



**THE RELATIONSHIP BETWEEN CORPORATE
SOCIAL RESPONSIBILITY AND FINANCIAL
PERFORMANCE**

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ABSTRACT

This paper aims to investigate the relationship between Corporate Social Responsibility and Financial Performance of Malaysian public listed companies. The quotation by Maersk Line in 2010 implies that sometimes CSR initiatives can be good for the environment and society while simultaneously not really make any sense to business and its operations. According to Porter & Kramer (2006), many companies today have uncoordinated CSR activities disconnected from company strategy that neither make any meaningful social impact nor strengthen the company's long term competitiveness. There is an increasing pressure for companies operating in the global business environment to improve performance in order to stay ahead of competition. Especially, the current financial crisis has put pressure on companies to think economically, reduce their costs and become more efficient while responding to increasing customer demands. This has put heavy emphasis on the costs of doing CSR and its results created (Epstein, 2008). Hence, the companies have to identify the business case of their CSR strategy. Due to the above, this research examined the relationship between corporate social responsibility and financial performance. This study relied on secondary data obtained through content analysis of 8 published company's annual reports for the year 2009-2015. Based on literature, four independent variables are corporate social responsibility activities (environment, community, workplace and marketplace) and dependent variable net profit before tax.

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CHAPTER 1

INTRODUCTION

1.0 BACKGROUND OF STUDY

This study is focus on the corporate social responsibility (CSR) by Commercial bank in Malaysia. The practice of corporate social responsibilities is based on the financial performance of the Commercial banks. In the background of the study, it will discuss about the focus of the study regarding the dependent and independent variables used in this research. The dependent variables is corporate social responsibilities practice by Commercial bank in Malaysia and the independent variables in this study is activities of CSR by commercial banks which are workplace, marketplace, community and environment.

Corporate social responsibility (CSR) has turn to be part of business strategy for corporate development since its commencement in the early 1930s and considered as significant instrument in explaining corporate relationships and business management in order to achieve business goals. CSR can be described as a mean for establishing an effective framework for strategic management and business relationship among various stakeholders.

Generally, CSR practice in Internationally Operating Corporations (IOCs) were anticipated to absolutely gear off to the elimination of contemporary issues such as poverty, hunger and disease while improving education, values, quality and economic success in suitable manner (Matten and Moon, 2008). In Malaysia, CSR