Corporate Social Responsibility and Financial Performance: Moderating Role of Executive Compensation

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Abstract

The main purpose of this study to investigate the impact of corporate social responsibility on financial performance of conventional banks of Pakistan and to analyze the moderating role of executive compensation on the relationship between CSR and financial performance. Data were collected and measured from state bank of Pakistan covered the time period from 2009-2020 based on post positivism approach. Empirical results have been analysed by ordinary least square (OLS) model and results show that corporate social responsibilities have a positive and significant effects on financial performance. While the finding indicates that executive compensation also positively and significantly moderates the relationship between CSR and financial performance of conventional banks in Pakistan. This suggests that high CSR contribution and executive compensation leads to high and improved financial performance in conventional banks of Pakistan.

Keywords: corporate social responsibility, financial performance, executive compensation, return on assets, financial institutions

Introduction

In the 21st century, primarily the public demands firms to work for society's welfare and their role in producing products and services (Cho, Chung, & Young, 2019; Fernández-Guadaño & Sarria-Pedroza, 2018). Corporate social responsibility in Pakistan is relatively new and undeveloped compared to developed nations, while CSR is considered an essential element for long-term success(Halkos & Nomikos, 2020).In Pakistan, the definition of CSR is mixed-up with philanthropic activities of firms and labor rights(Qaiser & Qaiser, 2020).

Even though CSR has been in place since the mid-1970s a clear definition remains elusive(Wood, 1991). Carroll argued in 1979 that CSR has four basic categories, which became a famous description Economic, Legal, ethical and philanthropic duties are all included under this category. By inventing its definition of CSR, the European Commission aided businesses. Previously the commission described CSR as a voluntary

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concept in which corporations integrate social and environmental concerns their day-to-day operations and relationships with their stakeholders.

Aside from the meaning of CSR, different scholars have attempted to examine the consequences of CSR efforts for business(Berens, Van Riel, & Van Bruggen, 2005; Luo & Bhattacharya, 2006)have all demonstrated that CSR efforts can provide profit-oriented benefits to business, According to the author CSR will broaden company evaluation firm selection brand recommendation customer happiness and loyalty and consumer firm features. According to(Mohr & Webb, 2005)CSR can influence user purchasing power and has a more significant impact than product and service prices. Other scholars have attempted to determine the influence of CSR on a company's financial success.

On the other hand, financial performance is a crucial factor that caters to the timing of the manager's decisions about social responsibilities and whether to take them or not(Zhu, Sarkis, & Lai, 2017). Previous studies emphasize the connection between CSR and financial performance in respect of assistance and investment in the draining of natural resources (Akben-Selcuk, 2019), health and the employment concern(Bagh, Khan, Azad, Saddique, & Khan, 2017; Malik & Nadeem, 2014), due to the fact that financial intuitions which are applying CSR in firm's functions as well in their Board of executive policies(Platonova, Asutay, Dixon, & Mohammad, 2018)but less focus has been given in addition to some new features that have emerged in the banking sector in the past decade especially in the context of environmental responsibility(Zhou, Sun, Luo, & Liao, 2021).

It has been debated that CSR plays a vital role in the various structures of the firms and business processes in developing and under-developed countries and can lead to various CSR aspects (Akben-Selcuk, 2019). The first and foremost basis of this research was that most of the past studies on CSR are related to the problems in developed countries (Hopkins, 2012; Nasrullah & Rahim, 2014). Hence, this was a gap in the literature; therefore, this specific study was carried out in Pakistan. The research questions of this study are Does Corporate Social responsibility affect financial performance? Another question is whether executive compensation moderates the relationship between Corporate Social responsibility and financial performance. Furthermore, the objective of this is to find out the effect of Corporate Social responsibility on Financial Performance, the second objective is to investigate the moderating effect of Executive compensation on Corporate Social responsibility and Financial Performance. Current research has significance on the dimensions of CSR environment, employment, and health of society. It may help the government and policymakers to transform the ecosystem into green, such as the billion-tree tsunami project of the federal government. Moreover, it would provide policy guidelines as recommendations for the health and safety of the employees of the banks. Last but not least, the study's findings can be generalized to other sectors like telecommunication, academia, and the public sector. As a result, the Pakistani financial sector is assumed to help policymakers, managers, and academicians in their applications in developing economies.

Literature Review

Since CSR and corporate governance are the central topics of this study, it is essential to understand what the concepts of CSR and corporate governance are about. For this purpose, an extensive literature review was done because it facilitates researchers in finding the gaps. This also helps in formulating research questions, objectives and hypotheses. In this section, the operational definitions of variables selected for the study have been given and based upon the literature review, the theoretical framework and subsequent hypotheses are also given.

Corporate Social Responsibility and Financial Performance

The association between CSR and financial performance is not new because in past studies such determinants were only used to increase business profit maximization. Still, in the current era, which has caught the focus of academicians to expand this concept in different sectors for social activities and earning purposes (Szegedi, Khan, & Lentner, 2020) this idea was invented in the 1920s, which became progressive in research during 1970s (Gon & Mititelu, 2016; Sheehy, 2015).

Various authors have explained CSR in different ways (Okafor, Adusei, & Adeleye, 2021) the concept of CSR functions mainly used for natural resource protection, ethical trading, and care for workers are classified on priority although these functions which is significant for clarifying the relationship of CSR and increasing financial performance of a company. Most of the firms usually do participate in initiatives that can provide aid in solving social and environmental problems. The main focus of CSR represents organizational commitment to working to make better the society which focuses on civil rights, social reporting, ethical trading and socially responsible investing and acknowledgement of individuals, societies, and workers with an application of firms' practices and resources of the organization as research studies such as(Kataria, Saini, Sharma, Yadav, & Kohli, 2021).

Supporting Theories

This study is based on two main theories Stakeholder and Agency theory, stakeholder theory is a critical theory that elaborates on the impatience of a company towards CSR functions. Stakeholder theory was proposed by Edward Freeman in 1984, whereas indicating the ambition of the firm, the researcher focused that the core objective of the company is maintaining a balance among different groups of stakeholders (Parmar et al., 2010). This theory' principal point is on a group in a society that affects business processes and explains how an organization should progress in society to resolve the issues between stakeholder (Bischoff, 2021), individuals who are affected through business functions and behavior are namely stakeholders are consumers, traders, suppliers, social activists, competitors, NGOs, media, legislators, scholars, inhabitants of the belonging field where the firm run, labor unions, and governmental organizations.

According to (Hardiningsih & Oktaviani, 2021) Agency theory is used to solve the issue in corporate governance sector. The relationship between a company's shareholders Principal and its mangers is the most well-known example of an agency linkage in finance agents. In this challenging situation, agency theory resolves the issues at the director's level in the best interest of the shareholders and stakeholders. Although (Shahab, Gull, Ahsan, & Mushtaq, 2021)study is suggested relationship between executive and the social problem was investigated, this theory is suggested to resolve organization problem because many executive activities are unobservable by or difficult to evaluate by the board of directors, shareholders, and stakeholder of a company.

Corporate Social Responsibility

Corporate Social Responsibility can be defined as a consequence of organizational involvement, ethics and the responsibility of individuals towards environmental and societal functions (McWilliams, Siegel, & Wright, 2006). According to(Lentner, Szegedi, & Tatay, 2015)the banking business should consider profit maximization and voluntary social responsibility. It is still a business's ethical responsibility even if it is not in their financial interest when competition is limited.(Babiak & Trendafilova, 2011)suggested that the financial industry would engage in more socially responsible activities to gain a competitive edge (Zainuldin & Lui, 2021)suggested that bank reputation depends on corporate social responsibility. Banks with good reputations show better profitability and credit quality in three years of individual borrowing of a firm's loan-taking ability. Bank reputation might indicate borrower's quality. Therefore, banks that perform corporate Social responsibility activities can choose and draw more credit-worthy borrowers who are better revenue providers of high-quality assets.

Financial Performance

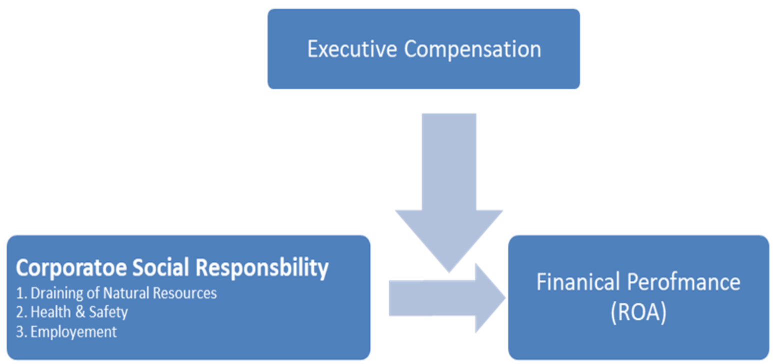
Financial performance can be explained as the outcome of economic achievements through a firm's functions in a specific time for profit generation with effectiveness and efficiency. Generally, effectiveness is a measuring tool for the assessment of the goal that how far it has been achieved (Auliyah & Basuki, 2021). Another measuring tool is the Ratio used by companies for the analysis of their financial statements, these analysis tools are known as financial ratios, which can easily present an overview for stakeholders regarding good and bad situations or positions of firms from one period of time to another. The company's financial performance can be measured through Return on Assets (ROA) as an observed ratio to measure the ability of capital to generate profits (Ekinci, 2021)

According to(Nelling & Webb, 2009)related study was conducted at Bahrain banks corporate social responsibility may have a direct impact on financial performance in some circumstances, or firms may see corporate social responsibility activities as one of the ways to improve financial performance at a given time, but this is still unknown. In addition, (Rahman&Dr. Naveed) the authors claimed that vital CSR initiatives could improve stock market performance, resulting in increased corporate investment, keeping these discussions in mind the extent to which CSR operations are proving sustainable for banks worldwide and in Bahrain.

Executive Compensation Corporate Governance Sector

Executive Compensation, as defined by (Bătae, Dragomir, & Feleagă, 2021)governs the interaction between the roles of executives, directors, stockholders and interested individuals. Executive remuneration is also a straightforward procedure for setting firm goals achieving them and evaluating success. In addition, every company's executive members will be protected transparency, accountability, responsibility, independence, and justice are essential for a company's sustainability if it is focused on the interests of its stakeholders.

Incorporating CSR elements into CEO Remuneration contracts is a relatively new trend in the corporate governance sector(Al Amosh & Khatib, 2021). This method is now known as CSR contracting and is gaining popularity worldwide, mainly through the United Nations taking the initiative and principles for responsible investment in 2012. As a result of rising pressures on firms to be socially responsible and on their boards of directors to take action beneficial to stakeholder involvement through CEO pay, such programmes have risen in popularity in recent years(Flammer, 2021).



Source: (Javed, Rashid, Hussain, & Ali, 2020)

H₁: There is a significant relationship between corporate social responsibility and Financial Performance.

H₂: Executive compensation has a moderating role in the association of Corporate Social Responsibility and Financial Performance

Methodology

This study was based on a deductive approach using quantitative techniques. A deductive approach was used since hypotheses are derived initially and data was gathered from secondary sources because the conceptual framework and hypotheses are theory-based. This study was based on cause and impact correlation between variables and aims to find the relationship between the variables. Statistical techniques such as correlations and multiple linear regressions have been employed for the analysis. Data was collected from annual reports available on the official website of selected banks.

For this study, all 15 conventional (Non-Islamic) banks listed in the state bank of Pakistan were chosen as a sample for the period 2009 to

2020. There is a total of 32 banks listed in the state bank of Pakistan. The reason for choosing that time frame is that economic crises affected Pakistan's economy also inflation ratio hit 25% compared to 7% in 2007. Pakistan's banking sector was the only sector that faced a global crisis in this time frame.

This study measured the financial performance of firms as dependent and CSR as independent variables and investigated a

moderating variable of Executive compensation. Whereas this study also included firm size and firm age as control variables. All the data was collected from the annual reports and relevant websites of the proposed banks operating in Pakistan.

To test the hypotheses of this study, the following model was used.

$ROA = \beta_0 + \beta_1 CSR + \beta_2 EC + \beta_3 CSR*EC + \beta_4 Controls + €$

Where ROAis the return on Assets for firm, CSR is a categorical variable which take the value of 1 if firm is in the Corporate Sustainability index or 0 if the firm is not included, EC is the remuneration of board of directors of firm, Control variables for firm of size and age and$\beta_{0,}$ $\beta_{1,}\beta_{2,}\beta_3$ andβ_4 are the vectors of the parameters to be estimate. €firm specific error term

Operationalized Definitions

Variable	Definition
ROA	Return on assets is computed by dividing a company's net profit at the end of the year by the average of its total assets at the start and end of the year.
CSR	If the firm is invested in the corporate sustainability index this variable has a value of 1 otherwise it has a value of 0.
DNS	In this study Draining of natural resource as a factor of environment. The corporate sustainability index which comprises high performing corporations was used to create a categorical variable for natural resource draining of natural resource.
H&S	In this study Health and safety means to provide health and safety facility to their employee. Health and safety the corporate sustainability index which covers high

	performing corporations was used to create a category variable.
Emp	In this study employment define to provide job facilitator in the organization as a full time Employee and give retirement benefits to the employees. Employment mean the corporate sustainability index which covers high-performing corporation was used to create a category variable.
EC	To evaluate executive compensation is by remuneration of chief executive officers.
FS	Total assets, total sales and market value of equity as well as their growth are all the measures of corporate size terms of logarithms.
FA	The natural logarithm of the number of years since the firm's was to determine the firm's age.

Results

Table 4.1

Descriptive Statistics

Variables	Observations	Mean	Std.Dev	Minimum	Maximum
ROA	181	12.15288	10.54893	-58.42	74.19
CSR	181	1.388333	1.069004	0	3
Exe Comp	181	11.87104	1.722945	0	16.2623
Firm Size	181	1.00119	.0410126	.7272569	1.239096
Firm Age	181	66.44333	9.837416	8.924789	75

In table no 4.1 the descriptive statistics of the dependent, independent and control variables are reported. The dependent variable Return on Assets (ROA) used for to measure financial performance. The independent variable as a whole is corporate social responsibilities and control variable such as Firm age and Firm size used. The total numbers of observations for measuring the variables was 181. The Mean value of ROA was 12.152 is higher compared to (Akben-Selcuk, 2019) who reported his average Mean value for the same variable was 4.502. The independent variable of CSR has 1.388333, this value is greater compared to (Akben-Selcuk, 2019)was a Mean value for the same variable was 0.443.

The first control variable used in this study is total assets to measure the size of the firms. Therefore, the natural logarithm of total assets was used during this study. The Mean of the natural logarithm of total assets is 1.00119 this Mean of total firm size is lower than reported in the study of (Szegedi et al., 2020) who reported a Mean score of 6.759. The second control variable is firm age used in this study, which is the amount of total years of the firms and has a Mean of 66.44 this is higher than the Mean of 57.908 as reported by (Galdeano et al., 2019)

The moderating variable used in this study is Executive Compensation, which is the amount of Executive Directors remuneration of a firm. The Mean of natural logarithm of executive compensation is 11.871 is lower than the Mean of 53.627 as reported by (Al-Malkawi & Javaid, 2018)

Table 4.2

Correlation

Variables	ROA	CSR	LEC	AGE	SIZE
ROA	1.0000				
CSR	0.3462	1.0000			
LEC	0.3301	0.0356	1.0000		
Firm Age	-0.1013	-0.1496	-0.0299	1.0000	
Firm Size	0.0461	-0.0456	-0.0294	0.0098	1.0000

The table no 4.2 indicates the correlation results between CSR indicators and firm financial performance. The result shows that there is low correlation between the financial performance (ROA) and Corporate Social Responsibility (CSR). The CSR is low positive correlated with ROA. The firm age indicates negative correlation with firm financial performance. The firm size and executive compensation show markedly low and neglible correlation with return on assets and also low correlation with CSR. The correlation between executive compensation ,CSR firm size low correlate with each other's and firm age negative correlated with ROA ,CSR and executive compensation; that results are consistent with the studies of (Lysiak, L et al., 2021).

Table 4.3
Diagnostic Test

Variables	VIF	1/VIF
CSR	1.14	0.875991
Firm Age	1.14	0.877732
Firm Size	1.00	0.997877

Mean VIF =1.09
chi^2 (3) =4.22 Prob>chi^2 = 0.2391

The table no 4.3 breusch-Pagan test used to determine the Heteroskedasticity in the model. The chi^2 p- value is 0.2391 which is less than significant level 0.05% conclude that null hypothesis will be rejected and Heteroskedasticity found in the model. The result values are in acceptable range, furthermore above table shows the variance analysis used to measure the multicollinearity in the independent variables and the mean value of VIF 1.09 which is less than 2 showed no multicollinearity issues between the variables.

Table 4.4
Regression Results.

ROA	Coefficient	Standard Error	t	P>|t|	[95% Conf. Interval]
CSR	3.518031	.4045565	8.70	0.000	2.723499 4.312564
Firm Age	.0250585	.0439118	0.57	0.068	.0611824 .1112995
Firm Size	16.14178	9.880543	1.63	0.063	3.263202 35.54676
Constant	-12.00631	10.88375	-1.10	0.270	-33.38156 9.368938

R^2= 0.2545 Adj R^2= 0.1187 Prob > F = 0.0000 F-Statistics = 21.16

The table no 4.4indicates the regression result of CSR indicators and firm financial performance. ROA used as dependent variable for measuring the financial performance and CSR used as independent variable to measure the corporate social responsibility of the firms. Firm age and firm size measured as control variables. The Coefficient of the CSR variable is positive and statistically significant, meaning that CSR financial institutions shows better financial performance compared non-CSR financial institutions. The results also show the consistence's with the (Shabbir & Wisdom, 2020) that only Corporate social responsibility is only linearly positive significant linked with the financial performance of the financial sector of Pakistan. The R square value 0.2545 indicates that model is statistically fit. The value of F-statistics is 21.16 and its p-value is highly significant because it is less than 0.05. It indicates that the model is overall significant.

Table 4.5

Fixed Effect Model

ROA	Coefficient	Std. Err	t	P>|t|	(95% Conf.	Interval)
CSR	1.373002	.7592823	1.81	0.071	-.1184642	2.864468
Firm Age	-..2055968	.1001255	-2.05	0.041	-.4022743	-.0089193
Firm Size	16.07492	8.609345	1.87	0.062	-.8364999	32.98635
Constant	7.813189	11.68236	0.67	0.504	-15.1346	30.76097

R^2=0.2558 rho=.53741068 Prob > F = 0.0282

The table no 4.5 shows the fixed effect results of ROA as dependent variable and CSR indicators as independent variables. The control variables measured by firm age and firm size. The coefficient values of CSR indicate positive and significant influence on firm financial performance with the one percent increase in CSR, the ROA will be increase by (1.373002, P-0.071). The firm age shows significant but negative effect on firm performance which represent that if firm age increase by one percent the firm performance will be decrease by (-.2055968). The Firm size also show positive and significant effect on ROA that if firm size increase by one percent, the ROA will be increase by

(16.07492, P-0.062). In the above table the F-value (0.0282) is less than 0.05 show the fitness of the model for a given data. The rho value (.53741068) indicates that 53.7% of the variance is due to differences across panels. The R square value indicates the variance of ROA explained by independent variables by (0.2558).

Table 4.6
Random Effect Model

ROA	Coefficient	Std. Err	t	P>|t|	(95% Conf. Interval)	
CSR	2.322707	.5803143	4.00	0.195	1.185312	3.460102
Firm Age	-.0902861	.068218	-1.32	0.186	-.223991	.0434187
Firm Size	17.87385	8.559842	2.09	0.037	1.096867	34.65083
Constant	-2.968007	10.24188	-0.29	0.772	-23.04173	17.10572

R^2=0.2593 rho=.49526147Prob>chi^2= 0.0010

The table no 4.6 shows the Random effect results of ROA as dependent variable and CSR indicators as independent variables. The control variables measured by firm age and firm size. The coefficient values of CSR indicate positive and significant influence on firm financial performances with the one percent increase in CSR; the ROA will be increase by (2.322707, P- 0.195). The firm age shows significant but negative effect on firm performance which represent that if firm age increase by one percent the firm performance will be decrease by (-.0902861, P-0.186). The Firm size also show positive and significant effect on ROA that if firm size increase by one percent, the ROA will be increase by (17.87385, P- 0.037). in the above table the F-value (0.0010) is less than 0.05 show the fitness of the model for a given data. The rho values (.49526147) indicate that 49.5% of the variance is due to differences across panels. The R square value indicates the variance of ROA explained by independent variables by (0.2593)

Table 4.7
Hausman Test

Variables	Coefficient Fixed	Coefficient Random	Difference
CSR	1.373002	2.322707	-.9497053

Firm Age	-.2055963	-.0902861	-.1153107
Firm Size	16.07492	17.87385	-1.798294

Prob>chi^2= 0.2391

The table no 4.7 result represent the hausman test which is used to decide about fixed and random effect. The difference of value of CSR is (-9497053) and the difference about firm age and firm size are (-.1153107, -1153107). The value of Chi^2 is 0.2391 which is greater than 0.05, hence indicating that fixed effect model will be preferred model for given hypothesis.

Moderating Results & Interpretation

The given tables results show does the executive compensation moderate between the CSR and Financial Performance. The table reported the moderating effect of executive compensation through OLS regression. To measure the moderating effect of executive compensation the ROA used as proxy to measure the financial performance. In the regression result as evidence describe the significant and positive impact of CSR and ROA was found. The result shows the moderating impact of corporate social responsibility and financial performance.

Table 4.8

*Regression Result Without Moderating Analysis***.**

ROA	Coefficient	Std. Err	t	P>|t|	(95% Conf. Interval)	
CSR	3.409925	.3790695	9.00	0.000	2.665453	4.154397
Executive Compensation	.1088683	.2351942	2.46	0.044	.3530402	.5707768
Firm Age	-.0634786	.0424578	-1.67	0.116	-.1499331	.0168473
Firm Size	2.26239	0.251542	8.994	0.000	11.48763	28.10345
Constant	6.12639	2.851567	2.15	0.032	.5260678	11.72671

R^2=0.4502 Adj. R^2=0.5072 Prob>F= 0.0000

The table no 4.8 indicate the regression result of CSR indicators and firm financial performance. ROA used as dependent variable for measuring the financial performance and CSR Composite used as independent variable to measure the corporate social responsibility of the firms. Firm age and firm size measured as control variables. The executive compensation measured as a moderating effect between CSR and ROA. The results indicate that there is a positive significant relationship between CSR and ROA which shows that one percent increase in CSR will cause an increase in ROA by 3.409925 percent. Its t-value is 9.00 it is greater than 2 and P value is 0.000 which are significant at 0.05 level of significance. Executive compensation shows a significant impact on firm performance because its t-value is 2.46 and p-value is 0.044. It represents that executive compensation has effect of Return on Assets. The R square values 0.4502 indicate the model fitness into data.

Table 4.9

Regression Result Moderating Analysis

ROA	Coefficient	Std. Err	t	P>|t|	(95% Conf. Interval)	
CSR	7.469391	2.765067	2.70	0.007	2.038932	12.89985
Executive Compensation	.6033537	.4080705	2.46	0.040	.1980772	1.404785
Moderating variable EC	.3504269	.2364408	2.48	0.039	.8147853	.1139316
Firm Age	-.0664568	.0424763	-1.55	0.114	-.1499234	.0169563
Firm Size	8.261643	.0346754	0.77	0.023	11.58682	28.10434
Constant	0.362141	0.175214	2.066	0.043	6.988995	8.826457

R^2=0.6034 Adj. R^2=0.6590 Prob>F= 0.0000

The table no 4.9 result shows the moderating effect of executive compensation between CSR and ROA. The relationship between CSR and ROA has highly significant and positive at 0.05% level. If one percent increases in CSR, the ROA will be increase by 7.469391. The moderating value of the executive compensation indicates significant at 0.05% level but positive impacts on the relationship among CSR and ROA. If there is one percent increase in executive compensation, it will strong the strength among CSR and ROA by .350 units. The R squared value 0.6034 shows data fit into the model.

Comparison of both Models

The both tables (i.e. Table no 4.8 and Table no 4.9) reflecting different scenarios in which the first one is showing simple regression analysis while the other is reflecting the analysis with moderating effect. It is observed that the addition of moderating variable in the model is a positive step towards the relationships strength of overall results of the model as well as towards the relationships of control variables and their strength. For an instance executive companion was found significant in the first model (without moderating effect) but in after adding the moderating variable it becomes highly significant towards the dependent variable i.e. return on asset

Conclusions and Recommendations

In the first stage OLS regressions applied to measures the impact of CSR on financial performance. The second stage fixed, random and hausman test was applied and last moderating result for each variable was attained. The overall results found consistent with expectation of stakeholder's theory and agency theory. The regression results of CSR measured positive significant impacts on financial performance of the financial sectors. The results also showed the consistence's with the (Shabbir & Wisdom, 2020) that only Corporate social responsibility is only linearly positive significant linked with the financial performance of the financial sector of Pakistan. In fixed effect and random effect model the overall coefficient values of CSR activities showed positive and significant impact on financial performance which are consistent with (Okafor, Adeleye, & Adusei, 2021) but the control variable of firm age was found negative relationship between CSR and financial performance of financial sectors.

The moderating results of executive compensation between CSR and financial performance proxy ROA was performed. The moderating result shows in two different stages and their comparison. Table no (4.8) and Table no (4.9) reflecting different scenarios in which the first one is showing simple regression analysis while the other is reflecting the analysis with moderating effect. It is observed that the addition of moderating variable in the model is a positive step towards the relationships strength of overall results of the model as well as towards the relationships of individual variables and their strength. For an instance executive compensation was found low significant in the first model (without moderating effect) but in after adding the moderating variable it becomes highly significant towards the dependent variable i.e. return on assets.

The overall contribution of my research finding support the CSR has positive impacts on financial performance of financial sectors in Pakistan and suggested that high CSR contributions lead to high and improved financial performance in the form of ROA. The results show in control variables were positive impact of firm size but negative impact of firm age on ROA. So, this research study helps the financial sectors of

Pakistan to improve their financial performance by engaging in CSR activities

The study limitation of this research was small sample size with a small amount of observations and limit to only conventional banks of Pakistan while other studies have a larger forms of observations (Nollet, Filis, & Mitrokostas, 2016; Wang & Sarkis, 2017) The only ROA used as proxy for financial performance while other proxies should also be apply to measures the market based financial performance. This study should be expanded to other financial sectors include commercial banks of Pakistan and Industrial sectors. In this study only, regression model used to measure the relationship between CSR and financial performance of financial sectors while other tests also used by different research techniques should be applied. This study is based on single country analysis include Pakistan therefore it should be expanded to other countries and comparative study of different model for future research.

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