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Corporate Social Responsibility and Firm Financial Performance: Moderating role of Ethical Leadership and Social Capital

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ABSTRACT

This study examines the relationship between corporate social responsibility (CSR) and the firm financial performance in Pakistan with the mediating role of ethical leadership and social capital between CSR and financial performance. Data was collected by applying random probability sampling from 178 respondents through a survey method from employees of non-financial PSX listed firms. Linear regression was conducted through SPSS to test hypotheses. The regression results confirmed a positive and significant relationship between CSR and financial performance. The results further reveal a positive significant moderating role of ethical leadership between CSR and financial performance but no moderating role of social capital between CSR and financial performance. The study has implications for both scholars and management. The study has implications for both scholars and practitioners. The results reveal the vital role of a leader ethical conduct in implementing CSR practices and its positive effect on financial performance of an organization.

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INTRODUCTION

Corporate social responsibility (CSR) has become the focus of utmost attention for practitioners and scholars in the past decades (Gillan et al., 2021; Ishtiaq et al., 2017; Onkila & Sarna, 2022). The European (EU) commission defines CSR as "actions by companies over and above their legal obligations towards society and the environment" (Galant & Cadez, 2017). It has become one of the significant imperative aspects of firm business practice in the current era. Firms involved in CSR actions have shown overall enhancement in financial return, repute, worker engagement, and retaining and attracting investors (Ishtiaq et al., 2017). CSR facilitates organization from several standpoints. It develops immense relationships with stakeholders (like banks and the Government) that support organizations. It is helpful for the firm's financial performance, which is a significant interest of organizational stockholders. A financial performance of firm is valuable, and CSR impacts the finances of an organization. CSR helps organizations to build their reputation in consumers minds and society. It envisions its financial quality to the firm. The firm must increase profits to draw in finance experts and keep their stock costs in the business division (Murtaza et al., 2014). As firms struggle to enhance standardization, their ethical and environmental issues have become major concerns in a local businesses. On account of this new standpoint, CSR became more critical. One key CSR-related point is how CSR actions impact firm financial performance.

Earlier studies on the association between an organization's CSR involvement and financial performance indicated contradictory findings (Cho et al., 2019). Empirical research on CSR and financial performance relationship began three decades back in Western countries. There exist two basic types of empirical research on CSR and financial performance relationships. The first type used the event study method to determine the short-term financial impact of organizations engaging in socially irresponsible or responsible actions. The findings of such researchers (Hannon & Milkovich, 1996; Mcwilliams & Siegel, 2001; Wright & Ferris, 1997) were mixed. The second type of research was likewise inconsistent regarding the association between CSR and short-term financial returns. Using accounting profitability measures, these researchers examined the association between some measurements of social performance of the firm (a measure of CSR) and long-run organizational performance. The findings of such research studies (Mcguire et al., 1988; Simpson & Kohers, 2002; Waddock & Graves, 1997) were also mixed (Saleh et al., 2008).

Many scholars (Beraki et al., 2022; Palacios-Manzano et al., 2021; Simionescu & Dumitrescu, 2018) have focused on a broad empirical investigation to explore the association between CSR and the financial performance of a firm. However, accumulated literature evidence regarding the nature of the association is unclear. A frequently recognized cause for contradictory and varied findings was the measurement issue on both CSR and financial performance. Apparent from a theoretical foundation, both a potentially positive and negative association was suggested between financial performance and CSR. Identified reasons included: Firstly, the operationalization of CSR in the literature varies from one-dimensional to multi-dimensional. Second, approaches to measure CSR include instrument-based surveys, content analysis, and one-dimensional measures. Whereas methods to measure financial performance have financial-based, combined, and market-based measures. Finally, no measurement approach to CSR is without a downside. The literature also identified the researcher's selection bias and subjectivity, which may impact the CSR and financial performance relationship (Galant & Cadez, 2017).

The ethical environment of firm recognizes its ethical actions and values and impacts its worker's ethics. Hence, structuring a powerful company's ethical climate is critical to stopping unethical actions. Ethical leadership is one of the primary precursors of ethical climate (Dinc & Aydemir, 2014). Ethical leadership might be a source to improve a performance of firm, and it is the basis for efficient management and success of a company. Ethical leadership may create shared values that impact workers ethical behaviour and improve relations with investors, clients, suppliers, and society (A. Butt et al., 2016).

The rising significance of ethical leadership with worker engagement for CSR is associated with 'person organization fit. Ethical leaders are persons encouraging CSR practices by conveying ethical principles, promoting ethical behaviour, and opposing unethical acts in a firm. Choosing suitable leaders in a firm improves the engagement of workers in CSR activities (Isa & Loke, 2019). Angus-Leppan et al. (2010) study concluded that a leader's conduct could motivate a worker's behaviour towards executing CSR successfully. In CSR content, the ethical standards of a leader are conveyed to workers through the treatment of firms to outside parties that eventually form workers' beliefs about the ethical environment (Isa & Loke, 2019).

Social capital is described as: "characteristics of the social firm which build an atmosphere of mutual advantages and cooperation" (Putnam, 1995). Little scholarly work has been conducted on the association between CSR and social capital. Extensive research studies investigated social capital with organizational performance, and the findings indicated networking and associated resources make a vital contribution to organizational performance through trust building. Social capital is extensively described as an asset in social networks. Moreover, it creates effectiveness by creating new ventures, CSR, and developing communities (Saeed & Arshad, 2012).

This study intends to examine the relationship between corporate social responsibility (CSR), ethical leadership, social capital, and financial performance. In western countries, several studies are conducted to analyze the relationship between CSR and profitability of a firm and disclose positive, negative or neutral relationships between these variables. Few studies were also performed in the Indian context. But there is a dearth of research in developing countries (like Pakistan). This study has two main objectives:

1) to investigate if there exists an association between CSR and Financial performance of the firm in the Pakistan context;

2) to examine the moderating role of ethical leadership and social capital between CSR and a firm financial performance in the Pakistani context.

LITERATURE REVIEW

CSR and Financial Performance of firm

Mcwilliams and Siegel (2001) define CSR as: "conducts which come out to promote a few social goods, ahead of firm's interests and that is mandatory by law". It is considered a firm's action to impact society sustainably. It aims to impact business firms engaged in such a cause positively. Business firms incur massive expenses on CSR as they consider it an act of public dealings adopted by big companies to appear superior in the face of stakeholders and clients (Monsuru & Abdulazeez, 2014). CSR conception is linked with business ways contributing to supportive improvement by bringing environmental, social and economic benefits for stakeholders. CSR's fundamental objective is sustaining business operations and shared value creation for society or business. CSR has turned into a benchmark tradition for business in the present time. Past researchers centre of attention was developed countries, and limited research was conducted in countries (like Pakistan) to evaluate CSR's effect on financial performance (Ashraf et al., 2017). It is debated that CSR relies on context, and various business systems and institutional structures in developing countries might direct different CSR expressions. Developing countries have fewer institutes to offer social goods, which results in rising demands from firms to fill such gaps by taking initiatives for CSR. As an outcome, the relationship direction of CSR with financial performance may differ in developed country contexts (Akben-Selcuk, 2019).

According to Javeed and Lefen (2019), sustainability has become a more pressing matter during the past decade, and stockholders are focusing more on social actions. CSR became a vital issue for businesses after the beginning of the 21st century all over the globe. Additionally, several scholars (Ang et al., 2022; Galema et al., 2008; Hill et al., 2007; Nguyen et al., 2022) exposed CSR relation with financial performance of firm in various countries. Few studies showed mixed findings on CSR and financial performance relationships (neutral, negative, and positive). Researches indicate that CSR adds value to the market performance of the firm. One technique to examine the firm's stock performance is the performance of socially responsible mutual funds. Investors of securities create these funds involving socially responsible firms they consider are determined to actions which would gain competitive profits (Lin et al., 2019). Khan and Hassan (2013) described three CSR dimensions and CSR association with Financial Performance. Their association may be neutral, negative or positive.

According to Maqbool et al. (2018) various researches showed mixed results regarding CSR association with financial performance. This subject matter was debatable among scholars, and until now, literature is indecisive. Their identical viewpoint is a neutral, negative or positive association between CSR and financial performance. Scholars supporting CSR's positive association with a firm financial performance argue that firms have diverse classes of stakeholders. To satisfy their social needs and avoid disagreements (such as boycotts and complaints), companies must regard their social obligations while making decisions about them. Among such scholars, Freeman and McVea (2001) was the pioneer who supported a positive association between CSR and a firm financial performance. He argued that companies should consider social concerns from a stakeholder theory standpoint and the accountability of a firm management ahead of profitability and decisions. An responsibility of organization is limited to shareholders satisfaction and satisfies all stakeholders categories (Ehsan & Kaleem, 2012). Friedman (1970) argued that a negative association existed between CSR and FP relationships. He added that CSR actions caused an additional load on the firm's financial performance (Hassan et al., 2013).

Regarding the negative association given by Friedman (1970), a socially responsible firm would opt for producing costs superior to returns decidedly and causing a decline in economic and financial indicators (Soana, 2011). The third category of scholars concluded neutral or no association between CSR and a firm financial performance. According to them, no relation between CSR and the firm's financial performance was present. There are massive, complex, and confusing factors may be significant determinants. These remained undisclosed to the researchers and were the leading cause of the non-existence of any specific association between CSR and financial performance (Ehsan & Kaleem, 2012).

Literature indicates that scholars found negative, positive or neutral associations between these two variables (CSR and financial performance). For example, Akben-Selcuk (2019) study investigated the CSR effect on financial performance in Turkey, using a sample BIST 100-index listed companies (non-financial) from 2014-to 18. Empirical findings showed that CSR had a positive association with financial performance. Murtaza et al. (2014) assessed the association between CSR and a firm financial performance by taking data from the food industry of Pakistan and applying both quantitative and qualitative techniques. Findings showed a positive CSR association with financial performance. Iqbal et al. (2012) assessed the association of CSR, financial performance, leverage and share market value. Taking observations for 2010 and 2011 years of SBP published data, they considered 156 KSE, Pakistan listed firms from four sectors (cement, tobacco, chemical & textile). The study concluded that CSR had no impact on a firm financial performance. It was evident from the findings that CSR had a negative impact on the share market value but no significant association with the firm Debt-to-Equity trend. Results also revealed that information at investors' end differed as the information level was not similar to that of management about firm matters. However, the hypothesis of debt signaling indicated that incorporating additional debt into equity structure must positively affect investors' behaviour about investment stock. But the negative result was on account of asymmetrical information.

Ashraf et al. (2017) investigated CSR impact on financial performance in different banks in Asian countries. They obtained data from yearly reports of banks to examine their performance by applying the quantitative technique. Findings indicated a significant and positive impact of CSR on financial performance. Mehar and Rahat (2007) examined the CSR effect on financial performance in the industry using a sample from KSE-listed pharmaceutical firms in Pakistan. Findings revealed a significant association did not exist between CSR and a firm financial performance. Studies also support a positive relationship between CSR and financial performance based on the literature review. Therefore, the following hypothesis is formulated:

H1: Corporate social responsibility has positive impact on firm financial performance.

Ethical Leadership relation with CSR and Financial Performance

According to Brown et al. (2005), "Ethical Leadership is an exhibition of normatively proper behaviour through individual conducts and interpersonal relations, and promoting such behaviour to followers with two-sided communication, underpinning, and decision making." Ethical leadership is inclined to make fair decisions and implement and communicate understandable ethical principles among their subordinates/ followers. It is sympathetic and considerate, pays attention to others, and is trustworthy. An ethical leader should be an 'ethical person' who should be helpful and truthful. An 'ethical manager' who leads people on a moral dimension allows workers to know about expectations and holds them responsible (Hansen, 2011). Despite existing discourses on the significance of top managers ethical leadership, associated empirical and theoretical progression is missing (Shin et al., 2015). Though leadership as a critical antecedent to CSR has been suggested increasingly in recent studies, empirical research examining the effect of different leader facets like ethics and style on CSR and unraveling leadership mechanisms exerting its impact on CSR are limited. Preliminary study on this topic prevails in the social enterprise field, which is most significant (Pasricha et al., 2018).

Chong et al. (2011) argued that principally attitudes come in the form of conduct in dealings with individuals, though it may be linked to ethical leadership, which a firm can provide in the workplace. Ethical leadership improves the environment, and firms with appropriate conditions generate increased revenue and satisfy the community with improved performance. Wang et al. (2017) research study on firm data from 264 firms in China revealed that leaders sustainability, responsibility, and people orientation positively impact the social and financial performance of the organization. Their findings concluded that various aspects of ethical leadership mutually impact organizational performance. Zhu et al. (2014) examined the moderating impact of ethical leadership and CSR by obtaining data from 199 companies in the tourism sector of China. Results revealed ethical leadership had a positive moderating impact through CSR on the firm reputation. Stronger ethical leadership impacted more than weaker, and ethical leadership was found to moderate CSR's indirect impact on the firm performance through reputation. There was evidence that CSR positively and indirectly impacted strong ethical leadership compared to weak ethical leadership.

Ullah et al. (2017) examined the association between ethical leadership and CSR by obtaining data from 357 respondents working in the manufacturing industry of Pakistan. Findings revealed the positive impact of ethical leadership on CSR. Wu et al. (2015) research study on the association of CEO ethical leadership with CSR by obtaining data from 242 Chinese domestic companies revealed that CEO ethical leadership positively impacted CSR through the firm's ethical culture. Roeck and Farooq (2018) examined the connection between ethical leadership and CSR to induce workers SRBs (socially-responsible behaviours). Study results pointed out that uniformity is required between ethical leadership and workers' CSR perceptions to promote their inclination for the additional common good by relation-building conduct with their firm. Pasricha et al. (2018) examined the empirical association of CSR with ethical leadership and the mediating impact of firm cultures in the above relation interaction. Data was obtained from managers (350) from 28 Indian social enterprises in healthcare. Findings indicated that ethical leadership had an indirect and direct impact on CSR practices. Shin et al. (2015) research study on 4,468 workers from 147 firms in Korea concluded that higher management ethical leadership impacts two firm outcomes: financial performance and citizenship behaviour.

Manduku et al. (2017); Xu et al. (2018) examined the impact of ethical leadership practices on listed Kenyan companies. Findings revealed a strong and significant relation between ethical leadership combined practices and the organizational financial performance. Hmieleski et al. (2012) showed that shared authentic leadership positively and indirectly impacted organizational performance. Walumbwa and Schaubroeck (2009) argued that ethical leadership supports change in the conduct of line management who have direct contact with junior workers, so as a result, junior workers feel more esteemed. Their trust in higher management improves, eventually enhancing the firm financial performance. Northouse (2010) confirmed that organizations with ethical leadership obtain additional profits from their capital and asset. Finding support from the literature regarding the role of ethical leadership in CSR and financial performance relation, the following hypothesis is formulated.

H2: Ethical leadership moderates the association of CSR and firm financial performance.

Social Capital relation with CSR and Financial Performance

According to Putnam (1995), social capital is defined as: "social life norms, characteristics, trust and systems, which permit members to work together more effectively and achieve common objectives." "Social capital begins from all relations of an organization (i.e. both relations inside the organization and its relations with partners and clients). It shapes the basics of an organization" (Cohen & Prusak, 2001). Scholars frequently view social capital in management literature as a set of networks beneficial for members (Payne et al., 2011). The social capital study began at the macro-level and applied to the micro-level in the past decade. Social capital was studied and defined in numerous fields like management, organizational economics, and sociology. Social capital was examined from the perspective of analytic levels and ranged from regional to national levels social capital (Xu et al., 2018).

Social capital and CSR impact are evident in shared trust, socialization and devotion of firm management and stockholders. According to Vveinhardt et al. (2014), Social capital and CSR stabilize market economic performance according to norms of law, promotes understanding between public sector companies and business, conform with shared standards of ethics in relationships among clients, partners or contestants, lessen costs, promote agreement within the company, and improve human capital. On account of the complication of social capital, its constituents are elaborated for its measurement and understanding. Two ways used to know constituents in firm-level business studies include recognizing three social capital dimensions (i.e. relational, cognitive and structural). The structural component relates to an organization's social interactions, which may facilitate transactions or access resources. The relational part relates to trustworthiness and trust entrenched in the company or among members. The cognitive component refers to the vision shared among organizational members contributing to collective action and orientation (Xu et al., 2018).

Faith that corporate social responsibility (CSR) activities may support building social capital and spread trust among business management. For instance, PWC (2013); PWC (2014) conducted two recent surveys on chief executive officers (CEOs) and pointed out developing plans to reinstate the trust of stakeholders after a crisis by enhancing organizational engagement in CSR performance (Lins et al., 2017). Though scholarly work in academia relating to CSR, social capital, and trust is limited, the latest book by Sacconi and Antoni (2011) presented a sequence of analytic studies indicating that organizations may fabricate trust and SC by investing in CSR. Another study also supported the idea of building social capital by CSR and enhancing stakeholder trust in organizations with high CSR (Lins et al., 2017).

Executing best practices of CSR in a few firms is vital to determine the impact on social capital of the workforce. Hence, an inverse relation exists between CSR and Social capital. Rising social capital positively impacts CSR, and CSR impacts social capital accumulation (Antoni & Portale, 2010). Hasan and Habib (2017) examined whether the social capital of a region had any effect on the volatility of idiosyncratic returns. Using data from USS firms, they found that companies with headquarters in high SC countries significantly revealed lesser IR volatility. The impact was more prominent in the existence of quality of financial reporting and CSR.

Moreover, findings revealed that direct social capital impact captured approximately 80 per cent of the total impact. Results suggested that variables specific to the organization did not describe the entire organization's IR volatility, but the SC of the region also played its part. Jha and Cox (2015) examined the relationship between regional social capital and an organization CSR. They found that an organization belonging to a region of high social capital reveals high CSR. Study findings suggested that the individual interest of management or stakeholders did not describe the entire organization CSR. However, a regional altruistic tendency also played its part.

Lins et al. (2017) studied stock market conditions by focusing on the period of the great depression of 2008-09. Their study revealed that firms with high social capital investment performed 4 to 7 per cent better in returns on stock, in the 2008-09 financial crisis, compared to organizations investing less in social capital. They also stated that firms with high CSR investments during the growth period earned more profit and obtained more loans linked to organizations with a small investment in CSR. They concluded that investment in social capital increased the trust of shareholders and the investor, which granted more returns on stocks during the period of growth and the period when all other corporations lost the trust of shareholders and investors. It made them able to get more debts as well. Based on an extensive literature review, the following hypothesis is formulated:

H3: Social capital moderates the association of CSR and firm financial performance.

CONCEPTUAL FRAMEWORK

The proposed theoretical model inFigure 1 shows the relationship between independent variable CSR, moderators (Ethical Leadership and Social Capital), and dependent variable FP. This study examines the association between CSR and financial performance. Further, ethical leadership and social capital are used as a moderator of this study.

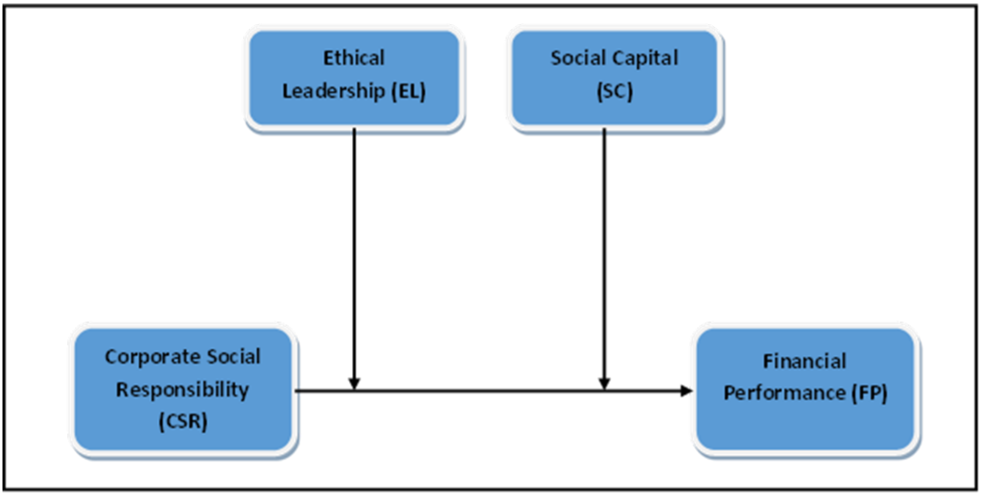

Figure 1: *Conceptual Framework*

METHODOLOGY

Sample

The sample of this study comprised Lahore firms listed in PSX belonging to different sectors like electronics, food and beverage, sugar, automobile, textile, and construction. Data was collected using a survey questionnaire; the respondents were employees serving in various capacities: executives, managers and officers. These employees applied CSR practices and had at least six months of work experience. In total, 215 questionnaires were distributed in twenty-eight PSE-listed organizations. Out of 215 questionnaires, 178 questionnaires were returned, resulting in a response rate of 82.79 per cent.

Measures

The questionnaire was divided into five sections. Section 1 analyzed descriptive and demographic data, including gender, designation, organization name, education, and working experience. Section 2 measured CSR (corporate social responsibility); section 3 measured SC (social capital), section 4 measured EL (ethical leadership) and section 5 measured FP (financial performance).

Items constituting the measure were anchored along a 5-point Likert scale with values ranging from 1= Strongly Disagree to 5 = Strongly Agree. Corporate social responsibility (CSR) was measured with a 9-item scale developed by Lee et al. (2013). Internal consistency for nine items was 0.860. Social capital (SC) was measured with a 6-item scale developed by Kim and Jung (2015) .The internal consistency for six items was 0.858. Ethical Leadership (EL) was measured with a 7-item scale developed by Hassan et al. (2013). Internal consistency for seven items was 0.877. Financial Performance (FP) was measured with a 6-item scale developed by Khan and Hassan (2013). Internal consistency for six items was 0.802.

DATA ANALYSIS

The data were analyzed by using statistical tools. SPSS version 23 was used for regression analysis. Process macro-SPSS version 32 was used for moderations regression analysis to investigate ethical leadership (EL) and social capital (SC) as moderators between CSR (corporate social responsibility) and financial performance of a firm.

Demographics

Table 1 presents respondents demographic profiles which shows sample size (N=178) including 91 (51.1 %) females and 87 (48.9 %) males. Age group statistics showed that most respondents, 68 (38.2%), fall in the 25-35 age bracket. Education statistics showed that most respondents, 98 (55.1%), had MS/master's degree, and 80 (44.9%) had a BS/bachelor's degree. Moreover, work experience statistics showed that most respondents, 72 (40.4%), had 1-4 years of work experience. Finally, Job designation statistics showed that most of the respondents, 95 (53.4%), were officers.

Table 1.
Respondent's demographic profiles

	Frequency	%		Frequency	%
Gender:			Work Experience (year):		
Males	87	48.9	Less than 1 year	18	10.1
Females	91	51.1	1-4	72	40.4
Total	178	100	4-8	56	31.5
Age (year):			More than 8	32	18.0
Less than 25 years	23	12.9	Total	178	100
25-35	68	38.2	Job Designation:		
35-45	43	24.2	Executive	54	30.3
45-55	26	14.6	Officers	95	53.4
Greater than 55	18	10.1	Managers	29	16.3
Total	178	100	Total	178	100
Education:					
BS/ Bachelor	80	44.9			
MS/ Master	98	55.1			
Total	178	100			

Scale Reliability

The reliability of the questionnaire was examined by conducting a scale reliability test through SPSS version 23. Table 2 shows Cronbach's alpha values of four factors and the overall value. The test results depicted that Cronbach's coefficient alpha (α) value was greater than 0.70 for all factors. According to Nunnally (1978) , an alpha value greater than 0.70 indicates good construct reliability (S. Butt, 2020; S. Butt & Yazdani, 2021). While Gliem and Gliem (2003) rule also suggested that α-value > 0.70 is the acceptable limit (S. Butt & Yazdani, 2021). These results confirmed the reliability of questionnaire factors and data adequacy for further analysis.

Table 2.
Reliability Statistics

	Cronbach's Alpha	# Of Items
CSR (Corporate Social Responsibility)	.860	9
EL (Ethical Leadership)	.877	7
SC (Social Capital)	.858	6
FP (Financial Performance)	.802	6
Overall	.916	28

Correlation Analysis

Table 3 presents Pearson correlation test results.Some linear correlation must exist for moderation regression analysis between the independent (IV), dependent (DV) variables, and moderators. Pearson correlation test was conducted to test this regression assumption. Test results showed there existed a positive and statistically significant correlation between CSR and Financial Performance (r =.322), between CSR and Ethical Leadership (r =.282), and between CSR and Social Capital (r =.204). Similarly, positive and statistically significant correlations also existed between Financial Performance and Ethical Leadership (r =.155) and Financial Performance and Social Capital (r =.264). The highest correlation was found between CSR and Financial Performance and the least between Financial Performance and Ethical Leadership. These results supported data that was suitable for conducting moderation regression analysis.

Table 3.
Correlation Test Results

	CSR	FP	EL	SC
Corporate Social Responsibility (CSR)	1			
Financial Performance (FP)	.322**	1		
Ethical Leadership (EL)	.282**	.155*	1	
Social Capital (SC)	.204**	.264**	.232**	1

**Correlation is significant at .01 level (2-tailed), *Correlation is significant at .05 level (2-tailed)

Regression Analysis

Regression analysis was conducted to test the research hypothesis developed by Hayes (2012). Model 2 has been selected to test the moderation effects of ethical leadership (EL) and social capital (SC) among CSR and Financial Performance (FP).

Direct effect of CSR on Financial Performance

From Table 4 statistically significant main effect of CSR (IV) on the dependent variable Financial Performance (B = 1.221, SE= 0.53, p< .05; 95% CI (-2.27 to -.164) can be observed, which indicates that a positive value of corporate social responsibility (CSR) is associated with an increase in the percentage of financial performance of firm. Hence, H1 is supported.

Moderating effects of Ethical leadership with CSR and Financial Performance

Table 4 presents the moderation regression analysis results; for the first moderator, "ethical leadership" results indicate that both LLCI (lower limit of a confidential interval) and ULCI (upper limit of a confidential interval) do not contain zero for interaction 1, that indicates significant moderating effects of ethical leadership on the relationship among CSR and Financial Performance of firm.

Table 4.

Moderation Regression Analysis

Model Summary							
	R	**R-sq**	**MSE**	**F**	**df1**	**df2**	**P**
	.432	.187	.384	7.914	5.000	172.000	.000
Model							
		B	**SE**	**t**	**P**	**LLCI**	**ULCI**
	Constant	7.172	2.013	3.561	.000	3.199	11.147
	CSR	1.221	.535	-2.281	.024	-2.278	-.164
	EL	1.088	.452	-2.407	.017	-1.979	-.196
	CSR x EL	.296	.115	2.558	.011	.067	.524
	SC	-.132	.419	-.315	.753	-.959	.695
	CSR x SC	.099	.108	.920	.359	-.113	.312

Dependent variable: FP
Interaction 1: CSR x EL
Interaction 2: CSR x SC

According to moderation analysis results, there is a statistically significant main effect of Ethical Leadership (EL) on the dependent variable Financial Performance (B = 1.08, SE= 0.45, p = .02; 95% CI: -1.97 to -1.95). This implies that the positive value of Ethical Leadership is associated with an increase in percentages of Financial Performance. Therefore, moderating effect of Ethical Leadership (EL) on the positive relationship that was found between CSR and Financial Performance could be identified (B = .295, SE= .115, p = .011; 95% CI: .067 to .524). Hence, H2 is supported. The detailed results are shown in Table 4.

Moderating effects of Social Capital in relation with CSR and Financial Performance

Table 4 presents the moderation regression analysis results for the second moderator, "social capital" (SC). Results indicate that both LLCI (lower limit of the confidential interval) and ULCI (upper limit of the confidential interval) contain zero for interaction 2, which indicates the significant moderating role of Social Capital (SC) between Corporate Social Responsibility (CSR) and financial performance of firm (FP) could not found. According to moderation analysis results, there is no statistically significant main effect of Social Capital (SC) on the dependent variable Financial Performance (B = -.132, SE= 0.41, p = .75; 95% CI: -.959 to .695). This implies that further no moderating effect of Social Capital on the relationship between CSR and Financial Performance could be identified (B = .099, SE= .107, p = .35; 95% CI: -.113 to .311). Hence, H3 is not supported.

DISCUSSION AND CONCLUSION

The current study examined the relationship between corporate social responsibility (CSR) and financial performance of organization in Pakistan. In the present study, researchers tried to examine the impact of new variables, social capital (SC) and ethical leadership (EL), as moderators of the relationship between CSR and Financial performance. Three study hypotheses were formulated to test the above relationships. Data were analyzed using descriptive statistics, correlation, linear regression and moderation. Before conducting regression, the Pearson correlation test was conducted, which showed a positive and linear correlation existed between CSR (IV), Financial performance (DV) and moderators (Ethical leadership and Social Capital). The first study hypothesis (H1) tested the direct relationship between CSR & Financial performance. Regression was conducted, and results showed CSR positively and significantly impacted financial performance (FP). Hence, H1 was supported. The second Hypothesis (H2) tested moderating impact of ethical leadership (EL) on the relationship of CSR with Financial performance (FP). Moderation regression was conducted through the SPSS process macro, and test results showed a positive and significant moderating effect of ethical leadership (EL) on the relationship between CSR and Financial performance. Hence, H2 was also supported. The third Hypothesis (H3) tested moderating impact of social capital (SC) on the relationship of CSR with Financial performance. Moderation test results showed its insignificant impact on CSR & Financial perofrmance relationship. Hence, H3was not supported.

Literature indicates scholars found a negative, positive or neutral association between CSR and financial performance of a firm. H1 results showed a positive and significant relationship between the two variables. These findings are supported by pioneer scholar of positive view, (Freeman & McVea, 2001). Findings are also endorsed by Akben-Selcuk (2019) study in Turkey and Murtaza et al. (2014) in the Pakistan food industry, who found a significant and positive relation between these variables. But our result contradicts the Iqbal et al. (2012) study in Pakistan, which found no relationship, and Friedman (1970) supported a negative association between CSR and Financial performance.

The second hypothesis (H2) results showed ethical leadership's positive and significant impact on the relationship between CSR and Financial Performance. These results are supported by the study findings of Ullah et al. (2017) in the manufacturing sector of Pakistan and Zhu et al. (2014) in China's tourism industry. But a third study hypothesis (H3) showed an insignificant impact of social capital (SC) between CSR and Financial Performance and was unsupported. This result contradicts studies of Jha and Cox (2015) and Antoni and Portale (2010), who supported positive relation between CSR and Social Capital. Though moderating effect of Social Capital was insignificant in our study, correlation tests supported significant and positive relationship of Social Capital with CSR and Financial performance.

MANAGERIAL IMPLICATIONS

Findings have practical implementations for the management of Pakistan organizations. This study tested impact of two new moderators, ethical leadership (EL) and social capital (SC), in the research model on the relationship between CSR and organizational financial performance (FP). Findings showed a significant and positive moderating impact of ethical leadership on implementing CSR practices and resultant financial performance. Hopefully, study findings are also vital to the existing literature to fill the gap as these two moderators were tested for the first time in the research model in Pakistan. Scholars can replicate this study in different contexts in future as well.

LIMITATIONS AND FUTURE DIRECTIONS

Although our research model clarifies the relationship between CSR and Financial Performance with Social Capital and Ethical Leadership, there are further chances for more development. Other potential elements may change the general effects of CSR on Financial Performance, for example, size of firm , structure, and culture. Further research should conduct about directing for these factors. Second, this study does not include the environmental dimensions of CSR, and future research could be done by analyzing this dimension of CSR.Furthermore, due to time constraints sample size was not more than 178 and data were gathered regarding a few sectors, which is a constraint to the generalizability of the findings. It would add more consistent results if future research is done using a large sample size or investigating adverse settings and sectors for similar purposes of findings. Finally, future researchers are also recommended obtaining secondary data regarding financial performance measures from companies.

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