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DRIVERS OF CORPORATE SOCIAL PERFORMANCE: EVIDENCE FROM MALAYSIA DOMESTIC BANKS

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DECLARATION

We hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the research project.

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DEDICATION

First of all, we would like to dedicate our research project to our supervisor, Mr. Chong Tun Pin for his sincere guidance and the advice to help us in completing this research project.

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LIST OF ABBREVIATIONS

BLUE	BEST LINEAR UNBIASED ESTIMATOR
BNM	BANK NEGARA MALAYSIA
CFP	CORPORATE FINANCIAL PERFORMANCE
CLRM	CLASSICAL LINEAR REGRESSION MODEL
CSP	CORPORATE SOCIAL PERFORMANCE
CSR	CORPORATE SOCIAL RESPONSIBILITY
EPS	EARNING PER SHARE
EU	EUROPEAN
FEM	FIXED EFFECT MODEL
REM	RANDOM EFFECT MODEL
ROA	RETURN ON ASSET
ROE	RETURN ON EQUITY
ROS	RETURN ON SALE
OLS	ORDINARY LEAST SQUARE
VIF	VARIANCE INFLATION FACTOR

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PREFACE

To examine the corporate social performance is a very popular and interesting topic for many researchers. The effects of the corporate financial performance, bank size, leverage level and bank age by employ panel regression model.

This study provide useful information or guidelines to several parties such as policy makers, governments, investors, researchers and companies who tend to have better understanding about corporate social performance of domestic banks in Malaysia.

ABSTRACT

This study aims to examine the effect of corporate financial performance against the corporate social performance of domestic banks in Malaysia. The independent variables including in this study are corporate financial performance, bank size, leverage level and bank age to investigate its consequences on dependent variable, which is corporate social performance of domestic banks in Malaysia. This study is using panel data, consists of time series data from 2007 to 2015, and cross-sectional data with 10 domestic banks, which contains 90 observations. Moreover, this study employed Panel Data Regression Model to examine the regression model. For the diagnostic checking, the model is free from the econometric problems except heteroscedasticity issue, which had been solved by using Cluster Robust Standard Error.

The results indicate the corporate financial performance and bank age are significantly and positively related except for bank size and leverage level are insignificantly and negatively related to corporate social performance of domestic banks in Malaysia.

CHAPTER 1: RESEARCH OVERVIEW

1.0 Introduction

There are 8 sections will be discussed in this chapter and all the sections will be entitled as the research overview. These sections are background of this research paper, problem statement, research objectives and questions, hypothesis and significance of this research, outline of the chapter and conclusion.

In the first place, the background and activities of Corporate Social Responsibility (CSR) in banking industry in Malaysia will be briefly explained and discussed in order to deliver the context of this research. Following by the problem statement, the major research problem and research objective will be briefly discussed to point out the purpose of this study. Thus, research questions and hypothesis will be identified and proposed as a guideline of this research. Moreover, the significance of this study was constructed to address the involvement of this study. In chapter layout, the outline of the entire 5 chapters in this research will be given. Lastly, the conclusion to be made as a summary of Chapter 1 and provide a linkage to Chapter 2.

1.1 Background of Study

Current and future bearings can be distinguished for the sustainability of corporate performance and reporting. Over the year globally, the corporate organizations have been increasing and continuously spending on the activities related to CSR. It is currently assumed and anticipated that a profit-making organization must participate in socially tractable activities (Karuti, Shano & Rukangu, 2015). According to CBK (2005), in order to ensure that the institutions' businesses remain sustainable and feasible both socially and in the environmental context, they are obligated to exercise and implement Corporate Social Responsibility (CSR) due to the recognition of the existing mutual relationships. On the other hand, Ghelli (2013) stated that due to the expandation of the industrialization which had caused the natural resources become depletion and saturated, the future equilibrium of the world had been affected. To avoid and protect these behaviour, the most suitable approach is to adopt and nurture the activities related with social responsibility.

Corporate Social Responsibility (CSR) activities can be identified by the behaviour and features of the firms and organizations in every businesses, and through the circumstances in which the firms all operating. Furthermore, all of the things that builds up for the company or organization social responsibility would be based on the contexts of that particular firms relevant businesses, as well as follow the anticipations placed by the society (Musdiana et al. 2012). Furthermore, Corporate Social Performance (CSP) can also be explained as a business organization's formation about the principles and philosophy about the social

responsibility activities, social responsiveness procedure, and guidelines, planning, and results that are observable as they are concern with the company's societal relationships (Sulaiman et al. 2012). It has become more and more important to the companies as CSR making companies become good citizens as they promote more on society's welfare rather than benefit themselves (Khanifar, Nazari, Emami, & Soltani, 2012). According to the recent global survey, there are 76% of managers believe the long-term shareholder value can conducted by the Corporate Social Responsibilities (CSR). Besides that, there are 55% of the managers believe that the Corporate Social Responsibilities (CSR) can helps them to build a strong reputation of their companies (McKinsey, 2010).

Some academicians and industrial experts are getting interest in the topic of Corporate Social Responsibility. They believed that CSR has become a potential and valuable way to build up a long-term and stronger linkage with external and internal stakeholders who related with their business entity. Beside of this, another research done by Mandhachitara and Poolthong (2011) illustrated that the CSR initiatives could be affected the consciousness of services quality, consumer affective behaviours and brand effect. During this research, the environment is determined as one of the various dimensions of the CSR.

The corporate performance model, sustainability (CSP) measurement and imploded reporting are executed by using progressed mathematical, statistical and econometric techniques, data and communication technologies. The examination standard can be expanded by likewise considering major phase of qualitative nature.

On the other hand, in the Western countries, the consultancy firms will give advice toward the organizations to show them how to carry out the activities related with CSR and how to convince public to notice of those execution. Generally, most of the multinational companies will recruit a senior manager be in charge of how implementing, coordination and developing and the CSR function (Dusuki, 2008). Furthermore, CSR has become a critical instrument among the business region, especially public policy in the EU countries that supporting it through the strategic documents (Maria & Adriana, 2015) that can stimulate to the sustainability of development in the whole society.

Besides, in Asian countries, Malaysia is one of the most dynamic arising economies that comprise in CSR and Malaysia has a rapid development of CSR since 1974. Malaysian Institute of Integrity (IIM) was established under the National Integrity Plan in 2004 to boost CSR activities in both private and public companies (Noor, Nurul et al. 2015).

The focus on CSR has been rapidly increased from the past 10 years within Malaysia, because of this, many corporations' starting to treat the CSR as an important element in their strategy to create the linkage with the public (Kostyuk, 2012). CSR had been practicing over the most developing countries, at the same time, it started to be known by the largest organization in Malaysia progressively. According to the studies carried out on the firms in Malaysia, 97.5% of the 198 respondents consented that firms in Malaysia are involving in the practices of CSR (Lo & Yap, 2011).

The intervention of government has sparked by the significance of CSR. According to Malaysia Prime Minister, Dato' Seri Najib Tun Razak, during the 2006 budget speech, he stated that all of the Public Listed Firms are essentially to reveal their involving activities of Corporate Social Responsibility (CSR). It can be executed as a plan for attracting the investors, at the same time improving the Corporate Financial Performance (CFP) of firms. Therefore, the decision relating to the disbursement about the activities of CSR should be analysed and evaluated as other investment decisions assured by firms (McWilliams & Siegel, 2000).

Over the globe, banking industry is suffer from massive pressure to engage in the business related in a responsible and ethical manner from its investors, stakeholders, non-governmental organization (NGOs), media, even its customers (Frenz, 2005). It is because that a performance of banking industry can be seen as one of a representative of a country, which could be drove by several parties to strengthen the image of that particular country. Furthermore, based on the study of Martinez, Flores and Martinez (2006), they stated that banking industry is one of the most positive and dynamic industry who engaging in the marketing planning, which explained that why the public put so much attention on the banking industry as well. In addition, contrast with other industries, banking industries are more willing to visible their activities in the community (Mandell, Orgler & Lachman, 1981) to obtain the trust from public at the same time attracting the potential customers or investors.

According to the research of Zulkifli and Amran (2006), they demonstrated that Malaysia, within all the developing countries, seem to be active with engaging in relation with the corporate social responsibilities. Furthermore, banking businesses, especially domestic banks also indicated as a dynamic and positive

participation between all of the service industries for the CSR events. For instance, Public Bank Bhd (PBB) had won the Malaysian Business CSR Awards in 2007 and 2008. They treating the CSR as a part of the corporate agenda, it shows an obvious sign that the objectives of banking business are not just to maximize the profit, but also throughout the socially and environmentally responsible investment, they try to build a strong interaction and connection with their stakeholders (Musdiana et al. 2012).

On the other hand, Holcomb et al. (2007) stated that the organizations such as banks had realized the advantage of making known about their compensation recently, as many studies indicated that a well corporate citizen can interests the morale of employee, and also assisting in promoting the corporation reputation as well as the image of their brand.

Furthermore, according to Nazir Razak, the chief executive officer of CIMB bank, he demonstrated that the activities of CSR are no more about contributing the money during the recent generation. He indicated that he wanted their efforts of CSR being focused, as well as having a dynamic and sustainably long-term effect toward the public. The fundamental of CIMB is to guarantee that these efforts are incisive and scalable (CIMB, 2011).

Generally the CSP in Malaysian domestic banking institutions are mostly alike. The compose of CSR activities including circumstances, donations, preservation, contributions, and employees practicing, charity and apply well governance of corporate to cite a few. The only difference is in the pattern of implementation (Kostyuk, 2012).

The banking system in Malaysia covers of Bank Negara Malaysia (BNM), Islamic banks, commercial banks, investment banks and foreign banks. Following, all the domestic banks are listed as below.

Table 1.1.1 List of Banks (in Malaysia)

No.	**List of Domestic Banks**	**Commercial Line**	**Investment Line**	**Islamic Line**
1.	Affin Bank Berhad	*	*	*
2.	Alliance Bank Berhad	*	*	*
3.	AmBank (M) Berhad	*	*	*
4.	Bank Islam Malaysia Berhad			*
5.	Bank Mualamat Malaysia Berhad			*
6.	CIMB Bank Berhad	*	*	*
7.	Hong Leong Bank Berhad	*	*	*
8.	Malayan Banking Berhad	*	*	*
9.	Public Bank Berhad	*	*	*
10.	RHB Bank Berhad	*	*	*

***** shows the banking activity that particular bank involved.

Source: Bank Negara Malaysia

A well understanding of the determinants can help banks to have a clearer image for the current position of the Malaysia domestic banking industry on contributing and improving the consideration in the decision makings.

This research investigates on a framework that involved a structured equation, the effect of corporate financial performance (CFP) on corporate social performance (CSP) of domestic banking industry in Malaysia. Besides, some of the other independent variables including bank size, leverage level, and bank age. This research paper is main focus on the social performances of the domestic banks which listed at the List of Malaysian banks with a targeted of period which from year 2007 to 2015.

Meanwhile, there are also studies the ways to improve the social performance of the domestic banks. After the whole analyses and studies are completed, some of the relevant recommendations will be provided to the respected role.

This research only focus on the domestic banks in Malaysia is because there are very few foreign banks involved in the corporate social responsibility activity. This is because the domestic banks expressed a higher efficiency than the foreign banks. On the other hand, the foreign bank require larger costs compared to the domestic bank when providing the same or similar service such as the activities that related with CSR. In addition, the foreign banks also will confront the difficulty when conducting the CSR activity such as the diversity in language, culture, regulatory and currency. Thus, the contribution over the society in foreign bank will be much lower or even none compare to the domestic banks.

1.2 Problem Statement

In today's, banking service activities had been changed significantly because of the changes in financial innovation, globalization and appearance of new technologies in delivery of service. The economic crisis in the global markets shows that the losses of confidence of society toward the financial systems, furthermore, it also increased the social awareness of the customers, regulators, employees and shareholders who seek for better business activities. Thus, the image of corporate becomes a vital conduit for organizations to face with the confidence global crisis. This kind of scenario is related with the retail banking sector, which recently dealing with one of the worst confidence crisis between its several stakeholders engage in the international arena. This is one of the major reasons why the banking sector is recently engage in leading of investors against the corporate social responsibility (Musdiana et al. 2012).

However, the literature on bank efficiency found that the foreign banks showed lower efficiency than domestic banks (Hasan et al., 1996; Mahajan et al., 1996; Kraft et al., 2006; Havrylchyk, 2006). Based on the study of Ong et al. (2011), the research indicated that, in Malaysia, the domestic banks exhibited higher level of efficiency than foreign banks. This reflected that domestic banks are relatively more managerially efficient in controlling their costs as home field advantage hypothesis can disadvantage to foreign banks in terms of higher costs. On the other words, the foreign banks will sustain higher costs compared to domestic banks when offering the same or similar financial services to consumers. Furthermore, the foreign banks confront the issue of diversity in language,

currency, regulatory, culture or bias towards the foreign banks and sometimes the home regulators of that particular foreign banks might also confront the difficulty in managing and monitoring the institutions from a long distance. Thus, the contribution over the society will become inaccurate compared to the domestic banks. At this stage, it is more valuable to evaluate the CSP of domestic banks since it reflects the performance of almost whole banking industry.

On the other hand, the CSR activities are preponderantly considered as western phenomenon because of the stronger institutions' standards and systems, which are weaker in developing countries, such as Malaysia (Chapple & Moon, 2005). However, most of the studies in Malaysia focus widely on the disclosure and less on perception and awareness. Therefore, future research should focus more on the perception towards CSR to minimize the existing gap (Noor, Nurul et al., 2015).

According to Sood and Orora (2006), in developing countries, the nature and features of CSR are more rely on the policies and pattern of multinational corporations, without connecting it with the financial performance. Thus, it seems uncertainty whether involvement in CSR will affect firm's financial performance positively or negatively.

During 1990's, there is no study and research on CSR practices in Malaysia has been published (Liew et al. 2012). Although the studies on the CSR practices in Malaysia are increasing recently, however, there is still a gap of knowledge about CSR in today (Nik Ahmad, 2003). Also, previously, there are less studies and researches investigating on all these four determinants simultaneously with the CSP. The four determinants involved in this research are: CFP (Kartadjumena,

Abdul Hadi & Budiana, 2011), bank size (Udayasankar, 2007), leverage level (Cormier & Magnan, 2003) and bank age (Delaney & Huselid, 1996).

On the other hand, Ng (2008) mentioned that the Malaysian companies are far behind international standards when it comes to implement CSR, with nearly two-thirds of those surveyed ranking between poor and average categories. In addition, CSR study in Malaysia is still in a lacking level (Hamid, 2003). One of the reason is the involvement in CSR required substantial amount of money and resourced to allocate which will result lower corporation profitable margin. In current competitive business market, resources are needed to intelligently allocate and fully utilized to generate corporation income rather than being socially responsible.

Malaysian banks have the ability and power to perform and express much better. Consumers in Malaysia are involving defaulters of payment or loan, worth to be treated in a civic and professional pattern. However, in Malaysia, CSR activities and governance of management are only at the initial levels while compared with other Asian countries such as Thailand, Singapore and South Korea. When there is awareness, the utilization, exercise and informing of the CSR is very low or slow. Thus, the aim of this study is to find out the relationship between CFP and CSP, as well as consists of other independent variables involve bank size, leverage level and bank age.

1.3 Research Objectives

Research objective interpret as the aims in carry out this study. The listed objective should be reached at the end of this research. There are two categories under this research objective which are general objective and specific objectives. In this study, it involves a general objective and a few specific purposes.

1.3.1 General Objective

The general objective is to investigate the determinants on the corporate social performance (CSP) of domestic banking industry in Malaysia. The investigation is carried out based on the study of ten banks in Malaysia with the time period from 2007 to 2015.

1.3.2 Specific Objective

i. To investigate the relationship between corporate financial performance and corporate social performance.
ii. To investigate the relationship between bank size and corporate social performance.
iii. To investigate the relationship between leverage level and corporate social performance.
iv. To investigate the relationship between bank age and corporate social performance.

v. To investigate the effect on corporate social performance from the period of year 2007 to year 2015.

1.4 Research Questions

The aim of carried out this research is to identify the factors that affecting the corporate social performance of domestic banking industry in Malaysia. This study is focusing on assessing the ten banks' corporate social performance in Malaysia.

i. Is there any relationship between corporate financial performance and corporate social performance?

ii. Is there any relationship between bank size and corporate social performance?

iii. Is there any relationship between leverage level and corporate social performance?

iv. Is there any relationship between bank age and corporate social performance?

v. Which determinant has the most influence toward corporate social performance?

1.5 Hypothesis of the Study

1.5.1 Corporate Financial Performance

$H1_0$: There is no significant relationship between corporate financial performance and corporate social performance.

$H1_A$: There is significant relationship between corporate financial performance and corporate social performance.

1.5.2 Bank Size

$H2_0$: There is no significant relationship between bank size and corporate social performance.

$H2_A$: There is significant relationship between bank size and corporate social performance.

1.5.3 Leverage Level

$H3_0$: There is no significant relationship between leverage level and corporate social performance.

$H3_A$: There is significant relationship between leverage level and corporate social performance.

1.5.4 Bank Age

$H4_0$: There is no significant relationship between bank age and corporate social performance.

$H4_A$: There is significant relationship between bank age and corporate social performance.

1.6 Significance of the Study

In this paper, the objective is to analyse the relationship between CFP and CSP on the domestic banking industry in Malaysia by using the variables that have been discussed in the previous part. The dependent variable using in this paper is CSP while the independent variables are CFP, bank size, leverage level, and bank age. Particular formulas are used in calculating each of the variables in order to get more accurate and valid figures.

This research helps in understanding what is the relationship between corporate financial performance, bank size, leverage level and bank age with the corporate social performance. Besides that, this research will helps to understanding which independent variable will affect the domestic banks social performance in Malaysia and how those independent variable will affect the domestic banks social performance in Malaysia.

It is also helpful for the bank to have a better understanding on the factors that affecting their social performance because of banks can generate better image and responsible by knowing well about the changing variables. If the banks have better understanding on the factors that affecting their social performance, they will know how to improve their social performance and it will led to improve the bank reputation and image.

1.7 Chapter Layout

The structure and content of this research paper are listed as follows:

Chapter one provides a brief introduction about the background and purposes of this study. This chapter is starting from the introduction of this paper, background of this research, problem statement, objectives of the study as well as the hypotheses and the questions of this research. It is then followed by the significance of this research, layout of all the chapters, and a summary for ending.

Chapter two provides a review of literature of all the chosen variables. These reviews instigate the researchers' interest and concern on how the Corporate Financial Performance (CFP) can effects the Corporate Social Responsibility (CSR) on banking industry in Malaysia. It involves of a general introduction of the chapter, inspection of the literatures, inspection of the models, recommended theoretical and conceptual framework, developing hypotheses and conclusion.

Chapter three provides the methodology and data that used in this research paper. This chapter starts with introduction, design of the research, methods of collecting the data, sampling design, variables specifications of measurements, analysis of data which involve with the econometric diagnosis tests, as well as a conclusion of this chapter.

Chapter four presents the finding and analysis of the results from the chapter three. It consists of the investigation on the significant and insignificant effect between

the CFP and CSR. This chapter involve of the introduction, descriptive analysis, scale measurement, inferential analysis and conclusion.

Lastly, chapter five will be concluded all the results from chapter one to four, followed by the implications, limitations as well as the recommendation to be proposed for the future studies.

1.8 Conclusion

Generally, Malaysia's domestic banking industry suffered a lack of awareness and knowledge about the CSR. Thus, it is necessary to improve the understanding on the concept of CSR as well as the relationship to the banking industry operation.

The objective of this research is examining the effect of CFP against the CSR in Malaysia's domestic banking industry. It focuses on the relationship between the variables that can benefits particular players such as investor, shareholder, government, and so forth.

The coming chapter will discuss the completed review of previous objectives and findings.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter involves five parts. In the first part, the theoretical fundamental will be presented. Few theories that related with this study will be discussed. The second section is reviewing the prior empirical statement, at the same time, all of the variables will be discussed in depth. In the third part, the proposed conceptual framework will demonstrated. Meantime, the discussion about the development of hypotheses of this study will be indicate in fourth part. In last section, there will be a conclusion for this chapter.

2.1 Review of Relevant Theoretical Models/ Conceptual Foundation

Review of relevant theoretical models or conceptual foundation refer to the theories that can describe and explain the philosophy related with this research and it helps to form a linkage with the theoretical aspects and practical applications. This part will discuss the theorized relationship among the variables and helps to apply a logical meaning of the relationship among variables, which provide a base to establish the proposed theoretical.

2.1.1 Concept and Foundation of CSR

1950's

Based on the knowledge, the modern social responsibility started in the 1950's. Because of the publication of "Social Responsibilities of the businessman" which written by Howard R. Bowen, it expand the starting of the social responsibility modern generation (Ahmadi, 2014).

Bowen (1953) set a first premier definition about social responsibility: 'It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society'.

According to the study of Rahman (2011), it stated that the study made by Heald (1957) was also vital as he given a point of view about the CSR. Heald (1957) defined that a CSR is an acknowledgement within the organization of a responsibility toward the society, it serves not just maximizing the performance of economic but also for compassionate and constructive social scheme as well. According to Ahmadi (2014), the two definition that demonstrated by Bowen in 1953 and Heald in 1957 can be seen as the fundamental of CSR.

1960's

During the 1960's era, Keith Davis served as a major leader who stimulated the increases of the awareness on CSR. He defined the CSR as the actions and decisions made by the business man which at least partially not relating with their immediate economic or professional interest.

According to the study of Ahmadi (2014), based on the opinions of Keith Davis, the businessman social responsibility should be commensurate with the social power they had. And this philosophy had been applied widely during the period of 1970's and 1980's.

1970's

According to 'business in contemporary society: framework and issues' which written by Harold Johnson, one of his arguments is company should consist of CSR activities so as to maximizing its return in the long-term basis. In addition,

the other theory called 'utility maximization' given by him, indicated that the most vital firm's objective should be maximizing utility. These definitions of CSR given by Harold Johnson provided a great influence over 1970's.

In the 1970's, Milton Friedman demonstrated that the only social responsibility toward the firms is using the resources for maximizing their returns at the same time not engage in any fraudulent and deception.

These opinions are more concentrate about the firm's objective rather than social responsibility, because of maximizing the utility and returns are being seen as more important, which is different with the views applied in the 1950's and 1960's (Ahmadi, 2014).

1980's

In the 1980's, rather than emphasis on the definitions of CSR, researching were more important. This actions give rise to the finding about different ideas and issues, such as CSP, CSR, even the emerging of stakeholder theory (Ahmadi, 2014).

CSR should not be seen as a group of results, it's a procedure (Jones, 1980). This give a rise to a totally up-to-date redefined philosophy about CSR activities, at the same time also give a rise to a relationship among the CSR activities and the profitability of firms (Ahmadi, 2014).

The research done by Cochran Wood (1984), which is one of the first researches that relating with the relationship between CSP and CFP, given the impact of the awareness and interest about whether the firms that engage in CSR can also be profitable is increasing. At the same time also made way for CFP, rather than CSR (Ahmadi, 2014).

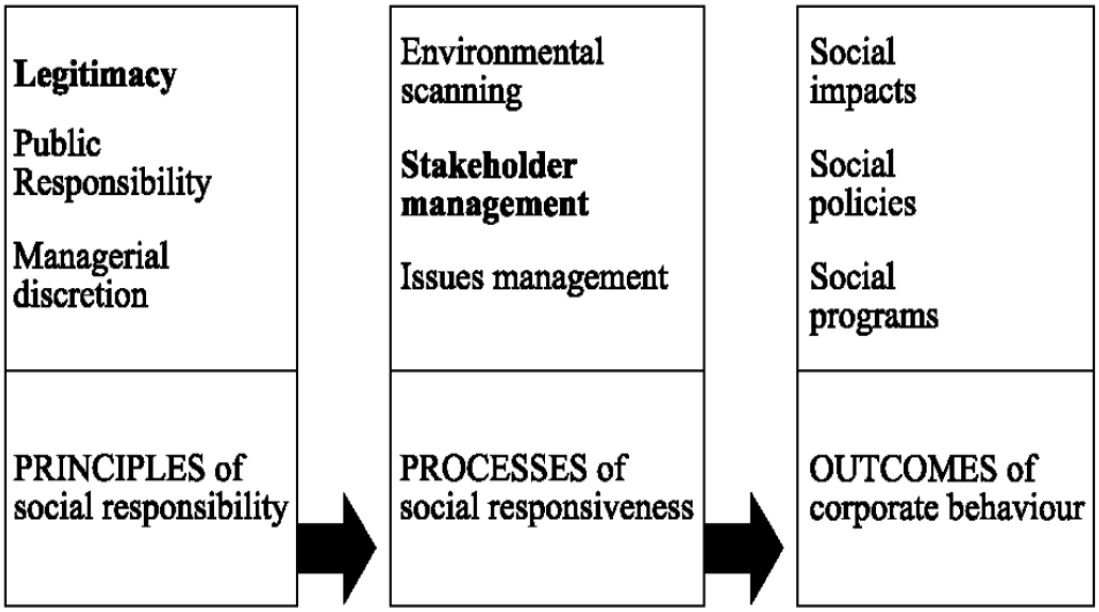
1990's

During the 1990's there were more different themes arise, such like CSP, stakeholder theory, corporate citizenship and theory of ethical business. The CSR then became the fundamental point of these different themes (Ahmadi, 2014). According to Wood (1991), he restructured the model of CSP and came out with a brand new measurement model that tackles the CSR interest.

Furthermore, Wood (1991) stated that there have 3 procedures about CSR involved, which are management of stakeholder, environmental assessment and issues management. In addition, the CSP results can be the social programs, social impact and social philosophies. Furthermore, based on the study of Carroll (1999), it demonstrated that Keith Davis and Howard Bowen are the two most outstanding writers about the CSR.

According to Ahmadi (2014), Wood was one of the first that carried out with the 3 dimensional phases about CSR: social aspect-people, economic aspect-profit and environmental aspect-planet. And CSR has to lead to a business sustainable through these three aspects.

Figure 2.1.1.1 Model of CSP according to Wood (1991)



Source: Wood, Donna J. (1991). Corporate Social Performance Revisited.

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21st century

CSR in today's 21st century become a more global awareness. At the same time, the creation of United Nations Global Compact lead to a promotion about the CSR in Europe as well as worldwide. Beside of this, the European Commission's Green paper which concerning against the circumstance, labour, society and human right was also established (Ahmadi, 2014).

The studies that were presented in the 21st century more focus on the measurement methods and theoretical developments about the CSR, rather than emphasis on the definition about the CSR (Ahmadi, 2014).

2.1.2 Stakeholder Theory

Stakeholder theory of the CSR is linked with the principle that organizations have their own responsibility to the society rather than stockholders and except for the restriction by union contract or law (Jones, 1980). Furthermore, Freeman (1984) improve the advocation of stakeholder theory which given a greater positive view of supporting by manager to the CSR. He argued that the managers must satisfy and fulfill different constituents, such as investors and shareholders, customers, government, employees, suppliers and local community organizations, who can affect and influence the company outcomes.

The purpose of stakeholder theory is to alter and expand the foresight of directors who only focus on improving the worth of shareholder in order to maximize the profitable and sustainable. Some of the other research area using the stakeholder theory including the agency principle, externalities, governance, contracting cost, principle of limited immortality, and principle of entry and exit (Fontaine, Haarman & Schmid, 2006). Based on the research of Donaldson and Preston (1995), they indicated that most of the stakeholders literature emphasize on four major issues. First, it emphasize on explaining what is corporation and who is the stakeholders. Second, it argues that stakeholders have reasonable interests toward the corporate activities. Third, it defines the practices, attitudes and structures that form the stakeholder management. Last, it finds out the relationship among the management of stakeholder and the accomplishment of different goals of corporate performance such like growth and profitability.

According to Deegan (2002), he claims that the stakeholder theory should involved other parties, including political groups, associated corporations,

government bodies and communities. In an extension, Gray et al. (1995) argues that should be consider particular stakeholder groups, not only the society as a whole. The two branches of stakeholder theory are managerial branch of stakeholder theory and normative branch of stakeholder theory. The stakeholder will demand different information, and the companies will respond to their demands in several ways (Deegan, 2006). According to Brammer and Pavelin (2006), it considered that implement a corporate social responsibility strategy can bring good effect on prestige. Besides, according to Bayoud et al. (2012), he stated that the disclosures of CSR was known as extremely vital determinant that help to raise the reputation of corporation by signaling the founding and enhancement of the relationship with the stakeholders. Many companies used the reputation for justifying the CSR activities that they will enhance the image of a company and improve brand's image (Porter & Krammer, 2006). Hence, CSR over the rival advantage are considering important because good image may lead to an outcome of positive engagement in CSR (Melo & Garrido-Morgado, 2011).

The stakeholder theory also assumes that a positive relationship among a corporation's decision level in CSR reporting and economic performance, which means the profitable corporation are more likely to reveal the information about CSR tend to filter themselves from the less profitable companies (Ferreira, Branco & Moreira, 2012). It can be said that the stakeholder theory is an ethical theory, but also a managerial theory, which tend to argue the multiple relationship among the organization and its various stakeholders. At the same time achieving the maximization of profit, expectations and benefits of stakeholders (Muthee, 2015).

According to Bird et al. (2007), they predicates that the activities of CSR that follow all the suggestion from the stakeholder theory, can enhance the corporate value by (1) saving cost immediately, (2) enhancing the reputation of corporate, (3) dissuasion of the prospect movement by regulatory groups, involving the government which could apply huge expenses on the company. This research is arguing along the stakeholder theory that whether the banks can be responsible on the social at the same movement and still giving greater return to the shareholders or investors on their investments. Hence, stakeholder theory has become the most important and frequently theory cited in this literature. One of the useful way to developing the social responsible behaviour by the managers are pay more attention to the needs and right of all of the stakeholders in the business (Maignan & Ferrell, 2004).

2.1.3 Legitimacy Theory

Legitimacy theory states that the environmental pressures including social, economic and political forces are responded by CSR. Besides that, legitimacy theory is according to an idea that organizations operating with a social contract in society that retain among organizations and the individual parties of the society (Muthee, 2015). The social contract explained on how an organization should conduct its operations (Mathew 1993; Deegan 2000). If society is not satisfied that the organization is operating in a legitimate manner, society will revoke the social contract to continue its operations (Deegan & Rankin, 1997).

The organizations are looking for the equilibrium between how they finding out by the outliers and what is the society's thinking are appropriate (Tomer, 1994; Suchman,1995; Deegan, 2002). According to the definition given by Lindblom (1994), legitimacy plays as a term or status exists during the value system of entity is agreeable toward the bigger social system's value system which the entity is a past of it. There will be a threat toward the legitimacy of entity when a differences (actual or potential) are arise among these two value system. Furthermore, legitimacy theory has an advantage over other theories, as it presents the strategies of disclosing that the company might needed for legitimize their existence which may be tested (Gray, Kouhy & Lavers, 1995).

According to Suchman (1995), there are three aspects involved in legitimacy theory. First, a legitimacy "represented an umbrella evaluation that, to some extent, transcends specific adverse acts or occurrences". Second, it is a consciousness or supposition as it "represents a reaction of observes to the organization as they see it". Third, legitimacy have build as it "reflects a congruence between the behaviours of the legitimated entity and the shared beliefs of some social group". The main point in the second and third points is the legitimacy social aspect, which including the practices and relation of social (Muthee, 2015).

Based on the legitimacy theory, an entity is considered as legitimate when the activities of the entity follow with the social norm related to the values and belief of the larger social system. Furthermore, this theory also focus on organizations must concern about the society's rights as a whole rather than solely that of its shareholders or investors. On the other hand, management quality, economic resources availability and visibility of public provide the supports to the argument

showing that the CSR disclosure and the company's financial performance have positive relationship (Dai, 2010). When there is a legitimacy crisis or a negative changes appear in the perception of public, this theory generally suggests that companies' employ disclosures to operate their image (Muthee, 2015).

Maignan and Ralston (2002) found out that the concept about the corporate social responsibility became more importance during the past two decades. Current studies stated that the corporate social responsibility is a tool to enhance the company's legitimacy in the view of stakeholders, and generate a good images of CSR to drive out the reputation.

An idea of the legitimacy and the concept of "social contract" are directly related. Organizations should receive a social consent to operate as they don't have an intrinsic right to operate in the society (Deegan, 2002). According to the Davies (1997), he mentioned that the society's perceptions of the organizations are very important, if the organizations have violated their 'social contract' will affect the organization's survival. The society will rescind its 'contract' to continue operations if the society is unsatisfying that the firm is manipulating in an acceptable or legitimate manner. According to Gray et al. (1996), they stated that the social contract itself involved two terms, one is explicit terms which explain in the form of legal requirements, another one is implicit terms which including the expectations of non-legislated societal. From time to time, because of the differences of the organization's' visibility to society, and some of the organizations are greater dependent on the society supporting than others, the concept of legitimacy of an organization may hard to constant when facing a period of crisis (Mathew, 1993).

According to Neu et al. (1998), they stated the reasons of the important for company to operate well in legitimacy. It helps to safeguard the continued inflow of capital, customers and labour necessary for viability. It also prevent the regulatory events that might happen in non legitimacy and guard against the product from boycotts by outside parties. By extenuating those hidden issues, organizational legitimacy offer a degree of autonomy to managers to determine how and where business will be organize and carry out. All in all, it legitimize the behavior of company by improving the stakeholder perception is the major purpose of them. Hence, corporation should be responsible to provide CSR information to the social and conduct with the legitimacy theory.

2.1.4 Agency Theory

Agency theory is one transactor which is the principal appoint another person act as agent during transaction. The requirement is the principal need to believe the agent under incomplete information and inconclusive results. According to Germanova, R. (2008), the relationship between principal and agent arises when one party (the principal) hires another party (the agent) to perform some service and then delegate decision-making authority to the agents.

Friedman (1970) explained that the manager's act as the agents for the owners of the company has a duty to maximize the profits of the corporate and no need to spend a lot of money to doing anything that will misuse the relationship.

2.1.5 Institutional Theory

During 1970's to 1980's, the institutional theory just germinated. Based on the study of Meyer and Rowan (1977), the firms should accept the fact to establish and develop the legitimacy and gain resources, existing internal and external pressures of institution in the environment where firms manipulate such as public, cultural pressures and politics. Therefore, organizations can express in certain ways for the purpose of survive by adopting such particular structural form.

Instead of this, Di Magio et al. (1983) noticed that the organizations that be alike in the same industry or organizational field, search its direction by the course of isomorphism, which is depended on the three influences' concepts. The concepts including mimetic such as imitating, coercive such as political influence, and the influence of normative such as organization professionalization.

Today's, institutional theory recommend that the business environment in which the companies play will impose the pressure against the companies. Such pressures from these systems will lead to several responses, as the organizations will look for the legitimacy for the purpose of 'thrive and survive' in particular environment (Scott, 2008).

According to Matten and Moon (2008), institutional theory is related to CSR by two ways. First, it bringing in the interplay and mutuality between the companies and stakeholders considering. Second, it seems as a founding of mythology that is rationalized which adjust and demarcate the activities of firms to implement the CSR to a certain extent, resulting in institutional environment homogenisation

uphold to socially responsible activity. Marquis et al. (2007) stated that the institutional settings will influence the operation of organizations substantially. Furthermore, the economic directions such as competition and financial performance are inadequate to fully occupy the CSR activities of organizations.

Based on Husted and Allen (2006), they suggested that the institutional pressures are the most important drivers for planning the CSR strategy for an organization instead of stakeholders theory.

It can be familiarly concluded that in some extent, there exist the institutional pressures for organizations to entertain CSR. These existing institutional pressures include internal institutional pressures such as the forces inside the organizations, and the external institutional pressures such as the forces at the macro-organizational and inter-organizational level outside the organizations (Campbell, 2007).

Pros of the institutionalization CSR:

1. The expert managers will cope with institutionalized actions.
2. The balance sheet and budget report have been control and publicly, which net profits have emerged and won't bring trouble to consumers.
3. Firm enter into a program that gives bonus (points) for the combination of different programs or favourable financing depending on the budget and the actions.
4. Small firm could easily creating institutions or networks CSR because it is hard for them to operate alone section dealing with CSR.

Cons of the institutionalization CSR:

1. The costs transfer to the product, at the end customers will suffer loss.
2. The executives who have no professional knowledge hard to achieve social objectives of ecological interest.
3. Public more prefer on government social programs and thus less confidence of corporation's CSR programs.

2.1.6 Slack Resource Theory

According to Miles et al. (2000), slack resource theory can be demonstrated about the association among the CSP and CFP two theories from management literature. Slack resource theory is created based on the view that an organization has the capacity to engage in its business activities is due to the resources holded by the organization which have generally been dedicated to the predetermined activities. The intention of this resource is to produce an organization the favourably adaption toward the pressures from external for changing or toward the pressures from internal for adjusting (Buchholtz et al., 1999). An organization require these resources to favourably adjust to slack in nature, which can be explained as any available or free resources (financial and other organization resource) used to achieve the organization's certain objective.

When a firm's financial performance enhances, the slack resources will be more available to allow the firm to engage in corporate social performance, for example,

employee ralation, community and society relation, performance of environment (Waddock & Grave, 1997). Certain activities carried out by the firm in the domain of corporate social performance are represent to extend and improve the firm's competitive advantage through segmentation, image, long term cost saving and reputation (Miles et al., 1997; Miles & Russel, 1997; Miles & Covin, 2000). The Slack Resources Theory shows that the firms with lower-risk are more committed than others toward the activities about social responsibility. It is because they have a stabilizing profitability model and can therefore fund into the social activities (Roberts, 1992).

2.2 Review of the Prior Empirical Studies

2.2.1 Dependent Variable Corporate Social Performance (CSP)

Corporate social performance (CSP) can be defined as a business organization's structure of principles of social responsibility, processes of social responsiveness, and observable outcomes as can relate to the firm's societal relationships (Wood, 1991).

In this paper, going to use the content analysis method for obtaining the quantitative data base on the environmental and social reports of particular banks. Content analysis which is a way of pooling the categorized data through the way annotating particular or specific items which emerge in a written document. Along

the method of text codifying, content analysis seem as an effective tool to offer useful data for further study and analysis, no matter is the discussion of particular items qualitatively, or calculated the items used transform into a raw data for the purpose of quantitatively research (Riffe et al., 2005). Because of this purpose, Cochran and Wood (1984) used the method of content analysis to obtain the data from the CSR reports that were announced by five Japanese grocery companies from year 2006 to year 2009.

According to Unerman (2000), as a fundamental of coding, there have various unit analyses, for example, the documents' numbers, pages, words, paragraph, sentences, and also the roughly proportion of the whole document. In spite of Milne and Adler (1999) advocated that coded sentences method are isolated more stable and reliable than others, however, Unerman (2000) outlined: "Using sentences as the unit of measurement seems to ignore the possibility that differences in use of grammar might result in two different writers conveying the same message by using a similar number of words and taking up a similar amount of space but using a different number of sentences." This research used word as the unit of analysis and normalized the words number obtained, then dividing by the total words included of each reports. According to Nila and Kato (2010), by using word basis method also allows for maintaining the data consistency as well as the reliability because the researcher might employ the same keywords into other documents of CSR without any interpretation bias, which could happen frequently by using the sentences as the analysis unit. According to Milne and Adler (1999), a research that using content analysis must consider the reliableness that may cause differences among the coders and also reliableness related with the instrument utilized. According to the Ahmet and Ilker (2015), there are several

ways to measure the CSR such like content analysis, ethical rating, surveys, unidimensional indicators and reputational measures.

According to Dell'Atti, S. and Iannuzzi, A. P. (2016), ethical rating can be represented by a numerical score or a synthetic assessment through letters. In some cases, the provider only publishes the ranking and omits the score assigned to each company. Currently, there is a wide range of ethical rating offered by the professional world but it raised some confusion and many questions. Indeed, a company will exclude the ethical rating but is still judged as good by another consulting firm. Surveys carried out using questionnaires,it sent to top company managers and analysed by researchers who then elaborate the answers received giving an appraisal of the level of social performance achieved by the firms. For example, Aupperle et al. (1985) asked respondents to express their level of agreement or disagreement with twenty statements about social responsibilities of businesses. For the unidimensional indicators method, it concerns indicators that express a judgement on a single aspect of various socially responsible practices that companies can undertake. Other than that, reputational measures are ratios worked out by researchers or specialised journals that, on the basis of a subjective definition of social performance, calculate a score on the "goodwill" associated with the reputation a company may have.

2.2.2 Independent Variable Corporate Financial Performance (CFP)

There are two different measurements can be used in the CFP of the firms, which are accounting based measures and market based measures. Because of two different methods measure different financial aspects of the company, thus, they have different results (Ahmadi, 2014).

According to Orlitzky (2003), using different methods for measuring will lead to different results. When accounting based measures are applied, generally the measures such as profitability, Return on Assets (ROA), Return on Equity (ROE) and Return on Sales (ROS) are being adopted. When market based measures are applied, most of the time Tobin's Q and the market return are being used.

Many of the previous studies have tried to discover the relationship among these two different measurement methods. Most of the researchers agreed that the accounting based measures are generally used for short term or past financial performance of firms, while the market based measures are generally used for evaluating long term financial performance of firms (Ahmadi, 2014). Thus, Venkatraman and Ramanujam (1986) advocated that these two measurement methods needless to be linked with each other, as the financial goals in short term generally different with the financial goals in long term. However, some of the previous studies stated that the relationship between these two measurement methods provide different results.

According to Mcguire and Matte (2003), they advocated there was a positive relationship between these two measurement methods. As both of the

measurement take the earning of firm into account, thus, when the return of the firm increase, both of the measurement results will also increased. But, Nelson (2003) argued that there was a negative relationship among them. It is because the different perspective of the firms. A firm with corporate maximization perspective will tend to use the return for corporate development rather than distribute to their shareholder. Thus, at this stage, EPS and ROA might move in the different directions. On the other hand, some of the previous studies concluded that these two measurement methods have no relationship among each other (Hillman, 2005). In general, the firms will try their best to satisfy the expectation from shareholder through distribution of dividend, thus, no matter how's the return of firms look like, it will not affect the result of EPS. It is important to know the relationship between the accounting based measures and market based measures since the decision of which methods to be used will influence the outcomes of the research. For example, if there is no relationship between accounting based and market based measurement, the market based measurement which EPS may remain the same or slightly different, thus, it could not significantly explain the relationship between CFP and CSP. At this point, it is suggested to apply the accounting based measurement to evaluate the CFP.

In facts, the study about the relationship between CFP and CSP has been carry on for more than 50 years, but there is still no authentic relationship is invented. During the last 30 years, there is an significantly increased on the studies that discover the relationship among CFP and CSP. In generally, there are three types of relationship involved between CFP and CSP: positive relation, negative relation, and neutral or mixed relation (Ahmadi, 2014).

Table 2.2.2.1 Overview of outcomes of previous named studies about relationship between CFP and CSP.

Author	**Relationship**	**Measurement Method**
Kartadjumena, Abdul Hadi and Budiana (2011)	Positive	Market based measures: CFP = EPS (earning per share)
Mcguire, Schneeweis and Sundgren (1988)	Positive	Market based measures and Accounting based measures
Orlitzky et al. (2003)	Positive	Market based measures and Accounting based measures
Mills and Gardner (1984)	Positive	Accounting based measures: CFP = ROA
Cochran and Wood (1984)	Positive	Accounting based measures: CFP = ROA
Cormier and Magnan (1999)	Positive	Accounting based measures: CFP = ROA
Cormier and Magnan (2003)	Positive	Accounting based measures: CFP = ROA
Cormier et. al. (2004)	Positive	Accounting based measures: CFP = ROA
Cheung and Mak (2010)	Neutral	Accounting based

		measures: CFP = ROA, ROE, EPS
Dkhili & Ansi, 2012	Positive	Accounting based measures
Maria-Gaia Soana (2011)	Negative	cost-to-income ratio
Wright and Ferris (1997)	Negative	abnormal returns

Source: Developed for the research.

Positive relationship

According to the studies of Kartadjumena, Abdul Hadi and Budiana (2011), there is a highly positive correlations between the CFP and the CSP of the companies on the manufacturing industries which are listed in the Indonesia Capital Market. The result shows that when the company EPS are increasing, it will lead to an increased in the level of CSP.

In the study of Mcguire, Schneeweis and Sundgren (1988), the CFP was used for predicting the level of CSP. Both accounting and market based measurement has been used to measure CFP. Market performance was measured by risk-adjusted return and total return, while the accounting performance was measured by ROA, total assets, assets growth, sales growth, and operating income growth. As a result, it indicates there is a positive relationship between the CFP and CSP. According to the research provided by Orlitzky et al. (2003), CSP has a positive relationship with the CFP, at the same time, CFP has a positive effect on the CSP. In this study, both market and accounting based measures have been used to evaluate CFP.

Market performance measured by stock price per share or stock price appreciation, while accounting performance measured by ROA, ROE and EPS. Furthermore, their results show that the CSP is greater highly correlated with the accounting based measures rather than market based measures.

Various of the prior studies came out with a outcome of there is a positive relationship between a firm's CSP and its financial performance (Mills & Gardner, 1984; Cochran & Wood, 1984; Cormier & Magnan, 1999, 2003; Cormier et al., 2004). According to these studies, the financial performance is measured as the return on assets (ROA). The reason behind is the ROA is more applicable to reflect the actual financial performance of company compare with the market based measurement which is EPS, as the company can always fund for the dividend to payoff the investors even the company is in loss position.

Negative relationship

The researchers of the neoclassical economic school of thought have defined the proposition of a negative association (Bird et al., 2007). Based on Aupperle, Carrol, and Hatfield (1985), it shows that firms involved in CSR activities are considering competitive disadvantage since it incur costs that could be avoided or transferred to other parties (e.g.,customers or the government).

The Wright and Ferris (1997) found that there have negative relationship between Corporate Social Responsibility (CSR) and financial performance by study methodology to assess the short-run financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts. It argued that the

firm will not compensated over the public in short-run although there is a better financial performance, they will tend to focus on short-term income generated or save it as a precaution funds.

Neutral or mixed relationship

According to Cheung and Mak (2010), There is no clear relationship between CFP and CSP with a sample of 100 publicly traded commercial banks collected from several issues of Global Finance's Best Banks Rankings. It indicated that the relationship shown unclear might due to the background of the sample. Banks in different countries can be response toward different factors, the factor that can apply in this country might not applicable to another.

The proposition of a neutral association assumes that the relationship between CSP and CFP is either nonlinear or non-existent. According to Barnett and Salomon (2006), the study have find evidence of a curvilinear relationship between CSP and CFP, in which the greatest returns on CFP are associated with the smallest and largest investments in CSP. For non-existent, Ullmann (1985), who states that there have many factors or variables that influence the relationship between CSP and CFP that even if a relationship existed, the relationship could not be detected due to the problems associated with measurement in empirical studies of the relationship between CSP and CFP.

2.2.3 Independent Variable Bank Size

Definition and method used by previous study

There is various of prior researches focus on the literature of social and environmental have been investigated that the extent of the CSP will related to certain corporate characteristics such as size, and provided consistent outcomes over the time. There are various researches, which had found out that there was a significant positive relationship between the corporate size and the degree of the CSP in the annual report of company in both developing, and developed countries (Hossain et al., 2006).

CSP studies use several measures of size available, such as total asset, sales, number of employees and so forth. However, these three proxies which is total asset, sales, number of employees for size measurement are highly relevant (Hossain et al., 2006).

Table 2.2.3.1 Overview of outcomes of previous named studies about relationship between Bank Size and CSP.

Author	**Relationship**	**Measurement Method**
Haniffa and Cooke (2005)	Positive	Size = Total Asset
Hassan (2010)	Positive	Size = Total Asset

Cormier & Gordon (2001)	Positive	Size = Total Asset
Scott (1994)	Positive	Size = Total Asset
Cormier and Magnan (1999)	Positive	Size = Total Asset
Neu et al. (1998)	Positive	Size = Total Asset
Leuz and Verrecchia (2000)	Positive	Size = Total Asset
Debreceny et al. (2002)	Positive	Size = Total Asset
Cormier and Magnan (2003)	Positive	Size = Total Asset
Udayasankar (2008)	U-shape	Literature Survey

Source: Developed for the research.

Positive relationship

A large corporations will engage in more activities, certainly generate a greater impact toward the society. Compared to smaller corporations, the costs that involved for operating the social responsibility activities might be higher than the larger corporations. Thus, this is highly possibility that the larger corporations having a higher level of CSP compared with the smaller one (Haniffa & Cooke, 2005).

Udayasankar (2008) mentioned that the larger corporations may facing the pressure to improve their level of CSP, as there are more concerns and scrutiny against them by the media, as well as government agencies. These point of views

also accepted by other studies. According to Hassan (2010), he agreed that due to the highly pressure from several groups, a larger corporation will having a higher level of CSP. Assuredly, the larger corporation who engage in business activities, having a greater impact toward the society, will obtain larger number of shareholders, at the same time gaining more attention from the public, therefore, will also getting more pressure for conducting the CSR activities.

Cormier and Gordon (2001) stated that based on the legitimacy theory literature, it shows that more attention and awareness will be paid to greater visible and more rely on social supporting or political firms. Furthermore, the hypotheses show that the larger size corporations have more visibility and are higher politically sensitivity compared with the smaller size corporations.

There are various of the prior evidences had been consistent to prove that there is a positive relationship between the degree of CSP and corporation size (Scott, 1994; Neu et al.1998; Cormier & Magnan, 1999; Leuz & Verrecchia, 2000; Debreceny et al., 2002; Cormier & Magnan, 2003). According to all of these studies, the measurement of the firm size is based on the company's total asset.

Neutral or mixed relationship

According to the Udayasankar (2008), it advocated that there should be a U-shape relationship between the firm size and CSP. He argued that due to the various combinations of resource access, public visibility and operations scale, lead to distinct outcomes of the degree of CSP. Both small and large corporations will

engage in more CSR activities actively, while medium size corporations will be the least participate.

2.2.4 Independent Variable Leverage Level

Different with normal firms, the leverage of banks consists of the deposits from the depositors. Based on the prior studies, normally there are two ways to measure the leverage level, one is the total debt divided over the equity (Jensen & Meckling, 1976; Myres, 1977; Wallance et al., 1994; Belkaoui, 1989; Roberts, 1992; Ahmed & Curtis, 1999), anothe rone is the long-term debt divided over the equity (Cormier & Gordan, 2001; Cormier & Magnan, 2003). The different between these two measurement is the first measurement take the short-debt into account while the second measurement argue that only the long-term debt can reflect the actual leverage level that a firm be (Cormier & Gordan, 2001; Cormier & Magnan, 2003).

Table 2.2.4.1 Overview of outcomes of previous named studies about relationship between Leverage Level and CSP.

Author	**Relationship**	**Method used**
Jensen and Meckling (1976)	Positive	Leverage = Total debt/Equity
Myres (1977)	Positive	Leverage = Total debt/Equity

Wallance et. al. (1994)	Positive	Leverage = Total debt/Equity
Belkaoui e Karpik (1989)	Negative	Leverage = Total debt/Equity
Roberts (1992)	No Empirical Result	Leverage = Total debt/Equity
Ahmed and Curtis (1999)	Positive	Leverage = Total debt/Equity
Cormier and Gordon (2001)	Negative	Leverage = Long-term debt/Equity
Cormier and Magnan (2003)	Negative	Leverage = Long-term debt/Equity

Source: Developed for the research.

Positive relationship

Based on the prior research made by Myers (1977) and Wallace et al. (1994), they have found a positive relationship among the leverage variable and CSR index. Furthermore, this outcome also been supported by Jensen and Meckling (1976). It identifying that a firm in order to enhance their information about social compensation, will tend to reduce the monitoring costs from higher leverage level. The same identification is derived from Ahmed and Courtis (1999), who emphasize into the larger portion of bonds percentage on the balance sheet contrast with the share percentage on the balance sheet, then the information and certification of the social will be higher.

Negative relationship

According to the prior researches made by Cormier and Magnan (2003), and Cormier and Gordon (2001), both of them founded that the leverage level has a negative relationship with the CSP. Furthermore, a negative correlation between the leverage level and CSP were also obtained by Belkaoui e Karpik (1989). However, the reaction to CSP generally to be expected as positive. The reason is the measurement method that used to measure the leverage level is different.

No Empirical Result

According to Roberts (1992) research, it tested the following hypothesis: the higher a firm's leverage, the higher creditors' expectations. Unfortunately he found no empirical results.

2.2.5 Independent Variable Bank Age

There is several of researches use the firm age as one of the important factors that will influence the level of CSR performance (Delaney & Huselid, 1996; Rettab et al., 2009; Liu & Anbumozhi, 2009).

Table 2.2.5.1 Overview of outcomes of previous named studies about relationship between Bank Age and CSP.

Author	**Relationship**	**Method used**
Delaney and Huselid (1996)	**Positive**	**Year enter into market**
Rettab et al. (2009)	**Negative**	**Year enter into market**
Liu and Anbumozhi (2009)	**Negative**	**Year enter into market**

Source: Developed for the research.

Positive relationship

Some of the studies expected that there is a significant and positive relationship between CSP and firm age (Delaney & Huselid, 1996). They believe that the older firms provide more information about CSR activities than younger firms. It is because the public will more concern over the firms that are engage in the market for a longer time compare to the new and fresh firms, thus, the older firms will more willing to response against the public by social activities compare with the younger firms.

Negative relationship

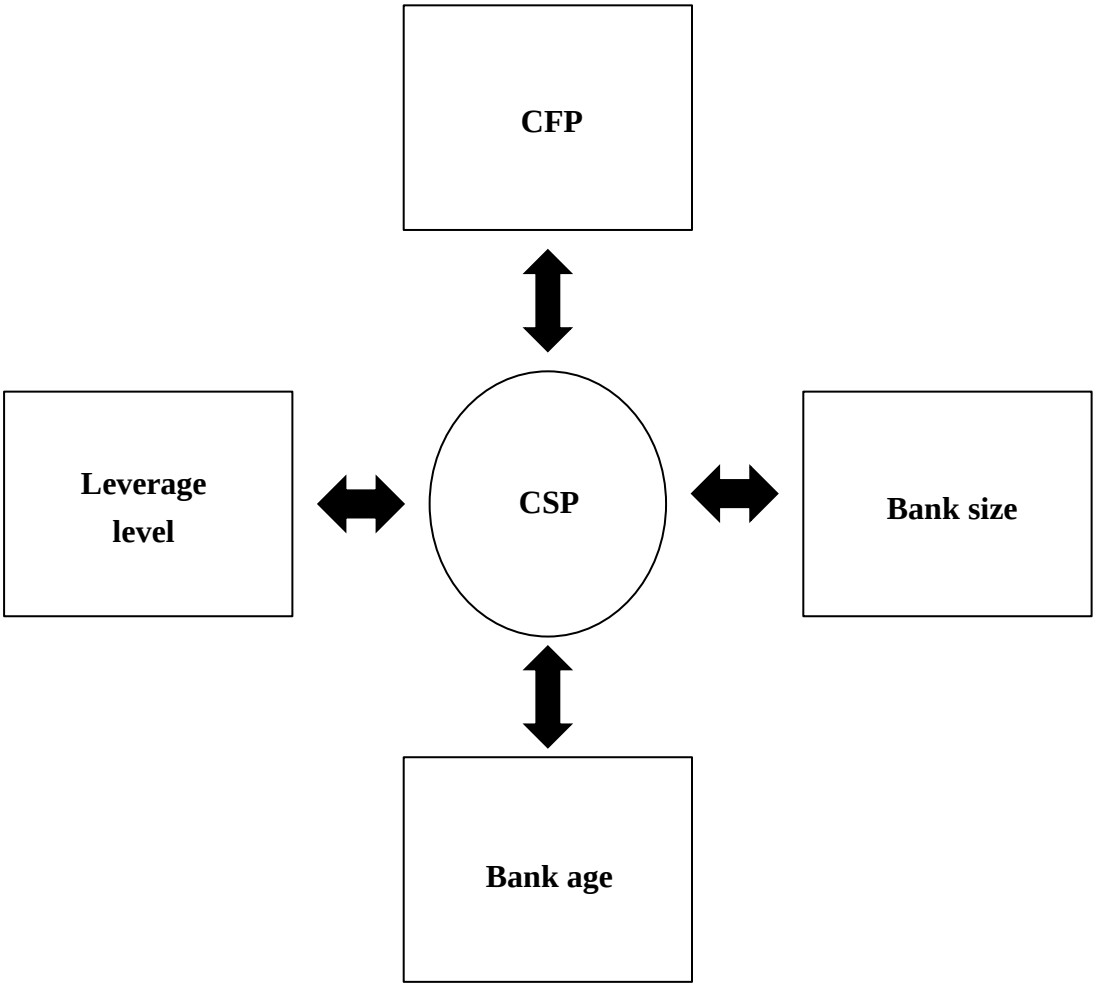
However, some studies found that there is a negative association between the CSP and firm age. For instance, Rettab et al. (2009) revealed a negative relationship between CSR and company age, while Xianbing Liu and Anbumozhi (2009) found a negative relationship between environmental disclosure and company age based on an empirical study over the Chinese listed companies. Both of the studies indicated that when the company getting older in that particular market, they will

tend to remain the funds into other ways of activities such as expand their businesses or project investment, rather than invest into social welfare. They believe that when come to the top position in that particular market, it is not necessary to conduct with that much social activities as a feedback to the public, the circumstances will remain the same.

2.3 Proposed Theoretical/Conceptual Framework

This section displays the relationships among the important variables. This framework developed according to the research objective which to investigate the relationship among the CFP, bank size, leverage level, and bank age will affect the CSP of banking industry in Malaysia.

Figure 2.3.1 Diagram of Conceptual Framework



2.4 Hypotheses Development

H_0 described the independent variable has no significant relationship with the dependent variable and H_1 described that the independent variable and dependent variable is significantly related to each other. Assumed that H_0 is not true, we rejected the H_0 indicating that there is a significant relationship between independent variable and dependent variable.

2.4.1 Corporate Financial Performance

$H1_0$: There is no significant relationship between corporate financial performance

and corporate social performance.

$H1_A$: There is significant relationship between corporate financial performance and

corporate social performance.

2.4.2 Bank Size

$H2_0$: There is no significant relationship between bank size and corporate social performance.

$H2_A$: There is significant relationship between bank size and corporate social performance.

2.4.3 Leverage Level

$H3_0$: There is no significant relationship between leverage level and corporate social performance.

$H3_A$: There is significant relationship between leverage level and corporate social performance.

2.4.4 Bank Age

$H4_0$: There is no significant relationship between bank age and corporate social performance.

$H4_A$: There is significant relationship between bank age and corporate social performance.

2.5 Conclusion

In the nutshell, chapter 2 reviews is based on research and theoretical models which have been studied by previous researchers in order to investigate the determinants of bank performance. The dependent variable and four independent variables are discussed respectively. Next, the proposed diagram illustrates the relationship between those variables and then followed by the hypothesis development. The empirical model that used in this research will be introduced in next chapter to test whether the hypothesis is correctly stated.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, research methodology will further explained in details. The framework for this research, descriptions of data, data collection methods, data analyses techniques and the treatment of econometric problems will be explained in details. There are four factors involved in this study which are corporate financial performance, bank size, leverage level and bank age. There are 10 domestic banks involved in this research which are Affin Bank, Alliance Bank, AmBank, Bank Islam Malaysia, Bank Mualamat Malaysia, CIMB Bank, Hong Leong Bank, MayBank, Public Bank and RHB Bank during the research period from year 2007 to 2015.

3.1 Research Design

The aim of this research is to investigate how the corporate financial performance with other factors affect on the domestic bank's corporate social performance. The other factors in this study including bank size, leverage level and bank age. CSP is the dependent variable used in this research as a measurement for bank's corporate social performance. In this study, quantitative data have been taken because of dependent and independent variables involve quantitative measures. Quantitative data defined as numerical data which allow the user to measure or count.

3.2 Data Collection Methods

Secondary data was employed against this study to carry out empirical test. Data are obtained from the 10 domestic banks' annual report. Those annual reports are downloaded from the website of Bursa Malaysia. 9 years annual reports (2007-2015) are collected from each bank.

Table 3.2.1 Data Sources

TYPES OF DATA	**DATA SOURCES**
Dependent Variable	
Corporate Social Performance	Bank's annual reports

Independent Variable	
Corporate Financial Performance	Bank's annual reports
Bank Size	Bank's annual reports
Leverage Level	Bank's annual reports
Bank Age	Bank's annual reports

3.2.1 Corporate Social Performance (CSP)

According to Nila and Kato (2010), by using word basis method also allows for maintaining the data consistency as well as the reliability The reason is to avoid the bias of any interpretation due to the researcher may employ the comparative keyword under archive of CSR, which could happen frequently by using the sentences as the analysis unit.

Formula:

CSP = Nila Unit = (Number of CSRness words / Total number of words in one document) x 100

(Smith & Taffler, 2000)

This formula is obligated to institutionalize the reports extent (Smith & Taffler, 2000). This ratio named as Nila for purpose of reminding the audiences of the subjectivity nature in the word counting method adopted. In any case, it also been

pointed that this method of measurement can be adjusted by following the theory of the word counting basis which adopted in this research.

However, few of the reports were prevented for viewing. Such secured and protected reports of CSR of certain firms have to be took out from the samples, due to the reason that the word counting couldn't function toward these reports.

3.2.2 Corporate Financial Performance (CFP)

Based on the study of Dkhili and Ansi (2012), it showed that an accounting based measurement is the method that offered the most positive correlation outcome based on the research on how the CFP influence the CSP. It is because this accounting based measurement involve the benefits of offering much more vital and relevant company's economic performance, at the same time, provide the data that are more reliable on the relationship between the CFP and CSP. But, Karagiorgos (2010), this accounting measurement is possible to be damaged or affected to differential accounting methods and manageress control.

Formula :

CFP = ROA = Net Income / Total Asset

(Mubin, Iqbal, & Hussain, 2012)

Most of the researchers agreed that the accounting based measures are generally

used for short term or past financial performance of firms (Ahmadi, 2014). Thus, this study used the accounting based measurement which ROA ratio to evaluate the CFP. This ROA ratio is computed by contrasting the net income to total assets and it is a percentage expressed ratio and it indicate the performance of that particular firm's management in employing the total assets for generating the profits. The greater of the profits indicate that the management is more efficiently in applying its asset base.

3.2.3 Bank Size

There are several measurement of size available in CSP studies, such as total asset, sales, number of the employee and others. Out of these measurements, the size measurement of total asset, sales and number of the employee are highly relevant to CSP (Hossain et al., 2006). However, there are many studies (Scott, 1994; Neu et al., 1998; Cormier & Magnan, 1999; Leuz & Verrecchia, 2000; Debreceny et al., 2002; Cormier & Magnan, 2003;Hossain, et al., 2006) used the total asset as size measurement to evaluate the relationship between CSP, at the same time, the result is significant. Thus, this study use total asset as a method of measurement of the bank size.

Formula :

Bank Size = Total Asset

(Scott, 1994; Neu et al., 1998; Cormier & Magnan, 1999; Leuz & Verrecchia, 2000; Debreceny et al., 2002; Cormier & Magnan, 2003;Hossain, et al., 2006)

3.2.4 Leverage Level

According to the prior researches made by Cormier and Gordon (2001); Cormier and Magnan (2003), both of the studies using the relationship between long-term liabilities and total equity of specific firm to measure the leverage level of that particular company as a ratio result. The reason this study do not carry the measurement applied by Meckling (1976); Myers (1977); Wallace et al. (1994); Ahmed and Curtis (1999), is that the total debt over equity ratio had been widely tested. Furthermore, based on the outcome obtained by Roberts (1992) by using this measurement, the result is insignificant and unable to prove that the method is accurate. Besides, the long-term debt over equity ratio had been prove that is one of the most popular and usable method to evaluate the leverage level ratio (Cormier & Gordan, 2001; Cormier & Magnan, 2003). Thus, this study use the same method of measurement to evaluate the bank's leverage level performance .

Formula:

Leverage Level = Long-term Debt/ Total Equity

(Cormier & Gordan, 2001; Cormier & Magnan, 2003)

3.2.5 Bank Age

According to the researcher made by Delaney and Huselid (1996), they suggest a method by using year enter into market as a measurement of bank age. Based on the research of Rettab, et al. (2009) and study of Liu and Anbumozhi (2009), both of the researches also using year enter into market to test the bank age. Hence, this report use year enter into market as a measurement of bank age.

Formula:

Bank Age = Year enter into market

(Dalaney & Huselid, 1996; Rettab et al., 2009; Liu & Anbumozhi, 2009)

3.3 Sampling Design

3.3.1 Target Population

During this research, a panel secondary data was obtained to conduct the empirical test. These panel data obtained from 10 domestic banks operating in Malaysia are stated as below:

i) Affin Bank

ii) Alliance Bank

iii) AmBank

iv) Bank Islam Malaysia

v) Bank Mualamat Malaysia

vi) CIMB Bank

vii) Hong Leong Bank

viii) MayBank

ix) Public Bank

x) RHB Bank

3.4 Data Analysis

3.4.1 Panel Data Regression Model

This data as known as longitudinal or panel are referring to data to study about the behavior of entities with two or more than two time frame. The benefits of using panel data are providing informative data, more variability (more information for time series), less multicollinearity between X regressors, more degree of freedom, less error but efficiency and can add more independent variables. For panel data, generally there are 3 patterns of models involved which known as Fixed Effects Model (FEM), Random Effects Model (REM) and Pooled Panel regression. The two types of analyses make conceptually contrasting assumptions as either fixed or random.

The model specification of this research can be shown as follow:

$$CSPit = \alpha + \beta 1CFPit + \beta 2SIZEit + \beta 3LEVit + \beta 4AGEit + \varepsilon it$$

Table 3.4.1.1 Symbols and Measurements

Symbols	**Definition**	**Unit Measurement**
CSP	Corporate Social Performance	(Number of CSRness words / Total number of words in one document)

		x 100
α	Intercept	-
β_i (i = 1, 2, 3, 4)	Coefficient of each independent variables	-
CFP	Corporate Financial Performance	Net Income / Total Asset
SIZE	Bank Size	Total Asset
LEV	Leverage Level	Long-term Debt/ Total Equity
AGE	Bank Age	Year Enter into Market
ε_{it}	Error Term	-

3.4.2 Diagnostic Tests

The diagnostic tests such as VIF, Breusch-Pagan / Cook-Weisberg test, and Durbin-Watson test, are performed to reform the model to fulfill the Classical Linear Regression Model (CLRM) assumptions. The Classical Linear Regression Model (CLRM) assumptions are as below:

1. There is no relationship between independent variables (No multicollinearity)
2. The error term is constant across the number of observations (Homoscedasticity)
3. There is no relationship among the error term at the period t and the error term at

period before t (No autocorrelation problem)

4. There are no relationship between error term and independent variables.

   (Homoscedasticity and no autocorrelation problem).

5. The error term is normally distributed.

Best Linear Unbiased Estimator (BLUE) result will be obtained once all the CLRM assumptions are fulfilled. When BLUE result is achieved, the variance of errors will be achieved at optimal level and its estimators are efficient. Since BLUE results are achieved, the research result would not overestimate or underestimated. Therefore, the p-values obtained will be accurate and reliable

3.4.2.1 Multicollinearity

Multicollinearity problem exist when the independent variables in this model are highly correlated with one and another. Existing of multicollinearity problem might bring the consequences of increasing standard error of estimates of the β's and the accuracy of the models has been reduced. Variance Inflation Factor (VIF) is calculated to examine the seriousness of the multicollinearity problem among independent variables in this study. If the VIF obtained is equal or less than 1, indicates that there is no multicollinearity problem in this model. However, if VIF obtained is between figures 1 to 10, it indicates that no serious multicollinearity problem exist in this model. Thus, it is not required to solve multicollinearity problem if the VIF is less than 10 (Robert, 2007).

Formula:

$$VIF = \frac{1}{1 - R^2}$$

Table 3.4.2.1.1 Indications of VIF Value

VIF Value	Indication
1<VIF<10	No serious multicollinearity problem
VIF ⩾ 10	Serious multicollinearity problem
VIF = ∞ (Undefined)	Perfect multicollinearity problem

Source: Robert M. O'Brien (2007). A Caution Regarding Rules of Thumb for Variance Inflation Factors. *Quality & Quantity*, 41, 673-690

3.4.2.2 Heteroscedasticity

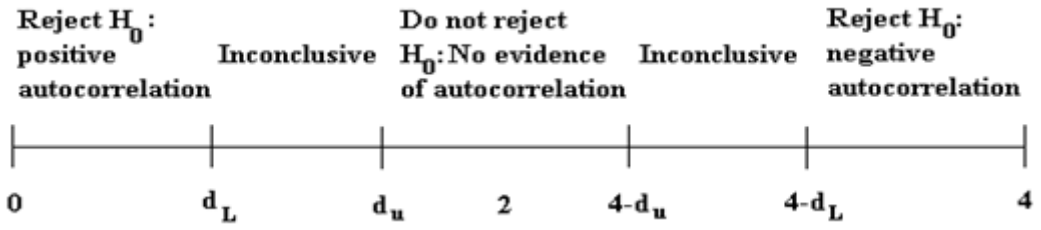
Heteroscedasticity is the econometric problem that exist when the variance of error term is not constant across the observations number. In this research, the heteroscedasticity problem is tested by using Breusch-Pagan / Cook-Weisberg test. If the p-value obtained is more than 10% significant level, it demonstrates no heteroscedasticity issue exist in this model. However, if the p-value obtained is less than 10% significant level, it indicates that this model consist of heteroscedasticity issue (Breusch & Pagan, 1979).

H_0	: There is no heteroscedasticity problem
H_1	: There is heteroscedasticity problem
Decision Rule	: Reject the H_0 if p-value is less than significant level. Otherwise, do not reject the H_0.
Decision Making	: Reject H_0 since the p-value is less than the significant level 0.10 (10%).
Conclusion	: There is sufficient evidence to conclude that the model consist of heteroscedasticity problem.

3.4.2.3 Autocorrelation

Autocorrelation issue occurred when error term for any observations is relating with the error term of other observations. This autocorrelation issue is most likely exist in the pure time series data while less likely to be existed in the pure cross-sectional data. Autocorrelation can be categorized into two kinds, which are pure autocorrelation and impure autocorrelation. Pure autocorrelation is autocorrelation that exists in a correctly specified regression meanwhile impure autocorrelation is caused by specification errors such as omitted variables. Autocorrelation test is carried out by using Durbin-Watson test. If the p-value obtained is between du and 4-du proved that there is no autocorrelation problem exists.

Table 3.4.2.3.1 Durbin-Watson Statistic Decision Rule



Source: Durbin J. & Watson G. S. (1951). Testing for Serial Correlation in Least Squares Regression. II. *Biometrika*, 38(1-2), 159-178

Durbin-Watson Test Statistic

H_0 : There is no autocorrelation problem

H_1 : There is autocorrelation problem

Decision Rule : Reject the H_0 if p-value is less than dL or more than 4-dL. Do not reject H_0 if p-value is between du and 4-du. Otherwise, indecision.

Decision Making : Reject H_0 since the p-value is less than the significant level 0.10 (10%).

Conclusion : There is sufficient evidence to conclude that the model consist autocorrelation problem.

3.4.2.4 Hausman Test

Hausman test is employed to determine the FEM and REM which one is the most appreciate model to be employed to the research. Null hypotheses will be stated as random effect to be consistent and efficient or vice versa. FEM consists of some omitted data that constant over period but differ among cases while REM consists of omitted data that may have constant over period but fixed among cases or vice versa. To determine the best model to be used, Hausman test will be conducted to run the hypothesis testing as below:

H_0 : Random effect model is better than fixed effect model

H_1 : Fixed effect model is better than random effect model

Decision rule : Reject null hypothesis if p-value of test stats is not more than the significant level (a=0.10), otherwise do not reject null hypothesis.

When H_0 is rejected, the REM is not the best model compared to FEM.

3.5 Conclusion

In this chapter, the progress of this research is explained which includes the data collection methods, research framework, variable specification, and data analysis. Next chapter 4 will provide discussion on hypothesis testing and diagnostic tests .Those diagnostic tests are carried out by using Eview 9.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

Referring to the earlier division, the research methodology (eg: configuration of the research, clarifications of data, methods involved for data collection, data analyses techniques and the treatment of econometric problems) of the study is discussed meticulously. For this chapter, all the related tests will be carried out so as to certify the trustworthiness of the data as well as to authenticate the hypothesis and the analysis of the outcomes will present in a systematized order then following by a conclusion.

4.1 Scale of Measurement

4.1.1 Multicollinearity Test

Multicollinearity would be an occurrence if there is a linear relationship between the independent variables in a model. Hence, in detecting purpose, selected common methods or tests were needed to conduct.

Initially, multicollinearity test was implemented to scrutinize the existence of relationship among the involved independent variables. In order to measure the strength of linear relationships among independent variables in a set, correlation matrix test is one of the ways. Result has been listed in the Table 4.1 after the correlation matrix test was performed on the model. The table shows the result of the strength of the correlation between four independent variables for all the independent variables.

Table 4.1.1.1 Correlation among the Independent Variables

Correlation				
	CFP	**SIZE**	**LEV**	**AGE**
CFP	1.000000	-0.406147	-0.399232	0.340006
SIZE	-0.406147	1.000000	0.517906	0.074611
LEV	-0.399232	0.517906	1.000000	0.071444

AGE	0.340006	0.074611	0.071444	1.000000

For a perfect model, the issue of multicollinearity must not shows in the model which take place when there are more than two independent variables are strongly interrelated with each other. This situation causes the problems of understanding and interpreting arise whether which independent variable contributes to the variance explained in the dependent variable, along with the practical concerns in computing a multiple regression model. As shown in the Table 4.1, the figures conclude that the strength between the independent variables involved is very weak which means that they are not highly correlated.

Among all the pairs within the four independents variables, the pair of size and leverage gets the highest figure in correlation, 0.517906 which considers moderate correlation. While the pair of age and size gets the lowest figure, 0.074611 which considers no correlation issue.

Table 4.1.1.2 Indication of Correlation

Positive Correlation	Indication	Negative Correlation
Between 0 and 0.2	Negligible or No Correlation	Between 0 and -0.2
Between 0.21 and 0.4	Weak Correlation	Between -0.21 and -0.4
Between 0.41 and 0.6	Moderate Correlation	Between -0.41 and -0.6
Between 0.61 and 0.8	Strong Correlation	Between -0.61 and -

		0.8
Between 0.81 and 1	Very Strong Correlation	Between -0.81 and -1

Source: Donald & Robert (1967). Multicollinearity in Regression Analysis: The Problem Revisited. *The Review of Economics and Statistics*, 49(1), 92-107

Since all the relationships among the independent variables are weakly correlated which are less than the positive or negative 0.6, therefore the possibilities for the model to suffer from the issue of multicollinearity are low.

Moreover, the variance inflation factor (VIF) can also be used as a pointer of the significance of multicollinearity problem in a model by measure the amount of variance of the estimated regression coefficients are overblown by comparing to when the predictor variables are not linearly related. It is also used in defining the seriousness of the multicollinearity occurs in the regression analysis. Multicollinearity is precarious because it can boost up the variance of the regression coefficients, make it difficult to interpret as well as making them unstable.

$$Formula: \quad VIF\varepsilon = \frac{1}{1-R\varepsilon^2}$$

Table 4.1.1.4 Figures of VIF among the Independent Variables

Variable	VIF	Indication
CFP	1.15	No serious multicollinearity problem
SIZE	1.26	No serious multicollinearity problem
LEV	1.12	No serious multicollinearity problem
AGE	1.04	No serious multicollinearity problem
Mean VIF	1.14	No serious multicollinearity problem

Based on the result above, it shows that the model having a mean value, 1.14 for the VIF calculation. This figure can determine that no serious multicollinearity problem exists in the model. Thus, there is adequate confirmation to prove that the model does not contain any serious multicollinearity problem.

4.1.2 Heteroscedasticity Test

The Breusch-Pagan/Cook-Weisberg test is aimed to identify any linear form of heteroscedasticity (Williams, 2015). After detecting for the multicollinearity problem that has been performed in the previous part, next it is a heteroscedasticity test where it is testing for the constant variance of error term.

Table 4.1.2.1 Result of Breusch-Pagan LM Test

Test	Statistics	df	P-value

Breusch-Pagan LM	118.8122	45	0.0000

Since the p-value is 0.000 which is less than the significant level 0.10 (10%). Thus, there is sufficient evidence to conclude that the model consists of the heteroscedasticity problem.

4.1.3 Autocorrelation Test

Autocorrelation problem happened when the error term of one observation is related to the error term of other observation and the Autocorrelation problem are mostly happen in time series data. The time series data is the correlation between the variable of some observations by using different time series.

Table 4.1.3.1 Result of Durbin-Watson Stat

Durbin-Watson stat	1.530457

According to the Durbin-Watson test table, the value of Durbin-Watson statistics is 1.530457 which means is more than 0 and less than 2, which means this is a positive autocorrelation. Thus, there are sufficient evidence to conclude that the model consists of the positive autocorrelation problem.

4.1.4 Hausman Test

This research is studying about how the corporate financial performance influence the corporate social performance of domestic banks in Malaysia during the period from 2007 to 2015, and a panel-data sample had been used for testing the performance of domestic over the time span.

A Hausman test is a statistic test that used to determine which of the models - Fixed Effect Model (FEM) or Random Effect Model (REM) is more prefered to this panel-data sample.

Table 4.1.4.1 Result of Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.285150	4	0.1788

Since the p-value is 0.1788 which is more than the significant level 0.10 (10%). Therefore, there is sufficient evidence to conclude that the model is considering as a Random Effect Model (REM).

4.1.5 Cluster Robust Standard Error

Since the model involved the issues of heteroscedasticity and autocorrelation, thus, in order to solve these issues, particular method is needed. In this case, the model been transformed into Robust Least Square. After performing this method, the model will become efficient, consistent and unbiased. At last, the variance of errors is attained at the acceptable or optimal level (Mitchell, 2009).

Table 4.1.5.1 Cluster Robust Standard Error for Panel Data Regression Model

Variables	**Cluster Robust Standard Error**
Constant (C)	2.700759
Corporate Financial Performance (CFP)	0.183250
Bank Size (SIZE)	0.108086
Leverage Level (LEV)	0.250776
Bank Age (AGE)	0.266433

4.2 Inferential Analysis

Table 4.2.1 Result of the Fixed Effect Model

Independent Variables	Coefficient Value	Sign	P-Value
Corporate Financial Performance (CFP)	0.550321	Positive; Significant	0.0155**
Bank Size (SIZE)	-4.24000014	Negative; Insignificant	0.2394
Leverage Level (LEV)	-0.005642	Negative; Insignificant	0.4908
Bank Age (AGE)	0.002177	Positive; Significant	0.0091*

*significant at 1% (strong effect); **significant at 5% (effect); ***significant at 10% (weak effect)

CSP = - 0.078191 + 0.550321 CFP - 4.24000014 SIZE - 0.005642 LEV + 0.002177 AGE

(*Model 4.2.1*)

In the Model 4.2.1, panel data regression model is used to examine the selected data. According to Greene (2010), when there is a cross-sectional data which known as the data has observation across time for various different units, Panel Data Regression Model is one of the models that usually carried out on those data. The relevant data are gathered from targeted financial institutions annual reports for 9 years, starting from 2007 until 2015.

According to the figures in Table 4.2.1, it shown that corporate financial performance and bank age are significant at 5% which implies that they are significantly affect the bank's corporate social performance. However, it also verified on the bank size and leverage level which do not have any effect on the bank's corporate social performance.

4.2.1 Corporate Financial Performance

Based on the result, the return of assets is positively related with the corporate social performance of banks in Malaysia and it shows that return of assets will bring effects to corporate social performance of banks. By increased one unit of CFP, the CSP will increased by 0.550321. Furthermore, the p-value of CFP is 0.0155 which less than 5% significant level. Thus, there is sufficient evidence to conclude that there is significant relationship between corporate financial performance and corporate social performance on domestic banks in Malaysia.

4.2.2 Bank Size

According to the result, the bank size has a negative relationship. However, the p-value of bank size is 0.2394 which is more than 10% significant level. Thus, there is not sufficient evidence to conclude that there is significant relationship between bank size and corporate social performance on domestic banks in Malaysia.

4.2.3 Leverage Level

Based on the outcome, the leverage level is negative. However, the p-value of leverage level is 0.4908 which is more than 10% significant level. Thus, there is not sufficient evidence to conclude that there is significant relationship between leverage level and corporate social performance on domestic banks in Malaysia.

4.2.4 Bank Age

To assess the effect of bank age on corporate social performance, the Fixed Effect Model (FEM) was run. From the result, it shows that bank age has the positive relationship influence on corporate social performance which means that those banks have the longer number of year in Malaysia lead to strong effect on corporate social responsibility. By increased one unit of bank age, the CSP will increased by 0.002177. Furthermore, the p-value of bank size is 0.0091 which is less than 1% significant level. Thus, there is sufficient evidence to conclude that there is significant relationship between bank age and CSP on domestic banks in Malaysia.

4.3 Conclusion

In summary, the result found out the bank size and leverage level are the independent variable that was insignificant in explaining the banks' corporate social performance. On the other hand, the bank's corporate financial performance and bank age are significant and positively correlated with the banks' corporate social performance. All the findings are consistent with the previous researchers excluding the relationship between bank size and banks' corporate social performance. In the coming chapter, discussion on the limitations of this research and recommendations for the future researchers will be carried out.

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATION

5.0 Introduction

This chapter including the integrated conclusion about this whole study. Besides, it also involves the interpretation of statistical analysis which was demonstrated and deliberated in previous chapter. Furthermore, this chapter also shows the implication and major findings of this study. The chapter followed by recommendation for future researchers and lastly ends with a conclusion that summarizes the research.

5.1 Summary of Statistical Analysis

Independent Variables	Sign	P-Value	Hypothesis Decision
Corporate Financial Performance (CFP)	Positive; Significant	0.0155**	Reject $H1_0$
Bank Size (SIZE)	Negative; Insignificant	0.2394	Do Not Reject $H2_0$
Leverage Level (LEV)	Negative;	0.4908	Do Not Reject

	Insignificant		$H3_0$
Bank Age (AGE)	Positive; Significant	0.0091*	Reject $H4_0$

*significant at 1% (strong effect); **significant at 5% (effect); ***significant at 10% (weak effect)

5.2 Discussion of Major Finding

5.2.1 The relationship between CFP and CSP

Based on the result shown previously, there is a positive relationship between corporate financial performance and corporate social performance. This result have been supported by few researchers. According to the result provided by Orlitzky et al. (2003), CSP has a positive relationship with the CFP. Besides, various of the prior studies came out with a outcome of there is a positive relationship between a firm's CSP and its financial performance (Mills & Gardner, 1984; Cochran & Wood, 1984; Cormier & Magnan, 1999, 2003; Cormier et al., 2004). Hence, it shows a same result with this report. Furthermore, the relationship shows that meeting of expectations and demands of very diverse stakeholders, shareholders, customers, employees, suppliers and etc which contributes to improve the performance of the company (Perrini et al., 2011). The positive results indicates that high levels of corporate social responsibility lead to an improvement in financial performance which able to make it possible to reinvest in socially responsible actions.

5.2.2 The relationship between Bank Size and CSP

According to the result shown previously, there is a negative and insignificant relationship between bank size and corporate social performance. The result shows that when bank size increase, the corporate social performance will decrease. It means the bank size is large but less involved in CSP activities. This finding can be supported by Udayasankar (2008) which found that is U-shape relationship between size and corporate social performance. It means the large size of firms and small size of firms are involved more in corporate social performance activities while the medium size of firms are less involved in corporate social performance activities, so the result will show U-shape.

5.2.3 The relationship between Leverage Level and CSP

According to the outcome that shown in the previous chapter, there is a negative and insignificant relationship between the leverage level and corporate social performance. This result is supported by Hu et al. (2016). This result also agreed by Cormier and Magnan (2003) stated that leverage level is negatively and significantly influence the corporate social performance. When there is an increase over the leverage level, the corporate social performance of particular firm will be reduced as the higher borrowing costs will obstructed the portion of compensation toward the society become lesser. Moreover, according to Cormier and Gordon (2001), higher portion of debts will affect the whole business

development, not only profit, but also the compensation of that particular firm over the society welfare.

5.2.4 The relationship between Bank Age and CSP

Based on the result from the table, there is a positive relationship between bank age and corporate social performance. Due to the younger banks might facing firm rivalry may causes them do not have the ability to put much effort and money connected to CSR disclosures. Hence, result prove that longer age of bank have better result in CSR activities. This finding have been supported by study in Kenyan, commercial banks found that bank age has a positive and significant effect in voluntary CSR (Okwoma, 2010).

5.3 Implication of Study

According to the outcomes of this research, during this section, it will recommend and suggested the beneficial implications for policy makers and management of banks. The existing of implications is to offer recommendation on certain policies and appropriate strategies, so that government and banks can enhance the corporate social performance of domestic banks by managing the factors which are corporate financial performance, bank size, leverage level and bank age.

5.3.1 Corporate Financial Performance

According to the outcomes of this study, corporate financial performance is positively affecting corporate social performance of domestic banks. To achieve a better CSP, domestic banks should improve their CFP. There are several ways to improve the CFP, one of them is increased the profit directly, either through sales boosting or cost cutting, which are more based on price competition. Beside of this, domestic banks can also go for non-price competition such as promotion to improve their CFP as well (Moore, 2001).

Furthermore, in order to improve the CFP lead to an increase over CSP, Bank Negara Malaysia can intevent into the banking activities of domestic banks. For example, by adjusting the capital reserve requirement can indirectly provide domestic banks much more usage of cash flow, to compensate over the social welfare, which consists with the slack resources theory (Miles et al., 1997; Miles & Russel, 1997; Miles & Covin, 2000).

5.3.2 Bank Size

Based on the outcomes of this study, the bank size is negatively but insignificantly affecting the corporate social performance of domestic banks. On the other words, the changes in bank size of domestic banks would not influence the CSP. Thus, management of domestic banks and policy makers are not encourage to concern over the amount and direction of bank size in order to improve their CSP.

5.3.3 Leverage Level

According to the results of this study, the leverage level is negatively but insignificantly affecting the corporate social performance of domestic banks. Similar with the outcomes of bank size in this study, the changes in leverage level of domestic banks will not affect the CSP. Therefore, the management of domestic banks and policy makers are not recommended to focus on the amount and direction of leverage level in order to enhance their CSP.

5.3.4 Bank Age

The result in this report indicates that bank age have positive relationship and strong effect on the corporate social performance which supported the hypothesis by p-value < 0.10 level. From time to time, the domestic banks will contribute more and more to the society. It assists the policy makers to identify the actual situation of domestic banks. The policy makers should concern about the movement of domestic banks toward the society contribution. If the domestic banks' CSP become lower when they getting older, there might be affected by other factors. Thus, the policy makers can further identify and assists them if needed.

5.4 Limitation of Study

This research has been subject to few limitations.

Firstly, there are four independent variables had been chosen in this study, which are corporate financial performance, bank size, leverage level and bank age. These independent variables are classify into bank-specific factors. On the other words, the view of this study are more in a specific and narrow way which just look deep into how the domestic banks' performance can influence itself.

Second, the data of all the variables in this study were collected based on the particular domestic banks' annual reports. However, this data collection method might caused to a data inaccurate issue. Since the annual reports are published by the particular domestic banks itself, the informations inside the annual report can be manipulated and rearrange by them before published to the public as well.

The last limitation is the scope of study. Every country is distinctive and different countries have different regulations, political background, culture, and economy policy. Since this study is based on 10 domestic banks in Malaysia, thus the implications and findings are only useful and meaningful to Malaysia's government, domestic banks, and future researcher. For other countries' researcher, they only can use this research as a reference because the findings and implications might not be applicable in other countries.

5.5 Recommendation of Study

For further research regarding this report, there are several recommendations can be made.

Future researcher should take note on other variables that might affect the CSR performance. According to Roitto (2013), they stated that media exposure have positive relationship towards banks corporate social responsibility. The visibility of a company rises as its media coverage or exposure is heightened. Today, the media is more than ever an image shaper that actively affect a bank's processes through positive or negative announcements. Gender also have positive relationship towards banks corporate social responsibility which can be explained that having more female managers and board members can bring a higher levels of CSR (Babcock, 2012; Grosser & Moon, 2005; Soares et al., 2011). Most of the bank have to encourage female leadership have higher level of philanthropy and engage in better quality initiatives. Therefore, future researchers are suggested to include this variable or other relevant variables into the model if the data are available.

Second, future researchers are suggested to apply a different data collection method, in order to improve the accuracy of the outcomes of study. For example, survey methodology. Survey methodology studies the sampling of individual units from a population and the associated survey data collection techniques, such as questionnaire construction and methods for improving the number and accuracy of

responses to surveys. Survey methodology includes instruments or procedures that ask one or more questions that may, or may not, be answered (Rikard, 1993).

In addition, future researchers are recommended to study against the whole banking industry CSP not only domestic banks, but also foreign banks as well, to explore the whole industry compensation over social welfare (Eric, 1998). Besides, a comparison of CSP between different business lines can also be suggested for studying, For example, how is the CSP among commercial banking line and islamic banking line. Furthermore, future researchers are also encouraged to study the movement of CSP based on the comparison between different countries such as Malaysia and Singapore, or the comparison among developing and developed countries, to extend the perspective of CSP to a wider field (Richard, 2004).

5.6 Conclusion

The purpose of this research project is to investigate how the corporate financial performance affects the corporate social performance of domestic banks in Malaysia during 2007 to 2015. In this research, corporate financial performance, bank size, leverage level and bank age are employed to measure domestic banks' corporate social performance. Panel data regression model are involved in this research by using Eviews 9 for data analysing. Data analysis result shows that corporate financial performance and bank age contributes significant relationship on domestic banks' corporate social performance, however, bank size and leverage level are found to be insignificant.

Future researchers are recommended to have wider coverage of data collection method, target samples, and comparative analysis between local and foreign banks should be carried out.

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APPENDICES

Appendix 1 Raw data of dependent and independent variables for ten local banks in Malaysia from 2007 to 2015

Bank(s)	Year	CSP	ROA	SIZE	LVN	AGE
Affin Bank	2007	0.0017896454	0.0288976412	36,813,000,000	0.5329484836	33
Affin Bank	2008	0.0017564553	0.0282555438	36,836,000,000	0.6154889385	34
Affin Bank	2009	0.0016584791	0.0275961334	35,598,637,000	0.6899713368	35
Affin Bank	2010	0.0028546612	0.0336584917	42,063,921,000	0.4648351899	36
Affin Bank	2011	0.0023457995	0.0374467911	49,248,203,000	0.4367866014	37
Affin Bank	2012	0.0022311586	0.0352617453	52,104,980,000	0.4386510835	38
Affin Bank	2013	0.0026394578	0.0435452269	56,437,113,000	0.3399618298	39
Affin Bank	2014	0.0023596641	0.0394775801	48,333,687,000	0.3924900181	40
Affin Bank	2015	0.0023369986	0.0415965012	48,733,392,000	0.3630315746	41
Alliance Bank	2007	0.027654871	0.03493747632	2,639,000,000	0.8913082937	50
Alliance Bank	2008	0.036902182	0.03678410117	2,767,500,000	0.8767593745	51
Alliance Bank	2009	0.036027802	0.03321403905	3,185,400,000	0.8391972205	52
Alliance Bank	2010	0.038044584	0.03363441132	3,166,400,000	0.9465579106	53
Alliance Bank	2011	0.019691426	0.03129851408	3,607,200,000	0.72021803	54
Alliance Bank	2012	0.020085478	0.03156326541	3,960,300,000	0.4239423308	55
Alliance Bank	2013	0.019993426	0.03050901767	4,369,200,000	0.4070582917	56
Alliance Bank	2014	0.021469059	0.02806032241	4,807,500,000	0.3869989938	57
Alliance Bank	2015	0.02597613	0.0260246133	5,314,200,000	0.5672450365	58
AmBank	2007	0.028837747	0.0404566123	78,622,673,000	2.09378801	33
AmBank	2008	0.025763646	0.0402890759	83,191,707,000	1.799244687	34
AmBank	2009	0.047893769	0.0363874866	89,892,900,000	1.48067112	35
AmBank	2010	0.039846822	0.0252232447	96,480,300,000	1.812050242	36
AmBank	2011	0.037836785	0.00389657064	108,236,200,000	1.892408358	37

			8			
AmBank	2012	0.034239353	0.003808796806	112,922,800,000	1.758543586	38
AmBank	2013	0.023256218	0.007594440926	127,572,261,000	1.96807084	39
AmBank	2014	0.026376389	0.004431047611	132,353,257,000	1.761360496	40
AmBank	2015	0.013943464	0.009886840005	133,803,824,000	1.538920133	41
Bank Islam Malaysia	2007	0.002389727	0.0329788353	19,088,303,000	0.1426157208	25
Bank Islam Malaysia	2008	0.001997895	0.0323422344	23,556,443,000	0.2693252352	26
Bank Islam Malaysia	2009	0.001823746	0.025525395	27,488,507,000	0.2444152096	27
Bank Islam Malaysia	2010	0.001604973	0.0305859831	30,386,052,000	0.2735214016	28
Bank Islam Malaysia	2011	0.001682335	0.0337446648	32,186,451,000	0.3021063876	29
Bank Islam Malaysia	2012	0.002723983	0.0344552631	37,422,991,000	0.4096614045	30
Bank Islam Malaysia	2013	0.003237895	0.0358983538	42,811,371,000	0.528469852	31
Bank Islam Malaysia	2014	0.004234876	0.0389857378	45,820,682,000	0.469341134	32
Bank Islam Malaysia	2015	0.05226757	0.0405638933	49,763,719,000	0.4043557356	33
Bank Mualamat Malaysia	2007	0.015552364	0.003486907293	13,805,357,000	0.904809373	9
Bank Mualamat Malaysia	2008	0.017723456	0.002219028249	14,398,645,000	1.421194584	10
Bank Mualamat Malaysia	2009	0.019456523	0.001618243323	15,906,137,000	0.586127194	11
Bank Mualamat Malaysia	2010	0.021411483	0.005913171378	16,714,212,000	0.347095171	12

Bank Mualamat Malaysia	2011	0.030551148	0.007297000034	18,305,742,000	0.556434778	13
Bank Mualamat Malaysia	2012	0.013889916	0.004151947075	20,468,469,000	0.612354254	14
Bank Mualamat Malaysia	2013	0.016914659	0.00796796379	21,076,401,000	0.450395647	15
Bank Mualamat Malaysia	2014	0.073827751	0.00755489692	20,061,690,000	0.335598106	16
Bank Mualamat Malaysia	2015	0.064192206	0.001457659158	22,676,769,000	0.309951263	17
CIMB Bank	2007	0.054278863	0.052361811	13,508,512,000	0.371242397	84
CIMB Bank	2008	0.059787845	0.057307564	14,287,857,000	0.273848523	85
CIMB Bank	2009	0.066521985	0.062951967	14,315,200,000	0.276406716	86
CIMB Bank	2010	0.074994381	0.071859406	16,754,508,000	0.294269427	87
CIMB Bank	2011	0.087794796	0.075221785	18,380,429,000	0.417893537	88
CIMB Bank	2012	0.085023413	0.080704823	19,159,301,000	0.451139977	89
CIMB Bank	2013	0.089927683	0.081785291	20,896,369,000	0.400198206	90
CIMB Bank	2014	0.097192918	0.091943411	26,145,541,000	0.327547707	91
CIMB Bank	2015	0.103363512	0.093992924	29,515,360,000	0.416080558	92
Hong Leong Bank	2007	0.025886038	0.008672872755	71,423,739,000	1.058666063	103
Hong Leong Bank	2008	0.030478585	0.009577194158	77,461,205,000	0.663800119	104
Hong Leong Bank	2009	0.030443114	0.01140304	79,331,915,000	0.630131081	105
Hong Leong Bank	2010	0.029898027	0.011663636	84,705,573,000	0.730454265	106
Hong Leong Bank	2011	0.019258824	0.007817558404	145,498,881,000	1.661729612	107
Hong Leong Bank	2012	0.018867008	0.010445431	157,787,262,000	1.180597674	108
Hong Leong Bank	2013	0.020724204	0.011347397	163,585,697,000	1.177057496	109
Hong Leong	2014	0.019723085	0.012340828	170,350,803,000	1.270252367	110

Bank						
Hong Leong Bank	2015	0.020410009	0.012135584	184,019,735,000	1.182742499	111
Public Bank	2007	0.04192367401	0.0126426668	174,155,187,000	0.7073174388	42
Public Bank	2008	0.03570590247	0.01336979238	196,163,106,000	0.7378546041	43
Public Bank	2009	0.04739589966	0.0117508759	217,136,154,000	0.7254289339	44
Public Bank	2010	0.05345212874	0.01344257396	226,328,976,000	0.6921241427	45
Public Bank	2011	0.0621371091	0.01416275647	249,410,982,000	0.6309088675	46
Public Bank	2012	0.06505917812	0.01427790889	274,624,879,000	0.5360908704	47
Public Bank	2013	0.07131675166	0.01412987621	305,725,396,000	0.4937203015	48
Public Bank	2014	0.07131675166	0.01344262988	345,721,934,000	0.3987588339	49
Public Bank	2015	0.07517030515	0.01535663226	363,758,206,000	0.3659163521	50
Maybank	2007	0.030819218	0.0126734933	256,667,276,000	1.293846955	48
Maybank	2008	0.023158608	0.0011498805	269,100,700,000	1.859107977	49
Maybank	2009	0.019386481	0.0024158979	310,739,123,000	1.691661476	50
Maybank	2010	0.024509843	0.0117863165	336,699,766,000	1.669885582	51
Maybank	2011	0.020326845	0.0112141292	451,594,837,000	1.97745214	52
Maybank	2012	0.016842603	0.0119590885	494,866,293,000	1.658685079	53
Maybank	2013	0.014613026	0.0120821034	560,318,784,000	1.569892247	54
Maybank	2014	0.014152382	0.010793446	640,299,956,000	1.525066952	55
Maybank	2015	0.012536084	0.0098629805	708,344,503,000	2.184769072	56
RHB Bank	2007	0.02852992308	0.007817702623	105154294000	0.7910249494	25
RHB Bank	2008	0.02772903328	0.01004235332	104532769000	0.7236752226	26
RHB Bank	2009	0.05765129212	0.01051406237	114951382000	0.7622089563	27
RHB Bank	2010	0.02472352191	0.01121793503	129325495000	0.7955016409	28
RHB Bank	2011	0.01651366892	0.01037736509	152393694000	0.6747624321	29
RHB Bank	2012	0.01776036453	0.009524429829	189077565000	0.3929278665	30
RHB Bank	2013	0.05055306164	0.009543036724	191089907000	0.5772864663	31
RHB Bank	2014	0.1249957606	0.01040048262	219354436000	0.658370561	32

RHB Bank	2015	0.04264852675	0.008819315948	230717667000	0.5364546937	33

Appendix 2 Result of Fixed Effect Model

Dependent Variable: CSP
Method: Panel Least Squares
Date: 02/21/17 Time: 21:12
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.078191	0.039548	-1.977103	0.0517
CFP	0.550321	0.222249	2.476143	0.0155
SIZE	-4.24E-14	3.57E-14	-1.185669	0.2394
LEV	-0.005642	0.008149	-0.692360	0.4908
AGE	0.002177	0.000813	2.678241	0.0091

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.736891	Mean dependent var	0.032387
Adjusted R-squared	0.691885	S.D. dependent var	0.026902
S.E. of regression	0.014933	Akaike info criterion	-5.428464
Sum squared resid	0.016947	Schwarz criterion	-5.039604
Log likelihood	258.2809	Hannan-Quinn criter.	-5.271653
F-statistic	16.37335	Durbin-Watson stat	1.530457
Prob(F-statistic)	0.000000		

Appendix 3 Result of Correlation Among Independent Variables

Correlation				
	CFP	SIZE	LEV	AGE
CFP	1.000000	-0.406147	-0.399232	0.340006
SIZE	-0.406147	1.000000	0.517906	0.074611
LEV	-0.399232	0.517906	1.000000	0.071444
AGE	0.340006	0.074611	0.071444	1.000000

Appendix 4 Result of Variance Inflation Factor (VIF) Among Independent Variables

Dependent Variable: CFP
Method: Panel Least Squares
Date: 02/27/17 Time: 12:44
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.023724	0.004541	5.224104	0.0000
SIZE	-4.25E-14	1.47E-14	-2.889361	0.0049
LEV	-0.010703	0.003930	-2.723302	0.0078
AGE	0.000295	6.71E-05	4.400119	0.0000

R-squared	0.358199	Mean dependent var	0.024209
Adjusted R-squared	0.335810	S.D. dependent var	0.021143
S.E. of regression	0.017231	Akaike info criterion	-5.240771
Sum squared resid	0.025534	Schwarz criterion	-5.129669
Log likelihood	239.8347	Hannan-Quinn criter.	-5.195968
F-statistic	15.99927	Durbin-Watson stat	0.075746
Prob(F-statistic)	0.000000		

Dependent Variable: SIZE
Method: Panel Least Squares
Date: 02/27/17 Time: 12:41
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.80E+10	3.61E+10	1.327661	0.1878
CFP	-2.08E+12	7.21E+11	-2.889361	0.0049
LEV	1.03E+11	2.64E+10	3.906966	0.0002
AGE	7.98E+08	5.13E+08	1.556579	0.1232

R-squared	0.334274	Mean dependent var	1.22E+11
Adjusted R-squared	0.311051	S.D. dependent var	1.45E+11
S.E. of regression	1.21E+11	Akaike info criterion	53.91392
Sum squared resid	1.25E+24	Schwarz criterion	54.02503
Log likelihood	-2422.127	Hannan-Quinn criter.	53.95873
F-statistic	14.39407	Durbin-Watson stat	0.078299
Prob(F-statistic)	0.000000		

Dependent Variable: LEV
Method: Panel Least Squares
Date: 02/27/17 Time: 12:45
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.690583	0.115250	5.992026	0.0000
CFP	-7.417669	2.723778	-2.723302	0.0078
SIZE	1.46E-12	3.74E-13	3.906966	0.0002
AGE	0.002795	0.001932	1.446503	0.1517

R-squared	0.327319	Mean dependent var	0.826900
Adjusted R-squared	0.303853	S.D. dependent var	0.543684
S.E. of regression	0.453625	Akaike info criterion	1.300335
Sum squared resid	17.69671	Schwarz criterion	1.411438
Log likelihood	-54.51508	Hannan-Quinn criter.	1.345138
F-statistic	13.94886	Durbin-Watson stat	0.253516
Prob(F-statistic)	0.000000		

Dependent Variable: AGE
Method: Panel Least Squares
Date: 02/27/17 Time: 12:48
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.91113	7.152453	3.203255	0.0019
CFP	622.3511	141.4396	4.400119	0.0000
SIZE	3.43E-11	2.20E-11	1.556579	0.1232
LEV	8.499198	5.875687	1.446503	0.1517

R-squared	0.189503	Mean dependent var	49.20000
Adjusted R-squared	0.161230	S.D. dependent var	27.31514
S.E. of regression	25.01640	Akaike info criterion	9.320367
Sum squared resid	53820.56	Schwarz criterion	9.431470
Log likelihood	-415.4165	Hannan-Quinn criter.	9.365170
F-statistic	6.702583	Durbin-Watson stat	0.016397
Prob(F-statistic)	0.000405		

Appendix 5 Result of Breusch-Pagan LM Test

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 9
Cross-sections included: 10
Total panel observations: 90
Cross-section effects were removed during estimation

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	118.8122	45	0.0000
Pesaran scaled LM	7.780490		0.0000
Bias-corrected scaled LM	7.155490		0.0000
Pesaran CD	-0.778826		0.4361

Appendix 6 Result of Durbin-Watson Test

Dependent Variable: CSP
Method: Panel Least Squares
Date: 02/21/17 Time: 21:12
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.078191	0.039548	-1.977103	0.0517
CFP	0.550321	0.222249	2.476143	0.0155
SIZE	-4.24E-14	3.57E-14	-1.185669	0.2394
LEV	-0.005642	0.008149	-0.692360	0.4908
AGE	0.002177	0.000813	2.678241	0.0091

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.736891	Mean dependent var	0.032387
Adjusted R-squared	0.691885	S.D. dependent var	0.026902
S.E. of regression	0.014933	Akaike info criterion	-5.428464
Sum squared resid	0.016947	Schwarz criterion	-5.039604
Log likelihood	258.2809	Hannan-Quinn criter.	-5.271653
F-statistic	16.37335	Durbin-Watson stat	1.530457
Prob(F-statistic)	0.000000		

Appendix 7 Result of Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.285150	4	0.1788

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
CFP	0.550321	0.524282	0.008856	0.7820
SIZE	-0.000000	0.000000	0.000000	0.0146
LEV	-0.005642	-0.010012	0.000015	0.2570
AGE	0.002177	0.000392	0.000001	0.0182

Cross-section random effects test equation:
Dependent Variable: CSP
Method: Panel Least Squares
Date: 02/21/17 Time: 21:18
Sample: 2007 2015
Periods included: 9
Cross-sections included: 10
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.078191	0.039548	-1.977103	0.0517
CFP	0.550321	0.222249	2.476143	0.0155
SIZE	-4.24E-14	3.57E-14	-1.185669	0.2394
LEV	-0.005642	0.008149	-0.692360	0.4908
AGE	0.002177	0.000813	2.678241	0.0091

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.736891	Mean dependent var	0.032387
Adjusted R-squared	0.691885	S.D. dependent var	0.026902
S.E. of regression	0.014933	Akaike info criterion	-5.428464
Sum squared resid	0.016947	Schwarz criterion	-5.039604
Log likelihood	258.2809	Hannan-Quinn criter.	-5.271653
F-statistic	16.37335	Durbin-Watson stat	1.530457
Prob(F-statistic)	0.000000		

Appendix 8 Result of Cluster Robust Standard Error

Dependent Variable: LOG(CSP)
Method: Robust Least Squares
Date: 02/28/17 Time: 17:33
Sample: 2007 2015
Included observations: 90
Method: M-estimation
M settings: weight=Bisquare, tuning=4.685, scale=MAD (median centered)
Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-6.334250	2.700759	-2.345359	0.0190
LOG(CFP)	-0.368078	0.183250	-2.008616	0.0446
LOG(SIZE)	-0.081055	0.108086	-0.749915	0.4533
LOG(LEV)	0.034071	0.250776	0.135862	0.8919
LOG(AGE)	0.788998	0.266433	2.961342	0.0031

Robust Statistics

R-squared	0.114959	Adjusted R-squared	0.073310
Rw-squared	0.140152	Adjust Rw-squared	0.140152
Akaike info criterion	68.88606	Schwarz criterion	84.54736
Deviance	98.46962	Scale	1.259755
Rn-squared statistic	11.13577	Prob(Rn-squared stat.)	0.025080

Non-robust Statistics

Mean dependent var	-3.917797	S.D. dependent var	1.185942
S.E. of regression	1.116477	Sum squared resid	105.9544