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**IMPACT OF CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE
GOVERNANCE ON FINANCIAL PERFORMANCE OF FIRMS: EVIDENCE FROM FOOD
AND PERSONAL CARE SECTOR OF PAKISTAN**

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ABSTRACT

The proposed study is fundamentally on financial performance of food and personal care industry in Pakistan. This study aims to establish the relationship between corporate social responsibility (CSR) and corporate governance (CG) and financial performance (FP) on the food and personal care industry in Pakistan. Accordingly, this research has developed a model to determine the effects of corporate social responsibility (CSR) and corporate governance (CG) on the financial performance (FP) where reputation of the use company, reports regarding CSR and donation as a measure of CSR, and the audit committee, size of the board as a measure of corporate governance have been used to establish the effects on financial performance measured by ROA and ROE. The researcher investigated at corporate social responsibility and corporate governance as independent factors. Financial performance is, in the meantime, the dependent variable. Nevertheless, the food and personal care sector in Pakistan has been selected to test the connection between the variables indicated above. A qualitative study research is used to examine the relationship in this study. The secondary data collection was done based on annual financial statements of 17 food and personal care company collected within the period of 2019 to 2024 (period of 6 years). EViews Software involves several statistical tests (correlation and regression analysis) in the data analysis of annual financial statements. Based on the results of this research it can be concluded that the influence of the audit committee (independent variable) on the returns on assets and returns on equity in food and personal care industry (dependent variables) is rather significant. In addition, the regression analysis showed that the company reputation, CSR reports, donation, board size (independent variables), and the return on assets, as well as on equity (dependent variables), are not significantly correlated in the food and personal care sector in Pakistan.

Key Words:

Corporate Social Responsibility (CSR)

Corporate Governance (CG),

Financial Performance (FP)

Pakistan's food and personal care Industry.

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Chapter No 1

Introduction:

1.1 Introduction:

Over the past few decades, the issue of corporate conduct outside the profit maximization has ceased to be in the periphery of the business studies but taken centre stage due to the increase in the expectation of the people, changes in regulations, and investor concerns of sustainable value creation. Corporate Social Responsibility (CSR) and Corporate Governance (CG) are two constructs, which have received consistent academic and practitioner interest due to their conjoined normative and strategic implications. CSR generally represents the voluntary activities of the firm that can be advantageous to society and the environment, whereas corporate governance defines the formal structure, policies and practice that govern decision making, accountability and oversight within the firms and the amount of money that is eventually enjoyed by the stakeholders. This is why it is worth checking them out to determine the current state of businesses in certain areas such as in Pakistan which are still new to them.

Numerous studies have been conducted on the impact of CSR and governance on the performance of a business. R. Edward Freeman was the one who popularized the stakeholder theory. According to this theory, businesses should be in good terms with all the people groups that can support or harm their objectives. Freeman used these organizations as any group or a person that may affect or be affected by the objectives of an organization. This argument implies that the stakeholders such as the company feel more when the company engages in CSR work. This is business-friendly in that it will provide the company with additional resources, supply chains, and customers who will remain loyal to it. One of the most popular approaches toward considering the individuals that work at a company is the CSR pyramid by Archie B. Carroll. It demonstrates that a company ought to pay its dues, keep within the law and donate money to charitable causes. It also clarifies the fact that to be socially responsible is to do what one should and wants to do. These conceptual frameworks imply possible mechanisms (reputation, risk reduction, operational efficiencies, market differentiation) in which CSR and governance practices may affect profitability and market value.

Nevertheless, empirical data is not entirely consistent and is context-dependent. The latest meta-analysis and systematic literature reviews worldwide show that the positive correlation between the better CSR/ESG performance and corporate financial outcomes exists, yet the effect sizes differ depending on the geography, measurement, and time. An examination of various markets indicated that the effect of CSR in financial performance is generally positive especially when the aspects of environmental, social, and governance are positively enhanced but depends on the size of the organization, industry features, and institutional structure. These subtle results indicate that CSR does not necessarily create value, its advantages will depend on how activities are implemented, disclosed and incorporated in governance structures.

Sectoral emphasis on food and personal care is of particular interest due to the consumer facing nature of these industries, the high regulation of safety and quality, as well as reputation and supply chain risks, which render CSR and governance initiatives sensitive to both the consumer and the investor. The examples of the food and personal care companies of Pakistan indicate that the impact of governance attributes and the CSR activities can be significant to the firm results, yet the exact mechanism and its strength is to be investigated further in the context of the specific sector.

In spite of increased studies, there are two gaps. To begin with, a large part of the available literature on Pakistan studies CSR disclosures or single variables of governance and issues, which yields broken fragments of information and it is hard to determine the impact of both. Second, the sectoral heterogeneity remains under-investigated: the food and personal care industry has its unique operational, regulating and reputational dynamics (food safety, brand trust, waste/packaging issues) that can predetermine the way in which CSR and governance interact to influence profitability and market value. The importance of filling such gaps is in how academics develop contextually-specific models and managers and regulators in need of a clear understanding of the governance structures and CSR investments that provide quantifiable financial payoffs in the consumer goods sectors of Pakistan.

Based on this, the thesis examines the joint effect of Corporate Social Responsibility and Corporate Governance on the financial performance of the food and personal care industry firms in Pakistan. The research takes a holistic approach: it quantifies CSR based on the firm disclosure and activity

proxies, it also measures the various dimensions of governance (board composition, audit practices, ownership structure) and correlates them with the conventional financial performance measures holding constant the firm size, leverage and market conditions.

The following sections overview the major concepts and empirical findings, build hypotheses based on both the stakeholder and agency literatures, outlining the data and empirical plan, and results that should help not only inform the scholarly discussion but also the practical decision-making. On the whole, the research has a contribution to the literature because it offers sector-specific evidence on a developing market, decomposing the joint impact of CSR governance, and has policy and management implications applicable to the changing corporate environment in Pakistan.

1.2 Research Gap:

The impact on the company performance was shown through previous studies that were grounded on CSR and CG separately. Under the guidance of (Kazi et al; 2018), (Selvarajah et al; 2018) paper, this paper has been analyzed the effect and correlation between CSR and corporate governance in a single study.

1.3 Problem Statement

The objective concerning this research is to observe the role of CSR and CG on financial performance within the Pakistani food and personal care industry. To fill the gaps that are present in this field, the paper will expand and elaborate the connection between CSR (company reputation, CSR reports, donation), CG (board size, audit committee) and a financial performance (ROA, ROE) of firm to have a broad research that focuses on the food and personal care industry. On the whole, this study indicates that CSR and corporate governance can contribute to addressing the riddle of the financial performance of a company.

1.4 Research Question

The study's research questions are as follows:

- 1.4.1 How does a company's reputation affect its financial performance in the food and personal care industry?
- 1.4.2 How does CSR report affect the food and personal care industry's financial performance?
- 1.4.3 How does donation affect the food and personal care industry's financial performance?
- 1.4.4 How does audit committee affect financial performance in the food and personal care industry?
- 1.4.5 How does board size affect the food and personal care industry's financial performance?

1.5 Research Objectives

1. To study into how a company's reputation affects its financial performance in the food and personal care industry.
2. To investigate the influence of CSR report on the food and personal care industry's financial performance.
3. To explore the role of donation on the financial performance of food and personal care sector.
4. To evaluate the role of audit committee on financial performance in the food and personal care industry.
5. To assess the influence of the board size on the food and personal care industry's financial performance.

1.6 Significance of the Study

This paper will have a specific focus directed at investigating the relationship between CSR, CG, and the financial performance of the Pakistani food and personal care industry. This research will enhance the learning in the area of food and personal care industry.

1.6.1 Theoretical Significance

This study is useful to the research students because they have a clearer understanding of how CSR and corporate governance can improve the financial performance of the firm. Moreover, the study can also assist finance students in learning more about the relationship between CG, CSR, and financial performance in the Pakistani food and personal care industry. This paper

will help future research to have a better direction.

1.6.2 Practical Significance

The practical value of the paper will depend on the usefulness of this study in the real world. The results of this research point to the similarity between CG, CSR, and financial performance. The analysis of food and personal care industry presents rational evidence by means of the hypothesis and a statistical test to further researchers.

Chapter no 2

Literature Review:

2.1 Food and Personal Care Industry in Pakistan

Food and personal care business in Pakistan is one of the most active and fast-developing branches of the Pakistani manufacturing and consumer markets. The sector is marked by robust demand fundamentals, high population growth, increased urbanization and consumer awareness which have emerged as a key economic driver in the country. This indicates the value of these things to individuals on a daily basis. Besides, personal care goods such as skin care, hygiene and grooming products and household items have gained popularity in the cities and the country alike. This is so because people are living differently and there are more improved ways of getting things to people. The industry has a large number of various types of businesses, among which there are large multinational corporations, local manufacturers of medium size, and an increasing number of small and medium-sized ones.

Mitchells, National foods and Colgate-Palmolive Pakistan (local affiliate) were some of the local companies that performed well. They perform well by being the lowest priced, developing new products which are local to the region, and massive distribution channels. Such a combination of the global and regional businesses makes the market more competitive and thereby enhances the diversity of products, the quality standards as well as innovativeness in the sector. Shopping patterns of people have transformed significantly over the past several years and this has significantly influenced the sector. The increasing population is being educated on how to maintain a healthy diet, exercise and maintain their weight. Many companies added their ingredients on the product box to build trust in the eyes of the customers that customers trust on their company. They would like to know the good of its products, the honesty of the company, and how much they tell people of the contents of them. Individuals such as stores who are honest, environmentally friendly, and also have clear rules. That implies that there will be increased purchases to improve human lives.

However, there are also issues in the industry that demonstrate how crucial it is to have good systems of governance and corporate social responsibility. Supply chain issues, increased cost of raw materials, energy crises and exchange rate variations make it difficult to conduct businesses in a smooth manner. Here, the issue of the corporate governance and CSR collaborating to influence the bottom line of a company are very crucial and should be considered. The sector is easy to view by the customers, and it has numerous regulations to govern it. It is also much concerned about what other people think about it. This was an excellent place to know how being a responsible leader can assist a business. By understanding how and why these things are related, we can assist the food and personal care businesses to make more money or wealth, be better in the long-run business, and earn the trust of their stakeholders.

2.2 Corporate Social Responsibility:

Corporate social responsibility (CSR) is a means through which a business can take responsibilities to its employees, customers and the society in general. In adhering to CSR, business can be conscious of the impact that it can have on every aspect of the society including the moral, financial as well as the environmental aspects. Corporate social responsibility: This refers to the fact that a business does and says things that are supposed to benefit the society. Corporate social responsibility (CSR) refers to the concept that business enterprises must not just make profits. They are also supposed to strive to achieve social objectives.

This theoretical review is meant to provide a comprehensive review of theories relating to CSR. Pakistan has a number of companies that attempted to establish a CSR success system. The Pakistani companies struggle to monitor their CSR practices in relation to community development, civil society issues, human resource files, and social development projects. The concept of corporate social responsibility (CSR) (Kitzmueller and Shimshack, 2012) has attracted interest in a large number of people, and there is no common understanding or consensus on what the concept denotes or how to quantify it within the realm of the company. Other studies also do not agree on the issue of whether CSR increases the productivity of businesses or businesses require higher CSR value in order to remain in business at some level of performance (Crifo & Forget, 2015). There is a widespread consensus nowadays that corporate social responsibility (CSR) implies that a business does not simply make short-term profits but has a duty as well (Idowu and Pappasolomou, 2007; Brammer and Millington, 2004). Corporate social responsibility

(CSR) is starting to be of concern to companies. According to Oh et al. (2017), traditional CSR programs are associated with a significant impact on the profits of a company, whereas proactive CSR practices are not. They used the data of 212 individuals who work in companies that practice CSR in 2015. The stakeholder concept has made it easy to analyze corporate social responsibility (CSR). This business leadership and organizational concept entails a considerable number of individuals that are impacted by organizations such as employees, contractors, the rest of the populace, shareholders and others. CSR is undoubtedly the most significant aspect of corporate ethics, as far as being fair and honest are concerned. The stakeholder theory holds that any business should address the needs of all its stakeholders, including investors, borrowers, employees, and the general population.

The stakeholder theory is an important theory that explains the motivation of organizations to report their CSR activities. R. In 1984, Edward Freeman coined the stakeholder theory to simplify the objective of the businesses since the major objective of the company is to maintain equilibrium among the various stakeholder groups. This fact applies to social groups that impact business activities and outlines the proper behavior of a business in the society (Freeman, 2010). The key figure who thought about the concept of corporate ethics and stakeholder management was Freeman (1984). According to Donaldson and Preston (1995) stakeholder concept is grouped into three, namely normative, descriptive, and instrumental. The normative concept identifies the position of firms and acknowledges the philosophical principles that should govern and lead them (Hajdu and Valentinov 2019). The descriptive approach helps in explaining the concept of organizational behavior, such as the nature of the firm, the functional aspects of the leaders, and the perception of the interests of organizational stakeholders by the directors. The instrumental concept focuses on the importance of faith and involvement in creating the right environment in order to prosper and gain a competitive edge.

The study is based on agency theory. Under agency theory, individuals holding high magnitude of outstanding shares possess control powers and they exercise such powers to benefit themselves in the expense of other stakeholders. This causes conflict between the minority and the controlling shareholders. The agency problem is not restricted to a conflict between the shareholder and the manager only, but it is also associated with the risk that the monitoring shareholder may exploit the rest.

The agency theory-based critical approach is the critical perspective, which argues that CSR initiatives are wasteful moves, where executives are aimed at fulfilling their own interests at the expense of interests of the directors of the company (Rubin and Barnea, 2010). Under the agency perspective, managers who are involved in CSR serve their own interests over their investors (Krueger, 2015). Besides, engaging in CSR activities is time consuming and distracts leaders on their core responsibilities (Jensen, 2001). According to the previous researches, various owners might possess different objectives and timeframes to make the decision (Hoskisson et al., 2002).

2.3 Company Reputation:

The reputation of a business is made up of the opinions that people hold towards it and its operational methods. This involves the way individuals perceive the goods or services of the company and how it treats its employees. Reputations are either good or bad and they may change as time goes. The stock of a company can vary in terms of its price and this has a corresponding effect on the feelings of the people.

The good image of a company as a whole towards customers, shareholders, employees, and the general population is referred to as the corporate reputation (Eberl and Schwaiger, 2005). Chung et al. (1999) examined how the image of a company may affect the stock market share value of a company. This is not similar to the effect that the reputation of the company has on the value of its products and the company itself. Brammer et al. (2004) investigated the impact of the reputation of a company on the stock returns. Good organizations are able to attract the best employees and raise funds on favorable conditions. They also possess greater power in situations where they are making negotiations to a large number of people (Roberts and Dowling, 2002; Rose and Thomsen, 2004; Boyd et al., 2010). These advantages give the reputation a chance to be easily turned into money (Barney, 2000).

One of the ways to indicate the quality of a business is reputation (Love, Lim, and Bednar, 2017). It demonstrates the perspectives of stakeholders on the activities of the company in relation to those of other companies and their expectations about its operations both in terms of functionality and conventions (Deephouse and Carter, 2005; Deephouse, Newburry and Soleimani, 2016).

Reputation is not a similar concept to the corporate image, appearance, or perception since it

considers the view of the reputation by people who are not part of the company (Barnett et al., 2006; Brown et al., 2006; Walker, 2010). Reputation demonstrates the true attitude of people towards a business. (Brown et al., 2006). Reputation is not what most people think, but how an individual feels about a particular company (Highhouse et al; 2009). Other studies indicate that the companies that undertake CSR programs may be in a position to enhance their reputation, reach the people they work with, and be more open and recognizable between the CSR framework and the image of the company, stating that CSR and the image of the company were very similar. Through ethical behaviour, transparency, and care of the well-being of the society, firms gain reputational benefits, which positively increase the consumer confidence, market presence, and minimise exposure to risks.

H1. Company's reputation has positive and insignificant impact on food and personal care industry's financial performance.

2.2.1 CSR Reports

A CSR report is simply a process of informing some interest groups and the corporation at large the social and environmental consequences caused by the economic activities of the company (Heemskerk, 2002). The format of the report, informative, clear, relatively long and visible have an important impact (Pavlik, & Belcik., 2010). Formal means of information should also be employed by large corporations due to a set of various stakeholders (as CSR reports, Wensen, 2011). The introduction of new activities is likely to lead to an increase in costs, and hence a management system needs to be established among departments to allow the firm to utilize the CSR report (Kasparova; 2013).

The consciousness of the companies regarding their operations in relation to their employees, the community and environment is known as CSR reporting (Gray, Kouhy, and Lavers, 1995). The disclosures on CSR can be either required (i.e. there is a legal obligation to make such information available) or optional (i.e. the extent and level of reporting significantly differs across companies) (Brooks and Oikonomou; 2018).

CSR report reports what the business already did in the context of of CSR strategies to some extent, a potential positive relationship between CSR reporting and FP has been suggested due to the efforts undertaken by the firms to create the impression of doing great by encouraging

CSR practices that meet the expected requirements of the stakeholders (Brooks & Oikonomou; 2018). In order to avoid detrimental preference challenges, firms that have superior CSR performance must provide more information on their CSR activities in order to comply with the signaling theory (Clarkson et al., 2008; Mahoney et al., 2013; Clarkson et al., 2011). The signaling theory also states that companies publish CSR reports to introduce stakeholders to more comprehensive and transparent CSR reporting and demonstrate their increased commitment to social and environmental concerns (Dhaliwal et al., 2014; Mahoney et al., 2013). Better sustainability managers, provide quality information on sustainability to the stakeholders as a sign of their enhanced sustainability performance. (Hummel & Schlick 2016). CSR reports is effeciently tell about the growth of the company that how many employees respect and love of their company. Many firms wants to know how operations are working towards their work in the firms.

One may view symbolic reporting management as a corporate marketing technique of a firm that does not necessarily enhance the financial performance of a firm (Perez-Batresetal, 2012). Compared with the previous research evidence that a company with CSR report disclosing has good FP, some researchers speculated that companies can employ CSR reports as a window dressing strategy or representatives management strategies to promote their CSR commitments and remain credible without improving their Sustainability practices (Cho et al., 2010; Behnam and MacLean, 2011).

H2. CSR reports has negative and insignificant impact on the food and personal care industry's financial performance.

2.2.2 Donations

Giving something as a contribution towards charity, rescue or to help a purpose is known as a donation. One can make a donation in money, gifts, services or assets like clothes, gifts, foodstuff or transportation among others. Companies also give donations to various institutions as part of their CSR activities and also volunteer in the community. Income statements of businesses are the ones where the amount of total donation is stated. In addition to operational and environmental obligations, the food and personal care industry in Pakistan has integrated a more pronounced donations and philanthropic program as part of CSR. The charitable aspect

of CSR as described by Carroll (1991) is an example of these gifts or donations which in most cases involve money, food, hygiene goods and emergency provisions etc. A large number of businesses in this industry deal with charities, disaster relief organizations, and community organizations to service individuals who are weak in many aspects such as failure to obtain sufficient food, lack of proper sanitation, failure to access clean water, and failure to obtain adequate healthcare. The stakeholder perspective by Freeman (1984) is effective in such projects because they serve the direct interests of the communities in which the customers and employees of the companies reside. No longer are donations considered as acts of charity but they are now being included in the social investment plans of the long term. Business has an opportunity to earn the respect of its community by engaging in social problems that are either linked to their products like nutrition awareness, maternal health, and hygiene education. Donation is the most important for companies because they have the opportunity to give benefits to his employees and for social work too. Some firms do their social activities for customers and employers of their companies. Porter and Kramer (2006) indicated that shared value is such that it is possible to give back to society by engaging in charity work and in the long run the business may become more competitive. Long term based programs on donations assist businesses to gain goodwill, reduce their reputational risks, and demonstrate that they truly care about the well being of other people. Customers would like companies to do better, and society is more concerned about the ways they operate. All these are what strengthen the overall CSR framework of the fast evolving consumer industries in Pakistan. Enhance the entire CSR system of consumer industries in Pakistan, which shift very fast.

H3. Donations has positive and insignificant impact on the food and personal care industry's financial performance.

2.3 Corporate Governance

Corporate Governance CG refers to a system of rules, policies or procedures that inform businesses about the manner in which they conduct, regulate and manage themselves. The variables are internal and external factors, which influence the behavior of the directors of a company, including investors, clients, suppliers, financial regulators, and management. It is a problem in the developing economies as the various financial scandals of the past made the need to instigate improved corporate governance procedures (Baydoun et al., 2013). The significance

of good corporate governance is greater in enhancing the efficiency of the business, safeguarding the interests of the investors, increasing the capital formation and elevating the living standards (Braga-Alves and Shastri, 2011; Price, Roman and Rountree, 2011). Corporate governance is associated with strategic decisions of a business and it may improve the social responsibility of the company (Neubaum and Zahra 2006; Brammer and Millington 2005; Barnea and Rubin 2010; Aguilera et al., 2007; Filatotchev and Nakajima 2014). Corporate governance is gaining increasing significance in the way business is dealing with the surrounding world. This is altering the correlation between CSR and the business performance (Ntim and Soobaroyen 2013; Peng and Yang 2014).

Businesses operate themselves and are governed and controlled through corporate governance. CG structure defines the way various players in the company such as investors, leaders, partners and other individuals who are interested in the company distribute rights and responsibilities (OECD, 2005). According to Cadbury Report (1992), corporate governance is how they manage and control businesses. This paper argues that the board of directors elected by shareholders has the responsibility of ensuring that proper rules are implemented. The work of the board is to ensure that the policies and objectives of the company are achieved, establish mechanisms to do so, manage the daily operations of the company and brief the shareholders of what it requires them to do. The decision made by the board is founded on laws, rules and general meetings of partners. Due to the emergence of markets, trade reforms, financial issues, capital flows, and new technologies, corporate governance is quite critical towards the achievement of business objectives across the globe. In any industry, corporate governance is one of the high concerns in how the board of directors of a company is organized (Claessens, Djankov and Lang, 2000).

Corporate governance plays a important role in the economic development of Pakistan since it has a significant impact on the performance of a nation. The Securities and Exchange Commission in Pakistan. CG are very vital role in the food and personal care products for their customers in the world. Many European firms work on research and development department to see how corporate governance impact in the real life of customers.

The primary objective of SECP was to maintain good corporate governance through making the investors more confident. This was meant to make the world of business more transparent and

responsible as well as safeguard all, including minorities. Another concept of importance that describes how a business utilizes its money well to achieve its primary goal is firm performance that keeps the business going and makes it a better competitor in the future opportunity. This paper demonstrates that the connection between business retention and corporate governance remains a topic of discussion among people (Bilal latif, 2013).

2.4 Audit Committee

An audit committee is one of the key functional committees in the board of directors of a company. It monitors financial reporting and disclosure. The auditing committees maintain the chief financial officer (CFO), and the controller of the company. The committee can also initiate special investigations, when there are issues or suspicions regarding accounting practices as well as when there are massive issues with employees.

The study shows that the audit committee plays a critical role in making financial reporting to be reliable (Subramaniam et al., 2011; Qeshtaa and Ali, 2020). It remains uncertain whether the audit committee will modify the financial reports. In the case of such influence, it is only possible due to a lack of honesty and responsibility among a committee member (Juhmani, 2017). An audit committee should be independent, honest, trustworthy and reliable (Ashfaq, & Rui, 2019).

The audit committee members are required to read and understand financial statements easily (Qeshtaa, & Ali, 2020; Weber, 2020). The establishment of an audit committee can help to mitigate such sources of conflicts of interest by ensuring that nothing is imaginary and ambiguous. The audit committee verifies the level of knowledge of people to ensure that the information is accurate and identify potential fraud (Ghaemi, Alavi, and Moradi, 2020).

The magnitude of the audit committee may have an impact on the performance of the sector (Qeshtaa & Ali, 2020). The results can be good, should the audit committee be composed of individuals of various background, who possess the right financial and accounting competences (Abdeljawad, Saleh & Oweidat, 2020). When the audit committee is represented by those with substantial experience in auditing and supervision, chances of the financial performance in the sector improving are high (Al Farooque, Buachoom, and Sun, 2019). In addition, increased size of audit committee increases the likelihood of having individuals of greater knowledge and varying types of experience. These skills, knowledge and experience tend to give a significant

influence on the performance of a person in the job. (Musallam, 2020). If Audit committee is sufficient towards his work then firms perform very excellently. According to Kallamu and Saat (2015), an audit committee that is composed of people with diverse backgrounds can result in improved financial performance. Such knowledge and experience may enhance the financial reporting process and the quality thereof in general (Salehi, Tahervafaei and Tarighi, 2018).

H4. Audit committee has positive and significant impact on the food and personal care industry's financial performance.

2.3.1 Board Size

Past research indicates that board size is a critical tool in the establishment of efficient corporate governance framework (Tulung and Ramdani, 2018; Paniagua et al., 2018). The reason why a small board can assist a company to do better is that in case the board becomes too big the employees would find less chance to work thus making it harder to the CEO to manage the company. (Jensen, 1993). A large board size usually ceases to act as a group carrying out its primary functions as a component of management and instead turns into a symbol (Hermalin and Weisbach; 2001).

Some of them, however, claim that larger boards are better business-wise and better to work with. A few researchers have found a positive relationship between the board size of the company and the success of the company (Coles, Daniel, and Naveen, 2008; Fauzi and Locke, 2012; Adhikary, Huynh, and Hoang, 2014; Jackling and Johl, 2009; Mak and Li, 2001; Kathuria and Dash, 1999; Pearce and Zahra, 1992). Larger boards allow companies to comprehend and act upon various stakeholders. The findings of numerous research studies suggested that the size of the board of directors has a negative effect on corporate performance (Garg, 2007; Boone et al., 2007; Eisenberg, Sundgren, and Wells, 1998; Guo and Kga, 2012; Kota and Tomar, 2010; Ghosh, 2006; Mak and Kusnadi, 2005; Rashid, 2010; Yermack, 1996). Bennedsen, Kongsted and Nielsen (2008) found out that the reduction of a board size to less than six directors do not affect business performance in Denmark. However, the negative impact of increasing the number of members to six or more in the board is a big one.

H5. Board size has positive and insignificant impact on the food and personal care industry's financial performance.

2.4 Firm's Financial Performance:

The Financial performance of a company indicates the ability of a firm to generate money using its key assets of doing business. It may also be taken to refer to an overall perspective on the performance of the money of a business over an extended period. A significant amount of research has been conducted on the role of corporate governance (CG) in the success of a business. They discovered a close relationship between the company management and the performance (La Porta et al., 1999). Good corporate governance is associated with good performance in German firms (Drobetz et al., 2004). Adjaoud (2007) used the 2002 rankings to examine the correlation between corporate governance and the performance of the firm. Mitton (2001) reviewed 398 companies in different countries such as Korea, Malaysia, Indonesia and Thailand and found out that corporate governance played an important role in determining the performance of these companies during the crisis of the third world countries in 1997 and 1998. The results show that business organisations with higher value and efficiency will be more willing to share positive information. Firms that are more concentrated in their ownership, on the other hand, are more focused than improved. As argued by Habbash and Bajaher (2015), the agency theory assumes that a board consisting of a greater number of inside directors in comparison to outside directors is more effective and can perform better financial performance of a company is one of the best ways to analyze its performance and competition level in management, operations and strategy. Roberts and Dowling (2002) discovered that a positive reputation created when the business behaves responsibly can assist the business in raising more cash by attracting the customers to revisit it and reduce the chances of encountering issues with the business.

Factors such as the increase in prices, fluctuation in prices of raw materials, and fluctuation in the amount of money that people need to spend may also influence the performance of this sector, in monetary terms. This is particularly so in the developing nations such as Pakistan wherein the economy is not stable and the business must somehow earn an income and can manage shocks in the long run.

Increasingly, individuals intending to invest in a firm or just interested in it consider the financial

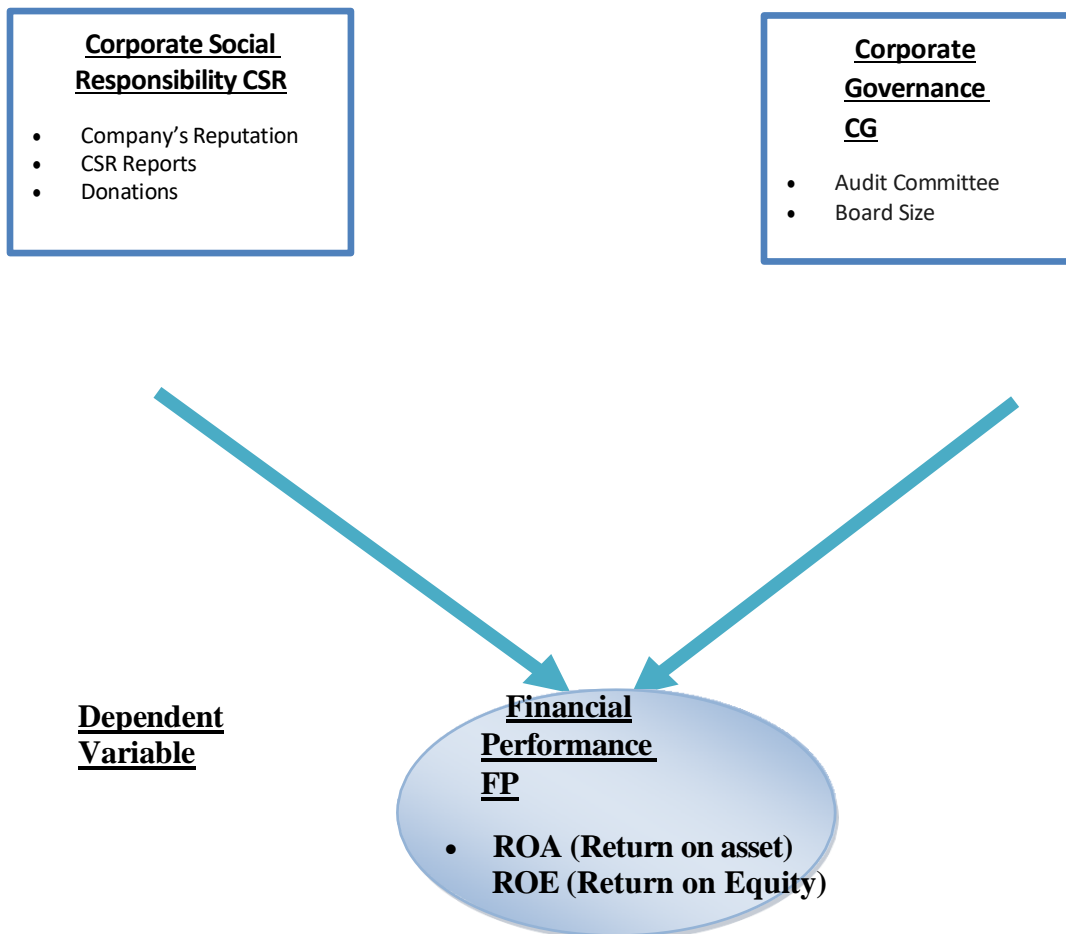
performance of the firm in terms of such factors as CSR and governance practices.

Theoretical Background:

The concept used in this research is stakeholder concept and agency concept that entails CSR and CG. The stakeholder theory poses the best argument that the stakeholders of an organization are not limited to its shareholders and investors. Shareholder primacy has had a number of adverse effects on businesses, economies and the society (Stout, 2012). As per the concept of stakeholder, the business is all about establishing relationships with all stakeholders and bringing value to them. Jensen and Meckling (1976) offer an agency theory of the corporation, which is contended on the conflict of interest between the shareholders, the company executives, and the debt holders. The theme of (CSR) carries a massive influence in the thoughts of Freeman and the relationship between firms and their stakeholders.

2.5 Conceptual Framework

Independent Variables



The structure or strategy that a study follows in data collection and analysis. It is basically a guideline or basis to the study. The model is based on adoptions of kazi et al. (2018) and Selvarajah et al. (2018). This model demonstrates how the CSR and Corporate Governance influence the performance of the firm concerned with the food and personal care industry.

2.6 Hypotheses Development

The following are the study's research hypotheses:

H1. Company's reputation has positive and insignificant impact on the food and personal care industry's financial performance.

H2. CSR report has negative and insignificant impact on the food and personal care industry's financial performance.

H3. Donation has positive and insignificant impact on the food and personal care industry's financial performance

H4. Audit committee has positive and significant impact on the food and personal care industry's financial performance.

H5. Board size has positive and insignificant impact on the food and personal care industry's financial performance.

Chapter 3

RESEARCH METHODOLOGY

This part will include the concept of the research, the study design, demographic and data collection methods. It also demonstrates the conceptualize the research variables and data processing tools to evaluate the hypotheses.

3.1 Research Design

It is a procedure by which a researcher gathers information and makes an analysis of the same, in order to arrive at a conclusion. Data gathering, measurement and analysis are the three principal research designs. Similarly, the research may be conducted with the help of a wide range of methods such as qualitative, quantitative and mixed methods. In qualitative research, mathematical calculations are used to determine the relationship existing between data collected and observation. Researchers apply qualitative research methods in order to establish the reasons why a given theory exists and what respondents say about it. Nevertheless, Quantitative research is applied in those cases when statistical data is needed to obtain practical data. Any progress of an organization requires quantitative research methodologies. The knowledge gained through sheer numerical facts and calculations has come in very handy when making business decisions. In the meantime, Mixed methods is a novel research method that promotes the methodological combination, or mixing, of quantitative and qualitative information within a research that is one-study based or an extended research program.

3.2 Research Variables

A variable in a research is simply a person, place, object, or thing that you are trying to measure in some manner. This investigation is based on two variables, where financial performance (ROA, ROE) is a dependent variable, and corporate social responsibility (company name, CSR report, Donation) and corporate governance (Audit committee and Board size,) are

independent variables.

3.3 Unit of Analysis

For this study, the companies involved in Pakistan's food and personal care industry used as the unit of analysis.

3.4 Population

Research population is a large number of individuals or objects which a research problem is considered. Nevertheless, the large population size makes researchers sometimes impossible to study every single person because it is too expensive and time-consuming. This is done by use of sampling strategies by the researchers. The population that will be chosen in this study researcher has selected the food and personal care companies in Pakistan. The information about the food and personal care sector in Pakistan is collected via annual report or financial statements of 17 Pakistani companies listed on PSX that belong to the period of 2019 -2024 (6 years). In this work, a population of 17 food and personal care companies is selected and the data analyzed through the fixed effect and the random effect models.

3.5 Sample method

Sampling in a research is of two types namely probability and non-probability sampling. The probability sampling procedure has an equivalent probability of selecting all the participants within the sample group. In the non-probability research method, the sample population is selected in an arbitrary fashion, which is not a guarantee that all participants of the specific have the same opportunity to get selected as a sample. 17 food and personal care companies in Pakistan were selected as a sample of this study during the period between 2019 and 2024, based on annual financial reports, to identify the relationship between CSR, corporate governance and financial performance in the food and personal care sector of Pakistan.

3.6 Data Collection method

Data is an insurance that is used to denote a collection of facts, figures, objects, symbols, and events acquired through numerous sources. Companies would not be able to make good judgment without data. Part of the methods addressed here are quantitative, they work with quantifiable information. Others are qualitative which implies that they do not simply look at numbers. Such data collection method implies feedback, Questionnaires and surveys Observations, paperwork and records, case studies, historical documents. In this research annual reports or financial statements are employed in the collection of data on food and personal care industry of Pakistan.

3.7 Data Analysis

Data analysis process assists in shrinking a massive piece of data into smaller ones. It involves the application of analytical and logical thinking to data with an aim of establishing patterns, correlations and trends. Data analysis (including correlation and regression descriptive statistics) is performed by means of statistical tests. The extent, and the orientation of the relationship between CSR and CG (independent variables) and financial performance (dependent variable) in the food and personal care industry in Pakistan is established through the application of Stata and EViews software. In the meantime, econometric model, fixed effect model and random effect model are applied in this research.

3.8 Variable Measurement

The below formulas are used to calculate corporate social responsibility, corporate governance, and a firm's financial performance.

3.8.1 Independent:

| Name of variable | Measurement of variable | Reference |
|-------------------------|--|---|
| Company's Reputation | Market price MP (Closing) | Selvarajah et al. (2018) |
| CSR report | Annual Reports (as a dummy) | Iqbal et al. (2012) |
| Donation | Annual Reports | Iqbal et al. (2012) |
| Audit committee | Total number of committee members. | Qeshta et al. (2021) |
| Board size | Total number of directors in the board | Anjala Kalsie & Shikha Mittal Shrivastav (2016), sheikh & Alom (2021) |

3.8.2 Dependent

| Name of variable | Measurement of variable | Reference |
|-------------------------|--------------------------------|---|
| ROA (Return on Assets) | NI/TA | Iqbal et al. (2012) |
| ROE (Return on Equity) | NI/TE | Kazi et al. (2018), Iqbal et al. (2012) |

3.9 Research Model

3.9.1 Model 1

$$ROA_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 CSRR_{it} + \beta_3 DON_{it} + \beta_4 AC_{it} + \beta_5 BS_{it} + \mu_{it}$$

3.9.2 Model 2

$$ROE_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 CSRR_{it} + \beta_3 DON_{it} + \beta_4 AC_{it} + \beta_5 BS_{it} + \mu_{it}$$

Where:

ROA = Return on Assets

ROE = Return on Equity

CR = Company's Reputation

CSRR = CSR Report

DON = Donation

AC = Audit Committee

BS = Board Size

Analytical Model

3.9.3 Panel Data Analysis

The correlation between csr, corporate governance, and financial performance is examined with the help of the panel forecasting approach. Panel data approaches prevail in time series and cross-sectional approaches. The panel data models can be applied to the analysis of individual behavior and can compare behavior over time in comparison to a person. The dominance of panel data is largely due to its usefulness in the areas of low co linearity between variables. One of such strategies that gives additional space in the sense that multiple tests of

robustness can be performed is the panel data estimate approach. Also, when there is a necessity to analyze relations between variables, this approach will produce generalizable conclusions.

3.9.4 Correlation

The statistical link between two entities is referred to as correlation. To put it another way, it's the relationship between two variables. Correlation may be used to a variety of data sets. It is a quantitative technique applied to determine results. It is also an important tool to identifying relationship between the variables that can guide deeper analysis and informed conclusion. When two or more variables changed in the same direction the relationship is described as positive, while a negative relationship occurs when one variable rises as the other falls. This association is measured using a correlation coefficient, which typically falls between -1 and $+1$, where values closer to these limits indicate a stronger relationship and values near zero indicate no connection.

3.9.5 Regression

Regression is a statistical technique that used in different fields to identify the degree and nature of a connection between dependent and independent variables. Regression is used to determine how variations in illustrative variables are linked to changes in an outcome variable. This method is especially useful for forecasting future values analyzing patterns and assessing the effect of different factors on a result. By applying a suitable mathematical model to collected data, regression analysis helps explain variations in outcomes and supports accurate interpretation and informed decision-making.

Chapter 4

DATA ANALYSIS AND FINDINGS

4.1 Data Analysis

4.1.1 Descriptive Statistics

| variable | Observations | Mean | Std. Dev. | Skewness | Kurtosis | Jarque-Bera | Probability |
|-------------|--------------|----------|-----------|----------|----------|-------------|-------------|
| ROA | 102 | 7.265392 | 6.624603 | -0.46234 | 3.965637 | 4.594601 | 0.060974 |
| ROE | 102 | 10.99647 | 14.70662 | -1.52291 | 9.978534 | 238.7027 | 0.000000 |
| CR | 102 | 3.887335 | 0.853206 | 1.304347 | 3.730900 | 36.21018 | 0.000000 |
| CSRR | 102 | 7.894706 | 0.851949 | 0.932191 | 3.210361 | 15.45221 | 0.000268 |
| DON | 102 | 92.23206 | 141.9316 | 3.191646 | 13.59522 | 732.3740 | 0.000000 |
| AC | 102 | 0.862941 | 0.385914 | -1.98309 | 4.962314 | 82.06530 | 0.000000 |
| BS | 102 | 717106.7 | 3291629. | 5.287688 | 32.32576 | 3367.310 | 0.000000 |

The average number is represented by the mean and the standard deviation represents the variation about the mean. In order to test skewness value, the rule of thumb will be that when it is positive, it will be mainly positively skewed, and when it will relate to negative values; then it will be negatively skewed. Kurtosis determines the aggregate sizes of the two tails. It is a calculation of the probability in the tails. The general rule of kurtosis is that when it is greater than +1 the range is excessive, and the best value of kurtosis is 3. In measuring the distribution pattern of data, the Jarque bera test takes the chi-square pattern of distribution. The Jarque-bera test null hypothesis is that the data have normal distribution. In case the Jarque- Bera test value is near zero, the null

hypothesis will be rejected. Conversely, the observation under the table presents the total number of samples which is 102.

Table above presents the descriptive statistics of the dependent variable, the independent variable, the mean of the return on assets is 7.27, and the standard deviation of the return on assets is 6.62, Kurtosis is 3.9 and the value of -0.462 indicates that the distribution of the variables is not skewed, based on Jarque Bera test, the probability is 0.0601 thus rejected the null hypothesis in this case. At the same time the mean of the mean return on equity is 10.99, the standard deviation of 14.70, Kurtosis is 9.98, and the value of -1.522 gives the distribution of the Jarque-Bra index of 0.000, according to the probability of the Kurtosis. Conversely, when examining the independent variables, it comes to the general mean of the reputation of a company is.

They are 92.25 percent, standard deviation of 141.90 percent, Kurtosis=3.731 and = -141.90 percent. 1.304 has a skewness that is positive, Jarque-Bra probability = 0.000. But CSR reports has the mean of 7.86 percent with standard deviation of 0.38 percent, Kurtosis is 3.211 and with the value of 0.932 means it has positively skewed with probability of 0.000268, according to Jarque-Bra test. In the same vein, the mean of donation is 71706.7 with a standard deviation of 3291629, the Kurtosis value is 14.595 and the value of 3.171 is positively skewed, according to the Jarque-Bra test the probability is 0.000. Further, the average of audit committee is 3.59 and the standard deviation of 0.89 percent, Kurtosis is 4.972 and with the value of -1.993 which is negative, the Jarque-Bra test is 0.000 (Jarque-Bra test). But, the mean of the board size is 7.76 with the standard deviation of 0.89, Kurtosis = 32.326 and the value of 5.288 is positively skewed, based on Jarque-Bra test, probability = 0.000. Based on the results, the mean value of a donation is the biggest (767106.7) and on the other hand the CSR report has the most negative skewness (0.86). with the reference of skewness ROA, ROE, DON and AC are skewed negatively and on the other side CR, CSRR, DON and BS are skewed positively. On the approach of Jarque-Bra test, the probability indicates that all the variables are rejected under null hypothesis.

4.1.2 Correlation Analysis

Correlation analysis refers to a way of determining the closeness of change of two or more variables with each other. Positive correlation implies that the two variables are either rising or falling simultaneously. Negative correlation implies the extent to which a single variable increases and the other decreases. The correlation coefficients are ranging between -1 and +1.

| | ROA | ROE | AC | BS | CR | CSRR | DON |
|-------------|------------|------------|-----------|-----------|-----------|-------------|------------|
| ROA | 1.000000 | | | | | | |
| ROE | 0.931291 | 1.000000 | | | | | |
| AC | 0.226104 | 0.244708 | 1.000000 | | | | |
| BS | 0.126077 | 0.102551 | 0.473339 | 1.000000 | | | |
| CR | 0.272746 | 0.234709 | 0.498517 | -0.05062 | 1.000000 | | |
| CSRR | 0.457455 | 0.402432 | 0.274590 | 0.232996 | 0.244194 | 1.000000 | |
| DON | 0.233454 | 0.155299 | -0.13961 | -0.14469 | 0.098060 | 0.091155 | 1.000000 |

Correlation analysis shows that the correlation between the return on asset and the return on equity is not significant with a value of 0.931 in the positive direction. There is a negligible association between the audit committee and the return on assets with the value of 0.226 on a positive direction correlation. Board size and return on assets have a non-significant relationship with the magnitude being.

0.126 in a positive direction. In contrast, the relationship present between company reputation and return on asset is not very significant with the magnitude of 0.273 and positive sign. There is also

a positive but non-significant relationship between CSR report and the return on assets with the value of 0.457. The relation between the donation and the returns on the assets is not good enough, and the magnitude of the relation is 0.233 positively.

The audit committee and return on equity do not have any significance in their correlation with a magnitude of 0.245 in a positive direction. Board size and the relationship between board size and the return on equity are not significant with a significance of 0.103 in positive direction. Contrary to that, relationship existing between company reputation and return on equity is not significant with magnitude of 0.235 and with a positive direction. The correlation of CSR report and the return on equity is significant and positive with the value of 0.402. The correlation coefficient of the donation and the return on equity is lacking, and its value is 0.155 positively.

4.1.3 Regression Analysis

Regression analysis refers to a set of statistical tools that are applied in statistical modelling to determine the relationships among a dependent variable and any one or more independent variables and the degree to which they are related.

Dependent variable ROA

| ROA | Coefficient | Std. Error | t-Statistic | Prob. |
|------|-------------|------------|-------------|--------|
| CR | 0.014087 | 0.01116 | 1.262255 | 0.2105 |
| CSRR | -1.22671 | 1.795623 | -0.68317 | 0.4965 |
| DON | 7.21E-07 | 6.12E-07 | 1.178211 | 0.2422 |
| AC | 6.627047 | 1.527994 | 4.337089 | 0 |
| BS | 2.09108 | 1.449819 | 1.442304 | 0.1531 |

The first core independent variable is the reputation of the company as the coefficient is 0.014 with t-stats of 1.262 and p value of reputation of a company is 0.211 in the table above which is greater than 0.05 and this is why the reputation of a company positively but insignificantly influences the return on assets. In addition, it should indicate that growth in the reputation of the company would positively but negligibly affect firm performance. In the same way, CSR report is also an independent variable and an indicator of CSR in the model and the coefficient of the variable is less than one.

-1.227, the t-stats of which equals -0.683 and the p value of which is 0.497 at the 5 percent level of significance, indicates that CSR report has negative or no significant impact on the return on assets. Researcher Perez-Batresetal CSR reporting may be regarded as a corporate marketing activity of a company, but not necessarily leading to the improvement of financial outcomes. Where Donation has a 7.21 coefficient and 1.178 t-stat with the p-value of 0.242 which exceeds the value of 0.05, which implies that it has an insignificant but positive effect on the return on assets. Donation is a representative activity where stakeholders display their activity instead of acting on behalf of the humanity, therefore it does not affect performance greatly. Conversely, the independent variable is also the audit committee which is also a measure of corporate governance in the model and has 6.627 coefficient value and t-stat value of 4.337 with p value of 0.00 less than 0.05 meaning that audit committee has a significant and positive influence on the return on assets. In addition to that, the coefficient value of board size is 2.091, t- stat of board size is 1.442 with the p value of 0.153, which is not less than 0.05, indicating that board size does not have a significant effect on board size since adding one more board member to an organization that has a high average board size does not do anything according to some researchers. In cases of many directors, they cannot communicate their ideas and perspectives.

Return on Equity:

| ROE | Coefficient | Std. Error | t-Statistic | Prob. |
|-------------|--------------------|-------------------|--------------------|--------------|
| CR | 0.016028 | 0.018689 | 0.857602 | 0.3937 |
| CSRR | -3.342115 | 3.910473 | -0.85466 | 0.3953 |
| DON | 9.76E-07 | 9.72E-07 | 1.004227 | 0.3183 |
| AC | 10.43973 | 3.400714 | 3.069863 | 0.0029 |
| BS | 2.734353 | 2.824059 | 0.968235 | 0.3358 |

The p value of the reputation of a company is equal to 0.394, in the table above, which exceeds 0.05, indicating that a reputation of a company has positive insufficient effect on the return on equity with a coefficient of 0.016 and t-stats of 0.858. Likewise, the coefficient, t-stats, and p value of CSR report are -3.342, -0.855, and 0.395 respectively, indicating that CSR report does not have negative or significant influence on the return on equity. Unlike Donation which has coefficient value 9.76, t-tests 1.004 and p value 0.318 which is more than 0.05 meaning that it does not have insignificant positive effect to return on equity. Conversely, the coefficient of the audit committee is 10.439 with t-statistic of 3.069 and p-value of 0.0029 that is lower than 0.05 meaning that the audit committee has a positive and significant effect on the return on equity. Moreover, the coefficient of the board size is 2.734, t-stat is 0.968, and p-value is 0.336, which is not less than 0.05 meaning that there is no effect of board size on the return on equity.

4.2 Data Findings

4.2.1 Data Findings

Dependent variable ROA

| Hypothesis | Statement | Accepted/Rejected |
|------------|--|-------------------|
| H1 | Company's reputation CR has positive and insignificant impact on the food and personal care industry's financial performance. | Accepted |
| H2 | Corporate Social Responsibility CSR report has negative and insignificant impact on the food and personal care industry's financial performance. | Accepted |
| H3 | Donation has positive and insignificant impact on the food and personal care industry's financial performance. | Accepted |
| H4 | Audit committee has positive and significant impact on the food and personal care industry's financial performance | Accepted |
| H5 | Board size has positive and insignificant impact on the food and personal care industry's financial performance. | Accepted |

4.2.2 Data Findings

Dependent variable ROE

| Hypothesis | Statement | Accepted/Rejected |
|------------|--|-------------------|
| H1 | Company's reputation has positive and insignificant impact on the food and personal care industry's financial performance. | Accepted |
| H2 | CSR report has negative and insignificant impact on the food and personal care industry's financial performance. | Accepted |
| H3 | Donation has positive and insignificant impact on the food and personal care industry's financial performance. | Accepted |
| H4 | Audit committee has positive and significant impact on the food and personal care industry's financial performance | Accepted |
| H5 | Board size has positive and insignificant impact on the food and personal care industry's financial performance. | Accepted |

4.3 Discussion

This research was aimed at establishing the connection between corporate social responsibility, corporate governance and financial performance in Pakistani food and personal care sector. The independent variables of the present research are corporate social responsibility (which is measured by the reputation of the company, CSR report, and donation) and corporate governance (audit committee, board size). The dependent variable is, however, financial performance (in the form of the return on assets and the return on equity). In the meantime, Pakistan food and personal care industry has been selected to explore the correlation between the above variables. The data were collected using annual financial statements of food and personal care companies that covered 17 food and personal care companies between 2019 and 2024 (six years). A scale of 5% of the significant level (p value) is however applied to measure the acceptance and rejection of the hypotheses of this study based on the performance measure of the return on assets. Based on the level of significance (p value), H1, H2, H3, H4 and H5 would either be rejected or approved. In the case of financial performance, the reputation, CSR report, donation and board size of a company have significance level that is more than 0.05. H1, H2, H3 and H5, (based on a theoretical framework) are therefore accepted and shown to be insignificant. The level of significance (p value) of the financial performance of the audit committee is less than 0.05. Consequently, H4 is accepted and found to be significant. To assess the acceptance and rejection of the hypotheses of the study on the basis of the performance measure of the return on equity, a scale of 5% of the significant level (p value) is involved. In the case of financial performance, the reputation, CSR report, donation and board size of a company have significance level that is more than 0.05. H1, H2, H3 and H5, (based on a theoretical framework) are therefore accepted and shown to be insignificant. The level of significance (p value) of the financial performance of the audit committee is less than 0.05. Consequently, H4 is accepted and found to be significant. The performance measures in this study are the return on assets and the return on equity, and the return on asset R-square 0.624 is much more than the return on equity R-square 0.510, which indicates that according to the results and findings of both variables, the better measure to consider when assessing the financial performance of a firm is the return on asset.

Chapter 5

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The core objective of the study will be to find out the effect of corporate social responsibility and corporate governance on the financial performance in the food and personal care industry of Pakistan. In this research yearly financial reports are employed to gather information and examine the correlation existing among corporate social responsibility (corporate reputation, CSR report, and donation), corporate governance (audit committee, and board size), and financial performance (return on assets and return on equity). The relationship between the reputation of the company, CSR report, donation, audit committee, and the number of board members were also empirically tested with the returns on assets and returns on equity and they were found to have no significant relationship. In the meantime, an analysis of correlations showed that the audit

All the other variables are found to have insignificant relationships with return on assets and their magnitudes are 0.226, 0.126, 0.273, 0.457, 0.233.

correspondingly. Conversely, board size, corporate reputation, CSR report, and donation are insignificantly related with the return on equity with a magnitude of 0.245, 0.103, 0.235, 0.402, and 0.155 respectively. Besides, the regression analysis has indicated that there is a strong correlation between the audit committee (independent variable) and the measurements of the return on assets and the return on equity (dependent variables). Moreover, the regression analysis indicated that the independent variables, that is, the board size, the corporate reputation, CSR report and the donation are not significantly correlated with the dependent variables, i.e., the return on assets and the return on equity. Lastly, the result of this study indicates that the audit committee change may lead to a significant change in the financial performance in the food and personal care industry in Pakistan. In the meantime, the change of the size of the board, corporate reputation, CSR report, and donation do not have significant influences on the financial performance in the

food and personal care industry of Pakistan.

food and personal care become a requisite element of the construction and development programs, though, once a firm manufactures quality food and personal care, the reputation of the firm becomes irrelevant to the customers, which is why the financial results of a particular company do not relate to the reputation of a firm in the food and personal care industry.

CSR reporting could be employed as a marketing measure to a company, but it does not always give a favorable effect on financial performance. On the other side Donation may be a display game of the stakeholders, who may wish to display their action and not to work toward betterment and humanity, thus it does not affect performance. As per various researches, the presence of a large board of directors complicates their ability to express their opinions and views. Smaller boards are more effective, not dependent on the other board members and better fulfil their duties. (Perez-Batresetal, 2012). (Jones, 1995). It has been found that (Boone et al., 2007; Garg, 2007; Eisenberg, Sundgren, and Wells, 1998; Ghosh, 2006; Guo and Kga, 2012; Kota and Tomar, 2010; Rashid, 2010; Mak and Kusnadi, 2005; Yermack, 1996).

Finally, the researchers have found out that there are significant and non-significant positive impacts of CSR and CG. The research could yield other conclusions in the future in case more CSR and CG measures are incorporated in it and they are applied to other industries.

5.2 Practical Implications

The findings of this study share certain implications in the actual world. The food and personal care industry can improve its performance with the assistance of CSR and CG activities. My advice to the companies to increase the size of their audit committees as it assists in developing the companies financial performance. Its FP can be improved with the help of various talents and expertise. The administration of the audit committee must pay close attention to the actions of the company to enhance the credibility of its

achievement.

5.3 Limitations

Limitation is a term that is used to refer to a roadblock that a researcher may have to go through in the course of doing research. There are some limitations of this study.

- In the process of evaluating the correlation between corporate social responsibility, corporate governance, and financial performance, the researcher has faced several constraints including a limited time span, a small sample size, poor measurement of research through factors, and restriction on data collection source.
- The data had been difficult to make any meaningful relationship because of the small sample size. Since statistical tests usually needed bigger sample size so that they could attain representative population distribution.
- The time slot one has to carry out this study is very very short because there is more time needed to undertake this research.
- There is no precise data thus limiting the research conducted and making it a challenge in the area of analysis.
- The absence of data complicates the process of measuring the specific variables.
- Content analysis and location of data in annual reports is a long process and it makes data collection much harder.
- However, given sufficient time, one could consider conducting entire researches on food and personal care companies across a number of countries.
- I cannot cover more areas of the country since there is no time.

5.4 Recommendations & Future Research

This research study covers some of the factors, which may have minimal changes to enable it to be more reliable and effective. The minority changes in the time frame, industry, sectors, sample size, research type, and other factors in this study could be improved in

future. A rich set of CSR and CG measures can be used in the future by the scholars to evaluate the performance of a firm and a wide range of proxies can also be used to evaluate the performance of a firm in terms of its financial performance.

The study should be revisited and more sectors should be incorporated to provide a larger sample as well as to use data based on annual report as the latest state. The listed industries (PSX) of the Pakistan Stock Exchange can be used as the subject of future research.

Because unlike in the prior research, most of the hypotheses were not significant in this one, it is highly recommended that a larger sample be used to test the findings to confirm the findings. can attempt to extend this study to include more industries and determine whether the findings are similar or different. Therefore, I can say that the results and findings vary in one region to another.

In addition, Future researchers can further the study to cover all Asian and Europe nations and compare to the findings in food and personal care industry. This will increase the data and sample size, and the findings will be capable of forecasting the efficiency of food and personal care industries in all the Asian nations.

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