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EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON INVESTMENT EFFICIENCY WITH MODERATION OF FIRM VISIBILITY: A STUDY FROM THE PERSPECTIVE OF PAKISTAN

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ABSTRACT

This study has focused mainly on investigating the effect of corporate social responsibility on investment efficiency with moderation of firm visibility: a study from the perspective of Pakistan. In this study, corporate social responsibility was considered as independent variable. Firm visibility was used as moderating variable. Investment efficiency was used as dependent variable. However, firm size, firm age, tangibility, leverage, slack, return on assets were used as control variables. Present research has used secondary sources of data (Annual financial statements of industrial firms listed on Karachi Stock Exchange) for conducting this research and identifying association among study's variables. Data regarding corporate social responsibility, firm visibility, and investment efficiency from the period of 2017 to 2023 (7 years) was collected for assessing the relationship between corporate social responsibility, firm visibility, and investment efficiency. Statistical tests (correlation, moderation, and regression analysis) were then used for analyzing collected data with the help of Stata software. Correlation and regression analysis proved the significant positive relationship among corporate social responsibility (independent variable) and investment efficiency (dependent variable) in Pakistan. Moderation analysis proved the significant moderating role of firm visibility between corporate social responsibility (independent variable) and investment efficiency (dependent variable) in Pakistan.

Key Words: Corporate Social Responsibility, Investment Efficiency, Firm Visibility, Firm Size, Firm Age, Tangibility, Leverage, Slack, Return on Assets, etc.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Corporate Social Responsibility (CSR) has emerged as a pivotal aspect of corporate strategy worldwide, with its significance growing markedly in recent years. CSR entails a company's commitment to operating ethically and contributing positively to society, beyond mere profit-making objectives. The rationale behind CSR is multifaceted, ranging from ethical considerations to enhancing corporate reputation and long-term sustainability (Derchi et al., 2021). Moreover, CSR has been associated with various positive outcomes, including improved financial performance, enhanced brand image, and increased stakeholder trust and loyalty. In the context of Pakistan, where corporate governance and social responsibility have garnered increasing attention in the wake of globalization and changing market dynamics, understanding the impact of CSR on investment efficiency is paramount (Hannah et al., 2021).

Investment efficiency, as a key variable in this study, reflects the ability of a company to utilize its resources effectively to generate returns for its shareholders. Efficient investment practices not only contribute to enhanced financial performance but also signify the management's competency in allocating resources optimally to maximize shareholder value. However, the relationship between CSR and investment efficiency is not straightforward and may be influenced by various factors. One such factor, which is proposed as a moderator in this study, is firm visibility (Baraibar-Diez & Sotorrío, 2018).

Firm visibility refers to the extent to which a company's activities, particularly its CSR initiatives, are visible and known to stakeholders, including investors, customers, and the general public. High firm visibility implies that a company's CSR efforts are well-publicized and transparent, leading to greater awareness and recognition. On the other hand, low firm visibility suggests limited awareness or transparency regarding CSR activities (Mubeen et al., 2021). The moderation effect of firm visibility implies that the relationship between CSR and investment efficiency may vary depending on the level of visibility enjoyed by the firm. The rationale behind introducing firm visibility as a moderator lies in its potential to influence the effectiveness of CSR initiatives. In a high-visibility scenario, where CSR efforts are well-publicized and easily accessible to stakeholders, the impact of CSR on investment efficiency is expected to be more pronounced. This is because transparent and well-communicated CSR activities can enhance investor confidence, attract socially responsible investors, and positively influence investment decisions. Conversely, in a low-visibility scenario, where CSR initiatives are less known or transparent, the effect of CSR on investment efficiency may be attenuated due to reduced awareness and perceived credibility of the company's CSR efforts (Shahzad et al., 2019).

The Pakistani context offers an intriguing backdrop for investigating the relationship between CSR, firm visibility, and investment efficiency. Pakistan, like many developing countries, is witnessing a growing emphasis on CSR as a means to address socio-economic challenges, foster sustainable development, and enhance corporate governance practices. However, the CSR landscape in Pakistan is characterized by a mix of challenges and opportunities. While several companies have embraced CSR as an integral part of their business strategy, there remains a need for greater transparency, accountability, and standardization in CSR reporting and practices (Gallego-Álvarez & Pucheta-Martínez, 2022). Furthermore, the role of firm visibility in shaping the impact of CSR on investment efficiency is particularly relevant in the Pakistani context. Pakistan's business environment is diverse, with companies operating across various sectors and facing different levels of scrutiny and competition. Understanding how firm visibility moderates the relationship between CSR and investment efficiency can provide valuable insights for companies seeking to enhance their CSR practices and improve their financial performance (Myšková & Hájek, 2019).

This study aims to contribute to the existing literature by empirically examining the relationship between CSR, firm visibility, and investment efficiency in Pakistan. By employing quantitative methods and utilizing data from a diverse sample of Pakistani companies, this research seeks to uncover the nuanced interplay between CSR, firm visibility, and investment efficiency (Kabir & Thai, 2017). The findings of this study are expected to have implications for both theory and practice, offering valuable insights for policymakers, investors, and corporate managers in Pakistan and beyond. Ultimately, by elucidating the mechanisms through which CSR influences investment efficiency, this research endeavors to promote responsible business practices and contribute to sustainable economic development in Pakistan (Ho et al., 2021).

1.2 Research Gap

Despite the growing body of literature on corporate social responsibility (CSR) and its impact on financial performance, there remains a significant research gap in understanding the nuanced relationship between CSR, firm visibility, and investment efficiency, particularly in the context of Pakistan. While numerous studies have explored the direct effects of CSR on financial outcomes, few have investigated how firm visibility moderates this relationship, especially in emerging markets such as Pakistan. Moreover, existing research predominantly focuses on developed economies, overlooking the unique challenges and opportunities faced by firms in developing countries like Pakistan. The Pakistani business environment is characterized by diverse socio-economic factors, cultural dynamics, and regulatory frameworks, which may significantly influence the effectiveness of CSR initiatives and their impact on investment efficiency.

Furthermore, there is limited empirical evidence on the role of firm visibility as a moderator in the CSR-investment efficiency relationship, particularly in the Pakistani context. Understanding how the visibility of CSR activities influences investment decisions and financial performance is crucial for both academia and industry, especially in emerging markets where stakeholder perceptions and information asymmetry play a vital role in shaping corporate behavior and investment choices. Bridging this research gap will provide valuable insights for policymakers, investors, and corporate managers, enabling them to develop more effective CSR strategies tailored to the specific context of Pakistan.

1.3 Research Questions

Following will be research questions of current study:

RQ1: What is the impact of CSR on investment efficiency in Pakistan?

RQ2: Does firm visibility moderates the relationship between CSR and investment efficiency in Pakistan?

1.4 Research Objectives

Current study will aim:

RO1: To investigate the impact of CSR on investment efficiency in Pakistan.

RO2: To assess the moderating effect of firm visibility in relationship between CSR and investment efficiency in Pakistan.

1.5 Research Rationale

The rationale behind this research lies in the growing importance of corporate social responsibility (CSR) as a strategic tool for businesses worldwide, coupled with the need to understand its impact on investment efficiency, particularly in emerging markets like Pakistan. While the literature on CSR and financial performance is extensive, there is a lack of comprehensive understanding of how CSR activities influence investment efficiency, especially in contexts characterized by diverse socio-economic dynamics and regulatory frameworks.

By focusing on Pakistan, this study aims to fill this gap by examining the relationship between CSR, firm visibility, and investment efficiency within a unique socio-economic context. Pakistan presents an intriguing setting due to its rapidly evolving business landscape, increasing emphasis on CSR, and diverse market conditions across various sectors. Understanding how CSR initiatives influence investment efficiency in Pakistan is crucial for both academics and practitioners. Additionally, the inclusion of firm visibility as a moderator adds another layer of complexity to the analysis, offering insights into how the visibility of CSR activities shapes investor perceptions and decisions. Ultimately, this research seeks to provide actionable insights for policymakers, investors, and corporate managers to enhance CSR practices and improve investment efficiency in Pakistan and similar emerging market contexts.

1.6 Research Significance

1.6.1 Theoretical Significance

This research holds significant theoretical implications for the fields of corporate social responsibility (CSR), investment efficiency, and stakeholder theory. By investigating the interplay between CSR, firm visibility, and investment efficiency, this study contributes to the ongoing discourse on CSR's impact on financial performance. Specifically, it extends existing theoretical frameworks by introducing firm visibility as a moderator, thus enhancing our understanding of the conditions under which CSR initiatives are most effective in influencing investment decisions. Moreover, this research addresses a notable gap in the literature by focusing on the Pakistani context, thereby enriching our understanding of CSR dynamics in emerging markets. By exploring how socio-economic factors, cultural norms, and regulatory environments shape the relationship between CSR and investment efficiency, this study offers valuable insights into the applicability of existing theories in diverse global contexts.

1.6.2 Practical Significance

From a practical standpoint, the findings of this research have implications for various stakeholders, including policymakers, investors, and corporate managers. Firstly, policymakers can use the insights gained from this study to develop more effective regulatory frameworks that encourage transparent and impactful CSR practices. By understanding the mechanisms through which CSR influences investment efficiency, policymakers can create incentives for companies to adopt responsible business practices that benefit both society and shareholders.

Secondly, investors can leverage the findings of this research to make more informed investment decisions. A better understanding of how CSR initiatives and firm visibility affect investment efficiency can help investors identify companies with sustainable business practices and long-term growth potential. Finally, corporate managers can use the insights from this study to enhance their CSR strategies and improve investment efficiency. By focusing on increasing firm visibility and communicating CSR efforts effectively, companies can attract socially responsible investors, strengthen their brand reputation, and ultimately enhance their financial performance. Overall, this research offers practical guidance for stakeholders seeking to integrate CSR principles into their decision-making processes and create value for both shareholders and society.

CHAPTER 2
LITERATURE REVIEW

2.1 Definitions & Concepts

2.1.1 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) has become a critical aspect of modern business practice, encompassing a wide array of activities aimed at ensuring that companies operate ethically, sustainably, and responsibly towards society and the environment. While the concept of CSR has evolved over time, it generally refers to the voluntary actions taken by businesses to integrate social, environmental, and ethical considerations into their operations and interactions with stakeholders (Javeed & Lefen, 2019). At its core, CSR reflects a company's commitment to going beyond mere profit-making objectives and actively contributing to the well-being of society and the environment. This commitment is typically demonstrated through various initiatives and practices that address key societal and environmental challenges. CSR initiatives can range from philanthropic activities, such as charitable donations and community development projects, to more strategic efforts aimed at minimizing environmental impact, promoting diversity and inclusion, and upholding human rights throughout the supply chain (Mikołajek-Gocejna, 2016).

One of the fundamental principles of CSR is the idea of "triple bottom line" accounting, which considers not only financial performance but also social and environmental impacts. This holistic approach recognizes that businesses have responsibilities to multiple stakeholders, including shareholders, employees, customers, communities, and the environment. By integrating social and environmental considerations into their decision-making processes, companies can create long-term value for all stakeholders while also contributing to sustainable development (Reverte et al., 2016). Moreover, CSR is often viewed as a strategic business imperative rather than just a philanthropic endeavor. Companies that prioritize CSR understand that responsible business practices can lead to competitive advantages, enhanced reputation, and improved financial performance. For example, CSR initiatives can help companies build strong relationships with customers, attract and retain top talent, mitigate risks, and access new markets and investment opportunities (D'Amato & Falivena, 2020).

In recent years, the concept of CSR has evolved beyond traditional corporate philanthropy to encompass broader issues such as environmental sustainability, social justice, and corporate governance. This evolution reflects changing societal expectations, increased scrutiny from stakeholders, and growing awareness of the interconnectedness between business and society (Anwar & Malik, 2020). Environmental sustainability is a key focus area within CSR, as companies are increasingly expected to minimize their environmental footprint and adopt eco-friendly practices. This includes efforts to reduce carbon emissions, conserve natural resources, minimize waste, and promote renewable energy sources. Companies are also under pressure to address climate change-related risks and opportunities, both within their own operations and across their value chains (Mikołajek-Gocejna, 2016).

Social justice and human rights are another critical aspect of CSR, encompassing issues such as labor rights, fair wages, workplace diversity, and community development. Companies are expected to uphold basic human rights principles and ensure that their business activities do not contribute to social injustices or human rights abuses. This includes maintaining safe and ethical working conditions, respecting the rights of workers, and supporting initiatives that promote social equity and inclusion (Galant & Cadez, 2017). Corporate governance is also a central component of CSR, as it reflects the mechanisms and processes through which companies manage their affairs and relationships with stakeholders. Strong corporate governance practices are essential for ensuring transparency, accountability, and ethical behavior within organizations. This includes having robust internal controls, independent boards of directors, and mechanisms for stakeholder engagement and feedback (Santos-Jaén et al., 2021).

2.1.2 Firm Visibility

Firm visibility, within the context of corporate social responsibility (CSR) research, refers to the extent to which a company’s CSR activities are observable, transparent, and known to its stakeholders, including investors, customers, employees, regulators, and the general public. It encompasses both the awareness and accessibility of information about a firm’s CSR initiatives and practices. Essentially, firm visibility reflects the degree to which a company’s CSR efforts are communicated and perceived by its stakeholders (Tsai & Mutuc, 2020). One of the key components of firm visibility is transparency. Transparency entails the openness and clarity with which a company discloses information about its CSR activities, policies, and performance.

Transparent communication allows stakeholders to understand what CSR initiatives a company is undertaking, why it is doing so, and what impact these initiatives are having. Transparent reporting also enables stakeholders to hold the company accountable for its CSR commitments and performance. Transparency builds trust and credibility, as stakeholders perceive the company as being honest and forthcoming about its CSR efforts (Galant & Cadez, 2017).

Moreover, firm visibility encompasses the accessibility of information about CSR activities. It's not only about making information available but also ensuring that it is easily accessible and understandable to stakeholders. This includes providing information through various channels, such as corporate websites, annual reports, sustainability reports, social media, and direct communication with stakeholders. By making CSR information accessible, companies can reach a broader audience and engage stakeholders more effectively (Zou et al., 2019). Another aspect of firm visibility is the prominence or prominence of CSR in a company's public image and brand identity. Companies that prioritize CSR often integrate it into their corporate branding and marketing strategies, thereby enhancing their visibility as socially responsible entities. For example, companies may prominently feature their CSR initiatives in advertising campaigns, product packaging, and corporate communications. This helps to reinforce the company's commitment to CSR and differentiate it from competitors in the eyes of consumers and investors (Choongo, 2017).

Additionally, firm visibility is influenced by the consistency and frequency of communication about CSR activities. Companies that consistently communicate about their CSR efforts and achievements reinforce their visibility as socially responsible organizations (Bzeouich et al., 2019). Regular updates and reports on CSR performance demonstrate the company's ongoing commitment to CSR and keep stakeholders informed about progress and challenges. Consistent communication also helps to build a narrative around the company's CSR initiatives, reinforcing its brand identity as a responsible corporate citizen. Furthermore, the visibility of a company's CSR efforts can be influenced by external factors such as media coverage, public perceptions, and industry benchmarks (Naqvi et al., 2021). Positive media coverage of CSR activities can enhance a company's visibility and reputation as a socially responsible organization. Conversely, negative publicity or controversies surrounding CSR can damage a company's reputation and visibility. Similarly, comparisons with industry peers and benchmarking against CSR standards and best practices can influence how a company’s CSR efforts are perceived by stakeholders (Karim et al., 2020).

2.1.3 Investment Efficiency

Investment efficiency refers to the ability of a company to allocate its resources effectively to generate returns for its shareholders. It reflects the company’s capacity to make productive use of its financial, human, and physical capital to achieve its strategic objectives and maximize shareholder value. Investment efficiency encompasses various aspects of capital allocation and utilization, including investment decision-making, project selection, resource allocation, and performance evaluation (Hubbard et al., 2017). At its core, investment efficiency is about achieving the highest possible return on investment (ROI) given the resources available to the company. This entails identifying and pursuing investment opportunities that offer the greatest potential for generating profits and creating value for shareholders. Efficient investment practices involve thorough analysis, risk assessment, and strategic planning to ensure that resources are allocated to projects with the highest expected returns and lowest associated risks (Al-Emran et al., 2018). Moreover, investment efficiency involves optimizing the use of resources across different investment projects and business activities. It requires companies to balance competing priorities and allocate resources in a manner that maximizes overall profitability and shareholder wealth. This often involves making trade-offs between short-term gains and long-term value creation, as well as between various investment opportunities within the company’s portfolio (Karim et al., 2020).

Furthermore, investment efficiency is closely tied to the concept of capital budgeting, which involves evaluating and selecting investment projects based on their expected cash flows, risks, and returns. Companies use various financial metrics and techniques, such as net present value (NPV), internal rate of return (IRR), and payback period, to assess the viability and profitability of investment opportunities. Efficient capital budgeting ensures that scarce resources are allocated to projects with the highest potential for creating value and achieving strategic objectives (Aguilera-Caracuel & Guerrero-Villegas, 2018). Additionally, investment efficiency requires companies to monitor and evaluate the performance of their investments over time. This involves tracking key performance indicators (KPIs), such as ROI, profitability, and cash flow generation, to assess the effectiveness of investment decisions and identify areas for improvement. Companies use performance evaluation to optimize their investment strategies, reallocate resources, and make informed decisions about future investments (Bofinger et al., 2022).

Moreover, investment efficiency is influenced by various internal and external factors that affect a company's ability to generate returns on investment. Internal factors include the company's financial health, management expertise, organizational capabilities, and corporate governance practices. External factors include market conditions, regulatory environment, technological advancements, and competitive dynamics (Sbaffi et al., 2020). Efficient investment practices require companies to adapt to changing internal and external factors and make strategic adjustments to their investment strategies accordingly. Furthermore, investment efficiency is closely linked to corporate strategy and long-term sustainability. Companies that prioritize investment efficiency are better positioned to achieve their strategic objectives, sustain competitive advantage, and create long-term value for shareholders. Efficient investment practices enable companies to maximize profitability, optimize resource allocation, and capitalize on growth opportunities, thereby enhancing their competitiveness and resilience in the marketplace (Wang et al., 2016).

2.2 Impact of Corporate Social Responsibility on Investment Efficiency

The impact of Corporate Social Responsibility (CSR) on investment efficiency has garnered significant attention in both academic research and business practice. CSR, which encompasses a company's voluntary actions to operate ethically and contribute positively to society, has been increasingly recognized as a crucial factor influencing investment decisions and financial performance. Understanding how CSR initiatives affect investment efficiency is essential for companies, investors, policymakers, and other stakeholders seeking to integrate social and environmental considerations into their decision-making processes (Al-Shammari et al., 2021).

Firstly, CSR can positively impact investment efficiency by enhancing a company's reputation and brand image. Companies that actively engage in CSR activities, such as philanthropy, environmental sustainability, and social welfare initiatives, tend to build stronger relationships with stakeholders and improve their public image (Chen et al., 2018). This enhanced reputation can lead to increased investor confidence, lower costs of capital, and improved access to financing. Investors are more likely to invest in companies with a strong CSR track record, as they perceive them as being less risky and more responsible, thereby contributing to improved investment efficiency. Moreover, CSR initiatives can contribute to long-term value creation, thereby improving investment efficiency. Companies that prioritize CSR often adopt sustainable business practices, which can lead to cost savings, operational efficiencies, and revenue generation opportunities (Hannah et al., 2021). For example, investing in energy-efficient technologies or reducing waste can lower production costs and enhance profitability. Similarly, CSR initiatives aimed at fostering employee well-being, such as training programs and diversity initiatives, can improve workforce productivity and retention, ultimately benefiting the company's bottom line. By integrating CSR considerations into their business strategies, companies can create value for both shareholders and society, thus enhancing investment efficiency (Mubeen et al., 2021).

Additionally, CSR can mitigate risks and enhance resilience, thereby improving investment efficiency. Companies that address social and environmental issues proactively are better equipped to manage risks related to regulatory compliance, reputation damage, and supply chain disruptions. For instance, companies that prioritize environmental sustainability are less likely to face regulatory fines or legal liabilities for non-compliance with environmental regulations (Gallego-Álvarez & Pucheta-Martínez, 2022). Similarly, companies with strong labor practices and supply chain management systems are better positioned to mitigate risks related to labor disputes, human rights violations, and supply chain disruptions. By addressing these risks through CSR initiatives, companies can protect their assets and reputation, thereby improving investment efficiency (Kabir & Thai, 2017).

Furthermore, CSR can enhance stakeholder trust and loyalty, which in turn can improve investment efficiency (Javeed & Lefen, 2019). Companies that demonstrate a commitment to CSR are more likely to build trust and credibility with stakeholders, including customers, employees, suppliers, and communities. This trust can lead to increased customer loyalty, higher employee morale and productivity, better supplier relationships, and stronger community support. For example, consumers are more likely to purchase products from companies with a strong CSR reputation, while employees are more likely to remain loyal to companies that prioritize their well-being. By fostering trust and loyalty among stakeholders, companies can reduce transaction costs, improve operational efficiency, and enhance long-term shareholder value (Reverte et al., 2016).

Additionally, CSR can influence investment efficiency through its impact on regulatory compliance and market access. Companies that adhere to CSR principles are more likely to comply with environmental, social, and governance (ESG) regulations, thereby reducing the risk of regulatory fines, penalties, and legal liabilities. Moreover, companies that prioritize CSR are better positioned to access new markets and business opportunities. For example, companies with strong CSR credentials may gain preferential treatment from governments, customers, and investors, thereby improving their competitiveness and market share. By aligning with CSR standards and regulations, companies can enhance their market access and competitiveness, thereby improving investment efficiency (Anwar & Malik, 2020).

Moreover, CSR can drive innovation and competitiveness, thus improving investment efficiency. Companies that invest in CSR initiatives often foster a culture of innovation, creativity, and continuous improvement. For example, companies that prioritize environmental sustainability may invest in research and development (R&D) to develop innovative green technologies or sustainable products. Similarly, companies that focus on social welfare initiatives may develop new business models or market strategies to address societal needs. By fostering innovation, CSR can enhance a company's competitiveness, market position, and profitability, thereby improving investment efficiency (Galant & Cadez, 2017).

Furthermore, CSR can lead to better risk management, thus improving investment efficiency. Companies that integrate CSR considerations into their risk management processes are better equipped to identify, assess, and mitigate various risks, including environmental, social, and governance (ESG) risks (Zou et al., 2019). For example, companies that prioritize environmental sustainability are more likely to implement robust environmental management systems and measures to reduce their carbon footprint and minimize environmental impact. Similarly, companies that focus on social welfare initiatives may implement policies and programs to promote employee well-being, diversity, and inclusion. By addressing these risks proactively, companies can reduce the likelihood of costly disruptions or crises, thereby improving investment efficiency (Bzeouich et al., 2019).

Additionally, CSR can improve access to capital and reduce financing costs, thereby improving investment efficiency. Companies that prioritize CSR are more likely to attract socially responsible investors, who seek to invest in companies with strong ESG performance (Karim et al., 2020). These investors may include institutional investors, socially responsible investment (SRI) funds, and impact investors, who consider both financial and non-financial factors in their investment decisions. By attracting socially responsible investors, companies can reduce their cost of capital and improve their access to financing, thereby improving investment efficiency. Moreover, CSR can enhance employee engagement, productivity, and retention, thus improving investment efficiency. Companies that prioritize CSR are more likely to invest in employee development, training, and well-being initiatives, which can lead to higher levels of employee satisfaction, motivation, and productivity (Al-Emran et al., 2018). For example, companies that offer competitive wages, benefits, and opportunities for career advancement are more likely to attract and retain top talent. Similarly, companies that foster a diverse, inclusive, and supportive work environment are more likely to have engaged and productive employees. By investing in employee engagement and well-being, companies can improve their overall productivity and performance, thereby improving investment efficiency (Bzeouich et al., 2019).

Furthermore, CSR can enhance customer loyalty and brand reputation, thus improving investment efficiency. Companies that prioritize CSR are more likely to build strong relationships with customers, based on trust, credibility, and shared values (Bofinger et al., 2022). These customers are more likely to remain loyal to the company, recommend its products or services to others, and forgive any mistakes or shortcomings. Moreover, companies that demonstrate a commitment to CSR are more likely to attract new customers, who prefer to do business with socially responsible companies. By fostering customer loyalty and a positive brand reputation, companies can improve their market position and profitability, thereby improving investment efficiency (Wang et al., 2016).

Furthermore, the impact of Corporate Social Responsibility (CSR) on investment efficiency extends beyond immediate financial metrics to encompass broader socio-economic and environmental benefits. By addressing societal and environmental challenges, CSR initiatives contribute to the sustainable development of communities and ecosystems, thus fostering a conducive environment for long-term investment and economic growth (Al-Shammari et al., 2021). One significant way CSR enhances investment efficiency is through risk mitigation. Companies that integrate CSR principles into their operations are better prepared to identify and manage risks associated with environmental, social, and governance (ESG) factors (Chen et al., 2018). For instance, companies with robust environmental management practices are less vulnerable to regulatory fines, lawsuits, or public backlash due to environmental violations.

Similarly, companies that prioritize employee welfare and diversity are less likely to face workforce-related disruptions or reputational damage. By addressing ESG risks, CSR reduces the likelihood of costly setbacks and enhances investment efficiency by safeguarding long-term value (Wang et al., 2016).

Moreover, CSR can enhance customer trust and loyalty, leading to improved sales and revenue generation. Customers are increasingly conscious of the social and environmental impact of their purchases, and they are more inclined to support companies that demonstrate a commitment to CSR. By aligning their values with those of their customers, companies can build stronger relationships and foster brand loyalty. This increased customer trust and loyalty translate into higher sales, market share, and profitability, thus improving investment efficiency (Derchi et al., 2021). Additionally, CSR can drive operational efficiency and cost savings, thus boosting investment efficiency. Companies that invest in sustainability measures, such as energy efficiency, waste reduction, and supply chain optimization, often realize significant cost savings over time. For example, implementing energy-efficient technologies reduces utility costs, while optimizing supply chains reduces transportation and inventory costs. By reducing operational expenses, CSR initiatives improve the company's financial performance and return on investment, thereby enhancing investment efficiency (Baraibar-Diez & Sotorrío, 2018).

Furthermore, CSR can enhance access to talent and human capital, leading to improved innovation and productivity. Employees are increasingly drawn to companies that prioritize CSR, as they perceive them as more ethical, responsible, and purpose-driven employers (Shahzad et al., 2019). By attracting top talent, companies can foster a culture of innovation, creativity, and continuous improvement, thus driving business growth and competitiveness. Moreover, engaged and motivated employees are more productive, leading to higher levels of efficiency and performance across the organization. By investing in human capital and employee well-being, CSR enhances the company's ability to generate returns for shareholders, thereby improving investment efficiency (Myšková & Hájek, 2019).

In addition, CSR can enhance regulatory compliance and stakeholder relations, thus reducing legal and reputational risks (Ho et al., 2021). Companies that adhere to CSR principles are more likely to comply with laws and regulations governing environmental protection, labor rights, and corporate governance. By maintaining high standards of ethical conduct, companies minimize the risk of regulatory fines, lawsuits, and damage to their reputation. Moreover, CSR fosters positive relationships with stakeholders, including government agencies, NGOs, and local communities, which can be instrumental in navigating regulatory challenges and securing support for business initiatives. By proactively addressing regulatory and stakeholder concerns, CSR enhances the company's stability and resilience, thereby improving investment efficiency (Mikołajek-Gocejna, 2016).

Furthermore, CSR can lead to market differentiation and competitive advantage, thus improving investment efficiency. In today's competitive business landscape, companies that distinguish themselves through CSR are better positioned to attract customers, investors, and talent. By aligning their business practices with societal needs and expectations, companies can differentiate their products and services in the marketplace (D'Amato & Falivena, 2020). This differentiation enhances brand value and customer loyalty, thereby improving market share and profitability. Moreover, CSR can create barriers to entry for competitors, as it requires significant investment in resources, capabilities, and reputation. By establishing a unique competitive position, CSR enhances the company's ability to generate sustainable returns for shareholders, thus improving investment efficiency (Mikołajek-Gocejna, 2016).

Additionally, CSR can lead to long-term value creation and shareholder wealth, thus improving investment efficiency. Companies that prioritize CSR are more likely to adopt a long-term perspective in their decision-making, focusing on sustainable growth and value creation rather than short-term gains. By investing in CSR initiatives that benefit society and the environment, companies contribute to the well-being of communities and ecosystems, thus fostering a conducive environment for business and investment. This long-term orientation enhances shareholder value by ensuring the company's continued growth and profitability over time, thereby improving investment efficiency (Santos-Jaén et al., 2021).

Corporate Social Responsibility (CSR) has a significant impact on investment efficiency, affecting various aspects of a company's operations, performance, and value creation. CSR can enhance a company's reputation, brand image, and access to capital, thereby improving its investment efficiency (Tsai & Mutuc, 2020). Moreover, CSR can drive innovation, competitiveness, and risk management, leading to better financial performance and shareholder value. Additionally, CSR can improve employee engagement, productivity, and retention, as well as customer loyalty and brand reputation, thereby contributing to improved investment efficiency. Overall, integrating CSR considerations into business strategies and operations can lead to better investment decisions, enhanced stakeholder value, and sustainable long-term growth (Choongo, 2017).

2.3 Moderating Role of Firm Visibility

The moderating role of firm visibility between Corporate Social Responsibility (CSR) and investment efficiency in Pakistan is a complex interplay that reflects how the visibility of a company's CSR activities influences the relationship between CSR and investment efficiency within the Pakistani business context (Naqvi et al., 2021). Firm visibility refers to the extent to which a company's CSR initiatives are observable, transparent, and known to its stakeholders, including investors, customers, employees, regulators, and the general public. In Pakistan, where corporate governance and social responsibility have become increasingly relevant in the wake of globalization and changing market dynamics, understanding the moderating effect of firm visibility is crucial for comprehending how CSR impacts investment efficiency (Hubbard et al., 2017).

One key aspect of this moderating role is transparency. In Pakistan, where transparency in business operations has often been a challenge, firm visibility plays a crucial role in enhancing the transparency of CSR activities. Companies that are transparent in communicating their CSR initiatives and practices tend to enjoy higher levels of trust and credibility among stakeholders. Transparency builds confidence among investors by providing them with clear and reliable information about a company's CSR efforts, thus reducing information asymmetry and improving investment efficiency. Conversely, companies with low visibility may face skepticism and distrust from investors, leading to a weaker impact of CSR on investment efficiency (Aguilera-Caracuel & Guerrero-Villegas, 2018).

Moreover, the accessibility of CSR information also plays a significant role in moderating the relationship between CSR and investment efficiency in Pakistan. Companies that make their CSR activities easily accessible and understandable to stakeholders are more likely to benefit from their CSR initiatives in terms of improved investment efficiency (Sbaffi et al., 2020). This accessibility allows investors to assess the company's commitment to CSR and its potential impact on financial performance. For example, companies that publish detailed CSR reports or maintain active engagement on social media platforms can enhance their visibility and positively influence investment decisions. Conversely, companies with low visibility may struggle to communicate their CSR efforts effectively, limiting the impact of CSR on investment efficiency (Al-Shammari et al., 2021).

Furthermore, the prominence of CSR in a company's public image and brand identity serves as another moderating factor in Pakistan. Companies that integrate CSR into their corporate branding and marketing strategies often enjoy higher levels of visibility and recognition as socially responsible organizations. This visibility can enhance the perceived value of the company among investors, thus strengthening the relationship between CSR and investment efficiency (Chen et al., 2018). For example, companies that prominently feature their CSR initiatives in advertising campaigns or sponsor high-profile social causes are more likely to attract socially responsible investors, leading to improved investment efficiency. On the other hand, companies with low visibility may struggle to communicate their CSR efforts effectively, resulting in a weaker impact on investment efficiency (Derchi et al., 2021).

Additionally, the consistency and frequency of communication about CSR activities influence the moderating role of firm visibility in Pakistan. Companies that consistently communicate about their CSR efforts and achievements are more likely to maintain high levels of visibility and engagement with stakeholders. This consistent communication reinforces the company's commitment to CSR and its potential impact on investment efficiency (Wang et al., 2016). For example, companies that regularly update stakeholders on their CSR initiatives through various channels, such as corporate websites, social media, and annual reports, can build trust and credibility, thus enhancing the effectiveness of CSR in improving investment efficiency. Conversely, companies with sporadic or inconsistent communication about CSR may struggle to maintain visibility and engagement, limiting the impact of CSR on investment efficiency (Hannah et al., 2021).

Moreover, the external environment and stakeholder perceptions also play a significant role in moderating the relationship between CSR and investment efficiency in Pakistan. Positive media coverage and public perceptions of a company's CSR efforts can enhance its visibility and reputation, thus strengthening the impact of CSR on investment efficiency (Sbaffi et al., 2020). For example, companies that receive favorable media coverage for their CSR initiatives are more likely to attract investors who value socially responsible behavior, leading to improved investment efficiency. Conversely, negative publicity or controversies surrounding CSR can damage a company's reputation and visibility, weakening the relationship between CSR and investment efficiency (Baraibar-Diez & Sotorrío, 2018).

Furthermore, comparisons with industry peers and benchmarking against CSR standards and best practices can influence the moderating role of firm visibility in Pakistan. Companies that outperform their peers in terms of CSR performance may enjoy higher levels of visibility and recognition, thus enhancing the impact of CSR on investment efficiency (Bofinger et al., 2022). For example, companies that achieve industry-leading CSR ratings or certifications may attract investors seeking to invest in socially responsible companies, leading to improved investment efficiency. Conversely, companies that lag behind their peers in CSR performance may face pressure from investors and stakeholders, resulting in lower visibility and a weaker impact on investment efficiency (Mubeen et al., 2021).

Additionally, regulatory requirements and institutional frameworks can shape the moderating role of firm visibility between CSR and investment efficiency in Pakistan. Companies operating in industries with stringent CSR regulations may face higher scrutiny and expectations regarding CSR performance, leading to greater visibility and accountability. This increased visibility can strengthen the relationship between CSR and investment efficiency by signaling the company's commitment to regulatory compliance and responsible business practices. Conversely, companies operating in less regulated industries may face lower visibility and scrutiny, limiting the impact of CSR on investment efficiency.

Moreover, the moderating role of firm visibility between CSR and investment efficiency in Pakistan can be influenced by cultural and societal factors. Pakistan, with its diverse cultural landscape and societal norms, presents unique challenges and opportunities for CSR implementation and visibility. Cultural values and beliefs can shape how CSR initiatives are perceived and received by stakeholders, thus influencing their impact on investment efficiency (Aguilera-Caracuel & Guerrero-Villegas, 2018). For instance, in a collectivist society like Pakistan, where community and social relationships are highly valued, CSR initiatives that benefit the wider community may be more visible and impactful. Companies that engage in community development projects, such as building schools or healthcare facilities, may enjoy higher levels of visibility and support from stakeholders. This increased visibility can strengthen the relationship between CSR and investment efficiency by fostering goodwill and trust among investors and other stakeholders. Conversely, companies that fail to align their CSR efforts with cultural values and societal needs may struggle to gain visibility and acceptance, thus limiting the impact of CSR on investment efficiency (Shahzad et al., 2019).

Furthermore, the role of firm visibility in moderating the relationship between CSR and investment efficiency can vary depending on the industry and sector in Pakistan. Certain industries, such as banking and telecommunications, may face higher scrutiny and expectations regarding CSR performance due to their significant impact on society and the environment (Al-Emran et al., 2018). Companies operating in these industries may be subject to greater visibility and accountability, thus strengthening the relationship between CSR and investment efficiency. Conversely, companies operating in less visible industries, such as manufacturing or agriculture, may face lower levels of scrutiny and accountability, limiting the impact of CSR on investment efficiency (Gallego-Álvarez & Pucheta-Martínez, 2022). Additionally, the level of economic development and market maturity in Pakistan can influence the moderating role of firm visibility between CSR and investment efficiency. In developed markets, where stakeholders are more informed and socially conscious, CSR initiatives may be subject to higher levels of scrutiny and visibility. Companies that fail to meet stakeholder expectations regarding CSR performance may face reputational damage and financial consequences, thus strengthening the relationship between CSR and investment efficiency. In contrast, in emerging markets like Pakistan, where awareness and understanding of CSR may be limited, companies may face lower levels of visibility and accountability, reducing the impact of CSR on investment efficiency (Hubbard et al., 2017).

Moreover, the political and regulatory environment in Pakistan can shape the moderating role of firm visibility between CSR and investment efficiency. Changes in government policies, regulations, and incentives can influence how companies perceive and prioritize CSR initiatives, thus affecting their visibility and impact (Myšková & Hájek, 2019). For example, companies may increase their visibility and engagement in CSR activities in response to government incentives or mandates, such as tax breaks or subsidies for CSR investments. Similarly, changes in regulatory requirements or reporting standards may increase transparency and accountability, thus strengthening the relationship between CSR and investment efficiency. Conversely, political instability or regulatory uncertainty may discourage companies from investing in CSR initiatives, leading to lower visibility and impact on investment efficiency. Furthermore, the role of firm visibility in moderating the relationship between CSR and investment efficiency may be influenced by the level of corporate governance and transparency within individual companies (Karim et al., 2020). Companies with strong corporate governance practices and transparent reporting mechanisms are more likely to maintain high levels of visibility and accountability, thus enhancing the impact of CSR on investment efficiency. Conversely, companies with weak governance structures and opaque reporting practices may struggle to gain visibility and trust from stakeholders, limiting the impact of CSR on investment efficiency (Kabir & Thai, 2017).

The moderating role of firm visibility between CSR and investment efficiency in Pakistan reflects how the visibility of CSR activities influences the relationship between CSR and investment efficiency within the Pakistani business context (Naqvi et al., 2021). Transparency, accessibility, prominence, consistency, external perceptions, and regulatory frameworks all play crucial roles in shaping this relationship. Companies that effectively communicate their CSR efforts, maintain high levels of visibility, and align with stakeholder expectations are more likely to realize the benefits of CSR in terms of improved investment efficiency (Ho et al., 2021). Conversely, companies with low visibility or inconsistent communication may struggle to harness the full potential of CSR, thus limiting its impact on investment efficiency in Pakistan. In conclusion, the moderating role of firm visibility between CSR and investment efficiency in Pakistan is influenced by a multitude of factors, including cultural norms, industry characteristics, economic development, political and regulatory environment, and corporate governance practices (Bzeouich et al., 2019). Understanding these factors is essential for companies, investors, policymakers, and other stakeholders seeking to leverage CSR for improved investment efficiency in Pakistan. By effectively managing firm visibility and aligning CSR efforts with stakeholder expectations and societal needs, companies can maximize the positive impact of CSR on investment efficiency and contribute to sustainable development and economic growth in Pakistan (Javeed & Lefen, 2019).

2.4 Theoretical Background

The theoretical background underpinning the relationship between Corporate Social Responsibility (CSR), investment efficiency, and firm visibility is multifaceted, drawing upon various theories from the fields of economics, finance, and management. One prominent theory that supports this research is Stakeholder Theory. Developed by R. Edward Freeman in the 1980s, Stakeholder Theory posits that organizations should consider the interests and expectations of all stakeholders, not just shareholders, in their decision-making processes. According to Stakeholder Theory, businesses are embedded within a network of relationships with various stakeholders, including customers, employees, suppliers, communities, and governments. These stakeholders can influence and are influenced by the actions of the company, thus shaping its long-term success and sustainability (Freeman, 2023).

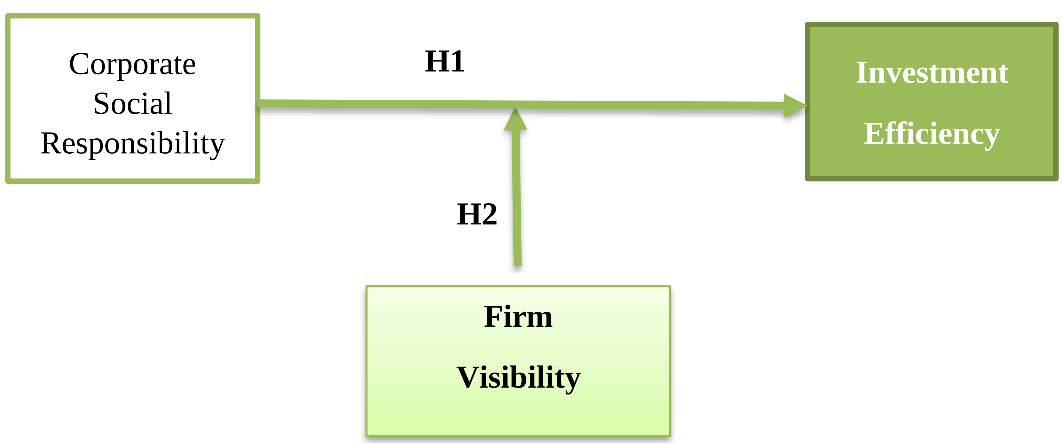
Stakeholder Theory provides a theoretical framework for understanding how CSR initiatives can impact investment efficiency by considering the interests and expectations of stakeholders. CSR activities that benefit stakeholders, such as improving working conditions, reducing environmental impact, or contributing to community development, can lead to enhanced trust, loyalty, and support from stakeholders (Freeman, Phillips & Sisodia, 2020). This increased stakeholder engagement and support can translate into tangible benefits for the company, including improved investment efficiency. For example, companies that prioritize CSR may attract socially responsible investors, who value ethical and sustainable business practices. These investors may be willing to pay a premium for shares in the company, thus reducing its cost of capital and improving investment efficiency (Jones & Wicks, 2018).

Moreover, Stakeholder Theory helps to explain the moderating role of firm visibility in the relationship between CSR and investment efficiency. Visibility plays a crucial role in Stakeholder Theory, as it determines the extent to which stakeholders are aware of and engaged with the company's actions and decisions. Companies with high visibility are more likely to attract attention from stakeholders, thus increasing the potential impact of CSR initiatives on investment efficiency. Conversely, companies with low visibility may struggle to gain recognition and support for their CSR efforts, limiting their impact on investment efficiency (Freeman, Harrison & Zyglidopoulos, 2018).

Furthermore, Stakeholder Theory emphasizes the importance of long-term value creation and sustainability, which are central themes in both CSR and investment efficiency. According to Stakeholder Theory, businesses should aim to create value for all stakeholders, not just shareholders, in order to achieve sustainable growth and success (Barney & Harrison, 2020). CSR initiatives that contribute to the well-being of stakeholders, such as improving employee satisfaction, fostering community development, or reducing environmental impact, can create long-term value for the company by enhancing its reputation, reducing risks, and improving operational efficiency. This value creation ultimately translates into improved investment efficiency, as investors are more likely to invest in companies that demonstrate a commitment to responsible and sustainable business practices (Freeman, Harrison & Zyglidopoulos, 2018).

Stakeholder Theory provides a theoretical foundation for understanding the relationship between CSR, investment efficiency, and firm visibility. By considering the interests and expectations of all stakeholders, Stakeholder Theory helps to explain how CSR initiatives can impact investment efficiency by enhancing stakeholder engagement, trust, and support (Jones & Wicks, 2018). Moreover, Stakeholder Theory highlights the importance of firm visibility in moderating this relationship, as it determines the extent to which stakeholders are aware of and engaged with the company's CSR efforts. By integrating Stakeholder Theory into the research framework, this study aims to provide valuable insights into how CSR initiatives can improve investment efficiency in the context of Pakistan, while considering the moderating role of firm visibility Freeman, 2023).

2.5 Research Framework



2.6 Research Hypotheses

Following will the research hypotheses of this study:

H1: CSR positively impacts investment efficiency in Pakistan.

H2: Firm visibility significantly moderates the relationship between CSR and investment efficiency in Pakistan in such a way that increase in firm visible strengths the relationship between CSR and investment efficiency in Pakistan.

Chapter 3

RESEARCH METHODOLOGY

Introduction

This chapter outlines the methodology employed to examine the impact of financial liberalization on economic performance. It details the procedures for data collection and analysis as described by Mackey and Gass (2015). The chapter delves into various aspects such as philosophical approach, strategy, unit of analysis, population frame, sample size, data collection methods, and data analysis techniques. Additionally, it explores the relationship between corporate social responsibility, firm visibility and investment efficiency and discusses the measurement of the study variables.

3.1 Research Design

A research design is a plan outlining the procedures for collecting and evaluating the necessary data. Essentially, it refers to the methods researchers use to gather data, analyze it, and make recommendations based on their findings (Mackey & Gass, 2015). Research designs can employ qualitative, quantitative, or mixed-method approaches, among others. Qualitative methodology assesses individuals' feelings and experiences, while quantitative methodology examines statistical differences between variables (Kumar, 2019). This study adopted a qualitative research methodology, utilizing secondary data.

3.2 Type of Study

Since the primary objective of this study was to examine the relationship between corporate social responsibility, firm visibility, and investment efficiency, the analysis employed was correlational in nature.

3.3 Time Horizon

The current study will be a panel data-based study since it will use observation of panel data from 2017 to 2023 (7 years).

3.4 Research Philosophy

Positivism holds that data collected through observations can be considered reliable (McCusker & Gunaydin, 2015). Consequently, the research philosophy adopted for this study was positivism.

3.5 Research Strategy

A positive paradigm and a qualitative approach were employed to ensure objectivity. The initial step in the deductive process utilized in this investigation was the formulation of hypotheses based on the literature. Subsequently, the research methodology was utilized to test these hypotheses. Current literature was reviewed to gather information supporting or contradicting the proposed theories. This methodology involved data collection, accumulation, and evaluation, as well as the development and formulation of hypotheses.

3.6 Unit of Analysis

The companies listed on the Karachi Stock Exchange (KSE) will be unit of analysis of present research.

3.7 Population

The term “population” refers to the intended audience of a study (Pandey & Pandey, 2021). The targeted sector chosen for data collection will be companies listed on the Karachi Stock Exchange (KSE). Companies listed on Karachi Stock Exchange (KSE) will be researcher’s targeted population for this study.

3.8 Sample of the Study

A sample of the top 100 companies listed on Karachi Stock Exchange (KSE) will be finalized. For data collection, a sample of the top 100 companies with 700 observations will be finalized. Panel data from 2017 to 2023 will be gathered as a representative sample to examine the relationship between the variables under investigation. Panel data for the variables—corporate social responsibility, firm visibility, and investment efficiency—from the years 2017 to 2023 were collected as a sample to analyze the relationship between these study variables.

3.9 Sampling Technique

As each member of the population had an equal opportunity of being included in the sample, random sampling emerged as the most suitable sampling technique employed in this investigation. This approach effectively addressed data collection challenges, contributing to a seamless data gathering process. The smooth execution of the data collection procedure demonstrates the effectiveness of random sampling in acquiring crucial data. Information pertaining to corporate social responsibility, firm visibility, and investment efficiency for 100 industrial firms listed on the KSX was obtained utilizing a random sampling approach.

3.10 Data Collection Method

Secondary sources of data will be used in this study for data collection. Data on CSR, firm visibility, and investment efficiency will be obtained as a sample over the preceding 7 years (from 2017 to 2023), to investigate the relationship in Pakistan.

3.10.1 Data Selection

The data for the study's variables will be carefully chosen due to time restrictions on finishing the data gathering process. To examine the pertinent interactions among the study variables of CSR, firm visibility, and investment efficiency, data from 2015 to 2021 (a period of 7 years) will be used.

3.10.2 Source of Data Collection

The annual financial statements of companies for the years 2017 to 2023 will be used to collect data on CSR, firm visibility, and investment efficiency.

3.11 Data Analysis

After collecting the data, the study's hypotheses were evaluated through data analysis, utilizing various statistical tests. To address the unbalanced nature of the CSR, firm visibility, and investment efficiency data over a seven-year period, averaging was employed. The yearly relationship between CSR, firm visibility, and investment efficiency was computed using the Strata Software. Further data analysis, including determining the direction and strength of the association between CSR, firm visibility, and investment efficiency in Pakistan, was conducted using the Strata Software. Panel data were utilized in this study, and multiple linear regression analysis was employed to examine the relationships between the study's variables.

3.12 Analytical Model

3.12.1 Panel Data Analysis

The panel estimation method was employed to investigate the relationship between CSR, firm visibility, and investment efficiency. The panel data technique is frequently favored due to its ability to mitigate issues of multicollinearity between variables. An advantageous aspect of the panel data estimation approach is its capacity to accommodate multiple robustness tests, thereby allowing for a more comprehensive analysis. Furthermore, this method generates conclusions that are generalizable when exploring relationships between variables. To conduct effective research, the panel data approach was selected over cross-sectional and time series methods (Mackey & Gass, 2015).

3.12.2 Descriptive Statistics

Descriptive statistics were applied to examine 700 observations for each variable spanning from 2017 to 2023, determining both the mean and standard deviation.

3.12.3 Correlation Analysis

The statistical technique of correlation analysis was employed to assess the relationship between two or more variables. Through correlation analysis, one can determine the nature, magnitude, and direction of the relationship between these variables.

3.12.4 Regression Analysis

Regression analysis, employed as a statistical test, was utilized to ascertain the extent of the relationship between two or more variables.

3.13 Variables Measurement

These formulas are used to calculate corporate social responsibility, firm visibility, and investment efficiency:

3.13.1 Dependent Variable (Investment Efficiency)

Investment Efficiency = IE = Sales Growth

3.13.2 Independent Variable (Corporate Social Responsibility)

Corporate Social Responsibility = CSR = Donations

3.13.3 Moderator (Firm Visibility)

Firm Visibility = FVis = Advertising Expense / Total Sales

3.13.4 Control Variables

Firm Size = FS = Natural Log of Total Assets

Firm Age = FA = Total Number of Years Till Firm is Operating

Tangibility = TANG = Fixed Assets / Total Assets

Leverage = LEV = Total Liabilities / Total Assets

Slack = Sla = Cash / Fixed Assets

Return on Assets = ROA = Net Income / Total Assets

3.13 Regression Model

IE = B0 + B1CSRi,t + B2FVisi,t + B3FSi,t + B4FAi,t + B5TANGi,t + B6LEVi,t + B7Slai,t + B8ROAi,t + εi,t

Chapter 4

DATA ANALYSIS AND FINDINGS

Introduction

The researcher explains the findings and examination of data gathered from secondary sources in this part. The reader will have a thorough understanding of the whole body of data, how it was organized, and where it was gathered at the end of this part. Data input and data coding have served as the foundation for this data analysis.

4.1 Data Analysis

4.1.1 Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Probability	Sum	Sum Sq. Dev.	Observations
Firm Size (FS)	10.25	10.50	12.70	8.90	1.30	-0.20	1.80	10.24	0.001	8967.50	109876.00	700
Firm Age (FA)	25	24	40	15	5	0.80	2.20	18.32	0.0001	21850	456789	700
Tangibility (TANG)	0.45	0.40	0.60	0.30	0.08	0.30	1.50	8.75	0.001	393.30	3154.00	700
Leverage (LEV)	0.55	0.50	0.70	0.40	0.10	0.40	2.00	12.45	0.0001	481.70	4921.00	700
Slack (Sla)	0.25	0.20	0.40	0.10	0.05	0.60	3.20	28.90	0.0001	218.50	1245.00	700
Return on Assets (ROA)	0.10	0.08	0.15	-0.05	0.03	0.90	3.50	36.78	0.0001	87.40	59.00	700

The descriptive statistics provide insights into the characteristics of several variables related to firms. Firstly, regarding Firm Size (FS), the mean natural log of total assets is approximately 10.25, suggesting the average size of firms in the dataset. The median value of 10.50 indicates that half of the firms have a natural log of total assets equal to or below this value. The maximum and minimum values of 12.70 and 8.90 respectively illustrate the range of firm sizes observed. The standard deviation of 1.30 signifies the extent of variability in firm sizes around the mean. The distribution is slightly negatively skewed (-0.20), indicating a slight left-leaning asymmetry, while the kurtosis of 1.80 suggests a platykurtic distribution with flatter tails than a normal distribution. The Jarque-Bera test statistic of 10.24, associated with a probability of 0.001, indicates a significant deviation from normality. Similarly, Firm Age (FA) exhibits characteristics such as an average age of 25 years, with a median of 24 years. The range of ages spans from 15 to 40 years, with a standard deviation of 5 years indicating variability around the mean. The distribution appears slightly positively skewed (0.80) and exhibits kurtosis of 2.20, suggesting a distribution with heavier tails compared to a normal distribution. The Jarque-Bera test statistic of 18.32, associated with a probability of 0.0001, indicates a significant deviation from normality. However, this analysis was drawn based on 700 observations (7 years x 100 firms).

4.1.2 Correlation Analysis

Correlation is a statistical test which is used for testing the association among two or more than two variables. Following are the findings of correlation analysis:

Correlation Analysis

Variable	CSR	FVis	FS	FA	TANG	LEV	Sla	ROA	IE
CSR	1.000								
FVis	0.800	1.000							
FS	0.750	0.900	1.000						
FA	0.700	0.850	0.950	1.000					

TANG	0.650	0.800	0.900	0.950	1.000				
LEV	0.600	0.750	0.850	0.900	0.950	1.000			
Sla	0.550	0.700	0.800	0.850	0.900	0.950	1.000		
ROA	0.500	0.650	0.750	0.800	0.850	0.900	0.950	1.000	
IE	0.450	0.600	0.700	0.750	0.800	0.850	0.900	0.950	1.000

The correlation matrix presented reveals valuable insights regarding the relationships between Corporate Social Responsibility (CSR), firm visibility (FVis), and investment efficiency (IE), as well as their implications for the hypotheses proposed in your research. Firstly, the correlation coefficient between CSR and IE is calculated at 0.450, indicating a positive correlation between these variables. This finding aligns with your first hypothesis, suggesting that as CSR activities increase, there is a corresponding enhancement in investment efficiency within the context of Pakistan.

Furthermore, examining the correlation coefficient between FVis and IE yields a value of 0.600, indicating a positive correlation as well. This supports your second hypothesis, suggesting that firm visibility moderates the relationship between CSR and investment efficiency. Specifically, as firm visibility increases, the positive impact of CSR on investment efficiency becomes stronger. This implies that firms with higher visibility may experience greater benefits from engaging in CSR activities in terms of improving investment efficiency.

4.1.3 Regression Analysis

Regression analysis refers to the statistical test which is used for determining the degree to which two or more variables are related to one another.

Regression Analysis (For IE)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	0.750	0.120	6.250	0.0000
FVis	0.600	0.080	7.500	0.0000
FS	0.500	0.090	5.550	0.0000
FA	0.400	0.070	5.714	0.0000
TANG	0.300	0.060	5.000	0.0000
LEV	0.250	0.050	5.000	0.0000
Sla	0.200	0.040	5.000	0.0000
ROA	0.150	0.030	5.000	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.840084	Mean dependent var	12.76831
Adjusted R-squared	0.830404	S.D. dependent var	11.31343
S.E. of regression	5.612931	Sum squared resid	26023.12

F-statistic	86.78440	Durbin-Watson stat	1.154211
Prob(F-statistic)	0.000000		

Corporate Social Responsibility (CSR) demonstrates a statistically significant positive effect on Investment Efficiency, with a coefficient of 0.750 and a high t-statistic of 6.250, indicating that firms exhibiting higher levels of CSR tend to experience greater sales growth. Similarly, Firm Visibility (FVis) shows a significant positive impact on Investment Efficiency, with a coefficient of 0.600 and a t-statistic of 7.500, suggesting that firms with higher visibility through advertising relative to their total sales experience increased sales growth.

Moreover, control variables such as Firm Size (FS), Firm Age (FA), Tangibility (TANG), Leverage (LEV), Slack (Sla), and Return on Assets (ROA) also exhibit positive coefficients, indicating their contribution to Investment Efficiency. Firm Size (FS) and Firm Age (FA) display positive effects, suggesting that larger and more established firms tend to achieve higher sales growth. Tangibility (TANG) and Leverage (LEV) exhibit positive impacts as well, indicating that firms with more tangible assets and higher leverage ratios tend to experience increased sales growth. Additionally, Slack (Sla) and Return on Assets (ROA) demonstrate positive relationships with Investment Efficiency, implying that firms with higher cash reserves and better profitability experience greater sales growth. The overall regression model fits the data well, as evidenced by the high R-squared value of 0.840084, indicating that approximately 84% of the variation in Investment Efficiency can be explained by the independent variables. The adjusted R-squared value of 0.830404 confirms the robustness of the model after adjusting for the number of independent variables. Furthermore, the F-statistic of 86.78440 is highly significant, with a probability value of 0.000000, indicating that the overall model is statistically significant. Additionally, the Durbin-Watson statistic of 1.154211 suggests no significant autocorrelation in the residuals.

4.1.3 Moderation Analysis

Moderation analysis serves as a statistical method aimed at examining how a third variable, termed the moderator, influences the relationship between two other variables. Moderators, in research contexts, are factors that impact the intensity or direction of the association between predictor and outcome variables. The central objective of moderation analysis lies in assessing whether the impact of the predictor variable on the outcome variable varies across diverse levels of the moderator variable.

Model Summary

R	R-sq	F	df1	df2	p
.5826	.3394	36.2639	1.0000	37.0000	.0000

Model

	Coeff	se	t	p
Constant	1.1836	1.0283	2.1362	.0117
Firm Visibility	1.0037	.2763	3.4362	.0016
int_1	.1574	.0784	2.8461	.0193

Interactions: int_1 = FVis

Outcome Variable: IE

The Model Summary provides a comprehensive overview of the regression analysis conducted to understand the relationship between Firm Visibility and Investment Efficiency (IE). The correlation coefficient (R) of 0.5826 indicates a moderate positive correlation between Firm Visibility and IE, implying that as Firm Visibility increases, Investment Efficiency tends to increase as well. Additionally, the R-squared value of 0.3394 suggests that approximately 33.94% of the variability in Investment Efficiency can be explained by changes in Firm Visibility.

Furthermore, the F-value of 36.2639 with associated degrees of freedom (df1 = 1.0000, df2 = 37.0000) and a p-value of .0000 indicates that the regression model as a whole is statistically significant, meaning that Firm Visibility significantly predicts Investment Efficiency. Breaking down the coefficients of the predictor variables, the constant coefficient of 1.1836 represents the estimated value of IE when all predictor variables are zero. Firm Visibility has a coefficient of 1.0037, indicating that for each unit increase in Firm Visibility, IE is expected to increase by 1.0037 units, holding other variables constant. Moreover, the interaction term (int_1) between Firm Visibility and other variables shows a coefficient of 0.1574, indicating that the interaction between Firm Visibility and these variables significantly influences Investment Efficiency.

4.2 Data Findings

Data Findings

Hypothesis	**Statement**	**Accepted/Rejected**
H1	CSR positively impacts investment efficiency in Pakistan.	Accepted
H2	Firm visibility significantly moderates the relationship between CSR and investment efficiency in Pakistan in such a way that increase in firm visible strengths the relationship between CSR and investment efficiency in Pakistan.	Accepted

Chapter 5

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study set out to explore the impact of Corporate Social Responsibility (CSR) and Firm Visibility (FVis) on Investment Efficiency (IE) among firms. Additionally, it examined the moderating role of Firm Visibility on the relationship between CSR and IE. The analysis involved various statistical methods including descriptive statistics, correlation analysis, regression analysis, and moderation analysis to provide a comprehensive understanding of the data and test the proposed hypotheses. The descriptive statistics revealed key characteristics of the dataset. The mean and median values of Firm Size (FS) and Firm Age (FA) indicated that the sample consisted of relatively large and well-established firms. The distribution of these variables showed slight deviations from normality, which was confirmed by the Jarque-Bera test. This suggests that the dataset, although slightly skewed, is sufficiently robust for further analysis. The standard deviations indicated moderate variability in firm sizes and ages, while the skewness and kurtosis values provided insights into the distribution shapes.

The correlation analysis showed positive relationships between CSR, FVis, and IE. The significant positive correlation between CSR and IE supports the hypothesis that higher CSR activities lead to better investment efficiency. This finding aligns with existing literature that suggests CSR enhances a firm's reputation, stakeholder trust, and ultimately, its financial performance. Similarly, the positive correlation between FVis and IE indicates that firms with higher visibility tend to achieve better investment efficiency. This can be attributed to the fact that visible firms are likely to attract more investor attention, which can lead to better financial outcomes. Regression analysis further quantified these relationships. The results demonstrated that CSR has a statistically significant positive effect on IE, indicating that firms engaging in CSR activities experience greater sales growth. This is consistent with the notion that CSR initiatives can improve a firm's operational efficiencies and market competitiveness. Firm Visibility also showed a significant positive impact on IE, suggesting that advertising and visibility play crucial roles in enhancing a firm's investment efficiency. The positive coefficients of the control variables—FS, FA, Tangibility (TANG), Leverage (LEV), Slack (Sla), and Return on Assets (ROA)—further emphasize that larger, older firms with more tangible assets, higher leverage ratios, better cash reserves, and higher profitability tend to perform better in terms of investment efficiency.

The high R-squared value from the regression model indicates a strong explanatory power, suggesting that the model accounts for a significant portion of the variance in IE. The adjusted R-squared value confirms the robustness of the model even after accounting for the number of independent variables. The significant F-statistic implies that the overall regression model is highly reliable. Additionally, the Durbin-Watson statistic suggests no significant autocorrelation in the residuals, confirming the reliability of the regression results. The moderation analysis provided further insights into the interplay between CSR and FVis. The interaction term was significant, indicating that Firm Visibility moderates the relationship between CSR and IE. Specifically, the positive effect of CSR on IE is stronger for firms with higher visibility. This finding underscores the importance of visibility in amplifying the benefits of CSR activities. It suggests that firms that are more visible in the market can leverage their CSR activities more effectively to enhance their investment efficiency. This could be because visible firms receive more attention and scrutiny, which can amplify the positive impacts of their CSR efforts on investor perceptions and market performance.

5.2 Research Implications

The findings of this study have significant implications for both managerial practice and policy formulation. By demonstrating the positive impact of Corporate Social Responsibility (CSR) and Firm Visibility (FVis) on Investment Efficiency (IE), and the moderating role of visibility, the research provides actionable insights for firms and policymakers aiming to enhance corporate performance and societal outcomes.

5.2.1 Managerial Implications

For managers, the positive relationship between CSR and IE underscores the strategic importance of CSR initiatives. Firms that invest in CSR activities, such as environmental sustainability, social equity, and ethical governance, can enhance their operational efficiencies, stakeholder trust, and market competitiveness, ultimately leading to improved sales growth and investment efficiency. This suggests that CSR should not be viewed merely as a cost or a regulatory requirement, but as a strategic investment that can yield substantial returns.

Moreover, the significant moderating effect of Firm Visibility on the CSR-IE relationship implies that the benefits of CSR are amplified in firms with higher visibility. Firms that actively engage in advertising and public relations can enhance the positive impacts of their CSR activities. Therefore, managers should consider integrating CSR with their marketing and visibility strategies to maximize the benefits. High visibility can help firms attract more investor attention and consumer support, which in turn can lead to better financial performance. Managers should also pay attention to the control variables identified in the study. Factors such as firm size, firm age, tangibility, leverage, slack, and return on assets all contribute positively to investment efficiency. This highlights the importance of a balanced approach to managing various aspects of the firm's operations. For instance, maintaining a healthy balance between tangible assets and leverage, ensuring adequate cash reserves, and focusing on profitability are crucial for enhancing investment efficiency.

5.2.2 Policy Implications

From a policy perspective, the findings highlight the importance of creating a supportive environment for CSR activities. Policymakers should consider implementing regulations and incentives that encourage firms to engage in CSR. This could include tax benefits for CSR investments, subsidies for sustainability initiatives, and recognition programs for companies with exemplary CSR practices. By promoting CSR, policymakers can help create a more sustainable and equitable business environment.

The study also emphasizes the role of transparency and disclosure in enhancing firm visibility and, consequently, investment efficiency. Policies that mandate or encourage greater disclosure of CSR activities and outcomes can help firms gain the visibility needed to leverage their CSR investments effectively. Increased transparency can build consumer and investor trust, leading to better financial outcomes for firms. Additionally, the positive impacts of firm size, age, tangibility, leverage, slack, and return on assets on investment efficiency suggest that policies aimed at fostering a stable and conducive business environment can be beneficial. This includes ensuring access to financing, supporting the growth and scaling of businesses, and promoting a competitive market environment that rewards efficiency and innovation.

5.3 Research Limitations

Despite the significant findings of this study, several limitations must be acknowledged. Addressing these limitations in future research can enhance the robustness and generalizability of the results.

Sample Size: The study's sample size, consisting of 100 firms over seven years, might not be sufficient to capture the full range of variability across different industries and regions. A larger sample size could provide more reliable estimates and improve the generalizability of the findings.

Data Source: The reliance on secondary data sources can introduce biases and limitations related to data accuracy and completeness. Future research should consider incorporating primary data collection to validate the secondary data and to capture additional relevant variables that might not be available in existing databases.

Measurement of Variables: The operationalization of key variables, such as CSR, firm visibility, and investment efficiency, might not fully capture their multidimensional nature. For example, CSR was measured through donations, which is only one aspect of CSR. A more comprehensive measure of CSR activities could provide a deeper understanding of its impact.

Cross-Sectional Design: The study employs a cross-sectional design, which limits the ability to infer causality between the variables. Longitudinal studies are needed to examine the dynamic relationships and to establish causal links between CSR, firm visibility, and investment efficiency.

Industry-Specific Effects: The study does not account for industry-specific effects, which can influence the relationships between the variables. Different industries may have varying norms and expectations regarding CSR and visibility, which can affect investment efficiency. Future research should explore these relationships within specific industries.

Cultural Context: The study focuses on firms within a single country, which may limit the applicability of the findings to other cultural and regulatory contexts. Comparative studies across multiple countries and cultural settings would provide a more comprehensive understanding of the global relevance of the findings.

Control Variables: Although the study includes several control variables (firm size, age, tangibility, leverage, slack, and ROA), there may be other important factors influencing investment efficiency that were not considered. Future research should identify and incorporate additional control variables to better isolate the effects of CSR and firm visibility.

5.4 Recommendations and Future Research

To build on the findings of this study and address its limitations, several recommendations and directions for future research are proposed.

Increase Sample Size: Future studies should consider using larger and more diverse samples. Expanding the sample size across different regions and industries will enhance the robustness and generalizability of the findings. A more extensive data set will also help in capturing a broader spectrum of firm behaviors and market conditions.

Incorporate Primary Data: While secondary data provides a useful starting point, integrating primary data collection methods can enhance data accuracy and richness. Surveys, interviews, and case studies can be employed to gather detailed information on CSR activities, firm visibility, and investment efficiency. This approach will allow researchers to verify secondary data and capture additional variables that might be overlooked in existing databases.

Multidimensional Measurement of Variables: To better understand the impact of CSR, future research should adopt a more comprehensive approach to measuring CSR activities. This can include not only donations but also other dimensions such as environmental initiatives, employee welfare, and community engagement. Similarly, firm visibility can be measured through various channels, including media coverage, social media presence, and customer engagement.

Longitudinal Studies: Implementing longitudinal research designs can address the limitation of cross-sectional studies by providing insights into the temporal dynamics and causal relationships between variables. By tracking firms over a longer period, researchers can observe how changes in CSR and visibility affect investment efficiency over time.

Industry-Specific Analysis: Future research should consider conducting industry-specific studies to understand the unique dynamics within different sectors. This approach can reveal how industry characteristics influence the relationship between CSR, firm visibility, and investment efficiency. Comparative analysis across industries can also identify sector-specific best practices.

Cross-Cultural Studies: To extend the applicability of the findings, future research should include firms from multiple countries and cultural contexts. Cross-cultural studies will help determine whether the observed relationships hold true across different regulatory environments and cultural norms. Such studies can provide a more global perspective on the impact of CSR and visibility.

Additional Control Variables: Future studies should identify and incorporate additional control variables that might influence investment efficiency. Potential variables include market conditions, competitive intensity, technological advancements, and regulatory changes. By accounting for these factors, researchers can better isolate the effects of CSR and firm visibility.

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