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IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FIRMS' FINANCIAL PERFORMANCE: THE MEDIATING ROLE OF CUSTOMER SATISFACTION, CORPORATE IMAGE AND COMPETITIVE ADVANTAGE

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Abstract:

In the changing scenario of doing business, it becomes imperative for business firms to integrate Corporate Social Responsibility (CSR) in their daily operations for their mere acceptance in society. The socially responsible business firms are able to gain the trust of society by bringing quality in their products and services, abiding with the laws and codes of conduct, dealing ethically with all the stakeholders and focusing on the welfare of their employees. This way, CSR results in achieving the satisfaction of the customers, building corporate image and providing a competitive advantage to business firms, ultimately leading to the enhancement of their financial performance. The study intends to suggest ways for the policymakers of the business firms to integrate CSR into core operations as a strategy to gain financial and social benefits. The study establishes a significant relationship between CSR and firms' financial performance, indicating that contribution in CSR activities may enhance the financial performance of business firms by providing customer satisfaction, improving corporate image and giving a competitive advantage.

Keywords: Corporate Social Responsibility, Financial Performance, Customer Satisfaction, Corporate Image, Competitive Advantage

INTRODUCTION:

In the changing scenario of doing business, it becomes imperative for business firms to integrate Corporate Social Responsibility (CSR) in their daily operations for their mere acceptance in society. Corporate Social Responsibility is defined by the United Nations Industrial Development Organization (UNIDO) as a management concept in which companies integrate social and environmental issues into their business operations and interactions with stakeholders. CSR involves fulfilling the responsibility by the business entities towards society. The conventional concept of performing business activities by the entities used to emphasize exclusively in earning profits, however this approach has now been changed. Nowadays, the interest of the stakeholders is seemed to be a major concern

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for business firms, wherein stakeholders include employees, shareholders, customers, suppliers, government and community at large (Freeman, 1984). Every business entity needs a sound and educated workforce, sustainable resources and proficient government to manage efficiently. Hence, they are bound to care about society, wherein they are required to produce high-quality products to build their customers' trust, treat their employees well to retain them in the organization and not to pollute the environment as it would affect their brand. Profitability is the requirement of the business firm, but it cannot be said the end goal. Nowadays, the business entities are not only taking care of customer satisfaction, but also giving due importance to the interest of society, including employees. All these contributions in CSR practices enable the business entities in the creation of favourable goodwill and achieving the targets of maximization of profits and returns to the shareholders. It is therefore realized that profit should not be the only aim of business, the welfare of society should also be protected.

CSR involves satisfying the needs of the customers of the organization while giving due attention to the other stakeholders, including employees, shareholders, suppliers, investors, government and community at large.

CSR initiatives can enhance the financial performance of business firms significantly, as more socially responsible organizations show stronger economic results. Moreover, the inclusion of social and environmental concerns into business operations ensures the attention of stakeholders that will ultimately lead to maximization of profits and wealth of the shareholders (Rodriguez-Fernandez, 2016). A company indulged in performing CSR activities gives a positive impact on the minds of customers while using the products of the company, as it has got a touch of humanity, which serves much more than the advertisement made. Doing good for the welfare of society automatically provides recognition and publicity to the business organizations.

It is realized by most of the organizations that apart from some key stakeholders, such as government, customers and investors, that influence the behaviour of organizations; community as stakeholders also seeks greater attention, as they are the ones who are impacted most by the company's business operations. Thus, a strong CSR programme that satisfies the expectations of these communities will be able to allow the business entities to survive in a competitive environment. The previous researchers have observed that the organizations committed towards CSR are able to attract, retain and motivate their employees. The employees' participation and involvement in CSR activities boost their morale and sense of belonging to the organizations.

The socially responsible business firms are able to gain the trust of society by bringing quality in their products and services, abiding with the laws and codes of conduct, dealing ethically with all the stakeholders and focusing on the welfare of their employees. This way, CSR results in achieving the satisfaction of the customers, building corporate image and providing a competitive advantage to the business firms, ultimately leading to the enhancement of their financial performance.

PURPOSE OF THE STUDY:

1. To examine the impact of corporate social responsibility on firms' financial performance with the mediating role of competitive advantage, corporate image and customer satisfaction.
2. To give valuable suggestions for the policymakers of business firms to integrate CSR into core operations as a strategy to gain financial benefits.

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THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT:

Corporate Social Responsibility:

In the modern era, business firms are supposed to be socially responsible for their mere survival in the competitive business world. Corporate social responsibility has become a concern of strategic importance for every business firm, as customers are now aware of the relevance of environmental issues and social responsibilities of the business entities. This ultimately influences their buying decisions (Ferrell, 2004).

“Corporate Social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent” (Carroll, 1983, p. 604). Carroll (1979) in his research had categorized the firm's social responsibility into four groups viz. economic, legal, ethical and discretionary. The author gave primary emphasis on socio-economic legal aspects and further concern for the ethical and discretionary aspects. Baden (2016) in his study had improved a model of Carroll to measure CSR. The author argued that the four categories of CSR developed by Carroll must be reviewed and sequenced according to the relative importance of business responsibilities. A revised pyramid was developed by ranking the responsibilities as: ethical, legal, economic and philanthropic.

Corporate Social Responsibility and Financial Performance of Firms:

Camilleri (2017) opined in his research that the concept of CSR helps the business firms in the enhancement of financial performance through satisfied stakeholders, including workers, clients, investors and community at a large. Spending in CSR by firms brings customers' loyalty and trust leading to improvement in the financial performance of the firms. Madueno, Jorge, Conesa, and Martinez (2016) have explained that CSR is related to competitive performance. It was analyzed that adoption of CSR practices by the business entities leads to improvement in their competitive performance both directly and indirectly. It was also opined that relational improvements of the business firms with their stakeholders mediates the effect of CSR on competitive performance. The concern for stakeholders allows the firms to attain competitive advantage by gaining their trust and confidence. Fernandez (2015) in his research has opined that there is an interchangeable relationship between social responsibility and profits, i.e., fulfilling social responsibility enhances profits of the firm and higher profits result in adopting socially responsible policies. This relationship encourages firms to make CSR a part of their financial policies and verify whether CSR investments are leading to improved financial returns.

H₁: There is no significant impact of corporate social responsibility on the financial performance of firms.

Mediating role of Customer Satisfaction, Corporate Image and Competitive Advantage:

Contribution to the well-being of society is considered a key concern of business entities in order to build corporate image and relationships with customers (Lee, Kim, & Jin, 2015). Hence, organizations must be socially responsible so that customers' trust can be achieved,

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thereby enhancing the corporate image. Ceglinski and Wisniewska (2017) have suggested the adoption of CSR by business enterprises in order to gain a competitive advantage. CSR improves a company's image and brings employees' motivation and dedication towards work, which increases creativity and productivity. A positive image of a company helps in collaborating with the business partners, leading to the enhancement of sales and profits. Adoption of CSR practices enables the business entities to meet out the need of the customers, thereby generating a competitive advantage. Consumers are aware of and applaud companies that engage in CSR activities that are customized to their requirements. As a result, the consumer's trust and commitment to the company grows, resulting in higher levels of customer satisfaction and loyalty (Khadka and Maharjan, 2017). Madueno, Jorge, Conesa, and Martinez (2016) concluded in their research that adopting CSR practices in business firms help in strengthening the relationships with stakeholders that positively affect firms' competitiveness. The contribution in CSR increases the competitive performance of the business firms that helps them in managing their stakeholders in a better way.

Several studies have analyzed the relationship between CSR and the financial performance of firms, however it is observed that CSR does not directly impact the firm's financial performance. There are certain factors involved that influence the relationship between CSR and the financial performance of firms. Garaihy, Mobarak, and Albahussain (2014) in their study have examined the mediating effect of customer satisfaction and corporate image between the relationship of CSR and competitive advantage. Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi (2015) have studied the impact of corporate social responsibility on the financial performance of firms with mediating effects of competitive advantage, reputation, and customer satisfaction. It was analyzed that taking the direct effect of CSR on financial performance makes the study incomplete, as there are more factors that need to be considered to study the actual impact of CSR on the performance of the firms. The findings disclosed that engagement in CSR by the business firms results in improved reputation and competitive advantage, ultimately leading to greater customer satisfaction, hence indirectly improving the financial performance of business firms.

H_{2a}: There is no significant impact of corporate social responsibility on customer satisfaction.

H_{2b}: There is no significant impact of corporate social responsibility on corporate image.

H_{2c}: There is no significant impact of corporate social responsibility on competitive advantage.

H_{3a}: There is no significant impact of customer satisfaction on the financial performance of firms.

H_{3b}: There is no significant impact of corporate image on the financial performance of firms.

H_{3c}: There is no significant impact of competitive advantage on the financial performance of firms.

H₄: There is no mediating effect of customer satisfaction between corporate social responsibility and the financial performance of firms.

H₅: There is no mediating effect of corporate image between corporate social responsibility and the financial performance of firms.

H₆: There is no mediating effect of competitive advantage between corporate social responsibility and the financial performance of firms.

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Considering the above stated hypotheses, the following conceptual framework is prepared:

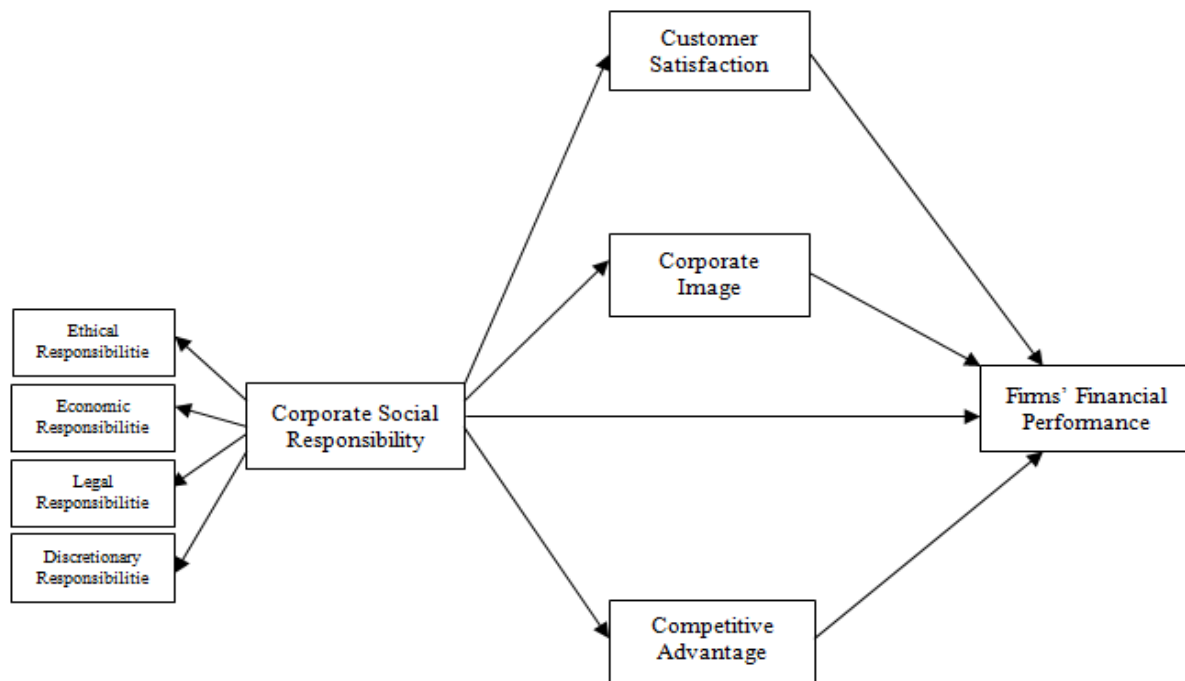


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY:

The present study is based on a survey of Indian manufacturing companies, who have adopted CSR practices and are listed on the Bombay Stock Exchange (BSE). These companies are indulged in manufacturing goods for consumers. A structured questionnaire was developed based on a seven-point Likert's scale that was divided into five sections: **Corporate Social Responsibility, Customer Satisfaction, Corporate Image, Competitive Advantage and Financial Performance**. The questionnaire was sent through mails to the respondents with the help of google forms. For the purpose of this study, the questionnaire was addressed to the companies' senior managers, the members of the board of directors of the CSR committee and persons in charge of the social responsibility issues. The details, such as email IDs and contact numbers of the respondents were gathered from the respective sites of the targeted companies. The questionnaire was forwarded to 224 respondents, wherein only 182 effective responses were received representing the sample of the study. The questionnaire was framed using a seven-point Likert's Scale, whereby '7' indicates 'strongly agree' and '1' indicates 'strongly disagree'.

Measurements:

Independent Variable:

Corporate Social Responsibility: The Carroll's model is adopted for the measurement of CSR to carry out the present study (Carroll, 1979, 1991). The model was also later on validated by the other authors (Galbreath & Shum, 2012; Maignan & Ferrel, 1999) in their studies. Carroll's Corporate Social Responsibility Pyramid establishes four kinds of social

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responsibilities that constitute total CSR viz. economic responsibilities, legal responsibilities, ethical responsibilities and discretionary responsibilities. The questions based on the seven-point Likert Scale were asked from the respondents relating to the four parameters of CSR. The four parameters of Carroll's model are defined as under:

- 1. Economic Responsibilities:** The business entity significantly contributes to the economic development of the country. The main goal of every business organization is to earn profits; therefore, every business entity is expected to satisfy customers' demands and earn adequate profits. Business firms are required to earn enough profits in order to discharge their other essential social responsibilities towards the shareholders and the stakeholders.
- 2. Legal Responsibilities:** Besides economic responsibilities, business firms are expected and required to obey their legal responsibilities by complying with the laws and regulations made by the government. Therefore, while producing goods and services, business firms must fulfill minimum legal requirements.
- 3. Ethical Responsibilities:** Although, Economic and Legal Responsibilities are considered as primary concerns of any business entity, but exercising fair practices towards the stakeholders, including employees, shareholders and customers of the organizations, cannot be overlooked. It is therefore expected from the business entities to obey ethical duties towards all their stakeholders as well. Ethical responsibilities are voluntary initiatives that a firm implements, as it believes that it is a morally correct thing to do rather than because it is obligated to do so. It is possible that ethical responsibilities are not binding as per law, but it enhances the possibility of acceptance of various norms, practices and activities by the business entities.
- 4. Discretionary Responsibilities:** It is the duty of the business firms to promote social activities whether it is mandatory as per law or not. Such discretionary power of business firms doing social welfare would lead to the adoption of ethics and good practices. If an organization is obeying the practice of Corporate Social Responsibility, whether it is mandatory or voluntary, it indicates that the organization is leading towards the stage of good Corporate Citizenship.

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The figure below represents the CSR Pyramid developed by Carroll giving a brief overview of four social responsibilities that constitute CSR:



Figure 2: Carroll's Corporate Social Responsibility Pyramid

Source: Carroll, 1979, 1999, 2004 and Raczkowski, Sulkowski, & Fizalkowska, 2016, p. 132

Intermediate Variables:

Consistent with the literature and following the research of Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi (2015), the three constructs have been taken as mediating variables for this study, namely customer satisfaction, corporate image and competitive advantage.

Customer Satisfaction: It is a major component of improving the financial performance of firms. Customers get satisfied when a firm produces goods and services according to their expectations. In the present study, indicators for measuring customer satisfaction were adopted from Garaihy, Mobarak, and Albahussain (2014), which were originally taken from Oliver and Swan (1989) and Ping (1993).

Corporate Image: Companies that participate in CSR practices are able to attract a big number of clients because they establish a corporate image by fulfilling their social duties. For measuring corporate image, the study has used the reputation scale, which is developed by Weiss, Anderson, and MacInnis (1999).

Competitive Advantage: Participation in CSR activities enables the businesses to be in a favourable or superior business position that results in providing a competitive advantage to the firms. Based on the past studies (Garaihy, Mobarak, & Albahussain, 2014; Koufteros, Vonderembse, & Doll, 2002; Tracey, Vonderembse, & Lim, 1999), the present study has identified four aspects boosting competitive advantage. These four aspects are termed as product innovation, price as well as the cost of goods, quality and time to market.

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Dependent Variable:

Financial Performance: For the present study, financial performance has been taken as the dependent variable that was measured using Balanced Scorecard (BSC) methodology. The methodology was developed by Robert Kaplan and David Norton in 1992, wherein business performance can be measured from four perspectives: customer perspective, internal business perspective, innovation and learning perspective and financial perspective of businesses. The present study chooses the financial perspective of the Balanced Scorecard Methodology for measuring the financial performance of business entities. The respondents were given a questionnaire carrying the seven-point Likert Scale, which includes questions relating to growth in sales, market share, net profit and return on equity. The questions were asked in such a way that the respondents can compare their own financial performance with that of competitors and then answer the questions on a seven-point Likert scale, whereby '7' indicates 'strongly agree' and '1' indicates 'strongly disagree'.

DATA ANALYSIS AND INTERPRETATION:

Since the study required multiple regression technique for analyzing the association between CSR and financial performance of firms, along with three mediating variables, therefore, to test the hypotheses of the study, Structural Equation Modeling was applied. This technique primarily involves the application of factor analysis to identify the factors to be considered in the study and thereafter, multiple regression analysis is used. The main purpose of applying the Structural Equation Model is to analyze the structural relationship between measured variables and latent constructs.

The proposed hypotheses of the study were tested using the Partial Least Squares – Structural Equation Modeling (PLS-SEM) technique, which involves the examination of the measurement model as well as the structural model. The measurement model helps in estimating the reliability and validity of the constructs, whereas the structural model establishes the association between the variables present in the study.

Measurement Model:

The measurement model was run in SMART PLS to assess the reliability and validity of the constructs. The factor loadings of all the variables in the model were above the prescribed value of 0.70, therefore all the items were retained in the questionnaire. The reliability was assessed with the help of Cronbach's alpha, rho_a and composite reliability, the values of which are over and above the minimum threshold of 0.7 (Sarstedt, Ringle, & Hair, 2017), hence proving the internal consistency among the variables of the constructs. Also, the values of rho_a are between the Cronbach's alpha and composite reliability (Sarstedt, Ringle, & Hair, 2017), indicating good reliability. The criterion for adequate convergent validity was met, as Average Variance Extracted (AVE) values for all the constructs were more than 0.50. (see Table 1)

Table 1: Item loadings, reliability and convergent validity

	Item loadings	α	rho_A	CR	AVE	
<i>Corporate Social Responsibility</i>						
<i>Economic Responsibilities</i>						
EC1	The productivity of employees is closely monitored by your organization	0.885	0.905	0.911	0.933	0.778
EC2	The profits in your business have been successfully maximized	0.853				

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EC3	The quality of products is successfully enhanced in your organization	0.899				
EC4	Your company makes great efforts to lower the operating costs	0.890				
Legal Responsibilities			0.857	0.875	0.902	0.698
L1	The products of your company satisfy legal standards	0.837				
L2	The directors in your company are instructed about applicable environmental laws	0.875				
L3	Your company obey all laws concerning hiring and employee benefits	0.812				
L4	The contractual agreements are always respected in your company	0.816				
Ethical Responsibilities			0.830	0.844	0.899	0.748
ET1	Your company makes sure that your business practices do not have a negative impact on society or the environment	0.905				
ET2	Your company ensures a good working environment for employees, e.g. profit-sharing, good working conditions, training, etc.	0.781				
ET3	Your company adopts fair trading and marketing policies and deals honestly with customers and suppliers	0.903				
Discretionary Responsibilities			0.897	0.903	0.928	0.763
D1	Your company values and often participates in charitable activities	0.896				
D2	Your organization provides free services/products to needy people	0.845				
D3	Your company assists voluntarily projects that enhance a community's quality of life	0.873				
D4	Your organization offers more competitive salaries than any other industry	0.879				
Customer Satisfaction			0.885	0.887	0.929	0.814
CS1	Your company satisfies the customers by meeting their expectations for quality of products and services	0.897				
CS2	Your company is able to meet out the demands of customers for products and services	0.939				
CS3	Your company is in a state to meet out the expectations of the customers	0.869				
Corporate Image			0.885	0.902	0.920	0.743
CI1	Your company is seen by customers as being a very professional organization	0.873				
CI2	Your firm is viewed by customers as one that is successful	0.878				
CI3	Your firm's reputation is highly regarded	0.891				
CI4	Customers view your firm as one that is stable and well established	0.804				
Competitive Advantage			0.817	0.818	0.891	0.732
CA1	Your firm provides better quality products or services than other organizations	0.846				
CA2	The prices of your products or services are low as compared to your competitors	0.858				
CA3	Your firm is considered as a market leader by customers	0.863				
Financial Performance			0.934	0.936	0.953	0.835
FP1	Contribution in CSR activities helps enhance sales growth	0.894				
FP2	Participation in CSR practices enables market share growth	0.935				
FP3	Contribution in CSR activities enhances net profit growth	0.903				
FP4	Contribution in CSR activities helps in increasing return on equity	0.922				

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The discriminant validity also showed favourable results as square roots of AVE estimates of constructs are greater than the inter-construct correlations (Sarstedt, Ringle, & Hair, 2017) (**Table 2**). The discriminant validity was also assessed using the heterotrait-monotrait ratio of correlations, the values of which must be less than the conservative threshold of 0.85 (Henseler, Ringle, & Sarstedt, 2015) (**Table 3**).

Table 2: Discriminant validity (Fornell and Larcker Criterion)

	CA	CI	CS	D	EC	ET	FP	L
CA	0.856							
CI	0.541	0.862						
CS	0.314	0.301	0.902					
D	0.247	0.310	0.421	0.873				
EC	0.318	0.365	0.444	0.544	0.882			
ET	0.238	0.382	0.299	0.515	0.459	0.865		
FP	0.547	0.602	0.499	0.266	0.454	0.324	0.914	
L	0.295	0.287	0.271	0.495	0.331	0.370	0.238	0.835

Abbreviations: CA = Competitive Advantage, CI = Corporate Image, CS = Customer Satisfaction, D = Discretionary Responsibility, EC = Economic Responsibility, ET = Ethical Responsibility, FP = Financial Performance, L = Legal Responsibility

Table 3: Discriminant validity (Heterotrait-Monotrait (HTMT) Ratio of Correlations)

	CA	CI	CS	D	EC	ET	FP	L
CA								
CI	0.629							
CS	0.370	0.331						
D	0.284	0.337	0.474					
EC	0.366	0.400	0.494	0.600				
ET	0.291	0.434	0.347	0.597	0.537			
FP	0.624	0.652	0.548	0.287	0.491	0.365		
L	0.345	0.310	0.302	0.562	0.368	0.433	0.260	

Abbreviations: CA = Competitive Advantage, CI = Corporate Image, CS = Customer Satisfaction, D = Discretionary Responsibility, EC = Economic Responsibility, ET = Ethical Responsibility, FP = Financial Performance, L = Legal Responsibility.

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The figure below represents the measurement model assessed using SmartPLS software:

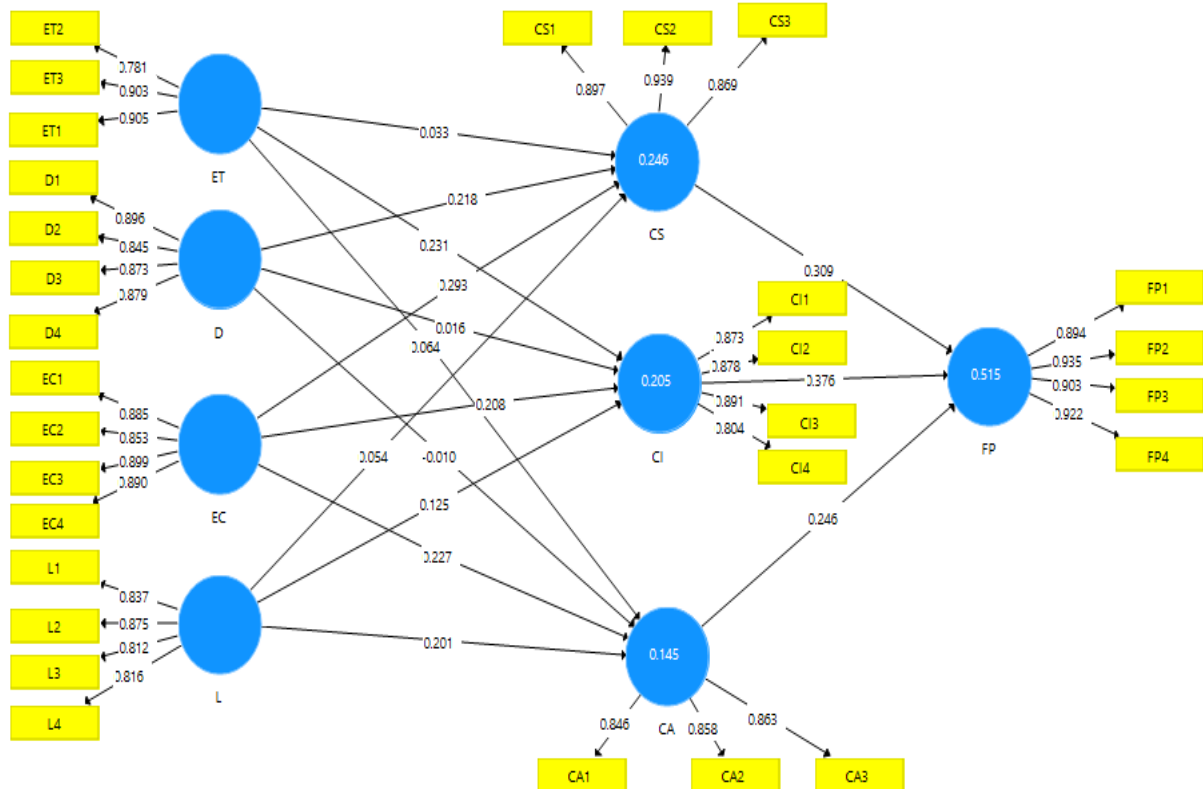


Figure 3: Measurement Model

Structural Model:

The structural model was assessed followed by the favourable results obtained in the measurement model. The impact of the independent variable (CSR) on the dependent variable (Financial Performance), along with mediating variables (Customer Satisfaction, Corporate Image and Competitive Advantage), was measured with the help of the structural model in PLS-SEM. The values of R² revealed the coefficient of determination that explained the variance in the dependent variable due to the independent variables. The R² measures the explanatory power of the model, with higher values of R² indicating the greater explanatory power of the model (Sarstedt, Ringle, & Hair, 2017). Table 4 represents the values of R² of the endogenous variables, which are more than 0.1 in every case, hence the explanatory power of the model is established (see Table 4).

Table 4: Values of R²

	R Square
CS	0.326
CI	0.273
CA	0.200
FP	0.593

Abbreviations: CS = Customer Satisfaction, CI = Corporate Image, CA = Competitive Advantage, FP = Financial Performance.

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In order to test the formulated hypotheses, the procedure of mediation developed by Baron and Kenny was used (Baron & Kenny, 1986). For establishing mediation, they suggested four steps: First, there must be a significant direct relation of the independent variable on the dependent variable. Second, a significant relationship between the independent variable and mediating variable is required. Third, there must be a significant relation of mediating variable on the dependent variable. Fourth, to establish that the mediating variable completely mediates the relationship, the effect of the independent variable on the dependent variable should be no longer significant.

In accordance with the four steps developed by Baron and Kenny, hypothesis one was tested and the results showed a positive significant relation of CSR on firms' financial performance ($\beta = 0.506$, $t = 5.740$, $p < .001$). This rejects the null hypothesis (H_1), proving that contribution to CSR practices by the business firms enhances their financial performance.

It is also analyzed that there is a significant positive relation of Corporate Social Responsibility with the mediating variables and of the mediating variables with firm's performance (see Table 5).

Table 5: Direct Relationships

Relationship	β	SD	t-value	p-values	Hypotheses
CSR -> FP	0.506	0.088	5.740	0.000	H_1 rejected
CSR -> CS	0.571	0.076	7.543	0.000	H_{2a} rejected
CSR -> CI	0.522	0.090	5.810	0.000	H_{2b} rejected
CSR -> CA	0.448	0.096	4.685	0.000	H_{2c} rejected
CS -> FP	0.321	0.075	4.282	0.000	H_{3a} rejected
CI -> FP	0.380	0.099	3.854	0.000	H_{3b} rejected
CA -> FP	0.267	0.119	2.246	0.025	H_{3c} rejected

Abbreviations: CSR = Corporate Social Responsibility, CS = Customer Satisfaction, CI = Corporate Image, CA = Competitive Advantage, FP = Financial Performance.

Mediation Analysis:

The mediation effect was determined by analyzing the indirect effects of each of the mediating variables between the independent variable and the dependent variable. The results showed that all the three mediating variables, i.e. customer satisfaction, corporate image and competitive advantage mediate the relationship between CSR and financial performance (see Table 6)

Table 6: Mediation results

Total effect (CSR->FP)		Direct effect (CSR->FP)		Indirect effects of CSR on FP				
Coefficient	P-value	Coefficient	P-value	Coefficient	SD	T Values	P-value	
0.502	0.000	0.001	0.992	CSR -> CS -> FP	0.184	0.053	3.460	0.001
				CSR -> CI -> FP	0.199	0.067	2.960	0.003
				CSR -> CA -> FP	0.119	0.060	2.001	0.046

Abbreviations: CSR = Corporate Social Responsibility, CS = Customer Satisfaction, CI = Corporate Image, CA = Competitive Advantage, FP = Financial Performance.

The fourth hypothesis (H_4) was tested to measure the mediating effect of customer satisfaction between CSR and the financial performance of business firms. Participation in

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CSR practices influences the customer satisfaction leading to increase in sales and profits of the firms ($\beta = 0.184, t = 3.460, p = 0.001$).

The fifth hypothesis (H_5) states that there is no mediating effect of corporate image between CSR and financial performance of firms, which was rejected, indicating that the corporate image acts as a mediating factor between CSR and firms' financial performance. This implies that the corporate image of a firm is being influenced by the contribution in CSR that ultimately enhances the firm's performance ($\beta = 0.199, t = 2.960, p = 0.003$).

At last, the sixth hypothesis (H_6) was tested and it was concluded that competitive advantage also acts as a mediating role between CSR and the financial performance of the firms ($\beta = 0.119, t = 2.001, p = 0.046$).

Further, it was seen that after mediation, there exists no significant relationship between Corporate Social Responsibility and the firm's financial performance ($\beta = 0.001, t = 0.010, p = 0.992$). It reveals that customer satisfaction, corporate image and competitive advantage fully mediate the relationship of CSR with the firm's financial performance.

The figure below shows the structural model which was assessed using SmartPLS software:

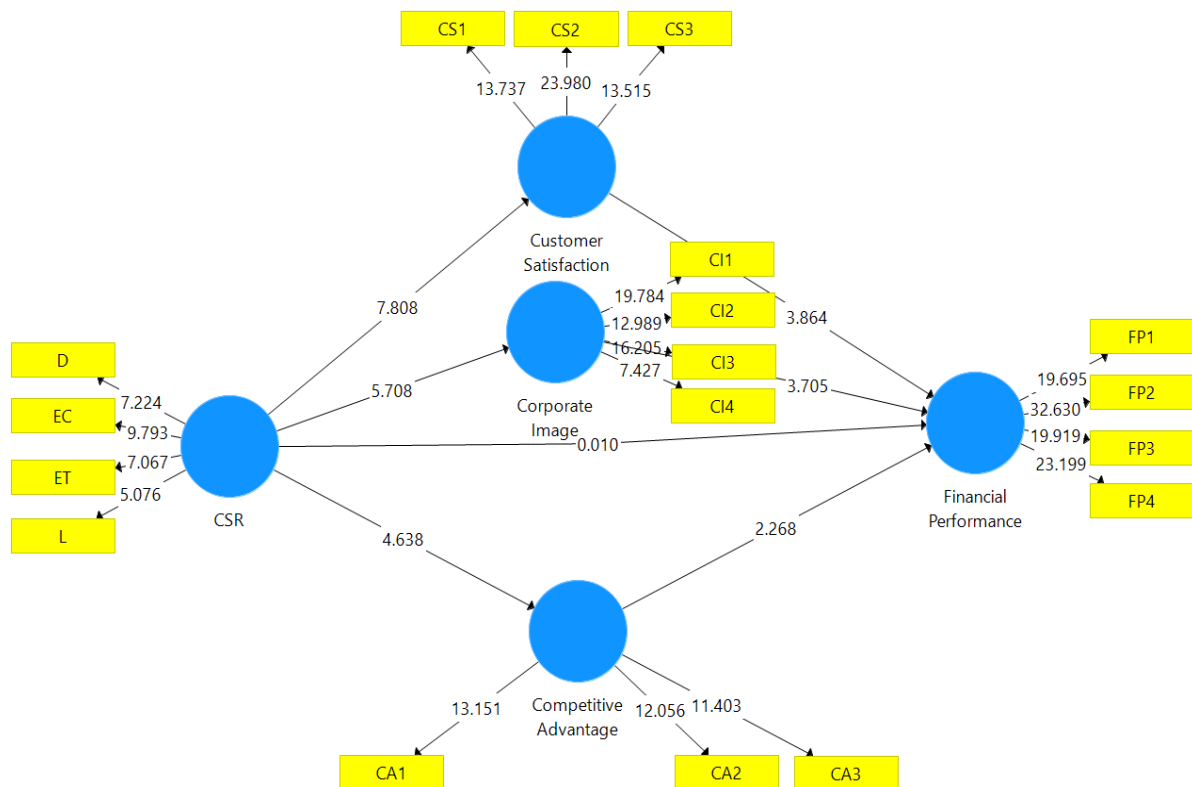


Figure 4: Structural Equation Model

Table 7: Hypotheses Results

S.No.	Hypotheses	Direct Effect	Indirect Effects	Results	H ₀ Accepted/Rejected
H ₁	There is no significant impact of corporate social responsibility on the financial performance of firms	0.000	-	Significant Impact	Rejected
H _{2a}	There is no significant impact of corporate social responsibility on customer satisfaction	0.000	-	Significant Impact	Rejected

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H _{2b}	There is no significant impact of corporate social responsibility on corporate image	0.000	-	Significant Impact	Rejected
H _{2c}	There is no significant impact of corporate social responsibility on competitive advantage	0.000	-	Significant Impact	Rejected
H _{3a}	There is no significant impact of customer satisfaction on the financial performance of firms	0.000	-	Significant Impact	Rejected
H _{3b}	There is no significant impact of corporate image on the financial performance of firms	0.000	-	Significant Impact	Rejected
H _{3c}	There is no significant impact of competitive advantage on the financial performance of firms	0.025	-	Significant Impact	Rejected
H ₄	There is no mediating effect of customer satisfaction between corporate social responsibility and the financial performance of firms	-	0.001	Significant Impact	Rejected
H ₅	There is no mediating effect of the corporate image between corporate social responsibility and the financial performance of firms	-	0.003	Significant Impact	Rejected
H ₆	There is no mediating effect of competitive advantage between corporate social responsibility and the financial performance of firms	-	0.046	Significant Impact	Rejected

Suggestions for the policymakers of business firms to integrate CSR into core operations as a strategy to gain financial benefits:

The study proves that socially responsible entities are able to gain financial benefits. Hence, policymakers of every business firm must integrate CSR practices into the core operations of businesses that may act as a strategy to gain financial benefits. Participation in CSR activities enables the business entities to motivate the stakeholders resulting in the improvement in their performance at work. A motivated worker works diligently and leads the organization towards profit-making organization. The companies who fulfill their social responsibility towards society are in a state to earn their trust and confidence, as satisfied workers would perform their duties diligently and efficiently resulting in cost reduction and improvement in quality of products and services; satisfied clients would make repeated purchases from the companies resulting in enhancement of sales and profits and prudent investors would provide capital at economical rates leading to a diminished cost of capital. Apart from these benefits, the CSR contributory companies get respect and admiration from the customers, which provide a competitive advantage to the business firms. It has been observed that consumers are willing to pay more for companies that are socially responsible. The numerous benefits availed of by contributing to CSR activities stimulate the policymakers of business firms to consider CSR as a voluntary activity rather than just discharging legal obligations.

The policymakers of the business entities must make strategies to give opportunities to employees to volunteer the CSR activities on behalf of the organizations. This will make them feel motivated and satisfied resulting in increased productivity. Active involvement of employees in the organization always yields favourable results, as the more they are engaged

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in an organization, the more productive they will be.

Active participation in CSR activities helps in building the brand image of organizations, as consumers are attracted to buy products and services from companies that are serving for the welfare of the community. Hence, it must be considered as an opportunity, which must be grasped by publicizing the CSR initiatives in the organization. Letting the public know the good deeds of an organization will increase the brand's public image, as customers are more loyal towards the organizations that are socially responsible.

It must be noted that CSR is a win-win situation. The contribution in CSR is no more to be treated as an option, rather be integrated into core operations as a strategy to gain internal benefits (such as engagement of employees and improvement in productivity) as well as external benefits (such as improvement in sales, augmentation of customer loyalty and brand awareness).

CONCLUSION:

The study concludes that in order to survive in a competitive business world, performing social responsibilities by the business entities becomes essential. It is realized that the sole purpose of business organizations is not only to earn profits, but to be socially responsible owing to the duty towards society.

Considering the overall impact of participation in CSR activities on the financial performance of firms, it could be observed that the companies are getting benefitted by performing their social responsibilities, as they are gaining customers' trust by building a brand image of the organization. When a firm is able to perform its corporate social responsibility effectively by reducing its cost of operations, contributing to the welfare of its employees, improving corporate image and developing innovative products and resources, then it can achieve a competitive advantage, thereby improving the financial performance of firms.

The present study proves that socially responsible firms are able to achieve a competitive advantage, brand loyalty of the customers, corporate image and customer satisfaction. All the three mediating variables, i.e., customer satisfaction, corporate image and competitive advantage ultimately enhance the financial performance of the firms. Considering the numerous benefits of CSR, strategic managers of the organizations are required to make CSR a long-term business strategy so as to ensure enhanced profits and wealth of the shareholders. CSR practices must be treated as one of the essential functions which will influence the long-term profitability of the organization.

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