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Impact of Corporate Social Responsibility on Financial Performance; Evidence from Banking Sector of Pakistan

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Abstract: The financial sector has grown significantly Corporate Social Responsibility (CSR) is becoming a priority in today's competitive climate major concern in addition to improving profitability. Companies are regarded as social units that must serve their stakeholders and generally carry out CSR with a priority on future disclosure. The main objective of this study is to investigate how stakeholders and agency theory influence how CSR affects the Financial Performance (FP) of Pakistan's banking sector from 2008 to 2020, a 13-year period, 32 banks that were listed on the Pakistan Stock Exchange (PSX), comprised our sample. As proxies for financial performance we employed accounting-based and market-based measures in our analysis. The Panel Least Square (PLS) model was used by the researcher to examine how CSR affects FP. Evidence supports the validity of the least squares model, which showed that CSR has a positive and substantial impact on Earnings Per Share (EPS) and Market Value Per Share (MVPS), but a negative and significant impact on Return on Equity (ROE), Return on Asset (ROA) and TOBIN's Q. The findings show that adequate CSR policy execution and disclosure the improvement of Pakistan's listed banks' financial performance and the reduction of resource wastage from CSR investment activities. The research's findings help investors and other shareholders to have peace of mind by providing a solid, practical, and dependable impact of CSR on the financial sector of developing nations. This leads in a better knowledge of CSR practices in the financial sector of an emerging country.

Keywords: Corporate social responsibility, Corporate governance, Agency theory, Accounting-based and market-based indicators

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INTRODUCTION

Background and Purpose of the Study

Because a country's economic stability is crucial for the growth of its industries, capital formation, agriculture, and foreign trade financial system, the banking sector serves as the foundation of an economy. It serves as a Centre for the efficient operation of economic operations both domestically and internationally, and over time, modernization and innovation in the sector have enhanced living standards (Bagh et al., 2017). Famous CSR comments from Howard Schultz include: "Companies should not have a singular notion of profitability. The interests of business and social responsibility must be balanced. The businesses that are sincere about it will end up being the ones that make more money. Niall Fitzerald, the farmer-turned-CEO of Unilever, said it best: "Corporate social responsibility is a hard-edged economic choice. It is beneficial to our business, not because it is a pleasant thing to do or because others are pressuring us to do it.

Banks are among the many businesses that have started to acknowledge the significance of CSR (Ehsan et al., 2018). According to (McWilliams & Siegel, 2000) CSR involves engaging in any actions that are not required by local law in the nations in which a company operates and that serve the interests of society more than the company itself. Additionally, they noted that CSR now falls under the corporate governance practices umbrella (Chaudhry et al., 2014). The majority of firms in the modern period are primarily focused on their profitability rather than on improving society or delivering goods and services to it. Also, societies today are demanding that firms contribute more to their development (Bagh et al., 2017). According to Wibisono, (2007) Nowadays, adopting CSR is seen as

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an investment rather than a cost. Corporations now devote a large portion of their resources to CSR-related activities and work hard to accept the resulting relevance. Businesses are also attempting to comprehend this phenomenon in order to put social value creation ahead of the pursuit of profit maximization and wealth maximization (Kang et al., 2010). Regardless, every CSR-related activity unquestionably benefits society (Nelling & Webb, 2009). More ethical behavior is being demanded from all businesses by governments and consumers in order to meet these demands. In order to satisfy customers and other interested parties, businesses are taking steps to include CSR into their operations, mission statement, human resource strategy, environmental legislation, norms and values, and organizational culture (Kashyap et al., 2006). The majority of globally acclaimed enterprises brilliantly execute the concept of CSR, and as a result, their financial performance (FP) and goodwill are improving in comparison to those businesses that do not view CSR as a tool for generating profits (Vergalli & Poddi, 2011). CSR is considered the most controversial and recent research topic among financial management academics in the last couple of years (Burton & Goldsby, 2009).

As a defense against financial scandals and the deteriorating reputation of banks, CSR first appeared in the financial sector. Shareholders, employees, consumers, NGO's, and other stakeholders, including regulatory authorities globally, have recently shown an interest in a company's CSR policies. Due to the growing trend and importance of CSR, many financial institutions, especially those in the banking sector, have included it into their daily operations and business strategy (Platonova et al., 2018). Banks' responsibilities today extend beyond maintaining financial and economic stability, with a focus on crucial client services and lowering financial barriers. The banking industry is essential to a nation's economic development, stability, and security result in the public's overall wellbeing on the outside (Levine, 2005). But, the average person assessing its effectiveness can clearly see what its job is. Many parties are involved, including owners, management, creditors, debtors, and governing bodies (Viganò & Nicolai, 2009). This industry just recently came to terms with the issues posed by CSR in the corporate sphere. It first ran into environmental problems, then social problems (Viganò & Nicolai, 2009). According to Lentner et al., (2015), With the 2008 financial crisis, central banks were held responsible for maintaining financial stability and became active in the development of their CSR programs. Along with the goal for banks to maximize profits, the concept of CSR has been growing quickly over the past few decades in all industries, including the banking sector. Investors also want banks to be open about their strategies and pay attention to social and environmental hazards (Omur et al., 2012).

A socially responsible corporation is anticipated to act morally, effectively reduce the negative effects of its activities, and maximize the benefits connected with socially responsible products and services (Sheehy, 2014). Participating in cause marketing, social welfare, charitable giving, pollution control disaster relief, and transparency are some examples of CSR-related actions that benefit the company and increase the firm's long-term viability in the market (Szegedi et al., 2020).

Pakistan has the fifth-highest population in the world, and as an emerging market economy in South Asia, One of the upcoming 11 countries most expected to have significant economic growth in the twenty-first century is this one (Sachs., 2007). However, it does have a number of social and economic problems, such as political and economic unrest, a lack of health and educational resources, corruption, human rights abuses, child labor, low living standards, water pollution brought on by improper management of industrial waste, and deforestation (Szegedi et al., 2020) and the rapid industrialization that had significant geopolitical repercussions was also the cause of the climate changes, which had begun around fifty years earlier. At this point, a considerably warmer world is possible but not guaranteed. Pakistan is one of the 10 nations affected by climate change the most over the previous 20 years, according to German Watch. Consecutive floods since 2010, the worst drought episode (1998-2002) as well as more recent droughts in Tharparkar and Cholistan, the intense heat wave that hit Karachi (and Southern Pakistan in general) in July 2015, severe windstorms that hit Islamabad in June 2016, increased cyclonic activity, an increase in landslides, and Glacial Lake Outburst Floods are all factors that have affected the region (GLOFs) some of the causes of this include in the northern sections of the nation. (Centre, 2017) and also COVID-19. Thus, there is an urgent need to support CSR research in Pakistan in order to raise awareness of CSR among the general public and regulatory agencies and to emphasize its necessity and significance. Many Pakistani businesses have adopted CSR policies as part of their operational procedures after realizing the long-term benefits of CSR activities and disclosure (Khan et al., 2018). Yet, due to a lack of necessary information about the CSR concepts, its correct disclosure, and a lack of sufficient motivation, firms in Pakistan have a number of difficulties while implementing and engaging in CSR (Majeed et al., 2015). In certain research projects, CSR and related disclosure procedures have been examined in Pakistan (Awan et al., 2012).

The idea of CSR has undergone extensive investigation, is widely accepted, and comprises crucial elements that have aided in the development and survival of numerous companies. Yet, the majority of earlier research findings on the relationship between CSR and FP are still unknown, unclear, and open to more study and examination on this particular topic (Jam et al., 2011; Wijesinghe & Sennaratne, 2011). In developing nations like Pakistan, the topic of CSR is not yet well-known or researched. Developing countries prioritize maximizing profit. The CSR campaign is only a few years old and is not well known in Pakistan (Bagh et al., 2017). Furthermore, only a small number of businesses in Pakistan have a CSR policy, and the majority of those businesses are international. The status of CSR in underdeveloped countries is now at an early stage (Mujahid & Abdullah, 2014). The use of globalization, the industrialization era, and international trade have all contributed to a substantial rise in interest in CSR during the past few years. This idea has led to an overall increase in company complexity as well as new demands for more corporate responsibility and transparency (Jamali & Mirshak, 2007).

Shoukat Malik and Nadeem (2014) claimed that during the past few years, CSR has become a well-known and popular topic. They also highlighted that the majority of businesses today provide CSR reports along with financial results. The stakeholders in the corporation's operations urged that the advantages to society, the economy, and the environment be improved. More crucially, the company has been under strain from modernization, technological advancement, commercialization, economic integration, a volatile economy, and globalization. By taking this into account, emerging countries must have some mechanisms for their own survival, particularly while conducting commerce internationally. CSR and FP are crucial ideas for a company's long-term success and goodwill (Bagh et al., 2017). The majority of the studies on the connection between CSR disclosure and firms' Financial Performance (FP) in Pakistan focused on manufacturing-related concerns (Giannarakis et al., 2016). Less attention is paid to CSR, which is measured in terms of support for and investment in philanthropy, health, education, and the welfare of the community (Bagh et al., 2017).

According to the stakeholder theory firms should invest in CSR activities and maintain equilibrium between all the stakeholders because it is good for firm's long term performance. In the light of the theory, the present study tried to confirm that how CSR activities enhance financial performance of Pakistan's listed banks. The results of this study have also address concerns regarding manager's obligations regarding all stakeholders.

In this study, the researcher tried to link agency theory with CSR and financial performance of banking sector of Pakistan. The current study is a modernist effort to resolve the agency problem. For this, we used aggregate investments in CSR activities as CSR and ROA, ROE, EPS, MVPS, and TOBIN'S Q as proxies for financial performance. The study's findings provide a clearer picture of CSR investments. In Pakistan, studies on CSR-related issues and disclosures are lacking since the practice of revealing CSR initiatives has not yet gained widespread acceptance (Lodhi & Makki, 2008). When the Securities and Exchange Commission of Pakistan (SECP) issued the Companies General Order in 2009, designing it after CSR and the disclosure procedures of firms, Pakistan made progress and improved its understanding of CSR practices after 2008 (Ehsan et al., 2018). CSR practices have evolved over the past ten years due to the voluntary nature of its disclosure, although they are still in the early stages of development (Børsen et al., 2016). The primary argument for this study is that developed countries have conducted the majority of the research on CSR disclosure concerns (Nasrullah & Rahim, 2014). Studies on CSR activities in poor countries are also insufficient (Jamali et al., 2017). In Pakistan, particularly in the financial sector, there is a dearth of research on the connection between CSR disclosure and financial performance (Szegedi et al., 2020). Because making public CSR initiatives has not been a mainstream practice, there is a dearth of stakeholder theory-based research on CSR and disclosure practices in Pakistan (Lodhi & Makki, 2008). Showing how a country that is actively working to become more like Western culture and a market economy—a market economy, a banking financial culture, and processed banking CSR practices—can advance CSR knowledge and improve relations with Pakistan's financial sector (Szegedi et al., 2020).

The purpose of this study is to comprehend how banking and CSR interact in Pakistan. It contributes to the existing research and experimentally explores the impact of CSR on the FP of the targeted banks by incorporating accounting-based and market-based financial performance criteria to assess the relationship between CSR and the financial performance. The study's conclusions and recommendations are of utmost significance to students and anybody with an interest in this field of study. The study has societal repercussions as well as in-depth comprehension of the value of CSR efforts and expected social conduct. By establishing the effect of CSR on the FP, By incorporating economic and social considerations into plans, it will also help policy makers and promote sustainable growth, especially for the financial firms under review.

LITERATURE REVIEW

Although the concept is not new, academics have recently shown an interest in studying the relationship between CSR and corporate performance (Laskar & Maji, 2016) and was coined in the 1920s, and has been an active area of research since the 1970s (Sheehy, 2014). Most businesses view making money and profits as their major objective, but more lately, policies for social development have also been incorporated into a company's mission statement in addition to profit maximization (Sheehy, 2014). Businesses often focus on certain commercial processes like globalization, diversification, and differentiation; however, recent developments in the field of strategic management have brought attention to the need for expanding a firm's actions towards society. The broader definition of corporate social responsibility demonstrates how businesses engage in activities outside of profit-making (Lin et al., 2015). The top listed activities are caring for employees, ethical trading, and environmental protection. The organizations willingly take part in projects like these that could significantly help resolve social and environmental problems. With its business practices and organizational resources, CSR is evidence of an organization's dedication to improving society (Perrini, 2006).

Stakeholder Theory

An important notion that aids in understanding why companies typically publicize their CSR efforts is the stakeholder hypothesis. R. Edward Freeman first used the term "stakeholder theory" in 1984 when describing the goals of businesses. He emphasized that maintaining equilibrium among various shareholder interest groups is a corporation's core objective (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). This concept focuses on social groups that have an impact on business operations and explain how a firm should function in society. Stakeholders include people including employees, customers, distributors, suppliers, social activists, competitors, NGOs, the media, lawmakers, academics, residents in the area where the company operates, labor unions, and governmental organizations. The concept mainly focuses on two major issues: first, it deals with bringing the underlying principles that the company's stakeholders share together. Second, it tackles issues with managers' responsibilities to everyone who is affected by company operations (Freeman, 1994). In the context of the theory, the current study will make an effort to verify how CSR initiatives enhance the financial performance of Pakistan's listed banks. The study's conclusions will also address concerns about managers' obligations to all stakeholders' responsibilities to everyone who is affected by corporate operations.

Agency Theory

In the 1970s, the nexus of institutional theory and economics led to the creation of the principal and agent theory. With writers Stephen Ross and Barry Mitnick each claiming to have first offered the hypothesis, it has generated some discussion. In 1976, Jensen and Meckling created the agency hypothesis. This kind of interaction typically takes place between company executives acting as agents for shareholders who are acting as principals. One party, the agent, frequently represents the other, the principle, in business dealings when there is an agency connection. The principal or principals have hired the agent to carry out a task on their behalf. The current study is a modernist effort to resolve the agency problem. In this, we utilize total investments in CSR activities as CSR and use ROA, ROE, EPS, MVPS, and TOBIN'S Q as proxies for financial performance. The study's findings provide a clearer picture of CSR investments. According to Siegel and McWilliam, (2000), CSR is a collection of all those initiatives that are not required by local laws. Whereas Chaudhry et al., (2014) Make the case that firms, regardless of their type, consistently make an effort to act morally and to promote economic growth, and declare this to be an essential component of governance. According to conventional wisdom, some academics believe that a firm's primary duty is to employ its resources as profitably as possible. The proponent of this viewpoint emphasized that CSR is manifested by outside meddling, disregard for rules and laws, unjustified attacks, desecration of shareholders' rights, and arbitrary seizure of owners' assets. The proponents of this theory currently hold the belief that CSR is becoming a significant component of firms' strategies, objectives, mission statements, and cultures everywhere we look in the business world. Most of the time, businesses are motivated and inspired to behave morally and to develop society (Iqbal et al., 2013). Furthermore, Carroll, (1979) This idea is supported by statistics showing that, starting in the 1970s, a large number of researchers studied CSR and gave it more attention than CSR CSP combined. All of the company's stakeholders are handled in an ethical manner under the auspices of CSR, and ethical business conduct raises stakeholder standards of living (Burrows, 2000). Although businesses participate, it is thought that investing resources in CSR initiatives can improve their FP. On the other hand, he asserted that there is no analogy and that no study has reached the same conclusions (Balabanis et al., 1998).

Weber, (2009) in his study, he stated that "FP" is a combination of a firm's financial situation as well as its capacity to adhere to its commitments and obligations in terms of policy and business. In addition, Weber emphasized that a concern's long-term or policy commitments and commitment show the financial results anticipated from putting the specified course of actions and policies into practice at a particular point in time. These tactics and techniques must be consistent, and they often take place over a period of two to three years. According to Marshall (1920) in its most basic form, Financial Planning (FP) refers to the act of engaging in financial activities. However, in its broadest definition, Financial Performance (FP) refers to the degree to which a company has met its financial or monetary objectives. Additionally, FP is the process of assessing a company's financial success by implementing policies and plans at a specific time moment. In this regard, he further noted that a number of accounting and market-based metrics, including Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), net profit, operating profit, gross profit, return on capital employed, and P/E, are employed to assess the financial health and efficiency of the company in utilizing its financial resources.

Recent literature has extensively researched and developed the connection between CSR and FP. The relationship between CSR and FP, which could be neutral, positive, or negative, is not widely agreed upon by academics. Three schools of thinking are present in the CSR literature. The first school of thought found that CSR and FP had a positive relationship (Aigner, 2016; Choi et al., 2010; Dabbas & Al-rawashdeh, 2012; Fu & Shen, 2015; Govindarajan & Amilan, 2013; Iqbal et al., 2013; Jam et al., 2011; Jie et al., 2016; Kiran et al., 2015; Landi & Rapone, 2018; Ofori et al., 2014; Preston & O'Bannon, 1997; Torugsa et al., 2012; Yusoff & Adamu, 2016) and encouraged spending on CSR initiatives because CSR raises a company's worth.

The second group argued that FP and CSR were at odds with one another and backed the notion of maximizing a company's profit through making use of its resources. They are opposed to the idea of funding CSR (Abiodun, 2012; Hirigoyen & Poulain-Rehm, 2015; Jam et al., 2017; Iqbal et al., 2013; Makni et al., 2009; Margolis & Walsh, 2003; Singh et al., 2017; Wati et al., 2014; Yang & Basile, 2019).

The third school of thought examined a random relationship between CSR and FP, quantified their neutral association, and recommended taking into account a variety of other dynamics that would prevent researchers from drawing a conclusive conclusion (Allen, 2014; Iqbal et al., 2013; Kang et al., 2010; Mohamed Zain & Janggu, 2009; Soana, 2011; Swaen & Chumpitaz, 2008; Tamby Chek et al., 2013).

CSR is the corporate response to different social forces. The general public, unions, and social organizations grew frustrated with the pervasive unethical corporate practices and firms' lack of accountability (Szegedi et al., 2020). Jones, (2016) has asserted that businesses incur significant expenses as a result of their unethical behavior, trust violations, and lack of cooperation between the firm and its linked entities and people. Sethi, (1979) declares that businesses, like other social institutions, are essential parts of communities and that their survival and growth depend on the societies in which they operate. In the belief that these organizations are meeting the needs of the general public, society grants them independence. CSR programs aim to improve and expand social and environmental activities within these businesses without having a significant impact on governance. It is focused on how businesses integrate these matters of public benefit into their core operational procedures Shoukat, Malik and Nadeem (2014) says that instead of debating whether to incorporate CSR into enterprises, the focus should be on how to do so. Kolb (2018) feel that businesses should describe their responsibilities based on CSR goals, such as having social, economic, and environmental duties is essential to acting responsibly as a corporation. Sheehy (2012) defined CSR as "A form of private self-regulation on an international scale." Sheehy, (2012) asserted that the establishment of CSR norms, rule-making processes, and administrative responsibilities depend on the participation of regulated parties, such as civic organizations, NGOs, and regulating agencies, together with industry members. Instead of being confined to charity, it could be seen as a strategic move to create possibilities and breakthroughs that will provide businesses an advantage over their competitors (Porter & Kramer, 2002).

Bagh et al., (2017) 30 banks were used as a sample to study the cause-and-effect connection between CSR and Pakistan's banking sector's financial performance. They discovered that CSR has a positive relationship with ROA, ROE, and EPS. Their findings highlight the importance of CSR as a catalyst for growth and a tool for raising performance in the Pakistani banking industry. Banks in Pakistan are urged to integrate CSR into their plans, missions, and objectives. Its involvement in environmental protection, health and education issues, talent development, and sports sponsorships serve as examples of its commitment to CSR (Moody & Bates, 2013). Sayed et al., (2017) analyzed the effects of CSR indicators, such as donations and funding for employee welfare, on financial performance metrics in the Pakistani financial sector (ROA, EPS, Tobin's Q, and price-to-earnings ratio). Except for ROE and Tobin's Q, which are adversely correlated with CSR, they discovered no association between financial variables and CSR. Sharif and Rashid, (2014) examined the impact of CSR disclosure in Pakistani commercial banks. The research looked at both the executive and non-executive directors as aspects of company governance. To determine the banks' level of CSR activity, content analysis was used to examine their annual reports from 2005 to 2010. For the empirical analysis, a multiple regression model was used. The study's findings demonstrate that non-executive directors significantly and favorably influence CSR reporting. Also, they pointed out that Pakistani banks have excellent and strong CSR standards. Malik and Nadeem (2014) evaluated the effect of CSR on the FP of the Pakistani services sector. A regression model was used to analyze data from eight banks for the years 2008–2011. The analysis shows that Pakistan's banking sector is significantly behind in CSR initiatives. The correlation between profitability indicators including EPS, ROE, ROA, and net profit was shown to be positive but insignificant.

Theoretical Frame Work

The analysis of empirical and theoretical literature shows a significant advancement in our understanding of the connection between Corporate Social Responsibility (CSR) and financial performance of businesses. However, the majority of studies have concentrated on wealthy nations, and there is little information from least developed nations like Pakistan. Also, there is a lack of comparison, agreement, and evidence in the available research, which calls for data from less developed countries. The majority of prior studies on the connection between CSR and financial performance have focused on accounting-based metrics of FP while giving less attention to market-based measures of FP. In order to fill the knowledge gap regarding CSR and FP that has been discovered in the research and to provide useful recommendations to banking sector practitioners and policy makers, the study's objective is to enrich the literature. In the current study, the relationship between CSR practices and the financial performance of the listed Pakistani banks was assessed using five financial performance measures, including return on assets (ROA), return on equity (ROE), earnings per share (EPS), market value per share (MVPS), and Tobin's Q. Age and business size served as the controls for the study's banks. All investments in initiatives, including charitable giving, charitable giving, education, health, social welfare, natural disasters, the environment, and community and society development, were used to evaluate Corporate social responsibility. The research framework used to evaluate the association between CSR and financial performance in Pakistan's banking industry is shown in Figure 1.

Theoretical Framework

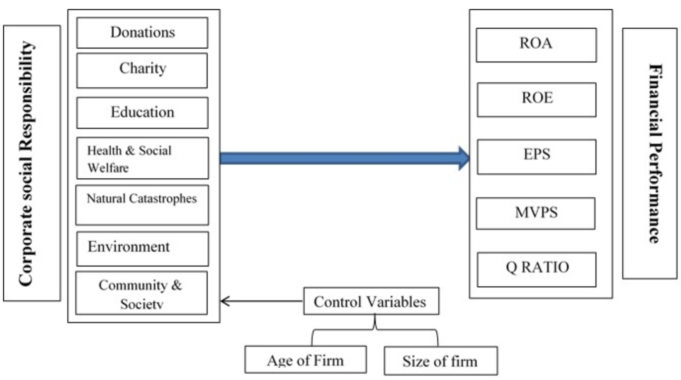

Figure 1: Conceptual Model of the Research Study

MATERIAL AND METHODS

Research Model

This study used the fundamental econometric model to examine how CSR and financial performance are related.

$\mathrm{Y}\,(FP_{jt}) = \beta_0 + \beta_1 X\,(C_{SR}) + \beta_2 X\,(\mathrm{CON}\,.VAR_{jt}) + \varepsilon_{jt}$

Where FP_{jt} = Financial performance of bank *j* in time *t*, where financial performance is proxied by ROE_{jt}, ROA_{jt}, EPS_{jt}, MVPS_{jt}, and $\mathrm{TOBINsQ}_{jt}$, and five separate models are estimated in accordance with these proxies, Model intercept is 0, and regression coefficients are 1. CSR_{jt} stands for the bank j's corporate social responsibility in time *t*, CON.VARjt stands for the bank j's control variables in time *t*, and *jt* stands for the statistical error term.

Variables Description

Our study's dependent variable was the financial performance of a few Pakistani banks. The research on the connection between CSR and finances demonstrates that as measurements of financial performance, accounting-based metrics like return on asset, return on equity, return on sale, earning per share, and net profit margin were used together with market-based indicators like Tobin's Q ratio, market value per share, and stock return. Some scholars believe that accounting-based measures are more useful for determining how CSR and financial performance are related (Feng et al., 2017). Nonetheless, the majority of experts assert that market-based metrics demonstrate that CSR is effective (Karagiorgos, 2010). The body of research demonstrates that most studies have measured financial performance using both performance measures (Allouche & Laroche, 2005; Altakhayneh, 2022; Hoskisson et al., 1993; Inoue & Lee, 2011; Maqbool et al., 2020; Szegedi et al., 2020) have recommended that future studies on the links between CSR and FP combine the use of both accounting- and market-based measures. The four profitability ratios (ROA, ROE, EPS, and TOBIN'S Q) In light of the findings of the earlier studies and literature, it can be concluded that MVPS was the most practical measures to analyze the relationship between CSR-FP and MVPS use as new proxy of financial performance, which is included for more accurate and realistic impact of CSR on FP of Pakistani listed banks. In this study, market-based and accounting-based metrics have both been used to assess the financial performance of the selected Pakistani banks. Tobin's Q ratios and MVPS were used to gauge performance based on the market, whereas ROA, ROE, and EPS were used to gauge performance based on accounting. Data from the annual reports of the selected banks and the SBP's financial reports were used to compute these ratios.

Population and Sampling

32 banks are scheduled in Pakistan. For this study's sample, we have selected all scheduled banks in Pakistan that will be listed on the Pakistan Stock Exchange in 2020 (Appendix A). This sample included public sector commercial banks, regionally-based private (Islamic banks), international, and niche banks.

Data Source and Statistics

This study was built using secondary data for a 13-year period, from 2008 to 2020, information was compiled from the annual audited financial reports of the relevant banks, the PSX website, and the SBP statistical division of the Pakistani national bank. This study was specifically designed to be quantitative. The analysis has employed both pooled regression analysis and E-Views.

Table 1: Variables Description and Measurement

Models	Variable Name	Proxy	Measurement Formula
		Dependent Variables	
01	Financial performance	1.Return on Asset (ROA)	ROA = Net Income/Total Assets
		2. Return on Equity (ROE)	ROE = Net Income/Total Equity
		3. Market Value Per Share (MVPS)	MVPS= Market value of firm/ Total Number of Shares
		4. Earnings Per Share (EPS)	EPS = Net Earnings/Total Number of Shares Outstanding
		5. Tobin's Q	Tobin's Q = (market value of common shares outstanding + market value of preferred shares outstanding + book value of debt)/book value of assets
		Independent Variables	
02	Corporate social responsibility	The natural log of the actual amount spent on CSR activities	Total investment on CSR activities
		Control variables	
03	Firm size	The natural log of Total Assets	Total assets
04	Firm age	Number of operating years	Number of operating years

Based on the existing research, all of them are suitable substitutes for measuring the study's variables (see Table 1). In model (1A), financial performance is measured using ROA, ROE, EPS, MVPS, and TOBIN'S Q, just as FP is measured using ROA, ROE, and EPS (Bagh et al., 2017; Cho et al., 2019; Ramzan et al., 2021b; Szegedi et al., 2020). Szegedi et al., (2020) and Cho et al., (2019) used TOBIN'S Q as proxy of financial performance and Bagh et al., (2017) suggested that researcher can use MVPS as a proxy of financial performance. Different proxies are used for the measurement of CSR in the literature. La Rosa et al., (2018) uses a social score as a proxy measure of CSR. Jin et al., (2017) use a social capital index for CSR. Some use the MSCI KLD 400 Social Index for the measurement of CSR (S. Lee & Park, 2010; Szegedi et al., 2020; Tang et al., 2012; Zhou et al., 2015) while others use corporate donations and actual spending on CSR activities as a proxy variable for CSR measurements (Bagh et al., 2017; Brammer et al., 2006; Joseph Joseph et al., 2016; Oyewumi et al., 2018). Corporate donations and real spending on CSR initiatives are also used in this study as proxies for CSR measurement. Firm size and age, where size is expressed as the logarithm of total assets and age as the number of operating years, are also employed as two control variables. The variable names and the substitutes used to measure them are included in this table.

RESULTS AND DISCUSSION

Descriptive Statistics

Following data analysis, this section computes descriptive statistics (see Table 2). In essence, descriptive statistics describe the properties of the data. Based on 416 observations, it has been determined that the CSR has a mean of 1.188, a range of -1.65 to 4.02, and a median of 1.185, indicating that the distribution is almost exactly normally distributed. Because the standard deviation is 0.9878, the distribution is skewed between negative and positive values relative to the mean. The ROA is determined to have a mean of 0.605769, ranging from -4 to 4, and the median is 1, which suggests that the distribution is negatively skewed with a large tail to the left, according to the probability of Jarque-Bera. Standard deviation is 1.66 which shows that distribution is varying -1.66 and +1.66 around the mean. Probability of Jarque-Bera shows that data is not normally distributed; ROE is found to have a mean of 9.163, ranging from -23.4 to 44, the median is 9.16 which show that distribution is slickly negatively skewed. Standard deviation is 11.49 which shows that distribution is vary -11.49 and +11.49 around the mean. Probability of Jarque-Bera shows that data is normally distributed; MVPS is found to have a mean of 28.18, ranging from -27 to 99, the median is 28.65 which show that distribution is slickly negatively skewed. Standard deviation is 33.45 which shows that distribution is vary -33.45 and +33.45 around the mean and this variable is more volatile as compare to others. Probability of Jarque-Bera shows that data is not normally distributed; EPS is found to have a mean of 3.4368, ranging from -7.17 to 17, the median is 3.64 as median is greater than mean which shows that distribution is slickly negatively skewed, long tail to the lift hand side. Standard deviation is 4.39 which shows that distribution is vary -4.39 and +4.39 around the mean. Probability of Jarque-Bera shows that data is normally distributed; TOBIN'S Q is found to have a mean of 1.51, ranging from 0 to 3, the median is 1.5 as median is nearly equal to mean which shows that distribution is perfectly normally skewed. Standard deviation is 0.93 which shows that distribution is vary -0.93 and +0.93 around the mean. Probability of Jarque-Bera shows that data is not normally distributed; FS is found to have a mean of 4.96, ranging from 3 to 7, the median is 5 as median is nearly equal to mean which shows that distribution is perfectly normally skewed. Standard deviation is 1.19which shows that distribution is varying -1.19 and +1.19 around the mean. Probability of Jarque-Bera shows that data is not normally distributed; FA is found to have a mean of 27.18, ranging from 1.00 to 80.34, the median is 26.76 as median is less mean which than mean which shows that distribution is positively skewed, long tail to the right hand side. Standard deviation is 20.43 which shows that distribution is vary -20.43 and +20.43 around the mean. Probability of Jarque-Bera shows that data is normally distributed.

Table 2: Descriptive statistics

	CSR	ROA	ROE	MVPS	EPS	TOBINSQ	FS	FA
Mean	1.188077	0.605769	9.163005	28.18764	3.436875	1.512019	4.963942	27.18046
Median	1.185000	1.000000	9.560000	28.65000	3.640000	1.500000	5.000000	26.76000
Maximum	4.020000	4.000000	44.02000	99.49000	17.020000	3.000000	7.000000	80.34000
Minimum	0.000000	-4.00000	-23.4000	.2341789	-7.170000	0.045634	3.000000	1.000000
Std. Dev.	.987860	1.665631	11.48935	33.45906	4.393084	0.933887	1.192809	20.43768
Skewness	0.018004	-0.42648	0.057910	0.084420	0.140075	0.009474	-0.04137	0.084716
Kurtosis	2.835423	3.169665	2.952109	2.024423	2.979536	2.129317	2.169472	2.639147
Jarque-Bera	0.491957	13.10777	0.272270	16.99114	1.367649	13.14644	12.07485	2.754654
Probability	0.781939	0.001425	0.872725	0.000204	0.504683	0.001397	0.002388	.252252
Observation	416	416	416	416	416	416	416	416

Correlation Analysis

Table 3 displays the correlation analysis between the variables, their probabilities, and their interactions. There are eight variables in this table. With the exception of Tobin's q, which it correlates adversely with, CSR strongly and positively with all other factors. All factors and ROA are significantly and positively associated. All factors and ROE are significantly and positively associated. MVPS and all components are significantly and favorably correlated. Except for Tobin's q, with which it is adversely connected, all the other variables and EPS are significantly and positively correlated. Except for CSR and EPS, with which it is negatively connected, TOBIN'S Q strongly and favorably correlates with all the other factors. All factors have a substantial and positive association with FS, and all variables have a significant and positive correlation with FA. The highest number is 0.757449.

Table 3: Correlation Analysis

	CSR	ROA	ROE	MVPS	EPS	TOBINSQ	FS	FA
CSR	1							
ROA	0.2098	1						
ROE	0.4416**	0.6136**	1					
MVPS	0.5189**	0.4472**	0.6074**	1				
EPS	0.4965*	0.5182**	0.7574***	0.6690**	1			
TOBINSQ	-0.0474	0.0619	0.0637	0.0776*	-0.0495	1		
FS	0.5411**	0.3190*	0.5080**	0.6086**	0.5995**	0.0620	1	
FA	0.3178*	0.6014**	0.4906*	0.6428**	0.6220**	0.0613	0.5469**	1

Regression Analysis

Regression Results Taking ROA as Dependent Variable

The statistical results for the effects of CSR and ROA are shown in Table 4. Although it shows that CSR has a detrimental impact on ROA, the *p* value for CSR satisfies the threshold for significance. The research findings back up the agency's claim that it is inefficient to subsidize CSR-related endeavors. This suggests that Pakistani banks' return on assets will decrease if they increase their CSR spending. The coefficient values in Table 4 show that while CSR and FS have a negative impact on ROA, FA has a positive impact. The adjusted R^2 (coefficient of determination) value of 0.4405 suggests that the explanatory variables CSR, FS, and FA of a subset of Pakistani banks, which also capture less variance in the model, may cause a deviation or changeability in the dependent variable ROA. The *F* value is also used to assess the overall fitness of the study's model the *F* statistics and a *p* value that is under the 0.05 cutoff. The results are in line with (Costa & Fonseca, 2022; Grisales & Caracuel, 2021; Lee et al., 2009; Sameer, 2021). The statistical findings addressing CSR's impact on ROE show that, although having a negative impact on ROE, the *p* value for CSR satisfies the threshold for significance. The agency hypothesis is supported by the present findings. This suggests that Pakistani banks' return on equity will decrease if they increase their CSR spending. The coefficient values show that CSR has a detrimental effect on ROE and FA while FS has a positive effect on both.

Table 4: Regression Results: Return on Asset as a Dependent Variable

Dependent Variable: ROA				
Method: Panel Least Squares				
Sample: 2008 2020				
Period Included				
Cross-section Included: 32				
Total Panel (balanced) observations: 416				
Variable	Coefficient	Std. Error	*t*-Statistic	Prob.
C	1.224720	0.493538	2.481509	0.0135
CSR	-1.006963	0.251240	-4.007976	0.0001
FS	-0.116044	0.073871	-1.570908	0.1170
FA	0.042436	0.004104	10.34052	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.486348	Mean dependent var	0.605769	
Adjusted *R*-squares	0.440511	S.D. dependent var	1.665631	
S.E. of regression	1.245876	Akaike info criterion	3.357938	
Sum squared resid	591.3907	Schwarz criterion	3.697058	
Log likelihood	-663.4511	Hannan-Quinn criter	3.492025	
F-statistic	10.61024	Durbin-Watson stat	1.940001	
Prob (*F*-statistic)	0.000000			

Regression Results Taking ROE as Dependent Variable

The statistical results for the effects of CSR and ROE are shown in Table 5. Table 5's *P* value for CSR is significant even if it has a negative impact on ROE. The research results confirm the agency's claim that it is inefficient to subsidize CSR-related endeavors. This suggests that Pakistani banks' return on equity will decrease if they increase their CSR spending. The coefficient values in Table 5 show that CSR has a detrimental effect on ROE and FA while FS has a positive effect on both. The adjusted R^2 (coefficient of determination) value of 0.4243 suggests that the explanatory variables CSR, FS, and FA of selected banks in Pakistan, which also capture less variation in the model, may cause a deviation or changeability in the dependent variable ROE. Also, the *F*-statistic value of 9.999278 is used to assess the overall fitness of the study's model. It is evident from the significance column that the *F* statistics and *p* value are below average. It is statistically significant because it demonstrates how much more effectively the second regression model predicts the result of the variable than the first. Given that the value in this table is 1.426581 and the *p*-value is less than 0.05, it can be concluded that CSR positively and statistically significantly affects the ROE of specific Pakistani banks. Based on this, the second hypothesis is only partially supported. The results are in line with past studies. (Cossta and Fonseca 2022; Grisales and Caracuel 2021; Lee et al. 2009; Sameer 2021).

Table 5: Regression Results: Return on Equity as a Dependent Variable

Dependent Variable: ROE				
Method: Panel Least Squares				
Sample: 2008 2020				
Period Included				
Cross-section Included: 32				
Total Panel (balanced) observations: 416				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.463213	3.453072	1.292534	0.1970
CSR	-6.112980	1.757814	-3.477604	0.0006
FS	1.426581	0.516841	2.760193	0.0061
FA	0.179578	0.028713	6.254245	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.471549	Mean dependent var	09.163005	
Adjusted R-squares	0.424391	S.D. dependent var	11.48935	
S.E. of regression	8.716847	Akaike info criterion	7.248776	
Sum squared resid	28949.69	Schwarz criterion	7.587896	
Log likelihood	-1472.745	Hannan-Quinn criter	7.382863	
F-statistic	9.999278	Durbin-Watson stat	1.872104	
Prob (F-statistic)	0.000000			

Table 6: Regression Results: Earnings per Share as a Dependent Variable

Dependent Variable: EPS				
Method: Panel Least Squares				
Sample: 2008 2020				
Period Included				
Cross-section Included: 32				
Total Panel (balanced) observations: 416				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.746458	0.687864	-6.900285	0.0000
CSR	1.025996	0.180494	5.684371	0.0000
FS	0.917569	0.169296	5.419903	0.0000
FA	0.088652	0.008764	10.11598	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.520482	Mean dependent var	3.436875	
Adjusted R-squares 0.516990	S.D. dependent var	4.393084		
S.E. of regression	3.053145	Akaike info criterion	5.079790	
Sum squared resid	2840.537	Schwarz criterion	5.118547	
Log likelihood	-1052.596	Hannan-Quinn criter	5.095114	
F-statistic	149.0654	Durbin-Watson stat	1.273169	
Prob (F-statistic)	0.000000			

Regression Results Taking EPS as Dependent Variable

Table 6 shows that the p value for CSR meets the requirements for significance. It implies that when Pakistani banks rise their CSR spending, so will the banks' earnings per share. Table 6's coefficient values demonstrate that CSR, FA, and FS have a favorable impact on EPS. The adjusted R^2 (coefficient of determination) value of 0.5169 indicates that the explanatory variables CSR, FS, and FA of some Pakistani banks that also capture less variance in the model might induce a deviation or changeability in the dependent variable EPS. Additionally, the F-statistic value of 149.0654 is utilized to assess the overall fitness of the study's model. The *F* statistics and *p* value, which is below the threshold of 0.05, are discernible from the significance column. It is statistically significant, indicating that the third regression model has the ability to predict the variable's result considerably. The third theory is adopted in light of this. Additionally, the outcomes are consistent with earlier research (Bagh et al., 2017; Cho et al., 2019; Choi et al., 2010; Fu & Shen, 2015; Iqbal et al., 2013; Jie et al., 2016; Kang et al., 2010; Kiran et al., 2015; Ofori et al., 2014; Ramzan et al., 2021a; Shoukat Malik & Nadeem, 2014; Szegedi et al., 2020).

Regression Results Taking MVPS as Dependent Variable

Table 7 shows that the *p* value for CSR meets the requirements for significance. It implies that when Pakistani banks boost their CSR spending, their market value per share would also rise. Because of this finding, our main hypothesis—that CSR has a positive and significant influence on MVPS of some Pakistani banks—is supported, and the alternative hypotheses are rejected (H4). Table 7's coefficient values demonstrate that CSR, FA, and FS have a favorable impact on EPS. The adjusted R^2 (coefficient of determination) value of 0.550082 indicates that the explanatory variables CSR, FS, and FA of certain Pakistani banks can contribute to the deviation or changeability in the dependent variable EPS, which also captures the largest amount of model variance. Also, the overall fitness of the study's model is assessed using the *F* value of 170.13. The significance column reveals the *F* statistics and *p* value, both of which fall below the 0.05 cutoff. It is statistically significant, which means that the third regression model can accurately predict the outcome of the variable. This table's value is 6.543467, which is in the positive direction, and the *p*-value is below the 0.05 cutoff, demonstrating that CSR has a positive and statistically significant impact on the MVPS of specific Pakistani banks. The fourth hypothesis is accepted based on this assumption. Since the values of the control variables FS and FA (in this table) are in the positive direction and the *P*-value is smaller than the usual 0.05, it can be shown that these factors have a positive and statistically significant influence on the MVPS of particular Pakistani banks. In addition, the Durbin-Watson stat value for the fourth model is 1.48. Which is smaller than 2, it shows that the data set has positive auto-correlation. Since autocorrelation is a frequent problem, a researcher leaves it alone.

Table 7: Regression Results: Market Value per Share as a Dependent Variable

Dependent Variable: MVPS				
Method: Panel Least Squares				
Sample: 2008 2020				
Period Included				
Cross-section Included: 32				
Total Panel (balanced) observations: 416				
Variable	Coefficient	Std. Error	*t*-Statistic	Prob.
C	-33.86824	5.056334	-6.698182	0.0000
CSR	8.625502	1.326772	6.501120	0.0000
FS	6.543467	1.244458	5.258088	0.0000
FA	0.711053	0.064419	11.03789	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.553334	Mean dependent var	28.18764	
Adjusted *R*-squares	0.550082	S.D. dependent var	33.45906	
S.E. of regression	22.44298	Akaike info criterion	9.069402	
Sum squared resid	207519.2	Schwarz criterion	9.108158	
Log likelihood	-1882.436	Hannan-Quinn criter	9.084726	
F-statistic	170.1300	Durbin-Watson stat	1.484759	
Prob (*F*-statistic)	0.000000			

Regression Results Taking MVPS as Dependent Variable

Table 8 *p* value for CSR meets the requirements for significance, although it has a negative effect. The findings here support the agency hypothesis, which contends that funding CSR-related activities is a waste of money. It implies that the banks' TOBIN'S Q would drop as they rise their CSR spending in Pakistan. Because of this finding, our primary hypothesis—that CSR has a positive and substantial influence on TOBIN'S Q of selected Pakistani banks—is supported, and the alternative hypotheses are rejected (H5). Table 8's coefficient values demonstrate that FA has a favorable influence on TOBIN'S Q whereas CSR and FS have negative effects. The adjusted R^2 (coefficient of determination) value of 0.020638 indicates that the explanatory variables CSR, FS, and FA of certain Pakistani banks may contribute to the deviation or changeability in the dependent variable TOBIN'S Q while also capturing the least amount of model variance. The overall fitness of the study's model is also evaluated using the F value. The F statistics and p value, which is below the threshold of 0.05, are discernible from the significance column. Since it is statistically significant, it is possible that the fifth regression model has the ability to predict the variable's result considerably. Given that the value of is positive and the p-value is less than 0.05, this table demonstrates that CSR has a positive and statistically significant impact on TOBIN'S Q of specific Pakistani banks. On the basis of this supposition, the fifth hypothesis is adopted. Furthermore, the results are consistent with past studies (Costa & Fonseca, 2022; Grisales & Caracuel, 2021; D. D. Lee et al., 2009; Sameer, 2021). The coefficient value of Costa and Fonseca (2022) is 0.361 and in Perrini (2006) -1.929.

Table 8: Regression Results: Tobin's Q as a Dependent Variable

Dependent Variable: TOBINSQ				
Method: Panel Least Squares				
Sample: 2008 2020				
Period Included				
Cross-section Included: 32				
Total Panel (balanced) observations: 416				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.506326	0.604465	4.146355	0.0000
CSR	-0.380365	0.158610	-2.398109	0.0169
FS	-0.144775	0.148770	-0.973011	0.3311
FA	0.006021	0.007701	0.781803	0.4348
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.027717	Mean dependent var	1.499514	
Adjusted R-squares	0.020638	S.D. dependent var	2.711091	
S.E. of regression	2.682970 Akaike info criterion	4.821295		
Sum squared resid	2965.712	Schwarz criterion	4.860051	
Log likelihood	-998.8293	Hannan-Quinn criter	4.836619	
F-statistic	3.915019	Durbin-Watson stat	0.396289	
Prob (F-statistic)	0.008908			

CONCLUSION AND RECOMMENDATIONS

The study of how CSR impacts financial performance is an important topic for academia, business, and organizations worldwide. This study is a modest effort to investigate the range and composition of CSR initiatives carried out by Pakistani listed banks. With a sample size of 32 commercial banks that have been listed on the Pakistan Stock Exchange for a total of 13 years, from 2008 to 2020, the primary goal of the current study is to shed light on the influence of CSR on the financial performance of the banking sector in Pakistan. We investigated the effects of CSR on generally used accounting-based indicators (such as ROA, ROE, and EPS) and market-based indicators (such as MVPS and TOBIN'S Q) proxies of FP, ROA, and EPS. Two control variables were included in this analysis to account for potential confounds that could affect CSR and business value. In order to address any potential issues, we develop firm-specific characteristic variables. Empirical findings support the validity of the pooling model, showing that CSR had a considerable and adverse impact on ROE, a major and adverse impact on TOBIN'S Q, and a negative and substantial impact on ROA, but EPS and MVPS are significantly and favorably impacted. This idea holds that CSR has a significant and inconsistent impact on the financial performance of a select group of Pakistani commercial banks. Based on key findings from EPS and MVPS, this paper hypothesizes that CSR phenomena is viewed as a critical growth element and FP boosting strategy of commercial banks in Pakistan. The results of ROA, ROE, and TOBIN'S Q indicate that operations view involvement in CSR programs as a sunken expense. The selection of the entire banking sector of Pakistan as a sample is one of the main causes of insignificance and unfavorable influence. Most past research on the effects of CSR and FP on Pakistan's banking sector employed top-performing banks as a sample since newly established, tiny, and underperforming institutions are unable to successfully implement CSR policies. The researcher's selection of the study's 13-year time period, from 2008 to 2020, is the second justification. The financial sector in Pakistan has been affected by far too many ups and downs during this time. Another factor that has negatively impacted the financial sector of Pakistan may be the under-disclosure of corporate social responsibility, as the Grisales & Caracuel, (2021) revealed that the two main reasons for the adverse relationship between CSR and FP were badly implemented CSR policies and a lack of institutional support. The research results confirm the agency's claim that it is inefficient to subsidize CSR-related endeavors. Nonetheless, EPS and MVPS have a considerable and positive impact on the FP of Pakistan's listed banks. The outcomes in this case are in line with stakeholder theory and the social contract theory. Also, the results demonstrated that the company's size is statistically significant when examining the impact of the control variable on ROA. According to this, there is a negative correlation between company size and ROA; however there is a positive correlation between enterprise age and ROA. According to the findings, the firm's size is statistically significant when analyzing how the control variable affects ROE.

In a manner similar to this, firm ROE and FA show a positive correlation, and FS and FA have a statistically significant positive impact on EPS. Yet, TOBIN'S Q and FS have minor negative impacts on TOBIN'S Q and FA has a negligible positive connection with TOBIN'S Q, although FS and FA both have significant positive effects on MVPS. Based on these results, we may draw the conclusion that CSR has a significant and long-term positive benefit while also having a big and short-term negative influence on the financial performance of Pakistan's listed banks. The study's conclusions also suggest that the banking sector's participation in CSR activities and appropriate disclosure help to improve their economic success as measured by accounting (Szegedi et al., 2020) and also for market-based performance of the Pakistan's listed banks (Cho et al., 2019). Our findings indicate a strong positive correlation between CSR and Pakistani banks' EPS and MVPS, indicating that these programs may help to attract potential investors and foster a pleasant impression in their eyes, ultimately boosting the banks' financial performance. The results support this by indicating that banks who invest more in CSR programs build strong client relationships that reduce their clients' financial risk and improve financial performance.

In many ways, this study advances our understanding of CSR, how it should be disclosed, how it applies to Pakistan as a developing country, and how it fits into the larger contexts of Stakeholder theory, Corporate Governance, and Agency theory. The study's findings confirmed the stakeholder theory's claim that the various stakeholder interest groups were in equilibrium. The results showed that sound corporate governance procedures improve financial results and help to reduce principle-agent expenses. The results of the study confirmed the tenet of agency theory. ROA, ROE, and TOBIN'S Q all have negative effects on corporate social responsibility, proving that money shouldn't be spent on CSR-related projects. The impact of CSR efforts and their disclosure on the financial performance measures of Pakistani banks was examined in this study. Prior studies have not given adequate consideration to the relationship between CSR disclosure and financial firm success, and those that have been done so far have yielded contradictory results. This study intends to fill the vacuum in the literature that currently exists as a result. The study's accounting- and market-based financial performance measurements, along with a new variable used as an FP proxy, all revealed a diverse but significant impact of CSR on FP. The results show that a company that effectively implements CSR policies would reap the expected benefits in the short term, assuaging investors' concerns. CSR is also a highly beneficial tool for enhancing long-term performance.

The current study offers some very interesting results for academics and professionals; however it still has several limitations that could lead to new research areas. First, this study used information from the financial sector in Pakistan. The researcher may increase the number of participating nations in the future in order to improve the study's findings. The results of this study indicate that CSR initiatives can enhance business value and performance not just as investments but also as management strategies. In order to increase their profitability, market performance, and reputation, banks should prioritize CSR projects. They should be assisted in this endeavor by the Pakistani state bank and other regulators. To ensure societal advancement and optimize profits, investors should assess CSR reports prior to purchasing stocks. To increase levels of financial advantages, particularly in underserved areas, the government should encourage banks to participate in CSR initiatives. Authorities should periodically check on banks' soundness and encourage CSR initiatives by, for instance, recognizing and rewarding organizations that practice CSR. The media should help organizations that uphold social responsibility and should aid and counsel banks on how to appropriately disclose CSR efforts in Pakistan.

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