perspective (Friedman, 1962). And institutional theory; signaling theory; self-regulation; legitimacy theory; political theory; stakeholder theory; stewardship theory and agency theory also relate theoretical perspective. While these theories and concepts may frequently overlay, they suggestion a rich background for discovering queries relating to the effect of CSR on corporations.
practice. Salazar & Husted (2008) stated that agency theory stresses on attaining the lawful gratitude to act on behalf of the principal from managers (agents).

Legitimacy theory also give their view point on the organization sense of connecting and the ability to operate and exist within the community according to the law (Suchman, 1995). Stakeholder’s theory highlights on attaining stakeholder’s rights as the basis of CSR practice which identifies that diverse participant’s rights if properly fulfilled leads to full awareness of corporation’s objectives (Donaldson & Preston, 1995). Instrumental/Strategic theory refer with CSR promises as a policy to attain effectiveness and consumer affiliation management (Garriga & Mele, 2004). Signaling theories offer supplementary awareness as they argue whether corporations use CSR activities as sign of conformance to social demands. On the other side well employed stakeholder theories clarify understanding on the importance of stresses corporations face to implement CSR applies. All these theories shows how an association can tackle CSR activities considering various stakeholder it connects with.

All these theories are related to CSR and these are under consideration in existing literature. In essence one more theory which relate to ownership concentration is Agency theory. Friedman (1970) states that linking in CSP is indicative of an agency problem a clash among the interest of CEOs and stockholders. In addition agency theory provide the basis of the ownership concentration. How ownership concentration affect CSR and firm performance. Agency theory provide the basis of this study and this theory also describe how’s minority shareholder and controlling shareholder effect the link between CSR and FP.

In addition agency theory provide theoretical basis of this study. In agency theory the control right have in those hand which have large fractions of total outstanding shares and they attain self-benefit at the expense of minority stakeholder than Conflict arise between controlling shareholder and minority shareholder. The agency problem is not only the conflict between the shareholder and manager but also the possibility of expropriation by the monitoring shareholder at the expense of other.

There are many theories which relate and support CSR concept and also discuss in prior studies. In this study ownership concentration are under consideration that’s why we elaborate agency theory and this theory relate this study. CSR define the business actions which involve all those initiatives which protect all stakeholder but society at large. A corporations CSR can include a wide range of policies and procedures, from giving away a share of income as a charity, for availing good repute in society. Today’s corporations are practicing different categories of
CSR such as Environmental effort, Philanthropy, Ethical labor practices, volunteering. CSR in the perspective of firm policies and strategies become essential to develop competitive advantage in today’s environment.

In order to investigate and comprehend the connection between CSR and FP, there have been a variety of studies which measure the connotation among CSR and FP. All these prior investigation have annoyed to examine the similar research problem, is there is a link among CSR and FP? These research conclude that the influence of CSR on firm value vary, some reported positive, some negative and some reported neutral.

This study choose different way to measure the CSR and firm performance using the moderator. There are some previous studies which relate my studies but in these studies no one use ownership concentration as a moderator. In these studies different moderator are used except ownership concentration. The separation of firm possession from entity hold has set enlargement to enormous prior studies dedicated to expand. There are some previous studies discuss here which relate this study.

Lisi (2016), examined the impact of business motivation, perceived stakeholder pressure and top management social commitment on firm performance. They collected survey data from Italian 97 companies and use Integrated model (PLS analysis regression) to inspect the influence. They find that determinant and performance effect are positively associated with social performance and measurement system. Moreover, the use of social performance indicator is directly influenced firm performance.

Haleem et al. (2015), inspect the connotation between CSR and FP in globalization world use stakeholder pressure as moderator. They collected data in 2003 from the International Manufacturing Strategy Survey sixth (IMSS-VI). They use regression for investigation the link among CSR and FP with moderator stakeholder pressure. They conclude that CSR influence FP confidently, but stakeholder stress do not moderate this connection.

Rahmawati (2014) investigate the consequence of CSR on FP with real manipulation. They were used the sample for this study of 27 listed corporations on Indonesian stock exchange from 2006-2008. Ordinary least square regression used for analysis and data were composed by statistical and purposive sampling method. The results indicate that companies which engage in practices of actual manipulation found no impact on CSR. The study conclude that the huge extent of actual manipulation on operations cash flow indicate the adverse influence on the link among CSR and firm performance.
Kamal and Deegan (2013) examine the societal and surroundings linked authority disclosure practice. The sample for data was taken from the textile and garments corporations functioning in Bangladesh. They discover results the disclosure of governance information gaps behind common CSR disclosure. For achieving public expectation and to secure validity Bangladeshi textile and garments companies disclose information about their governance. The results shows that inadequate responsibility and clarity in relation to community and atmosphere connected governance practice within an emerging countries perspective.

Yao, Wang and Song (2011), investigate the determinant of CSR disclosure in China. They collected data from the annual reports of (2008-2009), 800 listed companies on the Shanghai Stock Exchange in China. This study based on content analysis approach. The results of this study support the legitimacy theory in a developing economy. They found that CSR disclosure is certainly positively accompanying with media exposure, firm size, institutional shareholding and OC.

Hamid and Zubair (2016) inspect the relationship between CSR and organizational commitment among employee in the corporate sector. This study consists of secondary data and the sample was taken from men (n=224) and women (n=26) with (20-59) age ranging. This sample contained of 250 employee in the business sector from Rawalpindi and Islamabad. Self-report measure questionnaire were used in present studies for measuring CSR and organization commitment. The results of this study indicate that CSR and organizational commitment were positively correlated with each other among employee in the corporate sector.

Awan and Saeed (2015) conducted the study for investigating the impact of CSR on FP in Ghee and Fertilizer industry in southern Punjab Pakistan. Qualitative and Quantitative both research method were used in this paper. Primary data was composed through questionnaire and from other source secondary data was composed from the annual reports of the firm. The results shows that the firms which are extremely involve in CSR activities attain better goodwill, maximum sales volume and higher profitability also satisfying the customer effectively.

Sharif and Rashid (2014) explore the results on Pakistani listed commercial banks CSR reporting information along different element of Corporate Governance (CG). The date for this research taken from the annual reports of the commercial banks from (2005-2010). Multiple regression analysis were used to inspect the influence of CG components on CSR disclosing initiatives of banks. The data reveals the result that non-executive director have a significant and positive impact on CSR reporting.
Conceptual Framework and Hypotheses Development

This diagram shows that Corporate Social Responsibility is independent variable and it is measured with different variables using the firm’s annual reports. Whereas firm performance is dependent variable and this variable measure through return on asset (ROA). Ownership Concentration used as a moderator in this study and measured through block holder, individual shareholder, family, foreign and director ownership.

![Conceptual Framework](image)

**Figure 2.1 Conceptual Framework**

**H1**: There is a significant relationship between CSR and firm performance in selected Pakistani listed non-financial firms.

**H2**: Ownership Concentration has significant influence on the relationship between CSR and firm performance.

**Research methodology:**

*Nature, Sources of Data and Sample of study*

For the purpose of analysis of this study the secondary data of annual panel nature for the period 2006 to 2015 of non-financial companies listed in Pakistan Stock Exchange (PSE) is taken. For the reliability of the analysis balance sheets, income statements were taken from the website of the Pakistan Stock exchange. Keeping in view the calculation requirements of the variables, the available sources that are to be considered for the collection of data includes PSE websites. Sample size of this study comprised of seventy listed non-financial firms at Pakistan Stock Exchange (PSX) which are engaged in CSR activities and analysis was based on ten years data. The data set comprised 60 companies in final sample and 600 number of observations from various companies after the eliminating companies with missing financial...
statements. In this study checklist is used to access the information regarding CSR. I followed the Checklist made by Haniffa and Cooke (2002, 2005) and Ghazali (2007), construct the modified checklist in Bangladesh. There is a similarity between the culture of Bangladesh and Pakistan, so we can use this checklist to access the CSR related information.

**Data Analysis Technique and Procedure**

The analysis techniques for the panel data is used for the estimation of results. The regression and correlation technique apply for the analysis of data. Tsoutsoura and Margarita (2004) and Nelling & Elizabeth (2009) give their suggestion for using this technique and procedure. Moreover many other author are focus on these analysis technique for evaluating effective results (Iqbal et al., 2012 and Kiran et al. 2015), for the panel data models.

Descriptive Statistics:

A descriptive measurement enables to achieve a framework of data and help to shows the data in arranged and accessible way. Bailey, (1987) and Tabachnick and Fidell, (2007) highlight their views, descriptive statistics contain procedures for estimating central tendency of the data for example (average, median and mode) and also calculate variance such as (standard deviation, range from maximum to minimum and difference). Two common techniques such as mean and standard deviation are employed in descriptive procedure to describe the basic arrangement of data which is collected in research (Dancey and Reidy 2004).

Inferential Statistics:

Inferential statistics is used to determine strength of relationship within sample. Inferential statistics can evaluate the power of the influence of the explanatory variables on outcome.

Correlation:

Correlation test indicate the relationship among two or more given variables. Correlation matrix represent the relationship among two or more variables of the study (Pallant, 2001). Gujarati and Porter (2009) highlight correlation measurements describe the values to estimate strength of the association among variables and proceeds values range from -1 to +1. Commonly the upper the value of correspondence in coefficient matrix shows a stronger relationship among variables.

Regression:

Regression test provides information about the relationship between independent and dependent variables at significant or insignificant level. It also tells about the variation of data and the regression error. Tabachnick and Fidell, (2007) regression technique is
applied to evaluate the association among numerous predictor variables and single dependent variable.

This regression equation is used in regression analysis:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon \]

Where, \( Y \) represent the amount of the dependent variable and \( \beta_0 \) indicate the intercept whose value will be constant. \( \beta_1 \) and \( \beta_2 \) are the regression constants which shows the influences of each predictor variable to the estimate of the outcome variable. In regression \( X_1 \) and \( X_2 \) represent the explanatory variables. \( \epsilon \) denote the error term.

In this study to check the association and significance among explanatory and dependent variable Ordinary least square (OLS) method has been employed. This is well accepted technique which is used in this study to investigate the connection among variables and also commonly used in prior studies by (Abu Hussain and Al-Ajmi, 2012). It is essential to representing that conventions such as consistency of data and multicollinearity concentrating on data sorting and screening also have been achieved effectively (Bilal, Talib and Khan, 2013). Further detail description about regression analysis and regression result is discussed in chapter four in section 4.3.

Variable description

The variables that have been used in this study are presented in four sets. First set includes that independent variables of the study, second includes the explanation of those variables which are to be controlled in order to analyze the effect of independent variables, third the moderator variable which may strong or weak the relationship between independent or dependent variable and in the last the dependent variable of the study is given.

Independent Variable

The overall topic of the study is CSR and FP, moderating role of ownership concentration, which it is decomposed that the independent variable of the study is CSR. Having reviewed the literature, it is evidenced that many proxies have been used to measure CSR. The reason of using many proxies for CSR may be that it has various dimensions from which it can be measured and no single proxy can work best. For the purpose of quantifying the concept of CSR, there is need to first define the CSR and then to draw the measures to measure it. A general definition is that the CSR is the activities of a firm to perform good deeds for community afar the restriction of the regulation, and the main goal of firms which is to execute for the benefits of its stakeholders. The measurement of CSR concept has been used due to previous literature by (Cochran and Wood 1984, Pava and Krausz 1996) in early decades. Griffin and Mahon (1997), Preston and O’Bannon (1997)
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highlights their finding in the same year that conclude the CSR is an effective technique for minimizing the risk of liquidation. Haniffa and Cooke (2002, 2005) and Ghazali (2007) provide the basis of constructing checklist in this study.

CSR Disclosures Index

CSR is used as explanatory variable in this study and it is measure with developing checklist including the items Society contribution, Ecological information, Employee information, Product & service disclosure and Value added information. These items are used by Muttakin & Khan (2014) in Bangladesh for measuring CSR. They followed the checklist constructed by Ghazali (2007). In Pakistan the checklist is constructed by Butt & Butt (2016) for measuring CSR.

The CSR checklist consists of 30 CSR disclosure items. The research tool contain five categories of CSR reporting (Community Involvement, environmental information, employee information, product and services information and value added information).

CSR specification is developed to find a complete view of CSR disclosure extents with following items: community involvement, ecological disclosure, employee information, product & service information, value added information construct by Hackston and Milne (1996). Numerous researcher identify society related factors and employed in their study by using different methodology and maintain an index for inspecting relationship among CSR and FP. Haniffa and Cooke (2002, 2005) prepare a CSR checklist in developing countries and conclude that if a company accurately report to their related parties then the company might be generate healthier outcomes. Hossain et al, (2007), Islam (2009), Peters and Mullen (2009) and Saleh et al, (2010) all these scholars pay their a lot of attention for developing an index of CSR in emerging countries.

This study follow the measurement techniques for developing CSR index such as ( Saleh et al., 2010; Rouf, 2011) as a dichotomous variable. In this study CSR index develop with the assigning rate in form of “0” or “1”. If the corporations disclose the CSR item in their annual report or sustainability report then it will be assign “1” rating although if the company did not disclose CSR item then the “0” rating assign to it. Then we calculate the total rating for a corporations as follows: 

$$CSRDI = \Sigma di30/nj$$

Where,

- CSRDI = Corporate Social Responsibility Disclosure index
- nj = Total items for jth firm n= 30
- dij = 1 if ith item disclose 0 if ith item is not disclosed
To find for the rating of the company each item’s score is counted and the quantity is divided with the extreme items rate, then multiply by 100 to get the score in percentage. In this study 30 items are the maximum number of CSR item for disclosure.

Dependent Variable
Firm Performance

Firm performance means the financial efficiency of the organization over a specific period of time. The accounting measures are Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS) which indicate the firms efficiency how’s an enterprise effectively and efficiently manage and utilize their resources, assets and equity to maximize profitability. Accounting measures are effective tool for estimating the performance of an entity rather than market measures.

3.3.2.1.1 Measures of Firm Performance

In this study Return on Asset (ROA) ratio was used as proxy of firm performance. Tsoutsoura and Margarita (2004) used the same proxy. Return on Assets is measure by net income divided by total assets used by Cheruiyot (2010), Hull and Rothenberg (2008), Mahoney & Roberts (2007). Setiawan & Darmawan (2011), state that mostly entities takes ROA as enactment measure indicator for assessing either firms are attaining their desired outcome from their resources (Bhagat & Bolton 2008 and Cornett, Otgontsetseg, & Hassan 2014.

\[
ROA = \frac{\text{Net Income}}{\text{Total asset}}
\]

ROA is the most appropriate measure to measure firm performance.

Moderating Variable
Ownership Concentration

The top five shareholder such as block holder, individual shareholder, family, foreign and director ownership are used as proxy for the Ownership Concentration. Chemma et al., (2003) suggest on the basis of practical evidence Pakistani enterprises are concentrated for attaining possession. La Porta et al., (1999) finding also consistent with this evidence. These measure is defined as percentage of share owned by the largest five shareholder in a firm, and a block is defined as to be entity owning more than 10 percent of the firm’s equity.

Ownership of Top five shareholders measure as a Percentage of possession detained by Top five shareholders in the share capital. First five largest shareholder was taken for assessing the percentage of share ownership for ownership concentration. From a corporations view, ownership structure controls the organizations success, large market share which is enjoyed by different shareholders. Specifically ownership concentration is an incentive for reducing the
agency problem and agency cost with the separation of management and ownership, which might be used for the protection of firms property rights (Barbosa and Louri, 2002).

Control Variables

Previous study suggest that CSR and FP are influenced by some factors such as size, leverage and liquidity, Ullmann, A.A., (1985), Blazovich, J.L., (2011) said that these are control variables which we are going to use in this study. Prior studies suggest that these variables can be taken as control variable. Tsoutsoura and Margarita (2004) state that size of the corporation taken as a control variables. Size is measured as taking natural log of total assets by Tsoutsoura and Margarita (2004). The size of the firm may be important for numerous causes, containing the potential presence of scale economies essential in environmental concerned investments. Further larger firms follow CSR practices more than small level (McWilliams 2001). Leverage is a proportion of a company’s entire liability to the total value of asset. This study take leverage as a control variable because leverage effect the performance and attitude of executives and companies’ CSR procedures. Because high leverage proportion execute restraint on directors, and “motivate them to take assessments that are in favor of the corporations” (Barnett & Salomon, 2012). Furthermore high leverage ratio obliges the executives to take venture decisions to create different chance, thus negatively impact profits of corporations. Commonly those corporations which have lower debt are more concentrated for taking the CSR initiatives than those entities with huge debt proportion. Leverage calculated by total debts divided by total assets, Tsoutsoura and Margarita (2004). In this study the liquidity is also use as a control variable. This is also support by previous studies such as (Brammer & Pavelin 2008, Abd-Elsalam & Weetman 2003, Samaha & Dahawy 2011). Liquidity ratios is use as a control variable because it gives uncertain outcomes in previous studies. Some previous studies suggest that those companies which have high liquidity ratios are more able to invest in CSR activities and willingly disclose CSR items because they want to differentiate themselves for low liquidity corporations, (Abd-Elsalam & Weetman 2003). Many researchers are unable to find any associations between CSR disclosure and liquidity (Samaha & Dahawy 2011). Liquidity was measured by current ratio of the companies.

Model of the Study

Model 1

The regression technique is used for the data analysis in this study as employed by Nelling & Elizabeth (2009), Iqbal et al., (2012), Kiran et al. (2015). For data analysis panel data models used.
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\[ FP_{it} = \beta_0 + \beta_1 \text{Size}_{it} + \beta_2 \text{Lev}_{it} + \beta_3 \text{Liq}_{it} + \beta_4 \text{CSR}_{it} + \epsilon_{it} \]

CSR<sub>it</sub> Corporate social responsibility spending of firm i in time t.

\[ FP_{it} \] Firm performance i at time t.

\[ \text{OC}_{it} \] Ownership concentration i at time t.

\[ \text{Size}_{it} \] Size in form of total assets of firm i at time t.

\[ \text{Leverage}_{it} \] Debt to total asset i at time t.

Liquidity<sub>it</sub> Current assets to current liability i at time t.

\[ \epsilon_{it} \] Denote error term of the model.

\( \beta_0 \) is constant while\( \beta_1, \beta_2 \) and \( \beta_3 \) are the coefficients of variables.

**Model 2**

\[ FP_{it} = \beta_0 + \beta_1 \text{CSR}_{it} + \beta_2 \text{OC}_{it} + \beta_3 \text{CSR}_{it} \text{OC}_{it} + \beta_4 \text{Size}_{it} + \beta_5 \text{Lev}_{it} + \beta_6 \text{Liq}_{it} + \epsilon_{it} \]

CSR<sub>it</sub> Corporate social responsibility spending of firm i in time t.

\[ FP_{it} \] Firm performance i at time t.

\[ \text{OC}_{it} \] Ownership concentration i at time t.

\[ \text{Size}_{it} \] Size in form of total assets of firm i at time t.

\[ \text{Leverage}_{it} \] Debt to total asset i at time t.

Liquidity<sub>it</sub> Current assets to current liability i at time t.

\[ \epsilon_{it} \] error term of the model.

**Results and Discussion**

After gathering data from secondary sources point out in methodology portion, the procedure of quantifying variables taking place. This study also inspects the link among variables and presents the value of data in a summarized form. The structure of analysis procedure has been obtainable in three steps. Those steps are descriptive statistics, correlation matrix and regression analysis. Analyses of non-financial firms are done.

**Descriptive Statistics**

It is difficult to access the enormous values of statistical data in this study. Descriptive statistics permits the investigator to elaborate the finding in précised form by employing various methods. The data can be reviewed effortlessly by investigating the finding of descriptive technique. It is also used in the present study to explain the large values of data. The date tenure of this study starts 2006-2015 which constitute 10 years throughout the data.

**Table 4.1. Descriptive Statistics**

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>CSR</th>
<th>OC</th>
<th>LEV</th>
<th>LIQ</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>11.74</td>
<td>68.90</td>
<td>66.49</td>
<td>0.45</td>
<td>1.08</td>
<td>16.66</td>
</tr>
<tr>
<td>Median</td>
<td>10.80</td>
<td>70.00</td>
<td>67.11</td>
<td>0.50</td>
<td>1.12</td>
<td>16.73</td>
</tr>
<tr>
<td>Maximum</td>
<td>43.79</td>
<td>100.00</td>
<td>99.04</td>
<td>0.67</td>
<td>1.92</td>
<td>19.87</td>
</tr>
<tr>
<td>Minimum</td>
<td>-24.59</td>
<td>30.00</td>
<td>4.84</td>
<td>0.03</td>
<td>0.02</td>
<td>12.42</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>10.28</td>
<td>13.82</td>
<td>19.15</td>
<td>0.16</td>
<td>0.29</td>
<td>1.41</td>
</tr>
<tr>
<td>N</td>
<td>600</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Journal of Managerial Sciences 368 Volume XI Number 03
Table 4.1 reports the descriptive statistics of the variables of the study for 60 non-financial firms listed in Pakistani Stock Exchange 100 index by taking the historical date for the period covering from 2006-2015. ROA is return on asset calculated as dividing the profit after tax by the total assets during the period. CSR index is the corporate social responsibility index which is formed by the framework stated in the methodology section. OC is the ownership concentration and it is calculated by taking the average percentage of ownership held by Top five shareholders in the share capital. Leverage is calculated by dividing the total debt by the total assets. Liquidity is current ratio which is calculated as dividing the current assets by the current liabilities. Size is measured by natural log of assets.

In this study the mean value of ROA for Pakistani firms is 11.74125 while the maximum value is 43.79000 and the minimum value -24.59000 shows optimum spread with standard deviation 10.28135. Its means the mean can move away 10.28135 in both direction. So this value shows that this value is not abnormal. Thus data indicate normal pattern. CSR Index of Pakistani firms on average is 68.90000 whereas its minimum value is 30 and maximum is 100 showing optimum spread with standard deviation 13.82420. The mean value of OC is 66.49486 and the maximum value is 99.03868 and the minimum value is 4.83851, and its standard deviation is 19.15077. So this value shows that the mean can deviate 19.15077 in either sides. Leverage has mean value 0.455370 for Pakistani firms. While its maximum value is 0.668320 and the minimum value is 0.030720 with standard deviation is 0.159183. The standard deviation value is not abnormal so data shows normal form. The mean value of CR is 1.078424 for Pakistani Companies have 1.672070 rupee to release 1 rupee current liability. Its maximum value is 1.672070 and minimum value is 0.08997 which indicate normal range with standard deviation of 0.291401. Size of Pakistani firms mean value is 16.66164 natural log assets while its range from 12.42163 to 19.87387 with standard deviation of 1.409942 presenting large dispersion from mean.

**Correlation Analysis**

The Pearson correlation present the direction and strength of correlations among the variables and helps identify for any Multicollinearity problem. This table represent the correlation coefficient and p-value for measuring CSR through index. As per shown, if the p-value is less than 0.05 then we can say correlation coefficient are significant. According to (Pallant, 2001) correlation analysis check the association among multiple variables.
### 4.2. Table Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>CSR</th>
<th>OC</th>
<th>LEV</th>
<th>SIZE</th>
<th>LIQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>0.2058***</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC</td>
<td>0.1001**</td>
<td>0.0909**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>-0.2535***</td>
<td>-0.0617</td>
<td>0.1040**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>-0.2405***</td>
<td>0.2819***</td>
<td>0.1435***</td>
<td>0.1685***</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>LIQ</td>
<td>0.3791***</td>
<td>0.0503</td>
<td>-0.1204***</td>
<td>-0.2804***</td>
<td>-0.1049**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

***Significant at 1%, **Significant at 5% and *Significant 10%

The table 4.2 shows the matrix for correlation among the CSR variables and other variables that are used as control variables in this study. The purpose of evaluating correlation may differ in various the studies. As expected the CSR and FP are positively associated as represented by the correlation matrix (0.2058). The positive correlation among these variables shows that higher the CSR disclosure practices linked with the higher the firm value. As the consequences show that the company social responsibility variable which is here CSR index is significantly interrelated with the variables FP (ROA). Leverage has negative relationship with ROA, CSRIND and positive association with OC. While liquidity is positively correlated with ROA, CSR, and have negative association with OC, size and leverage. The size which we use in this study as a control variable negatively associate with ROA (-0.2405) and liquidity (-0.1049) while positively correlate with CSR (0.2819), OC (0.1435), and leverage (0.1685). The moderator have positive association with ROA, CSR, OC, leverage size while negatively associate with liquidity.

The correlation coefficient results shows positive association between CSR and FP at 1%. This level of significance shows that higher the CSR disclosure leads higher the firm value. Those firms which invest more in CSR undertakings and report their CSR item in annual reports to report stakeholder leads higher firm performance. The correlation coefficient results represent that no one variables of the study are strongly associated with each other and this shows that the problem of multi-collinearity is not serious, it means the variables of this study are appropriate for showing regression analysis.

**Regression Analysis**

This study proposed to found an association between CSR and FP, and also impact of CSR and FP through OC which is used as moderator. Whether CSR is independent Variable, ROA dependent, OC is moderator and firm size, Leverage, liquidity use as a control variable. To check this impact ordinary least square (OLS) was applied for a panel
of 60 companies for ten years data for the period 2006-2015. 600 firm-year observations were analyzed.

Table 4.3 Regression Results of Ordinary Least Square Method

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Co-efficient</td>
<td>P-Value</td>
</tr>
<tr>
<td>C</td>
<td>21.85954</td>
<td>0.0000***</td>
</tr>
<tr>
<td>SIZE</td>
<td>-1.916487</td>
<td>0.0000***</td>
</tr>
<tr>
<td>LEV</td>
<td>-6.898519</td>
<td>0.0043***</td>
</tr>
<tr>
<td>LIQ</td>
<td>10.88946</td>
<td>0.0000***</td>
</tr>
<tr>
<td>CSR</td>
<td>0.191748</td>
<td>0.0000***</td>
</tr>
<tr>
<td>OC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR*OC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.260371</td>
<td>0.289039</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.255399</td>
<td>0.281846</td>
</tr>
<tr>
<td>F-Statistic</td>
<td>52.36446</td>
<td>0.000000***</td>
</tr>
</tbody>
</table>

Table 4.3 shows reports the regression results of two models. In model 1 the connection between CSR and FP was analyzed by applying OLS regression model. While in model 2 the influence of ownership concentration on the link among CSR and FP has been identified. In model 1 firm performance measure (ROA) has been regressed on the independent variable (CSRIND) after controlling for (Lev, Liquidity, Firm size). While in model 2 moderating variable (ownership concentration) has been added to the model to evaluate the moderating impact of ownership concentration on the association between CSR and FP.

If the moderating term which is illustrated as the product of CSRIND and TOP5 is found to be significant, it would mean that there is significant role of ownership concentration as a moderator. However, the variable have significant association if the p value less than 0.05. The results are more significant, if the p-value smaller (Rodgers & Nicewander 1988). In model 1 the regression analysis has the coefficient of determination ($R^2$-value) 0.260371 indicates that 26% of the variation in firm performance explained by the CSR disclosure index, leverage, firm size and liquidity whereas the remaining 74% is described by the unnoticed elements.

In regression analysis of model 1 the co-efficient of CSR is (0.191748) and its p-value is (0.0000) which means that it has a highly significant and direct impact on ROA in such that as a firm engages more in CSR initiatives, its performance will be improved. This outcome indicates that if a corporation doing well for society and it will have enough resources to take initiatives for society, which eventually will help in constructing healthier relations with the society. The studies of Preston and O’Bannon (1997); Orlitzky, James, Schmidt, and Rynes.
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(2003); Rim Makni et al. (2009); Ehsan and Kaleem (2012) also support this result. The result express that those which invest in socially responsible activities for community enhance their firm value and sustain competitive edge in community. The research of Choi et al (2010) and Gang Fu et al. (2012) also support these results.

The findings on the part of this variable are also consistent with the theory of stakeholders which implies. Ruf et al. (2001) discussed that the association between CSR and FP established on stakeholder theory was significant and positive. According to Schreck, 2011 and many previous studies those companies which protect the interest of all stakeholder not only share holder but also society those companies sustain their competitive advantage in society and expand firm value.

Porter and Kramer (2002) suggested that society related actions are expand competitive edge to the corporations. If clients are attentive of community actions such as donations, charity, environmental protection, employee welfare and investment for natural disaster that might affect positively their concern of the corporation. (Fombrun and Shanley 1990). If companies sustain better connection with society then the society helps form expectation, trust and confidence (Schreck 2011). This become a source of corporations rick minimization. Many studies shows mixed outcomes for the association among CSR and FP.

This study also express a positive and significant connection between societies related actions and many other perspective which is explained in the methodology section and FP measured by ROA. This outcome is also consistent with current CSR research, such as Waddok and Graves (1997) and Peters and Mullen (2009).

The review of literature exposed that in emerging economies CSR is primarily of a philanthropic nature, such as societal initiatives. The emerging economies corporations are executing these actions as a measure of their corporate plan and procedure to rise business repute in their society. Although, outcomes express a confident and positive relationship among communal linked CSR events and CP. So the first hypothesis of the study stating significant association between CSR and FP is accepted as the outcomes also confirm such relationship.

So far as the findings of control variables are concerned, Leverage has a negative and significant influence on the dependent variable ROA as its co-efficient is (-6.8985) with p-value (0.0043). The negative observation on the part of this variable is consistent with the view that more profitable or firm with well financial performance uses les amount of debt. The findings are consistent with that of Demsetz and Villalonga (2001), Himmelberg et al., (1999) and Welch (2003) said that leverage has inverse influence on the FP. Moreover, high leverage
obliges the administrators to take investment decisions in such a way which explore innovative opportunity, thus negatively impact returns of companies (Inour & Lee, 2011). A corporation with high leverage ratio infers that corporation is more probable to default, hence, it poses higher risk chances for stakeholders. Generally companies with lower leverage ratio are more expected to employ in CSR undertakings rather than companies with high leverage ratio.

Size being second control variable occupies an inverse association with ROA as its co-efficient is (-1.916487) along with p-value (0.0000). This is an interesting result as most of the literature has arrived at the conclusion that size increases the firm performance. The present study the effect has been witnessed as to be negative. This result consistent with the firm size is size is indirectly related with FP (Donker et al. 2008). The composite business arrangement of large organization and the varied interests in them may be lead to declines in their outcomes and performance because of asymmetries information, agency costs and control (De Miguel et al. 2004; Himmelberg et al. 1999). This can be justified from the fact that large sized firms might have to incur huge costs in managing the scattered size of the organization. It can also possible that due to large size and there can also be agency problem.

In the end the effect of liquidity is positive and statistically significant as the co-efficient is (10.88946) and p-value (0.0000). Uplifted Firm performance as measured by ROA would be as a consequence of increased liquidity. It is consistent with the view (Abd-Elsalam & Weetman 2003), suggest that highly liquid corporations are more likely to disclose CSR activities because highly liquid companies want to differentiate themselves from those companies which have lower liquidity. Ezat & El-Masry (2008) argue that the CSR disclosures level has also been related to huge liquidity, while many other researchers unable to investigate any connection between CSR disclosure and liquidity (Ali et al. 2010, Samaha & Dahawy 2011).

R-square which shows the proportion of change in ROA due to variation in independent and control variables of the study. The value of R-square is (26%) which designates that 26 percent variation in ROA is explained by CSR, Leverage, Size and Liquidity. F-Statistic shows the overall significance of the variables and fitness of the model. The p-value of the test is (0.0000) which means that the model is overall fit.

In the regression results of model 2, the co-efficient of CSR is (0.101384) and its p-value is (0.0472) which means that CSR has a direct significant impact on ROA. This co-efficient value has been changed as a result of inclusion of moderator which indicates the presence of moderating role. Moreover, the significance of CSR has also reduced
because the p-value dropped from (0.0000) to (0.0472). Literately, it is situation where the impact has been weakened as a consequence of inclusion of moderator. The research of Choi et al (2010) and Gang Fu et al. (2012) also support these results. The positive effect is again consistent with Preston and O'Bannon (1997); Orlitzky, James, Schmidt, and Rynes (2003); Rim Makni et al. (2008); Ehsan and Kaleem (2012). The result express that those which invest in socially responsible activities for community enhance their firm value and sustain competitive edge in community.

In this model ownership concentration has been included as a moderator. The moderating variable has been analyzed once independently and then in the form of moderating term found by multiplying CSR with OC. The value of co-efficient of OC is (0.003575) with p-value (0.9231) which indicates that there is no independent association between OC and ROA. Thomsen & Pedersen, (2000) exhibited the insignificant effect between ownership concentration and firm value.

According to (Ahmed, Ahmed, Khan, Pasha, & Rehman, 2012; Bhabra, 2007; Cronqvist & Nilsson, 2003; Leech & Leahy, 1991) there is non-linear relationship is typically showed with large shareholdings, which is arise to the dominating shareholder attitude. This result also consistent with agency theory in which dominant families held large shares and ownership concentration is to emphasis conflicts of interest not only among manager and owners but also between minor shareholders and majorities (Chen & Steiner, 1999; Vafeas, 1999). This insignificant impact not only influence the firm performance but also expropriate the level of impact of minor shareholders and other stakeholders (Cheung & Chan, 2004). On the other hand, the dominant interest of heavy shareholders may be insignificantly influenced firm performance (Ahmed et al., 2012; Bhabra, 2007; Chen & Steiner, 1999; Claessens & Yurtoglu, 2013; Fama & Jensen, 1983).

Now, the discussion is turned towards moderating impact of ownership concentration. To account for intervention the OC is multiplied by CSR. The co-efficient of moderating term is (0.001265) with p-value (0.0050) which suggests that intervening term is significantly and positively impacting the ROA. This suggests that the existence of bulky shareholders encourages the dominant shareholders to do good overall inspiration. In developing economies like Pakistan companies have shown higher ownership concentration (Dam & Scholtens, 2013), family domination (Castellaneta & Gottschalg, 2016), weak legal and regulatory backgrounds (Herrera, Roman, & Alarilla, 2010), superior government possession (Abdullah et al., 2011),
more diverse shareholder summaries (Zhao, 2012), and prominent control (Du, Swaen, Lindgreen, & Sen, 2013). Such distinctive appearances of developing countries make them exclusive in nature.

The moderating variable influence the relationship between CSR and firm performance positively and significantly but due to the moderator this association between CSR and FP become weak. Because Pakistani companies are more family firms and ownership concentrated due to weak legal environment so, they are less paying attention to invest in community and CSR undertakings. The greater ownership concentration firm’s supports block shareholder that has less influence the community betterment and CSR disclosure. Hence there is rational doubt about the influence the effectiveness of ownership concentration and the firm environment activities on firm performance (Khan et al., 2013).

So that second hypothesis of the study regarding the significant influence of ownership concentration on relationship between CSR and ROA is accepted.

So far as the findings of control variables are concerned, Leverage has a negative and significant influence on the dependent variable ROA as its co-efficient is (-6.8985) with p-value (0.0043). The negative observation on the part of this variable is consistent with the view that more profitable or firm with well financial performance uses less amount of debt. The findings are consistent with that of Himmelberg et al., (1999) and Welch (2003) said that leverage has a negative influence on the FP.

Size being second control variable occupies an inverse association with ROA as its co-efficient is (-1.916487) along with p-value (0.0000). This is an interesting result as most of the literature has arrived at the conclusion that size increases the firm performance. But in the present study the effect has been witnessed as to be negative. This can be justified from the fact that large sized firms might have to incur huge costs in managing the scattered size of the organization. It can also possible that due to large size and there can also be agency problem. This result consistent with the firm size is size is indirectly related with FP (Donker et al. 2008; Garcia-Castro et al. 2010).

In the end the effect of liquidity is positive and statistically significant as the co-efficient is (10.88946) and p-value (0.0000). Uplifted Firm performance as measured by ROA would be as a consequence of increased liquidity. It is consistent with the view (Abd-Elsalam & Weetman 2003), suggest that highly liquid corporations are more likely to disclose CSR activities because highly liquid companies
want to differentiate themselves from those companies which have lower liquidity.

R-square which shows the proportion of change in ROA due to variation in independent and control variables of the study. The value of R-square is (29%) which designates that 29 percent variation in ROA is explained by CSR, OC, OC*CSR, Leverage, Size and Liquidity. F-Statistic shows the overall significance of the variables and fitness of the model. The p-value of the test is (0.0000) which means that the model is overall fit.

**Summary**

This study examines the relationship between CSR and FP in non-financial companies of Pakistan Stock Exchange (PSX), and also inspects the association between CSR and FP using ownership concentration as a moderator. To check this impact ordinary least square (OLS) was applied for a panel of 60 companies for ten years data for the period 2006-2015. 600 firm-year observations. Empirical literature and analysis reveal the relationship between CSR and FP is highly significant. These results suggest that Pakistani companies incline to do maximum investment for the betterment of community and social benefits. Then they produce more outcome due to invest in CSR undertakings and disclosing CSR items and it have a strong positive and highly significant impact on constructing and maintaining a satisfactory repute in society.

Stakeholders’ theory and the legitimacy theory are consistent with this view support these findings. The results of this study has recognized that there is a link between CSR and FP. Furthermore we can say that better CSR indications to expansion of firm value and then companies will be able to more investing on CSR undertakings, and preemptive initiatives engaged on CSR will consequence in enhanced financial performance. Corporations which have better financial position have more funds to invest in community domains, for example employee benefits, community concerns and environmental protection concerns. This distribution may be intentionally associate to build good image in society and improved link with the society.

This study also investigated the role of ownership concentration on the relationship between CSR and FP. This study conclude that there is positive and significant relationship between CSR and FP. this study also shows that the moderation effect is exiting between independent and dependent variables. The significance level has been changed as a result of inclusion of moderator which indicates the presence of moderating role. Moreover, the significance of CSR has also reduced because the p-value dropped. Literately, it is situation where the impact has been
weakened as a consequence of inclusion of moderator. The moderator. Our study confirms the suggestion of prior studies that ownership concentration influence strategic planning and decisions of the corporation by presenting that investors have unlike behavior or attitudes toward CSR commitment. We establish that top shareholder in Pakistan lead to be less concentrated in enlightening their corporations’ CSR disclosure ratings. This conclusion improves our understanding on the relationship between CSR and FP, ownership concentration as a moderator.

Research Contribution

This research has made unique contribution into the literature. In additional, the objective of this research not generalizes the whole CSR of Pakistan through its outcomes. Relatively, it has tried to maintain a CSR index and framework for quantifying the CSR practices with using ownership concentration as a moderator. Previous studies have investigated CSR in developed and emerging countries and the association between the CSR and FP in developing and developed countries. So, this study presents their involvement to the CSR literature in Pakistan.

This study also investigates the relevance of various theories for explaining CSR concept and for finding the association among variables. Specifically the theoretical contribution of this research is ensuring the support of stakeholder theory. Finally, the method which is employed for this research has made essential involvement to CSR concept in Pakistan. To assemble the data for this study, the secondary data source is used such as annual reports and sustainability reports. Moreover, to develop the CSR index, this study used a dichotomous method.

Limitation

This study exposed significant results on the CSR disclosure and its implications in Pakistan. This study aims, objectives, hypothesis was achieved successfully but every research is unfinished without its limitation so this study encountered some limitations. This research concentrates on the extent of CSR undertakings and constructing CSR disclosure index at major PSX in non-financial companies. This research has concentrated in CSR with primary stakeholder such as community, environment, employee, customer and suppliers. This study have not been focused on other essential external stakeholder such as civil society and internal stakeholder like investor, and many other sectors and companies are not a part of this research.

Only 60 companies were used for this study and limited number of observation although in PSX non-financial companies. Lastly few
variables were used for the measurement of CSR, Ownership concentration and FP. Some more suitable variable can be used in future. Lastly this study is limited to measure the FP performance measure such as ROA. Many other measure of FP such as ROE, EPS, NPM, and TBQ can be used to measure firm performance.

**Recommendation of Future Research**

Future study may explore whether related outcomes are attained from using market based measures such as Tobin’s Q. In addition the research also be can continue on comparative analysis between different sectors like manufacturing and service sectors. Research may also focus at the effect of age of corporations and the extent of CSR actions. Future study may concentrate on socially committed spending which participate the personal morals and socially responsible concerns decision making for investment. This study only focus limited Pakistani non-financial companies, cross sectional comparative study can also be done in other community in future.

In future comparative study can also be done in developed and developing comparison perspective for analyzing the nature of CSR disclosure and its link with FP with more ownership concentration measurement variable such as (top 3 or top 10 shareholder of the company).
References


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*Journal of Managerial Sciences* 385 Volume XI Number 03


