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A Succinct Survey of Corporate Social Responsibility: Definition, Theory and Repercussions

Chi-Keung Man[1]
University of Aberdeen

Abstract: This paper can succinctly review the last five decades most prominent and influential researches, including the examination of CSR eclectic and versatile definitions, pithy classification, conceive theories, and the impacts on various stakeholders such as corporations, employees, competitors, customers and so forth. Numerous studies examining the corporate social responsibility performance correlates with the corporate financial performance. This chapter already review prior studies last five decades and conclude that companies are highly likely better performance for socially responsible companies. While companies engaging CSR activities, companies can improve unsullied corporate reputation amongst customers, suppliers, the government, shareholders, watchdogs and others, likely influencing corporate financial current and future performance. An official document, namely annual reports, is always reviewed by auditors and filed with securities regulators but CSR reports do not, thereby valuabily examining CSR quality through assurance. This paper can facilitate regulators to consider whether mandatorily govern listed firms to rigorous disclosure CSR information to gullible public and whether further require those firms to assure or audit their CSR report so as to provide more credible information to gullible public because such disclosure can affect gauche analysts, gauche and unwary investors and other unsophisticated stakeholders' decision making.

1. Introduction

Most people are capable of sentiment, and can therefore understand what it means to be responsible. They, when individuals face complex ethical dilemmas, are likely to refer to their conscience for guidance. These individuals, because their conscience serves as a guide for moral behaviour, are likely to experience perceptible emotional discomfort when they bear witness to either their own irresponsible behaviour. Individuals are similarly likely to feel discomfort when they perceive irresponsible behaviour on the part of others, including companies. Responsibility can, according to the world dictionary, be effable, which is 'the state or fact of being responsible, answerable, or accountable for something within one's power, control, or management'. This definition implies that responsibility relates to an individual's inherent ability to respond to or answer for one's own conduct and behaviour. Also implicit in this definition is that individuals are also held to account by others in reference to things about which they are responsible. These things can include duties, obligations, and the capacity to distinguish between right and wrong. Just as individuals bear responsibility for their actions, companies do as well. This paper carefully but not pedantically examines with scrupulous attention to detail. Davis (1967) argued that there are two social responsibilities companies must unconditionally fulfil. Firstly, Socio-economic responsibility refers to a company's obligation to promote positive general economic welfare. Socio-human responsibility concerns the company's duty to engage in business practices that preserve or promote basic human values. Despite arguing that companies bear some responsibility for the promotion of economic and social welfare, he also is deprecatory that companies are alone in this regard (Davis, 1967). Wood, related to this, proposed the Principle of Public Responsibility. Because companies, this principle asserts, are responsible for the effects of their actions on society, business and society are two interdependent systems. Companies should, therefore, be socially responsible as they operate in the shared environment. As companies operate in a shared trundle environment with other societal entities, they should conduct business in a socially responsible manner. Companies should, to do so, not only adhere to laws and regulations, but also general axioms that promote the betterment of society as a whole.

In the 1990s, early debates related to CSR tended to centre on the relative effects of CSR activities, the performance of CSR, and CSR-related policies that influence organisational reputation (McKinsey & Company, 2009) through boosting (or less likely negatively influence) product performance (Luchs et al, 2010; Newman et al., 2014), later impounding in earnings, cost of capital (Dhaliwa et al, 2014) and stock return. These debates failure perfectly soothe fundamental issues related to the duties and obligations of companies that engage in CSR imitative. In this way, responsibility was not considered an important element of conducting business, per se. Still, the acceptance of responsibility has long been an important precondition for individuals, corporations, and societies to facilitate amicable interaction. In spite of this, the question as to why an entity—whether

[1]The Correspondent Author

individual, corporate, or societal—engages in responsible behaviour is not clearly solved out. One ongoing line of inquiry into this question in relation to corporations relates to the attainment of financial success and sustainability. It is instructive here to succinctly disintegratively consider four overarching (and progressively more inclusive) perspectives as to why entities behave socially responsibly? Each of these—respectively referred to as the rational, humanist, holistic, and spiritual perspectives—is characterised by its own history, logic, and lexicon. Proponents of the rational perspective argue that companies engage in responsible behaviour to achieve business-related goals that are perceived as high priorities. Some of these goals include financial growth, market capitalisation, increased market share, and increased shareholder value. This perspective wittingly emanating in the early 20th century (Taylor, 1998). In contrast to the rational perspective, the humanist perspective stipulates that an individual's responsible behaviour does not result from his/her desire for tangible rewards, but is instead a natural consequence of being human. Originating between the 1950s and 1980s, the humanists spitefully quarrel that companies' responsibilities solely relate to the working environment, including the motivation and selfactualisation of employees. The holistic perspective, which was first mentioned in relation to responsible corporate behaviour in the late 1960s (though it gained greater traction in the 1980s and 1990s (Freeman, 1984)), is based on the proposition that individuals within corporations are hereditarily connected and intricately interdependent. Because of this interdependence, they share a mutual duty less scornful but solemnly respect each others. Adherents to the holistic perspective argue that a corporate leader's responsibility extends beyond the maximisation of financial shareholders wealth. Instead, the holistic perspective stipulates that a corporate leader should engage in actions that provide benefits to all organisational stakeholders. In this way, the holistic perspective challenges traditional conceptualisations of corporate success and responsibility, as such initiatives being considered profit-threatening and cost-inflating behemoths that instillingly fearfully lingering on such success. In line with this perspective, plenteous companies have begun to report broader measures of performance. For example, many companies have started developing new reports that feature 'triplebottom- line-reporting. Similarly, companies have lithely practiced international reporting standards to present information related to the firm (e.g. Global Reporting Initiative, 2007). Finally, the spiritual perspective posits that a tendency to adopt responsibility is embedded in our very nature. Proponents of this perspective argue that people are intrinsically motivated to realise their essential spiritual nature and pursue their purpose thereof. This perspective wittingly emanating on leadership from the 1990s (see Harman and Porter, 1997). In relation to the spiritual perspective, once a leader has developed his/her own spiritual self-awareness, that leader is more likely to engage in behaviours that extend beyond their self-interest. This section provides the basic background of corporate social responsibility, including definition of corporate social responsibility, reason of CSR important, proponents of CSR, and opponents of CSR. The purpose of this paper is to provide institutional background of corporate social responsibility and its current conditions to enhance us more nuanced understanding of issue of CSR.

1.2. Definition of Corporate Social Responsibility

Corporate social responsibility is introduced decades ago but more people concern about this issue in 21st century. Corporate social responsibility (CSR) actions taken by the firm intend to further social goods beyond the direct interests of the firm and that which is required by law (McWilliams and Siegel, 2001). Corporations have societal obligations that transcend their responsibilities/ duty of care to shareholders (Doh and Guay, 2006). CSR is the notion that companies are responsible not just to their shareholders, but also to other stakeholders (plebs and peons, providers, employees, the government, environmentalists, communities, etc).

Nowadays, both corporations and savants from business, accounting and finance are still strenuously investigating those determinants, practice and the repercussions. Over the past few decades, plenteous definitions for CSR have been probed and set out. One study states that there are 37 different definitions of CSR (Dahlsrud, 2008)[2]. However, many scholars still condemn about lacks of terse definitions of CSR (Bowman and Haire, 1975; Carroll, 1999; Frankental, P., 2001; Holmes, 1976; Van Marrewijk, 2003). Bowen (1953) is a father of CSR movement and the first bestowed CSR a definition as a "social responsibilities of businessmen/Businesswomen". He claims that as a businessman, he/she needs to make decisions being desirable yoking corporate internal objectives and righteousness as a whole in society. Frederick is deprecatory that the priceless, precious and lustrous resources of businesses should be utterly utilized for broader sense than for inner purposes (Frederick, 1960). Wood (1991b) provide an utterance to manifest CSR as "business and society are interwoven rather than distinct entities". Firms should, according to Brown and Dacin (1997), be morally obligated to make positive contributions to the community. Maignan et al. (1999) and Sen and Bhattacharya (2001) infuse another element to enrich the definition of CSR to include that a firm behavior should have moral

[2]It provides five most frequent dimensions of CSR: stakeholder dimension, social dimension, economic dimension, voluntariness dimension and environmental dimension.

obligations to positively contribute he community. Jones et al (2009) define social responsibilities with 6 core pillars including: (1) precautions were taken on environmental degradation and pollution; (2) pertinacious employees are treated as valuable assets in the corporation; (3) more public involvement for corporate issues; (4) beyond compliance with laws and legislations; (5) ethical policies were implemented within corporation; (6) making decisions were sustainable. Eminent, Kotler and Lee (2005) also view CSR in a similar manner and define it as a company's commitment to foster the well-being of society by using its resources. Matten and Moon (2008) recommend that it should not have a definition for CSR as CSR covers many related concepts and CSR has different classifications over time when society changes its values. CSR, compared with CSR and ethics, is primarily external to the firms and ethics is more internal. Firms must, in order to exhibit socially responsible behaviour, behave ethically and contribute to economic development besides providing a conducive work environment for plebs and peons, local communities, and society as a whole (Watts and Holme, 1999). Therefore, CSR is perceived as muti-dimensional. On the contrary, Armstrong (1977), ushers the new page, defines social irresponsibility as corporations making decisions only benefiting for one party at expense other parties, a bit heresy though, and the whole system. It can use another approach to identify different categories of CSR by sorting out companies' activities in terms of these different types, classes and kinds of CSR. So, Affable and egocentric, Carroll (1979; 1991) identifies four contact lens viewing social responsibilities of business, namely economics, legal, ethical, and benevolent and philanthropic.

The above definitions scholars' wearisome work have been successfully delivrered and used for academic research for over 25 years (Carroll and Shabana, 2010) because they suggest that companies not only have economic[3] and legal obligations but also have responsibilities towards the society.[4] Many, although today, still argue these are pithy taxonomy of social responsibilities, it can still provide an insight to corporate social responsibility (Enderle, 2010). In 1980 and 1990 centuries, marked the culmination of years of the CSR development, cleveril scholars in the US and Europe help to separately develop the meaning of each discrete component of CSR (e.g. Balderjahn, 1988 develops the meaning for sustainability). Later, Social responsibility picturesquely intertwined with environmental initiatives into a single glitzy pit as Corporate Sustainability (Schlegelmilch, 1994). Anyways, CSR's core still reflects the social activities and the social repercussion of business success. Further, Skarmeas and Leonidou (2013) emblazon that corporate social involvement is not only a few companies but rather is a mainstream and a common practice for many corporations. CSR initiatives in virtually most of the developed countries and initial thinking and developing taking place in emerging countries as well.

1.3. Why is CSR Important

Regardless of the benefits or shortcomings that CSR offers, it is a critical component of organisational practice. It affects all aspects of internal corporate operations and the behaviours of external stakeholders. The most obvious reason that CSR is important relates to the responses of organisational partners. Customers have, for example, in recent years, grown to seek high-quality products from companies they trust. Similarly, suppliers seek to do business with companies they can rely on. Employees prefer to work for companies that offer good working conditions and respect from managers. Socially responsible mutual funds look to invest in companies with a track record of good social and environmental performance. Non-profit organisations are interested in working with firms that address issues about which they are concerned. Finally, the public tends to focus on companies they perceive as being socially responsible with regard to their surrounding communities. Satisfaction of the various interests of these stakeholder groups helps companies develop positive relationships with them as well as maximise profit and commit to shareholders' financial goals. In this way, socially responsible behaviour on the part of companies has become increasingly important for companies' successes; it allows them to implement strategies that satisfy all corporate constituents. Therefore, socially responsible companies are well-equipped to succeed in a complex, global business environment that requires them to balance conflicting interests among stakeholders.

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[3]The economic responsibility of a business involves producing goods and services that the society desires and selling them at a profit (Carroll, 1979). However, Barnett (2007) argues that excessive financial performance can result in decreasing the ability of a company to influence its stakeholders. Legal responsibility refers to a company's obligation to conduct its businesses and activities according to the laws and regulations of the society.

[4]Referring back to an argument by McGuire (1963), Carroll contends that economic and legal responsibilities, which are traditional responsibilities of a company, are required. However, they recommend that new responsibilities such as discretionary/philanthropic responsibilities are desired

1.3.1. Proponents of CSR

Plenteous CSR advocates who have performed research related to legitimacy theory, stakeholder theory, and institutional theory (e.g. Brown[5], Dacin, Freeman[6], O'Donovan[7] and Suchman[8]) have extolled that some of these theoretical frameworks support the concept of corporate social responsibility. Cunning corporations that engage in socially responsible behaviours can strategically differentiate themselves from their competitors by introducing more snazzy products and service demands through social behaviour, thereby enhancing ephemeral and non-ephemeral profitability and also pivotal for economical operation of market systems. It is critical for a company to be worth trust and conscious in their operating activities as those can affect corporate reputation and goodwill. Proponents of CSR have, moreover, also eulogized that socially responsible corporations are better equipped to retain existing staff and attract higher quality and zealous employees. In response to those that argue that corporations have responsibilities only to corporate shareholders, proponents (e.g. Frederick) claim that companies should not only engage in activities that cleave unto the letter of the law, but also the spirit of the law. In this way, proponents of CSR have panegyrized that corporations bear some responsibility for benefitting society as a whole. Proponents of a boarder role for the firm may point to positive and neutral financial returns from social performance as a clue that an expanded set of responsibilities neither endanger the financial role of firm nor internal resources.

1.3.2. Opponents of CSR

There are a number of protagonist that advocate CSR, though there is also a radical skepticism and antagonism towards it. Darwinian, a capitalism prodigy, for instance, advocates claim that 'capitalism is a game of survival of fittest'. This logic dictates that corporations can ignore or parry social responsibilities, as they are not integral rules of the 'game'. Adherents to this perspective castigates that CSR is is absurd, unverified, unveracity and mendacitas and that society should not be allowed to force profit-generating institutions to engage in behaviours other than those that are prescribed by their natures (i.e. profit maximization). For this perspective, based on Adam Smith's (1776) market system, companies that use it funds for charitable purposes at the expense of profit are not maximizing corporate profit unless their shareholders put it on the corporate agenda but corporate ownership and control are wholly separated, thus purely based on this, social responsibility just wasting corporate time and money. The economic system will, according to Richard Posner (1981, 1985) who provide a more jocular and humorous criticism to CSR, automatically adjust social responsible actions to the equilibrium point, do more than that is sly managers acting on their own self-interest to obtain a "warm glow effect" by using corporate funds and resources. Vociferous opponents of CSR further argue that companies that engage in socially responsible activities incur greater costs—costs that must be paid for by organisational stakeholders. To offset increased costs associated with CSR, companies may, for example, need to charge higher prices for their products or provide employees with lower salaries. Opponents also argue that many CSR-related activities are the primary duty of other organisations rather than corporations. Whereas plenteous socially responsible companies adopt hardship succor/philanthropic responsibilities, including engaging in CSR investments, sponsoring social events, and reducing environmental pollution, opponents (González and Martinez, 2004) to CSR claim that these responsibilities should fall to the government. Still others (e.g. Campbell, 2006; Reinhardt et al, 2008) adopt a legal position to polarizingly oppose CSR, yelling that corporate laws mandate that managers engage in corporate behaviours that financially benefit the organisation's shareholders (and the organisation as a whole). Certain CSR-related behaviours (e.g. corporate donations to charitable organisations), in this way, contradict directors' fiduciary duties, which include safeguarding corporate resources and managing shareholders' assets. Finally, some opponents to CSR argue that socially responsible activities are subjective and aloof (Campbell, J. L., 2007), and can therefore be invalidated as valid practices for profit-generating organisations.

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[5]Brown and Dacin (1997) argues that organizations should be beyond the single purpose to multi purposes. Based on his argument, the most fundamental level of the corporate entity is economic responsibilies, next legal responsibilities, ethical responsibilities and last but not least charitable/philanthropic responsibilities.

[6]See Freeman (1984 & 1999).

[7]O' Donovan (2002) argues that legitimacy theory is one of the more probable explanations for companies to increase it environmental disclosures in annual reports, supporting that companies are legitimated to operate in community.

[8]Suchman (1995) argues that to maintain corporate legitimacy as a license to operate, companies need to satisfy stakeholders as a whole, generating commercial benefit of enhanced reputation.

1.4. Conclusion

Any person has their responsibilities and accountabilities to others in the society. Artificial person, business, also has social responsibility to different stakeholders including shareholders, creditors, customers, the government and so on, in the community. Many scholars provide consensus compendious definitions of CSR in 1950’s and 1960’s, meaning that companies should not only care about shareholders but also other stakeholders. CSR concepts spread over different countries: European countries or thence to other adjacent countries, whence are advocates in this field. Wood (2004) find that overall developed countries perform better than developing countries due to the fact the higher demand from the society. In the US., there is a Washington Consensus in 1989. Since then, over the world, bilateral and muti-lateral country trading raise significantly in term of trading volume as well as trading value, significantly spread over corporate social responsibility concept and principles. The public, after succumbing several murky times of blizzards of financial crisis in US and European countries in 1989, 1997 and 2008, realizes that free markets cannot efficiently sort out a series of social problems as maximizing shareholders’ wealth can improve social welfare in the society, moving CSR forward. Many gigantic financial scandalous cases in developed countries attributable to corporate lack of social responsibility likely resulting in collateral collapses, expelled abdication of many renounced titanic corporations such as Enron, Lehman Brothers, Worldcom, AIG, Healthsouth, etc, raising concerns of corporate social responsibility activities such as product safety, environment pollution, etc. Nowadays, collective investors continue push pressure on companies to be more socially responsible.

Some pressure even purchase corporation shares to always call shareholders’ meetings to impose a huge cost on corporations thereby pushing them to do more social activities and release social reports (e.g. NRMA Insurance in Australia). For a utterly stunning, astonishing, gobsmacked and aghast recent KPMG survey, it can reveal the rise in acceptance of CSR concepts around the world, in which Top 250 companies of Global Fortune ranking increase 19% reporting CSR reports and increase 18% of top 100 companies (including Spain, Sweden, the UK and the US, France, Germany, Italy, and so forth) reporting CSR and more accommodative later. This section provides an institutional background of CSR including meaning and eclectic definitions of corporate social responsibility, the reasons for importance of corporate social responsibility today for companies and current conditions (such as CSR practices, relevant laws and regulations, disclosure situation) of CSR in various countries such Italy, Spain, Russia, the UK, South Korea, Malaysia, Singapore, Japan, Australia, US whence the largest companies are captured by Financial Time Global 500 companies that would be used in this study as sample companies. This relationship is far different from other country-wide studies as most of them concentrate conditions on CSR activities, performance and disclosure in different countries.

2. Theory and Frameworks

Corporate Social Responsibility can be explained or supported by many theories in management, organization, accounting, finance, and economics. These theories include agency theory, social political theory, political-economy theory, legitimacy theory, interest group theory, stakeholder theory, and the theory of the firm tentacle corporate social responsibility (Carroll, 1979; McWilliams et al., 2002; Wartick and Cochran, 1985; Windsor, 2006). Earlier, a trio of researchers investigated the impact of macro-social effects on CSR as well as the organizational-level analysis of CSR and its impact on a firm’s performance (Lindgreen and Swaen, 2010) (see table 1). Several theories explain a company’s CSR activities and disclosures, and some of them are summarised below. This paper, therefore, discuss those theories to support the assumption of this study vexing research question, the corporate social performance correlated with corporate financial performance so that it can help this study to conjecture the corporate social performance, revealed by CSR disclosures likely affects financial analyst following and forecasts. The agency theory is directed at the agency relationship that means there is a contract between one party (the principal) and another party (the agent) and the agent perform certain service on the principal’s behalf that also involves delegating some decision making authority to the agent (Jensen and Meckling, 1976). The agent may, it is likely, work on their own self-interest rather than the principal’s interest. The agent, to slash this agency cost and maximize both the principal’s and agent’s utility, has a duty to disclose information the principal for their monitoring the venal agent behavior (e.g. tunneling, asset misappropriation, informational moral hazards, informational diffusion) and safeguarding corporate assets. However, this narrow perspective is no longer satisfying current society due to raising power of various coercive interest groups, non-profit organizations and the public in the community. The companies, to stand forth in the society, have to contemplate and mingle to different interest groups' want. So, Stakeholder-agency theory is also used to explain why companies have to satisfy stakeholders’ concern to shred their utility loss arising from very diabolical CSR initiatives, companies with ludicrous corporate social performance may, otherwise, induce stakeholders to impose more esoteric structures so as to reduce their utility losses by enacting laws and disclosure regulations to veil those sinful and evil acts, being monitored by watchdogs that likely adverse influence their financial performance. legitimate theory is used as an explanatory theory in the context to

paradoxically explain companies have to respond stakeholders as a whole as to be granted to legitimate their operation in community. Next will get a glimpse some empirical evidence on the CSP -CFP relation.

2.2. Agency Theory

Agency theory is glorified a pompous well-known concept that is used successfully to explain the unharmonious principal agency relationships and resolve the accompanied problems. There are two separate lines of development for the agency theory: positivist and the principal-agent. Despite the differences, both lines share the same common assumptions about people, organization and information. The positivist agency theory identifies the paradoxical situations where incongruous interests exists between the principal and the agent and explains how the corporate governance mechanisms can mitigate the agency problem. In contrast, the principal–agency theory is a general supposition the bona fide principal-agent relationship and can be applied to a number of general situations, including the employer-employee, lawyer-client, and consumer-supplier relationship (Harris and Raviv, 1978). The principal-agent research is followed by logical deduction and mathematical proof. It assumes the existence of conflicts between the principal and agent to determine the optimal reciprocation contract that can fudge this refractory problem. The principal-agent research also assumes that it is easy to precisely plumb the contract outcomes and that the agent is more risk averse than the principal because an agent cannot diversify employment in the same way as a principal can diversify investment into different corporations (Demski and Feltham, 1978).

Agency theory provides "the foundation for a powerful theory of organizations" (Jensen, 1983). It originated in the 1960s parsimonious and 1970s, when many economists investigated risk sharing among the individuals and groups. The obstinate problem of risk-sharing arises when people or groups have different attitudes toward risks. Agency theory can contribute to these risk-sharing studies as its development is also a result of the differences in the goals and divisions of labor of the different individuals and cooperating parties. Agency theory explains the agency relationships in which one party (the principal) delegates the work to another party (the agent), who performs the assigned work. Agency theory describes this relationship using the implied meaning of contracts between both the parties. Agency problem arises when both parties have different or conflicting goals and interests and the principal finds it difficult or expensive to monitor and verify what the languid or rapacious agent is actually doing or slothful. Thus, the inability of the principal to verify if the agent behavior is appropriate is the first reason for the agency problem. The second reason for this vexing problem is that the principal and the agent have different attitudes toward risks, which is basically the risk-sharing problem. As the agent grudgingly share the same attitude towards risk as the principal, the misalignment agent's actions and avarice in the firm would be different from the principal's expectations. The differences in the behavior of the agent can be controlled only with an efficient contract. No contract, however, is prefect as of the higher costs of monitoring the agent. The agency theory has been applied to these distinctive organizational phenomena and explains the agent behavior in the organization. Positivist agency theory tries to explain the situations in which the principal and the agent have conflicting goals and interests and describes the ways in which governance mechanisms can alleviate and control the agent's self-interested behavior (Berle & Means, 1932). Some researchers vehemently condemn that the use of the capital and labor market as an efficient information mechanism can control the cunning managers' inner-propose as if shrewd managers act against the benefit of the shareholders, such information can be extracted from the capital market and in response, shareholders can take appropriate actions to solemnly oust or lay off those managers. The labor markets can, further, help with the information on the performance of the managers in their previous corporations (Fama, 1980). If managers are reported to perform murkily in their previous corporations, it will be relatively difficult for them to find jobs in the labor market on leaving that corporation. Therefore, the capital and labor markets are going to beseechingly coax those, who perform poorly or undo earnestly work in the interest of the shareholders, away. However, capital providers in the capital markets and the employers in labor markets need information to assess manager performance, thus arising coercive information demands by capital providers and other gauche in the markets. Therefore, it leaves regulators to contemplate to compulsorily fetter and cord with regulatory standardization those concerned firms disclosing of financial and other nonfinancial information in due course.

The second proposition of positivist agency theory is the usage of information systems that inform the principal in the capital market about what the agents are actually doing or languid, thus, leeching this corrigible agency problem. Therefore, firms that provide more information to the capital market are better for the shareholders, including financial analysts, as they use this information to provide advice and recommendations to the existing and potential investors (an interpretation role in capital markets:

Francis et al., 2002 and Frankel et al., 2006; Livnat and Zhang, 2012). However, the principal-agent research argues that this simple case of complete information is questionable and iffy. Hence, it also proposes a second case to relax the assumptions: (1) the principal and the agent have different roles and (2) the principal cannot determine if the languid or insatiate greedy agent can appropriately behave in the interest of the

principal. In this second case, agency problem has two aspects, namely, moral hazard and adverse selection. In the former case, the agents shirk from the responsibility because the principals cannot monitor what the agents are actually doing or slothful. In the latter case, the agents misrepresent their own abilities because the principals cannot verify the managers' abilities either at the time of hiring or while the languid agent is working. To discover the unobservable frenzied or delirious behavior arising from these two agency problems, the principal can follow two approaches. The first approach is to invest in the information systems, such as preparation of financial reports, conference calls, interview with management by analysts and so on, to discover the opportunistic behavior of the venal agents. This approach is similar to the first case of complete information aforementioned but it is questionable and iffy because the principal still hinges more on the first approach (Demski and Feltham, 1978; Harris and Raviv, 1979; Holmstrom, 1979; Shavell, 1979). This approach arise coercive corporate financial and non-financial information demand. Corporate social and environmental reports are also part of those information requested by shareholders, customers, suppliers, employees and the public because such information likely assists them to predict corporate financial performance in future and in turn make investment decisions. More importantly, this narrow perspective is no longer in felicity satisfying current society due to raising power of various interest groups, non-profit organizations and the public in the community. To continue operating in the society, the companies have to consider different interest groups' demands. So, next section will discuss stakeholder theory and its implication on companies.

2.3. Stakeholder Theory and its Framework

The stakeholder theory is very critical in explaining CSR disclosures (Brammer and Pavelin, 2006; and Clarkson et al., 2008; Deegan, 2002). Freeman (1984) provides a classical definition of a stakeholder theory in which a stakeholder as 'any group of individuals who can affect or is affected by the achievement of a firm's objectives'[9]. Stakeholders, according to Armstrong and Green (2013), include owners, creditors, employees, suppliers, distributors, local communities, and customers. Clarkson (1995) attempts to rank all stakeholders into two types, namely primary and secondary stakeholders. Primary stakeholders are given the priority as their financial and non-financial supports are considered to be pivotal for the organization. This type includes shareholders, employees, customers, suppliers, lenders, governments and communities. The secondary stakeholders are not attached to the organization on a transactional basis and are not generally viewed as the survival for the organizations. This type includes the environmentalists, customer advocates and the media. Mitchell et al. (1997) classify stakeholders based on the salience into eight categories from the rank- descending priories (non-stakeholder, dormant, discretionary, demanding, dangerous, dominant, dependent and definitive[10]). Ansoff (1965) was the first to use the term 'stakeholder theory' and in many senses, he is a true antecedent of Freeman (1984). Freeman extended the theory to include that a firm's objective is to balance the conflicts among its stakeholders. Stakeholder theory seeks to systematically address the question of which stakeholders do and do not deserve or require management attention through evaluation of relationships between companies and stakeholders based on exchange transactions, power dependencies, legitimacy claims, or other claims (Mitchell et al., 1997). Carroll and Shabana (2010) temeritously question that 'social responsibility is primarily driven by external, socially conscious motivations, and that businesses are not intrinsically looking for anything specific in return'. The stakeholder theory can also explain that stakeholders influence firm CSR activities and quality of CSR disclosures.

It is a theory of organizational management and a minor part of business ethics developed by Freeman (1983) so as to address the external/ internal pressure toward organizations. Freeman (1983) identifies different stakeholders of organizations and their interests to organizations. In the traditional view, the shareholders are the real owners of the organizations which only have the duty of care and fiduciary duty to their interests. Stakeholder theory argues other stakeholders, such as the government, creditors, customers, suppliers, competitors, employees, labor unions, trade unions, political groups and communities, can influence the firm and its policies. But, the nature of stakeholders is much disputed (Miles, 2012). Many researchers have, after Freeman (1983) proposes the theory, developed and simplified the theory (e.g. Donaldson and Preston, 1995; Mitchell et al , 1997). It is used as a CSR framework. Corporate social responsibility (CSR) activities cover different areas, such as the environment, equal employment opportunities, community, product safety, energy saving, and social responsibility disclosures (Cowen et al., 1987). Nevertheless, a fundamental feature of stakeholder theory is to attempt to identify numerous different factions and social issues within a society to whom business may have certain responsibility to deal with. Ullmann (1985) described how the study of CSR

[9]However, Freeman (1984) claims his work as more a framework than a theory. Sternberg (1997) argues that Freeman himself has used multiple definitions of stakeholders.

[10]More detail refers to Mitchell et al (1997). It is out of scope to explain how to classify the stakeholders into different categories.

activities lacked a theoretical framework, and therefore, developed a contingency framework based on the stakeholder theory[11] of Freeman (1983). Ullmann's (1985) theoretical framework can explain the relationship between corporate social disclosures and economic consequences impetus to firm performance. It can also be used to predict the level of CSR activities and disclosures. This development of this framework is based upon the stakeholder theory which was developed by a prior work----Freeman (1983).

Ullmann (1985) documents a salient of a three-dimensional model to explain the triangulated relationship among corporate social disclosure, social performance, and financial performance. In the first dimension, firms can respond to stakeholder demands. Stakeholders (i.e., investors, financial analysts, creditors, customers, suppliers and regulators) have the power to influence management's CSR activities and disclosures. Ullmann (1985) predicts that stakeholders' power and their CSR expectations are positively related to the firms' CSR performance and disclosures. The second dimension is the internal motivation that the decision makers are willing to meet external stakeholders' demands. Management may meekly with proactively influence corporate position with stakeholders. It can be expected that active reactions by management may have more CSR activities and disclosures. The third dimension is past and current financial performance; firm capacity can influence the level of CSR activities and disclosures. Roberts (1992) empirically tests the ability of this stakeholder theory to explain one specific CSR activity, namely corporate social disclosures. Therefore, his conceivable hypothesis is that better performing firms will have more resources to invest in their CSR programmes and that in turn will make them more likely to provide such disclosures.

This section will, thus, focus more on this part. There are two main lines of extant studies contributing to the CSR framework. One line of research focuses on the influence of economic consequences of corporate social responsibility activities impetus to firm performance through stakeholders' pressure. The results trend to be positive. (e.g., Anderson and Frankle, 1980; Akerlof, 1982; Carroll and Shabana, 2010; Chen and Metcalf, 1980; Cochran and Wood, 1984; Grappi et al, 2013; Margolis et al, 2007; Orlitzky, 2008; Shane and Spicer,1983; Shapiro and Stiglitz, 1984; Sweetin et al, 2013; Yellen, 1984; van Beurden and Gossling, 2008; Wood, 2010). Mahapatra (1984) also shows that social responsibility activities and disclosures can reduce systematic risks. Another line of research focuses on the determinants of CSR activities and disclosures. Mills and Gardner (1984) document that when a firm has a favorable financial performance in a particular year, it is more likely to disclose the social responsibility expenditures for that year. Other studies comprehensively examine the relationship between firm characteristics (such as firm size, industry, firm's current profitability, prior firm market performance, prior firm book performance, existence of CSR committees, firm reputation) and CSR disclosures. Their results show that firm size, prior performance, and industry classification can influence the extent of the CSR disclosures (Cochran and Wood, 1984; McGuire et al., 1988).

2.3.1. Implication of Stakeholder Theory and its Framework on Corporate Financial Performance

Organisations exist and operate in societies that are comprised of and affected by cultural and historical forces. Organisations, therefore, are answerable to demands from various stakeholders for reasons that can be classified into one of three primary categories: interest-based, rights-based, and duty-based accountabilities. Interest-based demands of corporate accountability are based on the fact that stakeholders are inherently invested in organisations (e.g. organisations provide employees with salaries). Rights-based demands of corporate accountability are based on the notion that stakeholders consider organisational distribution of resources, as well as corporate opportunities and output. Dutybased demands of corporate responsibility are related to the perception among stakeholders that Corporations have societal obligations that transcend their responsibilities/ fidelity duty to shareholders (i.e. profitability, efficiency, liquidity). Stakeholder theory, moreover, dictates that multiple stakeholders are likely to have divergent organisational interests. As such, stakeholder theorists argue that a balance between the various stakeholders' interests is vital for ensuring organisational legitimacy and success (Helmig et al, 2016; Shankman, 1999).

Proponents of stakeholder theory (Clarkson, 1995; Cornell and Shapiro, 1987; Donaldson and Preston, 1995; Freeman, 1984; Mitchell et al., 1997) have argued that CSR and corporate financial performance (CFP) are positively associated, as corporate stakeholders have the agency power to affect corporate actions. For instance, the scandals involving Enron, WorldCom, and other global corporations have demonstrated the risk associated with an exclusive focus on the organisation's financial responsibility to shareholders.

Ullmann (1985) developed a contingency framework based on Freeman's (1983) stakeholder theory. Ullmann's (1985) theoretical framework is designed to explicate the relationship between corporate social activities and firm financial performance. Ullmann (1985) argued that the positive relationship between CSR and firm performance may be attributable to the fact that only successful firms have the resources to engage in CSR-related activities. Alternatively, the positive relationship may serve as an indication that corporate

[11]It states that external stakeholders influence a firm's CSR activities, decisions, and disclosures.

management is capable of simultaneously finessing the needs and gruelling among various external corporate stakeholders. Other researchers in this domain have also proposed a number of theories that explain the relationship between CSR and a firm's financial performance (e.g. Aupperle et al., 1985; Husted, 2000; McWilliams and Siegel, 2001; Pava and Krausz, 1995; Wartick and Cochran, 1985; Wood 1991a, 1991b; Wood and Jones, 1995). One typical way CSR affecting CFP is through positive and negative stakeholders' responses on firm CSR activities such as additional consumer purchases, consumers' protests, pertinacious employee resistance or loyalty and government regulations reacting on such activities that can affect corporate profits. Another way CSR affecting CFP is through the effect of corporate activities on the social and environmental fabric of society, in turn affecting corporate financial performance. Companies impose CSR strategies such as grueling employee training or enhancement of employee incentives can improve employee idyllic and product safety made by them, in turn improving unsullied corporate reputation, and more customer purchases corporate products, resulting in rapidly increased revenues and profits. Companies may improve corporate technology that can reduce emissions, improve product safety and reduce product dispenses' fines and penalties, resulting in lower costs, increase in consumer purchases and improving community relations and CSR ratings.

2.4 Stakeholder-Agency Theory

Stakeholder-agency theory dictates that stakeholders serve as the collective principal for organisations, and organisational managers being served as agents of them. To earn the right to operate within a given society, organisations cannot focus exclusively on financial gains or the maximization of shareholder wealth only. Instead, they must make the needs of all organisational stakeholders more palatable, because the right for the corporation to operate is granted (in part) by the society in which it exists; parties with direct financial interests are not the sole determinants of an organisation's ability to operate. They can, if a society chooses to create an organisation, also similarly choose not to.

2.4.1 Implication of Stakeholder-Agency Theory on Corporate Financial Performance

To this point, stakeholder-agency theory is the most oft-cited theoretical perspective to explain the positive relationship between corporate social performance and corporate financial performance. Stakeholder-agency theory evolved from agency theory in that it adopts the primary perspective of company's board of directors. Ultimately, stakeholder-agency theory suggests that the negotiation processes that define bilateral relationships between organisational stakeholders and managers serve as a mechanism for monitoring and enforcement to ensure managers do not divert organisational resources from achieving financial goals (Hill and Jones, 1992; Jones, 1995[12]). Stakeholder-agency theory can be illustrated by a model proposed by Hill and Jones (1995) which showed that firms with torrid corporate social performance (e.g. employee only claims for minimum wages and working at terrible environment, consumer only claims for poor quality with paying higher prices of the products, supplier only claims for lower prices or inequality treatments and waxing and waning ordering patterns, and the claims of communities and the public for higher pollution, etc) will yearn diminished stakeholder utility and externalities to society because a divergence managers' interests from stakeholder interests. In turn, stakeholders may (individually or collectively) push for greater oversight (e.g. pressure from consumer watchdogs, establishment of labour unions, implementation of certain regulations) on corporations, resulting in complex institutional structures. The remedies proposed by stakeholders would allow them to partially recover some loss of their utility. This likely leads to an inverse effect on not only on CFP, but also on society as a whole arising from consumer watchdogs, labour unions, enacting tough regulation or laws and increase in legal apparatus to curb profane and unrighteous those acts and exterminate those companies. Freeman and Evan's (1990) also explains the concept of the stakeholder-agency theory. According to Freeman and Evan's (1990) contract analysis (view a firm as contractors in a society whence allows them to exist), high corporate economic performance comes from the complacentia of bilateral relationships between stakeholders and management, thus that engaging CSR can make managers more palatable to various stakeholders' needs.

Effective CSR initiatives can thrill a firm's corporate financial performance either internally or externally via different channels. First, by internally improving organisational competencies or operational efficiency, a firm can buttress its capacity for generating profits, improving its corporate social performance. Specifically, involvement in CSR-related behaviour likely equips firms with the ability to engage in new socially responsible activities. Some of these activities include the development of new, environmentally friendly, customary and ergonomic products, the production of effective marketing strategies that capitalise on the firm's social responsibility, and the effective reduction of corporate waste (Barney, 1991; Wernerfelt, 1984). Furthermore, more effective CSR initiatives can help management personnel develop stronger crisis management skills in

[12]Jones (1995) argues that better financial performance should be expected because if implied contracts between organizations and stakeholders are based on trust and cooperation, a competitive advantage will be generated.

relation to social and environmental issues, operational processes, and management information systems. In doing so, the development of effective CSR initiatives improves organisational preparedness for external market changes, political and economic turbulence, financial crises (Russo and Fouts, 1997), and government intrusion (Watts and Zimmerman, 1978).

Second, by addressing the claims of various constituents, thereby cultivating a good corporate reputation, consumers are more likely to provide business to a corporation. More effective CSR-related activities in this regard likely have external effects on organisational reputation dropping among stakeholders. Stated differently, failure or effeminacy to engage in effective CSR-related practices can weaken a firm's ability to finesse disputes by any of the varied stakeholders to which they are obligated. The competitive advantage derived from a good corporate reputation relates to the periodical reporting of its CSR activities with external stakeholders. By doing so, corporations effectively cultivate a positive image among customers, suppliers, investors, creditors, and the public (Cochran and Wood, 1984; Fombrun and Shanley, 1990; Ramanathan, 1976; Trotman and Bradley, 1981).

In a basic sense, CSR reputation is dominantly contingent upon corporate social performance. Through CSR reporting, stakeholders can better understand the social responsible activities in which the firm engages, thereby improving the firm's CSR unsullied reputation among those stakeholders. This can be beneficial to firms, as firms that are perceived to perform better in terms of CSR are likely to have good relationships with capital providers. This, in turn, provides the firms access to capital at a lower cost, thereby improving financial performance. Effective CSR initiatives cultivate positive relationships with capital providers because firms with good social reputations likely face lower risk associated with distrust, pummels, protests, strikes, boycotts and other issues related to negative consumer sentiment, slurring and tarnishing corporation reputation and goodwill (Spicer, 1978). In addition, firms with a strong tradition of environmental preservation from lingering on through conservation of natural resources, effective waste management and recycling programmes, and emission controls may be less vulnerable to litigation and fines or liability remediation. In the long term, this provides firms that engage in CSR-related activities specifically related to the environmental preservation economic advantages are over their competitors.

Adopting CSR-related behaviours can decoy talented and zealous employees joining an organisation (Greening and Turban, 2000; Jones, 2014; Turban and Greening, 1997) or boost current employees' productivity, satisfaction, or loyalty or staunch. Enticing talented employees likely results from the perception that a reputation arising from engaging in CSR-related activities that indicate corporate commitment to a safe working environment, equality treatment among employees, and employee empowerment by management (Davis, 1973; McGuire et al., 1988; Waddock and Graves, 1997). For example, customer loyalty a firm who may purchase more corporate products and high employee loyalties and staunch who may work harder, likely reduce corporations' topsy-tursy in the boreal time. All CSR-related information should be disclosed in any of a variety of corporate reports (Aertsa et al, 2008; Zeghal and Ahmed, 1990). Using meta-analysis to test stakeholder-agency theory, Orlitzky et al. (2003) discovered a positive association between CSR performance and future financial performance. This finding was robust across industries, which was consistent with findings produced by Freeman's (1997) work.

2.5 Legitimacy theory

Lindblom (1994) defined and are suppositious legitimacy as 'a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy'. As a result of changing social values and attitudes, that which may be considered legitimate in the field of business at one point in time may not be considered legitimate at another point in time[13]. Organisational legitimacy is also largely reliant on geography; that which may be accepted as appropriate conduct of business in one country may not be acceptable in another. Given the number of path ways in which organisational legitimacy may be nullified, organizations must be prepared to adapt to shifting values among consumers. If a society questions the legitimacy of an organisation, then that organisation may experience predicament in securing capital or attracting generous and zealous employees, customers, and suppliers.

There are two key ways in which an organisation's legitimacy can be threatened and naturalized by explicable inrush of force: changing societal expectations and revelations about a firm's previously unreported CSR performance. First, changing societal expectations may generate a legitimacy gap that represents the difference between how the society believes a corporation should act and how that corporation is perceived of

[13]One of the earlier studies applying legitimacy theory is conducted by Hogner (1982), showing that the extent of social disclosures of US steel companies varied across years to represent the change in society of expectations with corporate CSR behavior.

acting in reality (Lindblom, 1994). This suggests that when firms deviate from societal expectations of their social responsibilities, legitimacy gaps can occur. These gaps in legitimacy can influence CFP or endanger the existence of the firm. Second, a firm's legitimacy can be threatened when previously unknown information related to an organisation's CSR activities come to light and flare or spotted and surfaced from water by the press (Sethi, 1978). The 1989 'Exxon Valdez' oil spill is a typical example in which the Exxon Valdez crude oil drilling tankers and probes struck a rock formation on Bligh Reef in Alaskathen oozed out estimated the incursion of 11 million gallons of oil from oil tubes, later surfaced and protruded from the Alaskan waters. This oil spilling disaster, due to sloppy and floppy environ' enforcement and loose, relaxing and impotent legal sanctions, had significant environmental and economic repercussions on the USA as well as immeasurable legal ramification on Exxon. The company was fined US$150 million for environmental scandal and other heinous and perfidious treason; US$500 million in punitive damages; US$100 million for restitution of environmental damages; US$900 million for restitution of resources; and also had to pay colossal US$2.2 billion for cleanup expenses and US$1 billion for settlements with the state and federal governments to cloak and muzzle the legal case (Exxon, 1990). Specifically, when firms fail to disclose information that indicates their compliance with societal expectations, a legitimacy gap can result. Thank to societal phenomenal sedately, serenely and taperingly change over time, it reckons that organizational CSR disclosure practices will be responsively amended right away. Owing to its importance in cultivating organisational legitimacy, many firms voluntarily disclose information related to their CSR activities. There is ample empirical evidence to incline the benefits associated with voluntary CSR disclosures, as some studies have shown that some firms report their CSR activities in an effort to enhance their legitimacy (e.g. Patten, 1992; Deegan et al, 2002).

Organisational legitimacy is considered a resource upon which corporations rely to ensure their survival. Furthermore, in addition to an organisational perspective, it can view legitimacy theory within a systems-oriented perspective, the firm is summed to be influenced by, and in turn, to have influence upon, society in which it operates (Gray et al, 1996); in political economy perspective, organisations are not considered to have any hereditary right to resources, or, in fact, to exist. An organisation's capacity for financial success is largely contingent upon the degree to which the society in which it operates deems it legitimate. Mathews (1993) explains that 'society provides corporations with their legal standing and attributes and the authority to use natural resources and to hire employees and output both products and malodorous wastage to the environment'.

The societies in which corporations operate expect the benefits of the organisation's activities to exceed their costs. In this way, the societies in which corporations operate can shape organisational activities and decisions. Dillard, Rigsby, and Goodman (2004) adopted an institutional perspective to explain legitimacy theory[14], arguing that 'by designing formal structure that clings to the norms and behaviour expectations in the extant environment, an organisation demonstrates that it is acting on collectively valued purposes in a proper, adequate and couth manner'. Their operational indictments may, if the organizations running is low compliance with the pace of or decimates the social norms, become savage. A societal contract perspective dictates that societies influence organisational operations such that the organisations are expected to fast comply with societal expectations intrinsic to the social contract (Deegan, 2006)[15]. Baffling legitimacy theory can be, given the variety of viewpoints that have been used to address legitimacy, considered a joint product of organisational, political-economical, institutional, and contractual perspectives.

This is a system-oriented theory that views an organization as a part of a system in a society that allows us to analyse the role of information and disclosure in relation to individuals, organizations, and the society (Gray et al., 1996). According to this theory, companies have an influence on society, which in turn influences companies. One mean a company can influence external perceptions about the company is corporate disclosure policies. This theory originates from the political-economic theory (Benson, 1975), which recognizes the power conflicts occurring between various groups within the society. The difference between the legitimacy theory and the political-economic theory is that the former applies to an organization that is considered accountable to its stakeholders (therefore, CSR activities including CSR disclosures are deemed necessary), while the latter applies to an organization that provides information to proactively shape the social opinions of other organizations and the company.

The legitimacy theory assumes that society, politics, and economics cannot be separated and are interconnected with one other. Therefore, society and politics need to be taken into consideration while analysing economic issues. The theory argues that researchers are in a better position to gauge the boarder issues that affect a company's operations and the information that it chooses to disclose. Therefore, this theory provides the perspective of a boarder social system. Mathews (1993) also explains this theory in terms of the existence of many social contracts between companies and individual members (e.g., suppliers, customers) of

[14](see Benson, 1975)

[15]Deegan and Unerman (2006) provide a reasonably detailed review of the use of legitimacy theory.

society. These companies draw upon many natural and pseudo resources to fabricate products and services for society. Sometimes, they may also leak out wastes into the environment due to willy-nullify environmental control. To allow them to continue operations, the society would expect them to provide benefits and excess costs to the society. To apply this theory, firms are in breach of their social contracts, their very existence be likely rerouted and coerced to a halt. Therefore, if those mutinous companies cannot satisfy the society as a whole, their license to operate may be strangled, throttled and asphyxiated and corporate continuance will be in very perilous statue. Woodward et al. (2001) also argue that companies are operating under a command, edicts and writs from governors of the society, but they, if behaving not as the society expects, will be bitterly shriveled. Repugnant customers will ostracize with no longer to patronize the company's products, petulant suppliers will stop supplying products to the company, and the public will lobby against and canvass the government support to bypass a new law to prohibit certain activities of the company. Furthermore, the theory states that the company will be forced to change its structure and style of operations to satisfy external expectations. Therefore, it suggests that CSR companies may influence the economic performance, similar to Ullmann's framework. With regard to the disclosure aspect, the company would provide information to the society to satisfy their information demands. More importantly, Lindblom (1994) identifies four actions that a company may take to maintain its legitimacy. First, it may seek to educate or inform society about its performance and activities. Second, it may change the perceptions of society about it. Third, it may also manipulate the perceptions of the external environment. Last, it may change external expectations about its future performance. According to Lindblom, the public disclosure of information can help achieve the above four strategies. For instance, a company may disclose information such as environmental pompous awards won to draw public attention to its strengths. Hence, disclosing CSR information is for above four strategies, influencing the stakeholders. There are many prior papers that already discussed in other sections to investigate the legitimacy theory's explanation of corporate social and environmental disclosures (e.g. Crampton, 2004; Deegan and Gordon, 1996; Deegan et al., 2002; Deephouse and Carter, 2005; Gray et al. 1995a; Hogner, 1982; Patten, 1992, 1995; Neu et al., 1998; O'Donovan, 1999; Zimmerman and Zeitz, 2002). Deegan and Unerman (2006) provides a reasonably detailed and salutary review of the use of legitimacy theory. One of the earlier studies applying legitimacy theory is conducted by Hogner (1982), showing that the extent of social disclosures of US steel companies varied across years to represent the change in society of expectations with corporate behaviour. Another study utilising the theory is by Patten (1992) who warily examines the extent of environmental disclosures made by oil companies before and after the Exxon Valdez oil exude accident in Alaska in 1989. Shell has wellimposed and publicized CSR policies to public but it has in the 2004 a scandal concerning its misreporting of oil reserves to seriously sully its corporation name, in turn influencing corporate financial performance. Magellan Metals (Western Australia) was responsible for lead contamination that kills thousands of birds quaffing in the related area and that corporation was cease business by explicable inrush of the force as to muffle the potential immeasurable legal case, resulting in traumatic and "humpty-dumpty" financial disasters. Another company, Odwalla (San Francisco), by which was nearly engulfed an environmental crisis, resulted in sales dropping 90%, due to some cases of materials spread through apple juice. Their findings are consistent with the theory. In an Australian study, Deegan and Rankin (1996) apply this theory to explain the corporate environmental disclosure policies around the periods of environmental prosecutions. They find that prosecuted firms disclose more environmental information in the year of prosecution than other years and overall, prosecuted firms disclose more environmental information relative to non-prosecuted firms. O' Dwyer (2002) find the legitimacy-related factors, in certain extent, motivate corporate social and environmental disclosure policies. Hence, the number of studies supporting the theory seems to outweigh those that do not support the theory.

2.5.1. The Implication of Legitimacy theory on Corporate Financial Performance

To apply this theory, it is exasperating that if organization is in breach of their social contracts, it will maroon from the societal dessert. Therefore, if the organizations cannot satisfy the society as a whole, their license and power statue to operate may be utterly toppled, influencing the company financial position. Woodward et al. (2001) also argue that organizations are operating under a command from the society and protecting within the parapets of the common laws, but if they are seen not to be behaving as the society expects, they can be mercilessly extirpated. Their behavioral grief will make them witless; No pity and wail will be given to them on such regard. For instance, customers will no longer be able to acquire the company's products, suppliers will stop supplying products to the company, and the public will lobby against and parley the government to impose a new law to prohibit certain activities of the company[16]. Kooks, Preston and Post (1975)

[16]For example, Heard & Bolce (1981) note that between 1965 and 1980 more than 100 pieces of legislation dealing with the social impact of business were enacted in the United States.

argue that issues are raised by society, through the public policy arena, and if considered necessary, those will be enacted into law. Thus, whenever a relevant public is dissatisfied the austere and stern social and environment status of the performance of an organization it can blisteringly pressurize to the firm to meet expectations or it can use the legal system to require improving CSR performance (Post, 1978). Furthermore, the theory states that the company will be forced to change its structure and style of operations to satisfy external expectations. Therefore, it suggests that CSR companies may influence the economic performance. With regard to the disclosure aspect, the company would provide information to the society to satisfy their information demands. More importantly, Lindblom (1994) identifies four actions that a company may take to maintain its legitimacy. First, it may seek to felicitate society about its superb CSR performance and activities. Second, it may change the perceptions of society about it through such information. Third, it may also manipulate their perceptions towards the corporate external environment. Last, it may change stakeholders' external expectations about corporate future performance through CSR initiatives. There are plenteous prior papers to investigate the legitimacy theory's explanation of corporate social and environmental performance and disclosures (e.g. Crampton, 2004; Gray et al. 1995a; Hogner, 1982; Deegan et al., 2002; Deegan and Gordon, 1996; Deephouse and Carter, 2005; Neu et al., 1998; O'Donovan, 1999; Patten, 1992, 1995; Zimmerman and Zeitz, 2002).

2.6 Agency Theory, Stakeholder Theory, stakeholder-agency theory and Ullmann's framework and Corporate Financial Performance

Capital providers demand financial information to assess corporate performance are suppositious of the agency theory. However, financial nerds, needy reliant on information intermediaries' analysis of firm performance for investments. Financial analysts can play a role to interpret firm accounting information to make earnings forecasts and stock recommendations for investors (Francis et al., 2002 and Frankel et al., 2006; Livnat and Zhang, 2012). Interest group theory, Legitimacy theory and social political theory, firms are, based on Stakeholder theory, blithe to provide CSR information to satisfy the public and to reduce social and political pressure from the public. Such CSR disclosures mainly are not for shareholders and financial analysts. However, according to Stakeholder-agency theory, Ullmann's (1985) framework and many empirical studies, CSR activities can influence firm current and future financial performance. So, financial analysts are likely to consider and incorporate such information supplemented with accounting information for their forecasts. For instance, if corporations can improve employee relations, it can encourage workers to take more voluntary tasks and lessening insolent, impudent, and impertinent behavior towards employees can increase their productivity of work, in turn bolstering future sales and slashing average costs to the firms (Akerlof, 1982; Frey and Oberholzer-Gee, 1997; Kreps, 1997; Shapiro and Stiglitz, 1984; Ryan et al, 1991; Yellen, 1984). Employee rights protection can improve corporate reputation and indirectly increase future financial performance (Carroll and Shabana, 2010; Lee et al, 2013; Margolis et al, 2007; Orlitzky, 2008; van Beurden and Gossling, 2008; Wood, 2010). More importantly, if firms can improve product quality, it can improve firm reputation and reduce the risks of consumer activism[17] and legal actions from customers (Öberseder, Schlegelmilch and Murphy, 2013; Skarmeas and Leonidou, 2013), thereby reducing risks of abnormal and awry financial performance arising from these consumer anti-actions such as leary and suspicion (Ferguson et al, 2011), boycott (Klein et al, 2004), distrust (Darke and Ritchie, 2007), outrage (Lindenmeier et al, 2012), cynicism (Chyllinski & Chu, 2010) and vicious betrayal. Nowadays, many customers make purchase decisions highly based on the corporate environment responsibility (Marin, Ruiz, and Rubio, 2009; McEachern et al, 2010; Moisander and Pesonen, 2002). So, firms improving product quality, safety and more environmental, it can generate higher future profits to the corporate. From above empirical studies, it can show that CSR activities are closely related with current and future financial performance. As CSR report is a type of non-financial information influencing firm performance, disclosure decision, increase in CSR disclosure level and better CSR quality can affect financial analyst behaviour as do other non-financial disclosures (Ali et al., 2005; Barron, Kile and O'Keefe, 1999; Bhushan, 1989a, 1989b; Brown, 1993; Bushman, 1991; Bushman et al, 2005; Clarkson, Kao, and Richardson's, 1999; Dhaliwal et al, 2012; Diamond, 1985; Elgers and Lo, 1994; Eng and Teo, 2000; Fu, Kraft, and Zhang, 2012; Gigler and Hemmer, 1998; Jegadeesh and Livnat, 2006; Healy and Palepu, 2001; Hope, 2003a; Hope, 2003c; Lang and Lundholm, 1993; Lang and Lundholm, 1996; Lang et al., 2003; Leuz and Verrecchia, 2000; Lundholm, 1991; Weiss, 2010).

[17]Consumerism is a social movement seeking to augment the rights and powers of buyers in relation to grievous disappointment and gut to sellers. Consumer movement is often said have begun in 1965 with redacted publication of Ralph Nader's echoing and resonating criticism of General Motors in Unsafe at any speed.

2.7. Conclusion

Adherents to stakeholder theory reaffirm that socially responsible companies must attend to the interests of all stakeholders. In this way, socially responsible companies must not focus exclusively on the interests of corporate shareholders at the expense of non-financial stakeholders' interests. Consistent with stakeholder theory, companies must invest in CSR-related activities to satisfy the needs of the multiple types of corporate stakeholders. Otherwise, the stakeholders themselves may engage in activities that can negatively influence the firm's financial performance (e.g. protests).

Further, stakeholder-agency theory is derived from a utility model of stakeholders; similar to the stakeholders in traditional stakeholder theory, the stakeholders in stakeholder-agency theory also expect companies to engage in CSR activities that reflect a commitment to improving the society in which the corporation operates. If a firm's CSR performance does derail stakeholders' expectations, those stakeholders are likely to pursue the implementation of complex institutional structures (e.g. form labour unions, seek guidance from consumer watchdog organisations). These actions can reduce the degree to which the organisation is effective, and deduct externalities to the community. The development and implementation of these institutional structures also negatively affect the firm's financial performance.

Legitimacy theory dictates that companies must be considered legitimate entities to effectively operate in a given society. If companies are unable to satisfy the needs of their stakeholders, their organizational legitimacy may be questioned or undoubtedly abrogated, thereby negatively affecting their profitability, liquidity, or other measures of financial performance. Proponents of stakeholder theory, interest group theory, and social political theory argue that companies are likely to disclose information related to their CSR performance to reduce social and political pressure from the public to do so. By disclosing CSR-related information, firms are able to communicate to the public that they are effective and socially conscientious entities. The above measures can entice and retain numerous high-quality meinies, facilitate the retention of skilled menies that have already been hired to deter consumer activism, and ultimately overthrow and nail any possibilities and chancy of employees' riots, revolts, retaliation, rebel, reprisal and mutiny in very certain risk industries as to grandly warrant consumer interest in the company's goods and/or services. In addition, engagement in CSR-related activities allow companies to develop management skills related to social and environmental issues, thereby enhancing the degree to which they are prepared for all types of changes to their external environment. Given the above, it seems clear that corporate social responsibility has the potential to besmirch corporations not only in respect of their reputation, but also in terms of their financial performance.

3. Corporate Social Performance and Financial Performance

What is the nature of the relationship between corporate social performance and corporate financial performance? This "aglittering" question has attracted the attention of academics and business practitioners for over 40 years. Based on a narrative review of the literature in the field of CSR, Ullmann (1985) concluded that the empirical research that has explored this tempestuous relationship has been henceforth inconclusive. In another review, Wood and Jones (1995) determined that the measures and theories used by past researchers have been varied and poorly conceptualised, causing variability in the studies' results. This stream of inconclusive research has persisted until the 21st century (Godfrey, 2005; McWilliams and Siegel, 2001; Schuler and Cording, 2006). In light of these inconsistencies, it tarres for a critical examination of the empirical studies that have explored the association between CSP and CFP. Although the classic method of incorporating only significant and non-significant results into the literature review as a means to examine past literature seems reasonable, it suffers from certain methodological weaknesses and shortcomings (Chalmers and Lau, 1994; Hunt, 1997). For example, many statisticians and economists have vituperatively that determining the nature of a relationship between two variables requires more rigorous, fastidious, meticulous, quantitative focused approaches (Hunter and Schmidt, 2004). Still, a number of management researchers rely on this practice (Schwab, 1999). This section is very critical for this thesis due to this study assumption is that CSP and CFP are economically and statistically correlated with each other. So, this paper reviews some important prior studies on both relationships, helping conjecture of this study research question, namely the impact of corporate social responsibility on financial analyst behaviour. Without this section, the research question cannot be supported in prior empirical studies because there is unclean causal link between corporate social responsibility and financial analyst following as well as analyst properties is the fact that CSR can influence corporate financial performance in term of accounting based or market based measures. Simply speaking, without this section, researcher cannot set the hypothesis and develop appropriate methodology for this research question. This section is important for the later research questions that investigated in section 2 and 3 as well as next two sections only theoretically and empirically support both relations but it cannot ensure it is workable and supportive in business practice. Suppose business practice contradicts with academic studies, this research question assumption, namely corporate social responsibility and corporate financial performance correlated, is

blisteringly questionable and iffy. This study will then review some academic articles how the corporate social responsibility affect corporate financial performance in term of accounting based measures. This also includes different measures of corporate social responsibility performance such as disclosures, transparency, third party assessment, environmental aspects, survey, KLD and etc. What is more, the next section investigates how the corporate social performance influence the corporate market based financial performance that is important because if CSR can really affect market based measures such as share price, abnormal stock returns and risks, it can actually imply that investors are likely considering such CSR activities and disclosures, conjecturing that financial analysts may more blithely follow those firms and consider such information during their forecasting processes. Finally, even though CSP and CFP are practically, economically and statistically correlated, it still needs to know how and why corporate social responsibility can affect corporate financial performance, last section supplementing for this.

3.2. The impact of CSR Initiatives on Corporate Performance: Professional Survey Evidence

In 2001, SustainAbility and the UN Environmental Programme reviewed a number of CSR reports, case studies, and academic articles in an effort to determine the relationships between specific dimensions of corporate social responsibility and different measures of financial performance. This report illustrated how each discrete component of corporate social responsibility could plausibly affect various indicators of corporate financial performance. The report indicated that 10 dimensions of CSR (i.e. ethics, value principles, eco-efficiency, environmental products, social development, human rights, working conditions, business stakeholders, etc.) are positively correlated with various measures of financial performance, including shareholder value, revenue, operational efficiency, capital assessment, customer attraction, brand value and reputation, human capital, risk management, and innovation. Among the ten CSR dimensions, eco-efficiency, raw material use, recycling, and emissions reduction provided the most substantial benefits. These dimensions were found to positively affect six of the 10 measures of financial performance. In line with this finding, strategies related to ecoefficiency are pervasive among firms that forge chemicals, energy, and electrical goods. This review also demonstrated that perceived brand value and reputation (both of which are affected by CSR) influence six financial outcomes. Finally, eco-efficiency, the development of environmental products, protection of human rights, and commitment to values and principles were all shown to be correlated with effective risk management.

3.3. The impact of CSR Initiatives on Corporate Performance: accounting-based measures

According to statistics provided by the Office of Economic Co-operation and Development, out of the 100 largest economies in the world (as measured by GDP), 51 are US corporations; 49 are nationstates. This finding is indicative of the incandescent fact that global economic power has largely shifted from nation-states to multi-national corporations. Given the substantial economic influence of corporations, they have been attributed significant responsibility with regard to social responsibility.

Certainly, engaging in CSR activities will ponderously prop up both the expenditure of both short-term and long-term costs. These costs often involve the acquisition of new environmentally friendly equipment, the changing of organisational structures, or the implementation of greater quality control. Although corporations are compelled to incur costs related to CSR, they also enjoy benefits derived from their societal legitimisation. To be sure, a number of these benefits are non-financial in nature (e.g. improved corporate societal reputation), but many financial benefits can be derived from CSR activities as well. For example, socially responsible companies are likely to be perceived by consumers positively. As a result, these timid consumers are less likely to be drawn such villainous companies.

Further, socially responsible companies are not susceptible to negative events. For example, a company that is known to perform well with regard to its social responsibilities may be believed to implement strict product quality standards and environmental protection initiatives. As such, they are similarly believed to be less likely recall defective, tawdry or shoddy products or pay fines for excessive or "filthy fulsome" pollution. Though it remains difficult to accurately measure the benefits derived from a company's improved reputation arising from improvement of their social responsibilities, companies can use a method that measures additional benefits from advertisement campaigns after implementing certain SR activities or actions. As indicated by the issues outlined above, socially responsible companies are likely to enjoy stable growth in earnings and face minimal business risk. Some CSR actions can dramatically reduce operating costs such as reducing material wastage via re-packing or redesigning their banal products and optimizing delivery truck routes.

General Conclusions on the CSP – CFP relationship

There are typical two methods that can be employed to perform a review of the literature in area of the impact of CSP on CFP. These approaches are respectively referred to as vote-counting and metaanalysis. The

vote-counting approach, which has also been called the box-score method, involves the tabulation of the number of empirical tests that support and refute a particular hypothesis. The meta analytic approach for literature review in area of impact of CSR on CFP considers not only the direction of the empirical tests contained in the studies under review, but also their magnitude and significance (Schmidt, 1992). Meta-analysis allows for a more nuanced analysis of the results of the studies, accounting for the correlation between a predictor and outcome variable, sample size, sampling error, and measurement error (Hunter et al., 2004; Rosenthal and DiMatteo, 2001). Because scholars have the capacity to correct these study artefacts through meta-analysis, meta-analytic approaches for literature review are quote popular in the social sciences (Hunt, 1997). Although meta-analysis is a stronger method than vote-counting numbs a quantitative sense, both approaches for literature review on the impact of CSR on FP show that there exists a positive relationship between CSP and CFP (Margolis and Walsh, 2002; Orlitzky, Schmidt and Rynes, 2003).

CSR initiatives and Financial Performance Relationship

Empirical methods are used to identify and measure the oblique or non-oblique relationship between a company's socially responsible conduct and corporate financial performance. One line of research focuses on the economic repercussion of corporate social responsibility initiatives, especially in corporate current and future performance, which is populously captured by different ephemeral and non-ephemeral measures, to name a few, corporate profitability prior studies populously using salesprofit margin, net income, and earnings per share; corporate growth those likely using return on sales ratio, 2-year, 3-year, 5-year return on equity, earnings per share growth; corporate asset utilization those likely using return on investments[18] and asset turnover; liquidity such as acid test, current ratio and pay-out ratio, and others, supporting that CSR actions very trend to have a positive correlation with corporate ephemeral and non-ephemeral accounting performance, negative with business risk and strategically decisions in corporations (Orlitzky and Benjamin, 2001; Orlitzky et al, 2003; McWilliams, Siegel, and Wright, 2006). Table 1 shows that number of prior studies are using different measures of corporate financial performance. It can summarize the outcome of CSP-CFP relations in last four decades, providing supporting empirical evidence on this research assumption. For measuring social performance, Scholars' fevered, fervent, fervid and infatuation have gradually developed a comprehensive definition of corporate social performance, but even with a blur definition of CSR in hand, measuring CSP still unerdefined and diversified. Prior studies have populously used 27 different data sources to assess social performance (such as KLD, CSP survey, Charity donation, policies, Fortune most admired, CEP (environmental practices), 10-K disclosures, annual report disclosure, Moskowitz selection, TRI/IRRC and so on) and 11 different domains of corporate practices (Environment, community investment, omnibus/global, services/ products, human resources, human rights, CSR disclosures, organizational programs, business practice). Some of them applied multiple approaches and measures to assess corporate social performance (e.g. Simerly, 1999) as they querulously aver that multiple approaches can fully and properly reflect corporate social practices and performance. However, prior studies used sample type very similar, including Fortune 500, Standard & Poor's 500, Fortune Most Admired, Fortune 1250, Business Week 1000, Forbes, CEP, Moskowitz and some specific industries. 40 prior studies in last decade how different CSR measures affect corporate financial performance in term of various accounting and market based measures using diversified approaches. From reviewing prior studies, most of the prior studies use third-party audit approach to measure CSR performance such as KLD ratings (community, employees, environment, products, women, minorities, military nuclear, south Africa), FRDC's rating, Fortune corporate reputation survey, 1992 Toxics Release inventory, Brown & Perry's expunged Forture reputation database, Investor Responsibility Research Centre's Corporate Environmental Profile, EPA 's Toxic Release Inventory (TRI) data, Vigureous CSR score, Ethical Investment Research Service (EIRIS) data, Canadian Social Investment database rating, etc; then use amount of Charitable donation to measure CSR investment and involvement,; and different research instruments with various dimensions (e.g. community, environment management, employee relation, etc) to measure CSR disclosure in annual reports, use event studies to measure accounting based and market based financial performance (e.g. divestment from south Africa, Fortune most admired, admired in other CSR indices, etc). Their research sample sizes from 7 to 2250 firm-years and they use ROE, ROA, ROS, earnings and expenses as oft-used measures of CSR accounting- based performance and abnormal stock returns and share price as measures of CSR market-based performance. Furthermore, they favorly use size, beta, price-to-book, momentum, industry, leverage, R&D, debt to equity ratio, total assets and EPS as oft-used control variables in their research. In general, their results show that environment, employee relation, product safety and environmental compliance are positively correlated with corporate financial performance in different measures. It also finds that out of all CSP measures CSR disclosure are highly positive

[18]Waddock and Graves (1997) find statistically significant positive relationships between a CSR performance and accounting performance measures, ROA in year after.

with various accounting-based and market-based corporate financial performance measures. In sum, more contemporary corporate social responsibility researches are tenancy to use larger sample sizes (e.g. Dhaliwal, Radhakrishnan, Tsang, and Yang, 2012) rather than earlier studies especially in 1990's and 2000 (e.g. Boyle et al, 1997) and older papers oft-used ordinary least square regression model specifications with very few control variables, whereas, latest models in this context research area more non-OLS models such as Logit, Pogit and GMM and so forth to address BLUE refectory matters (Nollet, et al, 2016; Man, 2015). Future research insights include regression model re-fining, more variables incorporation, new determinants of corporate social responsibility finding (Tang et al, 2015), other economic consequences of social and environmental initiatives and immediate market impact of social (especially) and environmental event studies (Wang et al, 2015). For instance, Man (2015) examine the corporate social responsibility impacts on financial analysts' following and other properties through analysts' cognitive dissonance in financial analysts' process (Friesen and Weller, 2006 and Luo et al, 2014). Extremity, other researchers can replicate the earlier researches in current time frame or in special industries.

In earlier periods, 1980's and 1990's, there are more than dozens of CSR-CSP studies, including four major influencing studies published in 1990's (Frooman, 1997; Griffin and Mahon, 1997; Preston and O' Bannon, 1997; Waddock and Graves, 1997), have deeply examined this relationship, one of which is Giffin and Mahon (1997) using the vote counting approach, who review earlier studies of CSR and financial performance relationship by enumerating 62 research outcomes from previous literature into 33 research outcomes that had a positive CSR-CFP relationship; 20 research outcomes that had a negative relationship[19] and 9 research results that had inconclusive relationship[20]. Margolis and Walsh (2003) review both relationships in longer period of time. According to Margolis and Walsh (2003), 122 studies had been published between 1971 and 2001, which empirically examined the relationship between CSR and CFP and most of them are positive. No of studies finding positive CSP and CFP relationship have risen from 1971 to 2000 (Margolis and Walsh, 2003). It seems positive relationship overwhelms other CSR-CFP relationships. Indeed, over 90% of the earlier studies indicate a positive correlation between CSR and corporate current and future financial performance. Orlitzky et al, (2003) are livid that Giffin and Mahon's (1997) methodology is not accurate portrait of the positive relationship between CSR and financial performance. They carefully but not pedantically then conduct another meta-analysis of 52 earlier studies supports a positive relationship between CSP and CFP. It represents high population of prior quantitative studies and find out that Giffin and Mahon understated the positive relationship. It needs to be pointed out that earlier researchers found the majority of negative relationships mainly due to they use the stock market reaction on potential corporate social and environmental illegalities (e.g. gundy product recalls). Actually speaking, murky CSR performance is still positively correlated with gloomier corporate financial performance, vice versa. Authors of this study review 179 prior studies to following results. Treated CSP as independent variable, corporate social performance is found to have a positive relationship to financial performance in 112 studies (63%); no relationship in 38 studies (21.2%); a negative relationship in 24 studies (13.4%) and others (3%).

Table 1 Prior studies on CSR and Corporate Financial Performance: Accounting and Market based measures (1997 – 2017)

CSR and Corporate Financial Performance: Accounting based

measures	Year	Positive	Negative	Inclusive	Non Liner
Blacconiere and Northcut	**1997**	*			
Boyle et al	**1997**		*		
Brown	**1997**	+			
Galakiewicz	**1997**	*			
Griffin and Mahon	**1997**	+			
Guerard	**1997a**			*	
Guerard	**1997b**	*			
Posnikoff	**1997**	*			
Preston and O'Bannon	**1997**	*			
Russo and Fouts	**1997**	*			

[19](e.g. Vance, 1975; Eckbo, 1983; Shane and Spicer, 1983; Strachan, Smith, and Beedles, 1983; Wier, 1983; Jarrell and Peltzman, 1985; Pruitt and Peterson, 1986; Davidson, Chandy, and Cross, 1987; Davidson and Worrell. 1988; Hoffer, Pruitt, and Reilly, 1988; Bromiley and Marcus, 1989; Wright and Ferris, 1997).
[20](e.g. Fry and Hock, 1976; Anderson and Frankle, 1980; Freedman and Jaggi, 1982; Aupperle, Carroll, and Hatfield, 1985; Teoh, Welch and Wazzan, 1999).

Tichy et al	**1997**			*	
Turban and Greening	**1997**	*			
Wright and Ferris	**1997**		*		
Balabanis et al	**1998**			*	
Brown	**1998**	*			
Judge and Douglas	**1998**	*			
Sharma and Vredenburg	**1998**	*			
Stanwick and Stanwick	**1998**	*			
Verchoor	**1998**	*			
Berman et al	**1999**	*			
Graves and Waddock	**1999**	*			
Klassen and Whybark	**1999**	*			
Ogden and Watson	**1999**	*			
Teoh, Welch and Wazzan	**1999**			*	
Carter et al	**2000**	*			
Christman	**2000**	*			
Dowell et al	**2000**	*			
McWilloams and Siegel	**2000**			*	*
Bagozzi et al	**2001**	*			
Moore	**2001**			*	
Ruf et al	**2001**	*			
Barnett and Salomon	**2002**				*
King and Lenox	**2002**	*			
Kumar et al	**2002**	*			
Simpson and Kohers	**2002**	*			
Waddock et al	**2002**			*	
Margolis and Walsh	**2003**	*			
Orlitzky et al	**2003**	*			
Rennings et al.	**2003**			*	
Seifert et al.	**2003**			*	
Goll and Rasheed	**2004**	*			
Seifert et al	**2004**			*	
Tsoutsoura	**2004**	*			
Karpoff et al	**2005**	*			
Rey and Nguyen	**2005**	*			
Shank	**2005**			*	*
Van de Velde et al	**2005**	*			
Barnett and Salomon	**2006**				*
Bird et al.	**2006**			*	
Brammer et al	**2006**	*			
Galbreath	**2006**			*	
Luo and Bhattachary	**2006**	*			
Brine et al.	**2007**			*	
Fioriet al.	**2007**			*	
He et al	**2007**	*			
Hill et al.	**2007**			*	
Lopez et al.	**2007**		*		
Mahoney and Roberts	**2007**			*	
Margolis et al	**2007**	*			
Nakao et al	**2007**	*			
Akpinar et al.	**2008**	*			
Brammer and Millington	**2008**	*			
Mittal et al.	**2008**			*	
Orlitzky	**2008**	*			
Saleh et al.	**2008**	*			
Scholtens	**2008**	*			

van Beurden and Gossling	**2008**	*			
Wang et al.	**2008**	*			
Callan and Thomas	**2009**	*			
García-Gallego and Georgantzís[21]	**2009**	*			
Lin et al.	**2009**	*			
Makni et al	**2009**			*	
Nelling and webb	**2009**			*	
Rais and Goedegebure	**2009**	*			
Shen and Chang	**2009**	*			
Surroca et al.	**2009**	*			
Carroll and Shabana	**2010**	*			
Castro et al.	**2010**			*	
Guney	**2010**		-		
Kapoor and Sandhu	**2010**	*			
Lev et al.	**2010**	*			
Mishra and Suar	**2010**	*			
Wood	**2010**	*			
Yang et al.	**2010**	*			
Andersen and Olsen	**2011**	*			
Crisostomo et al.	**2011**		*		
Keffas and Briggs	**2011**	*			
Rahmawati and Dianita	**2011**		*		
Schreck[22]	**2011**			*	
Soana	**2011**			*	
Uadiale and Fagbemi	**2011**	*			
Wang	**2011**	*			
Babalola and Abiodun	**2012**		*		
Barnett and Salomon[23]	**2012**				*
Bolanle et al	**2012**	*			
Ehsan and Kaleem	**2012**	*			
Setiawan and Janet	**2012**			*	

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[21]Monopoly market: $\pi^*_{MC} = \frac{m^2}{2k}$ $\quad s^*_{MC} = m/k$

$$SW^*_{MC} = \frac{m+n}{2} s^*_{MC} + s^*_{MC} - \frac{1}{2} k s^{*2}_{MC} = \frac{m(n+2)}{2k}$$

$$q_{2DI} = \left(\frac{p_{1DI} - p_{2DI}}{s_{1DI} - s_{2DI}} - \frac{p_{2DI}}{s_{2DI}} \right) \left(\frac{1}{n-m} \right).$$

Duopoly Market (two operators):

$$\frac{\partial \pi_{1DI}}{\partial s_{1DI}} = 0 \Rightarrow \frac{\partial r_{1DI}}{\partial s_{1DI}} = \frac{\partial C_{1DI}}{\partial s_{1DI}} \Rightarrow \frac{4n^2 s_{1DI}(4s^2_{1DI} - 3s_{1DI}s_{2DI} + 2s^2_{2DI})}{(n-m)(4s_{1DI} - s_{2DI})^3} = ks_{1DI}$$

$$\frac{\partial \pi_{2DI}}{\partial s_{2DI}} = 0 \Rightarrow \frac{\partial r_{2DI}}{\partial s_{2DI}} = \frac{\partial C_{2DI}}{\partial s_{2DI}} \Rightarrow \frac{n^2 s^2_{1DI}(4s_{1DI} - 7s_{2DI})}{(n-m)(4s_{1DI} - s_{2DI})^3} = ks_{2DI}$$

Different Extent: Higher profit earned more for firms have engaged higher social responsibility.

[22]This paper shows the endogenous bi inter-directional casualty relationship of CFP and CSP.

[23]This paper hitherto provides distinct relationship between corporate social responsibility initiatives and disclosures and corporate net income and ROA etc to demonstrate that deeply and minor U-shaped pattern of the CSP – CFP: net income and ROA identical and distinct relationship. So, no asterisk directional indication marks in here.

Weshah et al	**2012**	*			
Wissink	**2012**	*			
Grappi, et al	**2013**	*			
Manasakis	**2013**	*			*
Sweetin, et al	**2013**	*			
Eccles et al	**2014**	*			
Manasakis	**2014**	*			*
Flammer	**2015**	*			*
Saeidi et al[24]	**2015**	*			
Nollet, et al	**2016**				*
Wang et al	**2016**	*			
Wang and Li	**2016**			*	
Zhao and Murrell	**2016**	*			
Hasan et al	**2016**	*			
Al-Hadi, A et al	**2017**	*			
Cornett, et al[25]	**2017**	*			*
Kabir et al[26]	**2017**	*			*
Lins, et al	**2017**	*			*

*** CSR is statistically significantly related to CFP**
+ CSR is positively related to CFP without significant
-CSR is negatively related to CFP without significant
x no report data

Flammer (2013) adopting a CSR-related proposal leads to superior financial performance but the effect is marginally diminishing. This paper subjects to unclean casual estimate, limit sample sizes garnered that in doubt whether those samples can be representative for the whole population and whether the theoretical-driven hypothesis can be plausiblely testable and serious omitted correlated problems are not perfectly rebuttable due to not deep incorporation of control variables that the dependent variables can remain partially explainable, leading to the generalizability problem remaining unresolved indeed. Nollet, et al's (2016) paper hitherto provides unprecedented distinct bi-lateral relationship between corporate social, environmental and corporate governance initiatives and disclosures and corporate financial and market performance to demonstrate the identical and distinct U-shaped pattern of the CSP – CFP relationship; in the non-ephemeral time frames CSP is statistically significantly correlated with CFP measured by market based or accounting based but this phenomena cannot be blurrily shown in the ephemeral time frames, no asterisk directional indication marks in here. Wang and Li's (2016) paper regression model specifications are suffering from the fragile of economic modelling, resulting unconvincing results and also cannot ward off the self-selection-bias refractory problems. Lins et al (2017) find out that firms with better CSR would yearn higher raw and abnormal market based returns, corporate sales, gross, ROA growth, generating more turnover by each peon and pleb, juxtaposed with those relative lower CSR investment, in peaceful and crisis time that results are not obvious after the financial crisis but such relationship cannot be entirely shown linear in some circumstantial deciles.

3.4. The Impact of CSR Initiatives on Corporate Performance: Market-based measures

Markets (both domestic and global) tend to react to corporate disclosures related to CSR. Research by Bushman and Smith (2003) demonstrated that when certain types of information is disclosed to the public (i.e.

[24]The positive effect of CSR on firm performance is due to the positive effect CSR has on competitive advantage, reputation, and customer satisfaction, using Iranian companies as samples. This paper is also seriously subject to the omitted correlated problems due to incorporation of too few variables, leading to generalizability of results remaining unresolved indeed.

[25]This paper provides industry-regional circumstantial evidence that the biggest US banks pursue socially responsible activities to a significantly greater extent than smaller banks and they perform better financial performance, measured by ROE during the recent financial crisis. This paper employs the social, environmental and governance ratings extracted from MSCI ESG STATS database (formerly KLD). Furthermore, the capital market would reward high social responsible firms.

[26]The result of the CSP-CFP relationship is U-shaped that CSP is measured by KLD (Kinder, Lydenberg, and Domini) scores and CFP is measured by net income and ROA.

information related to research and development projects, product quality, and employee backgrounds), markets used the reported information to assess the reliability of a firm's disclosures and adjust judgments of the firm's profitability. Wang and Li (2016) provide china enterprise evidence of positive market reaction to the first-time disclosure of corporate social reports, especially for the state-owned enterprises. Reporting of environmental issues are of utmost importance to this end (Blacconiere and Patten, 1994). Richardson and Welker (2001) showed that corporate disclosures related to adherence to environmental preservation may be partially detrimental to a firm's funding costs. Related to this, a substantial amount of empirical evidence has shown that investors use disclosed information related to environmental preservation when while making decisions in capital markets (Blacconiere and Patten, 1994; Blacconiere et al., 2000; Northcut, 1997; Richardson and Welker, 2001). Stakeholder interest in environmental issues is also on the rise in many countries (Bebbington et al., 2000; Cormier and Magnan, 2003). Some researchers provide circumstantial evidence on the impact of environment disclosures on marketbased performance (Blacconiere and Patten, 1994). Griffin and Sun (2013) greenhouse gas emissions information disclosure by managers' decision can provide add-on effect of returns to shareholders within three days around the disclosure date as do Plumlee and Brown (2015).

As evidenced by certain stakeholders' behaviours in relation to environmental disclosures, stakeholders receive benefits from firms that they judge to be good corporate citizens. Socially responsible organisations are typically perceived as more preferable investment opportunities (Sen et al., 2006), making it easier for firms to procure loans and share capital at lower costs (Dhaliwal et al, 2014; Orlitzky, 2008). In this way, market reactions to CSR-related disclosures reflect capital providers' expectations with regard future earnings and cash flow. A number of valuation models have been developed and used to this end, including the dividend-discount model (Gordon, 1959), the free cash flow model (Brealey et al, 2005), and the residual earnings model (Ohlson, 1995). Given the above, it seems as though the capital market utilises CSR information to predict future earnings and cash flow. CSR information can be used to this end because it reveals the costs and benefits associated with various socially responsible activities in which corporations engage. Some of these activities include land remediation, product quality improvement, dedication to employee and customer satisfaction, merriment and mirthfulness, and environmental protection. Each of these activities (in addition to others) is largely perceived to be a useful tool for predicting firm value in capital markets. Relevant CSR information that can be used to this end is typically found in a variety of different CSR reports (Aertsa et al, 2008; Zeghal and Ahmed., 1990).

A firm with higher level of CSR activities leads to have greater financial performance (Eccles et al, 2014) and enhances the company's human resources, marketing functions and others. Some scholars perceive that a global blizzard financial crisis increases the importance of corporate social responsibility as the society perceive those firms with high social capital, measured by social initiatives, are more trustworthy than those with none or low during the financial crisis (Cornett et al, 2016; Putrevu, et al., 2013). Further, more recent scandals (Enron & WorldCom) led to corporate focuses more on a boarder corporate strategy rather than only on shareholders' wealth maximization. Therefore, more companies increasingly commit to CSR activities (Pinkston and Carroll, 1994). Many large corporations (e.g. Cisco) implement various CSR programs in order to shore up employees' awareness and knowledge of CSR issues (Bhattacharya and Sen, 2004; Drumwright and Murphy, 2001; Joyner and Payne, 2002; Murray and Vogal, 1997).Therefore, the trend of CSR disclosures (one of CSR activities) is on the rise (Ball et al., 2000;Kamp-Roelands, 2002; Ramanathan, 1976). For instance, the number of stand-alone CSR reports taperingly increase from fewer than 100 in the middle of the 1990s to more than 1,000 in 2007 (Dhaliwal et al., 2012). Furthermore, the reputation of corporate and welfare of stakeholders are also important to stockholders' wealth maximizations and long term survivals. Because shareholders are only a party to share overall stakeholders' surplus, thus, shareholders' wealth should be linked to stakeholders' wealth. So, mainstream resource-based view scholars argue for a positive between corporate social responsibility and corporate financial performance relationship, as CSR can improve firm– stakeholder relationships and enhance the company's reputation among customers, employees, regulators, suppliers and the media (Berman et al., 1999; Brammer and Pavalin, 2006; Carmeli et al., 2007; Haley, 1991; Waddock and Graves, 1997[27]; Orlitzky et al., 2003[28]). In the case of firms with a good company-stakeholder relationship, stakeholders, such as employees, customers, governments, and the media, tend to respond favorably to CSR activities (Berman et al, 1999; Chen and Meindl, 1991; Henriques and Sadorsky, 1999), which in turn create a good company reputation and benefit economic performance (Agle et al., 1999; Margolis and Walsh, 2003; Roman et al., 1999; Tang et al, 2012; Qiu et al, 2016). For instance, Margolis and Walsh (2003) and Roman et al. (1999) summarize 127 and

[27]Using an index that measures the overall CSR performance of firms, Waddock and Graves (1997) find that social performance is positively associated with future financial performance.
[28]Orlitzky et al. (2003) perform a meta-analysis of 52 quantitative studies and confirm a positive relationship between CSR performance and financial performance

52 studies, respectively, conducted since the 1970s and find a generally positive association between these two performance measures. Besides, many business literatures also find that the impact of CSR activities on market-based performance and risk (McWilliams et al, 2006; Orlitzky and Benjamin, 2001; Orlitzky et al, 2003). Lins et al (2017) document during the blizzard of the financial crisis, firms with higher corporate social responsibility intensity perform 7% of stock return better than firms with low social intensity, implying that stakeholders building trust with firm managerial leadership reflecting in the share price presumably and promptly before the blizzard of the financial crisis can resist inrush by negative stock. Thus, it implies that many investors are diffident, denonair and flinch to invest into corporations without any social just and justice. They want those corporations to more care about the whole society. As investors react on CSR activities, financial analysts likely consider those activities in their forecast making process.

3.5. How CSR initiatives affect Corporate Financial Performance

In general, a number of past researchers have conjecturally theorized that there is a positive relationship between CSP and CFP though, these researchers had failed to show how this relationship exists. However, more recent empirical treatments of the issue have investigated this question more comprehensively. First, it is pivotal to note that CSR activities include all activities related to community development, diversity, employee rights and relations, the environment, human rights, and product quality control (Klein and Dawar, 2004). Many of these elements of CSR can affect corporate profitability, and in turn, shareholder wealth (Flammer, 2015). Socially responsible companies have the capacity to differentiate themselves from their competitors by addressing these issues, thereby improving their public image and reputation revamps (Fombrun and Shanley, 1990), developing customer trust and goodwill, and cultivating positive attitudes among employees (Brammer et al., 2007; Maignan et al., 1999; Rupp et al., 2006; Valentine and Fleischman, 2008). By engaging in these activities, companies can reduce their risk for irascible customer or cantankerous employee explosive backlash, ignite backfire and vicious betrayal, thereafter impounded in their non-ephemeral financial performance (Margolis and Walsh, 2001, Orlitzky and Benjamin, 2001; McWilliams and Siegel, 2000; Orlitzky et al., 2003), which is reflected in the price of their stock (Freedman and Jaggi, 1992; Narver, 1971; Verrecchia, 1983). Some earlier research has also supported these assertions (see Rockness et al, 1986).

Ultimately, these findings suggest that corporate reputation and stakeholder welfare are important considerations when attempting to maximise shareholder wealth and ensure long-term financial viability. Because shareholders represent only one group that is affected by corporate decisionmaking, shareholder financial wealth should be linked to stakeholder benefits. Therefore, scholars that adopt the resource-based perspective strongly argue that the relationship between CSP and CFP is positive (Berman et al., 1999; Brammer and Pavalin, 2006; Carmeli et al., 2007; Haley, 1991; Waddock and Graves, 1997[29]; Orlitzky et al., 2003[30]). For firms characterised by strong corporate-stakeholder relationships, employees, customers, governments, and the media tend to respond favourably to the firm's CSR activities (Berman et al, 1999; Chen and Meindl, 1991; Hasan et al, 2016; Henriques and Sadorsky, 1999). For this conjecture hypothesis, Hasan et al (2016) argue that stakeholder engagement associated with better corporate social performance helps develop such intangibles, transposing into lustrous financial performance. This, in turn, contributes to the company's reputation and future economic performance (Agle et al., 1999; Kabir et al, 2017; Margolis and Walsh, 2003; Roman et al., 1999; Tang et al, 2012). Al-Hadi et al (2017) examine a set of samples 651 publicly listed Australian firm-years' data covering the 2007–2013 period, their regression results show that positive CSR activity significantly reduces financial distress of the firm and more resist the financial stock during the blizzard financial crisis (Cornett et al 2016). So, this section investigates how corporate social responsibility initiatives affect corporate financial performance and this section also finds out what the mediators in between corporate social responsibility activities and corporate financial performance to understand how CSR influences mediators and in turn affect corporate accounting-based and market-based financial performance.

3.5.1. Employee Perspectives

Firms more concern about employee benefit, rights and development of bone fida relations and the nostalgia of the firm productivity and in turn increase firm profitability. Today, many developed countries already established laws to protect employee rights in corporations. Some developing countries recently also made specific laws to adjuringly obligate organizations toward labour issues (Lan and Pickles, 2011). Sherrie (2003) and Kryvoi (2007) examine the employee right protection in different countries. Employee right

[29]Using an index that measures the overall CSR performance of firms, Waddock and Graves (1997) find that social performance is positively associated with future financial performance.
[30]Orlitzky et al. (2003) perform a meta-analysis of 52quantitative studies and confirm a positive relationship betweenCSR performance and financial performance.

protection is also important in CSR activities, including safeguarding the legitimate rights of employees, impounded in common rules and regulations for employee's health and safety, providing reasonable salary and rewards to employees, treating employee more fairly, cordially, respectfully and less audacity, cringe, grueling and vengeance (Lindgreen and Swaen, 2010; Rettab et al, 2009). A recent study demonstrates that employee rights protection in China vamp up corporate reputation and profitability performance (Lee et al, 2013; Saeidi, et al, 2016). They report that firms with renounced brand names of products have been badly affected by corporate social irresponsibility (i.e. poor protection of employee rights) vice versa (Green and Peloza 2011; Marin et al, 2009). Other CSR research also incorporates employee right protection component to examine relation between CSR activities and firm performance (Carroll and Shabana, 2010; Margolis, Elfenbein, and Walsh, 2007; Orlitzky, 2008; Saeidi, et al, 2016; van Beurden and Gossling, 2008; Wood, 2010). All of them find firms with better employee right protection, with good working environment, with less grudge and with less dissension. The better employee practice implemented in organizations can lead to better employee relations with management (Jones, 1995). If firms enhance employee relations, it can lead them likely to accept voluntary work, supporting to intrinsic motivation hypothesis (Kreps, 1997; Frey and Oberholzer-Gee, 1997; Ryan et al, 1991). Thereby, it can slash monitoring costs and increase productivity by aligning between corporate goals and employee motivations because they are internally motivated to do better and more within corporate. Increased employee productivity can in turn improve firm economic performance (Akerlof, 1982; Shapiro and Stiglitz, 1984; Yellen, 1984). Social initiatives tend to improve unsullied corporate reputation (Lii and Lee, 2012) and signal to potential job applicants that the company that implements such initiatives operate in an ethical manner. This can serve to attract better, more passionate and zealous highly skilled employees. As a result of these signals, applicants can enhance self-concept (Greening et al., 2000), resulting in they being more likely attracted by social responsible companies. In this way, there exists a positive relationship between a company's engagement in CSR-related activities and the degree to which that company is perceived as an attractive place of employment to potential applicants (Backhaus et al., 2002; Greening et al., 2000; Turban and Greening, 1997). This benefits socially responsible corporations, as attracting a large number of high-quality workers can help a firm to obtain or maintain a competitive advantage over its chumps (Huselid, 1995).

3.5.2. Customer Perspectives

Corporate social responsibility is increasingly perceptible, observable and inestimable value to consumers (Brown and Dacin, 1997). Researchers have pursued in-depth studies involving the impacts of CSR activities on corporate financial performance, such as customer satisfactions and salutations, consumer purchasing behaviors (Sen and Bhattacharya, 2001), consumer response to products (Brown and Dacin, 1997) and consumer attitudes to products (Berens, van Riel, and van Bruggen, 2005) and attachment (Marin et al., 2009). These studies show that CSR activities can benefit to various financial aspects of a company's success. Grimmer and Bingham (2012) provide a scintilla of evidence through an experimental study that customers have higher purchase intentions from firms with highly perceived environmental involvement. Besides, CSR activities can trim the transaction costs arising from conflict between shareholders and customers (Freeman, 1984). What is more, if firms can improve product quality (one of CSR activities), it can improve firm reputation and slash the risks of consumer activism and their legal actions (Öberseder et al, 2013; Skarmeas and Leonidou, 2013). Even though there is no any litigation issues, consumers' negative words of month mimic and pummeling and protesting behavior against corporate social irresponsibility and environmental unfriendliness can also besmirch firm sales and reputation, directly and indirectly resulting in direful economic performance (Grappi et al, 2013; Sweetin et al, 2013). Further, the media is likely to cover and capture the news about consumer deception, inveigling and bogus (e.g. selling phony or putrid products), frauds, deceits and scams (e.g. pyramid machinations) and financial scandals (e.g. worldcom). Italways reveals corporate misconduct, machination, fraud and negligence to placate customers. Customers come to shops to be pampered but not punctured. Consumers always trend to ask how corporate CSR activities contribute social well-being (Forehand and Grier, 2003; Vanhamme and Grobben, 2009). In recent years, the widespread of prejudicial and unpleasant unease customers take anti-actions negatively seeping towards firms such as boycott, imperturbability, outrage, outcry, intimation, skepticism, suspicion, distrust, hastiness, perception of social irresponsibility and others (Darke and Ritchie, 2007; Ferguson, Ellen, and Piscopo, 2011; Klein, Smith, and John, 2004; Lange and Washburn, 2012; Lindenmeier et al, 2012). Especially, There is a raise on consumer boycott and treacherous betrayal in recent decades, thereby the fact that firm has been facing the risk of that (Friedman, 1991; Gelb, 1995; John and Klein, 2003; Sen, Gurham-Canli, and Morwitz, 2001). When firms employ more CSR activities, it prevents the risks of having murky performance in future arising from these activisms. On the contrary, CSR firms can attract "social responsible" customers' perception of firm influencing their consumption choices (BeckerOlsen et al, 2006; Shea, 2010) to generate more sales to those firms.

CSR activities can, thus, strengthen the product's differentiation such as environmental friendliness in the market, compared with other schmucks (Klassen and Whybark, 1999). Some customers make purchase decisions likely based on the corporate environment responsibility (Marin et al, 2009; Moisander and Pesonen, 2002; McEachern et al, 2010). By doing so, effective CSR activities can benefit to the firm financially. Take "green market" as an example, it is rapid growth in a recent decade (Hartmann and Ibáñez, 2006), indicating that many consumers incorporate corporate environmental issue into their decision making to choose less environmental-damaging products (Moisander and Pesonen, 2002). In management literature, many scholars already investigate the relation among CSR customer-related activities and firm strategic decisions and profitability performance (Auger and Devinney, 2007; Crane et al, 2008; Devinney et al, 2010; Fowler and Hope, 2007; Grimmer and Bingham, 2012; Saeidi, et al, 2016).

Financial return on sponsorship investment is often only one goal of sponsors. Companies may financially invest in sponsorship, donate products and services in communities, or promote social causes in order to be a good citizen or give something back to the community or society (Bovair et al., 2002). As consumers are expected to like the social components of sponsorships (Simmons and Becker-Olsen,2006), sponsoring the social event play important to stiffen the consumers' commitments to the sponsor. Many firms are changing firm promotion strategies and stamina (shifts towards community-based event marketing) because firms seek to demonstrate to their customer base that they are socially responsible in times of tight economic conditions and corporate scrutiny (Russell Lacey et al, 2013). Grohs et al. (2004) state that sponsoring social events can convey a substantial amount of information to consumers. Cornwell and Coote (2005) are deprecatory firms sponsoring social events have not the potential to change the attendees' attitudes or pattern of consumption since sponsoring events can increase consumers' awareness and knowledge of sponsoring firm products. Further, Lacey et al (2013) provide evidence how social events affect attendees' perceptions of the sponsoring firms as socially responsible, thereby increasing their commitment to buying more of the sponsoring firm's products, which will in turn improve its performance (Lichtenstein et al., 2004; Sen et al., 2006; Vlachos et al., 2009). In conclusion, effective CSR activities (on consumer perspective) can positively impact on economic performance.

To pursue long-term benefits, a company must treat all stakeholder parties well (Armstrong and Green, 2013)., They, if fatuous managers do not treat the owners well, are likely to be replaced. Customers if companies do not treat customers jauntily and aflutterly, are likely to seek other companies that treat them better or sue the existing companies for providing poor quality product under tort and contract laws. So, effectiveness of CSR activities can improve or worsen firm economic performance. Prior studies that found family firms performing very well have suggested that the social and human capital of family firms have contributed to their performance (Arregle et al, 2007; Barth et al, 2005).

3.5.3. Competitor Perspective

Brennan (1988) argued that a strategy in which a firm raises its rivals' costs can be implemented by exercising political strategies intended to shift the rivals' resource supply curves upwards and cremate their cash. Doing so increases the selling prices of those resources and reduces their sales volumes. Because more socially conscious companies are able to purchase large amounts of resources at a relatively low rate, when a company acts in a socially responsible manner, they are able to not only increase the efficiency with which they conduct operations, but also increase rivals' resource costs, dying bleed their resources and piss off. Alternatively, companies that do not engage in CSR-related activities may be restricted in the degree to which they can procure resources from suppliers. Given this, it behoves companies to engage in a socially responsible fashion, as it increases the extent to which they hold competitive advantages over their rivals as to excrement them from the market. Kick them so hard in the goolies.

According to resource-based theory, a company's participation in CSR activities can be considered a political strategy geared up heading towards increasing the average costs their competitors must incur (McWilliams et al, 2002). In this way, companies can strategically utilise regulations related to occupational safety and health or environmental preservation to improve their corporate reputation or increase the costs incurred by rivals. As effectively summarised by Director and Levi (1956), by increasing the costs of their competitors, firms can benefit as a result of the competitive advantages they secure to suffocate them from the keenly competitive market.

3.5.4. Corporate Perspective

A company's participation in CSR activities can provide it with financial benefits derived from reductions in business-related risks (Orlitzky and Benjamin, 2001). Specifically, by engaging in socially responsible behaviour (particularly environmental assessments; (Waddock, 2002), firms are better equipped to anticipate environmental upheavals or convulsions (King, 1995), thereby allowing them to adapt to such drastic

changes. In addition, by participating in socially responsible activities, companies can avoid being forced to pay dumb huge fines that are enforced in response to tomfoolery and neglectful behavior. In this way, companies can effectively reduce their legal costs by behaving responsibly. Orlitzky and Benjamin (2001) empirically demonstrated the negative relationship between CSR and corporate market risk, showing that firms that engage in CSR activities are less prone to costs associated with vexatious and negligent behaviour.

To be socially responsible, regarding the internal effect, companies can impose various programs and proactively migrate the environmental impact of their plants and production process (Rondinelli and Berry, 2000). Effective CSR activities such as programs and policies to jettison waste or reduce material consumption in production process that simultaneously help companies to protect the environment as well as reduce production costs (Christman, 2000).Some research reports show that there is a strong positive correlation between environment ratings and financial returns (Godfrey, 2005). A substantial number of empirical studies suggest that proactive compliance with environmental standards can help firms to prevent certain costs in the long term and have better performance.

Theoretical and practical approaches to CSR have shown that corporate reputation is a critical determinant of the ways in which socially responsible behaviour affect a firm's financial performance. Orlitzsky et al. (2003) showed that over 30 years of empirical work on the relationship between CSR and CFP, corporate reputation is consistently identified as an important mediator (Orlitzky et al, 2003). Quite simply, customers and suppliers are more jocundly to engage in business with companies who perform well with respect to their social responsibilities. Ethical investors are grudgingly willing to purchase shares from companies with no voluntary information disclosures related to their CSR practices (Anderson and Frankle, 1980). Reputation plays an integral part in determining a firm's successes though, (Chernev and Blair, 2015; Schuler and Cording, 2006) it is not the only determinant associated with CSR. For example, firms have social obligations to treat their employees properly and genially. When they do so, employees of those firms may show loyalty to their employer and rhapsodes about the corporate future fantasy, resulting in increased organisational commitment and motivation to complete work efficiently and effectively (Hodson, 2001).

A resource-based view of the CSR-CFP relationship can inform managers about efficient resource allocation (Holliday et al., 2002). Specifically, a dedication to CSR may assist top managers in developing skills to scan and latch understand the external environment, particularly as it relates to societal expectations or unexpected crises. Taken together, the universe of research on the relationship between CSR and CFP demonstrates that although a focus on skill development relates to CFP to some degree, these effects are only 67% as strong as reputation-based effects (Orlitzky et al, 2003). Though reputation seems to play a more substantial role in determining a firm's CFP, the extent to which internal skill building affects a firm's financial outcomes is bountifully large to warrant consideration from managers. In summary, meta-analytic evidence shows CSR to be an important internal resource. A correlation of 0.49 between CSR and financial performance is sufficiently high to explain their relationship.

Summary

Influencing current and future financial performance through engaging in CSR initiatives can be in different thoroughfares, one of which is to implement responsible employee practices such as improvement on employees' relations, working environment and protection of their rights that when firms improve employee relations in firms, it can encourage workers to take more voluntary tasks that increase their productivity of work, in turn bolstering sales and reducing average operating costs of the firm (Akerlof, 1982; Frey and Oberholzer-Gee, 1997; Kreps, 1997; Ryan et al, 1991; Shapiro and Stiglitz, 1984; Yellen, 1984). Regular and stickier controls in the production facilities and processes of the company can ensure that all employees work in good working environments with earning abundant wages. Although these practices are costly for the company, it can increase their productivities and improve product quality, it can in turn increase their productivities and reduce "wicked, wreck and wretched" products (Moskowitz, 1972; Parket and Eibert, 1975; Soloman and Hansen, 1985). Prior studies also support employee rights protection can improve unsullied corporate reputation and indirectly correlated with good financial performance and interrelate to corporate continuare in operation (Carroll and Shabana, 2010; Lee et al, 2013; Margolis et al, 2007; Orlitzky, 2008; van Beurden and Gossling, 2008; Wood, 2010). Another influential path of the impact of CSR initiatives on economic performance is through customers' reactions, many customers make purchase decisions highly based on the corporate social and environment responsibility, more ever than before (Moisander and Pesonen, 2002; Marin et al, 2009; McEachern et al, 2010). If firms can improve product quality and produce environment-friendly goods, it can improve firm social reputation and reduce the risks of consumer activism, skepticism and legal actions from a mob of bellicose customers (Öberseder et al, 2013; Skarmeas and Leonidou, 2013), thereby reducing risks of having ludicrous financial performance arising from these abject consumer anti-actions, such as leary and suspicion (Ferguson, Ellen, and Piscopo, 2011), boycott (Klein, Smith, & John, 2004), distrust (Darke and

Ritchie, 2007), outrage (Lindenmeier et al, 2012), cynicism (Chyllinski and Chu, 2010), thereby slashing risks of having ludicrous financial performance arising from these consumer anti-actions, such as suspicion (Ferguson, Ellen, and Piscopo, 2011), boycott (Klein et al, 2004), distrust (Darke and Ritchie, 2007), outrage (Lindenmeier et al , 2012), cynicism (Chyllinski and Chu, 2010), vice versa. Skarmeas and Leonidou (2013) find that CSR skepticism from consumers likely hurts retailing firms' share performance, decreases stakeholders' resistance to bad news about the firms, and stimulates negative word of mouth among customers or scurrilous, misrepresented rumors abound among recalcitrant customers, results in crotesque performance. All those critical forward looking CSR information can be found in different corporate CSR reports (Aertsa et al, 2008; Zeghal and Ahmed., 1990).

3.6. Conclusion

Numerous studies examining the corporate social responsibility performance correlates with the corporate financial performance. This paper already succinctly review prior studies last five decades and conclude that companies are highly likely better performance for socially responsible companies. While companies engaging CSR activities, companies can improve corporate reputation amongst customers, suppliers, the government, shareholders, watchdogs and others, likely influencing their behavior, in turn improving corporate financial performance. Lousy CSR initiatives seamlessly smudge product image, smear corporate reputation, mottle goodwill and blemish against corporate name in the community due to demanding, sqeamishing, abhorred, hatred and outrageous customers uprising, pompous, embittered and rancor employees upheaving and suppliers tumultuously uproaring, plummeting companies' future earnings and soaring operating risks. Prior studies show no matter of using accounting-based measures or market-based measures of corporate financial performance, corporate economic performance is statistically and economically correlated with corporate social performance. To break down these results, even though different short term or long term measures of corporate accounting based financial performance, including profitability such as sales profit margin, net income, and earnings per share; corporate growth such as return on sales, 2-year, 3-year, 5-year return on equity, earnings per share growth; asset utilization such as return on investments and asset turnover; liquidity such as acid test, current ratio and pay-out ratio, and others, supporting that CSR actions very trend to be a positive with CSR performance. Evidence also shows that social and environmental disclosures are be partially detrimental to a firm's cost of fund and security markets are also responded to CSR activities and disclosures. Further, some evidence also show that SRI funds exhibit stronger performance from invested in angelic companies rather than sordid and filthily companies. Therefore, it is likely that social responsible companies can relish lustrous financial performance than other companies and ethical fund managers are humming and hawing and sheepish to invest those grief and filthy companies. In practice, many business cases, just naming a few, IBERDROLA, Dell Inc., Cisco, Nike, Coca-Cola, etc., provide industry evidence to support CSR policies and issues can influence corporate current and future financial performance by changing customers' perception, buying behavior, corporate media image, corporate reputation. Lastly, the professional survey conducted my some non-profit organizations and professional bodies can also show companies can enjoy lustrous financial performance from CSR involvement and investment. Future research insights include regression model re-fining, more variables incorporation, new determinants of corporate social responsibility finding, other economic consequences of social and environmental initiatives and immediate market impact of social (especially) and environmental event studies.

CK Man holds a PhD at University of Aberdeen. He has teaching experience in Financial Accounting, Cost and Management Accounting, and Financial Statement Analysis. His educational accomplishments include BBA in Accountancy (First Class) from City University of Hong Kong. Master of Science in Accountancy (Distinction) from The Hong Kong Polytechnic University, and Master of Accountancy (Dean List) from The Chinese University of Hong Kong.

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