

**Impact of Gender Diversity of Board on Corporate Social
Responsibility of Firm: A case of Pakistan**

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MASTER OF SCIENCE IN MANAGEMENT SCIENCES

(FINANCE)



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**Corporate Social Responsibility and Gender Diversity: Evidence from
Pakistan**

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Dedication

This thesis is dedicated to my great father, beloved mother, my only brothers, teachers and all those friends who have supported me since the beginning of this thesis. I would particularly dedicate this thesis to my supervisor Mr. Muhammad Bilal Saeed for his guidance, support.

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Abstract

This study intends to investigate the relationship between corporate social responsibility and gender diversity. The study uses corporate social responsibility index to gauge the firm's corporate social responsibility. For this purpose a sample of 80 non financial firms for the period of nine years i.e. 2006 to 2014 has been considered. Panel data estimation models have been employed for the purpose of analysis. The results reveal that the gender diversity has negative and insignificant impact on the corporate social responsibility, in case of Pakistan.

Keywords: Corporate social responsibility disclosure, Gender diversity, CEO duality, audit committee independence, board size, board independence.

CHAPTER 1

INTRODUCTION

This chapter defines corporate social responsibility, then background of the study, problem statement, and theoretical framework, significance of the study, research questions and objectives, scope of the study, organization of the study.

According to McWilliams *et al.* (2006) describe CSR as “situations where the firm goes beyond compliance and engage in voluntary actions for the society, beyond the benefits of the company and which is required by law”. The performance of organizations should not be assessed only on a profit basis but also on non-economic criteria (Lantos, 2001).

However, the most commonly used definition of Corporate Social Responsibility is that given by the Commission of the European Communities in 2001. According to the Commission, Corporate social duty is the incorporation of social and natural concerns by organizations in their business operations and in their cooperation with their partners on a voluntary basis.

1.1. Background of the Study

The evolving challenge in contemporary business firms is the need to reconfigure their performance indices to incorporate societal and environmental concerns as part of the overall objective of business. Like in the late 10 years there has been a steady move from forceful activism to positive responsibility among affiliations and their accomplices.

Association's remaining in public, addresses the general picture of a firm or affiliation now and again will be in future. There are different firms with different ways of presentations which add to association's standing, among others the after effect of the bookkeeping estimation of profit and risk variables, market share, media visibility, stock

ownership, dividend allowances, firm size, and social concern (Fombrun and Shanley, 1990). An organization may increase numerous advantages from the positive reputation it possesses, for example, increasing organization's attractiveness to prospective employees, expanding work fulfillment and decreasing the slant to move to different organizations (Bear et al., 2010); enhancing organization's picture, building company's picture when advancing and promoting new items (Dowling, 2006), and emphatically impacting organization's monetary execution, institutional investment, and share price (Bear et al., 2010).

Other than through firm reputation, an organization can likewise build a positive reputation by satisfying its duty in the protection of environment and social equity/justice (Marshall, 2007). Activities which demonstrate corporate social obligation (CSR) can fortify an organization's reputation. Branco and Rondrigues (2006) expressed that CSR empowered an organization to bring its reputation up in the impression of broad partners which included clients, providers, competitors, banks and investors. If a CSR program was well communicated to the public, the program could raise the organization's reputation and credibility (Carter et al., 2002).

In Europe, business organizations and their stakeholders are taking collaborative actions for debating and creating CSR policies and strategies to achieve a competitive advantage at a national stage and to move towards the next wave of responsible competitiveness which is innovation, sustainability and future focus.

Increasingly, CSR is being interpreted as the expectation society has of business. CSR is the leadership vision that is more than occasional gestures, marketing oriented initiatives,

enhancing public relations or business affiliations etc. In contrast, it's a comprehensive set of policies and programs enriched with the urge for developing a better society.

Allan Hammond of the World Resources Institute says, "I don't know of any developing country government that can deliver services in a million places at once every day. If we want to solve some of these social problems, one of the best ways we could do it is to hire the right global companies."

Corporate Social Responsibility (CSR) is now moving towards Responsible Competitiveness, a precept that implies that there is a role for business in influencing policy for business success. The global CSR movement has passed through varied phases in time and in concept with regard to the implementation of CSR. Initially grounded in corporate philanthropy, it moved on to solidarity movements or environmental activism with citizen sector movements taking on business. At the same time governments and courts have laid down more stringent parameters of corporate behavior, compelling business towards legal compliance, damage control for civil society and consumer reactions, and then on to efficiency gains and differentiation for competitive advantage.

In last few decades the concept of Corporate Social Responsibility has grown exponentially. In the 21st century larger firms face large number of changes and challenges including the CSR as being one of the main problems. It suggests the importance of understanding of the CSR by the organization towards the society which also impacts the financial performance of the firm. The corporate social responsibility activities now treated as an investment not as a expense where it shows the relationship between corporation and the stakeholders such as the customers, investors, employees and society as a whole. The business's purpose is not only to earn profit but the welfare

of the society as well. Some studies have shown the positive correlation between the CSR and financial performance while other studies show the negative relationship between them. Each company performs differently for the implementation of CSR depending on different factors like the culture of the organization, size or the stakeholder demand. Corporate social responsibility is generally defined the organization is performing its core business operations, and considers or handles the influence of these operations on society, economy and atmosphere PJC (2006). CSR can be defined when a firm apply its rules and regulations, the welfare of its investors and society should be considered as its duty(Khanifar, 2012).

As we know it today, CSR has its roots in consumer perception and solidarity movements in developed consumer societies that saw elements of social and environmental exploitation in the behavior of major global enterprises, whether they were mining or natural resource exploration companies or retailers sourcing consumer goods and produce from cheap labor markets in the developing world.Grunig (2006) argues that the greatest challenge facing public relations practitioners and academics is to embed strategic public relations as an accepted management function. Corporate social and environmental performance have recently been placed under scrutiny by firm stakeholders; thus, CSR has become a widely-applied concept and is an increasingly central concern in business decision-making (Cochran, 2007; Gyomlay and Moser, 2005). CSR can be defined as “situations where the company goes out of its boundries of compliance and engages in activities that appear to further some social beneficial, more than the interests of the firm and that is required by law” (McWilliams, Siegel & Wright, 2006). The academic construct of CSR was first developed in 1950, but came to importance in 1970 and 1980

in conjunction with increased public scrutiny and focus upon the image of the corporation (Clark, 2000; Golob and Bartlett, 2007). Increased scrutiny has also resulted in rapid growth of the number of instruments used to manage measure, communicate, and reward corporate social responsibility (European Commission, 2004).

The scope of activities included in CSR programs is wide and subject to debate; however, most definitions include three key pillars of economic growth, ecological balance, and social progress (WBCSD, 2007). Elements within the framework of CSR include the adaptation of products and manufacturing processes to address social values (such as eliminating excess packaging), valuing human resources (such as personal development training and Occupational Health and Safety programs), improving environmental performance through recycling and pollution abatement (such as emission reductions), and supporting community organizations (such as by sponsoring a local sporting club) (WBCSD, 2004).

Shareholder value and reputational risk have increasingly become associated with managing impacts and performance in the triple bottom-line. Most companies listed on international stock exchanges today are choosing to adopt policies that embed CSR in their business practices and disclose related information in annual reports. These efforts are recognized on many levels from the Dow Jones Sustainability Index to Corporate Register as stakeholders choose to judge a company in terms of environmental performance and impact on society.

In Pakistan's immediate neighborhood, we see that during the last decade or so India and Sri Lanka have gained competitive advantage due to their pro-activeness and future market centered policies.

The concept of CSR is new for the emerging economies like Pakistan. The concept of CSR in Pakistan is still in its initial stage. Only a small number of companies have a corporate social responsibility related strategies and these are mostly the multinationals that have their own limits regarding corporate social responsibility. Corporations and the general public are less aware of their rights and responsibilities and firms are taking CSR as a liability instead of a source for long term interests for the compnaies and general public. The local industry is not aware of the benefits related to corporate social responsibility and they are thinking that there is no danger even if they do not adopt such policies.

In developing country like Pakistan, most of the CSR work is done in the context of corporate philanthropy. Corporate donations have been considered as a significant tool to improve corporate image in a competitive environment. Almost all companies report their various social activities and concerns like charity, aids, environment protection projects, education, hospitals/health providing services, community/societal betterment programs under the heading of donations in Pakistan and this information is available in their audited financial annual reports. These firms are also taking part in the better life style of their employees in order to build their trust and confidence. Consecutively, these social expenditures facilitate the firms in attaining continuous and long term sustainable development as well as in achieving financial benefits.

Research on CSR has started almost a decade ago in Pakistan. Perhaps, the first ever study on CSR appears to be Ray (1999), which is a comparative study focusing on child labor and its key determinants from Peru and Pakistan. This empirical study was conducted on the basis of two hypotheses relating child labor with family income and

adult labor as substitute of child labor. This study indicates few significant differences between Pakistani and Peruvian working children. The results of study indicate that there is a positive association between child labor and family income and negative association between child schooling and poverty in Pakistan. Both of these hypotheses were rejected in Peruvian data. It has been concluded that in Pakistan, child labor has been significantly decreased due to increase in education of adult females and infrastructure investment.

Sustainable Development Policy Institute (SDPI, 2002) issued a white paper which focused on the issue of CSR and natural disasters in Pakistan. The aforementioned report reveals that social response of business is reactive in the case of natural disasters and only those businesses which are directly involved in that disaster get involved through public private partnership to help the society. This study also suggests that businesses in Pakistan have not “internalized” CSR concepts and that CSR practices are mostly enforced from “external factors” (ibid, p.34). This report pinpointed that multinationals companies (MNCs) in Pakistan are involved in short term investment like landscaping, billboards and cultural events which can be considered for better image. This study also exhibits few best CSR practices of companies including Sell, Reebok, Saga sports (Nike), Liver Brother Pakistan (now famous as Uniliver) and Engro chemical Pakistan limited (ECPL) in areas such as environment, education, child labor and health.

Yet another study on CSR but first of its kind on the behalf the government of Pakistan appeared in 2005 by the governmental regularity authority, “Securities Exchange Commission of Pakistan” (SECP). It was a white paper on “Evaluation of the state of CSR in Pakistan and a Strategy for Implementation”. As per to this report there is low cognizance of CSR in Pakistan, associations are in early on game plan change sort out

and are encountering their and are going through their first wave of CSR i.e. of philanthropy and legal compliance. Companies' vision is predominantly situational, short term, not part of a continuous strategic process and also not embedded as a corporate value but it is perceived as a necessity. Moreover, this report exhibits MNCs and large local national companies with international affiliation adopt and implement CSR. It has also been concluded that a small number of companies take environmental protection measures including waste management, recycling and energy conservation. Usually companies do not focus on areas such as corruption control, subsidized food and transport facilities for the employees and discourage employee unions, and stakeholder engagement. Moreover, CSR reporting is considered to be low priority issues. This report also suggests that CSR policy should evolve through business and institutions (stakeholders) engagement.

The corporate community in Pakistan through its philanthropic contributions and donations has a historical background of being socially responsible. As the understanding of an organization's responsibility moved towards sustainable development, the concept of sustainability evolved. In the recent past, many listed companies have begun to develop policies and practices to realize the social, economic and environmental impacts of its business practices as part of understanding business sustainability in the long term.

With the increased public scrutiny around boards and corporate governance, one anticipates that board structure will influence significant choices that are to be taken by the firm particularly with regards to characteristics, for example, the diversity of board gender composition. The term diversity subsumes distinct conceptions and operationalizations of group designs (DiTomaso and Post, 2007; Harrison and Klein,

2007). This study, we imagine gender diversity as the quantity of ladies directors on the top level. As others have appeared, having more ladies on the top level influences association's choices (Bernardi et al., 2006; Bilimoria, 2000; Brammer et al, 2009). Moreover, the components through which gender organization influence decisions have gotten restricted consideration. In any case, it is likewise that gender composition of board influence firms' social execution, which, in turn, reinforces their reputation. Expanding on the investigation of Mattingly and Berman (2006), we see CSR as far as institutional strength and technical strength. Institutional strength of CSR depends on positive activities toward diversity and group partners. Specialized strength of CSR depends on positive activities toward buyers, stockholders, and representatives.

Corporate boards have verifiably been involved basically of men. Be that as it may, various nations have started forcing shares for the quantity of ladies on the boards of traded on an open market or state-claimed organizations — a thought that is currently being considered as an European far reaching standard. This is probably going to constrain organizations somewhere else on the planet, including Pakistan, to consider the gender diversity of their own corporate boards.

As per the International Finance Corporation, only thirteen percent of three hundred and three companies reviewed in Pakistan for the year of 2010 may have more than one lady executive — a specimen that included public listed organizations, vast family-claimed firms, and private, unlisted organizations.

A late review led by the Pakistan Institute of Corporate Governance (PICG), titled Gender Diversity at Board Level, highlighted the absence of qualified females as the top reason in charge of the under-representation of females on the top level management in Pakistan. In any case, it can be contended that females specialists confront various different boundaries to being chosen to corporate boards. Societal standards imply that male-ruled boards and directors much of the time ignores qualified female competitors. Also, the greater part of Pakistani organizations that do have female board individuals have a tendency to be family-possessed undertakings, suggesting that female board individuals can be effective when they can sidestep conventional social hindrances through existing associations.

CIPE Pakistan, in collaboration with the Pakistan Institute of Corporate Governance (PICG) and the Institute of Chartered Accountants of Pakistan (ICAP), prescribed assessing the 2002 Corporate Governance Code, and supporting the more noteworthy incorporation of ladies on corporate boards. The venture yielded huge results, as strategy producers reconsidered the nation's Code of Corporate Governance in 2012 to incorporate a segment empowering gender diversity in corporate board determination.

While accomplishing gender adjusts in corporate meeting rooms is still a ways away, it is urging to note that late discoveries by PICG demonstrate that female representation on Pakistan's top management level has expanded from just forty directors in 2010 to one hundred and seventy directors in 2015.

1.2. Theoretical Background

1.2.1 Resource Dependence Theory

Resource dependence theory provides a perspective that the organization seeks to control external environment by choosing the resources needed to keep survive (Pfeffer & Salancik (1978) quoted from Osemeke, 2012). In line with this argument, Lynall *et al.* (2003) stated that company is open system that is influenced by external environment to be able survive, and boards have important role in establishing the relationship between the company and its environment. The selection of resources has important implications in the role and structure of the board, because boards can be used as a mechanism to establish the corporate relationship with external environment (Duztas, 2008), and also provide more resources information and legitimacy for corporate (Johnson *et al.*, 1996). Corporate boards are part of set resources that can bring knowledge, experience, ideas and professional relationship (Carpenter *et al.*, 2004), which provide resources for corporate diversity (Hilman & Dalziel, 2003) and is able to take resources from external environmental in managing external stakeholders (Pfeffer, 1972). Another argument reveals that a set of experiences boards is able to bridge the connection between corporate relationships with external parties and large society (Selsky & Parker, 2005; Conner & Prahalad, 1996) as well as strengthening company relationship with its stakeholders and other external environment in maintaining corporate sustainability.

1.2.2 Agency Theory

A supposition that explains the association between principals and agents in the firm. Agency theory explained the agency relationship arises when one or more persons (the principal) employ another person (agent) to provide a service and then the principal delegate decision-making authority to the agent (Jensen and Meckling, 1976). Perspective of the agency relationship is the basis used to understand good corporate governance.

Agency relationship is a contract between the agents (manager) with the principal (investors). It is stipulated in the contract has been made between company managers and owners of companies. The manager is given authority over the company's activities. Because it acts as the manager of the company, then the manager will be more aware of internal information and the development and prospects of the company compared with the owner companies. Manager shall prepare financial statements and provide information about the condition of the company to the owner of the company as a form of accountability for their work. However, in carrying out these responsibilities, managers tend to report anything that maximizes utility and expense of the interests of shareholders. In addition, managers often convey information that is not in accordance with the facts that occurred within the company. Things like this is what spurred the agency conflict, namely that there are two different interests in which the interests of each strive to achieve and maintain the level of prosperity of each. In other words, potential conflicts of interest between owners and managers arise because managers do not always act in accordance with the interests of the owner of triggering agency cost.

As indicated by (Barnea and Rubin, 2010) CSR inclusion is a principal agent relationship between top administration and stockholders. They contend that top administration must have an individual worry in putting resources into CSR, participating in exercises to gain individual advantage from building reputation as great, socially responsible citizens, maybe at the cost of stockholders. These pompous top chiefs, at times, make esteem devastating ventures so the proactive monitoring by using different governance methods should decrease the incentive for over investment in CSR engagement.

As per reported by Kendall and Kendall (1998) suggested that great corporate administration incorporates a moral approach, culture, society, organizational paradigms and the harmony between the goals of all communicated gatherings of association. There ought to be a basic leadership show offering weight to every above stakeholder and there must be responsibility and transparency in the activities and choices.

1.3. Problem Statement

In developing countries like Pakistan, where the environment is highly volatile and politically instable, this could have an impact on whole system of country. Usually, CSR is not given that much importance. With the movement of time, as a result of ladies strengthening, the female administrators are presently being a piece of administering body and now influencing on corporate social commitment decisions. So we need to study what is the effect of board diversity on corporate social responsibility decisions. Corporate social responsibility and board diversity is well researched area in developed countries, but the problem is that little literature is available regarding Pakistan market to explore this association. So this research is endeavoring to focus on assessing the diversity of board and corporate social commitment and tries to fill this crevice.

1.4. Research Question

This research will answer the following research question

- What the effect that gender diversity of the board has on the corporate social responsibility of the firm?

1.5. Research Objective

Following are the research objective of this study:

- To explore the impact that gender diversity of the board has on the corporate social responsibility of the firm.

1.6. Significance of the Study

The inspiration driving this research is to examine the association between corporate social responsibility of the firm and gender diversity of board. Researches directed on this subject in Western countries, are limited in region. The result of these reviews can't be summed up in Asian countries and may not any application in setting of Pakistani conditions. Socially Pakistan is really not the same in that capacity as developed countries. In developing countries like Pakistan market fundamentals are different from the developed countries, as well as thinking level of Pakistani investors also vary from developed investors. Because of these reasons this research is going to contribute contextually.

Regardless it is critical to lead such a review in Pakistan as we understand that the fiscal and industry condition of every country varies from every country. It is not necessary that results obtained from a particular study should be same for other country, because firm specific factors behave differently. The existing study also contributes to the body of knowledge with several ways i.e. with respect to the literature point of view, investor point of view.

1.6.1. Contribution to Literature

The study adds to the current collection of learning that it might ready to discover the connection including corporate social responsibility and gender diversity in nation like Pakistan where possession structure concentrated and speculators are less secured when contrasted with developed nations and the vast majority of the organizations are family

claimed organized and ownership are in the hand of relatives, subsequently office issue exist amongst directors and proprietors of the firm. This review is indispensable as to corporate association and it adds to the present composed work by producing at the results of sex differing qualities on corporate social obligation of the associations recorded on the Karachi stock exchange. It will likewise permit firms to legitimately rebuild their corporate administration component in order to enhance their adequacy identified with results. There are just few studies led in Pakistan with respect to this issue. This study is much imperative for Pakistani culture where organizations are in the hand of families.

1.6.2. Significance with respect to the Investors

This study has an extensive significance for the financial specialists/ investors as they are worried in corporate administration traits and exposure estimations. The present review needs to pull in the lawmaking assemblage of Pakistan, makers' producers and strategy creators i.e. security and exchange commission of Pakistan and all other concerned bodies and select associations too, to create consummate corporate association structure. This upgraded administration structure will attract nearby speculators and remote financial specialist to put resources into. Additionally organizations can discover more solid this examination and will get clear picture with respect to the corporate administration matters and afterward discover the feeble point and where they can be enhance more. As it were, this examination will help financial specialists to choose such organizations for the speculation that are to their greatest advantage.

1.7. Scope of Study

A lot of effort is made to conduct this study in a way that can be useful for the readers and practitioners; however there are some limitations of the current study. This study is subject to several limitations. This study focuses on only disclosures in corporate annual reports although it is known that management may use other mass communication mechanisms. Also, contribution in socially responsible activities may not really convert into exposure of those exercises. The CSR disclosures index created in this study might not have been completely or appropriately caught the CSR practices. Consequently it should not be concluded that organizations which did not reveal CSR data were not occupied with any social exercises. Finally the review is limited just to Pakistan and results can be summed up for the associations that are working in Pakistan

1.8. Organization of the Study

This paper has been ordered as follows:

- Section 1 is introduction.
- Section 2 present an overview of existing literature on the current study.
- Section 3 explains the data description, variables measurement and methodology engaged throughout empirical work.
- Section 4 presents and discusses the results of the study.
- Finally, Section 5 briefly concludes the whole discussion.

CHAPTER 2

REVIEW OF LITERATURE AND HYPOTHESIS DEVELOPMENT

Many researchers have conducted researches on the relationship between corporate social responsibility and gender diversity of board from different view point in different culture or environment some of which are obtained very concerning and valuable for this present study. A limited review of the different efforts of research regarding relationship between corporate social responsibility and gender diversity of board are cited here-in-after;

From the CG literature, it has been prove that diversity of the board has transformed into a critical segment of CG arrangement as in the recent years. Past research brought up that board diversity is connected with corporate social reporting and result in high power of social performance.

To begin our hypothesis improvement from the productive contracting perspective in light of Jensen and Meckling's (1976) agency theory. In this unique circumstance, the firm is a "nexus of contacts", where there is a productive contract amongst shareholders and administration to minimize agency costs and expand shareholder esteem. The firm too contracts with different gatherings including debt holders, suppliers, labor, and customers. All agreements are effective in the feeling that they minimize exchange costs by meeting the base administrative and lawful prerequisites set by the administration in a particular purview. As Friedman (1970)) rose that in such settings firms don't have CSR obligations, but government do. It is up to the association to build up, through its methodology, the wide-ranging social activities, biological setting in which the associations can contracts. While this arrangement portray a private nation with a private strategy of CSR methods, firms today are working in "global village" where they

contracts with obligation holders, providers, employees, and clients crosswise over different wards with various social and normal strategies. Henceforth, boards confront a good/moral situation. Do they satisfy the most astounding social and natural requirements over all jurisdictions, regardless of the possibility that this could bring down shareholder wealth, or do they choose to comply with each jurisdiction individually, which may stipulate bring down CSR requirements?

Diversity among board individuals is a rising issue in corporate governance research (Catanzariti and Lo 2011). It is characterized as heterogeneity among board individuals, and has an endless number of measurements going from age to nationality, from religious foundation to functional foundation, from assignment abilities to social aptitudes, and from political preference to sexual preference (Van Knippenberg et al. 2004).

Despite the fact that there are various female chiefs possessing top-level positions, especially on corporate boards, the weight to increase the presence of female executives on the boards is now been a progressing worldwide issue. A few nations have begun receiving either authoritative or willful activities to advance female representation on corporate boards. This incorporates, for instance, Norway (40 % sexual orientation quantity for female directors), Sweden (25 % willful hold for female executives or risk to make it a lawful prerequisite), France (law which requires 50 % sexual orientation equality on the leading body of each open firm by 2015) (Bøhren and Strøm 2010) and all the more as of late Italy (law requiring recorded and state-claimed organizations to guarantee 33% of their board individuals is female by 2015) (Arguden 2012). Notwithstanding European nations, numerous creating nations, for example, India, China

and Middle Eastern nations likewise perceive the significance of female board individuals' ability (Singh et al. 2008). At last, in Australia, the Stock Exchange (ASX) in its late changes to corporate administration standards now requires recorded organizations to explicitly write about gender diversity at board and senior administration levels (Kulik 2011). The greater part of these activities, whether deliberate or administrative, plainly shows that the presence of ladies on sheets could influence the administration of organizations in huge ways (Adams and Ferreira 2009).

The issue of gender diversity, then, particularly at top administration level, is catching the consideration of organizations considering the need to make steps here and pondering the positive results of expanding the presence of ladies in administration positions.

Expanding GD of directors may enhance the basic decision making, since this would include bearing distinctive perspectives and assessments at the top of the priority list, and evaluating diverse results (Daily and Dalton, 2003). In such manner, the champions of diversity call attention to that the heterogeneity of basic leadership and critical thinking styles creates better choices due to a more extensive scope of points of view, a change in correspondence, what's more, a more detailed critical analysis of the issues (Milliken and Martin, 1996). The existance of ladies on top levels can likewise avoid ventures that are excessively dangerous to firms as females are more sensitive towards risk than men and less overconfident (Barber and Odean, 2001).

Additionally, as Rosener (2003) brings up, the top level management of companies with a more noteworthy representation of females on their top level postions is regularly more stronger than that of those comanies with few or no gender diversity. Likewise they try to consider the necessities of a large variety of partners (Konrad and Kramer, 2006). This

empowers firms to better comprehend and attract a more diverse population as potential customers (Arfken et al., 2004) and better infiltrate distinctive markets. Besides, ladies apply extensive impact on purchasing processes, so it is vital for their opinions to be spoken to on boards of directors (Gutner, 2001).

As reported by Fondas and Salsalos (2000) additionally contend that diversity in the organization in the form of a greater existence of ladies enhances the supervisory part of the management and affords the interests of the shareholders by applying more prominent control over the top administration. This is on account of ladies have more prominent assumptions about their obligations as directors, which implies that they are more compelling at administering alternate directors.

The existence of female executives in top-level positions has been connected to different results bringing about mixed evidence. For instance, some locate a positive relationship amongst sexual orientation and financial performance (Carter et al. 2003; Erhardt et al. 2003), while others locate no huge on the other hand even negative connections (Adams and Ferreira 2009; Shrader et al. 1997; Smith et al. 2006). Albeit still moderately little in number, various concentrates likewise recommend that having ladies on boards does apply some impact on non-money related execution and in specific CSR (Stanwick and Stanwick 1998; Wang and Coffey 1992; Williams 2003; Ibrahim and Angelidis 1991; Bernardi and Threadgill 2010; Smith et al. 2001; Siciliano 1996). They distinguished that two real qualities, expanded sensitivity (Williams 2003) and participative basic leadership styles (Konrad et al. 2008), conveyed by the ladies to the board are observed to be the key explanations behind corporate obligation quality appraisals (Bear et al. 2010). The concentrate advance recommends that by contributing to an association's

CSR, ladies assume a part in improving corporate notoriety, and consequently, female representation ought to move far from tokenism to normality (Bear et al. 2010). So also, Kruger (2009) found that organizations with large number of femalez in their boards representation have more occurrence of positive social responsibal activities. All the more particularly, the study shows that organizations with a higher number of female executives have a tendency to be more liberal towards groups furthermore, give careful consideration to the welfare of an association's regular partners (e.g. groups, representatives or the environment), showing that more stronger presence of board individuals with philanthropic inclinations does without a doubt interpret into all the more real social corporate conduct (Kruger 2009). Another study by Braun (2010) focused on one part of CSR (Environmental obligation) and found that ladies had more stronger ecological attitudes and responsibility to a green enterprise program than guys, proposing that ladies business people might be more occupied with green issues than male business people. In Australia, a late study by Galbreath (2011) affirmed that due to their social capacities, females are more ready to draw in with special partners and to react to their needs, showing CSR accomplishment. Different confirmations likewise exist, which show that female directors impact diverse parts of CSR, for example, beneficent giving (Wang and Coffey 1992; Williams 2003), and more elevated amounts of ecological CSR (Post et al. 2011).

Recently a growing amount of contemporary research on boards, and board roles, proposes that diversity among board individuals can possibly expand board viability and in this manner performance (Erhardt et al. 2003, Bonn et al. 2004, Carter et al. 2003). Boards generally work in a group and "... variety in group creation prompts to an

expansion in the aptitudes, capacities, knowledge and information of the team as a whole" (Nielsen and Huse 2010:17) which improves a mass execution and discussion (Van Knippenberg et al. 2004, Watson et al. 1993). Homogeneous boards, then again, are probably going to have comparable points of view and sentiments and a high level of union or solidarity among them tends to increment pressure towards conformity (Miller and del Carmen Triana 2009), along these lines debilitating the quality and assortment of boardroom debate (Grady 1999).

The CSR plan incorporates different social and environmental ideas, for example, ecological concerns, employee welfare, corporate philanthropy, human resource management, group relations et cetera (Gray et al. 1995b). CSR in this sense is by all accounts an complex, multidimensional idea and thus researchers are thinking that its hard to achieve an agreement on the definition itself. Matten and Moon, (2008: 3) while clarifying the difficulty of defining CSR, contend that CSR is "... a basically challenged idea since it is applausive; internally complex; and their principles of utilization are generally open". Inspirations for reporting are challenged, with studies drawing on various socio-political theories. These range from it being considered as legitimizing or impression managemant conduct, or driven by partner requests (Campbell 2000, Belal and Owen 2007, Tilling what's more, Tilt 2010), through to it being a part of responsibility (Gray et al. 2014), or even vital to the business case (Mathews 2004).

Dissimilar to financial disclosure, there is no obligatory standard for CSR (Deegan et al. 2006) and thus there is high probability that people's values and convictions are probably going to impact board discussion identified with CSR (Hemmingway and Maclagan 2004). On the other hand, perspectives and in-depth discussion, encouraged by diversity,

are probably going to be more helpful with regards to unverifiable and complex decisions, for example, those about CSR revelation (Wiersema and Bantel 1992). In fact empirical research demonstrates that, under high ecological instability, heterogeneous top administration groups accomplish better execution, though less heterogeneous groups will be more effective in stable settings (Hambrick et al. 1996, Nielsen 2010). The recent turbulence in the financial atmosphere, in conjunction with instability around social and ecological issues, for example, the effect of environmental change and the presentation of new activities, for example, Integrated Reporting (Atkins also, Maroun 2015, Atkins et al. 2015), would propose that instability is the more basic situation. An extensive of the literature on board diversity and CSR, including CSR reporting was attempted by Rao and Tilt (2015), in which they give broad tables of all studies attempted and their significant discoveries. That writing proposes that different boards are decidedly connected with higher CSR execution and that the effect of having ladies on a board is probably going to be negligible unless there is minimum amount (Konrad et al. 2008, Williams 2003, Bear et al. 2010). As far as reporting particularly, there is far less research in any case, what comes about exist appear to affirm a positive relationship (Haniffa and Cooke 2005).

Moreover, Rao and Tilt (2015) additionally distinguish some critical gaps in the exploration on the relationships between board diversity and: CSR execution, CSR decisions and, most quite, CSR reporting (Khan 2010, Haniffa and Cooke 2005). In any case, studies that do exists that appear to affirm a constructive relationship, for instance, Haniffa and Cooke (2005) found that female denominated boards are positively related

with CSR exposure where a greater part of respondents distinguished ethnicity background of boards as a determinant of CSR revelation in Malaysia.

More recently Post et al. (2011) analyzed the association between boards of directors' composition and environmental corporate social responsibility (ECSR); the study find that a more number of outside board executives, organizations with boards made out of at least three female directors, boards whose directors more like 56 years in age, and those with a higher extent of Western European directors are emphatically connected with positive ECSR.

Gender composition (i.e., the number of women on the board) is expected to have a positive impact on social capital and corporate social responsibility. On top administrative level, women are more than twice as likely as men to hold a doctoral degree (Hilman et al., 2002). Compared to male executives, female executives gain board experience with smaller firms and are less likely to have prior CEO or COO experience (Singh et al, 2008).

Female executives are more likely than male directors to have expert backgrounds outside of business and to bring different perspectives to the board. In addition, women on boards are more likely than men to be support specialists and community influential's (Hillman et al., 2002). Therefore, having more female directors may sensitize boards to CSR initiatives, and provide perspectives that can be helpful in addressing issues of CSR. Research already suggests that firms with a higher percentage of female board members do in fact have a higher level of charitable giving (Wang and Coffey, 1992; Williams, 2003), more favorable work environments (Johnson and Greening, 1999), and higher levels of Environmental CSR (Post et al., 2011).

Increasing board gender diversity (which, for all practical purposes, means increasing the number of women on boards) can enhance decision making, as a wider variety of perspectives and issues are considered and a broader range of outcomes is assessed (Daily and Dalton, 2003). The presence of more female directors may stimulate more participative communication among board members, if one assumes that gender differences in leadership styles, as evidenced in some studies, also exist at board director levels. If female directors are more participative (Eagly et al., 2003), democratic (Eagly and Johnson, 1990), and communal than men (Rudman and Glick, 2001), then having more women on a board could encourage more open conversations among members of the board. A broader perspective may enable the board to better assess the needs of diverse stakeholders. The result may enhance the board's ability to effectively address CSR.

Past research called attention to that board differing qualities is connected with corporate social reporting and result in high force of social execution. “it increases board independence for the reason that with a unlike gender ethnicity or cultural background might ask questions that would not appear from directors with more traditional backgrounds”.

Gender diversity can also affect the board's critical function of monitoring management. Having more women on the board enhances the board's expertise by increasing the range of professional experience and augmenting the number of board members with advanced degrees (Hillman et al., 2002). These added qualities brought in by female board members enable the board to more effectively monitor management (Hillman and Dalziel, 2003). Women also increase the demographic diversity of the board, helping to

ensure the board's demographic difference from management. Westphal and Zajac (1995) found that CEOs attempt to select board members who are demographically similar to them to secure support, and that this support led to higher compensation. Consequently, gender diversity on the board can help ensure demographic differences from the CEO needed for effective monitoring.

The viability of women on boards may increment with the addition of female directors. While a solitary female director may positively affect company's reputation may likewise confront challenges. Bunches with a solitary minority member (e .g., a female director) may consider that minority member to be a token; they may see the minority individual as less able and o f bring down status. Therefore, the gathering may fail to consider the token's suppositions or commitments seriously(Brewer and Kramer,1985; Kanter, 1977;Lord and Saenz,1985) .Furthermore, research recommends that minority voices are not effortlessly communicated or heard in groups(Nemeth, 1986) in light of the fact that pressures encourage conformity with the majority's opinion(Asch,1955). However, when a gathering is confronted with predictable assessments from different minority individuals, it will probably consider and gain from the minority voice (Asch,1955). Exact proof recommends that these procedures may likewise be having an effect on everything on boards. For instance, when a minimum amount of women (i.e., no less than three) is spoke to on a board, female directors can ask testing inquiries and cooperate to exhibit joint effort in basic leadership(Konrade t al., 2008; Kramere t al., 2006). It might be conceivable that there could be an excessive number of women on the board. Generally as every male board need differing qualities and decrease board adequacy, every single female executive would need assorted qualities and diminish viability.

In summary, since female directors have a tendency to have distinctive instructive/ educational and expert foundations from those of male directors, and might be more participative and democratic decision making processes, broadening boards by expanding the quantity of female directors may guarantee that more points of view and issues are considered in the basic leadership handle, driving the board to accomplish better choices. The qualities that women convey to boards may likewise give better oversight of administration exercises, on account of the expanded heterogeneity among the board, with top administration groups, and the CEO. At long last, the presence and the number of women on boards may flag to partners that the firm pays consideration on women and minorities, and is, therefore, socially responsible.

Equal opportunity is concerned with the achievement of fair treatment of group facing discrimination. It involves combating discrimination due to race, gender, disability, age, class, religion, sexual orientation, etc. Branco and Rodrigues (2006) mentioned the theme of board diversity correctly match into the structure of stakeholder theory. Carter *et al.* (2003) revealed empirical evidence of a significant positive relationship between board diversity, defined as percentage of women, African American, Asians and Hispanics on board of directors and firm value. Huse and Solberg (2006) showed that women could include to boards through framing a union, planning and including themselves in board matters, taking part of crucial decision making. Adams and Ferreira (2004, p. 3) propose that boards with a higher extent of women executives tend to make the more executive gatherings conceivable and exceptional participation designs at executive gatherings, which make diverse boards more fruitful than homogeneous boards. They likewise demonstrated that women are intrinsically more ""balancing out"" than men. Bear et al.

(2010) find that the quantity of women board individuals is decidedly connected with CSR quality evaluations. (Belen et al 2012).

Supports board diversity and documents that “it increases board independence for the reason that with a unlike gender ethnicity or cultural background might ask questions that would not appear from directors with more traditional backgrounds”. Adams and Ferreira (2004) suggest that boards with a higher proportion of women directors tend to make the more board meetings possible and special attendance patterns at boards.

Firm administration board which in previous times was only involved by male worker are currently open for female representatives. Various organizations resolved to leave that climate by permitting female workers to involve the position of chiefs. The point is to give female workers an indistinguishable open door from male representatives, by allowing them to build up the best work execution, with a specific end goal to engage themselves and other female representatives in the organization (The Jakarta Globe, 2011).

Female co-leadership in organizations additionally gives more noteworthy opportunity to support and impact the group than only male initiative (Hillman et al., 2003). Having more female chiefs additionally makes an organization more sensible to its corporate social duty, and gives an organization more viewpoints while planning its CSR programs (Wang and Coffey, 1992; William, 2003). When all is said in done, an administration board which incorporates sexual orientation differences has turned into an essential issue in firm administration today (Singh et al., 2008). This is brought on by the market drivers which require that financial specialists who are sensible to social obligation put critical

esteem on firm corporate social responsibility and on sexual orientation equity or gender equality (Grosser and Moon, 2005).

Jehn (1995) was of the opinion that load up differing qualities included ethnicity, nationality, age, and sexual orientation, aggregate experience and individual ability of every director (Bear et al., 2010). Wang and Coffey (1992) suggested that board diversity could be ordered by possession, to be specific interior stock ownership and outer stock ownership. Interior stock ownership incorporated the executives from inside the organization who possessed the organization's stocks, while outer stock ownership included chiefs from outside the organization which may or would not claim the organization's stock.

Moreover, Hafsi and Turgut (2012) divided board diversity into two large gatherings, to be specific namely structural diversity and demographic diversity. Structural diversity incorporated the measure of the administration board (the quantity of executives in an organization), chief autonomy, chief stock ownership, and board initiative duality. Demographic diversity included executive sexual orientation, chief ethnicity, executive age, and chief experience. The administration board needs an awesome assortment of experienced and able HR to assess the administration, and to evaluate business procedures and their effects on CSR (Hillman and Dalzeil, 2003).

Bear et al. (2010), which concluded that gender composition affected CSR execution, and on the investigation of Hafsi and Turgut (2012) which inferred that the presence of gender in the administration board significantly affected an organization's social execution. As per Betti Alisjah-bana in The Jakarta Globe (2011), the presence of female executives was very important in organizations of administration.

In addition, an organization required female initiative by virtue of the tolerance, precision, egalitarianism, cooperativeness, and sympathy which were prevalently female attributes. Supporting the sentiment of Betti Alisjahbana, Kassandra Putranto in *The Jakarta Globe* (2011) expressed that priceless female commitments in business did not just originate from females who were in initiative positions or open figures, additionally from behind the screen females who could be helpers and inspirators in advancement and execution.

Executives are the main gathering in an organization which decides the policies of the organization, in this manner deciding the best possible structure of chiefs is basic and essential (Galbreath, 2011). The composition of chiefs which regards board diversity likewise impacts the executives' basic capacity in monitoring. Keeping in mind the end goal to achieve successful checking, directors require "ability, experience, expertise, and knowledge" (Hillman and Dalzeil, 2003). Board diversity can give much help by giving broad information, administration skill, and other supporting abilities, for example, competency in matters of law, banks and insurances, and encounters/experiences of working with the group (Hillman et al., 2000).

In this setting, a firm can embrace a CSR arrangement with social and natural measures that go beyond the minimum requirements of a particular jurisdiction if their home country's CSR benchmarks are higher. We deduce that board gender diversity in this global village setting may have any kind of effect, as there is a contrast amongst female and male board individuals' good and social esteem frameworks (Eagly et al., 2003; Nielsen and Huse, 2010). Further, empirical evidence proposes that board gender

diversity is connected with more noteworthy maintainability reporting (Fernandez-Feijoo et al., 2013) and that female financial specialists request better CSR revelation (Nath et al., 2013). This thus proposes board gender diversity may likewise matter with regards to CSR.

Confirmation of this was found by Bear et al. (2010) who found a positive relationship between CSR and the quantity of female executives on the board. They recognized two noteworthy qualities: increased affectability (Williams 2003) and participative basic leadership styles (Konrad et al. 2008). Essentially, Krüger (2009) found that organizations with higher female board representation have a tendency to be more liberal towards groups and give careful consideration to the welfare of a company's regular partners (Krüger 2009).

The associations which have huge proportion of ladies executives on its board will have a tendency to have positive and solid association with corporate social obligation with regard to worker's welfare activities, magnanimous sharing and gifts and general advancement efforts for the whole group. The presence of number of female individuals in board structure additionally have impacts towards disposal of natural issues happened because of associations. In a study led by Williams (2003) uncovered that associations having higher extent of female board individuals occupied with more humanitarian activities and philanthropy gift giving when contrasted with association having lower number of female in boards.

While proof and arguments examined so far show that female directors will probably affect CSR results, their impact may be restricted or even none. One noteworthy obstruction which has been generally distinguished in the writing is that ladies in top-

level positions frequently confront segregation or a stereotyping challenge which confines their capacity to completely add to corporate methodology and oversight (Arfken et al. 2004; EOWA 2008; Galbreath 2011). For instance, in meetings with Australian board individuals, male directors expressed that they tend to welcome ladies executives' contribution on purported 'soft issues', (for example, HR, work related wellbeing and security, corporate gifts and morals), however more often than not mark down contribution on specialized issues, (for example, engineering) (EOWA 2008). Predictable with this, Eagly et al. (1995) found no general contrasts in the viability of male and female directors and presumed that gender as such is probably not going to be an indicator of administration adequacy. In any case, most of the writing on gender contrasts contends that there are huge contrasts in qualities, observations and convictions amongst men and ladies all in all (Eagly et al. 1995; Powell 1990). Such contrasts are probably going to be reflected in their different authority parts including their board part. While separating administration characteristics of men and ladies, Eagly et al. (2003) propose that agentic (i.e. related to agency) attributes, for example, being assertive, ambitious, aggressive, independent, self-confident, daring and competitive are generally perceived in men, though shared qualities, for example, a worry with the welfare of other individuals and being warm, useful, kind, thoughtful, interpersonally delicate, sustaining, and tender are recognized in ladies. Their examination has advance built up that female pioneers, contrasted with male pioneers, are less progressive, more helpful and communitarian, and more arranged towards improving others' self-esteem (Eagly et al. 2003). Besides, confirm exists recommending that ladies executives will probably impact issues identified with partners/CSR. While evaluating the impact of board individuals'

gender on corporate social responsiveness introduction, Ibrahim and Angelidis (1991) found that, dissimilar to men, ladies chiefs are less worried about monetary execution and rather more worried about optional parts of corporate duty. Promote, ladies ordinarily hold positions in "soft" administrative zones, for example, HR, CSR, marketing, advertising, and so forth., (Zelechowski and Bilimoria 2006) demonstrating that female agents on boards will probably have top to bottom learning of delicate administrative issues. These proof further show that female executives may see group or partners' interests, especially CSR issues, uniquely in contrast to male directors.

Men and women appear to have changed values similarly as CSR is concerned. A few analysts have brought up that gender contrasts in good thinking have a premise in gender socialization (Gilligan, 1982). The meta-analysis on gender contrasts completed by Jaffee and Hyde (2000) in 160 independent samples demonstrated that ladies are somewhat more inclined than men to construct their prevailing upon respect to care and consideration variables. That is to state, ladies are more inclined to go into connections, to react to the necessities of others, to feel in charge of not bringing about damage. In such manner, past studies have found that the presence of ladies directors on the board increments corporate charitable providing for the regions of group administrations, arts, and social exercises (Williams, 2003). Bernardi et al. (2006;2009) have noticed that boards of directors with a higher rate of ladies are altogether more prone to show up on Fortunes' 'Best organizations to work for' (2006) and Ethisphere's 'Most Ethical Companies' rundown. Furthermore, Bernardi and Threadgill (2010) utilized a specimen of 143 firms on the Fortune 500 rundown over a three-year time span to affirm that there is a association between the quantity of females exectuvies on a corporate board and such

corporate social conduct as charitable giving, group contribution, and outside acknowledgment of employees benefits. A few concentrates additionally demonstrate that ladies are more inclined than men to recognize circumstances that require moral judgments and practices (Smith et al., 2001).

In like manner, some exploration has brought up that ladies have a more defensive attitude towards the earth and are more mindful of its abuse (Wehrmeyer and McNeil, 2000). As Park et al. (2012) recommend, females are more likely than men to be environmentally conscious. A few studies have embraced the possibility that ladies have a tendency to be more worried about saw wellbeing and ecological dangers than men (Davidson and Freudenburg, 1996). The observational proof recommends that females are more inclined than males to take measures to reduce the apparent dangers. As buyers, for instance, ladies will probably demonstrate attitudes and practices that are great to the earth (Mainieri et al., 1997). In such manner, Ciocirlan and Pettersson (2012) have additionally given proof to the hypothesis that organizations that contract more ladies demonstrate a more grounded sympathy toward environmental change. Nonetheless, Galbreath's outcomes (2010) have demonstrated that the extent of ladies on boards is not connected to contrasts in how well an association's administration hones address environmental change. The greater part of the experimental analysis recommends that ladies are by and large more worried than men (Diamantopoulos et al., 2003).

As reported by Zhang et al. (2012) analyzed the association between the existence of females on the boards of directors and CSR execution and they discovered exact confirmation to demonstrate that a more prominent presence of ladies directors is connected to better CSR execution inside an association's industry. The creators propose

that ladies directors have a tendency to have certain mental characteristics that would like to make them more delicate to specific partners cases, and in that way increase their remarkable quality. With respect to men, ladies have more mutual attributes: they are warm, useful, kind, thoughtful, interpersonally touchy, sustaining, and worried about others' welfare (Eagly et al., 2003). As Nielsen and Huse (2010, p.138) additionally propose that 'ladies' thoughtfulness regarding and thought of the necessities of others may prompt to ladies' dynamic association in issues of a vital nature that worry the firm and its partners'. Subsequently, the presence of ladies could enhance the capacity of the board to bargain adequately with issues of corporate social obligation.

In his study about the relationship between CEO demographic qualities and CSR execution, Huang (2012) discovered confirmation that diversity in gender influences a company's CSR activities. The presence of female directors on the governing body, at that point, may prompt to more noteworthy affectability to CSR-related issues, and give perspectives that are exceedingly suited to approach these issues. In such manner, a few studies (Barako and Brown, 2008; Prado-Lorenzo and García-Sánchez, 2010; Frias-Aceituno et al., 2012) have discovered proof to propose that the presence of females on the top administrative level likewise empowers better practices in incorporated corporate social reporting.

Besides, a few shareholders even see that the boards of directors with most ladies give more prominent ensures that their ventures are not in struggle with a criminal change and, in the meantime, indicate stricter consistence with moral lead (Flynn and Adams, 2004).

As Ramirez (2003) recommends, gender diversity can prevent corporate corruption and

misrepresentation, since ladies will probably challenge administration with "extreme" inquiries.

However, it is also possible that women directors are compelled to pay more attention to their firm's CSR due to reputational concerns. First, women directors can establish or improve their reputational standing within the organization through their expertise in CSR-relevant issues. Research suggests that women managers are known for their in-depth knowledge and competence in such areas as marketing or human resource management. These so-called soft-issue areas have much overlap with CSR issue areas. Research also suggests that women leaders typically experience difficulty in establishing credibility and influencing others in areas of technical issues. Given this, they might view exhibiting their expertise and competence in CSR issue areas as an opportunity to enhance their reputational position within the organization. Accordingly, we expect that women independent directors are likely to show greater enthusiasm and concerns about CSR issues in boardroom meetings and committee-level activities.

However, Galbreath (2010) additionally brings up that this finding may be clarified by critical mass theory: in light of the fact that the extent of ladies on boards in the example is low, their capacity to have a critical effect may be limited. Despite the fact that it is absolutely genuine that a few studies (Hayes, 2001) don't demonstrate any contrasts amongst gender diveristy dispositions on the earth

Recently, Galbreath (2011) encourage demonstrated that sex-based inclinations/biases or stereotyping by male executives can restrict ladies directors' impact on basic leadership and in this manner economical results. In addition to the stereotype barrier, it is additionally regularly addressed in the writing whether gender contrasts really apply to

administration/administrative positions. Ladies who seek after administration vocations for the most part reject ladylike generalizations and might will probably have requirements, qualities and leadership styles like men (Powell 1990) henceforth have a tendency to act in a manly way.

Hypothesis: there is a positive / negative association between presence of women directors on board and the level of CSR disclosures

CHAPTER 3

RESEARCH METHODOLOGY

This chapter includes data source, Variables Description, Model specification and data analysis techniques that are used to measure the impact of Gender Diversity on Corporate Social Responsibility of the firms in the context of Pakistan.

3.1. Data Description

This study restricts its analysis to the firms that are functioning with in Pakistan. The sample of the study consists of 80 non financial firms which are listed in Karachi stock exchange from the period of 2006 to 2014. The information is obtained from various sources such as official website of KSE and from the websites of each company which were selected for analysis and their perspective annual reports. For conducting this analysis secondary data is used.

3.2. Variables specification

3.2.1. Dependent variable

Corporate Social Responsibility Disclosure Index (CSRDI)

The CSR disclosure index (CSRDI) represents the dependent variable in this study. To evaluate the degree of CSR disclosure in yearly reports, a checklist containing 20 items was built (see Appendix). We take after past studies to build this checklist. Specifically we follow Haniffa and Cooke (2002, 2005) and Ghazali (2007) and build up a modified checklist including the items significant to Pakistani organizations. A dichotomous method is applied whereby a company is honored 1 if an item incorporated into the checklist is revealed and 0 on the off chance that it is not uncovered. Such a judgment can

be made after reading the whole annual report (Cooke 1992). As needs be, the CSR disclosure index is derived by figuring the proportion of actual scores awarded to the maximum score achievable (20) by that company (Ghazali 2007). The index is measured for every company as the proportion of the score obtained to the maximum possible score relevant for that company. The firms that do not show their disclosures are also included in the study.

3.2.2. Independent Variables

Gender Diversity (GD)

The gender diversity of firm (GD) is measured by the percentage of female executives in the board (Stephen et al . , 2010).

3.2.3. Control Variables

Board Size (BS)

Board size is calculated by the number of directors in the board (Kurawa & ishaku, 2014)

Board Independence (BI)

Board independence is measured by the percentage of independent executives in the board (Iqbal, 2013)

CEO Duality (CEOD)

CEO duality means that chief executive officer work as the chairman of the board. It is coded as dummy, (1) if CEO has dual role and (0) otherwise.

Institutional Ownership (INST)

Institutional ownership is calculated by the percentage of shares acquire by institutional investor.

Firm Size (FS)

Calculated by log of total assets (Chiraz Ben Ali, 2004; Abor, 2007; pham et al., 2007).

Leverage (Lev)

Leverage is measured by debt to equity ratio (Chiraz Ben Ali, 2004).

Sales Growth (SGROW)

Sales growth is measured bygeometric mean of annual percentage increase in sales.

Audit Committee Independence (ACI)

ACIis measured by the number of non-executive directors on audit committee divided by the total number of directors on audit committee (Shah, Butt, & Hasan, 2009).

3.3. Model specification

The model of the current study explains the impact of gender diversity of the board on corporate social responsibility of the firms.

$$CSR = \beta_0 + \beta_1 ACI_{i,t} + \beta_2 BI_{i,t} + \beta_3 BS_{i,t} + \beta_4 CEOD_{i,t} + \beta_5 GD_{i,t} + \beta_6 INSTO_{i,t} + \beta_7 LEV_{i,t} + \beta_8 SGROW_{i,t} + \beta_9 FS_{i,t} + \mu \dots \dots \dots (i)$$

Where;

CSR= Corporate social responsibility.

ACI= Audit committee independence

BI=Board independence

BS= Board size

CEOD= CEO duality

GD = Gender diversity

INSTO = Institutional ownership

LEV= Leverage

SGRWTH= Sales Growth

ε = Error term

3.4. Method

The present study focuses at introductory work on the data of 80 non financial firms for a significant period of time from 2006 to 2014. This study utilized the panel data strategy for the examination of the outcome. In panel data, we can watch distinctive cross sectional units for quite a while, which can be pooled together; this will allow us to expand the example measure. However such examination can't be controlled by utilizing just time series or cross sectional data. Subsequently, panel data strategy is best method where both time series and cross sectional data at same time can be assessed. There are three techniques through which panel data investigation can be performed, which incorporate common effect, fixed effect and random effect model. For the each model, there is separate route through which every model is tested and validity is confirmed.

Chapter 4

RESULTS AND INTERPRETATION

This section contains the results of the study which consists of descriptive statistics of dependent as well as independent variables that have been considered in this study.

Furthermore correlation matrices of variables and regression analysis have been explained

4.1. Empirical Results

The association between dependent and independent variables is examined by formulating a correlation matrix. Correlation matrix shows the association among the variables. It has values from -1 to +1. Negative symbol shows that the association between both variables is negative, means that they both move toward opposite sides. If one increases the other will decrease and vice versa. As for positive symbol concerns, it shows that a positive association exists between both variables. If one increases the other will also increase and vice versa

4.1.1. Correlation Results

In this section the correlations between dependent variables; corporate social responsibility (CSR) and independent variables; audit committee independence (ACI), board independence (BI), board size (BS), CEO duality (CEOD), firm size (FS), gender diversity (GD), institutional ownership (INSTO), leverage (LEV) and sales growth (SGROW) have been presented. For each dependent variable a separate correlation matrix has been used and explained

Table 4.1: Correlation Matrix

	ACI	BI	BS	CEOD	CSR	FS	GD	INSTO	LEV	SGROW
ACI	1									
BI	-0.11	1								
BS	0.09	0.14	1							
CEOD	0.12	-0.0	-0.01	1						
CSR	-0.07	0.19	-0.10	0.01	1					
FS	0.05	-0.0	0.13	-0.01	0.32	1				
GD	0.002	-0.0	-0.11	0.11	0.10	0.04	1			
INSTO	0.007	0.01	0.00	0.06	-0.04	-0.0	0.11	1		
LEV	0.17	-0.0	0.13	0.06	-0.08	0.00	0.014	-0.03	1	
SGROW	0.02	-0.0	-0.01	0.047	-0.04	0.03	0.01	0.02	-0.05	1

Table 4.1 displays the correlation between the variables. Variables are positively and negatively correlated with each other. The variables audit committee ACI (-0.07), institutional ownership INSTO (-0.04), leverage LEV (-0.08), sales growth SGROW (-0.04), board size BS (-0.10), are showing the negative sing with the corporate social responsibility disclosure. While the variables board independency BI (0.19), CEO duality CEOD (0.01), firm size FS (0.32), gender diversity GD (0.10) showing the positive sing with the corporate social responsibility disclosure.

4.2. Descriptive Statistics

It is utilized to get the feel of data. General trends in the data descriptive results for the dependent; CSR and explanatory variables; ACI, BI, BS, CEOD, FS, GD, INSTO, LEV, SGROW have been explained below through table.

Table 4.2: Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev	Skewness	Kurtosis
CSR	0.431	0.417	0.917	0.083	0.083	0.094	2.459
ACI	0.644	0.670	0.830	0.330	0.123	-1.478	4.5445
BI	0.825	0.444	271.0	0.200	10.08	26.77	717.8
BS	8.856	8.000	271.0	5.00	9.938	25.54	674.0
CEOD	0.662	0.000	271.0	0.000	10.09	26.69	715.12
FS	11.97	10.352	271.0	4.463	10.41	21.39	532.56
GD	0.431	0.000	271.0	0.000	10.09	26.77	717.80
INSTO	0.393	0.020	271.0	0.000	10.09	26.77	717.99
LEV	0.793	0.390	271.0	0.11	10.08	26.76	717.46
SGROW	0.1259	0.150	0.999	-7.92	0.355	-16.32	366.03

4.2.1. Descriptive Statistics of CSR

The variable CSR have mean value is 0.431, Median value of CSR is 0.417, maximum CSR is 0.917, minimum CSR is 0.083, volatility of CSR is 0.083, skewness is 0.094 and kurtosis value is 2.459.

4.2.2. Descriptive Statistics of ACI

The variable ACI have mean value is 0.644, Median value of ACI is 0.670, maximum ACI is 0.830, minimum ACI is 0.330, volatility of ACI is 0.123, skewness is -1.4785 and kurtosis value is 4.544.

4.2.3. Descriptive Statistics of BI

The variable BI have mean value is 0.825, Median value of BI is 0.44, maximum BI is 271.0, minimum BI is 0.200, volatility of BI is 10.08, skewness is 26.772 and kurtosis value is 717.85.

4.2.4. Descriptive Statistics of BS

The variable BS have mean value is 8.856, Median value of BS is 8.00, maximum BS is 271.0, minimum BS is 5.000, volatility of BS is 9.938, skewness is 25.54 and kurtosis value is 674.09.

4.2.5. Descriptive Statistics of CEOD

The variable CEOD have mean value is 0.662, Median value of CEOD is 0.00, maximum CEOD is 271.0, minimum CEOD is 0.000, volatility of CEOD is 10.09, skewness is 26.696 and kurtosis value is 715.12.

4.2.6. Descriptive Statistics of FS

The variable FS have mean value is 11.97, Median value of FS is 10.352, maximum FS is 271.0, minimum FS is 4.463, volatility of FS is 10.41, skewness is 21.39 and kurtosis value is 532.56.

4.2.7. Descriptive Statistics of GD

The variable GD have mean value is 0.431, Median value of GD is 0.00000, maximum GD is 271.0000, minimum GD is 0.00000, volatility of GD is 10.09820, skewness is 26.77142 and kurtosis value is 717.8064.

4.2.8. Descriptive Statistics of INSTO

The variable INSTO have mean value is 0.393, Median value of INSTO is 0.020, maximum INSTO is 271.0, minimum INSTO is 0.00000, volatility of INSTO is 10.09, skewness is 26.77 and kurtosis value is 717.99.

4.2.9. Descriptive Statistics of LEV

The variable LEV have average value is 0.793, Median value of LEV is 0.390, maximum LEV is 271.0, minimum LEV is 0.11, average volatility of LEV is 10.08, skewness is 26.76 and kurtosis value is 717.46.

4.2.10. Descriptive Statistics of SGROW

The variable SGROW have mean value is 0.1259, Median value of SGROW is 0.150, maximum SGROW is 0.999, minimum SGROW is -7.92, volatility of SGROW is 0.355, skewness is -16.32 and kurtosis value is 366.03.

4.3. Regression analysis

This part of the chapter contains the regression analysis results from CSR; these results have been formulated to understand the association between CSR and explanatory

variables. In other words, these results have been formulated to understand the impact GD on CSR in Pakistan.

In order to analyze the impact of gender diversity of board on the corporate social responsibility of the firm in Pakistan the regression model was run.

$$CSR = \beta_0 + \beta_1 ACI_{i,t} + \beta_2 BI_{i,t} + \beta_3 BS_{i,t} + \beta_4 CEOD_{i,t} + \beta_5 GD_{i,t} + \beta_6 INSTO_{i,t} + \beta_7 LEV_{i,t} + \beta_8 SGROW_{i,t} + \beta_9 FS_{i,t} + \mu$$

4.3.1. Common Effect Model

Table 4.3: Common effect model

Variable	Coefficient	Std. Error	T-Statistic	P-value
ACI	0.057960	0.045734	1.267331	0.2055
BI	0.249848	0.058546	4.267572	0.0000
BS	0.007089	0.003530	2.008093	0.0450
CEOD	0.001486	0.015019	0.098953	0.9212
FS	0.020511	0.001647	12.45235	0.0000
GD	0.089647	0.056935	1.574550	0.1158
INSTO	-0.325248	0.084536	-3.847430	0.0001
LEV	-0.041190	0.034453	-1.195521	0.2323
SGROW	-0.039962	0.018722	-2.134491	0.0331
R-squared	0.094982			
AdjustedR-squared		0.084799		

Totalpanel (balanced) observations	720
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The above table can be discuss as the adjusted R-square of the common effect model is 0.094, which means that only 0.094 unit changes in dependent variable is explained by independent variables. Where the gender diversity GD have positive and insignificant association, audit committee independency ACI have insignificant and positive association, board independency BI have positive and strong significant association, board size BS have significant and positive association, CEO duality have positive but insignificant association, firm size FS have positive and strong significant association, institutional ownership INSTO have significant and negative association, leverage LEV have insignificant and negative association and sale growth SGROW have significant and negative association with corporate social responsibility disclosure.

4.3.2.Fixed Effect Model

Table 4.4: Fixed effect model

Variable	Coefficient	Std. Error	T-Statistic	P-value
C	0.082512	0.078313	1.053621	0.2925
ACI	0.192325	0.110568	1.739436	0.0824
BI	0.000559	0.040851	0.013690	0.9891
BS	-0.000908	0.002924	-0.310680	0.7561
CEOD	0.017698	0.012751	1.387895	0.1657
FS	0.020135	0.000890	22.61636	0.0000

GD	-0.032976	0.056828	-0.580272	0.5619
INSTO	0.007371	0.075742	0.097319	0.9225
LEV	-0.010017	0.024751	-0.404690	0.6858
SGROW	-0.011091	0.009449	-1.173838	0.2409
R-squared		0.829864		
AdjustedR-squared		0.806137		
Totalpanel (balanced) observations		720		

The above table can be discussed as the adjusted R-square of the fixed effect model is 0.82, which means that only 0.82 unit changes in dependent variable is explained by independent variables. Where the gender diversity GD have negative and insignificant association, audit committee independency ACI have insignificant and positive association, board independency BI have positive and insignificant association, board size BS have insignificant and negative association, CEO duality have positive but insignificant association, firm size FS have positive and strong significant association, institutional ownership INSTO have significant and positive association, leverage LEV have insignificant and negative association and sale growth SGROW have insignificant and negative association with corporate social responsibility disclosure.

4.3.3.Likelihood Ratio Test

This test is used to check the which model is appropriate, common effect model or fixed effect model.

Table 4.3: Likelihood Ratio Test

EffectsTest	Statistic	d.f.	Prob.
Cross-sectionF	31.868465	(79,631)	0.000
Cross-sectionChi-square	1157.335265	79	0.000

If p-value of cross section chi square is insignificant then the common effect model is used but in this result the value is significant so the fixed affect model is utilized. Moving towards the Hausman test, the study must have to estimate the random effect model to choose the appropriate model between fixed and random effect model.

4.3.4.Random Effect Model

Table 4.6: Random effect model

Variable	Coefficient	Std. Error	T-Statistic	P-value
C	0.186250	0.066298	2.809286	0.0051
ACI	0.041033	0.087333	0.469841	0.6386
BI	0.002543	0.040359	0.063012	0.9498
BS	-0.001304	0.002848	-0.457839	0.6472
CEOD	0.015991	0.012282	1.301980	0.1933
FS	0.020159	0.000881	22.88154	0.0000
GD	-0.018761	0.053720	-0.349246	0.7270
INSTO	0.003248	0.072651	0.044713	0.9643
LEV	-0.020045	0.024031	-0.834157	0.4045

SGROW	-0.011331	0.009401	-1.205244	0.2285
R-squared		0.451141		
AdjustedR-squared		0.444184		
Totalpanel (balanced) observations		720		

The above table can be discussed as the adjusted R-square of the Random effect model is 0.45, which means that only 0.45 unit changes in dependent variable is explained by independent variables. Where the gender diversity GD have negative and insignificant association, audit committee independency ACI have insignificant and positive association, board independency BI have positive and insignificant association, board size BS have insignificant and negative association, CEO duality have positive but insignificant association, firm size have positive and strong significant association, institutional ownership INSTO have insignificant and positive association, leverage LEV have insignificant and negative association and sale growth SGROW have insignificant and negative association with corporate social responsibility disclosure.

Now to select the suitable model between fixed and random effect model, for that the study carry out the Hausmen test which is given below:

4.3.5. Hausman Test

The Hausman test is used to select the appropriate model between fixed and random effect model.

4.3.5. Hausman Test

Table 4.7: Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	17.074187	9	0.0476

So if the p-value of cross-section random is significant, then the null hypothesis is rejected that the random effect model is consistent and we use the fixed effect model. So the result shows that this p-value is significant so this study have used fixed effect model.

4.4. Results and Discussion

This section discusses the results from the above table (4.4) fixed effect model. The main purpose of this result discussion is to ensure our results are whether consistent with the previous studies. It is appeared in the above table that the coefficient value C is 0.082512 which implies that the quality of CSR disclosure nature of the organizations is 0.082512 units.

The gender diversity GD have insignificant and negative association with corporate social responsibility CSR disclosure. The result of this study showed that the increasing number of women on the corporate board doesn't have positive impact on the improvement of corporate social disclosure. Therefore, this result don't support the finding of prior study (Larkin *et al.*, 2012; Bernardi & Threadgill, 2010; Bear *et al.*, 2010) which stated that the existence and the increasing number of women on corporate boards strongly correlated with increased attention to ethical and environmental problems. The result of this study also did not support the study of Kruger (2010) that

higher number of women in boards with regard to altruism attitude leads to better social behavior. This finding indicates that the low number of women on corporate boards (less than 1 person) is not able to give better attention to stakeholder welfare and encourage better corporate behavior on social and environmental issues. This argument is consistent with Mullen (2011) that the company has at least three women in board member have stronger CSR program and donate 28% more CSR funds. Condition in Pakistan shows that firms is mainly controlled by the family, and the presence of more women in board member driven by family-ties to control the shareholder rather than for reason of their expertise or experience (Darmadi, 2010). The perceived benefits of having women on boards include the belief that female relatives protect business interests, women's excellence in board discussions and the need to make balanced decisions. As there is insufficient evidence of appreciation of the real benefits of gender diverse boards, such as enhanced financial performance, the making of inclusive decisions, and responsiveness to customer segmentation, in the context of Pakistan. Mostaly companies in Pakistan considered family relationships to be the main criterion for women's appointment to the board. Other reasons included the desire to balance the board, to adopt global best practice, their qualifications, the fact that gender diversity is a company practice, and the professional experience of women. The low number of gender composition on corporate boards in Pakistani firms and lack of competence of female board was not able to encourage and to improve corporate ethical behavior, including in CSR strategy and corporate policy formulation so that it can have negative impact on corporate social performance.

The variable audit committee independency ACI a insignificant and positive association association with CSR disclosures. This result is consistent with Pomeroy and Thornton (2008) conduct a meta-analysis of audit committee's effects on financial reporting quality.

The variable board independency BI demonstrates an insignificant yet positive association with CSR disclosures. This is consistent with Uddin and Choudhury (2008), who find that in most Bangladeshi companies, independent directors were appointed for 'name only', and personal connections, rather than skill and expertise, were the major criteria for such selection.

The variable board size BS demonstrates an insignificant and negative association with CSR disclosure, indicating that when there is 1 unit increase in board size may bring decrease in the result of disclosure quality by 0.000676 units respectively. Considering group dynamics, smaller boards are often expected to be more effective at monitoring and controlling management than larger boards. Due to their limited size, they are expected to benefit from more efficient communication and coordination as well as higher levels of commitment and accountability of individual board members (Ahmed et al., 2006).

The variable CEO duality shows a insignificant and positive association with CSR disclosure. Haniffa and Cooke (2005) offer two views in this aspect. The first view supports the separation of the two roles to provide checks and balances for the performance of management, while the second view argues that the separation is not crucial since many companies are well run even with the roles combined and have a strong and capable board for monitoring.

The variable firm size demonstrates a critical and positive association with CSR disclosure. This result is consistent the study that large firms are more willing to disclose information to reduce their political costs, since their higher visibility can easily lead to more litigation and governmental intervention (Watts and Zimmerman, 1978; Bujaki and Richardson, 1997). In addition, Firth (1979) suggests that companies with higher visibility tend to report more information to improve corporate image.

The variable institutional ownership INSTO have a positive and insignificant association with CSR disclosure. Moreover, the variable leverage LEV have a negative but significant association, and sales growth SGROW have a negative and insignificant association with CSR disclosure.

CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

This study exhibits the association among the gender diversity of board and corporate social obligation of the firm exposure of the 80 non financial firms which are available in the Karachi Stock Exchange of Pakistan (currently known as Pakistan Stock Exchange). Initially the study engage with 100 firms. But Limited to 80 firms, due to the non availability of data of other 20 firms. The crucial objective of the examination is to explore the effect of gender diversity of board over corporate social obligation of the firm. To this reason, disclosure score is used to find the corporate social obligation revelation of every firm. This research includes descriptive statistics which is used to show the picture of the data, it contains mean, median, standard deviation, minimum and maximum. Correlation technique is used to test and to show whether and how it strongly pairs is related. Furthermore, we apply panel regression models, in which fixed model is used as final model. The study uses disclosure quality as a dependent variable and corporate governance attributes as independent variables i.e. audit committee independency, board size, board independence, CEO duality, gender diversity, institutional ownership, managerial ownership and also use some other variables growth sales, leverage and firm's size. The result of this study proves that the gender diversity of board negative and insignificantly affect on the corporate social responsibility of the company.

5.2. Recommendations

The study focuses on only disclosures in corporate annual reports although it is know that management may use other mass communication mechanisms. Therefore, future research

may consider disclosures in other media such as newspapers, the internet, etc.

Additionally, involvement in socially responsible activities may not necessarily translate into disclosure of those activities. The CSR exposures list created in the examination may not completely or effectively catch the CSR exercises. From now on it should not be assumed that associations which don't uncover their corporate social duty of the firm information were not participating with any group works out. The relationship between moral, corporate administration and corporate social obligation of the firm disclosures ought to too be examined.

5.3. Future Research Directions

The present review just considered those organizations which are recorded on the Karachi Stock Exchange (KSE). As we realize that KSE is biggest stock exchange and is illustrative for Pakistani market, however for more sum up capable outcome in Pakistani setting now can be obtained by including more organizations, since now Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE), Islamabad Stock Exchange (ISE) are developed into Pakistan Stock Exchange. Additionally this review likewise utilize a sample of 80 non financial firms can be extended to big sample and also by adding more interested variables for more generalize results of the study.

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APPENDICES

CSR disclosure items

I Community involvement

- Charitable donations and subscriptions
- Sponsorships and advertisement
- Community related programs (Health and Education)

II Environmental

- Environmental policies

III Employee information

- Number of Employees/Human resource
- Employees Relations
- Employee's Welfare programs
- Employee education
- Employee training and development programs
- Employee profit sharing
- Managerial remuneration
- Worker's occupational health and safety
- Child labor and related actions

IV Product and service information

- Types of products disclosed
- Product development and Research

- Product quality and safety measures
- Discussion of marketing network
- Focus on customer services and satisfaction
- Customer Award or Rating Received from Customer

V Value added information

- Value added statement