Impact of CSR on Firms’ Financial Performance: A Case Study of Ghee and Fertilizer Industry in Southern Punjab-Pakistan

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Abstract
This paper has focused to measure the impact of corporate social responsibility (CSR) on firms’ financial performances in Ghee and Fertilizers industry in southern Punjab Pakistan. This is exploratory type of research and its objective is to find out the influence of independent variables that is CSR on financial performance of the firms. Both qualitative and quantitative research methods were in this study. Primary data was collected through a structured questionnaire while likert scale was used to measure the attitude of selected companies towards CSR. Secondary data was collected from the annual financial reports of the selected firms. Major focus of the study was to investigate under which circumstances firms’ social responsibility has influenced firms’ financial performances in a positive way. The results were drawn from different angles. For example, it was noted that society-oriented, environment-oriented, workforce-oriented, market-oriented corporate social responsibility implemented by ghee and fertilizer industry has resulted in the increase in sales revenues and high return on capital of the companies involved in CSR. According to evidence, Ghee, and Fertilizer industry, public limited companies are highly socially responsible whereas few private limited companies are also found engaged in CSR. The results were robust and significant and they can be generalized for all other industries in the region and in other developing countries. The evidence of our study has proved the fact that the firms which are highly involved in CSR get better reputation, better sales, and better profitability besides satisfying the customers.

Keywords: Corporate Social Responsibility, Financial Performance, Profitability.

1. Introduction
The business analyst report CSR as an add-on to the financial performance of the company, if fulfilled in a deliberate way. It is part of company strategic management whether to be involved in CSR or not. So far, organization use different business techniques in accordance to size, their current level of profitability whether the firm is in position to cover the expense of the CSR or not, business locality, stakeholders’ practice in CSR, diversification or integration in existing market, stockholders level of trust on company decisions, previous record of CSR by business firm itself or competitors, overall conditions in the market. The key role of managers is to control the negativity of value maximization. Because in doing so, most of the firms neglect the social aspects.

In most of the developed nations, CSR has potentially grown up in the last decade. All the stakeholders of the corporation are forcing it to be engaged in CSR issues with the passage of time. The trend towards CSR and corporations growth is interlinked now. Most of the firms are now focusing on CSR to continuously improve their social environmental, economic, and financial performance. According to Lea (2002) socially responsible firms do all thing in favor of stakeholders. The firm not only fulfill the core business objectives but in addition to that they focus on society including workers, customers and other stakeholders by increasing welfare activities, providing funds and aids to needy persons, special donation to non-trading concerns, establishing free educational institutions and hospitals for the society. This not only brings augmentation to goodwill but also brings favorable results in financial statement like profit and loss statement, balance sheet, cash flow statement, increasing the financial worth of the company.

1.2 Importance of CSR
There are basically 4 fundamental types of CSR. 1st is Workforce oriented 2nd is Society oriented 3rd is Market oriented 4th is Environment oriented. As today’s era is of era of media, so for the purpose of their enhancement in reputation, to create a positive branding and to capture customers, firms are not willing to compromise against them. So media disclose information about branding and company’s reputation whether it is involved In CSR. So, firms want themselves to build a positive workplace environment, to have very good relations with government of the nation and general public as well in order to show the true commitment with the stakeholder. Many firms in Pakistan are now focusing on CSR. Some of them have helped earthquake victims, flood effected people. A large no. of firms focus on their employees’ satisfaction, while some focus on being socially committed to hygienic and sanitized ways of production. This all is collectively called CSR and is of too much importance.
Importance of CSR in Ghee and agriculture sector is of immense importance.

This paper is a case study of Ghee and fertilizers industry located in southern Punjab of Pakistan. We have intended to investigate how much selected firms give importance to CSR. We noted that these organizations opt cleaning procedure, pollution free environment, energy efficiency, renewable energy resources, water consumption, waste handling, social impact assessment, business ethics and transparency, employees and other stake holder satisfaction as a part of their corporate social responsibility. Most of the firms in this region are ISO certified. So these are of the same opinion that corporate social responsibility give rise to financial performance of the firms. Because when firms are perform corporate social responsibility in possible four categories i.e. in society oriented CSR, environmental CSR, Market oriented CSR workforce CSR, and these leave the following impacts:

First of all, these firms are well recognized for provision of jobs across the board in spite of financial and economic crisis. They believe in community participation as they do proper survey for better products and product for the customer of its own choice. These firms are against to get any advantage on the cost of any disadvantage of society. They are vigilant and cautious about health and welfare of customers and society as a whole. These firms are also involved in workforce oriented social responsibilities. Many fertilizers and micronutrients, and agro-chemicals are harmful somehow, so workplace safety is very important in this case. While conducting survey many firms in the region declared that it is immense to deal with workplace health and safety, because if working environment is not safe, employee motivation is impossible that can lead to major human resource problems. So to avert these problems, working in these firms is based on flexible working hours, proper shifts, better working conditions, proper training and development, equal treatment to all employees, workplace diversity, and fair wages and salaries structure and job security contrary to the time of lay-off.

Another major category is Market oriented CSR. So the firms are highly involved in these activities. These firms provide high quality products; perform the business ethically with fair and justice business practices by taking care of customer relation, customer education. Most of the firms are of the opinion that if company charges over normal and reasonable prices they will start losing their customer. In order to retain their customer, firms mostly charge reasonable prices and conduct survey properly to get customer feedback about firms, its strategies. They believe that by retaining existing customer provide helpline in capturing new customers. So in order to expand their business and diversify their product line, most of the financial institutions are ready to lend these firms if they need credit. Owing to normal and reasonable charges, the customer purchases the product on cast, ultimately firm become able to repay its loan and to minimize its debt obligation. So creditors are paid their payment promptly and assets become free from pledge. Consequently lender grant loan in time of need of debt finance.

Now-a-days, CSR is known to be integral part of business core competencies not only on international level but also on local and domestic level. Kotler (2005) explain that CSR leaves its impact on financial worth of the company. The firm reduce their employee turnover by giving incentives, cash bonuses, safe work environment with protection of health and life For customer, the firm charge normal rate and this normal price induce the customer to say something in favor of company.

If business firms focus on stakeholders’ participation, it shows that they are socially responsible. Cyrus Iraya Mwangi (February 2013) depicts it’s the obligation of the firm’s decision makers to make decisions and act in that way that recognize the relationship between the business and society. Oyenje, Jane Jerotich (February 2013) It’s therefore important for a business to continue in its commitment to behave ethically and contribute to economic development while improving the quality of life of the work force and the surrounding community at large. McWilliams and Siegel (2001:117) describe CSR as Action that appear to further some social good, beyond the interest of the firm and by which is required by law. Longencker, Moore, Petty and Palich (2006) define CSR as it is the price contribution to the community in the form of tax revenue, charitable contributions, supporting community scolds, the arts and local programs. According to Lombardo (2009), CSR has no single commonly accepted definition. The concept is a fuzzy one with very vast boundaries. So when companies engaged themselves in activities not only for the sake of profit, but also for the benefit of the economy, public, and environment, then firms are called to be “Socially responsible firms.”

There are actually two different types of corporate social responsibility to consider. The first one consists of corporations providing funding and resources for social causes, such as donating money or employee time to charities. However another type of CSR involves putting together a real plan to produce products or provide services that are in the best interest of society. These include things like using safe material in design and manufacture, corporate environment initiatives, and other factors such as job creation and economic development. There are several benefits of CSR; the most successful corporate social responsibility programs integrate these two types of CSR together to show a true commitment to a cause. For instance, a company that uses sustainable materials in their products, donates financial resources to environmental causes, and allows employees to take paid time off for volunteering at environmental charities would be showing a true commitment to the environment that goes beyond any single CSR initiative. Another reason for firms’
involvement in CSR is vigilance of social media visibility. The firms that want to protect their brand understand that social media is an integral part of public perception. When a corporation exercises social responsibility in the form of fundraising or setting up employee giving programs, using social media to promote these actions helps to create a positive branding environment and it is a great way to engage with your audience on a deeper level that goes beyond your products or services. Having good public relations benefit is also a persuasive instrument to form a good consumer perception and building a company’s good will and image. Such firms’ involvement in CSR activities is practically implemented with the help of media. Whether it is electronic media, or print media, both can help out the firms’ in taking initiatives in building up firms name and recognition towards donation, employee volunteer programs or other activities. Besides having good public relations, CSR also help the firms in building strong and good relations with government of the country.

1.3 Research Problem
The aim of this research is to identify the impact of corporate social responsibility on the Financial performance of Ghee and Fertilizer industry in southern Punjab.

1.4 Problem Statement
Previously studies have focused mainly on the developed countries and there is less work done on measuring the impact of Corporate Social Responsibility on Financial Performance in less developed countries like Pakistan. In less developed countries, most of the firms are not yet quite familiar with the importance of Corporate Social Responsibility and thus don’t pay much attention on the Corporate Social Responsibility. Now a day’s people have more knowledge about the organizations and the work they are doing for the welfare of the society. So it’s important to study Corporate Social Responsibility and its impacts on the profitability of firms in these economies. Ghee and Fertilizer industry in southern Punjab are focusing on CSR and thus this study is going to depict the impact of CSR on the financial performance of those firms.

1.5 Objective of the study
In this study, explanation is made about how financial performance of the firms is affected by CSR campaigns by ghee and fertilizer industry in southern Punjab. Ghee and fertilizer industries are focusing on CSR, yet it can be stated that these firms are well aware of their social responsibility. By actively participating in four emerging trends of CSR i.e. workforce oriented, society oriented, market oriented and finally environmental oriented CSR are independent variable to its impact on the firm’s financial performance

1.6 Scope of the study
In this study the relationship between CSR and financial performance is enthusiastically determined. So, the Impact of CSR on sales, gross profit, net profit, financial leverage of the firms clearly depict whether there is any linkage and what is impact of CSR on financial performance of the firm. The study will also assist the business students of the area as well as the business competitors too, to know the impact of CSR as a competitive advantage because most of the time customer not only focus on the product but also centralize the worth and good will of

2. Literature Review
2.1 Implementation of CSR
Margarita Tsoutsoura March, 2004) every firm differs in implementing corporate social responsibility. This is done according to size of business, overall environment and culture where the firm is, and the owner’s willingness about CSR. Some owner’s focus on CSR as core corporations values and part of strategic planning and both management and employees are committed to them. And strategy must also align with the firms’ specific corporate objectives and core competencies. According to Freidman (1970), firms are not in a position to implement CSR because the owners of the firm mostly do so to evade tax, as they show all the expense incurred as their admissible expense.

Caroline Flammer (January 2013), states that effect of corporate social responsibility on financial performance is a clean clause estimate. Caroline indicate another view of the sight that link between CSR and FP is strongly positive for companies in industrial sector, where these sort of activities lead to superior financial performance. The effect is weaker for other companies, as CSR is costly concept resulting decreasing marginal returns.

Hossein Khanifar( January 2012), as this is era of stiff competition among different companies, so in order to increase their value and image among their stakeholders, most of the firms are forced to participate in social activities. This theory of Corporate Social Responsibility is basically very broad concept. The additional cost incurred in respect of CSR like broad charitable contributions, support for different progressive plans, and commencement of business in backward areas and institution of environmental safe methodology of production,
these all are part of CSR. In short term, it looks like a burden on firm profit level. But in long run it gives a lot of benefit. Most of the benefits are no labour problems, customers favor to products and proof of word of mouth concept. So, overall the firms’ involvements in social activities enhance the firms’ standing and relations with stakeholders like bankers, investors and government officials. This ultimately brings improvement in financial condition and financial performance of the firm.

Alan Pomering, Lester Johnson, Gary Noble (2009) state the firms’ financial performance is affected by CSR. But sometimes customers want to be well known how the firm is doing social responsibility. So, proper advertising about CSR initiative, information about social issues which the firm is solving or trying to solve and its impact on issue also influence the customer purchasing behavior.

2.2 CSR as competitive Advantage over other firms
Awan & Iqbal, (2014) most of the firms lag their involvement in CSR, but the entry of multinational companies due to phenomena of globalization and manifestation of CSR from groups of competitors have made the CSR in Asian countries. Different activities have been introduced regarding CSR like building schools, pilgrim rest houses, distributing relief items during natural disasters and helping the poor in the time of need, providing quality products at affordable rates, making products in environmental safe mode. The loom of firms towards CSR has been actively accelerated or decelerated a firm’s performance. As far as limited companies are concerned, if there is any scandal or bad image about company, its performance declines very badly, because stakeholders lose confidence in a firm’s performance, sales decline, shares price decline, employee turnover starts, resulting in a poor financial and non-financial performance.

2.3 Theories about CSR
Awan and Maryam (2015) declared three theories about CSR and firm’s financial performance. 1st theory is “consumer inference making”, suggesting that if consumer know that firms is responsible, so he will infer positively. This not only increase customer satisfaction but also demand for the product increases, which in turn positively influence the sales return and firm’s financial performance.

2nd theory is “Signaling Theory” states that consumer associate higher product quality with proactive corporate citizenship and potential jobseekers value CSR record of companies as a signal for organizational attractiveness.

3rd theory is “Social Identity” means employees create their self-image by the reputation of the firm in which they are rendering their services. Such bonds of identification encourage positive evaluations of firms’ products and thus are justified reason for increase in sales revenues, and leaving positive impact of CSR on firms’ financial performance.

Awan and Azhar (2014) give relationship of CSR with respect to community and firm’s financial performance. Typical involvement of business with the community is seen in areas of education, health, and income generation. Firm’s participation towards social and economic development issues are giving excellent results in getting fame and ultimately increase in sales revenues.

3. Research Methodology
3.1 Meaning of Research Methodology
Research methodology is the systematic, theoretical analysis of the methods applied to a field of study or the theoretical analysis of the methods and principles associated with a branch of knowledge. Research methodology is a way to systematically solve the research problem. It may by understand as a science of studying how research is done scientifically. It includes methods and techniques to analyze and interpret what a researcher wants to do.

3.2 Period of Study
Last five years (2009-13) will be taken for period of study. In this period, the impact of CSR will be clearly illustrated to show improvement in financial performance due to involvement in CSR.

3.3 Types of Research
Research can be of two types Quantitative and qualitative research. In social sciences, for more accurate results qualitative research is often supported by quantitative research to explain the research purpose more accurately. Analysis of collected data into meaningful results and information is called quantitative data analysis.

Quantitative research helps in resolving problems more easily by developing linkages between relevant issues and questions. The proposed research study has been carried out to find the impact of CSR on firm’s financial performance in Ghee and Fertilizer industry in southern Punjab. Whereas CSR is taken and the impact of environmental, social, workforce and market costs are taken as independent variables.
3.4 Type of the data
In this research, the data will comprise both primary and secondary data.

3.5 Data Collection Methods
Primary data collection will be through surveys of firms, their stakeholders in the area by using data collection methods like structured questionnaires, interviews and surveys. Secondary data collection will be done with the help of already work done on CSR and firms financial performance by earlier researcher, which will provide reliable, consistent data for this study. Mostly from Private limited companies, data is taken from accounts and finance department. However, secondary data is taken from annual reports of public limited companies.

3.6 Sample Size
Two sectors were selected for this study as population. These two sectors are Fertilizer and Ghee industry. Total 20 companies were selected randomly as a sample of this study. 13 firms are related to ghee industry, and 7 are agro-based industries. On the basis of ownership, 3 firms are Public limited companies and 17 are private limited companies.

3.7 Selected Variables: There are two types of variables. Dependent variable and independent variable

3.8 Dependent variable: the dependent variable is one which is being influenced by other factor.

3.9 Independent variable: Independent variable is one which directly influences the dependent variable.

3.10 Development of Hypothesis
On the basis of above literature review, these hypotheses may be developed:
H1: There is positive and significant relationship between CSR and gross profit margin.
H2: There is positive and significant relationship between CSR and profit after tax
H3: There is positive and significant relationship between CSR and EBITDA % to sales
H4: There is positive and significant relationship between CSR and Return on equity.
H5: There is positive and significant relationship between CSR and EPS.

3.11 Estimation Techniques
We used “SPSS” software to draw the results. We also used Regression and Correlation Method as well as Likert Scale to measure attitude, dependency, and strength of relationship among selected variables.

4. Profile of selected companies
Most of the firms have not permitted to show their financial data as these are private limited companies; during research (questionnaire filling and survey) most of the firm restricted me not to show financial data. However it was obvious that all the firms are somehow engaged in any of the corporate social responsibility. Financial implications due to climate change include the economic costs of the adverse effects of climate change and risk and opportunities related to actions to reduce GHG emissions. The company has no major financial implication posed due to climate change. All the operations are safe from the impacts however; extreme weather change may affect the operations. The weather patterns are evolving and sudden changes in weather are no more a novelty or one off incidences. The financial implications due to climate change include economic costs related to changes in fertilizer consumption and its patterns. The Company has a system in place to assess such risks and opportunities and monitor and mitigate the risks. Cognizant of the fact of water shortage in a changing climate, the Company is propagating drip or trickle irrigation system, sprinkler method of irrigation and laser land leveling for optimum water conservation. The Company has not quantified the impacts in monetary terms.
Table 1. Financial indicators of Pakarab Fertilizer Company Ltd

<table>
<thead>
<tr>
<th>Years</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tr>
<td>Financial Measures</td>
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<tr>
<td>Gross Profit %</td>
<td>41.36</td>
<td>50.4</td>
<td>56.96</td>
<td>57</td>
<td>58</td>
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<tr>
<td>Profit after Tax%</td>
<td>28.37</td>
<td>17.71</td>
<td>27.41</td>
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<td>28</td>
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<tr>
<td>EBITDA % to sales</td>
<td>49</td>
<td>49</td>
<td>63</td>
<td>60</td>
<td>62</td>
</tr>
<tr>
<td>Return on equity</td>
<td>26</td>
<td>31</td>
<td>44</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>7</td>
<td>10</td>
<td>10</td>
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Table 2. Financial Indicators of Fatima Fertilizer Company Ltd

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<td>Financial Measures</td>
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</tr>
<tr>
<td>Gross Profit %</td>
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<td>53</td>
<td>58</td>
<td>59</td>
<td>66</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>19</td>
<td>19.5</td>
<td>21</td>
<td>24</td>
<td>28</td>
</tr>
<tr>
<td>EBITDA % to sales</td>
<td>51</td>
<td>51</td>
<td>53</td>
<td>55</td>
<td>66</td>
</tr>
<tr>
<td>Return on equity %</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>21</td>
<td>26</td>
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<tr>
<td>EPS (Rs)</td>
<td>1.2</td>
<td>1.5</td>
<td>1.9</td>
<td>2.8</td>
<td>3.8</td>
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Table 3. Financial indicators of Fauji Fertilizers Ltd

<table>
<thead>
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<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
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<td>Financial Measures</td>
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</tr>
<tr>
<td>Gross Profit %</td>
<td>43</td>
<td>43.6</td>
<td>62</td>
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<td>46</td>
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<tr>
<td>Profit after Tax</td>
<td>21</td>
<td>24</td>
<td>40</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td>EBITDA % to sales</td>
<td>41</td>
<td>42</td>
<td>63</td>
<td>45</td>
<td>43</td>
</tr>
<tr>
<td>Return on equity %</td>
<td>67</td>
<td>71</td>
<td>99</td>
<td>80</td>
<td>81</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>7</td>
<td>8</td>
<td>18</td>
<td>16</td>
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Data Analysis

In data analysis, statistical techniques are used to analyze the data, and then interpret in a proper way.

Figure 1 Involvement of CSR in southern Punjab

The data analysis depicts that among selected companies profile, 85% of the firms are involved in all the four...
categories of CSR activities. However, it is also proven from the research that larger the firm size, the larger is the involvement in CSR activities. This cycle continues, bring increase in sales, thus reducing the cost and increasing the financial measures of the firm. **15%** of the firms have involvement in two or three categories of the CSR but are not involved in all categories of CSR activities.

Figure 2: CSR and size and age of the company

Figure 3: Involvement of the firm in CSR

Figure 3 Analysis shows that **85%** of the firms are involved in all four categories of CSR. Among the **85%** firms
(selected companies) the firms are 40% involved in environmental oriented CSR. While the firms are 30% involved in society oriented CSR, the percentage of firms involvement in CSR is 20%, while involvement in market oriented CSR in just 20%.

5.1 Pearson Correlation analysis:
Pearson correlation analysis is a technique to measure linear relationship strength between two variables. The range of correlation coefficient ranges from +1.00 to -1.00. + Signs show positive correlation between two variables or things while negative sign shows the relationship between the proposed variables is negative. For the proposed research study correlation analysis is used because it can be taken without the amount of variation due to each variable separately.

The table 4 shows the correlation matrix for all the variables discussed in the study which are CSR and gross profit, Profit after Tax, EBITDA% to sales Return on Equity and EPS, Return on Asset. The correlation among variables was found individually, because there is more than one dependent variables and independent variable is one. There is positive correlation between the variables as none of the variable shows negative sign.

Table 4 Correlation analysis of CSR and financial measures of firms.

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>GP</th>
<th>EPS</th>
<th>NP</th>
<th>EBITDA</th>
<th>FP</th>
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<tbody>
<tr>
<td>CSR</td>
<td>1</td>
<td>.65**</td>
<td>.700**</td>
<td>.50**</td>
<td>.667**</td>
<td>.435**</td>
</tr>
<tr>
<td>GP</td>
<td></td>
<td>1</td>
<td>.446</td>
<td>.699</td>
<td>.333</td>
<td>.521</td>
</tr>
<tr>
<td>EPS</td>
<td></td>
<td></td>
<td>1</td>
<td>.590*</td>
<td>.501</td>
<td>.176</td>
</tr>
<tr>
<td>NP</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>.332</td>
<td>.136</td>
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<tr>
<td>EBITDA% to sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>.376</td>
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<tr>
<td>FP</td>
<td></td>
<td></td>
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<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at 0.01 level (two tailed)
*Correlation is significant at 0.05 level (two tailed)
The test depict that there is positive correlation between CSR and gross profit; (r = .65, p = .000). The result also shows that there is positive and significant relationship with each other. The relationship of CSR and EPS shows positive and significant relationship. (r = .700, p = .000). The relationship between CSR and Net profit; (r = .50, p = .000), and relationship between CSR and EBITDA % to sales (r = .667, p = .000), and relationship between firms CSR and overall financial performance (r = .435, p = .000).

Table 5 Regression Analysis Results

<table>
<thead>
<tr>
<th>Model (Dependent Variables)</th>
<th>Standardized Coefficient</th>
<th>T</th>
<th>Sig</th>
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<tbody>
<tr>
<td>GP</td>
<td>.121</td>
<td>2.99</td>
<td>.000</td>
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<tr>
<td>NP</td>
<td>.642</td>
<td>6.67</td>
<td>.000</td>
</tr>
<tr>
<td>EBITDA% to sales</td>
<td>.691</td>
<td>5.15</td>
<td>.000</td>
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<tr>
<td>ROE</td>
<td>.511</td>
<td>6.22</td>
<td>.000</td>
</tr>
<tr>
<td>EPS</td>
<td>.249</td>
<td>5.12</td>
<td>.000</td>
</tr>
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</table>

CSR is Independent Variable (constant)

Table 6 Computation of R, R-square and adjusted R-square

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td>R</td>
<td>1 Gross Profit</td>
</tr>
<tr>
<td>R square</td>
<td>2 NP</td>
</tr>
<tr>
<td>R</td>
<td>3 EBITDA</td>
</tr>
<tr>
<td>R square</td>
<td>4 ROE</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>5 EPS</td>
</tr>
<tr>
<td>.65**</td>
<td>.700**</td>
</tr>
<tr>
<td>.50**</td>
<td>.667**</td>
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<td>.435**</td>
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<td>.491</td>
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<td>.443</td>
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R-square or Coefficient of determination describes whether the regression line fits the data or not. That’s why, it is also known as measure of goodness of fit. The analysis shows that R-square for GP is .51, .347, .461, .515, .245 it means that there 51 %, 34%, 46%, 51%, 24 % change in Gross profit, EPS, NP, EBITDA% to sales and overall financial performance respectively is because of CSR campaigns.
5.3 Testing of Hypothesis.
H1: There is positive and significant relationship between CSR and gross profit.  
H2: There is positive and significant relationship between CSR and profit after tax.  
H3: There is positive and significant relationship between CSR and EBITDA % to sales.  
H4: There is positive and significant relationship between CSR and Return on equity.  
H5: There is positive and significant relationship between CSR and EPS.

The summarized results from table 7.3 show that independent variable CSR is related to all dependent variables in hypothesis. Obviously the result depicts that corporate social responsibility influences the level of firm’s financial measures. So on the basis of above computations, the hypothesis is accepted that there is positive relationship between CSR and financial measures. We can argue that implementing social responsible activities, firms can bring more monetary benefits that directly help the relationship between firms and public.

6. Conclusions:
The research study focused on the impact of corporate social responsibility on firms’ financial performances in Ghee and Fertilizers industry in southern Punjab Pakistan. The research was based on exploratory type of research focused to find out the influence of independent variables that is CSR on financial performance of the firms. Both qualitative and quantitative research methods were in this study. Data was collected through a structured questionnaire including open ended questions for theory writing while Likert scale was used for data analysis. Financial data including income statement, balance sheet and other financial measures are also taken from the annual financial reports of the selected firms.

This study was focused on, whether and under which circumstances firms’ social responsibility has influenced firms’ financial performances in a positive way. Society oriented, environment oriented, workforce oriented, market oriented corporate social responsibility implemented by ghee and fertilizer industry has resulted in the increase in sales revenues and high return on capital the companies involved in CSR. According to evidence, Ghee, and Fertilizer industry, public limited companies are highly socially responsible, however few private limited companies are also found engaged in CSR which improved their financial performance as well. This concept can be generalized for all other industries in the region and other developing countries as well. Because it is proven that the firms which are highly involved in CSR get better reputation, better sales, and better profitability besides customer satisfaction’s-oriented firms mostly focused on their employees, their working hours, their proper salary and wages, hence reducing employee’s turnover. CSR-oriented companies also concentrate on quality production strategies in competition to their competitors, thus fulfilling the market oriented CSR.

7. Recommendations:
Today is era of word of mouth. If a customer is satisfied he might be up to him, but if a customer is dissatisfied from a product of a firm, he will surely disclose this to each and every person he knows. As southern Punjab is typically an agriculture area, so fertilizers industry in this era should focus on corporate social responsibility. It is recommended for those firms which don’t involve themselves in CSR, to strongly compete on the basis of CSR as a competitive advantage. In ghee industry, there is less involvement in all kinds of CSR, only few firms are engaged in all kinds of CSR hence increasing their financial worth. On the basis of our findings and results, it is obvious that CSR has direct influence on financial performance of the company. The firm that perform CSR use it as core competency. CSR activities shows that firms are not only enhancing business but also getting the confidence, trust of the customers as well by contributing to society oriented CSR, environmental-oriented CSR, workforce-oriented CSR and market-oriented CSR. Thus, on the basis of results, it is strongly recommended that firms should be engaged in social responsibility and in this way they can improve their image, goodwill and profitability., that’ll not enhance financial burden over them but also it’ll leave positive and significant result on their financial performance in this way image of the firm will also increase and there will be positive impact on society as well. Govt. of Pakistan should also focus on these sorts of activities so that performing the social responsibility should influence the overall society and environment as well.

References


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