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Doing Good Does You Good? The Financial Impact of Individual CSR Dimensions: A Malaysian Context

Abstract

Purpose: Although CSR-CFP research topics have been widely investigated, previous research has yet to examine the relationship between the specific dimension of corporate social responsibility (CSR) and corporate financial performance (CFP) among Malaysian public-listed companies. Through literature review, it has been found that the CSR-CFP studies conducted in Malaysia have omitted the role of workplace diversity dimension in contribution to CFP. Failure to consider this variable may risk misrepresenting the relationship between CSR and CFP, thereby preclude consensus on the direction of the relationship between the variables. The purpose of this study was to investigate the relationship between individual CSR dimensions and CFP.

Design/ Methodology/ Approach: By employing the CSR dimension disclosure-scoring method and cross-sectional data analysis, this research has conducted a content analysis on annual reports of the sample companies to evaluate the influence of CSR practices on companies' profitability during 2015.

Findings: The results show that companies displaying CSR behavior are associated with higher CFP. That is to say, there is a positive relationship between CSR and CFP. However, the result has further revealed that the five CSR dimensions in isolation would differently associate with the two proxies of CFP.

Originality/ Value: This is the first study in Malaysia that considers workplace diversity issues as one of the dimensions of CSR. The findings will thus bring new insights into CSR application in Malaysia and its association with the CFP.

Keyword: CSR, CFP, profitability, institutional theory, Malaysia.

Introduction

Over the last decade, Asia has been growing significantly, which according to the World Economic Forum, is expected to contribute 60% of the global economic growth by 2030 (Yendamuri and Ingilizian, 2019). The region remains the world's most dynamic region by a substantial margin (International Monetary Fund, 2018). However, the rapid growth in Asia has been accompanied by the detrimental effects on both society and environment, primarily due to exploitation and over-consumption of natural resources (Snell and Haq, 2014). As explained by Hansmann et al. (2012), sustainability is an integrated concept of environmental, social and economic. This reflects that responsible development is more than just about having sufficient economic capital. Sustainable development is, therefore, a complex interrelationship between these three pillars and should be considered holistically such that a comprehensive approach can be developed (Cappa et al., 2020c; Papa et al., 2017; Rodríguez-Serrano et al., 2017). The prevalence of these issues would no doubt present businesses of all kinds with challenges and opportunities. If not dealt with, these socio-environmental problems could give rise to harmful effects on the environment, the society, and in the process, impairing company's reputation and goodwill (Papa et al., 2017).

In the same vein, CSR is a process "to integrate social, environmental, ethical, human rights and consumer concerns into their business operations [...] with the aim of maximizing the creation of shared value for their owners/shareholders and their other stakeholders and society at large" (European Commission, 2011). This conceptualization of CSR fits nicely with the definition of sustainable development where CSR is an extension of corporate governance, with its duties going beyond shareholders but accommodating to the expectations of a broader group of stakeholders (Theodoulidis et al., 2017). Hence, it is not surprising that developing countries' governments are advised to undertake CSR practices, as sustainable economic growth is underpinned by socio-environmental awareness, as well as responsiveness to the community (Visser et al., 2015). According to Fialho and Van Bergeijk (2017), a developing country is one that is with growing economic strength with a significantly lower per capita national product and a relatively low human development index when compared to other countries. With a GDP per capita of \$9,766 and an HDI of 0.78 currently, Malaysia is classified as an emerging economy by the World Bank (Investopia, 2019). Having said that, Malaysia's economic growth over the past few decades has been one of the strongest and fastest-growing economies in Asia (Das and Lee, 2014). With this significant growth, CSR involvement has prevailed and become increasingly important in Malaysia. It is compulsory for public listed companies on Malaysia stock exchange to publicly disclose their CSR information, in addition to the mandatory financial report (Haji, 2013).

Despite the growing interests, three gaps remain. First, the effects of CSR practices on CFP are still debatable, especially among for-profit businesses. For instance, Saleh et al. (2011) argued that CSR practices positively influence CFP. In contrast, Rahman et al. (2011) revealed that other than environmental-themed CSR initiatives, other CSR initiatives that involve human resource, the marketplace, and community themed are not related to profitability. At the same time, Franco et al. (2020) too found that simultaneous implementation of CSR and quality management is less beneficial to CFP than the isolated implementation of CSR due to the redundancy of different activities aimed at similar goals. Meanwhile, Waworuntu et al. (2014) who performed a panel analysis across ASEAN countries also concluded a weak CSR-CFP correlation among the Malaysian companies. Evidently, although the positive CSR-CFP relation has prevailed in most of the studies, the inconclusive findings created grounds for further research.

Secondly, it has come to our attention that studies carried out in Malaysia on CSR-CFP such as Saleh et al. (2011) were focusing only on four CSR dimensions: employee relations, community involvement, environmental issues and product quality. The existing studies have forgone to take into account the workplace diversity issues dimension. As far as Malaysia is concerned, including workplace diversity as part of the CSR dimension is an added requirement. In 2014, the Malaysian government made information on workplace diversity compulsory to be disclosed in the public listed company's annual report, in addition to the others (Oh, 2015). Therefore, it is not surprising that earlier studies did not capture this information, which our study will attempt to address.

Lastly, studies concerning the CSR-CFP relationship among developing countries are limited and sparse (Akben-Selcuk, 2019). Within the limited literature, most CSR research on the developing economies tends to focus on the greater Asia region such as India (Tilt, 2016). As such, the understanding of CSR practices from other developing countries, especially in South-East Asia, remains ambiguous.

In light of the above gaps, this research is designed as an extension to the existing discourse found in most of the studies conducted in Malaysia, by including workplace diversity issues as one of the CSR dimensions. This study examines how different CSR dimensions (employee relations, product quality, community involvement, environmental issues, and workplace diversity issues) would affect financial performance among environmental sensitive companies in Malaysia. We expect the results to elucidate new insights that would advance the body of knowledge on the CSR-CFP link. On a practical note, this study has the potential to provide practitioners with clear insights on CSR activity areas that are crucial for augmenting their companies' financial performance.

Theoretical Framework

Several theories can be used to explain the relationships between CSR and CFP. Notably, the institutional theory provides insights into the reasons and process behind the change in the organizational structure. Following the explanations by Jennings and Zandbergen (1995), there are two ways on how institutional changes occur. First, it occurs when rules are backed up with legal implications and coercive pressures that can stimulate changes directly or indirectly. Second, institutional changes occur when companies face mimetic pressures to emulate best practices, especially in this continually changing business landscapes. Putting these in the context of CSR, we argue that the upsurge in CSR reporting regulation around the world requires companies to reimagine their roles to respond effectively to the challenges of coordinating responsive filings to proliferating and different disclosure requirements. Additionally, the growing emphasis on sustainable business operations from different stakeholders means that there is an increasing expectation of companies to allocate resources for CSR initiatives.

Additionally, the legitimacy theory elucidates further on why companies take action in favor of the society. Suchman (1995, p. 574) has postulated that legitimacy is "a generalized perception or assumption that the actions of an entity are desirable, proper, appropriate within some socially constructed system of norms, values, beliefs, and definitions", which goes beyond financial results. This aligns with Deegan and Unerman (2006, p. 270) where they further elucidated that "the legitimacy theory relies upon the notion that there is a 'social contract' between the company in question and the society in which it operates". As the social contract represents the myriad expectations of the society, it is perceived that companies are bound to perform different environmentally and socially desired actions in return for society's approval for their operation (Guthrie and Parker, 1989). Taken together, we argue that the legitimacy theory is a useful explanatory tool to explain the reasoning behind the CSR application and disclosure by companies.

Using the social impact hypothesis and the trade-off hypothesis introduced by Cornell and Shapiro (1987) and Friedman (1970), it provides further insights explaining the impact of CSR has on CFP. The trade-off hypothesis argues that the only social responsibility of any company is to improve its profit and any attempts of involving in CSR activities incur additional costs which erode the profitability of the company (Friedman, 1970). On the other hand, social impact hypothesis postulates that a positive relationship between CSR and CFP can be observed, primarily attributing it to empirical evidence that involvement in CSR practices will achieve a more favorable regulatory treatment, activist group's endorsement, as well as positive media coverage for the companies (Branco and Rodrigues, 2006).

Taken together, the arguments of these theories in the preceding section demonstrate that CSR has been gradually recognized as a critical deliverable within the legal framework and the ethical custom of the country (Porter and Kramer, 2007). The theories also concur that there is a relationship between CSR and CFP to a different extent. Given the growing interests, this study aims to address the following research question - What is the relationship between the different CSR dimensions (employee relations, product quality, community involvement, environmental issues, and workplace diversity issues) and CFP among environmental sensitive public listed companies in the Malaysian context?

Literature Review

CSR Activities in Malaysia

As one of the fastest-growing developing markets, Malaysia has a unique cultural identity due to the presence of three ethnic groups-- the Chinese, the Malay and the Indian. Influenced by the different characteristics of these ethnic groups, the working culture of companies in Malaysia embodied the values of eastern ethics such as collectivism, striving for success, adherence to religious precepts, compliance to regulations and harmony of their groups (Shaari et al., 2020). Within the limited studies of CSR research in this region, there are dissimilarities on how CSR activities are planned and carried out as compared to the developed economies (Saleh et al., 2011).

CSR activities in developing countries tend to be less formal, unstructured, and the motivation of having CSR activities are usually affiliated to philanthropy or charitable purposes. It is, therefore, not surprising that CSR activities in Malaysia are primarily influenced by religion and ethnicity. In general, Malaysian companies are more active in providing psychological and economic support during festivities such as the Chinese New Year, *Deepavali* and *Hari Raya* (Saleh et al., 2011). For instance, Petronas, the national oil and gas company distributed RM200,000 in cash and in-kind to 1,500 beneficiaries in Malaysia (Tan, 2019). Another notable trend is that CSR activities in Malaysia are primarily to fulfil expectations from stakeholders such as the government and foreign business partners (Esa and Zahari, 2014). Despite that, studies by Han et al. (2016), Kim and Oh (2019), and Luffarelli et al. (2019) indicated that CSR activities still fail to provide satisfaction to the stakeholders, especially on how CSR activities contribute towards CFP.

Studies on CSR-CFP Relationship

Ever since the concept of CSR popularized in the 1970s, the possible linkage between CSR and CFP has triggered the interest of practitioners and researchers alike. From Table 1, we can see that the different pieces of literature gravitate towards three perspectives.

***** Insert Table 1 here*****

First, the results between CSR-CFP remain inconclusive. As elucidated by McWilliams and Donald (2000), such inconsistency of the results is not surprising, given the nature of the models that form the basis for the empirical estimation. For instance, Lee and Jung (2016) concluded that there is a positive relationship between CSR and CFP, which is further corroborated by Cavazotte and Chang (2016) and Maqbool and Zameer (2018). However, Soana (2011) disagreed with these findings, demonstrating an overall insignificant relationship between CSR indicators and CFP. Barnett and Salomon (2012), on the other hand, found mixed results when examining the relationship between improved CSR actions and company performance, where a U-shaped relationship was observed. Likewise, CSR-CFP studies in Malaysia revealed mixed findings. Studies such as Ahamed et al. (2014), Saleh et al. (2011) and Wan Yusoff and Adamu (2016) hold the view that CSR practice is positively related to CFP. Meanwhile, Waworuntu et al. (2014) have found negative and insignificant relationships between CSR and CFP. Such inconsistencies in results warrant additional investigations that this study would examine in detail.

Second, most literature adopted return on assets (*ROA*) as the accounting-based measure and Tobin's *Q* (*Q*) as the market-based evaluation. *ROA* has been extensively used in past CSR-CFP studies and is computed as net profit/total assets (e.g. Cavaco and Crifo 2014; Eccles et al., 2014; Mallin et al., 2014). *ROA* is a popular profitability measure as it forgoes the distorting effects of leverage and affords an easily calculated benchmark of profitability (Golin and Delhaise, 2013). On the other hand, *Q* is a market-based measure, which compares the market value of a company and the value of its assets (Perryman et al., 2016). As such, it is computed as the market value of a company's assets divided by its replacement value. A key advantage of using *Q* is that it captures the intangible asset of the company, such as digitalization and big data, based on market information. As such, it reflects investors' response as a proxy for a company future profitability (Cappa et al., 2020a). Hence, it is unexpected that *Q* is gaining popularity as a commonly adopted construct among the existing CSR-CFP researchers (e.g. Cappa et al., 2020a; Girod and Whittington, 2017; Inoue and Lee, 2011; Lioui and Sharma, 2012; Saleh et al., 2011), as it is subjected to less measurement error and contains an adjustment for risk (Salinger, 1984). In line with the above, it is therefore natural that this study measures the improvement to CFP using both *ROA* and *Q*:

The third perspective suggests that CSR initiatives that embed the different CSR dimensions (employee relations, product quality, community involvement and environmental issues) are instrumental in affecting the profitability of the company. CSR activities that aim to build company synergy results in corporate sustainability. As suggested by Arruda (2010), good CSR practice starts inside the company. Through the collective effort in developing CSR initiatives, it fosters good employee relations which, in turn, develops a positive working environment leading to better

productivity and corporate performance (Aguinis and Glavas, 2012; Hatane, 2015). At the same time, similar outcomes could be observed for CSR initiatives involving sustainable and innovative product designs (Yang and Crowther, 2012). Similarly, it is well documented across literature that companies playing an active role in maintaining community wellbeing generate community support that allows the company to position itself positively in the market (Chandan, 2019). This proactive connection to the community offers real strategic benefits to the business through enhancement of corporate reputation, which has the potential of increasing the bottom line (Uyan-Atay, 2013). Concomitantly, companies that perform well on environmental issues often yield more financial returns as it strengthens the positive corporate image and reputation in the marketplace (Guenster et al., 2011). Along with the same line of thoughts, Nor et al. (2016) confirm that positive relationships can be observed between voluntary environmental disclosure and CFP, and they further argue that companies engaging in environmental initiatives will obtain benefits from the market and receive additional profits from investment in environmental improvement. In line with the above arguments, the first set of hypotheses is proposed:

H1a: There is a positive relationship between employee relations and *ROA*.

H1b: There is a positive relationship between employee relations and *Q*

H2a: There is a positive relationship between product quality and *ROA*.

H2b: There is a positive relationship between product quality and *Q*.

H3a: There is a positive relationship between community involvement and *ROA*.

H3b: There is a positive relationship between community involvement and *Q*.

H4a: There is a positive relationship between environmental issues and *ROA*.

H4b: There is a positive relationship between environmental issues and *Q*.

However, existing literature such as Saleh et al. (2011), Razak and Mustapha (2013) and Haji (2013) fell short of examining the role of workplace diversity on CFP. Previous researchers have demonstrated that racial, ethnic and gender diversity in the workplace has a strong and positive impact on a company's bottom line (Andrevski et al., 2014; Richard et al., 2013). According to Gotsis and Kortezi (2015), companies that emphasize on workplace diversity attract and have access to talents and human capitals from a wider pool of candidate. Additionally, employee teams with diverse demographic profiles can better mirror the demand of the increasingly diverse market, thus win over new customers. Griffin (2016, p. 580) also points out that a diverse team would significantly outperform the non-diverse team as the former one "produce better financial results and results in

innovation". Taking the above perspectives into consideration, this study extends the existing literature by examining this gap in details, leading up to the final set of hypotheses:

H5a: There is a positive relationship between workplace diversity issues and *ROA*.

H5b: There is a positive relationship between environmental issues and *Q*.

Figure 1 shows the conceptual framework of this study:

**** Insert Figure 1 here****

Research Method

The following section describes the data, sample size, measurements of CSR and CFP, as well as the analytical method used in this paper.

Research Sample and Sampling Method

The sample of this study consisted of the top 205 environmental sensitive companies by market capitalization, which is listed on Malaysia's stock exchange (see Table 2). Following Austin and Steyerberg (2015), the sample size is considered sufficient to conduct the analysis as it is complying with the rule of thumb of having more than 10 observations per variable. Similar approach has been adopted by Cappa et al. (2019) and Cappa et al. (2020b). There are two reasons on why environmental sensitive companies are selected for this study. First, all public limited companies (PLC)s are expected to publicly disclose their CSR initiatives undertaken in one particular financial year in their annual report (Securities Commission Malaysia, 2017). Second, it is easier to identify the relationship between CSR and CFP as environmental sensitive companies tend to bring undesired consequences to the environments, which reciprocally, resulting them to be more proactive towards CSR disclosure (Mohammadi et al., 2018). In this regard, having environmental sensitive companies as the sample would provide this study with sufficient data (Chauvey et al., 2015). Following Fatima et al. (2015), this study considered companies in industrial products (*INDP*), consumer products (*COPD*), plantation (*PLTN*), properties (*PROP*), trading and services (*TRDG*), construction (*CONT*), mining (*MING*), and infrastructure sectors (*INFT*) as environmentally sensitive. A similar approach has been used by Buniamin (2010).

**** Insert Table 2 here****

In this paper, we focus the data collected for the year of 2015. Unlike other studies, this timespan has been chosen as Malaysian PLCs are required to disclose diversity-related information in their respective annual reports starting from 2015 (Securities Commission Malaysia, 2017). All CSR data

were collected through PLCs' annual reports obtained from the stock exchange or specific company's website, whereas the financial data has been extracted from Thomson DataStream. A similar approach was adopted by Saleh et al. (2011) and Wan Yusoff and Adamu (2016).

Measurements of CSR

The extent of CSR practice is represented by the CSR disclosure in the annual reports. Consistent with previous studies (e.g. Gamerschlag et al., 2011; Mallin et al., 2014), the content analysis method has been employed where the company's annual report is examined, and the extent of CSR information disclosed is then codified into pre-defined categories. An information item is considered as CSR disclosure if it is related to one or more of the five CSR dimensions: employee relations, product quality, community involvement, environment issues, and workplace diversity issues. Each CSR dimension is divided into multiple sub-items of CSR practices. The primary reference for the index of sub-items used for measuring the CSR dimensions follows Saleh et al. (2011), Inoue and Lee (2011), and Chen et al. (2015), which are relevant to the context of Malaysia.

To convert the qualitative information into quantitative scores, we follow the CSR dimension disclosure-scoring method of Mohamad et al. (2014) and Saleh et al. (2011). Each different dimension of CSR sub-item has been awarded a range of scores, from one to three based on the quality and amount of information disclosed. First, the score of "one" was awarded for Common Qualitative Disclosure Classification, which refers to general non-financial disclosure of information. For instance,

"The Group keenly believes in giving back to the community and investing in the next generation. Hence, it is never hesitant when it comes to supporting charitable causes. Throughout the financial year, the Group has made several donations to schools and charitable associations for the betterment of living and education standards of those in need" (Golden Land Berhad, 2015, p. 9)."

Second, we scored "two" for Qualitative Specific Disclosure Classification where it is non-financial but with a specific focus. For instance,

"A talent development programme, the L.E.A.D. Project ("Leadership Excellence, Advancement and Development"), was introduced by Learning & Development Department to develop high potential individuals and build talent pipeline to groom high potential staffs into successors for key roles in the group. It consists of personal and leadership developments with all-rounded intensive course, including classroom trainings, workshops, fitness assessments and teambuilding sessions. As a result, a number of graduates from the programme have been promoted to further support the company's growth. This is in line with Mah Sing's talent development goal to recruit, train and retain the best

graduates who have the right personalities, competencies and share Mah Sing's vision to be a premier lifestyle developer" (Mah Sing Group Berhad, 2015, p. 72)."

Third, we accorded "three" for Quantitative Disclosure Classification, where it focuses on financial disclosures that relate to a specific area. For instance,

"The devastation of the series of earthquakes in 2015 claimed the lives of 8,000 people and displaced tens of thousands of inhabitants in the affected areas in Nepal. Such was the magnitude that it reverberated emotions across the globe, touching the hearts and minds of people in other countries. In Malaysia, IJGB, as with other caring companies, stood up to provide assistance to Nepalese in their moment of distress with a humanitarian donation of RM25,000 for immediate relief efforts. It is our fervent hope that their quality of life, homes and infrastructure may be strengthened with such collective global relief effort" (Ikhmas Jaya Group Berhad, 2015, p. 29)."

Finally, a score of zero has been awarded to the CSR items that have no related information disclosed. To recapitulate, the premise for utilizing this technique is due to the need to assess companies' quality of disclosure based on earlier criteria. Overall, it is measured with the assumption that a higher score indicates a higher level of involvement of CSR practice. In calculating the score for each CSR dimension disclosure, the following formula has been employed:

$$CSR D_a = \frac{\sum_a^{DMS_n} x_{ia}}{DMS_{n_a}}$$

where,

$CSR D_a$ = employee relations (*EMPD*)/ product quality (*PROD*)/ community involvement (*COMD*)/ environmental issues (*ENVD*)/ diversity issues (*DIVD*) dimension of CSR disclosure score for company *a*; DMS_{n_a} = total number of the particular CSR dimension disclosure items estimated for company *a*; x_{ia} = scores awarded to company *a* on *i*th CSR items of the particular dimension, ($0 \leq x_i \leq 3$).

Measurements of Corporate Financial Performance

From different literature, we have noted that accounting-based and market-based measures have been used to capture CFP. It has been pointed out that the use of accounting-based measure provides a relevant overview of sample companies' economic performance. It also captures the internal efficiency of the company in some way (Orlitzky et al., 2003). The market-based measures, on the other hand, forgo the managerial implications and represent a more specific assessment to the

investors (Dkhili and Ansi, 2012). Therefore, market-based measures are representing the investors' evaluation of a company's ability to generate future profitability than considering past performance (McGuire et al., 1988). As pointed out by Ullmann (1985) and Verbeke and Merchant (2012), both measures complement each other. Without one or the other, it would be inadequate to gauge the overall CFP. Following the existing literature and based on our earlier explanation, this study adopts the ROA and Q as the accounting-based and market-based measures respectively, for this study.

Control Variables

Company size (SIZE). Company size is related to CSR disclosure and participation, with larger companies disclosing and participating more than their smaller counterparts (Branco and Rodrigues, 2008). As the larger companies tend to be more visible to the public, because of the larger scale of business activities, it goes without saying that these companies tend to subject to greater social and political pressure to exhibit social responsibility (Drobetz et al., 2014). Consequently, the larger companies would promote greater external communication and report about CSR, in comparison to smaller companies. On the other hand, larger companies are also explicitly considered capable of active involvement in CSR practices, as they are more likely to be able to commit resources to CSR (Ocasio, 2011; Youn et al., 2015; Baumann-Pauly et al., 2013).

Leverage (LVRG). Companies with high leverage are less likely to involve in CSR activities due to too much debt (Drobetz et al., 2014). This is because even if the managers realize the benefits bring about from CSR investment, debt pressure will act as a brake on the adoption of CSR activities (Moussu and Ohana, 2016). However, on some occasion, a highly leveraged company may also overinvest in CSR as that they tend to be of high-risk tolerance and are willing to make investments (Chauhan and Amit, 2014). Given the complexities involved, controlling leverage would ensure that it pose no impact on CFP.

Business Sector. Due to the different characteristics of each sector's economic activity, the extent of recognizing CSR dimensions will not be the same for two companies from different sectors (Rutledge et al., 2014). Crifo et al. (2016) have also claimed that the corporate social orientation can differ across industries, due to factors such as the economies of scale and the competitive intensity. For instance, it has been found that CSR would differently affect CFP among companies from the Islamic banking sector (e.g., Mallin et al., 2014) and companies from the manufacturing sector (e.g., Torugsa et al., 2012). Reed and Sims (2015) also acknowledged that companies of different sectors might have divergent views in understanding the roles of CSR. Taking the above into consideration, this variable is therefore essential to be held control when conducting a multi-sector investigation. As highlighted earlier, this study considered companies in the business sector of industrial products (*INDP*),

consumer products (*COPD*), plantation (*PLTN*), properties (*PROP*), trading and services (*TRDG*), construction (*CONT*), mining (*MING*), and infrastructure (*INFT*) sectors in our analysis.

Operating Liquidity (LQDT). With higher operating liquidity, it is expected that the companies will be able to fulfil their long and short-term financial obligations when they fall due. Any additional fund could be leveraged for CSR activities (Crifo et al., 2016), resulting in a positive relationship between operating liquidity and CSR activities. This also underscores the fact that companies with higher operating liquidity tend to disclose more CSR information through annual reports than companies with lower operating liquidity (Talha et al., 2016). This act is generally done to distinguish themselves from the low liquidity companies, as well as to satisfy the needs and information requirements of stakeholders.

Models

To test for predictions of different variables on *ROA* and *Q*, ordinary least squares linear regression was performed. Specifically, the following models were tested:

$$ROA_a = \beta_0 + \beta_1 EMPD_a + \beta_2 PROD_a + \beta_3 COMD_a + \beta_4 ENVD_a + \beta_5 DIVD_a + \beta_6 SIZE_a + \beta_7 LVRG_a + \beta_8 LQDT_a + \beta_9 INDP_a + \beta_{10} COPD_a + \beta_{11} PLTN_a + \beta_{12} PROP_a + \beta_{13} TRDG_a + \beta_{14} CONT_a + \beta_{15} INFT_a + \beta_{16} MING_a + \varepsilon_a$$

$$Q_a = \beta_0 + \beta_1 EMPD_a + \beta_2 PROD_a + \beta_3 COMD_a + \beta_4 ENVD_a + \beta_5 DIVD_a + \beta_6 SIZE_a + \beta_7 LVRG_a + \beta_8 LQDT_a + \beta_9 INDP_a + \beta_{10} COPD_a + \beta_{11} PLTN_a + \beta_{12} PROP_a + \beta_{13} TRDG_a + \beta_{14} CONT_a + \beta_{15} INFT_a + \beta_{16} MING_a + \varepsilon_a$$

Note: *ROA_a*= Return on assets; *Q_a*= Tobin's Q; *EMPD_a*= Employee relations dimension of CSR disclosure score; *PROD_a*= Product quality dimension of CSR disclosure score; *COMD_a*= Community involvement dimension of CSR disclosure score; *ENVD_a*= Environmental issues dimension of CSR disclosure score; *DIVD_a*= Diversity issues dimension of CSR disclosure score; *SIZE_a*= company size; *LVRG_a*= Leverage of company; *LQDT_a*= Liquidity of company; *INDP_a*= Industrial product sector; *COPD_a*= Consumer product sector; *PLTN_a*= Plantation section; *PROP_a*= Properties sector; *TRDG_a*= Trading/services sector; *INFT_a*= Infrastructure sector; *MING_a*= Mining sector; β_i = Parameters for estimation/ regression coefficient; and ε_a = Error term.

Results

Descriptive Statistics

Table 3 shows a descriptive summary of the variables. The average score for the five CSR dimensions of *EMPD*, *PROD*, *COMD*, *ENVD* and *DIVD*, are 1.284, 1.199, 1.261, 0.975, and 0.842, respectively. These values indicate that the sampled companies are more likely to involve and perform well in employee-related activities. On a closer examination, workplace diversity-related CSR activities are the least popular ones that the sampled companies chose to focus on. Additionally, the minimum score of 0.000 for each of the five CSR dimension implies that some sampled companies did not involve in CSR activities that involve the five dimensions. On the contrary, the maximum score for aggregate CSR and the five CSR dimensions are ranged from 2.500-3.000, suggesting that some companies have involved and disclosed some good quality CSR information. Table 3 and Table 4 report the result of Pearson's correlation analyses.

**** Insert Table 3 here****

**** Insert Table 4 here****

****Insert Table 5 here****

Estimating the CSR-CFP Relationship

Regression results on Model 1 and Model 2 offer the estimation of the relationship between each CSR dimension and CFP. From Table 6, the CSR dimensions and control variables explained a substantial amount of variances in *ROA* (Adjusted $R^2= 0.264$) and in *Q* (Adjusted $R^2= 0.354$) in Model 1 and Model 2, respectively.

In particularly, Model 1 shows that only *PLTN* ($\beta= -0.208, p < 0.01$), *LQDT* ($\beta= 0.133, p < 0.100$), and *SIZE* ($\beta= -0.256, p < 0.010$) are the control variables that contribute significantly to *ROA*. With an R^2 change value of 0.214, it can be concluded that these control variables were able to explain an additional 21.400% of the variance in *ROA*, indicating that these variables are important to be held control. Meanwhile, among the CSR dimensions, it can be seen that only *EMPD* ($\beta= 0.167, p < 0.050$), *COMD* ($\beta= 0.184, p < 0.050$) and *DIVD* ($\beta= 0.222, p < 0.010$) dimensions demonstrate significant positive relationship with *ROA*.

According to regression results on Model 2, *INFT* ($\beta= -0.247, p < 0.010$), *PLTN* ($\beta= -0.249, p < 0.010$), *PROP* ($\beta= -0.171, p < 0.050$), *LVRG* ($\beta= 0.120, p < 0.100$), *LQDT* ($\beta=0.152, p < 0.050$) and *SIZE* ($\beta= -0.344, p < 0.010$) have significant effects on *Q*. With an R^2 change value of 0.249, the

inclusion of these control variables was able to explain an additional 24.900% of the variance in Q , indicating that these variables are predictors to Q and thus has to be held control. On a different note, $EMPD$ ($\beta= 0.139, p < 0.100$), $ENVD$ ($\beta= 0.189, p < 0.050$) and $DIVD$ ($\beta= 0.213, p < 0.010$) dimensions are found to have significant positive association with Q , indicating that greater corporate attention should be placed to these specific areas of voluntary activities. We can, therefore, conclude that H1a, H1b, H3a, H4b, H5a and H5b are supported, while H2a, H2b, H3b and H4a are rejected. The results are summarized in Figure 2.

****Insert Table 6 here****

****Insert Figure 2 here****

Validation of Result

To assess for potential multicollinearity problem in the models, the variance inflation factor (VIF) analysis and Tolerance were performed in line with Pinelli et al. (2020). Following recommendations by Hair et al. (2010), results from Table 7 shows that the VIF and Tolerance values for all variables are within the thresholds of less than 10 and more than 0.1, respectively. As such, we can conclude that multicollinearity is not an issue with the model.

****Insert Table 7 here****

Discussion of Result

To recapitulate, this study provides insights into the CSR practices of the Malaysian environmental sensitive PLCs. We examine the impact of individual CSR dimension of employee relations, product quality, community involvement, environmental issues, and workplace diversity issues on ROA and Q .

The results suggest that leveraging CSR initiatives to build employee relations has a positive association with both ROA and Q . These findings are consistent with past studies such as Saleh et al. (2011) and Cavaco and Crifo (2014). A probable reason could be that companies focusing CSR initiatives on employee relations would experience a better financial performance, as employees are motivated, and hence, resulting in better operating performance in term of employee productivity (Sun and Yun, 2015). This study also found that CSR initiatives embedding community involvement has a positive association only with ROA but not with Q . These findings differ from those presented in previous studies by Inoue and Lee (2011) and Saleh et al. (2011). Following Orlitzky et al. (2003), one probable explanation is that accounting-based measures tend to be more correlated with CSR, in

comparison to the market-based measures. Additionally, it can also be argued that the findings suggest that the community involvement does not generate an instantaneous positive market evaluation for the environmental sensitive companies, as it would generally take longer time and more effort to generate goodwill from the community (Inoue and Lee, 2011).

A slightly different pattern was found for the relationship between environmental issues and *ROA* as well as *Q*. Results show that CSR initiatives focusing on environmental issues have a positive association solely with market evaluation. The findings align with Cormier et al. (2011) that found a positive linkage between environmental issues disclosure and market-based measure. According to Russo and Fouts (1997), *ROA* of a company will improve only if they are proactive in environmental-related initiatives, mainly because of the reduced cost of environmental regulations compliance. In this regard, companies sampled in this study tend to have high environmental compliance costs (due to the nature of their principal activities), so the expected benefits from this cost-saving opportunity are possibly lower than companies from other business sectors. As such, the likelihood that they enhance their relative operational efficiency through the application of environmental-related CSR initiatives could be negligible. Conversely, the positive link between environmental issues dimension and market-based performance indicates that focusing on environmental issues contribute to good corporate reputation and positive customer evaluation that can ultimately result in high market value (Jagongo and Mutswenje, 2014).

Our results indicate that CSR initiatives focusing on product quality do not have a significant relationship with both *ROA* and *Q*. These results contradict the findings of previous studies, such as Inoue and Lee (2011) and Torungsa et al. (2012). This could be explained by Louche (2015), where they posited that product quality requires careful management and a long-term perspective so that it can guarantee corporate profitability. Lastly, we found that workplace diversity issues have a positive relationship with both *ROA* and *Q*. Align with Yang and Konrad (2011) companies may benefit from encouraging workplace diversity as it fosters good interaction and interrelations that enhance positive behaviors, and hence improving company's productivity, operational efficiency, and market value. Even though Malaysia does not have a long history of supporting workplace diversity, it seems that the sampled companies have workplace diversity policies in place, and thus were able to maintain a competitive edge that guarantees the financial performance.

Theoretical Implications

To the best of our knowledge, this is the first study that considers workplace diversity issues as a CSR dimension when studying CSR-CFP linkage. With diversified workforce slowly becoming the latest and current trends as well as challenges (Mor Barak and Travis, 2013), this paper set the ball rolling for future researchers to undertake more research on workplace diversity issues in the developing

countries context. In this regard, this study enhances the understanding of CSR-CFP linkage in Malaysia, particularly among the environmental sensitive companies. Even though CSR-CSP related studies have been extensively conducted in the past, very few studies focused on extractive companies (Garcia et al., 2017). Furthermore, most of the available literature on CSR-CFP relationship was conducted in the developed countries context (e.g. Han et al., 2016; Lee et al., 2013). In this regard, this study addresses these gaps and, in the process, advanced the body of knowledge on the CSR-CFP.

Managerial Implications

From a practical standpoint, the findings can help to comprehend the financial and economic impacts of different CSR dimensions and better stimulate the identification of managerial strategies. The result may also facilitate ethical corporate decision-making and strategic development of CSR investment that can eventually strengthen Malaysia's competitive edge in attracting foreign investors. Investors and analysts may also use the information presented in this research. Specifically, the associations between each CSR dimension and CFP may give the investors and analysts some valuable insights that could facilitate the evaluation of investment portfolios. The investment portfolios can, therefore, be adjusted, if the investors and analyst feel the investment in specific CSR dimension does not add (or add) values to the companies. In sum, if businesses in Malaysia are committed to meet the need of diverse communities as workers and consumers, the country would become more competitive in the global economy which will consequently allow Malaysia to progress faster than other developing countries. Finally the results from our study is a good example demonstrating that for companies operating in developing countries, they must endeavor to invest in other CSR aspects, including employee relations, community involvement and environmental issues in order to achieve results in financial performance. With companies achieving that, it would support developing countries like Malaysia to excel economically while maintaining the welfare of their people.

Limitations and Future Research

There are several limitations in this study that future researchers may need to consider. First, our research findings, although drawn from a limited sample size, which should be broadened in future studies, contribute to a better scientific understanding of the CSR-CFP relationship. Besides, this is a cross-sectional study, whereby the secondary sources for the year of 2015 have been examined. As some scholars assert, there is a time-lag effect between the two variables (e.g. Mukasa et al. 2015, Weber and Feltmate 2016), it is worthwhile to conduct a longitudinal study. Secondly, this study has only collected and analyzed secondary data. Conducting a focus group interview or survey questionnaire that involves different groups of stakeholder may provide further insights into stakeholders' perceptions on the effectiveness of CSR programs. Thirdly, the samples of this research only consist of the Malaysian environmental sensitive PLCs. It would be interesting to replicate the

model on other types of companies such as the small and medium enterprises, and the non-profit companies to determine if there are consistencies in findings.

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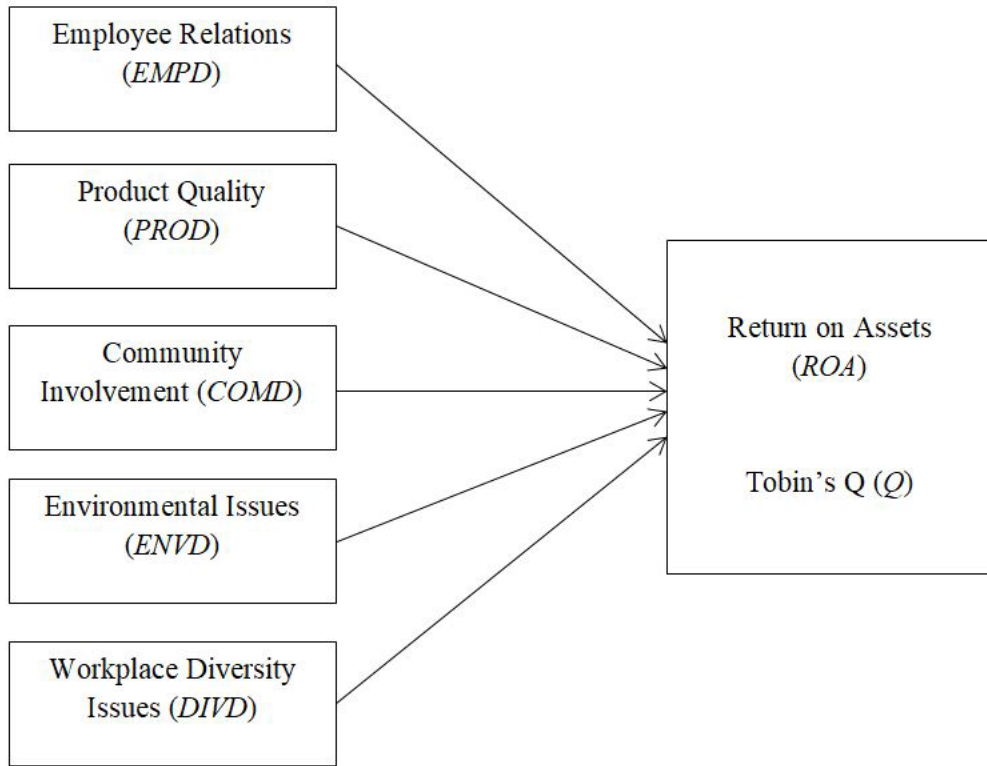
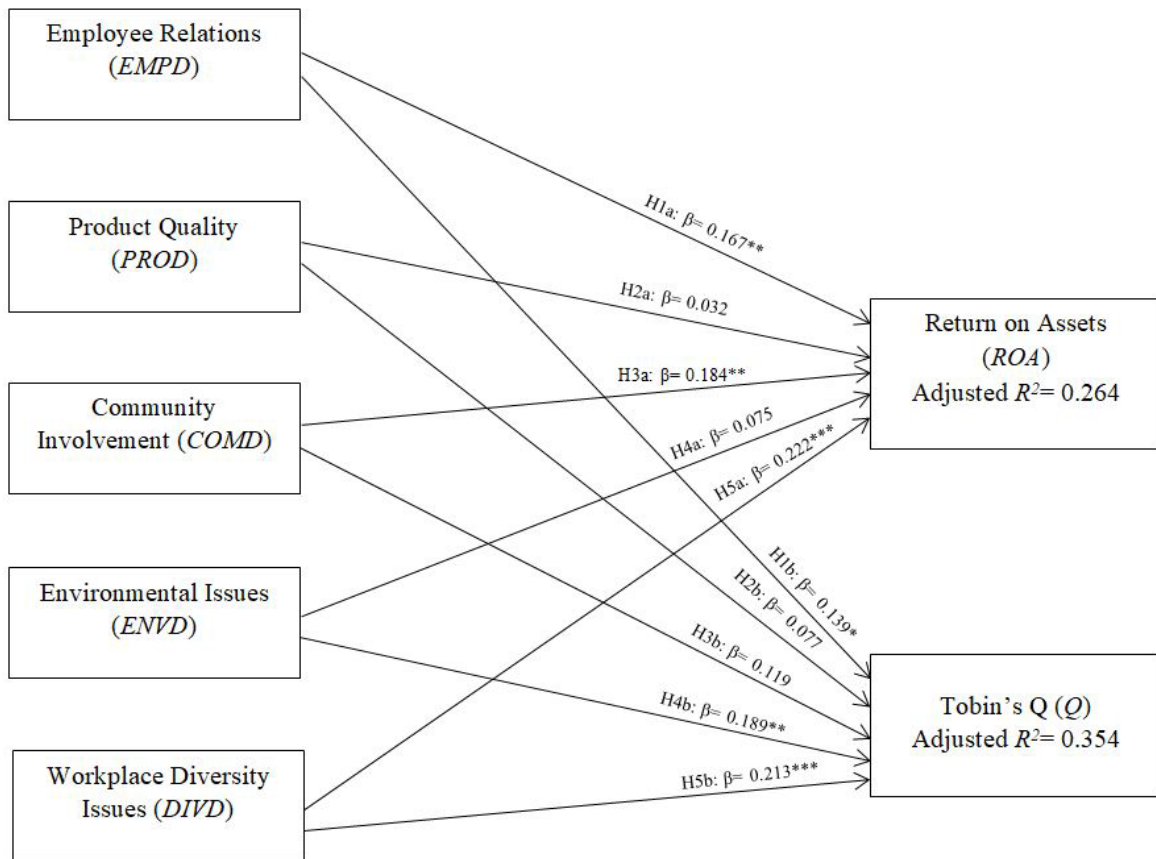


Figure 1 Conceptual Framework of the Study



Notes: ***, ** and * denote 1%, 5% and 10% level of significance, respectively.

Figure 2 CSR-CFP Estimation Results

Table 1 Summary of CSR-CFP studies

Author (s)	Positive and Significant Relationship		
	Institution type and countries in sample	CSR Measurement	CFP Measurement
Ahamed et al. (2014)	3 public listed Malaysian Companies	Content analysis through secondary data	Measured using ROA and ROE
Barnett and Salomon (2012)	Publicly traded companies tracked by KLD STATS and COMPUSTAT	Data retrieved from KLD STATS and COMPUSTAT	Data retrieved from KLD STATS and COMPUSTAT
Cavaco and Crifo (2014)	European listed firms in 15 countries	CSR performance score extracted from Vigeo database	Measured using ROA and Tobin's Q
Cavazotte and Chang (2016)	Companies listed in the São Paulo Stock Exchange	Data retrieved directly from the IBASE's database	Data retrieved directly from the IBASE's database
Eccles et al. (2014)	180 US Companies	CSR performance score extracted from the Thomson Reuters ASSET 4 database	Measured using total assets, ROA, ROE, asset turnover, market value of equity over book value of equity
Emezi (2015)	Nigerian Breweries PLC and Lafarge Africa PLC	Content analysis through secondary data	Measured using profit after tax
Franco et al. (2020)	Worldwide hospitality firms that are listed on stock markets	Data retrieved from Thomson Reuters Eikon database	Data retrieved from Thomson Reuters Eikon database
Gamerschlag, Möller, and Verbeeten (2011)	Public listed German companies	Content analysis through secondary data	Measured using return on invested capital (ROIC)
Gregory et al. (2014)	US firms for which CSR data is available from the KLD database	CSR performance ratings extracted from KLD STATS	Extracted from Compustat for annual financial data (including book value per share, net income per share, long-term debt and total asset)
Inoue and Lee	Companies from	CSR performance	Measured using ROA

(2011)	tourism-related industry in the U.S	ratings extracted from KLD STATS and COMPUSTAT database	and Tobin's Q
Lee and Jung (2016)	Firms in the Korean manufacturing industry	Measured through administrated questionnaire.	Measured through administrated questionnaire
Mallin et al. (2014)	Islamic banks across 13 countries	Content analysis through secondary data	Measured using ROE and ROA
Maqbool and Zameer (2018)	Indian commercial banks listed in Bombay stock exchange	Content analysis through secondary data	Measured using ROE ROA and NP
Rhou et al. (2016)	Restaurant firms identified using SIC classification	CSR performance ratings extracted from KLD STATS	Extracted from Compustat for annual financial data (ie. Tobin's Q)
Saleh et al. (2011)	Malaysian Public Listed Company	Content analysis through secondary data	Measured using ROA, Stock market return and Tobin's Q
Torugsa et al. (2012)	Australian small and medium enterprises (SMEs) in the machinery and equipment manufacturing sector	Measured through administrated questionnaire	Measured through administrated questionnaire
Wan Yusoff and Adamu (2016)	Top 100 Malaysian public listed companies by market share.	Content analysis through secondary data	Measured using Earning per Share (EPS) and ROE

Negative and Significant/ Insignificant Relationship

Dkhili and Ansi (2012)	Listed and unlisted Tunisian companies	Measured through administrated questionnaire	Measured using ROA and ROE
Inoue et al. (2011)	U.S. based professional sports teams, belonged to the four major leagues	Measured through annual charitable contributions made by team-related foundations	Measured by examining annual total attendance, which represents customer's purchasing behavior
Kim and Oh (2019)	Indian listed firms	Measured using E.S.G. disclosure score	Measured using Tobin's Q

Lioui and Sharma (2012)	U.S. publicly traded companies	Measured through environmental rating extracted on KLD stats	Measured using ROA and Tobin's Q
McWilliams and Siegel (2000)	Companies listed on the Domini 400 Social Index	CSR performance ratings extracted from KLD STATS	Data extracted from KLD STATS
Rahman et al. (2011)	Malaysian government-linked companies	Content analysis through secondary data	Measured using ROA and ROE
Soana (2011)	International banks monitored by Ethibel and Italian banks monitored by AXIA and AEL	Ethical rating extracted Ethibel, Axia and AEL	Measured using ROAE, ROAA, Cost-to-Income Ratio, market to book value, price to book value and price/earning adjusted
Waworuntu et al. (2014)	Constituent companies of the FTSE/ ASEAN 40 index from Singapore, Malaysia, Indonesia, and Thailand.	Measured using GRI indicators	Measured by ROA, ROE and earnings per share

Table 2 Descriptions of Sample Companies

Business Sectors	Number of Companies
Industrial Products (<i>INDP</i>)	31
Consumer Products (<i>COPD</i>)	30
Plantation (<i>PLTN</i>)	24
Properties (<i>PROP</i>)	49
Trading/ Services (<i>TRDG</i>)	27
Construction (<i>CONT</i>)	21
Mining (<i>MING</i>)	4
Infrastructure (<i>INFT</i>)	19
Total	205

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/>

Table 3 Summary of Descriptive Statistics

Variables	N	Mean	SD	Minimum	Maximum
<i>ROA</i>	205	5.560	3.318	0.600	15.180
<i>Q</i>	205	4.372	4.062	0.390	15.960
<i>LVRG</i>	205	0.411	0.195	0.025	0.988
<i>LQDT</i>	205	2.815	3.202	0.250	26.190
<i>SIZE</i>	205	14.574	1.481	11.721	22.482
<i>EMPD</i>	205	1.284	0.655	0.000	2.750
<i>PROD</i>	205	1.199	0.571	0.000	2.500
<i>COMD</i>	205	1.261	0.703	0.000	3.000
<i>ENVD</i>	205	0.975	0.654	0.000	3.000
<i>DIVD</i>	205	0.842	0.497	0.000	2.600

Notes: *ROA*= Return on Asset, *Q*= Tobin's *Q*, *CSR*= Aggregate CSR Disclosure Score, *EMPD*= Employee Relations Dimension of CSR Disclosure Score, *PROD*= Product Quality Dimension of CSR Disclosure Score, *COMD*= Community Involvement Dimension of CSR Disclosure Score, *ENVD*= Environmental Issues Dimension of CSR Disclosure Score, *DIVD*= Workplace Diversity Issues Dimension of CSR Disclosure Score, *SIZE*= Firm's Size, *LVRG*= Leverage, *LQDT*= Liquidity, *INDP*= Industrial Products Sector, *COPD*=Consumer Products Sector, *PLTN*= Plantation Sector, *PROP*= Properties Sector, *TRDG*= Trading/Services Sector, *CONT*= Construction Sector, *INFT*= Infrastructure Sector, *MING*=Mining Sector.

Table 4 Summary of Result of Pearson's Correlation Matrix on Model 1

$$\text{Model 1: } ROA_a = \beta_0 + \beta_1 EMPD_a + \beta_2 PROD_a + \beta_3 COMD_a + \beta_4 ENVD_a + \beta_5 DIVD_a + \beta_6 SIZE_a + \beta_7 LVRG_a + \beta_8 LQDT_a + \beta_9 INDP_a + \beta_{10} COPD_a + \beta_{11} PLTN_a + \beta_{12} PROP_a + \beta_{13} TRDG_a + \beta_{14} CONT_a + \beta_{15} INFT_a + \beta_{16} MING_a + \varepsilon_a$$

Variables	ROA	CONT	COPD	INDP	INFT	MING	PLTN	PROP	TRDG	LVRG	LQDT	SIZE	EMPD	PROD	COMD	ENVD	DIVD
ROA	1.000																
CONT	-0.041	1.000															
COPD	0.136**	-0.140**	1.000														
INDP	0.120**	-0.143**	-0.175**	1.000													
INFT	0.029	-0.108*	-0.132**	-0.135**	1.000												
MING	-0.025	-0.048	-0.058	-0.060	-0.045	1.000											
PLTN	-0.190**	-0.123**	-0.151**	-0.154**	-0.116**	-0.051	1.000										
PROP	-0.122**	-0.189**	-0.232***	-0.237***	-0.179**	-0.079	-0.204**	1.000									
TRDG	0.087	-0.132**	-0.161**	-0.164**	-0.124**	-0.055	-0.142**	-0.218**	1.000								
LVRG	-0.002	0.125**	-0.066	-0.156**	0.193**	-0.089	-0.199**	0.096*	0.061	1.000							
LQDT	0.081	-0.056	-0.006	0.031	-0.060	-0.024	0.205**	0.019	-0.133**	-0.516***	1.000						
SIZE	-0.104*	-0.077	-0.141**	-0.091*	0.230***	-0.041	0.050	0.030	0.047	0.235***	-0.215**	1.000					
EMPD	0.355***	-0.050	0.058	-0.001	0.189**	0.101*	-0.065	-0.226**	0.129**	0.081	-0.078	0.224**	1.000				
PROD	0.293***	-0.165**	0.129**	0.029	0.220**	-0.034	-0.175**	-0.135**	0.143**	0.080	-0.109*	0.306***	0.515***	1.000			
COMD	0.314***	-0.153**	0.097*	-0.065	0.152**	-0.052	-0.060	-0.066	0.136**	0.125**	-0.169**	0.442***	0.512***	0.605***	1.000		
ENVD	0.294***	-0.088	0.102*	-0.096*	0.262***	-0.089	0.037	-0.152**	0.042	0.081	-0.101*	0.383***	0.557***	0.546***	0.636***	1.000	
DIVD	0.410***	-0.063	0.153**	0.020	0.219**	-0.026	-0.147**	-0.185**	0.072	0.119**	-0.006	0.174**	0.423***	0.395***	0.467***	0.528***	1.000

Notes: ***, ** and * denote 1%, 5% and, 10% level of significance, respectively ; ROA= Return on Asset, Q= Tobin's Q, CSR= Aggregate CSR Disclosure Score, EMPD= Employee Relations Dimension of CSR Disclosure Score, PROD= Product Quality Dimension of CSR Disclosure Score, COMD= Community Involvement Dimension of CSR Disclosure Score, ENVD= Environmental Issues Dimension of CSR Disclosure Score, DIVD= Workplace Diversity Issues Dimension of CSR Disclosure Score, SIZE= Firm's Size, LVRG= Leverage, LQDT= Liquidity, INDP= Industrial Products Sector, COPD= Consumer Products Sector, PLTN= Plantation Sector, PROP= Properties Sector, TRDG= Trading/Services Sector, CONT= Construction Sector, INFT= Infrastructure Sector, MING= Mining Sector, β = Regression Coefficient, ε = Error Term for Regression Model.

Table 5 Summary of Result of Pearson's Correlation Matrix on Model 2

$$\text{Model 2: } Q_a = \beta_0 + \beta_1 \text{EMPD}_a + \beta_2 \text{PROD}_a + \beta_3 \text{COMD}_a + \beta_4 \text{ENVD}_a + \beta_5 \text{DIVD}_a + \beta_6 \text{SIZE}_a + \beta_7 \text{LVRG}_a + \beta_8 \text{LQDT}_a + \beta_9 \text{INDP}_a + \beta_{10} \text{COPD}_a + \beta_{11} \text{PLTN}_a + \beta_{12} \text{PROP}_a + \beta_{13} \text{TRDG}_a + \beta_{14} \text{CONT}_a + \beta_{15} \text{INFT}_a + \beta_{16} \text{MING}_a + \varepsilon_a$$

Variables	Q	CONT	COPD	INDP	INFT	MING	PLTN	PROP	TRDG	LVRG	LQDT	SIZE	EMPD	PROD	COMD	ENVD	DIVD
Q	1.000																
CONT	0.004**	1.000															
COPD	0.175**	-0.140**	1.000														
INDP	0.155	-0.143**	-0.175**	1.000													
INFT	-0.061	-0.108*	-0.132**	-0.135**	1.000												
MING	-0.039	-0.048	-0.058	-0.060	-0.045	1.000											
PLTN	-0.210**	-0.123**	-0.151**	-0.154**	-0.116**	-0.051	1.000										
PROP	-0.130**	-0.189**	-0.232***	-0.237***	-0.179**	-0.079	-0.204**	1.000									
TRDG	0.082	-0.132**	-0.161**	-0.164**	-0.124**	-0.055	-0.142**	-0.218**	1.000								
LVRG	0.016	0.125**	-0.066	-0.156**	0.193**	-0.089	-0.199**	0.096*	0.061	1.000							
LQDT	0.083	-0.056	-0.006	0.031	-0.060	-0.024	0.205**	0.019	-0.133**	-0.516***	1.000						
SIZE	-0.189**	-0.077	-0.141**	-0.091*	0.230***	-0.041	0.050	0.030	0.047	0.235***	-0.215**	1.000					
EMPD	0.345***	-0.050	0.058	-0.001	0.189**	0.101*	-0.065	-0.226**	0.129**	0.081	-0.078	0.224**	1.000				
PROD	0.300***	-0.165**	0.129**	0.029	0.220**	-0.034	-0.175**	-0.135**	0.143**	0.080	-0.109*	0.306***	0.515***	1.000			
COMD	0.279***	-0.153**	0.097*	-0.065	0.152**	-0.052	-0.060	-0.066	0.136**	0.125**	-0.169**	0.442***	0.512***	0.605***	1.000		
ENVD	0.313***	-0.088	0.102*	-0.096*	0.262***	-0.089	0.037	-0.152**	0.042	0.081	-0.101*	0.383***	0.557***	0.546***	0.636***	1.000	
DIVD	0.413***	-0.063	0.153**	0.020	0.219**	-0.026	-0.147**	-0.185**	0.072	0.119**	-0.006	0.174**	0.423***	0.3945***	0.467***	0.528***	1.000

Notes: ***, ** and * denote 1%, 5% and 10% level of significance, respectively ; ROA= Return on Asset, Q= Tobin's Q, CSR= Aggregate CSR Disclosure Score, EMPD= Employee Relations Dimension of CSR Disclosure Score, PROD= Product Quality Dimension of CSR Disclosure Score, COMD= Community Involvement Dimension of CSR Disclosure Score, ENVD= Environmental Issues Dimension of CSR Disclosure Score, DIVD= Workplace Diversity Issues Dimension of CSR Disclosure Score, SIZE= Firm's Size, LVRG= Leverage, LQDT= Liquidity, INDP= Industrial Products Sector, COPD=Consumer Products Sector, PLTN= Plantation Sector, PROP= Properties Sector, TRDG= Trading/Services Sector, CONT= Construction Sector, INFT= Infrastructure Sector, MING=Mining Sector, β = Regression Coefficient, ε = Error Term for Regression Model.

Table 6 Summary of Hierarchical Analysis for Variables Predicting CFP

Dependent Variable: ROA and Tobin's Q

<i>Variables (n=205)</i>	Model 1 Standardised Coefficient	Model 2 Standardised Coefficient
<u><i>Without Control Variables</i></u>		
<i>EMPD</i>	0.187** (0.022)	0.166** (0.042)
<i>PROD</i>	0.062 (0.461)	0.095 (0.262)
<i>COMD</i>	0.070 (0.438)	-0.019 (0.836)
<i>ENVD</i>	-0.046 (0.613)	0.021 (0.822)
<i>DIVD</i>	0.298*** (0.000)	0.304*** (0.000)
<i>R²</i>	0.215	0.213
<i>Adjusted R²</i>	0.196	0.193
<u><i>With Control Variables</i></u>		
<i>EMPD</i>	0.167** (0.039)	0.139* (0.065)
<i>PROD</i>	0.032 (0.704)	0.077 (0.328)
<i>COMD</i>	0.184** (0.047)	0.119 (0.167)
<i>ENVD</i>	0.075 (0.422)	0.189** (0.031)
<i>DIVD</i>	0.222*** (0.004)	0.213*** (0.003)
<i>CONT</i>	-0.080 (0.294)	-0.078 (0.281)
<i>COPD</i>	-0.069 (0.383)	-0.086 (0.251)
<i>INFT</i>	-0.123 (0.116)	-0.247*** (0.001)
<i>MING</i>	-0.058 (0.366)	-0.072 (0.232)
<i>PLTN</i>	-0.208*** (0.010)	-0.249*** (0.001)
<i>PROP</i>	-0.128 (0.150)	-0.171** (0.041)
<i>TRDG</i>	-0.054 (0.487)	-0.088 (0.229)
<i>LVRG</i>	0.054 (0.481)	0.120* (0.093)
<i>LQDT</i>	0.133* (0.072)	0.152** (0.029)
<i>SIZE</i>	-0.256*** (0.001)	-0.344*** (0.000)

R^2	0.318	0.402
Adjusted R^2	0.264	0.354
R^2 Change	0.214*** (0.000)	0.249*** (0.000)
F-Statistic	5.884*** (0.000)	8.455*** (0.000)

Notes: This table reports the results of Z-score model:

Model 1:

$$ROA_a = \beta_0 + \beta_1 EMPD_a + \beta_2 PROD_a + \beta_3 COMD_a + \beta_4 ENVD_a + \beta_5 DIVD_a + \beta_6 SIZE_a + \beta_7 LVRG_a + \beta_8 LQDT_a + \beta_9 INDP_a + \beta_{10} COPD_a + \beta_{11} PLTN_a + \beta_{12} PROP_a + \beta_{13} TRDG_a + \beta_{14} CONT_a + \beta_{15} INFT_a + \beta_{16} MING_a + \varepsilon_a$$

Model 2:

$$Q_a = \beta_0 + \beta_1 EMPD_a + \beta_2 PROD_a + \beta_3 COMD_a + \beta_4 ENVD_a + \beta_5 DIVD_a + \beta_6 SIZE_a + \beta_7 LVRG_a + \beta_8 LQDT_a + \beta_9 INDP_a + \beta_{10} COPD_a + \beta_{11} PLTN_a + \beta_{12} PROP_a + \beta_{13} TRDG_a + \beta_{14} CONT_a + \beta_{15} INFT_a + \varepsilon_a$$

Where,

ROA = Return on Asset, Q = Tobin's Q , CSR = Aggregate CSR Disclosure Score, $EMPD$ = Employee Relations Dimension of CSR Disclosure Score, $PROD$ = Product Quality Dimension of CSR Disclosure Score, $COMD$ = Community Involvement Dimension of CSR Disclosure Score, $ENVD$ = Environmental Issues Dimension of CSR Disclosure Score, $DIVD$ = Workplace Diversity Issues Dimension of CSR Disclosure Score, $SIZE$ = Firm's Size, $LVRG$ = Leverage, $LQDT$ = Liquidity, $INDP$ = Industrial Products Sector, $COPD$ = Consumer Products Sector, $PLTN$ = Plantation Sector, $PROP$ = Properties Sector, $TRDG$ = Trading/Services Sector, $CONT$ = Construction Sector, $INFT$ = Infrastructure Sector, $MING$ = Mining Sector, β = Regression Coefficient, ε = Error Term for Regression Model.

Values in parentheses are p-values

***, ** and * denote 1%, 5% and, 10% level of significance, respectively.

Industrial Product Sector ($INDP$) has been excluded from the regression model, to serve as the reference category of dummy coding.

Table 7 Variance Inflation Factor (VIF)

Variables	VIF	Tolerance (1/VIF)
<i>CONT</i>	1.622	0.617
<i>PLTN</i>	1.746	0.573
<i>COPD</i>	1.687	0.593
<i>INFT</i>	1.150	0.870
<i>TRDG</i>	1.785	0.560
<i>PROP</i>	2.170	0.461
<i>LVRG</i>	1.690	0.592
<i>SIZE</i>	1.591	0.629
<i>EMPD</i>	1.779	0.562
<i>PROD</i>	1.945	0.514
<i>COMD</i>	2.341	0.427
<i>ENVD</i>	2.389	0.419
<i>DIVD</i>	1.634	0.612
Mean VIF	1.766	

Notes: *CONT*= Construction Sector, *PLTN*= Plantation Sector, *COPD*=Consumer Products Sector, *INFT*= Infrastructure Sector, *TRDG*= Trading/Services Sector, *PROP*= Properties Sector, *LVRG*= Leverage, *Ln(LQDT)*= Log Transformed Liquidity, *SIZE*= Firm's Size, *CSR*= Aggregate CSR Disclosure Score, *EMPD*= Employee Relations Dimension of CSR Disclosure Score, *PROD*= Product Quality Dimension of CSR Disclosure Score, *COMD*= Community Involvement Dimension of CSR Disclosure Score, *ENVD*= Environmental Issues Dimension of CSR Disclosure Score, *DIVD*= Workplace Diversity Issues Dimension of CSR Disclosure Score.