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The Relationship between Corporate Social Responsibility and Firm Financial Performance: A Case of Pakistan

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ABSTRACT

World's underdeveloped and conservative nations are surrounded by multiple problems ranging from political turmoil to bad economics. Political instability coupled with economic meltdown is posing serious threat to the very survival of Third World Nations on global landscape as these politically volatile, poorly managed and financially fragile nations are struggling to survive and sustain both politically and economically. Recently, development initiatives in these countries are seriously hampered by the non-availability of material resources which has resulted in form of social and economic downfall of these nations. This drastic situation requires corporate sector to play its role in the social and economic uplift of the nation. Corporate sector having enough resources can make real difference. Different Corporate Social Responsibility initiatives would be a win- win situation as Corporate Social Performance will add to Firm Financial Performance. This paper aimed at investigating the nature and strength of relationship between Corporate Social Responsibility and Firm Financial Performance using Carroll's CSR Pyramid Model. The study analyzed the data of KSE-30 index organizations using Generalized Least Square Regression. In findings, Economic and Legal Responsibility positively impacted Firm Financial Performance while Ethical and Discretionary Responsibility negatively affected Firm Financial Performance. This study would reinvigorate individual and national economy through firm superior performance. It would promote culture of compliance and care by motivating organizations to respect relevant laws.

KEY WORDS: Corporate Social Responsibility, Corporate Social Performance, Firm Financial Performance

INTRODUCTION

Much propagated globalization with booming Information Technology revolution has started to reshape the world and as a result, the gulf between the South and the North has started to widen. The South is at the crossroads, struggling for survival amidst a plethora of problems. Underdeveloped countries of the south are lacking political expediency, facing liquidity crunch, economically passing through a critical phase, and socially becoming vulnerable. Moreover, new developments on global landscape are also adding to their miseries and putting the very survival of these poor nations at stake as paucity of state funds and scarcity of other material resources are hampering socio-economic development process in these unprivileged nations.

The longstanding struggle of world's conservative nations to survive and sustain have made these nations to look towards giant organizations of the world and started to require the corporate sector to play a significant role in the social and economic development of these vulnerable nations. To the rescue of these nations, the commitment shown by the corporate sector is commendable in some parts of the world, yet the political and social impediments in other parts of the world are innumerable which delimit the corporate sector role to the socio-economic development of the nations.

Corporate Social Responsibility (CSR) can make a real difference to socio-economic development scenario in developing and under-developed nations. In Corporate Social Responsibility, organizations simultaneously take care of organizational goals and societal interests by being responsible for the impact of their activities on diverse stakeholders. CSR is gaining much popularity and significance worldwide, catering to a variety of social and economic problems which conservative nations are confronting with. Recently, there is a sea change as corporate world is adding immense importance to societal interests and incorporating socio-economic considerations into their business strategy as Corporate Social Initiatives support contribute to community health (Aids prevention, timely immunization), safety (crime prevention, driving training), education (literacy, computer training) and employment (job training) and environment etc.

In today business environment, Corporate Social Responsibility is assuming greater importance. Current developments on business spectrum have renewed interest in CSR and have asked for enhanced transparency and corporate citizenship. So it has caused CSR to grow exceptionally during the last decade. Majority of Fortune 1000

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companies have started issuing corporate social responsibility report annually. Conventionally, the governments solely have been fulfilling the responsibility of upgrading living standard of the population in terms of education, training, health, environment and culture etc. However, with the passage of time, public needs have surpassed the capacity and capability of governments to fulfill them. Therefore, the role of business has come into limelight and being revisited to extend it beyond economic dimension.

So, it is causing a paradigm shift in the role and responsibility of modern day corporation and redefining its role from mere compliance to extended engagement, from damage control to value creation. Since, the private sector is rich and resourceful, capable and competent to extend its role beyond economic sphere; so there is strong need to make it an active partner in a socio-economic development of the developing and underdeveloped nations. Now business world has started realizing that Corporate Social Sustainability is a positive-sum game. Corporate Social Responsibility is firmly now on business agenda of corporations across the borders and has shifted from margin to mainstream of business practice.

For Corporate Social Responsibility, companies incorporate their social, legal and environmental priorities into business operations and consequently corporate social performance (CSP) measures the CSR element visible in business operations, and its likely impact on society. Business owed to society in terms of its care and business managers need to make decisions recognizing the bond between the business and society. It is therefore responsibility of business to act ethically and contribute to societal uplift at large. This can be achieved through the various CSR activities that the business chooses to engage in for the benefit of its stakeholders (such as employees, suppliers, shareholders, government, community/society and customers).

But still there is a considerable gap between corporate rhetoric and practice on the ground. This study aims at investigating the nature and strength of prevailing relationship between Corporate Social Performance and Firm Financial Performance. This study will conduct a firm-level analysis using a new set and source of data on corporate social performance from Pakistan. Moreover, it will investigate the relationship of different components of CSR with financial performance of the firm.

CSR in Pakistan:

Pakistan, a third world nation and 6th most populous country of the world, low-income economy with inept and inefficient large public sector. Pakistan has been facing serious economic challenges on both domestic and external fronts starting from early years to current regime. Among others, abject poverty has been the real concern for the country, about 1/3rd of population is still living below poverty line. The issue of income inequality has been critical, inter and intra- provincial disparity in terms of income distribution in Pakistan is significantly wide. The factors responsible for this miserable state of affairs range from governance crisis to weak institutions, inept management, education & training, women development, lacking entrepreneurial facilities, corrupt practices, political disorder and adhocism in policy making.

In Pakistan, the role of corporate sector has been much traditional and remained hostage to economic considerations, putting community interests on the back burner. CSR has been the most neglected issue in Pakistan because of divergence of interests between corporate sector and society. Social sector has been the most neglected sector in Pakistan. Investment in education and health has been marginal since the beginning. The dismal picture of socio-economic priorities and achievements leaves the country vulnerable to socio-economic development. Low growth (both social and economic) coupled with scarce resources strongly suggest the defined corporate sector role as a rescue to the nation's situation and make up for the cut in government spending on health and education.

Social Responsibility (CSR) has become a hot topic in today's business landscape. In Pakistan, CSR is still a new concept and yet at an embryonic stage. Different credit rating agencies have started surveying different companies in order to review their corporate social performance. Only few companies have a comprehensive CSR strategy and pursue corporate social responsibility parameters and set of standards. Unfortunately, it seems that the local corporations are either ignorant of the paybacks brought by corporate social responsibility or they consider it irrelevant.

A study using the corporate data developed the report regarding the CSR compliance in Pakistan for RBI, (Responsible Business Initiative) and highlighted the indifference of the domestic business sector. Continuous development was becoming a more popular subject, and the empirical researchers were getting interested in awareness of how stakeholder management could foster financial performance.

Pakistan Centre for Philanthropy is the premier institution promoting an environment of corporate giving in the country. As a part of its missionary endeavor, the Centre observes and monitors philanthropic practices and carefully researches potential area of growth that can lead to positive difference in peoples' lives. This Centre' conducts research to promote synergistic partnerships across business, government and civil society. This Centre has conducted a research on corporate philanthropy by public listed companies in Pakistan. This survey revealed that Public listed companies donated Rs 2.35 billion in 2012 registering tenfold increase. This donation amounted to Rs

228 million in 2009. The contributions for 2012 are measured at 0.9% of profit before tax witnessing an increase of 0.3% from 2011. The international benchmark is 1% of profit before tax (PBT). Although profit before tax witnessed a decline of 25% yet the volume of donations registered an increase of 5.1% from the previous financial year. The total percentage of Public Listed Companies involved in Corporate Philanthropy was noted at 57. This percentage is 6% greater than the preceding year. 73% of the total donation was contributed by the top 25 companies and the number of companies contributing Rs 5 million or more swelled by 40% from 48 in 2011to 65 in 2012. Corporate giving trends according to this research are given in the following table:

Table: 1 Philanthropy Trends by Public Listed Companies

Year	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Number of companies involved in philanthropy	306	276	289	328	298	282	286	281	267	262
Total Sample	541	547	534	545	550	551	567	567	550	499
%age of sample involved in philanthropy	56	50	53	59	53	50	50	49	48	52

Table: 2 Top Five Companies by Volume of Donation

Sr. No.	Name of the Company	Sector
1	Pakistan Petroleum Limited	Oil and Gas
2	Engro Corporation Limited	Chemicals
3	National Bank of Pakistan	Commercial Bank
4	Allied Bank Limited	Commercial Bank
5	Nestle Pakistan	Food

Table: 3 Top Five Companies by %age of Profit Before Tax

Sr. No.	Name of the Company	Sector
1	N.P Spinning Mills	Textile
2	Highnoon Labs	Health Care Equipment and Services
3	Ellcot Spinning Mills	Textile
4	Bannu Wollen Mills	Textile
5	Crescent Jute Products	Textile

LITERATURE REVIEW

Corporate Social Responsibility is still an evolving concept and different scholars have defined CSR in different ways but all the authors have one point in common that the corporations should equally address economic and societal interests during the course of its business [1]**.** Corporate Social Responsibility (CSR) is generally considered as a way, the company integrates its economic, social and environmental roles by living up to expectations of all the diverse stakeholders. The basic concept suggested corporation to conduct its business operations in a way that might cater to the needs of diverse stakeholders [2].

Corporate Social Responsibility is about management practices of a corporation that optimize the positive outcome of its operations on society [3]**.** Basically, Corporate Social Responsibility explained that business and society were interlinked and much was expected from business as an institution, as an organization and as a manager who ethically acted in an organization. These three roles led to institutional, organizational, and individual level analysis and helped develop three principles including public responsibility, legitimacy, and managerial discretion [4]. In CSR, the business pledged to work for long-term economic development inclusive of employees, their families and the community. The business also manifested the ethical behavior towards society by interacting responsibly in relationships with other diverse stakeholders [5].

The scope of term 'stakeholders' has been subjective and different studies demarcated a wide range of internal and external stakeholders ranging from shareholders to employees, competitors, community, creditors, customers, suppliers and government [6]. Some theories explained the influence of stakeholders on CSR and firm financial performance. 'Consumer Inference Making' theory suggested that "Being Socially Responsible" added value to firms' products. These inferences developed goodwill and influenced purchasing behaviour [7].

'Signaling' theory identified information asymmetry as serious problem between buyers and sellers and consumers preferred companies which provided signals in form of warranties reflecting higher quality and reliability [8]. Consumers valued the products of corporate citizen higher in comparison with others [9]. 'Social Identity' theory emphasized that better image of organization improved employees' image and consumers preferred to affiliate themselves with brands taking different social initiatives [10]**.** Institutional investors also preferred those

firms which were socially responsible [11]. Customer loyalty and positive words-of-mouth paid off these organizations in the long run [12].

Different researchers have identified different components of CSR. Some studies included ethical responsibility only in CSR and treated discretionary responsibility as optional [13]. Other studies differentiated legal component of CSR from that of ethical [14]. Some studies divided CSR into four independent components ranging from economic responsibility to legal, ethical and discretionary responsibility and other research studies used stakeholder view to examine CSR and contribution made by firms for the wellbeing of stakeholders [13].

Mainly there are two divergent views on CSR. The first view considered the corporation as a legal creation and made it responsible only for earning returns for investors adhering to different applicable laws [15]. The second school believed that corporations intentionally assumed discretionary responsibilities [16]. The first view portrayed as narrow concept leading to only economic and legal responsibility for the firm while the second school represented CSR as a broader concept and included four types of responsibilities ranging from economic to ethical, legal, and philanthropic.

The first version is closer to classical perspective explaining provision of goods and services as the main function of business. The second view is associated with neo-classical perspective suggesting a wider range of responsibilities for the firm ranging from protecting environment to community development, conservation of resources to corporate philanthropy. The broader version of CSR is more appropriate and useful for modern day corporation. Other studies also substantiated this view and suggested more responsibilities for a firm than only economic and legal. Furthermore, Iron Law of Responsibility also recommended that modern corporations had to own more responsibilities than just fulfilling mission.

Some suggested four types of responsibilities in a given order for a corporation and these ranged from economic to legal, ethical and discretionary responsibilities [17]. Corporate Social Responsibility (CSR) is about incorporating social, environmental and health priorities in business operations. Businesses function in a society and influence the same significantly. Triple Bottom Line explained three domains of sustainability ranging from the economic to the social and the environmental [18]**.** Some studies suggested that some responsibilities were easily understandable like financial interests of shareholders; satisfaction of employee etc and others are not clear and specific such as controlling pollution, educating consumers etc [6].

Corporate sector can significantly foster social uplift as some researchers opined that no other social program can compete with business sector in creating jobs, wealth and improving living standard of people [19]. Undoubtedly, corporations are answerable to their stakeholders. Firms directly and indirectly influence many groups and individuals, internally as well as externally and the responsibility of business goes beyond the positive economic return for shareholders.

Some studies recognized the fundamental role of business as provision of goods and services according to needs and wants of the society [20]. The proponents of neo-classical view of the firm identify creation of employment and payment of taxes as the social responsibilities of business. Corporate Social Responsibility has widened its scope from just addressing social, environmental and human rights concerns to poverty reduction in the developing world [21]**.** Socially responsible practices of business can generate more inclusive, equitable growth resulting in low poverty [22]**.** This proposition is also confirmed in DFID's next report [23]**.** The business can help alleviate poverty through profit making [24].

Corporate Social Responsibility is a positive-sum game. The key proponents of this view suggested that businesses could help eradicate poverty and earn profit simultaneously by introducing pro-poor business model. They assumed that the poor had cumulatively greater amount of disposable income if their needs were served properly by the business [25]. This win-win logic was also endorsed in some other studies [26]**.**

The relationship between CSR and FFP is undecided, but most of the times, positive relation has been reported in different studies [27]. However, these studies suggested the alignment between social and economic priorities of business. Managers expected considerable value addition in firm financial performance due to improved stakeholder relations. Management theorists confirmed that better stakeholders' management improved Firm Financial Performance [28].

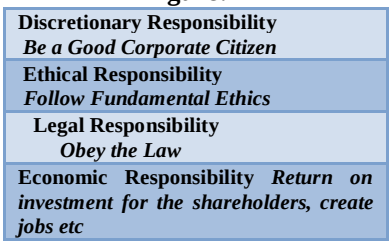
CARROLL'S CSR PYRAMID MODEL

In view of all the above literature, this research used Carroll's four part CSR model that is conceptual, and robust parameter of measuring Corporate Social Performance**.** This model categorized Corporate Social Responsibilities into four types namely: economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility. The economic responsibilities included a reasonable return on investment for the shareholders; creating new jobs, paying workers fully and fairly, generating new resources, fostering technology innovation, and introducing new products and services.

Legal responsibility assumed complying with relevant laws and adhering to the existing organization rules and regulations. Ethical responsibility portrayed business as doing what was right and abstaining from what was wrong. Consequently, ethical responsibility included activities not recommended by any law like respecting people and preventing anti-social activities. These activities stemmed from religious conventions and rituals. Discretionary responsibility took account of those activities that paid back to society varying from charitable contributions, different education and training programs, addressing different social evils etc.

Carroll first presented the four categories of CSR in his paper on Corporate Social Performance. He presented and portraying different categories of CSR in a given order in form of different layers. He named these categories as economic responsibility, legal responsibility, ethical responsibility and discretionary responsibility, as demonstrated in figure 1[17]. Carroll illustrated that the categories were nothing more that classification and segregation of actions initiated and taken by the firm. The sequence, ranking and relative weighting illustrated their relative importance. The model ranked economic responsibility as fundamental; first and foremost whereas legal responsibility and ethical responsibility stood next in importance. Discretionary responsibility was ranked least in importance.
This very first presented model of Corporate Social Responsibility by Carroll is exhibited in the following figure:

Figure: 1



Social Responsibility Categories (Carroll, 1979)

In 1991, he presented his in form of a pyramid as in Figure 2. He used the same relative ranking. Here, he suggested that, although the categories were not mutually exclusive yet it helped the manager to notice that the different kinds of responsibilities were in a constant conflict with one another [29].

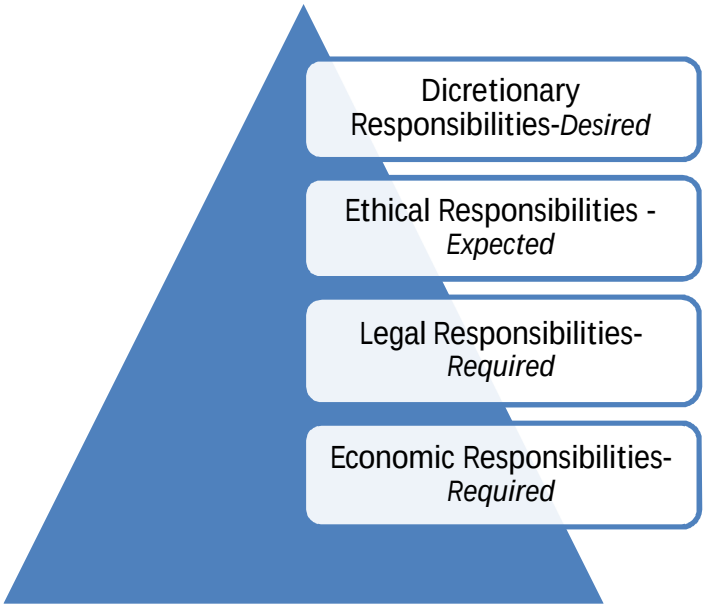
Figure: 2

Pyramid of Corporate Social Responsibility (Carroll, 1991)

Recently, he revisited his 1991 CSR pyramid once again and incorporated the concept of stakeholders in this model. In this revisited model, economic responsibility contained the warning to do what was *required* by global capitalism.

Legal responsibility assumed that companies to do what was *required* by diverse global stakeholder. Ethical responsibility owned to do what was *expected* by diverse global stakeholders. Philanthropic responsibility assumed to do what was *desired* by diverse global stakeholders [30].

Figure: 3



Pyramid of Corporate Social Responsibility (Carroll, 2004)

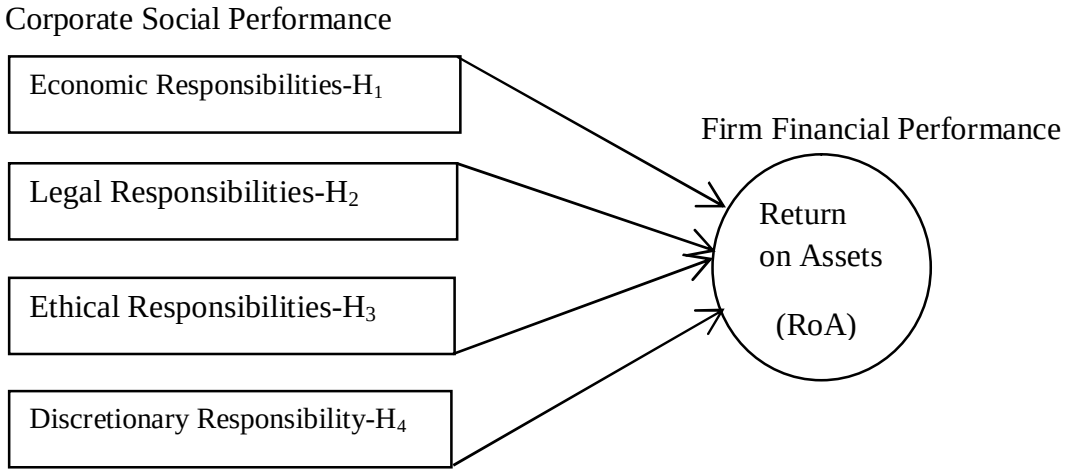
Firstly Carroll model was empirically tested on a sample of 241 companies selected from Forbes 500 [31]. The analysis confirmed that although four parts were interrelated yet conceptually were independent components of CSR. This analysis also endorsed that relative ranking of four components was appropriate measure. In second study of Carroll's model, a sample of 591 U.S companies was used [32]**.** The findings once again substantiated Carroll's model illustrating that the concept of pyramid wasa step in the right direction. Another study tested this model on a sample of 503 businesses in U.S [33]**.** The findings of this study endorsed the results of above two studies and authenticated this model.

In different studies, different measures have been used to investigate and establish the relationship between CSR and firm performance. These studies identified around 80 different measures varying from firm size to Return on Equity (RoE), Return on Assets (RoA), Return on Sales (RoS) etc [34]. ROA was considered as a more realistic and reliable measure of FFP time and again [35, 36, 37, 38, 39]. The differential degree of leverage present did not affect Return on Assets whereas it influenced other accounting measures significantly. Moreover, Return on Assets positively affected the share price. Higher Return on Assets was usually reflected in higher value for stockholders.

CONCEPTUAL FRAMEWORK

After discussing different theories and reviewing the past literature, following conceptual framework has been developed for this study. On the left side of figure, different components of Corporate Social Performance translated into four variables namely, Economic Responsibility, Legal Responsibility, Ethical Responsibility and Discretionary Responsibility are given. On the right side, Return on Assets (RoA) is given for measuring financial performance of the firm.

Figure: 4 Research Model



Different evidence suggested that better corporate governance standards enhanced firm financial performance. Investors preferred to invest and pay a premium for well-governed companies [40]. Corporations with better and superior governance practices registered higher Financial Performance [41]. Affirmative relation was identified between improved corporate governance and share price over the time [42]**.** Well-governed businesses earned above-average return on capital employed as compared to poor-governed businesses [42]. Studies suggested that proper corporate governance pushed share price up in India [43]**.** Hence, it is proposed:
H1: Economic Responsibility will affect the Firm Financial Performance.

If the firm made different laws for product quality, health and safety standards, it promoted sales of the firm and reduced costs linked with stakeholder management [28]. Compliance of different applicable and relevant laws and legislation improved the business performance of the firm significantly [35]. Therefore, it is hypothesized:

H2: Legal Responsibility will impact the Firm Financial Performance.

Ethical reputation contributed considerably to Firm Financial Performance by attracting positive response from employees' their families and friends [44]. Ethical practices boosted employees morale and they worked efficiently and effectively [35]**.** Being ethical, contributed to higher Firm Financial Performance by portraying better image in the eyes of customers and community [45]. So it is assumed:
H3: Ethical Responsibility will influence Firm Financial Performance.

Studies identified low market value for socially irresponsible firms [46]**.** Consumers associated superior product quality with corporate citizenship [9]. Firms directing their social actions towards communities gained the benefits in return in terms of better image among customers [47]. Past studies also identified a negative relation between investment in community and Firm Financial Performance [35]. **S**tudies linked work for better environment with enhanced profitability [48]**.** Hence, it is hypothesized:
H4: Discretionary Responsibility will affect the Firm Financial Performance.

RESEARCH METHODOLOGY

This study aimed to investigate the nature and strength of relationship between different components of Corporate Social Responsibility and firm financial performance. Quantitative approach has been used in this study which employed survey of annual reports.

Sample Selection and Data Collection

For this study, companies included in KSE-30 index were selected considering their significance, robustness, level and variety of business operations. Companies included in KSE-30 index are selected after fulfilling very tough criteria of liquidity and performance. Survey method was used for collecting data. Annual reports of all the companies were downloaded pertaining to year 2008 to 2012 and data concerning dependent and independent

variables was collected. However, in case of doubt, websites of respective companies were accessed, consulted and data was confirmed.

Variables and Model

In this study, Economic Responsibilities, Legal Responsibilities, Ethical Responsibilities and Discretionary Responsibilities were assumed as Independent Variables for measuring Corporate Social Performance. In different studies, different measures have been used to investigate and establish the relationship between CSR and firm performance. These studies identified around 80 different measures varying from firm size to Return on Equity (RoE), Return on Assets (RoA), Return on Sales (RoS) etc [34]. ROA was considered as a more realistic and reliable measure of FFP time and again [35, 36, 37, 38, 39].

The differential degree of leverage present did not affect Return on Assets whereas it influenced other accounting measures significantly. Moreover, Return on Assets positively affected the share price. Higher Return on Assets was usually reflected in higher value for stockholders. Therefore this study has used Return on Assets to measure Firm Financial Performance. Return on Assets treated as dependent variable. These variables have been quantified in the table provided below:

Table: 4 *Operationalization of Variables*

Sr. No.	Name of Variable	Operationalization of Variable
	Dependent Variable	
1	Return on Assets	Profit Before Tax/Total Assets
	Independent Variables	
1	Economic Responsibility	Dividend Paid to Shareholders
2	Legal Responsibility	Existence of Health, Safety, Quality etc Laws
3	Ethical Responsibility	Existence of Code of Ethics
4	Discretionary Responsibility	Different Societal Uplift Initiatives

For testing the nature and strength of relationship between different components of Corporate Social Performance and Firm Financial Performance, following regression model was estimated in this study:

$RoA = \beta_0 + \beta_1 ER + \beta_2 LR + \beta_3 ETR + \beta_4 DR +$

Where:

RoA = Profit before Tax/Total Assets

$\beta_1 ER$ = Economic Responsibility

$\beta_2 LR$ =Legal Responsibility

$\beta_3 ETR$ =Ethical Responsibility

$\beta_4 DR$ =Discretionary Responsibility

RESULTS AND DISCUSSION

This paper estimated the expected impact of different components of Corporate Social Performance or Corporate Social Responsibility on Firm Financial Performance. This study hypothesized that different independent components of Corporate Social Responsibility i-e Economic Responsibility (ER), Legal Responsibility (LR), Ethical Responsibility (ETR) and Discretionary Responsibility (DR) would affect Firm Financial Performance. For panel data, Stata Software was used to process the data and generate the results for determining the nature and strength of relationship between the dependent and independent variables. Profile of the sample is given in the table below:

Table: 5 Sample Profile

Sr. No.	Sector	No. of Companies
1	Oil and Gas	7
2	Fixed Line Telecommunication	1
3	Commercial Banks	7
4	Chemicals	6
5	Electricity	2
6	Food Producers	1
7	Financial Services	1
8	Construction and Material (Cement)	2
9	Personal Goods	1
10	Non-Life Insurance	1
11	Engineering	1
	Total	30

The sample selected for this study consisted of companies included in KSE-30 Index. This index is composed of companies from eleven different sectors. All the sectors are strategic in nature and importance. The sample included seven commercial banks and seven organizations from oil and gas sector. Likewise, six organizations are from Chemicals sector and two organizations each from Electricity and Cement Sector. One organization each is from Fixed Line Telecommunication, Food, Financial Services, Personal Goods, Non-Life Insurance and Engineering. This sample is the true representative of different corporate sector of Pakistan and KSE-30 index is best combination of diverse businesses working in the country.

Table: 6 Regression Results

Dependent Variable: RoA **Method: Generalized Least Square Regression** **Included Observations: 150**				
Variable	**Coefficient**	**Std. Error**	**t-Statistics**	**Prob.**
Economic Responsibility	0.3164664	0.0740016	4.28	0.000 *
Legal Responsibility	11.33229	4.785777	2.37	0.018 **
Ethical Responsibility	-9.329543	8.645109	-1.08	0.281
Discretionary Responsibility	-16.34774	7.902014	-2.07	0.039**
-cons	7.644523	5.495001	1.39	0.164
R-squared **0.3676** **F-statistics** **29.08** **Prob. (F-statistics)** **0. 0000**				

*Significant at 1 percent
**Significant at 5 percent

The collected data was regressed through Generalized Least Square Regression to test the type and depth of relationship between all the independent and dependent variables**.** F statistics generated through stata software after data analysis are 29.08 that confirmed high level of fitness of the model because F. Statistics is a parameter to assess the fitness of model. R- Square demonstrated effect in dependent variable because of effect in independent variables. Regression table exhibited R-square as 0.3771 that as per analysis parameters is treated somehow appropriate in case of panel data.

T-value shows fitness of each independent variable. T. value should exceed 1.95 and any sign with T. value is considered immaterial. As per the regression table, T. value is 4.28 in case of Economic Responsibility, 2.37 in case of Legal Responsibility, 1.08 in case of Ethical Responsibility and 2.07 in case of Discretionary Responsibility. So the estimated value is greater than the recommended level of 1.95 except Ethical Responsibility where it is 1.08. P. value exhibited level of confidence or significance with respect to results and its recommended benchmark is less than 0.05. As per regression estimates, it is 0.000 for Economic Responsibility, 0.018 for Legal Responsibility, 0.281 for Ethical Responsibility and 0.039 for Discretionary Responsibility. All the results have achieved recommended level of significance except Ethical Responsibility.

Results table exhibited that all the independent variables were associated with dependent variable. Co-efficient value for Economic Responsibility was 0.3164664, for Legal Responsibility was 11.33229, for Ethical Responsibility was (9.329543), and for Discretionary Responsibility was (16.34774). All these numbers endorse strong relationship between dependent and independent variable except one.

Moreover, the results explained that Economic Responsibility influenced Firm Financial Performance positively and some other studies also endorsed this finding [41, 42, 43]. Economic Responsibility entailed payment of dividend to shareholders. Si it is inferred that if the organization would pay handsome returns to investors, investors would prefer to invest more in these organization to foster their performance. Legal Responsibility also affected the Firm Financial Performance significantly and positively and this result was also substantiated by other studies [28, 35]. Legal Responsibility represented compliance with different relevant laws. So the findings concluded that those organization which adhered to different applicable laws, benefitted in terms of performance. Respect for law played pivotal role in promoting financial performance of the firm.

In case of Ethical Responsibility, it influenced Firm Financial Performance adversely but the result generated is not significant as per regression table. This finding suggested that following ethics do not contribute to financial performance of the firm in Pakistan. Discretionary Responsibility changed Firm Financial Performance negatively. This finding is also confirmed in some other studies [35]. This result suggested that different social uplift initiatives taken by different organizations do not add to financial performance of the firm.

This study is the ever first to test Carroll's CSR Pyramid Model on corporate sector in Pakistan. It will help organizations to reorder their priorities and streamline their agenda. However, in future, this research can be

extended by analyzing the individual initiatives of Corporate Social Performance taken by different corporations in Pakistan and their effect on Firm Financial Performance.

CONCLUSION

To conclude, first two components (Economic Responsibility and Legal Responsibility) of Carroll's CSR Pyramid have been found with positive relationship and last two components (Ethical Responsibility and Discretionary Responsibility) have been found with negative relationship on Firm Financial Performance. The findings of this study would help corporations rearrange their priorities. The conceptual framework and research model of this study would help and motivate research scholars to further explore and investigate Carroll's CSR Pyramid in Pakistan. Last but important that study has endorsed the relative ranking assigned to different types of responsibilities by Carroll's in his Pyramid. The results substantiated that first two components of pyramid influenced Firm Financial Performance strongly and positively as compared to last two components.

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Annexure: 1

Organizations in KSE-30 Index

Symbol	Company Name	Outstanding Shares
	Oil and Gas	
OGDC	Oil and Gas Development Company Limited	4,300,928,400
PPL	Pakistan Petroleum Limited	1,643,095,013
PSO	Pakistan State Oil Company Limited	246,987,217
POL	Pakistan Oilfields Limited	236,545,920
ATRL	Attock Refinery Limited	85,293,000
NRL	National Refinery Limited	79,966,560
APL	Attock Petroleum Limited	69,120,000
	Fixed Line Telecommunication	
PTC	Pakistan Telecommunication Company Limited	3,774,000,000
	Commercial Banks	
NBP	National Bank Of Pakistan	2,127,512,862
BAFL	Bank Al-Falah Limited	1,349,156,250
HBL	Habib Bank Limited	1,333,502,280
UBL	United Bank Limited	1,224,179,688
MCB	MCB Bank Limited	1,011,846,139
BAHL	Bank Al-Habib Limited	1,010,386,745
AKBL	Askari Bank Limited	813,071,084
	Chemicals	
FATIMA	Fatima Fertilizer Company Limited	2,100,000,000
FFC	Fauji Fertilizer Company Limited	1,272,238,147
FFBL	Fauji Fertilizer Bin Qasim Limited	934,110,000
ENGRO	Engro Corporation Limited	511,269,370
AHCL	Arif Habib Corporation Limited	453,750,000
ICI	I.C.I. Pakistan Limited	92,359,050
	Electricity	
HUBC	Hub Power Company Limited	1,157,154,400
KAPCO	Kot Addu Power Company Limited	880,253,228
	Food Producers	
EFOODS	Engro Foods Limited	763,890,575
	Financial Services	
JSCL	Jahangir Siddiqui Company Limited	763,285,323
	Construction and Material (Cement)	
DGKC	D.G. Khan Cement Company Limited	438,119,097
LUCK	Lucky Cement Limited	323,375,000
	Personal Goods	
NML	Nishat Mills Limited	351,599,848
	Non-Life Insurance	
AICL	Adamjee Insurance Company Limited	123,704,543
	Engineering	
MTL	Millat Tractors Limited	40,265,947