

## The Mediating Effect of Corporate Social Responsibility between Corporate Governance and Firm Performance

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<b>Article History:</b>	<b>Abstract</b>
<b>Received:</b>	<b>Purpose:</b>
<b>6<sup>th</sup> March, 2025</b>	This study examines the link between corporate governance, corporate social responsibility, and firm performance with a specific focus of non-financial firms of developed and emerging countries.
<b>Revised:</b>	<b>Design/Methodology/approach:</b> A quantitative approach is used for this study. 2667 non-financial firms are taken as sample from developed and emerging countries. The targeted period for the study is 2005-2021. For the variable; Corporate Social Responsibility (CSR) data is collected from Refinitiv database and the remaining variables are collected from DataStream. GMM is used to investigate the link among variables by applying STATA-14.
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<b>Accepted:</b>	<b>Practical Implication:</b> This study also analyze the mediating role of CSR between corporate governance and the performance of the firm. With the help of defined relationship owners, directors, and policymakers may re-think their strategies.
<b>24<sup>th</sup> June, 2025</b>	<b>Originality/value:</b> CSR is a real value in this research that how it works between the corporate governance and the firm performance. Furthermore, this research investigates the link in-depth among developed and developing countries.
	<b>Keywords:</b> Corporate Social Responsibility, Corporate Governance, Firm Performance.

### 1. Introduction

Corporate social responsibility (CSR) is debatable issue of the current era (Zaman et al., 2022). This is controversial issue because corporation are mainly focus their performance and neglected CSR activities (Jensen, 2002; Newbert, 2018). The idea of CSR has brought environmental deterioration and society's concerns to the front of public discourse (Turker, 2009). Furthermore, CSR encouraging public awareness about social and environmental activities among stakeholders (Hamrouni et al., 2019). CSR is a real reason to promote financial performance along with the raising of efficiency of corporate governance (Okafor et al., 2021; Jeong et al., 2018). This is an evident for owners to promote CSR policies and strategies then will improve their performance with value creation (Zaman et al., 2022).

Despite, CSR is playing an important role to determine firm efficiency, question is that how CSR is interplaying role between CG and FP (Guangxin Xu et al., 2022). Academic researchers, discussed that CSR is further extension of CG and it also could meet the financial and social goals for corporation (Harjoto and Jo, 2011). Firm performance (FP), a key indicator of a company's financial health and strategic success, is frequently used to determine its long-term viability and competitive advantage (Fathi et al., 2021). Non-financial firms those in emerging countries, present unique obstacles in achieving and maintaining high performance due to variables such as restricted access to capital, regulatory inefficiencies, and market volatility (Alabdullah, 2023; Said et al., 2024). These challenges limits to growth, profitability, and, in some situations, risk these companies' survival. Firms in developed countries, on the other hand, benefit from stronger governance structures that provide better investor protection, transparency, and accountability (Wirba, 2024).

CSR is about socially and environmentally responsibility and it is fact that it also led to raise in CG of the firm (Harjoto & Jo, 2011). In this regard, CG contributes significantly to tackling these difficulties by establishing

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norms and practices that improve decision-making, reduce risks, and assure accountability, thereby boosting business performance (Awalluddin & Maznorbalia, 2024). While developed markets have well-established CG frameworks, emerging countries are still working to construct strong mechanisms that can reliably promote FP and stability (Nazir et al., 2024). However, the role of CG and CSR in improving FP has received less attention, particularly from a comparative standpoint between established and emerging nations.

Interplay role of CSG between CG and FP is discussed in detail but it still unresolved issue in literature review (Khatib et al., 2022; Gheorghe et al., 2019) that's why this study is going to delve defined relationship in developed and emerging economies with following reasons. First, changes in regulatory environments, cultural norms, and institutional frameworks cause significant variation in CG practices across economic situations. In addition, developed countries frequently have well-established governance structures, robust investor protections, and clear legislative frameworks that control corporate behavior (Klapper & Love, 2004; Filatotchev et al., 2013). In contrast, emerging economies have problems such as weaker enforcement mechanisms and limited transparency, which reduce the effectiveness of CG practices (Berglöf & Claessens, 2006). Second is that CSR goals vary from region to region (Muller, 2006), for this reason we are analyzing interplay role of CSR in developed and developing economies. Hence, brand improvement and customer expectations, whereas those in emerging markets frequently adopt CSR in response to regulatory demands or to build stakeholder trust (Khan et al., 2015). This study attempts to provide a detailed understanding of how CG and CSR influence FP, allowing practices to adjust to changing market situations. The target population of this study is non-financial firms of developed and developing economies for the period 2005-2021 including, Belgium, China, Austria, Finland, France, Great Britain, Hong Kong, Korea, Japan, USA, Switzerland, and developing countries are India, Pakistan, Taiwan and Turkey.

The rest of the work is organized as follows: part 2 addresses the literature review, while section 3 presents research methodology. Section 4 featured the results and their discussion, while section 5 contained the conclusions and implications.

## **2. Literature Review**

### **2.1 Performance of the Firm and Corporate Governance**

Naciti. (2019) investigate the relationship of firm governance and its performance and found positive along-with significant relationship across 46 countries. Further, this relationship is investigated in China with foreign ownership and found same result (Al-Ahdal et al., 2020). For this purpose, countries are trying to establish code of conduct to sustain governance system in corporations. S&P is also published a report about corporate governance and purpose is to improve firm performance by maintaining a good governance system in corporations. After reviewed of several studies found this relationship consistent (Aggarwal et al. (2010); Abdullah & Ismail (2017); Al-Malkawi et al. (2014); Bishnoi & Sh (2015), Arora & Sharma (2016), Brown & Caylor (2006), Hassan (2012), Li Liu et al. (2018); Iqbal et al. (2019)). There are number of factors about corporate governance which are affecting firm performance but fours are main ingredients one is board independence, CEO duality, board size and women directorship are explored in this research. Some researchers believe that agency problem arises when manager is biased about decision making (Antounian et al., 2021). So, need to focus on board independent to make sure the code of governance Kijkasiwat et al. (2022). This relationship is still in debate, so, need explore it across in developed and in developing countries. Thus, on the basis of above discussion we hypothesized it as follows.

*H1: Corporate governance has positive effect on firm performance.*

### **2.2 Corporate Social Responsibility and Firm Performance**

CSR has grown into a multidimensional notion that extends beyond philanthropy and environmental compliance. It now includes a diverse spectrum of ethical, economic, and discretionary activities aimed at benefiting society and stakeholders. Major firms throughout the world are becoming involved in CSR projects, with reports and initiatives becoming standard practice (Halkos & Nomikos, 2021). Scholars define CSR differently, with some seeing it as an organizational commitment to sustainable development, ethical behavior, and a larger notion that blends legal, ethical, economic, and discretionary factors to encourage responsible behavior beyond legal obligations (Rupp et al., 2015). On the basis of above discussion, this research into the link between CSR and FP have been various. Nguyen et al. (2021), investigated CSR relationship with FP, concentrating on the function of ethical leadership, and discovered that CSR has a beneficial impact on firm

reputation and FP in the setting of Vietnam. Maury et al. (2022) evaluated the influence of corporate strategies on the CSR and FP relationship, claiming that CSR enhancements correspond with profitability in growth and prospector strategies.

The study emphasizes the need of considering the multifaceted nature of CSR and its diverse consequences on various levels of company operations and outcomes. Thus, we hypothesizes that as following.

*H2: Corporate social responsibility has significant effect on firm performance.*

### **2.3 Corporate Governance and Corporate Social Responsibility**

The relationship between CG and CSR is closely intertwined, as indicated by various studies ( Zaman et al., 2021 Ntim and Soobaroyen, 2013). CG is often regarded as the cornerstone of CSR, with the structure and mechanisms of a company's CG framework exerting a significant influence on its CSR intentions and capabilities (Gul et al., 2017; Ntim and Soobaroyen, 2013; Jain and Jamali, 2016). Companies that have robust CG strategies are more inclined to engage in CSR initiatives (Jahid et al., 2020; Zaid et al., 2019; Zaman & Liu, 2022; Zaman et al., 2021). Therefore, a strong CG process serves as the underpinning for successful CSR implementation.

A different perspective posits that CG and CSR coexist, with the two concepts not being identical but closely connected. In this view, CG and CSR are seen as two facets of the same accountability spectrum (Akinyemiju et al., 2017). Consequently, a company's commitment to societal and environmental issues does not replace CG standards and policies; instead, they coexist harmoniously. In this coexistence, CG emphasizes the importance of CSR, which, in turn, places a stronger emphasis on the company's self-regulation and commitment to stakeholders than on mere external compliance (Zaman et al., 2021). Thus, we hypothesized as follows.

*H3: Corporate governance has significant effect on corporate social responsibility.*

### **2.4 Mediating role of CSR between corporate governance and firm performance**

Mediating role of CSR between corporate governance and firm performance are explored in this research (Detthamrong et al., 2017). The study examines the mediating role of CSR between corporate governance and firm performance. In literature, there is minimal discussion available on CSR as a mediator, especially in developing and in developing economies. Researchers argued about corporate governance that it frequently leads to the implementation of CSR programs, which can improve a company's reputation and stakeholder interactions (Matten & Moon, 2008). Positive reputation and solid stakeholder interactions can lead to enhanced corporate performance (Brammer et al., 2012). Firms with strong governance systems are more likely to engage in CSR initiatives, which can improve their public image, trustworthiness, and investor attractiveness (Zaman et al., 2021). This, in turn, has the potential to improve company performance. CG practices that emphasize ethical behavior and accountability match with such investors' expectations (Hockerts et al., 2017). As a result, organizations with strong CG systems are more likely to attract ethical investors, who can boost the firm's performance. CG practices including board oversight and disclosure promote openness in a company's activities (Hossain et al., 2016). Transparent disclosure of a company's CSR efforts and impacts can boost its reputation and accountability to stakeholders (Deev & Khazalia, 2017). CSR reporting also acts as a channel of communication with stakeholders, revealing a company's commitment to social and environmental obligations (Hossain et al., 2016). The increased openness and accountability that results can have a favourable impact on corporate performance. Thus, we hypothesize it as following.

*H4: There is a mediating role of CSR between corporate governance and firm performance.*

## **3. Methodology**

### **3.1 Study Population and Sample size**

The target population of this study was non-financial firms of developed and developing economies for the period 2005-2021. Data are collected from Refinitiv database. Sample detail region wise is given below in Table 1.

**Table 1: Region wise Sample**

Region	Freq.	Percent.	Cum.
<b>Developed</b>	31570	88.34	88.34
<b>Developing</b>	4167	11.66	100
<b>Total</b>	35737	100	-

Table 1 indicates the region wise sample size percentage. Sample size of this study is 2667 firms and sample collected from developed countries (Austria, Belgium, and China. Denmark, Finland, France, Germany, Great Britain, Hong Kong, Japan, Korea, Switzerland, United State) is 88% and sample collected from developing countries (India, Pakistan, Taiwan, Turkey) is 12%.

### 3.2 Measurement of variables.

The current study assesses the firm performance by one proxy; ROA. Corporate governance is measure with board independence, CEO duality, board size and female directorship (Alshirah et al. (2022) and Naeem et al., (2023). CSR is measured with expense for charitable purpose to total income (Ehsan et al., 2018; Farooq et al., 2021). Size is measure with log of total assets and sales growth is measured with ratio of current year sales to previous year sale. Further details are mentioned in Table 2.

**Table 2: Measurement and description of variables**

Variable Code	Variable Name	Variable Description	Reference
1. BSIZE	BSIZE	A number of boards of directors, including a chairperson and independent directors.	(Detthamrong et al., 2017; Obradovich & Gill, 2013)
2. BI	Board Independence	The number of directors (independent) to the number of all directors.	(Detthamrong et al., 2017)
3. WD	Female Directorship	The ratio of number of directors (female) to the total number of directors.	(Detthamrong et al., 2017)
4. CEOD	CEO Duality	CEO duality is a dummy variable: take a value of 1 if the CEO is also the chairperson of the board of directors, and 0 otherwise.	(Obradovich & Gill, 2013)
5. CSR	CSR	Total Score, as the R&D, donations charity and worker welfare fund, Total expenses to total income.	Morning star
6. ROA	ROA	The proportion of earnings before interest and taxes to total firm assets.	(Detthamrong et al., 2017; Sultana et al., 2019)

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7.	SIZE	Firm size	It is calculated as natural log of total assets of the firm.	(Cruz et al., 2014)
8.	SG	Sales Growth	It is calculated as current year sales minus previous year sale and then divided by sales in previous year.	(Sun et al., 2019)

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### 3.3 Research Equations

The association between CG, CSR and FP has been measured through the following four regression models:

CG effect on CSR  
 $CSR_{it} = \alpha + \beta CG_{i,t-1} + \gamma Z_{i,t-1} + E_{i,t} \dots \dots \dots (1)$

CG effect on FP  
 $ROA_{it} = \alpha + \beta CG_{i,t-1} + \gamma Z_{i,t-1} + E_{i,t} \dots \dots \dots (2)$

CSR effect on FP  
 $ROA_{it} = \alpha + \beta CSR_{i,t-1} + \gamma Z_{i,t-1} + E_{i,t} \dots \dots \dots (3)$

Independent variable and Mediator effect on Dependent variable  
 $ROA_{it} = \alpha + \beta CG_{i,t-1} + \delta CSR_{i,t-1} + \gamma Z_{i,t-1} + E_{i,t} \dots \dots \dots (4)$

## 4. Data Analysis

### 4.1 Statistical Analysis

The Heteroskedasticity in the study is checked using Breusch Pagan LM test, and further autocorrelation is checked by utilizing Durbin Watson test, and last but not least the also checked for Multicollinearity issue in study data using correlation matrix. Heteroskedasticity assumption is error term variance must be constant check this problem through “Breusch Pagan” test. Multicollinearity exist when two or more independent variable are highly correlated to each other check this issue through correlation matrix. Autocorrelation assumption two period error term not correlated to each other. Panel data give more informative and efficient data (Gujarati & Sangeetha, 2007).

Endogeneity issue also checked in this study. When the data faces the endogenous issue in the variables and exist lagged dependent variable in the model and if there is a short time dimension with large number of observation than go to the further modelling for resolving this issue. Such type issue handled by this study so for resolving apply Generalized method of moments or in this further systematic dynamic model. This consider utilizes the procedure of two step energetic board framework estimation. To assess the intercession, Generalized Strategy of Minute (GMM) framework estimation is utilized. Display ponder connected two steps energetic GMM estimation for taking after reasons: to begin with, display ponder employments subordinate factors are likely to be measured yearly information, and it appears alluring to utilize a energetic board estimation to allow for it. Furthermore, there's a plausibility of in secret heterogeneity with regressors, and it control such impact. Granwe and Skdenly (2000) suggested that the slacked subordinate variable within the two-step energetic board information framework estimation control a few of the impact of excluded factors shifting over time, so it makes a difference to handle the issue. Generalized Strategy of Minutes (GMM) produces reliable parameter (Arellano-Bond, 1991). Roodman (2005) notices that Arellano-Bond estimators have one and two step estimation.

### 4.2 Preliminary Data Analysis

Table 3 provides an overview of the descriptive statistics for the dataset including data from developed and developing countries that were utilized for this research included observation of this dataset are 35737 in this study. Mean and median of BI is 43.54 and 42.03 respectively and range is 0-95.03. Mean and median of independent variable of BS is 9.91 and 9 respectively and range is 0-27 which shows the average of BSIZE is

higher than 9.26 reported by (Peng et al., 2021). Mean of CEOD and WD are 65% and 68% respectively. CEOD mean that 65.4% CEO working on Chairman Post. Board diversity means that 68.12% female directors are working in these firms. Our sample firms always show average financial performance, with ROAs of 4.34% and ROEs of 8.64% which is average performance of the firms Median of ROA and ROE is 5.19% and 9.8% respectively. The mean and median of CSR is 30.67% and 26.95% with the range of 0-13.38 its means that firm are normally involve in society welfare and worker welfare activates and properly working for community benefits in education and healthcare programs. Standard deviation of BI, BSIZE, CEOD and WD are respectively 31.99, 2.84, 0.4757 and 0.4660.

**Table 3: Descriptive Result**

	BI	BSIZE	CEOD	CSR	ROA	SG	SIZE	WD
<b>Mean</b>	43.537	9.910	0.654	0.307	4.339	1.016	16.442	0.681
<b>Median</b>	42.030	9.000	1.000	0.269	5.190	0.064	15.210	1.000
<b>Maximum</b>	95.030	27.000	1.000	13.379	794.396	21993	101	1
<b>Minimum</b>	0.000	0.000	0.000	0.000	-386.210	-1	0	0
<b>Std. Dev.</b>	31.993	2.845	0.476	0.313	18.065	118.355	5.776	0.466
<b>Obs.</b>	35737	35737	35737	35736	35737	35654	35736	35737

In this correlation matrix BI are positively correlated with BS, CEO Duality and board diversity. According to correlation matrix BI is positively linked with CSR, firm size and with sales growth, it means independent board can put favorable decision about CSR and firm size and sales growth are also dependent on board independence. Other variable used in this study is Board size. Board size is positively linked with CEO Duality, Board diversity, ROA and ROE. Board size is positively linked with other variable CSR; it is an evident number of the member on board are also an important to determine the CSR activities and further Firm Size and Sales growth are also dependent on board size. CEOD is positively linked with Board diversity and ROE. CEOD is negatively linked with CSR, Firm size and Sales growth. CSR is positively linked with Board Diversity, ROA, ROE and sales growth. This relationship is evidence that CSR focused firms are generally have good profit and valuable system with good governance. ROA is directly linked with ROE and Firm size and inversely linked with Board Diversity and SG. ROE is directly linked with Board Diversity and Firm size and inversely linked with Sales Growth. Sales Growth is directly linked with firm size and inversely linked Board Diversity. Firm size is negatively linked with Board Diversity. Additionally, all correlation coefficients between variables are lower than 0.8, indicating that multi-co linearity between the variables is not a main issue. However, the association between CEOD and Board Diversity is more than 0.8 it means there is multi-collinear exist.

**Table 4: Correlation Matrix**

	BI	BSIZE	CEOD	CSR	ROA	SG	SIZE	WD
<b>BI</b>	1							
<b>BSIZE</b>	0.0314	1						
<b>CEOD</b>	0.05664	0.01787	1					

<b>CSR</b>	0.0835	0.0362	0.0349	1				
<b>ROA</b>	0.0131	0.0022	0.0056	0.0677	1			
<b>ROE</b>	0.0074	0.0048	0.0013	0.0120	0.1146			
<b>SG</b>	0.0028	0.0058	0.0063	0.0041	-0.0018	1		
<b>SIZE</b>	-0.0668	-0.0195	-0.0992	0.1292	0.0396	0.0003	1	
<b>WD</b>	0.0183	0.0082	0.8649	0.0195	0.0018	-0.0069	-0.0403	1

### 4.3 Hypothesis Testing

Table 5 indicating the result of developing countries is in Equation 1 association among CG and CSR. According to the table 5 CG and CSR have a significant connection that is related to results (Detthamrong et al., 2017). Board Independence, CEO duality and BSIZE have significant association with CSR and women directorship have insignificant association with CSR. Control variable firm Size have also significant association. objective of this study is achieved here in question 1. Summary of these outcomes is that there is significant association among CG and CSR.

Result of developing countries is indicating the results of equation number 2 associations among CG and FP. According to the table 5 there is CEO duality has insignificant association with FP its p value is (0.423) so this value is greater than 0.05 this outcome is related with Al-Malkawi and Pillai (2013) and Al-Matari et al. (2012), academic writers suggest that CEO duality can decrease FP. There is significant association between BI& FP its p value is 0.003 which is less than 0.05 that outcomes are related to (Jackling & Johl, 2009; Nair, 2015). Academic researchers suggest more independence board boost up FP. As table 5 shows that BSIZE has insignificant association with FP its p value is 0.624 which is greater than 0.05 that outcomes are related to Mak and Kusnadi (2005). Academic writers report that large BSIZE also decreases FP. Women directorship is insignificant association with FP. P value is greater than 0.05 that results are aligned (Amorelli et al., 2020). Table 5 shows that more WD are also decrease FP. Control variable firm size has significant association with FP. Objective two of the study is not achieved here and summary of second question is that, there is insignificant association between CG and FP.

Table 5 of developing countries is indicating the result of equation number 3 associations among CSR and FP. Table 5 shows that there is significant association among CSR and FP p value is (0.000) which is less than 0.05 that result is related to (Muflih et al., 2022) that suggested and shows that CSR(Zakat) is significantly correlated with FP. This shows that Zakat contributed positively to both company profits and their worth, making it a win-win strategy for increasing company performance while also fulfilling the needs of society. Control variable sale growth has in significant association with business but firm size has significant association with FP. Third objective of the study is achieved here and summary of question number 3 is that there is significant association among CSR and FP.

Table 5 of developing countries is indicating the result of equation 4 association among CG, CSR and FP. As Table 5 and equation number 3 shows CSR has significant association with FP p value is (0.000) which is less than 0.05. BI has significant association with FP p value is less than 0.05. BSIZE, CEO duality and women directorship have insignificant association with FP p value of these variables are greater than 0.05 and control variable firm size has significant association with FP p value is less than 0.05. Fourth objective of this study is meeting here, and summary of equation number 4 is that there is significant effect of CSR and firm size on FP and insignificant effect of CG on FP. CSR is mediating role between CG and FP.

**Table 5: The Mediating Effect of Corporate Social Responsibility between Corporate Governance and Firm Performance (Developing Countries)**

	Equation-1	Equation-2	Equation-3	Equation-4
	CSR	ROA	ROA	ROA
CSR	-	-	-13.91***	-13.73***
	-	-	(-4.322)	-4.281
CEOD	-2.580***	-0.8	-	-0.99
	(-0.018)	(-0.324)	-	(-0.400)
BI	-13.880***	3.02***	-	2.01***
	(-0.001)	0.009	-	0.006
BSIZE	-5.950***	0.49	-	0.06
	(-0.003)	0.016	-	0.002
WD	1	0.65	-	0.73
	0.007	0.268	-	0.298
SG	-0.880	-0.330	-0.4	-0.4
	0.000	0.000	0.000	0.000
SIZE	22.960***	7.51***	9.24***	9.13***
	0.007	0.125	0.154	0.153
C	32.600***	3.59***	10.72***	5.88***
	0.270	1.759	3.148	2.916

#### 4.3.1 GMM Estimation for Hypothesis from one to four in developing countries.

Table 6 indicating the result of developed countries is in Equation 1 association among CG and CSR. According to the Table 6 CG and CSR have an insignificant connection? BI has insignificant association with CSR which shows that more independent board not performs properly corporate social activities and its effect decrease the firm reputation. Women directorship has insignificant association with CSR which shows that greater women director in board decrease the social activities and it's directly effect on firm goodwill. CEO Duality and have insignificant association with CSR which shows that CEO duality cannot improve CSR activities properly. BSIZE has insignificant association with CSR. Academic researchers reported that greater BSIZE decrease CSR activities. Control variable firm Size have also significant association with CSR. Sales growth has insignificant

association with CSR. 1 objective of this study is not achieved here in question 1. Summary of these outcomes is that there is insignificant association among CG and CSR.

According to the Table 6 CEO duality has insignificant association with FP its p value is greater than 0.05 the result is aligned with Al-Malkawi and Pillai (2013) and Al-Matari et al. (2012) Academic writers suggest that CEO duality can decrease FP. There is insignificant association between BI & FP its p value greater than 0.05 that outcomes are aligned with (Jackling & Johl, 2009; Nair, 2015). Academic researchers suggest more independence board decrease FP. As table 5 shows that BSIZE has insignificant association with FP its p is greater than 0.05 that result is aligned with Mak and Kusnadi (2005). Academic writers report that large BSIZE also decreases FP. Women directorship is insignificant association with FP p value is greater than 0.05 that results are aligned with Amorelli et al. (2020). Table also shows that more WD are also decrease FP. Control variable firm size and sales growth has insignificant association with FP. Objective two of the study is not achieved here and summary of second question is that there is insignificant association between CSR and FP.

Table 6 of developed countries is indicating the result of equation number 3 associations among CSR and FP. Table 6 shows that there is significant association among CSR and FP p value is less than 0.05 that result is aligned with Mat et al. (2017), that suggested and shows that CSR is significantly correlated with FP. This shows that Zakat contributed positively to both company profits and their worth, for increasing company performance while also fulfilling the needs of society. Control variable sale growth has insignificant association with business, but firm size has significant association with FP. Third objective of the study is achieved here and summary of question number 3 is that there are significant associations among CSR and FP.

Table 6 of developed countries is indicating the result of equation 4 association among CG, CSR and FP. As Table 6 and equation number 4 shows CSR has significant association with FP p value is less than 0.05. BI has insignificant association with FP p value is greater than 0.05. BSIZE, CEO duality and women directorship has insignificant association with FP p value of these variables are greater than 0.05 and control variable firm size has significant association with FP p value is less than 0.05. Sale growth has insignificant association with FP p value is greater than 0.05. Fourth objective of this study is meeting here and summary of equation number 4 is

**Table 6: The Mediating Effect of Corporate Social Responsibility between Corporate Governance and Firm Performance (Developed Countries)**

<u>Variables</u>	Equation-1	Equation-2	Equation-3	Equation-4
	CSR	ROA	ROA	ROA
<b>CSR</b>	-	-	-30.096*** (-11.21)	-29.919*** (-11.12)
<b>CEO</b>	0 (0.12)	-0.017 (-0.1)	-	-0.015 (-0.09)
<b>BI</b>	0 (1.56)	0.001 (0.87)	-	0.001 (0.82)
<b>BSIZE</b>	0 (0.55)	-0.017 (-0.56)	-	-0.028 (-0.92)
<b>WD</b>	0.001	-0.038	-	-0.044

	(1.92)	(-0.22)		(-0.26)
<b>SIZE</b>	-0.04***	-0.152	-0.906***	-0.911***
	(-32.45)	(-0.59)	(-3.61)	(-3.62)
<b>SG</b>	0	0	0	0
	(0.010)	(0.07)	(0.02)	(0.01)

that there is significant effect of CSR and firm size on FP and insignificant effect of CSR on FP. CSR is mediator among CG and FP.

#### 4.3.1 GMM Estimation for Hypothesis from one to four in overall countries.

Table 7 indicating the result of overall countries is in Equation 1 association among CG and CSR. According to result CG and CSR have a significant connection. BI has positively significant association with CSR which shows that more independent board improves corporate social activities and its effect will increase the firm reputation its p value is less than 0.05. Women directorship has significant association with CSR which shows that greater women director in board increase the social activities and it's directly effect on firm goodwill. CEO Duality and have positively significant association with CSR its p value is less than 0.05 which shows that CEO duality improve CSR activities properly. BSIZE has positively significant association with CSR its p value is less than 0.05. Academic researchers reported that greater BSIZE increase CSR activities and firm profitability. Control variable firm Size have positively significant association with CSR its p value is less than 0.05. Sales growth has also negatively significant association with CSR its p value is less than 0.05. 1 objective of this study is achieved here. Summary of these outcomes is that there is significant association among CG and CSR.

According to the table 7 is CEO duality has significant association with FP its P value is less than 0.05 the result is aligned with Al-Matari et al. (2012). Academic writers suggest that CEO duality increase FP. There is significant association between BI& FP its p value less than 0.05 that results are aligned with (Althagafi et al., 2023; Jackling & Johl, 2009). Academic researchers suggest more independence board decrease FP. As table 7 shows that BSIZE has significant association with FP its p is less than 0.05 that result are aligned with Mak and Kusnadi (2005). Academic writers report that large BSIZE also increases FP. Women directorship is significant association with FP its p value is less than 0.05 that results are aligned (Amorelli et al., 2020; Siraj & Muhammad, 2023). Table 7 shows that more WD are also boost up FP. Control variable firm size and sales growth has significant association with FP its p value is less than 0.05. Objective two of the study is achieved here and summary of second question is that, there is significant association between CG and FP.

Table 7 shows that there is significant association among CSR and FP p value is less than 0.05 that result is aligned with Mat et al. (2017), that suggested and shows that CSR is significantly correlated with FP. This shows that Zakat contributed positively to both company profits and their worth, for increasing company performance while also fulfilling the needs of society. Control variable sale growth has significant association with FP, three stars shown that it p value is less than 0.05. Firm size has significant association with FP. Third objective of the study is achieved here and summary of question number 3 is that there are significant associations among CSR and FP.

Table 7 of overall countries is indicating the result of equation 4 association among CG, CSR and FP. As Table 7 and equation number 4 shows CSR has significant association with FP p value is less than 0.05. BI has Positive significant association with FP p value is greater than 0.05 that result is aligned with Muniandy and Hillier (2015), academic scholars reported a board that has independent directors has the potential to win the confidence of stakeholders and bring in more investment. BSIZE has positive significant association with FP p value is less than 0.05 that results are aligned with Agustia, Haryanto et al., (2022) academic writer suggest that large BSIZE can make good decision and success full strategy and increase FP. CEO duality has negative significant association with FP p value is less than 0.05 that results are aligned with (Hawary, 2011; Arora, 2012), academic writer suggest that CEO duality improve FP. Women directorship has negative significant association

**Table 7: The Mediating Effect of Corporate Social Responsibility between Corporate Governance and Firm Performance (Overall Countries)**

Variables	Equation-1	Equation-2	Equation-3	Equation-4
	CSR	ROA	ROA	ROA
<b>CSR</b>	-	-	-7.85*** (-884.45)	-7.48*** (-158.90)
<b>CEO</b>	0.000*** (552.60)	-1.29*** (-994.3)	-	-1.28*** (-972.44)
<b>BI</b>	0.000*** (2625.20)	0.018*** (976.15)	-	0.01*** (939.18)
<b>BSIZE</b>	0.001*** (2080.52)	0.082*** (260.75)	-	0.08*** (293.67)
<b>WD</b>	0.000*** (390.52)	-1.01*** (-638.6)	-	-1.02*** (-573.70)
<b>SIZE</b>	0.000*** (1579.35)	-0.16*** (-2369.0)	-0.17*** (-9560.9)	-0.16*** (-2304.6)
<b>SG</b>	-0.00*** (-331.69)	0.085*** (434.26)	0.072*** (1152.9)	0.082*** (0.01)

with FP p value is less than 0.05 that results are aligned with Erhardt et al. (2003), Academic writers suggest there is diversity in board new ideas, information and different point of views leads to good decision and enhance to improve the firm values. Control variable firm size has significant association with FP p value is less than 0.05. Sale growth has significant association with FP p value is greater than 0.05. Fourth objective of this study is achieved here and summary of equation number 4 is that there is significant mediating effect of CSR on CG and FP. CSR is mediator among CG and FP.

## 5. Discussion

The key contributions of this study are that it expands on the current literature on CG, CSR, and FP by concentrating on both established and developing regions. It emphasizes the important link between these variables and FP, emphasizing the relevance of these variables in determining business results for managers and stakeholders. The study also emphasizes the societal ramifications of CSR. It emphasizes that enterprises that engage on CSR activities can improve their reputation, which leads to improved FP. This discovery emphasizes the societal advantages of CSR programs. Several recommendations come from the study's findings: t is encouraged to incorporate CSR principles into CG and decision-making processes since it promotes a holistic approach to business management. Creating CSR focused boards enables committed monitoring and

responsibility for CSR projects. Aligning CSR programs with the key business goals of the organization increases their efficacy in boosting overall performance. Identifying particular areas where CSR activities can have a direct influence on financial metrics enables focused expenditures. Furthermore, improving the quality and openness of CSR reporting is critical for giving clear and trustworthy information to stakeholders. Participating relevant stakeholders in the development and execution of CSR programs increases inclusiveness and effectiveness. Finally, creating specific criteria to quantify the direct impact of CSR programs on FP lets businesses to effectively measure their social responsibility efforts. Collectively, these principles lead to a more responsible and sustainable business environment.

## 5.1 Implications of the Study

This study fills a key gap in the current literature by investigating the mediating function of CSR in the link between CG and FP, particularly in emerging economies like Pakistan. It broadens our understanding of these interactions beyond the borders of developed nations and provides insights into how they function in diverse circumstances. This study adds to the expanding body of knowledge about CG and FP. In addition, this study is could be apply in corporate sector of all over the World. Because, this study is giving a message that CSR is an important role between corporate governance and firm performance. So, this practical implication could be helpful for decision makers, investors and for policy makers.

## 6. Conclusion

This research study investigates the link between CG, CSR, and FP in both developed and developing nations, with a specific focus on the setting of Pakistan. It adds greatly to the current research by giving empirical evidence of the interaction of these variables. The major findings indicate that CSR moderates the relationship between CG and FP. Furthermore, this study takes a complete approach by merging agency and stakeholder theories, providing light on the complex link between owners, CSR, CG, and FP. The study is based on quantitative data from the financial reports of 2668 enterprises from 14 industrialized and four developing nations acquired from the Compustat database (Refinitiv) between 2005 and 2021.

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