

Abstract

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An Investigation of the impact of Corporate Social Responsibilities on Corporate Financial Performance: An Empirical Study on the listed Egyptian companies

Globalization has encouraged two connected developments: First, the distances between regions and people have shrunk with closer collaboration and integration, leading to a higher level of political interconnectedness. Second, firms nowadays have further-reaching economic power, and therefore, responsibilities. Both trends have changed the role of the firm in the universal economy and society by raising public expectations concerning how firms be supposed to contribute to the social and environmental well-being of the globe. These developments have in addition formed the discussion of Corporate Social Responsibility (CSR). Conventionally, CSR has involved a mixed bag of management tools designed to satisfy the firm's stakeholders: local communities, employees and consumers. A wide spectra of activities have been understood while composing CSR, since it is no longer restricted to whether it cares for the communities in which it operates and behaves as a fine employer, but also to what degree its value chain and business model create benefits at all levels. Egypt consequently has started to cope and understand the CSR debate, in order to be able to cope among the global world, externally and to harvest all he accompanied advantages of CSR internally. Therefore, this research is an investigation of the financial consequences of corporations engaging in socially responsible activities, with the presence of firm's characteristics (age, size, leverage). In addition it has been developed within the Egyptian context, on the listed companies in the Egyptian CSR index. Stakeholder as well as Good Management theories, are the main theories that this research has been build up upon. Data for 52 companies has been collected, by the aid of the annual reports, websites of each firm across five years period, from 2010 till 2014. Research results have shown a mixture of relationships between corporate social responsibility (CSR) and corporate financial performance (CFP). Since it has been concluded that ROE and ROS levels have resulted in an insignificant relationship with CSR dimensions, however ROA levels have been resulted into a significant relationship with corporate social responsibility dimensions. Moreover, the control variables have resulted into a mixture of relationships with corporate financial performance levels as well. Finally, it has been resulted that CFP levels (ROE, ROA and ROS), haven't been successfully explained by CSR practices in Egypt. Consequently, it can concluded that, such results, may be recommended to support several parties in Egypt, such as governmental authorities, practitioners and policy makers, in order to be able to take decisions regarding applying CSR practices.