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Examining the Relationship between Corporate Social Responsibility and Financial Performance of Companies: A Case of Multinational Companies in Pakistan

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Abstract

This study examines the relationship between Corporate Social Responsibility and Financial Performance of firms. Investment in CSR activities has immense importance in this competitive world because every company tries to develop those strategies, which are useful for enhancing their monitory value. The correlation analysis revealed that there is a significant positive association between CSR and firm performance. Further to establish cause and effect between two variables, the relationship between CSR and Financial Performance is examined using OLS (ordinary least square) estimator of consecutive three years to better understand the relationship but in this article give the result of one year. The results of the study suggest that CSR has a weaker relationship and evidence to affect financial performance. Multinationals companies with a good number of financial resources available can contribute to social performance either in citizenship, workplace and environment protection. The study further shows that a company's financial performance is driven by firm's other characteristics like company's size (assets and sales) rather than only by corporate social responsibility, companies with having more resources available to engage in CSR activities mostly drives more benefit for them as compared to those companies having less investment funds for CSR.

Keywords: Corporate Social Responsibility; Citizenship Workplace; Environment; Ordinary Least Square.

Introduction

Background of the Study

Corporate Social Responsibility (CSR) has massive significance for enterprises and analysts. Numerous studies have been led to investigate the relationship between CSR and firm performance by considering different viewpoints of CSR and firms' execution. The speculation on CSR exercises considered as an expense. Yet it has a more noteworthy effect on the association's gainfulness (Baghai et al., 2014). Corporate sustainability comprises activities related to CSR and environmental management systems. Vitezić et al. (2012) defined CSR as an organizations' that balances its operations' economic, environmental, and social impacts and address the expectations of its stakeholders and society-at-large. An extensive assortment of writing has tended to the relationship

between financial performance and CSR. Nonetheless, specialists have contrasted in their discoveries about this relationship (Gonzalez-Perez, 2013; Lee et al., 2009; Thompson et al., 2013; Tsutsui and Lim, 2015). Since diverse commercial ventures contrast in their perspectives of CSR, studies including such businesses may be influenced by distinctive CSR necessities.

Henri and Journeault (2010) underlined the significance of CSR and recommended that there is a need to locate a fitting harmony between individuals, planet and benefit. As Kumar (2014) worked on the impact of CSR on sustainable development. And mentioned that spending CSR is not just important for companies but is undoubtedly extremely vital and valuable for the planet and its people (community at large, customers and employees). CSR ranges from backing of neighbourhood organizations to advancement of instructive and wellbeing improvement projects, creating of reusing projects to foundations to nearby and worldwide groups, elevating minority job chances to impetuses for representatives, building association with partners to going along standards and laws of directing powers alongside considering investors claims (McKee et al., 2009; Patel and Alexander, 2015). As the backers of CSR keep on gaining force, and the interest of social obligation increments, more associations are turning out to be socially and environmental capable (Hoffman, 2000; Hollender, 2006; Makower, 2011; Neilson, 2012). As reported by the counselling firm KPMG (Klynveld Peat Marwick Goerdeler) in 2005, of the 250 organizations in the International Survey on CSR Reporting, 52% went past distributed only their yearly report and included a report on corporate social responsibility (Agénor and Montiel, 2008; Chami et al., 2008; Montiel, 2008). CSR is no more a belief system; it has turn into a reality (Banerjee, 2008; Maon and Swaen, 2009; Van Marrewijk, 2003), and an indispensable piece of business technique for some associations (Argandona et al., 2009; Esken, 2014; Ozgen and Baron, 2007; Wesley, 2013).

Taking Pakistan into the CSR perspective derives the responsible competitiveness, for which collaborative efforts are required that supports the compliance culture and an environment that enables the responsible practices and thinking. Emphasizing the priority of CSR in national policy and by the development and implementations of a national CSR strategy can make it only possible. From this first step, practices of CSR are required to develop through an institution for the CSR dialogue that responds to demands of the ever-changing market (Waheed, 2005). Small and Medium Enterprises (SMEs) approach to CSR in Pakistan is unstructured. However, they are practicing CSR activities in an informal manner with mixed (internal as well as external oriented) methods in most cases. However, few SMEs are also practicing CSR activities in formal manners with external oriented dominant methods over internal methods (Raza and Majid, 2015). In recent years, the concept of CSR has received considerable interest from the academics, businesses, and non-governmental organizations (NGOs). Globally, many companies are proactively seeking opportunities to invest in CSR practices to achieve business competitiveness and societal legitimacy. However, the practices of CSR adopted in the whole world reflect a stark variation. The concept of CSR has been extensively explored in the context of western business concept. Nonetheless, there is a paucity of research on how CSR is perceived and practiced in the developing world (Dobers and Halme, 2009; Jeswani et al., 2008; Lund-Thomsen, 2004; Prieto-Carro´n et al., 2006). Relatively in Pakistani business context little research has been conducted on CSR (Ehsan and Kaleem, 2012; Sajjad and Eweje, 2014). Essentially Pakistan presents a unique case for CSR as currently, the country is facing a range of problems including political instability, a fragile economy, inadequate regulatory framework, social unrest, energy deficit, rampant corruption and terrorism (Sajjad and Eweje, 2014). At a broader level, all these issues have implications for the corporate sector, specifically, in terms of CSR implementation. Therefore, there is an intense need to examine how CSR can significantly impact on the financial performance of firms. Pakistani companies are integrating CSR principles in their business decisions given the above political, social, economic, and environmental challenges. Aside from the unique context of Pakistan, the research on the nature and scope of CSR-related developments in Pakistan as well as the current state of CSR adoption by Pakistani businesses is rather underdeveloped. Basically, it means working together alongside fulfilling social orders through carrying on morally in social and ecological

viewpoint. This study thus aims to assess the effect of the CSR activities on the financial performance of firms.

Data Collection

The research is based on empirical data to assess the relationship between CSR and firm performance. In addition, this study carefully chooses the measurements from previous literature for the successful and reliable results. The data was collected using reliable sources and company's financial statements. The data analysis was done using EViews to empirically investigate the proposed relationship between CSR and firm performance. The data of twenty-five multinational companies was collected for consecutive three years 2009, 2010 and 2011. The selected companies' data was collected for the variables ROA, ROE, Sales, Assets, Financial Leverage and CSR Score. The multinational companies' data was collected as the data for Pakistani local companies CSR investment was not available. It has been also observed that multinational companies have more budget allocation for investing in the CSR-related activities. These twenty-five companies includes Pepsi-Cola, Coca-Cola, Procter & Gamble, Unilever, Kraft foods, 3M(Minnesota Mining and Manufacturing Company), Caterpillar Inc., Johnson & Johnson, Microsoft, Google, Sara lee, Intel, Walt Disney, Kellogg, General Mills, FedEx, Hershey Company, Green Mountain Company, Clorox Company, Texas Instruments, Lowe's Home Improvement, Ups Company, Amazon, Campbell Soup.

Instruments and Measures

The following section discusses in detail the measures that have been used to measure CSR and financial performance of multinational firms.

Corporate Social Responsibility (CSR)

To measure CSR, current study used Corporate Social Responsibility Index of "Reputation institute conjunction with Boston College Centre for Corporate Citizenship"1 , this index rates company on seven degrees of social responsibility of which three are Citizenship, Governance and Workplace and others are economic and market-driven results (Innovation, product and service, Performance and Leadership).This Index is the combined average perception of the general public and this combined score provides full insight of understanding the role of companies in the social environment so that it can be a helpful influence for the stakeholder program, policies and reputation for the society and country. This index is not based on self-reported corporate information but from 24000 ratings from public across the United States. The multinational companies' data was collected for the current study as the data on local companies CSR investment was not available. It has been also observed that multinational companies have more budget allocation for investing in the CSR-related activities in Pakistan and their index is also well maintained. The CSR index is a well-known measure used in the previous studies on CSR. These twenty-five companies include Pepsi-Cola, Coca-Cola, Procter & Gamble, Unilever, Kraft foods, 3M(Minnesota Mining and Manufacturing Company), Caterpillar Inc., Johnson and Johnson, Microsoft, Google, Sara lee, Intel, Walt Disney, Kellogg, General Mills, FedEx, Hershey Company, Green Mountain Company, Clorox Company, Texas Instruments, Lowe's Home Improvement, Ups Company, Amazon, Campbell Soup. The data for these companies have been collected from the index for the year 2009, 2010 and 2011.

Financial Performance

The word finances no doubt preach money and may further imply firms' profit or income which is one of the indicators used to determine the firm's profitability and the success which the firm has achieved over a particular time. According to different researchers, the financial measure is considered the best indicator of firm performance (Matook, 2013; Raymond et al., 2013; Hashim, 2008). The reason might

be that the whole objective of the various firms is covered with the financial measure like profitability. In fact, the success and performance of the firm are basically measured with financial measures. Considering the performance of the firm, the use of a firm financial measure is wide and common (Gielnik et al., 2012; Teeratansirikool et al., 2013). For instance, the authors argued that in the academic field, in the discussion of performance, the financial indicators are of more importance. The reason might be the easiness in use while ranking a firm's performance in its business activities. Growth, effectiveness, profit, cost etc. are included in the performance related financial measures. Various researchers indicated many possible measures for performance. For instance, the sale performance, associated with incentives for salespeople, refers to the greater responsibility in the marketing management (Homburg et al., 2012). Garg (2013) states that in the perspective of the business owner, firm performance measurement is useful to observe the significant results and management behaviours for improvement of performance. Moreover, the market-based measures have a difference with the accounting measures. Accounting measures reflect the previous period assessment while market-based measure refers the future expectations of shareholders. Furthermore, Raymond et al. (2013); Yongqiang et al. (2012) and Blackburn et al. (2013) in their study adopted a financial measure and argued that financial measure is the most appropriate technique for measuring firm performance. Raymond et al., (2013) and Matook, (2013) argued that financial measure of firm performance has an inherent advantage in using financial performance measure in the measuring performance. Yang and He (2014) noted that the use of financial measure is not influenced by firm specific financial reporting rules and thus argued that financial performance is the best indicator for measuring performance. Accordingly, Gunday et al., (2011) in their study of effects of innovation types on firm performance adopted financial performance measure to measure firm performance and thus justified why financial performance approach is appropriate in measuring performance. Wagner (2012) have reported the use of financial performance measure to assess the performance of firms that are involved international trade. They argued that financial indicators are the best way of measuring firm performance most especially international performance of the firms. Still on this discussion, Hung and Chou (2013) suggested that the financial aspects of performance should be considered in measuring performance. In addition, based on observation of selected journal articles, Raymond et al., (2013) indicate that sales growth and profitability are measured as firm growth. Accordingly, Teeratansirikool et al. (2013) most of the studies, as well as researchers, considered only financial measures. Meanwhile, Yang and He (2014) and Blackburn et al., (2013) argued that financial indicators are most important in measuring firm performance due to the company owners and founder's interest on return. LiPuma et al. (2013) and Gielnik et al. (2012) in measuring firm performance concentrated on the financial measure and argued that it is the best since it tends to address the most crucial aspect of performance. In line with this, current study evaluated financial performance of multinational companies from their Annual financial reports, the variables are (Return on asset or ROA) and Market-Based (Return on equity), here current study used the effect of financial performance on the basis of return on asset (ROA) because the results with the return on equity ROE is not consistent with the CSR.

Data Analysis Techniques and Procedures
The link between financial performance and CSR has been tested using ordinary least square estimator. The following equations were run for each year separately i.e. 2009, 2010 and 2011 to assess the impact of CSR on the financial performance of the multinational firms. The following equations were used to model the proposed relationship using econometric modelling. This approach involves regression models of the functional form for the year 2009, 2010 and 2011.

$$CSR_i = \beta_o + \beta_1 \, roa_i + \beta_2 \, roa_i * S_i + \beta_3 \, ast_i + \beta_4 \, ast_i^2 + \beta_5 \, S_i + \beta_6 \log(S_i) + \beta_7 Fl_i * ast_i + \varepsilon_i$$

$$roa_i = \beta_o + \beta_1 \, csr_i + \beta_2 \log(csr_i) + \beta_3 \, ast_i + \beta_4 \, ast_i^2 + \beta_5 \, S_i \log(S_i) + \beta_6 \log(fl_i) + \beta_7 \log(fl_i)^2 + \varepsilon_i$$

The link between financial performance and CSR for the year 2010 has been tested using the following functional form.

$$CSRi = \beta o + \beta 1\, roai + \beta 2 \log(roai) + \beta 3\, asti + \beta 4\, asti^2 + \beta 5\, asti^3 + \beta 6 Si + \beta 7 Si^2 + \beta 8 Si^3 + \beta 9 fli + B10\, fli^2 + B11\, fli^3 + \varepsilon i$$

$$roai = \beta o + \beta 1\, csri + \beta 2 csri^2 + \beta 3\, csri^3 + \beta 4\, asti + \beta 5\, asti^2 + \beta 6 asti^3 + \beta 7 Si + \beta 8 Si^2 + \beta 9\, Si^3 + B10 fli + B11 fli^2 + B12 fli^3 + \varepsilon i$$

The link between financial performance and CSR for the year 2011 has been tested using the following functional form:

$$CSRi = \beta o + \beta 1\, roai + \beta 2 roai^2 + \beta 3\, roai^3 + \beta 4\, Si + \beta 5 \log(Si)^3 + \beta 6 asti + \beta 7 asti^2 + \beta 8 fli + \beta 9 fli * Si + \varepsilon i$$

$$roai = \beta o + \beta 1\, csri + \beta 2 csri^2 + \beta 3\, csri^3 + \beta 4\, Si + \beta 5\, Si^2 + \beta 6 Si^3 + \beta 7 asti + \beta 8 asti^2 + \beta 9\, asti^3 + B10 \log(fli) + B11 \log(fli) + \varepsilon i$$

To test the relationship empirically Eviews 5.0 was used. The model of the current study was tested using OLS regression analysis that could analyse the relationship between independent and dependent variables due to its Best Linear Unbiased Estimator (BLUE) property.

Results of the Data Analysis
The data of the current study has been analysed using correlation and regression analysis. The descriptive statistics was conducted to assess the nature and description of data based on mean, median, standard deviation, minimum and maximum of data. Table 1 provides summary of statistics for measuring of Corporate Social Responsibility and financial performance and control variables of 2009, 2010 and 2011 respectively. The variable CSR is corporate social responsibility, which is derived from the reputation Institute Index ranges from minimum value 67.22 to maximum value 79.52 with a median score of 73.4 in the year 2009. CSR score in the year 2010 ranges from minimum value 72.52 to maximum value 82.67 with a median score of 75.22 and in the last year 2011, CSR score ranges from minimum value 71.58 to maximum value 77.10 with a median score of 73.89.

Table 1: Descriptive Statistics with Corporate Social Responsibility score and Financial Performance

Descriptive statistics and CSR score 2011						
Years		Mean	Median	SD	Min	Max
2009	CSR	73.5242	73.4	3.4108	67.22	79.52
	ROA	0.0979	0.0973	0.0515	0.0039	0.1933
	AST	36.7725	33	26.368	0.8134	94.68
	S	31.2328	32.4	21.021	0.7861	76.69
	FL	1.5638	1.1273	1.1477	0.2466	3.923
2010	CSR	76.4802	75.22	2.8616	72.52	82.67
	ROA	0.1109	0.1082	0.0519	0.0435	0.2287
	AST	46.3307	33.7	35.816	1.371	128.17
	S	35.3526	35.12	21.618	1.357	78.94
	FL	1.9703	1.3282	1.6569	0.251	5.7556
2011	CSR	74.1439	73.89	1.3844	71.58	77.1
	ROA	0.102	0.1036	0.0394	0.0286	0.1926
	AST	51.988	34.7	39.615	3.198	138.35

S	40.3193	46.54	24.05	2.651	82.56
FL	3.9593	1.5053	9.5974	0.2481	47.4069

This table provides data on corporate social responsibility (from Reputation Institute Index) and financial performance over the period of 2009, 2010 and 2011 respectively, CSR is corporate social responsibility, ROA is Return on the asset, AST is Assets, S is Sales and FL is financial leverage. The correlation matrix for the sample of firms used in this study with the same variables of 2009 is described in the Table 2. This study is interested in the correlation between the measure of CSR and financial performance. The correlation matrix for all three years for 2009, 2010 and for 2011, respectively is given to understand the relationship in three consecutive years easily. In 2009 that CSR is positively correlated with ROA (financial performance variable), sales and financial leverage and negatively correlated with company's assets. This descriptive statistics correlation does not provide information regarding casualty but only provide insight and evidence that both variables are directly related.

Table 2: Correlations between Corporate Social Responsibility and Firm Characteristics

Correlation between CSR and Financial Performance 2009					
	CSR	ROA	AST	S	FL
CSR	1.0000	-	-	-	-
ROA	0.259411	1.0000	-	-	-
AST	-0.45659	-0.045425	1.0000	-	-
S	0.197629	0.093739	0.486530	1.0000	-
FL	0.030821	0.072635	0.892230	0.112645	1.0000

This table presents correlation coefficients between a measure of corporate social responsibility and other firm characteristics. CSR is the social responsibility score; S and AST are the total sales and total assets. Financial leverage is long-term debt divided by total assets. Table 3 shows the correlation matrix for the sample of firms used in this study for the year 2010. The current concerned about the correlation between the measure of CSR and financial performance. It can be observed that CSR is positively correlated with ROA (Return on Assets), sales and AST and negatively correlated with financial leverage.

Table 3: Correlations between Corporate Social Responsibility and Firm Characteristics

Correlation between CSR and Financial Performance 2010					
	CSR	ROA	AST	S	FL
CSR	1.0000	-	-	-	-
ROA	0.134956	1.0000	-	-	
AST	0.468236	0.234659	1.0000	-	-
S	0.297540	0.188292	0.864207	1.0000	-
FL	-0.07537	-0.276407	-0.324351	-0.187831	1.0000

This table presents correlation coefficients between a measure of corporate social responsibility and other firm characteristics. CSR is the social responsibility score; S and AST are the total sales and

total assets. Financial leverage is long-term debt divided by total assets. table 4, shows the correlation matrix for the sample of firms used in this study with the year 2011. This also shows a correlation between the measure of CSR and financial performance. It is clearly indicated that CSR is positively correlated with ROA (Return on Assets), and negatively correlated with sales, AST and financial leverage. This descriptive statistics correlation also does not provide information regarding casualty but only provide insight and evidence that both variables are directly related.

Table 4: Correlations between Corporate Social Responsibility And Financial Performance 2011

Correlation between CSR and Financial Performance 2011					
	CSR	ROA	AST	S	FL
CSR	1.0000	-	-	-	-
ROA	0.085714	1.0000	-	-	-
AST	-0.10548	-0.191573	1.0000	-	-
S	-0.020352	-0.22659	0.868600	1.0000	-
FL	-0.03044	0.135728	-0.308006	-0.344644	1.0000

This table presents correlation coefficients between a measure of corporate social responsibility and other firm characteristics. CSR is the social responsibility score; S and AST are the total sales and total assets. Financial leverage is long-term debt divided by total assets.

OlS Estimates for the Year 2009

Table 5 present the results of ordinary least square estimator with the dependent variable corporate social responsibility and in table 6 presents the results with the dependent variable Return on assets. In table 5 the primary independent variable is financial performance measured by ROA (return on asset), AST as assets, S as sales and FL as a financial leverage are included as control variables for the leverage and firm size. In table 5 shows that the relationship between corporate social responsibility and financial performance is significant at 5% significance level. Assets, sales are also significant at 1% significance level, but financial leverage is negative and significant at 5% significance level suggesting that company with a higher level of debt financing demonstrate a lower level of CSR. Coefficients on the size control variables (total assets and sales) are positive and significant, which suggest that larger companies may have greater capital and resources available to support CSR efforts as can see results from the model (8).

Table 5: Ols Estimator of Corporate Social Responsibility and Financial Performance

Dependent variable Corporate Social Responsibility (2009)								
Variable s	1	2	3	4	5	6	7	8
C	71.8344 (48.8412)	72.0233 (47.6262)	75.3427 (48.2297)	75.9082 (44.5971)	78.4356 (21.0446)	77.0332 (19.9291)	79.0312 (24.769)	77.0959 (25.2566)
ROA	17.3167 (1.24697)	6.7289 (0.3760)	-16.2136 (-1.0091)	-14.8781 (-0.9158)	-36.5954 (-1.1152)	-42.2817 (-1.2904)	-61.110** (-2.2845)	-54.1988** (-2.21448)
RAO*S		0.2777 (0.9420)	0.8419* (2.9105	0.9036* (3.0146)	1.5165** (1.7695)	1.7442**	2.2866*	2.14951* (3.30464)
AST				-				-0.23116* (-3.40798)

AST2			)			(2.0097)	(3.20163)	0.00171** (2.46266)
S			-0.0860* (-3.4399)	0.1534*** (-1.8798)	-0.1585*** (-1.9133)	-0.1824** (-2.1643)	-0.2661* (-3.6811)	-0.2137** (-2.47787)
LOG(S)				0.0007 (0.8677)	0.0008 (0.8915)	0.0010 (1.1163)	0.00163** (2.1661)	2.28703** (2.71794)
FL					0.0010 (1.1163)	-0.1513 (-1.3319)	-0.2355* (-2.4928)	1.05579 (1.47947)
FL*AST					-0.0705 (-0.7646)	1.3573 (1.1917)	2.3441** (2.5239) -0.0937 (-0.207)	-0.03323 (-1.96379)***
R-Squared Adjusted R-Squared S.E of Regression Durbin-Watson Stat Prob (F Statistic)	0.0660 0.0235 3.2567 2.0517 0.2255	0.1038 0.0185 3.2651 1.9878 0.3160	0.4544 0.3683 2.6610 1.3699 0.0081	0.4763 0.3599 2.6785 1.4265 0.0156	0.4937 0.3448 2.7099 1.5648 0.0284	0.5350 0.3606 2.6770 1.6187 0.0340	0.7581 0.6279 2.0803 2.3038 0.0031	0.81700 0.69501 1.88366 1.92648 0.00189
Note: * is for 1% significance, ** is for 5% significance and *** is for 10% significance								

CSR is the social responsibility score from the Reputation Institute Index, S and AST are the total sales and total assets. FL is financial leverage long-term debt divided by total assets. Numbers in parentheses are t-statistics. *, **, *** indicates significance at the .01, 0.05, 0.1 levels, respectively. Table 6 provides the result of the model with Return on assets-ROA as a dependent variable and an independent variable is CSR vice versa to the first model to find the vice-versa relationship. There is not the significant result of CSR when it is the independent variable; it means that CSR does not lead companies to improve their financial performance (variable shown here is ROA). The coefficients on the control variables, which are for company's size (sales and assets), are positive and significant at 5% and 10% significant level. It suggests that larger firms have more resources available to contribute to socially responsible investment. These results suggest in model (8) by controlling firm size variables, the relationship between the corporate social responsibility and financial performance is not strong and significant and it means that companies that are doing socially good they may not get good increment in financial performance but those companies that have good amount of resources available that can contribute to CSR efforts. CSR is the social responsibility score from the Reputation Institute Index, S and AST are the total sales and total assets. FL is the financial leverage measured with using long-term debt divided by total assets. Numbers in parentheses are t-statistics. *, **, *** indicates significance at the .01, 0.05, 0.1 levels, respectively.

Table 6: Ols Estimator of Corporate Social Responsibility and Financial Performance

Recapitulation of the Study Findings
This study was aimed to empirically investigate the impact of CSR investment on the financial performance of the multinational companies. Moreover, to assess the year-by-year effect of CSR investment on performance this study used three separate models to establish a link between CSR and financial performance of the multinational companies. This study used CSR index to collect the data on CSR from a well-developed index "Reputation institute conjunction with Boston College Centre for Corporate Citizenship", this index rates company on seven degrees of social responsibility of which three are Citizenship, Governance and Workplace and others are economic and market-driven results. The 25 five companies in this current research are selected based on their set-up in Pakistan and CSR ship projects. These 25 companies (Pepsi-Cola, Coca-Cola, Procter & Gamble, Unilever, Kraft foods, 3M(Minnesota Mining and Manufacturing Company), Caterpillar Inc, Johnson & Johnson, Microsoft, Google, Sara lee, Intel, Walt Disney, Kellogg, General Mills, FedEx, Hershey Company, Green Mountain Company, Clorox Company, Texas Instruments, Lowe's Home Improvement, Ups Company, Amazon, Campbell Soup) are running currently in Pakistan and actively investing money in the CSR project as compared to local companies. The research question of the research study was mainly to investigate the relationship of the corporate social responsibility and firm performance and the impact of corporate social responsibility on the financial performance of multinational companies. This study answered research questions using the data from of 25 multinational companies for three years 2009, 2010 and 2011. Eviews 5.0 was used to test the relationship empirically. The model of the current study was tested using OLS regression analysis that can analyse the relationship between independent and dependent variables due to its Best Linear Unbiased Estimator (BLUE) property.

Discussion
In the first hypothesis, it was hypothesised that there is an association between CSR and firm performance, from the results CSR is positively correlated with ROA (Return on Assets), sales and AST and negatively correlated with financial leverage. This indicates that there is a relationship between CSR and firm performance. But this result was not sufficient to establish a causal relationship between CSR and firm performance. The results of OLS regression for the relationship between corporate social responsibility and financial performance showed that assets, sales financial leverage have a significant impact on CSR, these results suggest that company with a higher debt financing

Dependent variable Return On Assets (2009)

Variables	1	2	3	4	5	6	7	8
C	-0.1837 (-0.8169)	18.2876 (0.5554)	17.5349 (0.500)	17.2440 (0.5091)	16.8909 (0.4892)	23.6868 (0.6704)	31.3797 (0.7631)	36.7? (0.99
CSR	0.0038 (1.2469)	0.0804 (0.5887)	0.0779 (0.5365)	0.0763 (0.5544)	0.0762 (0.5337)	0.1048 (0.7164)	0.1395 (0.8163)	0.16 (1.05
LOG(CSR)		-5.6108 (-0.5610)	-5.3937 (-0.5066)	-5.3046 (-0.5159)	-5.2203 (-0.4981)	-7.2834 (-0.6791)	-9.6650 (-0.7738)	-11.3 (-1.0
AST			0.0001 (0.3905)	0.0021 (1.5873)	0.0024 (1.6554)	0.0026*** (1.7878)	0.0036*** (1.8535)	0.00: (2.85
AST^2				-2.330 (-1.5404)	-2.530 (-1.6005)	-2.720 (-1.7026)	-3.530*** (-1.8128)	-5.45 (-2.7
S					-0.0003 (-0.5750)	0.0004 (0.3915)	0.0004 (0.4194)	0.00 (0.96
LOG(S)						-0.0203 (-0.9570)	-0.0268 (-1.1022)	-0.04 (-1.8
FL							-0.0071 (-0.5828)	-0.02 (-1.8
LOG(FL)^2								0.04? (2.06
R-Squared	0.0660	0.0798	0.0855	0.1920	0.2075	0.2504	0.2894	0.470
Adjusted R-Squared	0.0235	-0.0078	-0.0588	0.0125	-0.0255	-0.0306	-0.0931	0.12(
S.E of Regression	0.0483	0.0490	0.0512	0.0495	0.0504	0.0505	0.0539	0.04:
Durbin-Watson Stat	1.8610	1.8683	1.9060	1.9203	1.8745	2.1540	2.4433	1.96
Prob (F Statistic)	0.2255	0.4175	0.6273	0.4001	0.5091	0.5243	0.6317	0.30:

Note: * is for 1% significance, ** is for 5% significance and *** is for 10% significance

level demonstrate a lower level of CSR. In contrast to this Karagiorgos (2010) argued that there is no strong evidence that can lead CSR to enhance the financial performance in terms of ROE, ROA. On the other hand, results also indicated that coefficients on the size control varia significant and sales) are positive and significant, and indicates that larger companies may have excess capital and greater resources available to support CSR efforts. The results of the study of Mackey et al. (2007) also supported the results that the financial issues of the companies and have described, those firms focusing more on investing social activities face a lower cost of debt financing as compared to the firms focusing on less investing in social activities. Sweeney (2009) realised that a firm size was directly proportional to the firm's CSR investment. The more a firm invested in CSR, the more profitable it becomes. A firm was considered socially responsible only if it considered the social needs of its stakeholders. Implementation of CSR strategy and firm size is crucial in determining ROE of a firm (Carmen-Pilaret al., 2011). The result of the model, which assesses the impact of Return on assets-ROA as a dependent variable and an independent variable, is CSR shows that there is non-significant result of corporate socially responsible on the financial performance of companies. The coefficients on the control variables, which are for company's size (sales and assets), are positive and significant which suggests that larger firms have more resources available to contribute to socially responsible investment. Further, these results suggest that by controlling firm size variables, the relationship between corporate social responsibility and financial performance is not strong and significant. This

clearly indicates that companies that are doing socially good they may not get good increment in financial performance but those companies that have a good number of resources available that can contribute to CSR efforts. The studies of Daniel (2014) have shown that there is a close relationship between CSR and firm's long-run profitability. However, these studies have failed to tell how a firm's financial performance would improve per shilling spent on CSR. The results are also in line with Karagiorgos (2010) in which he found there is no strong evidence that can lead CSR to enhance the financial performance in terms of ROE, ROA and performance of the stocks. The coefficients on the control variables, which are for company's size (sales and assets), are positive and significant and suggest that bigger firms have more resources available to add value in the socially accountable investment. These results are consistent with results for year 2009, which revealed that by controlling firm size variables, the relationship between corporate social responsibility and financial performance is weak and non-significant which indicates that companies that are doing well in social context they may not get good addition in financial performance but those companies that have superior amount of resources available that can contribute to CSR investments.

The relationship between corporate social responsibility and financial performance is positive and significant whereas, assets, sales are also significant but financial leverage is negative which suggest that company with a higher debt financing level demonstrate a lower level of CSR. Meanwhile, coefficients on the size control variables (total assets and sales) are positive and significant, suggesting that larger companies may have greater resources and capital available to support CSR efforts for the year 2011. In line with the results of current study, Carmen-Pilar et al. (2011) documented that implementation of CSR strategy and firm size is crucial in determining ROE of a firm. Sweeney (2009) also has similar results that a firm size was directly proportional to the firm's CSR investment. The more a firm invested in CSR, the more profitable it becomes. A firm was considered socially responsible only if it considered the social needs of its stakeholders. While the study of Mackey et al. (2007) also supported the results that the financial issues of the companies and have described, those firms focusing more on investing social activities face a lower cost of debt financing as compared to the firms focusing on less investing in social activities.

Implications of the Study
This current study presents various implications based on the results generated from collected data. This implication majorly discussed in two categories, theoretical and managerial implications. The section below contains the details of theoretical and practical implications.

Conclusion
There is frequent research conducted by famous researchers on the relationship between CSR and other variables, but CSR and financial performance relationship is a notable topic in both academic and corporate interest. The current study investigated the relationship between corporate social responsibility and financial performance by using CSR index and financial annual reports for the financial performance. The current study used the CSR index of population index of Boston College and used ROA to assess financial performance. The results of the current study indicate that CSR is positively correlated with ROA (Return on Assets), sales and AST and negatively correlated with financial leverage. Other researchers have examined through OLS estimation and also examined this relationship with the same method but in different perspective, this method tends to found that either financial performance increases the level of CSR activities or CSR activities affect monitory value positively or in simple words whether CSR leads to good financial performance or having superior amount of resources available to company can increase the monitory value. The results of the current study are consistent with the previous studies that the financial performance has variability to affect CSR because it shows significant and positive results and CSR is not significant to affect financial performance, but firms' other characteristics can lead to increase company's performance. The current study introduced the results with CSR (Corporate social responsibility) as a dependent variable, the

results suggest stronger relationship between CSR and financial performance but when replaced the variables (main variables) ROA as a dependent variable and CSR as independent variable for showing vice-versa results in it demonstrates weak relationship and gives evidence that CSR does not increase the financial performance. However, there is some evidence that other characteristics of companies lead to increase financial performance as shown in the results. So finally, it was found that company's sales and assets (company's size) can lead to increase return on assets not the CSR leads to increase ROA or financial performance.

Statement of Interest
All the authors of this manuscript hereby confirm no conflict of interest.

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