Evaluation of Firm's Performance by Corporate Governance and Social Responsibility: a Moderating Role of Corporate Philanthropy

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Abstract

The paper examines the effect of corporate governance (CG) and Corporate Social Responsibility (CSR) on firm's performance of the listed companies of Pakistan Stock Exchange (PSX) in the presence of Corporate Strategic Philanthropy (CP). The study employs yearly data spanning over the period of 2004 to 2017. Variables such as CG and CSR serve as independent variables, CP as a moderating variable and firm's performance proxies by Returns on Assets (ROA) and Earning Yield (EY) as dependent variable in the model. Data has been extracted from Annual reports of the firms. Interpreting all the results, it is deduced that CG and CSR have significant effect on firm's performance. A collusive effort has been made to discern data of CSR and CP to analyze its moderating impact of CP. The objectivity of differentiation is the commitment of firm towards the welfare of the society, hence, CSR is an obligation and CP is discretion. The data has been analyzed with a view to check cause and effect relationship by using Panel Data Analysis. Firm Age, Board independence and CP have positive impact however Leverage and Board size have negative impact on Earning yield (EY). On the other hand, Firm Size and CP have shown significant positive impact on ROA. Being a moderator, CP is showing the significant positive moderating effect in relation of Board Independence and Board Size with EY. CP represents significant negative moderating effect in relation of Firm age and Leverage and significant positive moderating effect in relation of Firm size and Board Independence with ROA. Results confirmed that CP moderates the relation between CG and firm's performance. However, the moderating effect varies from book based (ROA) and market based (EY) measures of performance. Market based measure (EY) is more justified and dynamic in nature.

Keywords: Corporate governance, CSR, Corporate Strategic Philanthropy, ROA, EY

Introduction

The modern concept of the Societal Orientation of Business is gaining global acceptance. The standardized environmental sustainable business practices are no more left to the choice (Raymond, 1995). The societal outlook of the organizations is driven by factors, such as Corporate Governance (CG), Corporate Social Responsibility (CSR) and Corporate Strategic Philanthropy (CP). The performance of corporation is organized and absorbed through CG by the means of instruments, procedures and mutually dependent

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initiatives (Aupperle, Carroll & Hatfield, 1985). CG is exercised mainly by three major factors i.e. the Ownership Structure, the Board Size and the CEO's Duality (Tzafrir, 2005; Wickramasinghe & Liyanage, 2013). The distribution of the rights and responsibility of the stakeholder is identified by the governance structure and principles. The organizations premium acceptance to own the community and environmental responsibilities is reflected through its CSR initiatives (Barnea & Rubin, 2010). The broad spectrum envelops both the ecological and social frameworks. CSR consists of contribution towards health and education sectors, rehabilitation during natural disasters, welfare measures for employees and direct contribution towards environmental health. A substantial endeavor on the subject of firm's profitability with respect to its CSR has produced an enormous body of literature (Wu & Shen, 2013). The research focuses more closely on CG and CSR and their interdependence on the profitability of an entity. A deeper view of the organizations performing par excellence reveals another dimension of the societal look called "Philanthropy".

The charitable contribution of the corporate sector, over the past few decades, has made CP an important theme in the modern day business practices. Philanthropy is a Greek word means "Love of Humanity". In the sense of care, nourishment, development and enhancement; it is translated as "what it is to be human" on both the levels of benefactors and beneficiaries. The most conventional definition of Philanthropy is "Private Initiatives for Public Good, focusing on Quality of Life". Contribution of donations towards the welfare of society either directly or indirectly, through cash or in shape of material is commonly understood as philanthropy (Masulis & Reza, 2015).

Literature on the subject reveals that CP connected CG and CSR, as evident from market reaction as well, to donate with special reference to CG compensation or direct contributions. Resultantly, CP reduced CG responsiveness and recommended to enhance firm value (Guerrero & Barraud, 2004). Contrary to afore said, CP is consistent with maximization of shareholder's wealth. It contributes towards image building. Resultantly, enhances the firm's performance. Clashes of interests lead us to the circumstantial evidence of agency cost (McGuire, Omer & Sharp, 2012). The management takes the blame of promotion of their personal reputation contrary to the benefits of shareholders. The concept of maximization of shareholder's wealth is thus compromised.

The study as a whole identifies the importance of the concepts of firm evaluation in relation to ongoing CP decisions. The study also evaluates the considerable impact of mutually dependent concepts of CG and CSR with special reference to CP on the firm's performance. In-depth evaluation of the impact of combined effects of CG and CSR had been the focus of the research on the subject (Jo & Harjoto, 2011). The worthwhile contribution of philanthropy combined with the CG and CSR on the firm's profitability is yet to be explored. Firm's financial performance determines the financial position of the firm over a specified period of time so as to know that how efficiently the resources are utilized to generate revenue (Cahit & Ali, 2016). The indicators reflecting firm's performance are Return on Assets (ROA) and Earning yield (EY).

The concept of CG and CSR has recently been introduced in Pakistan on the verge of 21st century. The corporate sector of Pakistan is still undergoing the transitional phase of adopting CG and CSR through SECP initiatives. Philanthropy; however, in Pakistan is yet to enjoy the public acceptance as a whole. Philanthropy is not reflected separately in the firm's financial annual reports as yet. As of today, philanthropy is considered under the umbrella of CSR (Rupasingha, Goetz, & Freshwater, 2006). The study endeavors to explore and identify philanthropy as a moderating variable contributing towards firm's overall performance.

The study will assist the corporate sector to develop the consensus as to how CP contributes towards firm's evaluation. Does it support the Agency theory? Does it focus the shareholders profit maximization when it affects all the stakeholders as a whole? The Regional prospects of CP with special reference to Pakistan remain unanswered to date. Corporate sector in Pakistan stands in midst of mist with a pendulum hanging to and fro between shareholder's profit maximization, stakeholder's benefits and CG interests.

The spectrum of the study ranges from the published reports of CSR in 2004 onwards. The listed companies of PSX will be incorporated to strengthen the perceived contribution of CG, CSR and firm specific variables in the presence of CP on firm's performance. The outcome of CG, CSR and firm specific variables in the presence of CP are not necessarily constant in volatile market scenarios with special reference to firm's performance. It, therefore, warrants an evaluation of the effects of CG, CSR and firm specific variables while CP as moderating construct before applying the results of these sectors on various organizations and different market environments. Consensus, however, on the subject is yet to be established if CG, CSR and firm specific variables in the presence of CP as a moderating construct contributes positively or negatively towards firm's performance (Luu, Rowley, Siengthai & Thao, 2017; McWilliams & Siegel, 2001).

To find out comprehensive answers of this study, there is a need to highlight suitable questions in which the parameters will be defined. Here are the few questions that arise, does the firm's performance enhance by the CG and CSR? How efficiently CG creates value in the firm's performance? How firm specific variables in the presence of CP can increase the value of firm's performance? Does CP moderate the relationship between CG and firm's performance? Does CP moderate the relationship between firm specific variables and firm's performance?

Consensus on the positive or negative contribution of CP towards firm's performance would establish a well-defined course of action for the corporate sector. The Philanthropy, recognized as an additional factor in the CSR will provide an opportunity to the policy makers to direct their resources towards achieving the combined effects of CG, CSR and CP to a great extent. As a result, the increased profitability ratios, resulting due to the combined effects of CG, CSR and CP will attract the investment opportunities in the open market. It will also provide a lead to the stakeholders if the Agency Cost is contributing positively or vice versa. Moreover, the establishment of positive contribution would change the societal outlook of the corporate sector whereas the efficient CSR and Philanthropy will protect ecology from deterioration and will expand future business opportunities.

Literature Review

There is a lot of empirical investigation that has measured the impact of CG on firm's performance for the developed as well as the developing markets. These studies have shown that improved governance practices have led the substantial growth specially to increase the shareholder's wealth, the economic value of the firms with higher productivity and lower risk (Hermalin & Weisbach, 2003; Walumbwa & Lawler, 2003). On the other hand, CSR also enhanced the efficiency of the firms, while performing the welfare activity in shape of donation or material. It encompasses philanthropic giving or social responsibility as a way to create new opportunities and markets for businesses.

On this view, businesses have a moral responsibility to earn returns through providing permissible goods and services. ''Corporations can use their charitable efforts to improve their competitive context pertaining to the quality of the business environment in the locations, where they operate. Using philanthropy to enhance competitive context aligns social and economic goals of a company and improves a company's long-term business prospects'' (Porter & Kramer, 2006).

CSR can be characterized as the treatment of all stakeholders in a mindful and moral way (Servaes & Tamayo, 2013). CSR activities are deliberate activities that pursue towards firm's advantages and lawful necessities to advance a social decent (McWilliams & Siegel, 2001). Since the 1960s there has been a developing collection of worldwide research relating to the impact of CSR on corporate financial performance, however, no genuine agreement has been made with respect to the connection between CSR and corporate financial performance. Galaskiewicz and Burt, (1991) expressed that developing economies can't withstand the elevated requirements of CSR utilized as a role of its developed stakeholders. CP, by definition, forces an immediate cost on the firm (Barnett, Salomon & Beyond, 2006; Jo & Harjoto, 2011). These expenses frequently incorporate the redirection of important corporate assets e.g. cash, items and offices.

Moreover, CP may expand human asset costs. For instance, as the level of CP enhances many firms discover the need to set up autonomous divisions committed to corporate altruistic projects (McWilliams & Siegel, 2001; Rupasingha, Goetz, & Freshwater, 2006).

Numerous CP programs likewise include time and exertion with respect to workers. Such practices are probably going to build the firms' general human assets and authoritative expenses. These extra expenses specifically take away from the primary concern, thus put firms dynamic in CP at an aggressive in respect to the individuals who don't take role in such practices (Michael, 2002). Researcher contested that chiefs might have the capacity to assume a critical role in publicizing their firm’s dynamic sense of duty regarding a social plan (Galaskiewicz *et al.*, 1991). Moreover, top administrators may advance the expert administration of corporate charitable exercises by making a specific office (Waddock & Graves, 1997) and hiring proficient chiefs (Saiia, Carroll & Buchholtz, 2003).

Proficient directors or a particular office solely dedicated to CP may add to a higher respect for the firm's philanthropy among the group and other key stakeholders. CP would thus be able to be viewed as a dynamic endeavor by a firm & its supervisors' to practice impact over the designation and control of basic assets. The upgraded reputation coming about because of CP is probably going to add to a firm's financial performance by empowering the firm to secure excellent assets important for its survival and to take full favorable position of those assets (Oliver, 1991). Besides, top administrators might have the capacity to open up the advantages by expanding the deceivability of the firm's charitable exercises to its stakeholders.

There is no all-around acknowledged definition of CG which appreciates consensus of perspectives in all situations and countries (John & Senbet, 1998). Various specialists have seen corporate governance from their own spectacular perspectives (McGuire *et al*., 2012). According to Sousa and Coelho (2011); Visagie and Steyn (2011) explored the effect of CG attributes on firm performance in Bahrain Stock Exchange. The exact outcomes demonstrated that performance sizes e.g. Return on Assets (ROA) and Return on Equity (ROE) are significantly identified with CG in Bahrain. In any case, Earning Per share (EPS) performance size is not demonstrating any criticalness affect identified with CG.

They found that there is great relationship among management and society to comprehend the responsibility of company and firms. Sarwar, Abbasi and Pervaiz (2012); Zwikael (2008) have managed the examination on financial performance linkage with the CSR in Bangladesh banks and found that the banks emphasized on CSR have more ROA than those banks, who do not concentrate on this training. Khalid, Ashraf and Abdul Rehman (2012) through the exploration on CSR and firm performance have found the positive connection between CSR and firm performance. They additionally finished up the mediating impact of customer satisfaction on firm's performance and CSR managements. Kiran, Kakakhel and Shaheen (2015) explored the effect of CSR hones on the financial performance of the Pakistani firms. The outcomes recommended a positive relationship between CSR, net profit and net revenue. On the other hand, negative connection was found between CSR and aggregate resources. However, there is an insignificant effect of CSR activities on profitability of the firm. Tang, Lai and Lin (2009)maintained the theory that corporate performance and advancing force have positive relationship with CP and CSR with additionally there consider explained more strong relationship in case of centered enterprises. Barnett *et al*. (2006) found that CP practices may not by any means give control preferred standpoint to partners or they even not now and again know to which level firm takes part in corporate giving.

Existing studies reveal that Firm specific variables like leverage, firm size and firm age have impact on firm's performance. Highly leveraged firms cannot be considered for more beneficiaries as compared to less leveraged firms (Tsuruta, 2015). Mature and larger firms are found to be more profitable and better in decision making (Majumdar, 1997).

The literature available for CP, CG, CSR and firm's performance has not been studied jointly. Therefore, model has been formulated by segregating the data of CP from CSR and placing CP as a moderator. There is a natural tendency in the society that masses are more inclined towards the donors who contribute to the welfare of the society. On the same analogy, firms that contribute towards society (CSR and CP) get more response as compared to those contributing less. To qualify this rationale, CP has been taken as a moderator and CSR as an independent variable.

After critically analyzing the literature review, following hypothesis have been drawn

H_1: CG has significant effects on firm's performance

H_2: CSR has significant effects on firm's performance

H_3: Firm specific variables have significant effect on firm's performance

H_4: CP moderates the relationship between CG and firm's performance

H_5: CP moderates the relationship between Firm specific variables and firm's performance

Research Methodology

Variables of Study

CG (Board Independence, Board Size and CEO Duality), CSR (Education Sector, Health Sector, Women Development and Miscellaneous Projects) and Firms specific variables (Firm Size, Firm Age and Leverage) are used as Independent variables. Two dependent variables are taken for analysis one is book based variable i.e. ROA and other one is Market based variable i.e. EY in order to take a fair justification of the results as firm's performance indicator. CP (Cash Donations, Flood Relief, Earthquake, Charity Contribution in shape of materials, other National Disasters and Miscellaneous Projects) is assimilated as a Moderating Variable.

Table 1: *Measurements of Variables*

Variables	Measurement
Firm Size (FZ)	Log (Market Capitalization) whereas Market Capitalization = No of Share * MPS
Leverage (Leve)	Total Debt / Total Equity
Firm Age (FA)	Log (No of years of Listed firm)
Board Independence (BI)	Log (No of independence Directors)
Board Size (BS)	Log (No of Directors)
CEO Duality (CEOD)	= 1 If CEO and Chairman of the Firm are same person = 0 otherwise
CP	Amount spent on Corporate philanthropy as donations
CSR	Amount spent on CSR excluding CP
ROA	Earnings After Tax / Total Assets
EY	EPS / MPS

Population and Sample

Data for 14 years (2004 – 2017) was taken from listed Companies registered in PSX. Sample size was randomly selected for 254 PLCs. Data was collected from financial reports of all selected firms.

Theoretical Framework

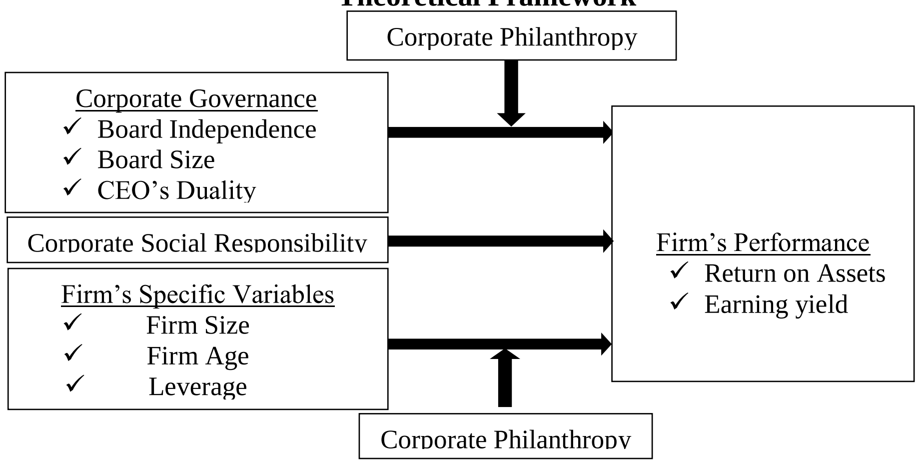

Fig. 1: Theoretical Framework

Data Analysis

Results Diagnostic Tests

Table 2 represents the statistical behavior of data. The descriptive statistics (Mean, Median, Standard deviation, Skewness and Kurtosis is reported below**:-**

Table 2: *Descriptive Statistics (Sample Size - 254 PLCs N=3556)*

	FZ	LEVE	FA	BI	BS	CEOD	CP	CSR	ROA	EY
Mean	15.01	.57	3.36	.59	2.06	.50	4151114	3409418	.03	-.14
Med.	14.99	.60	3.37	.00	1.95	.00	38000	.00	.03	.08
Max	132.60	.98	4.20	3.11	3.18	1.00	7.2E+08	4.6E+08	.80	7.82
Min	1.10	.07	.55	.00	1.39	.00	.000	.00	-1.96	-40.99
Std. Dev	2.95	.21	.63	.70	.20	.42	22862215	19201229	.13	1.60
Skew	18.46	-.33	-.59	.73	2.56	1.20	17.51	13.41	-4.06	-12.44
Kurt	770.61	-.53	1.36	-.80	14.89	2.54	432.87	244.15	47.36	236.12
Prob.	.00	.00	.00	.00	.00	.00	.00	.00	.00	.000

When operationalizing with the large data, it will be very informative to denote the entire statistics with a single value that defines the “Central Tendency and Normality" values of the complete statistics. In this study, total numbers of observations are 3556. The above information is demonstrating that average size of firm is 15.00 as data is taken into natural log of market capitalization so average size is exp (15.00) = Rs 3269.02 Million. Standard deviation (SD) is the variation or deviation from the average value and it varies from firm to firm or time to time. SD of firm size is 2.948 (Rs .0192 Million). Average debt/equity ratio is .57 which shows that average proposition used by the firms is 36% debt and 64% equity. The minimum ratio is .07 which means 7% debt and 93% equity. The maximum value is .98 which shows 49% debt and 51% equity. The average age of the firms is 3.36 which mean 29 years. Min and max value of Firm age is .55(2 years) and 4.2 (67 years). The average Board independence is .586 which means average Board independence is 2 members.

The average Board size is 2.05 which means 8 members. Median size is 1.95 (i.e. 7 members). Min and max value of Board size is 1.38 (4 members) and 3.18 (24 members). The average CEO Duality is .50. The average CP is Rs 4.151 million. Min and max value of CP is Rs .00 and 724.00 million. The average CSR is Rs 3.409 million. Min and max value of CSR is Rs .000 and 464.00 million. The average ROA is .030. Min and max value of ROA is -1.96 and .80. The average EY is -.145. Min and max value of EY is -40.99 and 7.82.

Firm Size, Board Independence, Board Size, CEO Duality, CP and CSR values of Skewness show the tail on right side with positive skewness. In this case, mean value will always be greater than median value. Leverage, Firm Age, ROA and EY value show the tail on the left side with negative skewness. In this case, mean value will always be less than the median value. The firm size, Leverage, Firm Age, Board Independence, Board Size, CP, CSR, ROA and EY values in Kurtosis is greater than 3 which means data tails are longer, heavier and its peak is sharper so it is Leptokurtic. CEO Duality data tails are shorter, lower and its peak is broader so it is Platykurtic. All selected variables are not normally distributed. Table 3 reports the results of correlation matrix

Table 3: *Correlation Matrix (Sample Size – 254 PLCs N=3556)*

	FZ	LEVE	FA	BI	BS	CEOD	CP	CSR	ROA
Leve	-.018								
FA	.102	-.152							
BI	.013	.051	.065						
BS	.249	-.019	.096	.197					
CEOD	-.076	.083	-.049	.075	-.113				
CP	.134	-.081	.075	.012	.227	-.049			
CSR	.140	-.061	.042	.006	.157	-.067	.426		
ROA	.114	-.321	.118	.003	.120	-.129	.125	.118	
EY	.018	-.197	.022	-.033	.035	-.114	.030	.030	.397

Firm age, Board Independence, Board size, CP, CSR, ROA and EY have positive relationship, however, Leverage and CEO Duality has negative relationship with Firm size. Firm age, Board size, CP, CSR, ROA and EY have negative relationship, however, Board Independence and CEO duality has positive relationship with Leverage. Board Independence, Board Size, CP, CSR, ROA and EY have positive relationship; however, CEO Duality has negative relationship with Firm age. Board Size, CEO Duality, CP, CSR and ROA have positive relationship; however, EY has negative relationship with Board Independence.

CP, CSR, ROA and EY have positive relationship; however, CEO Duality has negative relationship with Board Size. CP, CSR, ROA and EY have negative relationship with CEO Duality. CSR, ROA and EY have positive relationship with CP, ROA and EY has positive relationship with CSR. EY has positive relationship with ROA. These relationships between the independent explanatory variables are so weak that indicates no issue of multi-co-linearity.

The results has also been tested by using Earning Yield (EY) as performance measure and reported in Table 4.

Table 4: *Impact of CG and CSR on EY with CP as moderator (Sample Size – 254 N=3554)*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.094	1.200	2.578	.010
FZ	.025	.025	1.007	.314
LEVERAGE	-.439	.145	-3.024	.003
FA	.112	.059	1.896	.058
BI	.472	.192	2.462	.014
BS	-1.922	.540	-3.556	.001
CEOD	.084	.058	1.456	.146
CP	.206	.078	-2.630	.009
CSR	.005	.020	.234	.815
CP*BS	.109	.038	2.893	.004
CP*BI	.026	.013	-2.165	.031

CP*CEOD	.175	3.06E-9	-1.168	.987
CP*LEVERAGE	3.14E-09	2.64E-09	1.189	.234
Adjusted R-squared	.375	Durbin-Watson stat		2.018
F-statistic	5.223	Prob. (F-statistic)		.000

Impact of CG, CSR and CP on firm's performance is measured by using panel data analysis. The decision between Common Coefficient Model and Fixed Effect Model is taken on the basis of Fixed Effect Redundancy Test as F statistic is found significant (F Statistic 4.3956, prob .000)so Fixed Effect Model is recommended. Similarly, decision between Fixed and Random Effect Model is taken on the basis of Hausman Test as H statistic is significant (H Statistic 33.6985, prob .0002) so Fixed Effect Model is recommended in EY.

Adjusted R squared of the model is 37.5%. Probability of F statistic is significant. Leverage (-.439038) and Board Size (-1.921517) are showing negative significant impact on EY. All firms using more debt have negative impact on EY. Similarly, firms with larger Board size also have negative impact on EY. Increase in leverage and Board size decreased EY. Firm age, (.11247), Board Independence, (.472113) and CP (.205764) have shown positive significant impact on EY. Mature firms having independent Board size, performing social activity have positive and significant impact on EY. Mature firms have better performance than new firms. The independence of board contributes positively due to better and independent decision making. The companies' commitment towards philanthropy contributes in better firm performance. CP is showing the positive significant moderating effect in relation of Board Independence (.028671) and Board Size (.109) with EY. CP moderates the relationship between CG and firm's performance as Board Independence and Board Size is found to have significant positive impact on the performance in the presence of CP.

Table 5 reports the impact of CG and CSR on ROA in the presence of CP as moderator.

Table 5: *Impact of CG and CSR on ROA with CP as moderator (254 PLCs N=3556)*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-.029	.029	-1.026	.305
FZ	.004	.002	2.054	.040
LEVERAGE	.007	.006	1.190	.234
FA	-3.90E-09	2.68E-09	-1.456	.146
BI	.002	.002	1.001	.317
BS	.001	.006	.186	.852
CEOD	-.001	.003	-.443	.657
CP	1.40E-09	9.22E-10	-1.519	.029
CSR	-1.03E-11	4.60E-11	-.225	.822
CP*FA	-2.97E-10	1.20E-10	-2.481	.013
CP*LEVERAGE	-7.97E-10	4.40E-10	-1.811	.070

CP*FZ	1.69E-10	6.23E-11	2.718	.007
CP*BI	2.83E-10	9.75E-11	-2.905	.004
CP*BS	3.08E-09	1.48E-10	2.199	.898
CP*CEOD	4.58E-10	2.84E-09	1.896	.978
Adjusted R-squared	.723	Durbin-Watson stat		1.562
F-statistic	36.212	Prob(F-statistic)		.000

The robustness of the results is tested by using ROA as a firm's performance. The same process as explained above is followed. The results of Fixed Effect Model with book based performance measures ROA are reported in Table 5.

Adjusted R squared of the model is 72.34%. Probability of F statistic is significant. Firm Size, (.003573) and CP (1.40E-09) have shown positive significant impact on ROA. It means that mature firms contribute more towards the firm's performance. Increase in Firm Size and CP has positive impact on ROA. This may be one of the reasons for low contribution by some of the firms. The impact of Leverage and Firm Age decreases with the tendency to contribute for philanthropy. All mature firms using more debt contribute less in donation which, resultantly, negatively impacts ROA. CP is also showing the positive significant moderating effect in relation of Firm size (1.69E-10) and Board Independence (2.83E-10) with ROA. Larger firms having board independence contribute more towards the donation, resulting in positive and significant impact on ROA.

In nut shell, CP itself contributes positively in firm's performance. Furthermore, it influences the role of CG and determines the firm's performance. Accordingly, research questions and objectives have comprehensively elaborated that CSR and CG efficiently create value and maximize shareholder's wealth while CP, as moderating variable that eventually improves the firm's performance.

Conclusion

This study examines the effect of CG and CSR on firm's performance by using the data set of 254 non-financial firms of Pakistan Stock Exchange (PSX) in the presence of CP for the period from 2004 to 2017. The outcome of this study shows concrete findings for top level managers, policy makers, supervisors, investors and future researchers. Based on these findings, it is concluded that CP and CG are significant tools to positively contribute towards the firm's performance. Similarly, firm age, board independence and CP have positive impact on firm's performance. However, leverage and board size have negative impact on firm's performance indicating that debt is not being judiciously utilized. Heavy debt has negative impact on ROA and EY so needless debt should be discouraged. Moreover, larger board does not contribute towards the performance and it is the quality of the board that actually matters. Small and effective board size should be preferred.

Results reveal that CP shows significant positive moderating effect of firm age with ROA and EY. Consequently, new firms should spend more towards welfare of the society. On the other hand, firm size and CP have shown positive significant impact on ROA along with a moderating role of contribution towards the welfare of the society. Present study provides improved understanding of firm's performance while measuring CG, CSR and CP. Its improved performance has observed significant impact of CG and CP. The role of CP as moderator between CG and firm's performance is also significant. CP represents negative significant moderating effect in relation with firm age and leverage; moreover, it has positive significant moderating effect in relation of firm size and board independence.

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