

Analysis on corporate social: financial performance link

Iqbal, Nadeem; Haider, Najeeb; Khan, Nabila

Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Iqbal, N., Haider, N., & Khan, N. (2015). Analysis on corporate social: financial performance link. *International Letters of Social and Humanistic Sciences*, 54, 16-20. <https://doi.org/10.18052/www.scipress.com/ILSHS.54.16>

Nutzungsbedingungen:

Dieser Text wird unter einer CC BY Lizenz (Namensnennung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:

<https://creativecommons.org/licenses/by/4.0/deed.de>

Terms of use:

This document is made available under a CC BY Licence (Attribution). For more information see:

<https://creativecommons.org/licenses/by/4.0>

Analysis on Corporate Social – Financial Performance Link

Nabila Khan¹, Nadeem Iqbal², Dr. Najeeb Haider³

¹Faculty of Management Science, Indus International Institute DG Khan

²Faculty of Management Science, Ghazi University DG Khan

³Professor of Statistics, Ghazi University DG Khan

E-mail address: drnadeemiqbal1@gmail.com

Keywords: Corporate Social Responsibility; competitiveness; Social & Financial performance; Society; Environment

ABSTRACT. Study explore and investigate the influence of corporate social responsibility in multi level facets for performance outcome and corporate social behavior. Using corresponding and coordinated sample of different financial institutions. Data is collected by banks annual reports issuing during 2008-2012. To examine and verify the relationship between CSR and CFP, Regression model is used. Findings from data is revealed that positive correlation among corporate social responsibility and corporate financial performance. If financial institutions more invest for CSR practices then they will get higher performance and net profit for long lasting period.

1. INTRODUCTION

The charitable conformity of natural, social and environmental responsibility of companies is relevant to Corporate Social Responsibility (CSR). Corporate social responsibility is fundamentally a conception where companies decide voluntarily to contribute for betterment of society. Corporate social responsibility is represented the social investment and companies take responsibility for their influence on society. Since Evidence suggest corporate social responsibility is ever more essential for competitiveness of corporation. Companies express their social efforts through pollution and waste reduction process, getting satisfactory return on employed resources and contribute for social and educational activities and programs. As CSR is continuous assertion and commitment by business society which contributing for the economic development even as improving and enhancing quality of life of employees with their families and as the same time they serve the community and society as well.

While 1998, WBCSD dialogue with varied stakeholder all over the world has exposed that Corporate social responsibility means so do different things to differ people, depends on some local factors including religion, governmental or legal skeleton conditions and cultural issues. That can be no any worldwide standard. Attention towards CSR has much increased during last decades. Many companies are getting started promotion to CSR Strategies owing to meeting the public, customers and investors expectations as acting and performing more socially responsible for sustainability. Majority of cases of diverse companies revealed that corporate social responsibility is the consequences of various cultural, social, economic and environmental demands and pressures. William Bowen cited CSR concept first time in his publication in 1953 “Responsibilities of the Businessman” But it became more famous in the business society when German pharmaceutical Co possessed their willingness for application of this term.

European commission in July 2001, determined to commence review study “ Promoting A framework for CSR” basically purpose of this study headed to initiate discussion that how EU could develop and sponsor Corporate social responsibility at European and as well as in other country.

In topical years, corporate social responsibility (CSR) have become like the same as elemental activities and practices in business environment and got much importance by Management of multinational companies. They considered that strong CSR practices is the primary object for accomplishment of corporate goal and achieving effectiveness in leadership. This study aims to

explore the interaction and relationship between social and financial performance of firm and its influence on PESTEL sector means political, economical, social, technological, environmental and legal which directly impacts on their relationship and connectivity with all stakeholders.

Succession of awards for corporate social responsibility happened in Hong Kong. Hong Kong Council of Social Services HKCSS issued 'Total caring Awards' & Caring Co' is victorious one, System was ongoing from 2002. Further other criterion in 2008, Caring to Environment, Community, and Employees" possessed the prospect and hope of society.

Most of large or multinational companies countenance themselves in perspective of globalization, they are progressively more responsive about CSR practices concerning direct economic value. Ultimately leading purpose of the company is to maximize the return from investment but at the same moment also sponsor to societal roles and objectives. CSR as tactical and planned investment on their business policy. Various Co with good societal proceedings and reports reveal that outcome of CSR practices in the form of better and enhanced performance with maximum profit. Those practices also affect to broad extent buying decision of consumers. Although adequate application of corporate social responsibility conception brings range of competitive advantage and reimbursement. for instance superior and enhanced entrance to markets and capital, maximize profit and sales, improved better quality and productivity, attract and retain efficient and compatible personnel, cost saving, enables competitive and distinctive branding, attained customers loyalty and developing process for managing and diversifying risk, to some extent all these are interdependent with CSR practices.

To precede Corporate social responsibility, must core it in the extensive consideration of interdependence between society and corporation whereas affixing and anchoring this in activities and business strategy of particular companies. Society and business necessitate to one another may look similar as truism since achiever and innovators Co need healthy wealthy society in term of proper care good health, educational and entertainment facilities, equal opportunities for compatible productive workforce and potential customers.

The aim of this study is to find and explore the link and interaction between corporate social performance and financial performance of the firms. The emergent business intentions in social secretarial determine corporate alertness and awareness to its connectivity with society well being. Monitory marketplace has concerned with tendency of corporate social responsibility escalation, growth and development. Furthermore, so many financier and shareholders are anxious and more concerned for societal responsible behavior and investment.

2. REVIEW OF LITERATURE

Lewis (2003), found that social values and norms, new commercial opportunities minimize dictatorial interference, satisfied customers, good relationship with all stakeholders which perform as divergent driving force and also encourage organizations to execute CSR proposals.

Researcher found in one case study of Russia that is composite by absence of prolong habits to invest social capital and emphasizing on social performance and responsibility being a good social business community. (Kostjuk, 2005) Among escalating responsibility and access for social capital and investing criterion is considered key factors to Corporate social responsibility in Europe as index in stock market suggested that enterprise much emphasize on social roles and performance. (Williams & Conley, 2005)

Whereas, receptive corporate social responsibility based on be a better corporate citizens and tackle all harmful activities that generate due to production unit of Enterprise. Porter & Kramer (2006). Trade association just not tackle with firm and stiff monetary truth and profit maximization however also concentrate on the values, attitude and perception of customers as well as clients. (McEwen, 2008) According to Maon et al. (2009), firms require social and corporate behavior, values for developing organizational ethnicity and civilization which is demand for change and necessity for maintain and prolong strategic CSR. Whenever stakeholders comprise investment that well suited with proper return and trade activities exchange and alter societal responsibilities and dilemmas in the form of economic and commercial opportunities. Pless & Waldman (2012)

Uvais and Cholasseri (2013) explored the prospective advantage of the business, nature of profit and settlement of Corporate social responsibility to a company can diverge as on the nature of it, but It tough to enumerate or quantify. Trade resolution is possessed with flat and horizontal execution of charity and philanthropy. The association and correlation between financial performance social Responsibility since instigate Corporate social responsibility. Corporate charity and generosity an outcome that develop and promote generous efforts that enhance competitive advantage together with the quality and productivity of business setting.

3. THEORY AND HYPOTHESIS

Whatsoever major motive why enterprise adopt and take up societal responsibility and roles, this query leftovers regarding influence on its performance and productivity. So many investors judge and evaluate corporate social concern and their way of dealing with social issues facing by the society. (Barnett and Solomon, 2006) In accordance with Stakeholder theory, all stakeholders satisfaction concerned with higher profitability and performance. Corporate must be accountable and liable for social-financial performance. (Van & Gössling,2008). Research studies concluded from 1990 to 2007 emphasized on variation in social norms and perceptions. Best part of the research work indicated the optimistic link between Corporate social –financial performance .Corporate social responsibility is evaluated through how much enterprise invest for public and society well fare in terms of donation, health care activities, educational and entertaining activities like as conducting event shows. Financial and monitory performance can be measured by ROA, ROE, Net Profit, EPS by this criterion we assess the firm fiscal condition how they utilize their resources efficient and effective way whereas contributing and sponsoring for societal endeavor.

Developing Hypothesis on the base of cited literature Review

Hypothesis 1: Higher (lower) level of social performance lead to Higher (lower) level of financial performance

Hypothesis 2: There is positive Synergy between social performance and financial performance

Hypothesis 3: There is significant and optimistic relationship between CSP and CFP

Hypothesis 4: There is significant and positive relationship between CSR and Net Profit

Combination of these two dimensions CSR and CFP have positive relationship, we brief discuss directional and casual Hypothesis. prospect of first hypothesis is that corporate social responsibility & performance and financial performance is positively correlated. While Enterprise want to pursue normative beliefs and perception for better ethnic group and citizenship. Their social actions may base on the availability of funds and empathetic behavior for customers, employees and corporate clients. It is also prospect CSP and CFP is synergetic effect for organizations. They work as cooperative and collaborative objects for achieving common purpose. Core purpose of the companies is to maximize the profitability and what sort of methodologies and strategies they adopt to accomplish the objectives.

4. METHODOLOGY

Study population is included different financial institution that are operating and performing business activities in Pakistan. Secondary Sources used for data collection like as annual reports. Results are quantified through using Statistical tools. To get and collect information from annual reports. regression Analysis is done to explore the relationship between corporate social responsibility and financial performance.

5. RESULTS FINDING AND DISCUSSION

There is positive and significant relationship between CSR and CFP as well as Net Profit. The Results for this hypothesis is illustrated below in regression analysis;

Model Summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	24019.601	6128.843		3.919	.030
CSR	.964	4.828	.115	.200	.854

a. Dependent Variable: FP

Model Summary

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	23943.811	6130.964		3.905	.030
CSR	.972	4.830	.115	.201	.853

a. Dependent Variable: Net profit

The regression analysis executed for observing and testing impact of corporate social responsibility & performance of financial institution or Enterprise. Above table results shows that there is positive link among CSR and CFP. Significance level are .85 that's greater than average standards, β value is also positive, t value is less than average. Finding reveals that stakeholders can get maximum performance in terms of monetary rewards and net profit. Management performance can be assessed by profitability. Philanthropic and ethical phase have superior goal to balance and stability among profit, return and people well being and interests. Corporate adopt CSR as a tactic to achieve competitive advantage and attain higher monetary performance. In developed nations most of the companies are taking into account it in strategic plan and getting long lasting advantages. Results reveal positive link and relationship among CSR and CFP that sign of positive social behavior and actions of financial institutions of Pakistan. They prove as supportive and much contributing for the well being of society. By providing them basic necessities for improving and promoting their life style and protect environment from perilous and risky variations.

6. RECOMMENDATIONS AND FUTURE DIRECTIONS

In accordance to discussed data and findings, it is suggested that financial institution must realize and execute societal responsibilities and performance by promoting and sustaining the environmental condition. In this way, they integrate in economic development of country and tend to create significant image for stakeholders and firms. The acknowledgment of Corporate social responsibility is charitable and volunteer based practices so that is no customary rule set by

regulators. Study sample is much limited as few financial institutions of one country. This study can be expanded by other different developing countries by inserting more performance variables. More advanced investigation and analysis should be conducted while assume some other performance factors to verify the link between CSR and CFP.

References

- [1] Kostjuk, K. 2005. Russia: The line between small businesses and big politics. In A. Habisch, J. Jonker, M. Wegner, & R. Schmidpeter (Eds.), *CSR across Europe*: 209–218. Berlin: Springer
- [2] Lewis, S. (2003), “Reputation and corporate responsibility”, *Journal of Communication Management*, Vol. 7.
- [3] Maon, F., Lindgreen, A., and Swaen, V. (2009), “Designing and implementing corporate social responsibility: an integrative framework grounded in theory and practice”, *Journal of Business Ethics*, Vol. 87
- [4] McEwen, W.J.. 2008. When the Going Gets Tough. *The Gallup Management Journal*, New York of *Management Perspectives*, 26(4), 51–65
- [5] Mr.Uvais.M, Ms.Hafeefa Cholasseri, (2013) “Corporate Social Responsibility: Dimensions and Challenges In India”, *International Journal of Engineering Science Invention*, Vol 2, Issue 3 competitive advantage and corporate social responsibility. *Harvard Business Review*
- [6] Pless, N. M., Maak, T., & Waldman, D. A. (2012). Different approaches toward doing the right thing: Mapping the responsibility orientations of leaders. *Academy*
- [7] Porter, M., and Kramer, M. 2011. Creating Shared Value. *Harvard Business Review*, 89 (1/2): 62-77.
- [8] Williams, C. A. & Conley, J. M. (2009). Global banks as global sustainability regulators: The equator principles. Unpublished manuscript.
- [9] Williams, C. A., & Conley, J. M. 2005. An emerging third way? The erosion of the Anglo-American shareholder value construct. *Cornell International Law Journal*, 38: 493–551.