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Impact of Corporate Social Responsibility Disclosure along with Economic Variables on Sales Performance of Pakistani Non-financial Firms

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ABSTRACT

In the race of maximizing profits, businesses often face challenges in meeting environmental and social requirements. This paper's main objective is to assess the linkage between Disclosure Index of Corporate Social Responsibility and firms' performances with respect to sales, in connection with some financial and economic variables as well. Return on Sales has been employed for measuring Sales performance, and CSR has been gauged by the Corporate Social Responsibility Disclosure Index. From 2011 to 2020, information has been collected from forty-one listed companies of Pakistan stock exchange (PSX), pertaining to non-financial sector. For statistical analysis, panel data were utilized. The shareholder theory and agency theory demonstrate that Corporate Social Responsibility (CSR) activities enforce a financial burden on businesses. According to shareholder theory, firms operate merely for the benefit of their stakeholders not for the welfare of the society. Furthermore, theory suggests that firms should prioritize shareholders' wealth maximization rather than investing over CSR. According to findings of subject study, the private sector's financial development has a substantial optimistic effect on return on sales, but CSR Disclosure Index imposes an adverse effect on sales. Additionally, other variables including liquidity, leverage and size also enforce a negative outcome on sales return. The study's findings can benefit corporate managers and policymakers in making decisions apropos to execution of CSR activities. Moreover, study results lead to a better knowledge of CSR activities for a growing nation, which actively works to improve its financial culture and may facilitate closer ties with financial sector of Pakistan.

1. Introduction

1.1 Background of Study

The study's major goal is to determine how Corporate Social Responsibility disclosure affects a company's sales success, while keeping other variables in consideration as well. The majority of research on CSR has been done in advanced countries, which is main justification for this study. Studies on CSR activities in poor countries are also insufficient. There is a dearth of studies, notably in non-financial industry of Pakistan, related to association between disclosure of CSR and sales performance. Term "Corporate Social Responsibility" has several different meanings. As per Lee (2009), CSR is a commitment or can be termed as an agreement to enhancing social well-being through adaptive business strategies and the involvement

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of resources of the corporation. Corporate Social Responsibility (CSR) programmes compel businesses to adhere to certain strategies, policies, and practises that are necessary to advance humankind's goals and values and that society finds desirable (Abdul Rahman & Muhammad, 2020). Shareholders, workers, consumers, NGOs, and other stakeholders (including regulatory agencies) have all taken an interest in firms' CSR policies in the last several decades. The disclosure of CSR efforts has not been a common practise in Pakistan, hence studies on associated concerns and disclosures are also insufficient. After 2008, Pakistan made headway and gained a better knowledge of CSR practises when Security and Exchange Commission of Pakistan (SECP) created “Companies General Order” in 2009, modelling it after CSR and the disclosure procedures of businesses. Nevertheless, CSR practises have advanced over the past 10 years, but due to the voluntary nature of their disclosure, they have only begun to mature into their full potential.
However, to keep results neutral and unbiased and in order to reflect and determine the definite impact on Sales performance of non-financial Pakistani firms, in addition to CSR some most relevant economic variables including Gross Domestic Product, Financial Development of Private Sector, Foreign Direct Investment along with Leverage, Liquidity and Size have also been studied and analyzed.
The term "Corporate Responsibility" was first used in 1950 to refer to, which is now known as "Corporate Social Responsibility (CSR)”. In 1953, first ever book on CSR was written by Howard Bowen. CSR is now regarded by many firms as a crucial business strategy (Bhattacharya, et al., 2008). According to Edwards & A.R. (2005), a company must consider the effects it has on the environment and the community. Businesses have a crucial responsibility to consider society, the environment, and their own products. The world, as a whole, is mostly in agreement with this idea. The main goal of this concept nowadays is typically adopted by corporations to meet the needs of stakeholders involved in business activities.

1.2 Theoretical Background

1.2.1 Legitimacy Theory

According to legitimacy theory, organisations operate under the constraints and moral standards of the society in which they are situated. The firm and the society in which it works have an agreement. The understanding is that businesses must operate within the laws and morals of the society they refer to in their contracts (Azhar et al., 2019). Since firms obtain labour, capital, and human resources from society as well as give back their finished products to it, legitimacy theory investigates society as a whole rather than the individual. (Ahmad & R., 2016)
The theory holds that a company can function in society if it does so in accordance with the social norms. It will be challenging for the business to function in this way if business functions are in contrast to societal norms and ideas, creating a legitimacy gap. The existence of the organisation is threatened by this divide. According to the legitimacy thesis, a contract exists between the community and the business. Environmental and social disclosure is utilised as a kind of corporate responsibility to the neighbourhood community since every operational activity must be in accordance with the values and a norm found in the community and in harmony with the expectations of the community itself. A corporation can engage with investors, as well as its customers and the general public, thanks to Corporate Social Responsibility (CSR) disclosure (Anwar & Malik, 2020).

1.2.2 Stakeholder Theory

Theory of stakeholders was devised by (Freeman & R.E., 1984). As per Freeman, group of individuals who have the power of influencing the ways to and ultimately achieving of an organization's objective is referred to as “stakeholders”. Numerous researchers have continued to work on the freeman definition. (Freeman & R.E., 2010) contends that organisational goals effects both collective and individual stakeholders. Researchers categorise stakeholders as internal and external (Rashid & Jabeen, 2016). Subgroups of stakeholders include

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customers, suppliers, and staff (Deegan, C., & Blomquist, 2006). This idea regards stakeholders as a significant business aspect that influence firms (Barney & J., 1991). According to theory, organisations must provide information that attracts stakeholders. If information about social performance attracts stakeholders, then disclose that information (Classon, J., & J., 2006). Many corporations nowadays are conscious of their social duties as respectable corporate citizens. The mentioning of CSR on reports and evolving list of CSR-related concerns is demanded or requested by many stakeholders. As per theory, CSR is of utmost importance for interaction with stakeholders because it presents a positive impression of the business to stakeholders, companies disclose CSR in their annual reports to inform fulfilment of their social responsibilities. However, this theory also suggests that businesses, being concerned to dealers & stockholders should prioritise maximising shareholder wealth rather than spending money on CSR. But the corporation is backed by its stakeholders, its goals should include the interests of all of its stakeholders, integrated with society and employees as well, as its own. Stakeholder theory states that in order for a company to grow and last in the community, it needs the support of its stakeholders. But because companies don't often rely on social consequences, investing in CSR is waste of money. It is seen as a financial burden by businesses. Companies should prioritise maximising shareholder wealth rather than spending money on Corporate Social Responsibility (Modigliani & Miller, 1958). According to stakeholder hypothesis, businesses function not just for society but also for the profit of its stakeholders. As a result, the company is significantly influenced by the support of firm stakeholders (Carroll & A. B., 2004). The disclosure of CSR is a stage in establishing acceptability, according to the other approach, the legitimacy theory. When a business gains legitimacy, it is then able to carry on with its activities due to established customs and the surrounding environment (El Ghoul, et al., 2017).

1.2.3 Agency Theory

Emphasis of this theory is on manager and stakeholder conflicts. Conflicts or clashes arise when managers (agents) acting under the direction of the shareholders of corporations (principle) make actions out of which conflict arises. Conflict develops when shareholders delegate decision-making authority to administrators, who starts to work for self-benefit rather than the benefit of company and stakeholders. Agency conflicts are disagreements between managers and stakeholders. Conflicts arise because administrators lean towards own good, which shareholders dislike this since it causes them to make expensive judgments that end up costing them money (Jensen, M., & Meckling, 1976). Management should take the actions that are desired by principle in order to decrease agency conflicts. CSR is a sign of an agency conflict between the interests of two parties (shareholders and managers). According to (Friedman & M., 1970), managers invest money from shareholders in CSR. In view of social perception, money spent on CSR would be better used to increase business productivity. (Schwartz & Saiia, 2012) asserts that this approach incorporates the perspectives of social responsiveness, social issues, and social obligations. The organization's commitment to conducting business morally, fiscally, and ecologically sustainable is known as CSR. As per (Wernerfelt, 1984), CSR is both a cost and an investment. Relationships between businesses and other parties, including consumers, employees, investors, merchants, the government, and their rivals, are referred to as societal obligation. CSR is a function played by businesses to maintain growth that is not only desired to certify return to internal shareholders but also to other stakeholders. A novel accounting concept is on the assumption that businesses not only have economic and social duties, but also responsibilities to other interested parties, including customers, employees, the government, owners, and rival businesses. A firm can cultivate and manage a relationship with shareholders and provide value for shareholders by adhering to Corporate Social Responsibility (Anwar et al., 2020).

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1.3 Disclosure Reports

A Corporate Social Responsibility (CSR) disclosure report is a document that businesses devise to convey their CSR initiatives and their impact on the people, both internally and externally. The four subcategories of CRS that an organisation might engage in are environmental, ethical, philanthropic, and economic. Companies are required to produce annual CSR disclosure reports in various nations. Although it is not currently mandatory for businesses, others believe it soon will be. There isn't yet a set of uniform CSR reporting guidelines in the different countries. This gives businesses the opportunity to highlight any data they choose and report on CSR activities in any style they like. Comparing reports between firms, however, may be challenging due to the lack of standards. Additionally, it allows businesses to omit places where their efforts failed or negatively affected people or the environment (Abeyrathna et al. 2019).

1.4 Research Gap

Only a handful of studies have looked at connection between sales performance and CSR, in Pakistani non-financial firms. Moreover, the influence of CSR on sales is not the main subject of those studies. (Charitou, M., & P., 2010) drawn a favourable effect on sales performance. While other studies reveal a mixed or neutral impact on sales performance. (Kanwal, Farida, Nasreen, & Hameed, 2013) shows the negative impact on sales performance. This study can include new factors because of the discrepancy between its findings and those of earlier studies. This research explores overall imapct of some economic variables on return on sales using the gross domestic product, foreign direct investment, and the private sector. Kiswanto (2011) investigated how CSR affects ROE and ROA to gauge the accounting-based monetary output of the listed banking sector in Pakistan. Hence, non-financial sectors of Pakistan have not been well studied. This study investigates how CSR disclosure affects Pakistan's non-financial sector's sales performance in connexion to selected economic and financial variables (Alarussi, A. S., Alhaderi, & S. M., 2018).

1.5 Problem Statement

To investigate the factors influencing sales performance, numerous researches have been conducted. It is still unclear which element influences business sales performance despite several studies on the subject. There are still some questions, such as how CSR disclosure might benefit and raise return on sales of a business. Therefore, the impact of CSR disclosure with other economic variables on a company's sales success is examined in this study. This will aid corporate managers in making decisions about how businesses might use reports on Corporate Social Responsibility disclosure related to sales with proximity of economic variables.

1.6 Research Questions

Answers of below mentioned questions are explored in subject research:

1. Does Corporate Social Responsibility (CSR) disclosure affect how well sales perform?
2. How do firm-specific characteristics affect sales?
3. Do economic factors have any effect on sales performance?

1.7 The Study's Significance

The goal is to explain how firms might employ CSR reports disclosure connected to return on sales in accordance with legitimacy theory, stakeholder theory, and agency theory. This study examines empirical data to show influence of disclosing a company CSR activity on its sales performance. From both a theoretical and empirical standpoint, the study makes contributions to existing researches in field of CSR and business sales performance of Pakistan's non-financial sector. For researchers to make decisions in this

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regard, it offers more information. Given that shareholders receive the same returns on their investments, the study also assists them when making investment decisions. To describe the liaison between CSR and sales success, a quantitative approach to evaluate secondary data of non-financial industries listed on

Pakistan Stock Exchange has been used in the subject study.

1.8 Plan of the Study

There are five chapters in this work. Introduction, theoretical context, research gap, problem description, research questions, research aims, and the study's importance are all covered in Chapter 1. The literature pertaining to the research is inevitably covered in Chapter 2. The data description and methods in Chapter 3 include an econometric model. The discussion and results are covered in Chapter 4. Chapter 5 covers the study's conclusion, suggestions, and future course**.**

2 LITERATURE REVIEW

The literature on CSR is repleted with studies that examine the connections between corporations, financial performance, firm profitability, and CSR initiatives undertaken by businesses. However, it is revealed by quantitative studies that there is no certain result for determination of link between CSR and Profitability (Jo, H., & Harjoto, 2011). CSR found that a company can invest more in CSR activities for benefit of other stakeholders, which includes clienteles, employees, general public and society, in addition to increasing profits for shareholders. They attempt to investigate the connection between CSR and success of a business. (Rehman, Khan, & Rahman, 2020) discovered no discernible connection between CSR and the profitability of businesses over the past five years after handling both qualitative and quantitative analysis of data using a single case study approach. They discovered that CSR initiatives have an adverse effect on revenue. According to definition of CSR by Salama et al., 2010, a company's primary goal is not just to maximise profits but also to voluntarily improve society. Globally, CSR is becoming more and more significant. In the current global environment, the importance of CSR is growing. Organizations are increasingly required to take part in CSR initiatives in order to promote the growth of their businesses. Although some experts disagree, it is generally believed that companies who undertake CSR initiatives can gain an advantage over those who do not because they have a positive public image, produce higher earnings, and profit from investments. The study's primary goals are to advance theoretical context of linking CSR with organisational economic performance and to study the pros and cons of CSR on the basis of thorough literature assessment (Eljelly & A.M.A., 2004). According to Freidman (1970), a firm should not squander resources on Corporate Social Responsibility (CSR), and instead, it should focus on maximising profit for its shareholders because they want a return on their investment. For good efficiency and the satisfaction of shareholders, a company should maximise earnings. According to Friedman's agency theory, businesses shouldn't waste money on Corporate Social Responsibility (CSR) because there are alternative ways to use that money to increase wealth and profit. CSR has adverse influence on performance, as claimed in agency theory. No connection between financial performance and CSR, in research done by (Nelling & Webb, 2009), utilising time series data and a fixed-effect model. The social obligations of firms can be impacted by some other variables, including profitability, size of corporate and its commissioner board. Leverage, political cost, and profitability are all said to have an impact on CSR, according to research by Azhar et al., 2019. According to other study, Corporate Social Responsibility is influenced by company size, profitability, company profile, and leverage (Solomon, 2007).

CSR is a novel idea for developing nations like Pakistan. CSR is in its developmental phase in Pakistan. Only big corporations which are mostly multinationals have some sort of functioning related to CSR whereas most of small businesses have no particular CSR strategy (Azhar, K. A., Ahmed, & N., 2019). All

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non-financial firms listed on the Pakistan Stock Exchange that publish CSR either in their annual reports or release a standalone report were the subject of a research at CSR by (Anwar R., Malik, & J. A., 2020). They scrutinize the upshot of CSR quality on profitability and investment effectiveness using a cross-sectional regression model. A study found that CSR reporting activities are not advantageous for businesses unless there is a meaningful disclosure of sustainability data. To ascertain the effect of CSR on enterprises' financial performance in Korea, (Kim, Chung, & Park, 2013) conducted a study. They employed several statistical analytic techniques. They use the analytical modelling approach and presumptively discovered a favourable correlation between consumer views of CSR and a firm's performance. Additionally, they discover how other factors interact with CSR and financial performance to moderate their effects. Study's findings indicate an affiliation between CSR and a company's performance with respect to money. Monetary outcomes of businesses that adhere to CSR is superior to that of businesses that do not. (Classon, J., & J., 2006) discovered that increasing CSR could lead to better business performance. Two possible estimations will be: shareholders' returns and accounting returns. A shareholder's returns are calculated in accordance with investors' viewpoints, according to (Wernerfelt, 1984). In developing nations like Indonesia, the implications of Corporate Social Responsibility have yet to be applied. Many times, people are unaware of Corporate Social Responsibility initiatives. This is the opposite conclusion from developed countries where most consumers support CSR initiatives by businesses. In poor countries, most consumers will support Corporate Social Responsibility (CSR) initiatives put out by firms, this is the opposite conclusion of buyer discernment (Rahman et al., 2020).

2.1 Sales and CSR

A sale is an agreement between a number of parties whereby the seller transfers ownership of a product, be it goods or services, to the buyer in exchange for payment. UK retail research evaluated how CSR might influence sales growth (Gray et al., 1995). Using statistical analysis, researchers revealed that donations and sales income may increase over time, and environmental efforts can affect business sales.

Hypothesis 1: CSR has positively impacted sales performance.

2.2 Leverage and CSR

Higher leverage leads to lower CSR since firms report more profit. According to agency theory, companies with stronger leverage will offer more information due to high agency costs (Ilyukhin, 2015). Leverage affects company profitability and value (Nawaiseh 2015).

Hypothesis 2: Does leverage affect sales performance?

2.3 Sales and Liquidity

Liquidity involves paying short-term operating and financial expenses, but not non-current debt. Cash and equivalents, and other current assets determine a company's liquidity. Strong liquidity helps a business generate capital and avoid insolvency. Optimal cash holdings boost company value. Optimal level indicates a company may employ surplus resources to make profit without worrying about future demands (Ajao and Small, 2012).

Hypothesis 3: Liquidity boosts sales performance.

2.4 Sales and Size

Different metrics are used to examine the business profitability, to understand that which dimension influences corporate profitability. The idea gives strong signs that if a corporation has a big size then it can

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meet economies of scale (Grover, 2013). Larger companies are more competitive (Abeyrathna et al., 2019).

Hypothesis 4: Does size affect sales performance?

2.5 Sales and Gross Domestic Product

Economic growth is essential because it may effect corporate performance. So, addition of this variable can induce either business boom or recession. In the period of economic prosperity, demand for products and services rises because firms may raise sales and profit. An increase in GDP can attract investors, leading to corporate growth and higher profits. Bilal et al. (2016) claim GDP boosts bank productivity. A low GDP affects returns and profits. Research on bank profitability spans 2007-2011.

Hypothesis 5: The GDP affects sales performance.

2.6 Sales and Financial Development of Private Enterprises

Yadavand Guru (2019) examines the relationship between economic growth and financial development in five rising nations' banking sectors. From 1993 to 2015, they employed several stock market indicators. GMM approach was used to evaluate private sector financial development and growth. Inflation, exports were taken as control variables. Result reveals that private sector financial development is linked to growth. A strong financial system and vibrant private sector boost growth and reduce poverty. Finance is crucial to private sector development and vice versa, as both depend on company behaviour and performance.

Hypothesis 7: Financial development in the private sector boosts sales success.

2.7 Foreign Direct Investment and Sales

Returns on investment are key to attracting foreign direct investment in Pakistan, according to Shah and Ahmad (2002). Cost of capital also affects investment, according to the study. The research aimed to lower FDI costs and boost profits in Pakistan.

Hypothesis 8: FDI impacts sales performance.

3 DATA AND RESEARCH METHODOLOGY

3.1 Data Description and Methodology

To study the influence of CSR and other explanatory variables on company sales performance in the context of Pakistan, the research methodology comprises a description of the variables, data sources, research model design, and data analysis procedures. In order to ascertain effects of major independent variables, CSR along with other explanatory variables, on a dependent variable (sales performance), data of non-financial firms listed on the Pakistan Stock Exchange (PSX) from 2011 to 2020 were collected.

3.1.1 Population

The population of non-financial companies listed on the Pakistan Stock Exchange is taken as a whole.

3.1.2 Sample

The sample size must reflect the size of the population. The component of this work that gives complete information about the study is the sample size. 41 non-financial companies that are listed on the PSX comprise the study's sample. Data from non-financial companies listed on the Pakistan Stock Exchange are

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used in data gathering. Data on CSR disclosure is only accessible for a small number of these particular companies. Available comprehensive information of the companies connected to the study is included in the work and the companies whose data was unavailable were omitted from the sample, during the data gathering process**.**

3.1.3 Data Sources

In this study, secondary data is gathered that has already been made public and is prepared for use. The State Bank of Pakistan's publication of the Financial Statement Research (FSA) and archive data from company CSR reports are the two main sources of the data used in this analysis. Managers must choose between two options when releasing reports on Corporate Social Responsibility: 1) whether to publish an annual CSR report on its own. 2) How much information must be revealed if one is issued? The level of disclosure in published CSR reports varies. The CSR index is used in this study to gauge how much a corporation is disclosing about its CSR efforts. A portion of the information was also gathered from the State Bank of Pakistan's official website's FSA publication. The outcomes of the data analysis are discovered by the usage of SPSS, which employs panel data regression, correlation matrices, and descriptive statistics.

3.2 Econometric Model

The hypotheses have been tested using the panel regression model. The dependent variable in regressions is return on sales. To examine effect of CSR disclosure index and other explanatory variables on return on sales, the following econometric model was utilised.

$$\boldsymbol{Y_{it} = \beta_0 + \sum_{i=1}^{n} \beta_i \, X_i + \varepsilon_{it}}$$

$$\boldsymbol{ROS_{it} = \beta_0 + \beta_1 CSRDI_i + \beta_2 LEV_{it} + \beta_3 LIQ_{it} + \beta_4 SIZE_{it} + \beta_5 LGDP_t + \beta_6 LFDI_t + \beta_7 LFDPS_t + \varepsilon_{it}}$$

- Return on sales is the dependent variable. The independent factors are size, CSR disclosure index (CSRDI), LEV which stands for leverage, LIQ which stands for liquidity, size of the firms denoted as SIZE, LGDP for Log of Gross Domestic Product, LFDI stands for Log of Foreign Direct Investment and LFDPS for Log of Financial Development of the Private Sector,
- i indicates how many cross sections were used in this study.
- The study's time period is represented by the letter t,
- While the study's coefficients are represented by the letter β.
- ε represents the error term

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3.3 Theoretical Framework

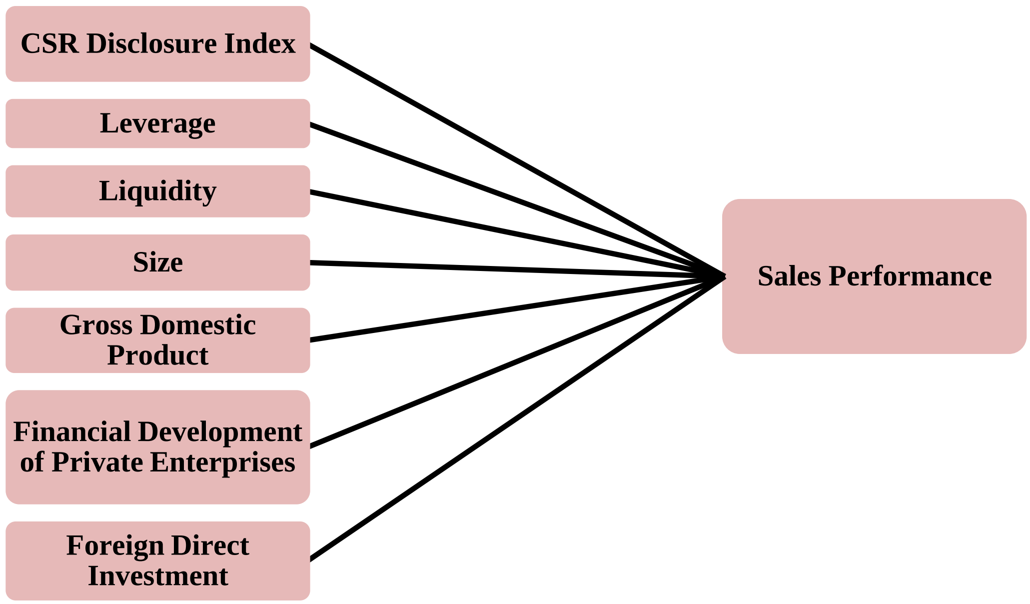

Figure 1: Theoretical Framework

3.4 Explanation of Variables

3.4.1 Dependent Variable

3.4.1.1 Sales Performance

ROS (return on sales) is the metric to gauge sales performance. It is a financial ratio that calculates effectiveness with which any firm generates profit from revenue. While a declining return on sales implies financial difficulties, an increasing return on sales shows that the business is functioning more efficiently.

ROS = Operating Income/Total Sales

3.4.2 Independent Variable

Corporate Social Responsibility Disclosure Index

An assurance for enhancing social welfare by adopting pliable business functions and contributing resources of corporation is known as Corporate Social Responsibility (Edwards & A.R., 2005). The disclosure index quantifies the extent of disclosure in annual reports of companies. CSR disclosure index measures a company's voluntary disclosure of CSR in annual reports. (Salama et al, 2010). Financial

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Statements/Reports are the primary source of corporate information. A 20-item checklist is devised to estimate the level of CSR disclosure in annual reports (see Appendix). Checklist is modified in accordance with Haniffa & Cooke (2005), and the study adds the elements that are important to Pakistani businesses. Every item on the research instrument is given a dichotomous rating of 1 if the CSR is disclosed and 0 if it is not. Each firm was given a total score that was the sum of its itemized scores. The entire yearly report is

taken into account before reaching the conclusion.

$$CSRDI_j = \frac{\sum_i^n X_{ij}}{n_j}$$

CSRDI_j = Corporate Social Responsibility Disclosure Index company jth firm,

n_j = Total Number of CSR items for jth firm, n = 41

Xij = 1 indicates that “ith” item is disclosed by jth firm in annual reports, and 0 indicates that it wasn't disclosed

3.4.2.2 Liquidity (LIQ)

Liquidity is a company's short-term obligation-meeting ability. It involves both short-term and long-term asset investments. According to Fisher and Rudiger (1991) defined liquidity as the assurance that an asset can be renewed into cash at the asset owner's request. Liquidity is the ability of current assets to meet the current liability. Liquidity is measured by a current ratio (CR) in this study. The following is the liquidity calculation formula:

Current Ratio = Current Asset / Current Liabilities

3.4.2.3 Leverage (LEV)

Leverage is an investment strategy that involves employing various financial instruments or borrowed money to increase the possible return on an investment. Leverage is also a debt that a firm uses to finance assets. Leverage is used as a stand-in for a company's ability to issue debt. Leverage makes gains and losses more pronounced. The ability of a firm to issue debt is calculated by dividing total debt by total assets (AlGhusin & N. A. S., 2015). The ratio of a company's total debt to its total assets is used in the study to calculate its leverage. A higher ratio indicates that a corporation is taking on greater risk and utilizing more debt.

Leverage = Total debt / Total assets

3.4.2.4 Gross Domestic Product (GDP)

GDP is the market worth of all items and services generated in a country during a certain time period. Economic activity is measured using the gross domestic product. Sales increase is largely a result of

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economic expansion. Rising income results from rising economic growth, and when income rises, returns on sales also rise. Consumption, government spending, and net exports are factors that make up the gross domestic product (GDP) (Mankiw, Quah, and Wilson, 2012). Its metric is Log (GDP) per capita, denoted as LGDP.

Gross Domestic Product = Log (GDP)

3.4.2.5 Foreign Direct Investment (FDI)

It's an investment by a foreign entity that controls a firm in one country. By utilizing the idea of direct control, it distinguishes international portfolio investments. Foreign direct investments are the inflow of capital used to increase one's management stake (Akbar, M., & Ahsan, 2015). By using the Log of Foreign Direct Investment, foreign direct investment is calculated.

Foreign Direct Investment = Log (FDI)

3.4.2.6 Financial Development of Private Sector: (FDPS)

Because the financial system finances businesses so they can expand their operations and adopt radical technologies, financial development refers to the financial system in a country being relatively large and playing a significant role in that nation. A strong financial system and a thriving private sector aid in the growth and reduction of poverty in the nation. From global development indices, information about financial development was gathered from WDI.

FDPS = Log of FDPS

3.4.2.7 Size

The size of the business unit inside the company is its size. The size of an organization's operations is referred to as its firm size. The extent or volume of a firm's operations is referred to as its size in business enterprises. The study employed the natural logarithm of a firm's total assets as a stand-in for firm size.

Firm Size = Natural Log of Total Assets

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Variables	Name and Measurements
Dependent Variables	Sales performance, (Operating income/Total sales)
Independent Variables	Corporate social responsibilities disclosure index (CSRDI), Leverage (Total debt/Total assets), Liquidity (Current assets/Current liabilities), Size (Natural log of total assets), Log of gross domestic product (LGDP), Log of financial development of the private sector (LFDPS), Log of foreign direct investment (LFDI)

Operating income divided by total sales is how the ROS is computed to gauge sales performance. The firm's score on the CSR disclosure index is used to gauge Corporate Social Responsibility disclosure.The current ratio, defined as current assets divided by current liabilities, quantifies liquidity. Entire obligations divided by total assets equals leverage. The natural log of the total assets is used to calculate size.

4 RESULTS AND DISCUSSION

This chapter identifies the fundamental analysis extracted from the data presented in earlier chapters. The basic analysis and specifics depend on the research approach that was looked at in chapter three as well. A sample from the non-financial sector that is listed on the Pakistan Stock Exchange was taken in order to study the effects of Corporate Social Responsibility, leverage, liquidity, size, gross domestic product, foreign direct investment, and financial development of the private sector on return on sales. The descriptive statistics and the correlation results are determined in the two parts. The third portion explains how the models used in econometric education are expected and measured, as well as explores and discusses them. The fourth section presents the experimental findings.

4.1 Descriptive Statistics

Data are defined in a meaningful system by descriptive statistics. It provides information about the data's minimum, maximum, mean, median, and standard deviation. The skewness and kurtosis of the data are also described. Table below provides descriptive data for the dependent variable return on sales and independent variables such as size, Corporate Social Responsibility disclosure index, foreign direct investment, financial development of the private sector and gross domestic product. The descriptive statistics of all the variables utilised in this study are shown in Table

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Table 1: Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistics	Std. Error
SP - 2011	0.00002	0.851	0.43	310.218	11.432	0.365	3.431	0.717
SP - 2012	0.000013	0.761	0.38	310.383	12.311	0.36	2.467	0.717
SP – 2013	0.000016	1.003	0.48	310.526	12.422	0.332	5.409	0.717
SP – 2014	0.000019	0.757	0.5	310.681	15.422	0.243	6.001	0.717
SP – 2015	0.000016	0.312	0.48	310.843	13.422	0.434	6.481	0.717
SP - 2016	0.000021	1.001	0.55	310.989	12.445	0.362	5.489	0.717
SP - 2017	0.000012	1.002	0.5	311.155	11.098	0.332	4.441	0.717
SP - 2018	0.000021	1.011	0.55	311.306	14.412	0.312	3.481	0.717
SP - 2019	0.000011	0.218	0.57	311.46	16.422	0.343	5.466	0.717
SP - 2020	0.00001	0.998	0.6	311.614	15.444	0.365	6.096	0.717
CSR	0.000009	0.023	0.502	0.525	-0.151	0.438	-2.037	0.765
LEVERAGE	0.000013	0.016	0.46	0.505	0.152	0.301	-2.081	0.754
LIQUIDITY	0.000012	0.013	0.54	0.505	-0.152	0.309	-2.081	0.728
SIZE	0.000002	0.011	0.59	0.499	-0.36	0.389	-1.969	0.627
GDP	0.000012	0.011	0.51	0.506	-0.051	0.287	-2.103	0.724
Financial Development of Private Sector	0.00002	0.012	0.61	0.494	-0.467	0.345	-1.876	0.729
Foreign Direct Investment	0.000009	0.012	0.51	0.506	-0.051	0.401	-2.103	0.724

4.2 Correlation-Matrix Analysis

The link between two different variables is described by correlation. It provides information on factors that have a weak or high correlation with one another. Return on sales and CSRDI have a negative relationship (-0.377) which implies that return on sales will decline as corporate social responsibility grows. Return on sales and liquidity have a negative correlation with one another. Return on sales and liquidity have a negative relationship (-0.003). In light of the fact that businesses with low liquidity make more money, this suggests that as liquidity declines, return on sales will rise. Companies with liquidity are able to meet their short-term obligations.

Companies with less liquidity make a lot of money because they timely fulfil their obligations. Return on sales and leverage have a negative relationship (-0.037). This implies that return on sales will rise as leverage declines. Because high-performing businesses start by using their own internal resources before turning to outside ones. Companies that finance with little debt make greater money. Size and return on sales have a negative correlation (-0.257), which indicates that both are moving in the opposite direction. Large businesses do not always get a higher return on their sales. Return on sales and the financial health of the private sector are favourably associated (0.045). Return on sales and foreign direct investment are inversely connected (-0.022). Return on sales and the gross domestic product are positively connected (0.124). The R-squared result reveals that independent variables account for 21.7% of the variation in sales performance (the dependent variable)

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Table 2: Correlation-Matrix Analysis

Description		SP-2011	SP-2012	SP-2013	SP-2014	SP-2015	SP-2016	SP-2017	SP-2018	SP-2019	SP-2020	CSRDI	LEV	LIQ	SIZE	GDP	FDPS	FDI
Sales Performance - 2011	Pearson Correlation	1	-0.12	-0.089	-0.188	-0.175	-0.089	0.175	0.218	-0.175	-.470**	0.01	-0.065	-0.034	-0.146	0.12	0.098	-0.077
	Sig. (2-tailed)		0.455	0.578	0.238	0.274	0.578	0.274	0.17	0.274	0.002	0.952	0.687	0.835	0.362	0.455	0.541	0.633
Sales Performance - 2012	Pearson Correlation	-0.12	1	-0.12	-0.12	.367*	-0.12	0.121	-0.024	0.074	.367*	0.273	0.169	-0.169	0.029	0.074	-0.02	-0.024
	Sig. (2-tailed)	0.455		0.455	0.455	0.018	0.455	0.449	0.883	0.647	0.018	0.084	0.29	0.29	0.857	0.647	0.904	0.883
Sales Performance - 2013	Pearson Correlation	-0.089	-0.12	1	0.208	-.372*	0.307	-0.022	-0.273	.317*	0.022	0.208	-0.065	0.262	-0.146	0.022	0.3	0.12
	Sig. (2-tailed)	0.578	0.455		0.192	0.017	0.051	0.893	0.084	0.044	0.893	0.192	0.687	0.098	0.362	0.893	0.057	0.455
Sales Performance - 2014	Pearson Correlation	-0.188	-0.12	0.208	1	-0.077	0.109	-0.218	0.022	0.022	0.12	0.01	-0.163	0.163	-0.246	-0.077	0.098	0.218
	Sig. (2-tailed)	0.238	0.455	0.192		0.633	0.499	0.17	0.893	0.893	0.455	0.952	0.307	0.307	0.121	0.633	0.541	0.17
Sales Performance - 2015	Pearson Correlation	-0.175	.367*	-.372*	-0.077	1	-0.077	-0.024	0.024	0.024	0.024	-0.175	0.222	-0.124	0.169	-0.171	-0.081	0.121
	Sig. (2-tailed)	0.274	0.018	0.017	0.633		0.633	0.883	0.883	0.883	0.883	0.274	0.163	0.439	0.291	0.284	0.617	0.449
Sales Performance - 2016	Pearson Correlation	-0.089	-0.12	0.307	0.109	-0.077	1	-.513**	-0.273	-0.175	0.022	-0.089	-0.163	.361*	0.054	-0.175	-0.204	.317*
	Sig. (2-tailed)	0.578	0.455	0.051	0.499	0.633		0.001	0.084	0.274	0.893	0.578	0.307	0.021	0.74	0.274	0.201	0.044
Sales Performance - 2017	Pearson Correlation	0.175	0.121	-0.022	-0.218	-0.024	-.513**	1	0.074	0.269	0.074	0.077	-0.026	-.365*	-0.268	-0.024	-0.02	-.414**
	Sig. (2-tailed)	0.274	0.449	0.893	0.17	0.883	0.001		0.647	0.089	0.647	0.633	0.871	0.019	0.09	0.883	0.904	0.007
Sales Performance - 2018	Pearson Correlation	0.218	-0.024	-0.273	0.022	0.024	-0.273	0.074	1	-0.074	-0.269	-0.077	0.026	-0.222	-0.029	0.024	-0.081	0.024
	Sig. (2-tailed)	0.17	0.883	0.084	0.893	0.883	0.084	0.647		0.647	0.089	0.633	0.871	0.163	0.857	0.883	0.617	0.883
Sales Performance - 2019	Pearson Correlation	-0.175	0.074	.317*	0.022	0.024	-0.175	0.269	-0.074	1	0.219	.415**	0.124	-0.026	-0.128	-0.074	0.12	-0.171
	Sig. (2-tailed)	0.274	0.647	0.044	0.893	0.883	0.274	0.089	0.647		0.169	0.007	0.439	0.871	0.425	0.647	0.457	0.284
Sales Performance - 2020	Pearson Correlation	-.470**	.367*	0.022	0.12	0.024	0.022	0.074	-0.269	0.219	1	.317*	-0.169	0.169	-0.029	-0.074	-0.081	-0.171
	Sig. (2-tailed)	0.002	0.018	0.893	0.455	0.883	0.893	0.647	0.089	0.169		0.044	0.29	0.29	0.857	0.647	0.617	0.284
CSR	Pearson Correlation	0.01	0.273	0.208	0.01	-0.175	-0.089	0.077	-0.077	.415**	.317*	1	-0.163	0.065	0.054	-0.077	-0.002	-0.077
	Sig. (2-tailed)	0.952	0.084	0.192	0.952	0.274	0.578	0.633	0.633	0.007	0.044		0.307	0.687	0.74	0.633	0.988	0.633
LEVERAGE	Pearson Correlation	-0.065	0.169	-0.065	-0.163	0.222	-0.163	-0.026	0.026	0.124	-0.169	-0.163	1	-0.117	-0.111	-0.169	0.142	-0.072
	Sig. (2-tailed)	0.687	0.29	0.687	0.307	0.163	0.307	0.871	0.871	0.439	0.29	0.307		0.465	0.488	0.29	0.376	0.656
LIQUIDITY	Pearson Correlation	-0.034	-0.169	0.262	0.163	-0.124	.361*	-.365*	-0.222	-0.026	0.169	0.065	-0.117	1	-0.087	-0.222	0.059	0.072
	Sig. (2-tailed)	0.835	0.29	0.098	0.307	0.439	0.021	0.019	0.163	0.871	0.29	0.687	0.465		0.588	0.163	0.715	0.656
SIZE	Pearson Correlation	-0.146	0.029	-0.146	-0.246	0.169	0.054	-0.268	-0.029	-0.128	-0.029	0.054	-0.111	-0.087	1	-0.029	0.037	0.169
	Sig. (2-tailed)	0.362	0.857	0.362	0.121	0.291	0.74	0.09	0.857	0.425	0.857	0.74	0.488	0.588		0.857	0.818	0.291
GDP	Pearson Correlation	0.12	0.074	0.022	-0.077	-0.171	-0.175	-0.024	0.024	-0.074	-0.074	-0.077	-0.169	-0.222	-0.029	1	0.12	-0.074
	Sig. (2-tailed)	0.455	0.647	0.893	0.633	0.284	0.274	0.883	0.883	0.647	0.647	0.633	0.29	0.163	0.857		0.457	0.647
Financial Development of Private Sector	Pearson Correlation	0.098	-0.02	0.3	0.098	-0.081	-0.204	-0.02	-0.081	0.12	-0.081	-0.002	0.142	0.059	0.037	0.12	1	0.02
	Sig. (2-tailed)	0.541	0.904	0.057	0.541	0.617	0.201	0.904	0.617	0.457	0.617	0.988	0.376	0.715	0.818	0.457		0.904
Foreign Direct Investment	Pearson Correlation	-0.077	-0.024	0.12	0.218	0.121	.317*	-.414**	0.024	-0.171	-0.171	-0.077	-0.072	0.072	0.169	-0.074	0.02	1
	Sig. (2-tailed)	0.633	0.883	0.455	0.17	0.449	0.044	0.007	0.883	0.284	0.284	0.633	0.656	0.656	0.291	0.647	0.904	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

c. Listwise N=41

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4.3 Regression Analysis

In order to comprehend the relationship between sales performance and explanatory variables, regression analysis is developed. The purpose of these findings is to comprehend how CSR and other explanatory variables affect business sales success. A regression equation was conducted to assess the effect of Corporate Social Responsibility (CSR) and other explanatory variables on the sales performance of Pakistani enterprises which uses return on sales to measure sales performance. Regression analysis is shown in Table 4.

4.3.1 Total Component Analysis

Table 4: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.589	15.229	15.229	2.589	15.229	15.229
2	2.272	13.365	28.594			
3	1.967	11.573	40.167			
4	1.396	8.211	48.378			
5	1.281	7.538	55.916			
6	1.178	6.927	62.842			
7	1.092	6.424	69.266			
8	0.945	5.558	74.824			
9	0.873	5.135	79.959			
10	0.749	4.407	84.366			
11	0.613	3.607	87.973			
12	0.542	3.186	91.159			
13	0.474	2.787	93.946			
14	0.365	2.146	96.092			
15	0.288	1.695	97.787			
16	0.216	1.269	99.056			
17	0.161	0.944	100			

Extraction Method: Principal Component Analysis.

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4.3.2 Linear Regression (Effect Model)

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.466a	0.217	0.051	0.14122	0.217	1.307	7	33	0.278	2.189

a. Predictors: (Constant), Foreign Direct Investment, Financial Development of private sector, CSR, LIQUIDITY, SIZE, GDP, LEVERAGE

b. Dependent Variable: Sales Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.182	7	0.026	1.307	.278b
	Residual	0.658	33	0.02		
	Total	0.84	40			

a. Dependent Variable: Sales Performance

a. Predictors: (Constant), Foreign Direct Investment, Financial Development of private sector, CSR, LIQUIDITY, SIZE, GDP, LEVERAGE

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4.3.3 Fixed Effect Model and Random Effect Model

Table 6: Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.544	0.074		7.326	0
	CSR	0.099	0.046	0.343	2.166	0.038
	LEVERAGE	-0.017	0.048	-0.06	-0.362	0.72
	LIQUIDITY	-0.027	0.047	-0.093	-0.572	0.571
	SIZE	-0.089	0.046	-0.306	-1.922	0.063
	GDP	-0.041	0.047	-0.144	-0.871	0.39
	Financial Development of private sector	0.026	0.047	0.088	0.551	0.585
	Foreign Direct Investment	0.013	0.045	0.046	0.293	0.771

a. Dependent Variable: Sales Performance

Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	0.4103	0.6565	0.5268	0.06753	41
Residual	-0.35047	0.26401	0	0.12827	41
Std. Predicted Value	-1.726	1.921	0	1	41
Std. Residual	-2.482	1.87	0	0.908	41

a. Dependent Variable: Sales Performance

4.3.4 Suitability of Fixed Effect Model Over Random Effect Model

The fixed effect model is suitable for the investigation, according to the random effect test and redundant effect test. Since corporate social responsibility and return on sales are inversely correlated, a company's return on sales will rise as CSR falls. CSR is a financial burden for firms and this form of engagement is a waste of resources, according to agency theory and shareholders theory. It implies that the company must prioritise stockholder interests within the constraints of societal demands rather than wasting resources on corporate social responsibility. Investors seek a high rate of return and assert that a company should prioritise

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profit maximisation over its commitment to social responsibility. The study's findings were in line with those of Friedman (1970). Leverage and return on sales are significantly inversely correlated. Due to this antagonistic connection, return on sales will rise as leverage declines. Pecking order theory, which states that businesses should utilise internal resources to finance their assets first and that when internal resources are insufficient and there are no other options, firms should use external resources to finance their assets, supports this negative link. According to this notion of the pecking order, high-performing enterprises have lower amounts of debt in their capital structures than other companies. The relationship between gross domestic product and return on sales is considerable and favourable. Return on sales will move in the same direction as the gross domestic product of a nation. Size is strongly and adversely correlated with return on sale. Due to this inverse relationship, the return on sales will rise as the firm's size drops. This link suggests that, due to the diseconomies of scale, expanding a company's size may not necessarily result in a larger profit. This outcome is in line with Grover's findings (2013). Size and liquidity are not strongly correlated with return on sales. Foreign direct investment and return on sale are highly inversely connected. This inverse relationship between return on sales and foreign direct investment suggests that return on sales will rise as foreign direct investment falls. Return on sales is strongly and favourably correlated with the growth of the private sector's finances. This correlation indicates that return on sales will rise in tandem with private sector financial development. The R-squared result reveals that independent variables account for 21.7% of the variation in sales performance.

5 Conclusion

This study examines the association between sales performance and CSR disclosure index along with other independent variables of 41 non-financial enterprises listed on the Pakistan stock market from 2011 to 2020. Return on sales is a metric used to assess a firm's sales performance. Companies having missing observations are taken out of the sample. The main goal is to evaluate result of CSR disclosure upon sales performance in Pakistan under the empiricism of theories to examine the relationship between CSR and sales performance. These theories include stakeholder theory, legitimacy theory, and agency theory. Although previous research has provided additional information regarding the influence of corporate social responsibility disclosure on return on sales in Pakistani non-financial enterprises, no one has assessed the impact with additional variables (used in the subject study). Research includes descriptive statistics that characterise the data; these statistics include mean, median, maximum value, lowest value, and standard deviation. In order to determine how strongly two variables are connected to one another, correlation is utilised. The fixed-effect technique is used as the final model for statistical analysis in panel data regression. The study uses CSR disclosure as an independent variable and sales success as a dependent variable. The research takes into account leverage, liquidity, size, financial development of private sector, GDP and FDI to determine their effect on sales performance as well. This study discovered a considerable, but unfavourable, correlation between return on sales and corporate social responsibility. It demonstrates that the enterprises' and stakeholders' quest for high profit comes at a cost to social responsibility in developing nations like Pakistan. Therefore, the return on sales will go in the other way as corporate social responsibility grows. A substantial negative link between leverage and return on sales was also found by the study. A company with a lot of leverage typically makes little money. Return on sales is not significantly related by both liquidity and foreign direct investment as well. The returns will be larger when both the liquidity and foreign direct investment fall. Return on sales is considerably favourably connected with financial development in the private sector. Size is also negatively correlated with Sales performance while escalation in GDP can result in positive impact on sales performance.

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5.1 Limitations

The data collection, variable definition, and determinants employed in this study are the study's limitations. From 2011 to 2020, the research solely examines the selected non-financial sector of the Pakistan Stock Exchange. This study's analysis was completed in a condensed amount of time. A shortcoming of the model definition is that it does not include all components that might be included in the disclosure of corporate social responsibility. While management may adopt a mass communication strategy, this study exclusively examines corporate annual reports as a source of information.

5.2 Recommendations and Further Research

Some suggestions for further research are made in light of the conclusions mentioned above. Instead of concentrating on the non-financial sector of the Pakistan Stock Exchange, a large sample size should be used. Other financial industries, including the banking industry can serve as an example. For more reliable conclusions, future research will employ data over a wider time span. Researchers can examine the effects of corporate social responsibility disclosure and other proxy measures of business sales performance, such as return on equity. Instead of financial documents, future research might turn to other sources like the internet, media and surveys. Future researchers will be inspired by the ideas made during this experimental research in the non-financial sector of Pakistan, which may also be applied to other fields.

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