

## **Chapter 5: Conclusions and Recommendations**

The purpose of this chapter is to summarise the findings that have been acquired with regards to the topic of the research. This chapter discusses of the future implications the research has and the way it can be used by researchers in the future in order to extensively when studying a field which is relevant to the topic. Recommendations have also been provided with the regards to the discussed issues from the findings and the literature of the research. The topic of the research was to understand the corporate social responsibility performance, financial distress and firm Life Cycle evidence from Pakistan. The research is suggested to have provided an outline upon the aspect of CSR and the importance it plays in improving the financial performance of the organisations.

This chapter is also gives a brief outline of what the aims and objectives are based upon. A connection was identified if there was a significant amount of connection of the CSR with the financial distress. The literature and the findings of the study had suggested that firms are highly required to implement CSR activities in order to maintain a positive reputation amid the stakeholders and that its activities are related with the reduction of financial distress. There has also been a detailed discussion of the company lifecycle and its possible effect upon the CSR and the financial distress faced by the company. Analysis the findings and the literature of the study it can be suggested that devising a CSR strategy at the initial stages of the firm can likely improve the financial performance of the organisation and will likely improve its reputation.

The extensive study has been carried out to shed light on different aspects of CSR, and firm distress to meet the main objectives of this study. The overall picture of the study reflects the high significance of CSR as it can play a crucial role in reducing financial distress. In contemporary business environment, organisations are required to fulfil the needs of their stakeholders to maintain their high competitiveness in the market. Conclusively, the implication of effective CSR practices is now become the necessity for the companies to survive in the market. Moreover, in the context of Pakistan the institute of Pakistan Center of Philanthropy is responsible for monitoring all the philanthropic practices that are carried out by the corporate sector across Pakistan, which can make the impact on daily life's of the people. However, as per the report it has been identified that very few number of companies in Pakistan are actively

participating in CSR activities, whereas majority of the companies are not even aware about the concept of CSR.

The study also discussed about financial distress, which is often recognised as one of the serious issue in a business world. The study also finds out the difference between the CSR practices in European and Asian countries, as in most of the European countries, companies are required to follow the rules about offering equal opportunities to the labour, environment safety, and take necessary measures in ensuring health and safety of their stakeholders. However, in the context of Asian countries majority of the companies not even know about the concept of CSR. Thus, it shows the high importance of government role on the implementation of CSR practices in business environment. Moreover, from overall findings of the study it can be concluded that effective CSR practices not only plays an important role in reducing financial distress, but it also helps the company to achieve better financial performance, which eventually increase the firm ability to repay their credits and loans.

The summarised findings of this study are presented on the basis of the main objectives of this study, which includes identifying the relationship between CSR and financial distress, and effect of life cycle on the relationship between corporate social responsibility and financial distress. Based on the literature, it had been found that the CSR and financial distress are being given high attention by the researchers. The reason is that the CSR activities can provides the firms with the financial and economic rewards. The term CSR refers to the company's activities in which it contributes its human or financial rewards to the community that overall enhances the social welfare. This enables the firm in gaining various advantages as it can gain competitive advantage as well as enhancing its brand image. Nowadays, CSR had been crucial for the organization as not only it is obligatory for the firms to contribute to the CSR but also the activities are considered as the survival of the organization. Other than that, the study of Deegan (2002) had illustrated that the financial distress and corporate social responsibility are considered in isolation. The term financial distress reflects to when the firm is faced with challenges and problems on its financial condition. Various studies had illustrated that the CSR activities can reduce and mitigate the risk of financial distress as it creates strong association with the stakeholders as well as gaining competitive advantage.

The overall findings of the study highlight the huge significance of CSR with regards to performance of the company. From the findings of correlation analysis it can be concluded that financial distress has a positive and weak relation with firm size, CSR, and cash holding; while on the other hand financial distress has positive and moderate relation with net working capital and return on assets. Overall findings and analysis of the study indicated that financial distress and CSR are highly related to each other, as CSR activities help the companies to reduce their financial distress. On the other hand, with regards to the firm life cycle it has been found that practices of CSR are more effective during the growing phases, while in the later stages of life cycle it likely to be less effective on financial distress. Therefore, as per the findings and analysis it has been found that CSR is more affective on financial distress in second stage of life cycle that is growth stage.

The overall results and findings of the study shows that CSR practices had caused negative impact on financial stress. From research findings it has also been found that CSR activities are more likely to play a positive role in achieving better financial benefits, which eventually enables the company to pay their credits and loans. In this way the main purpose of CSR practices is to generate capital and good will, which helps the company in financial distress times. as per the research findings CSR activities also helps companies to attract their stakeholders, and in to maintain strong relationship with their stakeholders that supports the organisation in cost reduction and in improving financial performance of the company. Furthermore, results regression analysis had also found the different variables that are significant with financial distress, which includes return on assets, financial leverage, and net working capital. In this way, the results of regression analysis show that financial leverage and firm assets can reduce financial distress of the company. In contrast, as per the results of regression analysis the variables that are found to be insignificant financial distress include cash holdings, corporate social responsibility, and proportion of fixed assets.

## ***5.1 Recommendations***

In order to overcome the issues that had been identified and discussed in the research there is a great deal of importance to address viable recommendations in order to over the issues.

Based upon the findings of the results and the literature it is highly essential for the Pakistani firms to implement CSR strategy since it will enable them to improve their financial performance and increase their credibility and reputation in the business environment. Moreover it is essential for organisational managers to develop CSR strategies which could likely resolve issues in the initial stage of the businesses. It is highly important to suggest that there is a significant need for stakeholders to focus upon the firm's lifecycles in order to reduce the financial distress faced by the organisations.

Furthermore it is also important for organisational managers to identify the economic and political aspects of the geographical location in order to effectively develop CSR strategy and that it is essential for the success of the organisation. Implementing CSR policies will ensure that the firms will likely achieve a competitive advantage over other organisation since they will likely have an improved financial performance. Moreover it is also essential to recommend that CSR policies will be best likely known to be making use of the resources in order to improve firm's financial performance. Government must ensure that the organisations operating are considered to possess CSR policies so that their operations are likely to not harm the environment and improve the reputation in the business environment.

## ***5.2 Future Research Direction***

With regards to the future implications of this study, it has been recommended that since this study has been carried out in the context of Pakistan, the researcher in future with the help of this study can conduct the same research on different parts of the world. This will allow the future researcher to compare the results of this study with any other region; in this way it will allow the future researcher to conduct comparative analysis. Moreover, the untapped area of investigating the relationship between CSR activities and financial distress and its impact on firm performance in the context of Pakistan can be further investigated by including more observations. Furthermore, future researcher can also consider conducting the same study by confine sample population or by taking larger sample size to ensure the authenticity of the research findings. The literature presented in this study, will also help the future researcher to gain some valuable insights about the different aspects of the topic, and conduct the same study

to come up with some new findings. More importantly the recommendations that are proposed in this study can help different organisations in Pakistan and policy makers to form effective CSR practices to overcome the issues of financial distress and gain better financial performance.