Monarch Business School Switzerland

Abstract Submitted For Consideration
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# Corporate Social Responsibility And Financial Performance: A Case Study of Kazakhstan

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## Abstract:

The research is focused on examining the relationship between corporate social responsibility and financial performance of the largest corporations in Kazakhstan. If those relationships are negative, then high social responsibility results in additional expenses, which may possibly lead to an economic disadvantage. These costs may include charitable contributions, environmental protection procedures. At the same time, if the relationship between corporate social responsibility and financial performance is positive, then, it may lead to improved customer perceptions, improved relationships with bankers, investors and government officials. The research employs quarterly data obtained from Bloomberg and KASE. The sample employs sixty of the largest corporations in Kazakhstan. The period of the study is Q1-2009 through Q2-2019.

Previous studies have yielded mixed results regarding the relationship between corporate social responsibility and financial performance. Margolish and Walsh (2003) demonstrated that half of the reviewed studies did not find a relationship between corporate social responsibility and financial performance. The previous studies used a rich diversity of different variables to measure corporate social responsibility. Measurement of financial performance includes financial ratios and accounting returns. Financial ratios used in the study are classical finance ratios such as Return on Assets, Return on Equity and Excess Value. Excess value will be computed as follows: EV = ((Market value of equity + Book value of debt) – Total assets)/Sales. The accounting returns employed in the model include three ratios, which are (1) the ratio of operating earnings to assets, (2) the ratio of operating earnings to sales, (3) average assets. The research employs ordinary least squares and covariance techniques. There are two regression models in this research. $FP_{I} = \alpha + \beta CSR_{J} + \gamma D/F + \varepsilon$ (1), where FP is an index of financial performance, which is averaged for each firm. $CSR_J$ are 0, 1 dummy variables employed in the research as Moskowitz categories. D/F represents controlling effect in the model by disclosing whether the company is domestic or foreign. The main purpose of the analysis is to examine if CSR correlates with financial performance of a firm. The second model is presented below.

$CSR = \alpha0 + \alpha1ROA_{t-1} + \alpha2ROE_{t-1} + \alpha3EV_{t-1} + \alpha4OEA_{t-1} + \alpha5OES_{t-1} + \alpha6AA_{t-1} + \varepsilon$ (2)

As it is demonstrated in the second model, prior financial performance is employed in the research due to the fact that prior high financial performance allows the company to engage in future social responsible actions. The second model may possibly face the problem of multicollinearity. Therefore, some explanatory variables may be omitted. The accounting variables are averaged. The unit root test will be employed in the study as a prelude to regression analysis.

The results of this research will serve as a promising avenue for further research. The research extends the examination of corporate social responsibility and financial performance by using a sample of the largest corporations of Kazakhstan.

**Keywords:** *Corporate Social Responsibility, Financial Performance, Profitability, Kazakhstan.*

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