Corporate Social Responsibility Moderates the Relationship of Corporate Governance and Investment Decisions: New insight from Emerging Markets

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ARTICLE DETAILS

**Purpose:** This paper examines the relationship between Corporate Governance, Corporate Investment, and Financial Performance of firms with moderating relationship of Corporate Social Responsibility in emerging markets of Asia (Pakistan, China, Malaysia, and India).

**Design/Methodology/Approach:** To examine the impact, the panel data of 214 non-financial listed firms from 2014–2019 was collected.

**Findings:** We documented a new insight that CSR and CG are significantly associated with CI and FP. Results also show that the quality of CG and CSR enriches the CI decisions that improved FP. Findings also show that CSR moderates the relationship between CG and CI decisions, and between CG and firms’ FP. The board directors and ownership concentration have a positive relationship with CI decisions and FP. Overall CSR moderates the relationship between CI and CP.

**Implications/Originality/Value:** These findings are beneficial to the management of corporations working in emerging markets to improve CSR activities. This research also contributes to existing literature, on how CSR moderates the relationship between CG and CI decisions in the given contexts.

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**Introduction**

An emerging body of researchers used CSR as a useful research area for all businesses,
academicians, managers, and practitioners and existing theoretical viewpoints and debates that explained the concept of CSR (McWilliams & Siegel, 2011). Recently, literature found one most prominent corporate abuse scam is the Enron scandal in which Special Purpose Vehicles were used very badly by management to disguise assets losing value and informed the prospective investors that in the future stock price of the firm would continue to rise, whereas covertly started getting back then shares. As the analysts began to ask whether Enron stock was overvalued, the price of Enron stock decreased. In this connection, practitioners have already suggested some solutions to safeguard the stakeholder, and the Oxley Act 2002 is one of those arrangements. As one of the major purposes of the Oxley Act 2002 was to convey information among internal and external stakeholders. With the globalization of the world economy along with the increased competition and rapid technological advancements, CG plays an important role in financial decision-making and CSR. CG moderates the agency problems like separation of management and ownership, conflict of interest between controlling and non-controlling shareholders, and self-interested managers acting against the best interest of shareholders. Agency theory describes solutions for agency problems through a corporate governance system, which plays important role in the sustainability of a firm.

CSR is very important for shareholders; firms should also report their social, economic, and environmental actions to their stakeholders. CSR is an open and transparent business practice based on ethical values and respect for the community, employees, environment shareholders, and stakeholders. CSR delivers sustainable value to society and supports triple bottom line reporting, social and environmental bottom lines, and firms benefiting from their CSR activities. Elliott et al. (2014) argue that when investors are given CSR information, they consider firms’ CSR performance, while investment-related decisions making. So, our study investigates whether investment decisions are affected by CSR activities or not?

As Asian emerging markets have different political circumstances, economic conditions, and differences from developed economies; it should be examined whether the firms’ CSR activities affect the investment decisions or not. Henceforth; these elements commonly influence firms’ CRS practices. Existing literature regarding the relationship between CSR and CI decisions is very rare. Therefore, this study investigates whether CSR moderates the relationship between CG and investment decisions. The results of this study help to identify factors affecting investment decisions and formulate a policy regarding state-owned corporations. Lins et al. (2017) explicated that firms having better CSR had higher stock returns as compared to those companies that had a low CSR. Existing literature documented that higher CSR shows that firm is highly committed to ethical standards and its accounting information quality (Kim, 2 017;Zuliarni, 2013). As some studies documented the nexus of CSR, since there is an invalid record to ascertain CSR practices within the firm to contribute to the betterment of society. In this regard, the regulator in emerging markets initiated some methods to confirm that CSR recipients are protected from bad practices and that expenditure in all areas of CSR is being properly monitored. CG is a combination of human relationships and processes. As argued in existing literature, opportunistic managerial behavior can be prevented through good corporate governance mechanisms (Alkurdi et al. 2019).

In emerging markets, a lot of researchers explored the relationship between CG and CSR disclosures, few studies certified that the board of directors plays a significant role relating to CSR (Harjoto et al. 2015; Muttakin & Subramaniam, 2015); however, the relationship between CSR and board diversity is relatively not yet adequate (Chang et al. 2017; Hoang et al. 2018; Ibrahim & Haneefah, 2016); no study has been conducted to examine the effect of board diversity on the degree of CSR in emerging markets (Khan et al. 2019). In emerging markets, CG has become a foremost subject of debate (Ayuso & Argandona, 2009) and one of the most significant mechanisms of controlling the activities of the executive managers is the firm’s board of directors (Frias et al.
Among members of the board of directors, a higher diversity would bring a larger set of expertise, information, and resources (Harjoto et al. 2015); improve firms’ operations, and expand their strategic understandings (Post & Byron, 2015). The firms consider the interest of stakeholders is improved by the degree of diversity in the board of directors (Ferrero et al. 2013); the firm’s ability to disclose valued information is increased through the board’s diversity (Chang et al. 2017); voluntary/non-voluntary information’s disclosures of firm improved (Katmon et al. 2017).

The CI decision relates to how the firm invested funds into various assets to earn a return. Investment decisions do not involve only a large amount of funds permanently. Myers & Majluf (1984) state that firms having opportunities that outstrip operating cash flows and which have used up their strategy to issue low-risk debt, may get good investment rather than issue risky securities for financing them. Ali & Sial (2020) examine the relationship between CG and FP; some other researchers struggled to examine the nexus between CG-CSR and CG- CI decisions. However, the moderating role of CSR between CG-financial performance and CSR-CI is not studied yet according to the best knowledge of researchers. So, to comprehend the consequence of corporate governance on the firm’s investment decisions is moderated through CSR of a firm or not. The objectives of this research are;

1. To examine the nexus between CSR and CI.
2. To examine the nexus between CG and CI of the firm.
3. To examine the nexus between FP and CI of firms.
4. To investigate whether CSR moderates the nexus between CI and FP.

The results of the paper revealed the importance of CG for managing CI and FP, making several contributions. Insights from the paper will be relevant for international and expected investors who are thinking to invest in emerging markets.

**Literature Review**

Existing literature shows that the agency fight exists between management and shareholders. Jensen & Meckling (1976) argue that agency problems may occur when firm management makes corporate decisions that do not prevent the objectives of shareholders. Further, “over-investment” arises conflict when management neglect to maximize the wealth of shareholders (Jensen, 1986). Empirically, a positive relationship between CG and quality of decision-making is documented, however, mixed evidence is found between CG and quality of corporate decisions. Jensen (2001) intimate that boards of directors must give incentives to management to maximize the long-term innovation and value of the firm. Further, Eccles et al. (2012) realized that other constituents, such as behaving irresponsibly with shareholders are very important which may lead to government fines, loss of talent and disgruntled employees (Collins et al. 2018), and customer boycotts which reduce sales of the firm (Sen & Bhattacharya, 2001).

According to corporate finance theory, board composition significantly contributes to CSR. The firms try to maximize value by optimizing CG, mitigating risk, and focusing on disclosure policy (Rezaee, 2016), while Shahid & Abbas (2019) observe that corporate governance pronouncements may improve investor relations. As a result, the diverse social, political, and historical conditions may lead to the roles in society at individual and industry levels (deGraaf & Stoelhorst, 2009). CSR provide opportunities or challenges in transforming their resources and knowledge into products, goods, and stakeholder services that generate value not only for their investors but also for local communities (Filatotchev & Nakajima, 2014).

According to Isaksson et al. (2014), CSR is a business behavior that a huge number of firms
currently implemented. Corporations engage in social responsibility initiatives in reaction to threats from the government and social activists, and these efforts can be used to raise manager morale or provide competitive benefits. The public's image of CSR has altered substantially in recent decades as the value of social responsibility behavior has grown for investors.

Existing research indicates that CSR has numerous themes, one of which is that greater CSR is associated with improved stakeholder participation and connections (Cheng et al. 2014; El Ghoul & Kim, 2017). The term "corporate social responsibility" refers to ways to generate profit while also reducing agency issues through ethical business practices (Eccles et al. 2012). The firm's actions have an impact on employees, contractors, the environment, and society. The term "corporate social responsibility disclosure" refers to "corporations' communication" about operations that have an impact on employees' communities and the environment (Gray et al. 1995). To transmit the message, CSR disclosures are either mandated or optional, with the scope and nature of reporting differing widely among organizations (Brooks & Oikonomou, 2018). According to Hsu et al. (2013), CSR raises ethical and dependability standards, consumer perceptions of the firm's soft image, societal environmental conditions, and socioeconomic progress.

Corporate governance is intertwined with a company's strategic decisions and can assist it in becoming more socially responsible (Filatotchev & Nakajima 2014). When CSR is combined with corporate governance systems, firm performance improves. It is well established that when CEOs hold the position of Chairman, investors respond positively to the firms in emerging economies than in developed economies. There is a lack of understanding of the relationship of CG-CI in developing stock markets. Corporations fund their operations through short-term loans, long-term debt, and their funds (Warrant et al. 2014). McCahery et al. (2016) discovered that even if a country's investor protection is inadequate, it may still have a corporate governance regime that can attract investors. According to Bushee & Gerakos, low institutional turnover is associated with greater governance sensitivity (2010). Individuals, businesses, and governments can all be investors, and they can put their money into assets that are expected to generate profits in the future (Harrison et al. 2013). Coles & Hoi (2003) discovered a negative nexus between board size and Tobin's Q previously. A positive nexus, on the one hand, is fueled by an external board of directors that provides valuable advice to the CEO and management team (Coles et al. 2008). As a result, (Mishra & Kapil, 2017; Ofoeda, 2017); Sheikh & Karim, 2015) discovered a positive nexus between board size and firm performance but a negative association between independent directors and firm returns as a result. Hence, high board independence is expected to be less effective due to independent directors' excessive participation in day-to-day affairs, which would limit managers' ability to perform their functions deliberately (Wu & Wu, 2014). This study fills a gap in the literature; to examine the impact of CSR & CG on corporate investment decisions in Asian markets.

Because the impact of CG on an investor's confidence varies by industry, the importance of CG may differ from one firm to the next. Corporate governance provides perceptive processes that can be aided by sound investment decisions made by management (Huang & Kung, 2010). The high quality of CG provides incentives for managers to make safe investment decisions to increase the firm's worth. Gill et al. (2012) revealed a connection between CG and investment decisions, whereas Javeed et al. (2014) discovered a link between board independence and corporate performance. Based on the above discussion, the following hypotheses are developed;

H1: CSR significantly affects the corporate investment (CI) of firms.
H2: Corporate governance (CG) significantly affects corporate investment.
H3: there is a significant nexus between CI-FP.
H4: CSR moderates the CG-CI relationship.
H5: CSR moderates the CI-FP relationship.

**Research Method**
This paper examines whether CSR moderates the nexus between CG, corporate investment decisions, and the financial performance of the firms. Thus, we measure the CSR disclosures level in the CSR reports from 2014–to 2019 for selected listed firms from four emerging markets including Pakistan, China, Malaysia, and India.

Initially, 284 non-financial largest firms were selected for each country, based on their market capitalization. Because the largest firms have the resources to invest in CSR activities. Our final sample consists of 214 firms across four emerging markets, firms that did not report CSR activities during the sample period were eliminated from the sample. Firms from the manufacturing sectors were considered because firms actively participate more in CSR activities than as compared to the firms of the other sectors (Ho, 2007). Secondly, as compared to the other sector firm, the manufacturing sector firms have a higher level of disclosure concerning environmental, production, and social activities (Haniffa et al. 2005). Manufacturing sector firms have a high market capitalization and unrestricted resources actively participate in CSR activities and have a huge CSR disclosures report (Ehsan et al. 2018). Fourth, as compared to the other sector, the manufacturing sector firms have a higher level of disclosure concerning environmental, production, and social activities (Haniffa et al. 2005). Manufacturing sector firms have a high market capitalization and unrestricted resources actively participate in CSR activities and have a huge CSR disclosures report (Ehsan et al. 2018). Fourth, as compared to the other sector, the manufacturing sector firms contribute more to the exporters to grow globally and meet international standards; these firms follow CSR activities at large (WBG, 2016). Moreover, in Asian Emerging markets, the CSR activities of firms differ concerning their size, nature, value, and the opinions of the executives and the owners. The participation in CSR activities by giant national firms is more as compared to SMEs; for instance, a dignified and well-planned program regarding CSR activities is followed by the Gas and oil exploration, Oil refinery, fertilizers, chemical, pharmaceutical, and energy production firms. These firms regularly broadcast their CSR reports to obey SECP and Global Reporting Initiative. These Asian emerging markets firms participate significantly in the welfare program such as improvement of health facilities, poverty alleviation, orphanage support, rehabilitation support for people affected by natural disasters, and HRD (Prieto et al. 2006).

**Measurement of CSR Disclosure Index (CSRDI)**
CSR information disclosure can be calculated in different ways, such as through internet sources, print media reports, and published annual reports available on the companies’ websites. To calculate CSR information disclosure, the firm's annual reports were considered appropriate for this study. It is a valid argument that when an investor makes their investment decisions, considered the firm’s environmental disclosures concerns (Deegan & Rankin, 1997). Belal (2000) reported that for the dissemination of information about the firm, the most important source is the published annual reports of the firm. Thus, considering the firm’s annual reports as a source for data collection is identical to another former research (Guthrie & Parker, 1990). Another reason for considering a firm’s annual reports as a source of data collection for this research is that the annual report is a well-known and widely acknowledged document that is prepared by the firms listed on the Pakistan Stock Exchange. To calculate the CSR score content analysis technique is used, and the firm’s qualitative and quantitative information is codified into the categories predefined by the management of the firm (Talebnia et al. 2013).

So to ensure the reliability of coding, the researcher made efforts to collect CSR information with due care, in this study instrument coding of items is done as “1” if a particular item in the annual report of the firm for a particular period is reported and if it is not disclosed in the annual reported then coded as “0”. For example, if a CSR item such as a firm’s donation to a hospital for prevention or eradication of cancer disease is reported in the annual report, it is coded “1” in the respective column of coding and otherwise “0”. To calculate the final score of the firm, the scores of all items
of the major categories are then added. The CSR reporting model thus finds the total scores of the firm’s disclosures as follows:

\[
\text{CSRDI} = \sum_{i} DI_{40}/NJ,
\]

Where \( DI \) is equal to "1" if the item \( DI \) is reported and otherwise "0", \( NJ \) is the maximum number of items for \( j \)th firms and \( NJ \leq 40 \).

To compute a percentage of the scores of the firm, the summation of each item’s score is done and this sum is divided by the maximum score, and then is multiplied by 100. In this process, the maximum amount of possible disclosure is 40 items. Hence, for example, if a firm did not disclose a single item out of the 40 items, the independent variable score will be 0%. Similarly, if a firm discloses half of the total items, then the independent variable score will be 50%.

**Measurement of Investment Decisions**

Investment decision relates to how funds of the firm are to be invested into different assets so that the firm can earn the highest possible return for the investors. According to Myers & Majluf (1984), firms having opportunities that outstrip operating cash flows and which have used up their strategy to issue low-risk debt may get good investments instead issue risky securities for financing them. Al-Tamimi (2009) found a significant relationship between financial decisions and investment decisions. Also, the most affecting factor for investment decisions is religious reasons and the least affecting factor is rumors. Another factor for investment in asset allocation involves dividing an investment portfolio into different categories like stock, bond, and cash. Asset allocation is also important because it has a major role to meet financial goals. Many investors use asset allocation to diversify their investments among asset categories. Asset allocation involves spreading the money among various investments in the hope that if anyone investment loses money rather than another will cover up those losses. Corporate investment is the dependent variable of our study, following model is used to measurement of corporate investment:

\[
I_t = \frac{\text{Inv}_{it}}{K_t}
\]

Investment measured as F.A (Fixed assets) variation between \( t \) period and \( t-1 \),

\[
\text{Inv}_{it} = NFA_{it} - Nfa_{it-1} + D_{it}
\]

Where \( NFA = \text{Net fixed assets}; D = \text{Depreciation expenses}; K = \text{replacement value of capital} \)

**Corporate Governance Measurement**

The blend of policies, procedures, guidelines, and control of governance structure leads the firm toward the accomplishment of its stated goals and objectives. In this study, we use the following aspects of corporate social responsibility disclosure to investigate whether they affect the relationship between the corporate governance and corporate investment decisions of firms or not. Shleifer & Vishny (1997) state that institutional investors own a large number of shares. Consistent with this viewpoint, Callen & Fang (2013) argue that institutional shareholders influence the behavior of the firm’s management and are negatively linked to the firm’s corporate investment decisions. We use an attribute of ownership concentration (OWC) which indicates the ownership percentage of total outstanding shares of a firm belonging to the top 10 shareholders of the firm.

Adams et al. (2005) state that if the CEO of a firm is one of the founders’ members, then he will be more persuasive and authoritative. Moreover, with an increase in the number of positions the CEOs hold for making the firm’s decisions, their power also increases. For instance, the CEOs duality (as a CEO, the Chairman, and the president) indicates the CEO’s talent to lead the vision of the board and enforce their willpower on generating favorable results in the board meetings (Morse et al., 2011). Adams et al. (2005) argue that in case a CEO of the firm is not the chairman, then he has less power because the chairman as compared to the CEO has greater power to influence the firm’s strategic decisions. Likewise, the CEO in the position of the firm’s president assures that the board has restricted options for an in-training replacement to implement if disparity with the CEO arises
To mitigate the agency issues, a separation of the chief executive officer and chairman of the board is necessary. We used a dummy variable of CEO duality that takes the value 1 if a post of CEO and Chairman of the board of a firm is occupied by one person during the year, otherwise 0.

The independent directors play a key role in monitoring the activities of the firm’s management, to investigate the role of independent directors regarding investment decisions and firm performance; we use independent directors to board of directors’ percentage (IndpD), the independent directors’ percentage of a firm j to its total numbers of directors on the board. We also consider the size of the firm’s board of directors (BSize) which means the total number of directors on the board of a firm. The executive directors (ExeD) represent the percentage of the executive directors to the total number of executive directors on the board of a firm. It is expected that CSR is positively linked to the above variables of corporate governance.

**Financial Performance Measures**

In the existing literature, Tobin’s Q is widely used as a market-based measure, so this is a suitable measure for the financial performance of firms.

**Tobin’s Q = Total Market value of Firm / Total Assets Value of Firm**

Following the literature, we used the size of the firm as a commanding control variable that can affect investment decisions. Firm size is measured by following (Li et al. 2018), a natural log of total assets. A summary of variables used in the study is presented here in table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>INIINV</td>
<td>Sum of all outlays related to capital expenditure, acquisitions, R&amp;D, receipts from the sale of Fixed Assets minus amortization &amp; depreciation expense.</td>
</tr>
<tr>
<td>Tobin’s Q</td>
<td>Q</td>
<td>The market value of total assets is deflated by the book value of total assets</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td>CSR</td>
<td>CSR reports index value</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>CG</td>
<td>Board Size, Ownership Structure, Independent Directors, Executive directors</td>
</tr>
<tr>
<td>Board Size</td>
<td>BSIZE</td>
<td>Total number of directors on the board of directors of the firm</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td>OWC</td>
<td>Shareholding % of the top 10 shareholders</td>
</tr>
<tr>
<td>Independent Directors</td>
<td>IndD</td>
<td>% of the independent directors on the board of a firm</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>ExeD</td>
<td>% of the executive directors on the board of a firm</td>
</tr>
<tr>
<td>Firm Size</td>
<td>SIZE</td>
<td>Natural log of the firm’s total assets</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>ROA</td>
<td>Net profit divided by total assets of the firm</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>ROE</td>
<td>Operating profit divided by shareholders’ equity</td>
</tr>
</tbody>
</table>

Following models are used to investigate the nexus of corporate investment (CI), corporate governance index, and CSR.

\[
CI_{it} = \alpha + \beta_1 CGI_{it} + \beta_2 ROA_{it} + \beta_3 SIZE_{it} + \mu_{it} \quad \text{Model1}
\]

\[
CI_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 ROA_{it} + \beta_3 SIZE_{it} + \mu_{it} \quad \text{Model2}
\]

\[
CI_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 \sum^n_i CGI_{it} + \beta_3 ROA_{it} + \beta_4 SIZE_{it} + \mu_{it} \quad \text{Model3}
\]

\[
\text{TobinQ}_{it} = \alpha + \beta_1 \text{CSR}_{it} + \beta_2 \sum^n_i \text{CGI}_{it} + \beta_3 \text{CI}_{it} + \beta_4 \text{SIZE}_{it} + \beta_5 \text{IND}_{it} + \beta_6 \text{Country}_{it} + \varepsilon_{it} \quad \text{Model4}
\]

**Results and Discussion**

The objective of this paper is to investigate the nexus between CSR, corporate investment, corporate governance, and the financial performance of the firm. Descriptive and correlation results presented in table 2 show that the mean value of CSR is 41.56, the mean value of CG is 0.52, the mean value of CI is 0 and 0.73, and the mean value of ROA is 0.089 respectively. Results show that mean values are greater than the standard deviation.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>CI</th>
<th>CSR</th>
<th>CGI</th>
<th>BS</th>
<th>BIND</th>
<th>EXD</th>
<th>OWC</th>
<th>ToQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>41.564</td>
<td>10.476</td>
<td>0.446</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CGI</td>
<td>0.518</td>
<td>0.1273</td>
<td>0.315</td>
<td>0.209</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BSIZE</td>
<td>1.238</td>
<td>0.764</td>
<td>0.209</td>
<td>0.325</td>
<td>0.105</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Further, correlation analysis was performed to check the possibility of multicollinearity between the variables. Table 2 result shows that CSR has a significant relationship with corporate investment, ROA, and ROE. Results show that firms having better CSR can get a better image and get the attention of investors who make investment decisions.

Table 03 Pooled OLS Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model1</th>
<th>Model2</th>
<th>Model3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.1548 (0.215)</td>
<td>0.107** (0.014)</td>
<td>0.180*** (0.038)</td>
</tr>
<tr>
<td>CGI</td>
<td>0.058*** (0.030)</td>
<td>0.134*** (0.044)</td>
<td>0.235*** (0.064)</td>
</tr>
<tr>
<td>CSR</td>
<td>0.076** (0.030)</td>
<td>0.180 (0.100)</td>
<td>0.169 (0.145)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.162*** (0.007)</td>
<td>0.230 (0.005)</td>
<td>0.136 (0.000)</td>
</tr>
<tr>
<td>ROE</td>
<td>0.320 (0.130)</td>
<td>0.220*** (0.000)</td>
<td>0.483*** (0.001)</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.318</td>
<td>0.404</td>
<td>0.346</td>
</tr>
</tbody>
</table>

Empirical findings of model 1 show that the corporate governance index has a positive and significant relationship with corporate investment. It means that better corporate governance led to more corporate investment decisions and vice versa (Rodriguez-Fernandez, 2016). The finding supports the prediction of agency theory. While model2 results show a positive (significant) nexus between CSR and corporate investment. Firms with more CSR activities have a more corporate investment (Erhemjamts et al. 2013), and findings contradict internal fund theory.

Table 04: Relationship between CG characteristics, corporate investment & Firm Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model4</th>
<th>Model5</th>
<th>Model6</th>
<th>Model7</th>
<th>Model8</th>
<th>Model9</th>
<th>Model10</th>
<th>Model11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.081 (0.106)</td>
<td>0.276 (0.450)</td>
<td>0.528 (0.411)</td>
<td>0.379 (0.189)</td>
<td>0.631 (0.165)</td>
<td>0.5486 (0.588)</td>
<td>0.4930 (0.157)</td>
<td>0.1536 (0.031)</td>
</tr>
<tr>
<td>CSR</td>
<td>0.508*** (0.011)</td>
<td>0.7693** (0.034)</td>
<td>0.254*** (0.023)</td>
<td>0.182*** (0.043)</td>
<td>0.7836 (0.016)</td>
<td>0.4763 (0.517)</td>
<td>0.0739 (0.045)</td>
<td>0.0247 (0.006)</td>
</tr>
<tr>
<td>BS</td>
<td>0.176*** (0.015)</td>
<td>0.249*** (0.035)</td>
<td>0.2351 (0.052)</td>
<td>0.5452 (0.120)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIND</td>
<td>0.094*** (0.016)</td>
<td>0.384*** (0.031)</td>
<td>0.0945 (0.024)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXD</td>
<td>0.139*** (0.017)</td>
<td>0.193** (0.042)</td>
<td>0.128 (0.202)</td>
<td>0.1068 (0.038)</td>
<td>0.0642 (0.000)</td>
<td>0.0749 (0.035)</td>
<td>0.0538 (0.031)</td>
<td></td>
</tr>
<tr>
<td>OWC</td>
<td>0.146*** (0.018)</td>
<td>0.733** (0.023)</td>
<td>0.178 (0.103)</td>
<td>0.182*** (0.042)</td>
<td>0.1068 (0.038)</td>
<td>0.0642 (0.000)</td>
<td>0.0749 (0.035)</td>
<td>0.0538 (0.031)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.089 (0.257)</td>
<td>0.210 (0.408)</td>
<td>0.306 (0.059)</td>
<td>0.194 (0.343)</td>
<td>0.3463 (0.1840)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Results in Table 04 show the relationship between CSR, corporate governance (CG) attributes, and corporate investment. Findings indicate a positive and significant relationship between CG attributes (BS), CSR, and corporate investment. Results show that corporate investment is higher with better CSR and CG. In model 5, corporate investments are higher as board independent directors play the main role in the provision of CSR activities to society. In this model, results show
that CSR activities are influenced by board independent directors. In model 6 results show that executive directors are less influenced by CSR activities. The model 7 results show that ownership concentration and CSR have a significant on corporate investment decisions. It means that corporate investment decisions are better with better corporate governance attributes and high CSR activities. Hence, CSR plays the main role in better corporate Governance and better corporate investment decisions making. Further model 8-9, results show a board size and board independence has a significant and positive relationship with a firm’s performance. While model 1 results show a relation of the executive director is significant and positive with firm performance. Similarly, in model 11, the relationship between ownership concentration and firm performance is measured with moderator CSR. Ownership concentration is a positive relationship with firm performance. The above model’s results indicate that CSR significantly moderates the relationship between CG and financial performance. This relationship shows a better corporate investment decision (Ali et al. 2019).

### CSR Moderates the Relationship between CG-CI and CG-FP

Table 05 provides the results of H3 as CSR moderates the relationship of CG with corporate investment decisions. The four models including corporate governance attributes (board size, board independence, executive directors, and ownership concentration) are used to investigate the moderating relationship of CSR. In model-12, the results show that board size has a significant and positive relationship with corporate investment decisions. Greater board size is favorable for better corporate investment decisions. As members on board increase, there may increase a conflict of interest between members. Low numbers of members on the board are best for corporate investment decisions. In Model-13 the impact of CSR on the board of independent directors for corporate investment is measured. The results calculated from this model show that the impact of CSR with independent directors is highly significant and positive for better corporate investment decisions. The result is that in model-14, the impact of CSR on the executive directors is measured for better corporate investment. The result related to the impact of CSR on executive directors is positive and significant for corporate investment decisions. Model-15 results show a positive relationship between CSR and ownership concentration. Further, Table 6 results show whether CSR moderates the relationship between corporate governance and corporate investment decisions. Investors can make better investment decisions with good corporate governance and better CSR activities for society(Rodriguez-Fernandez, 2016).

<table>
<thead>
<tr>
<th>Variable</th>
<th>CSR; CG-CI</th>
<th>CSR; CG ; &amp; Financial Performance (FP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model12</td>
<td>Model13</td>
<td>Model14</td>
</tr>
<tr>
<td>Constant</td>
<td>0.2285</td>
<td>0.0236</td>
</tr>
<tr>
<td>(0.196)</td>
<td>(0.306)</td>
<td>(0.263)</td>
</tr>
<tr>
<td>CSR</td>
<td>0.0983</td>
<td>0.8753</td>
</tr>
<tr>
<td>(0.043)</td>
<td>(0.382)</td>
<td>(0.471)</td>
</tr>
<tr>
<td>BS*CSR</td>
<td>0.0164</td>
<td>0.5495</td>
</tr>
<tr>
<td>(0.035)</td>
<td>(0.035)</td>
<td>(0.153)</td>
</tr>
<tr>
<td>BIND*CSR</td>
<td></td>
<td>0.5495</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.035)</td>
</tr>
<tr>
<td>EXD*CSR</td>
<td></td>
<td>0.5495</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.153)</td>
</tr>
<tr>
<td>OWC*CSR</td>
<td></td>
<td>0.5495</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.153)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.2885</td>
<td>0.0731</td>
</tr>
<tr>
<td>(0.105)</td>
<td>(0.031)</td>
<td>(0.331)</td>
</tr>
<tr>
<td>SIE</td>
<td>0.1849</td>
<td>0.2407</td>
</tr>
<tr>
<td>(0.071)</td>
<td>(0.028)</td>
<td>(0.546)</td>
</tr>
<tr>
<td>R2</td>
<td>0.2836</td>
<td>0.2956</td>
</tr>
<tr>
<td></td>
<td>(0.153)</td>
<td>(0.153)</td>
</tr>
</tbody>
</table>

83
In the above results, board independent directors with CSR activities show ROA is also significant and positive. Also, CSR activities with executive directors and ownership concentration show a positive and significant relationship. Furthermore, ROE and CSR activities have a positive and significant relationship when moderator variables are used. Similarly, total assets are also positive and significant to CSR and corporate governance attributes. Moreover, Results (see model-16-19) revealed that CSR significantly moderates the relationship between corporate governance and firm financial performance of the firms listed on emerging stock exchanges. The results also show that there is a significant relationship between corporate governance attributes and the financial performance of firms. The ownership concentration and board size are also involved in better CSR activities and show a significant relationship. A larger board is less effective than a smaller board, and smaller boards can make effective CI decisions (Erhemjamts et al. 2013).

Conclusion
In conclusion, this paper examined the relationship between CG, CI, and FP with moderating impact of CSR. This study built a new era for study as a CSR as moderator of the relationship among CG, CI, and firms’ FP with the context of emerging stock markets. Findings show that CSR moderates the relationship between CG and CI decisions and the relationship between CG and firm FP. In this study, CG is taken in its attributes like board size, board independent directors, executive directors, and ownership concentration. Results show that a small board size is more significant than larger board size. As members increased on the board then conflicts of interest increased that decisions making is difficult because they do not easily agree on one point. Other attributes of CG, independent directors are measured are free from any force. They easily take decisions for better CI and make better firm FP. Independent directors also facilitate society with CSR activities. Results also show that the more reliable and assumptions social initiatives, the more they will have a positive effect on CI decisions and the firms’ FP. The main moderator variables are CG attributes such as board size, board independent directors, executive directors, and ownership concentration. All moderating variables show a strong and positive relation relating to investment decisions and a firms’ FP with CSR. Board independent directors take effective investment decisions with effective CG with a provision of socially responsible activities. Also, an effective controller as an agent better utilize the assets as internal fund utilization. Similarly, control variables also show a positive and effective relationship with CG, CI, and FP.

Findings contributed to the existing literature on CI decisions, the firm’s FP, and CG. The better CG and high CSR practices are necessary for better CI decisions and better financial performance. This study contributes to the existing literature on CI decisions, CG, CSR, and FP.

References


