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## Corporate Social Responsibility and New Venture Performance: The Mediating Role of Stakeholders Trust and the Moderating Effect of Entrepreneurial Finance



By

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Reg. No: 1266-B.Com-2002

A thesis submitted in partial fulfillment of the requirements for the degree of PhD in Business Administration

DEPARTMENT OF BUSINESS ADMINISTRATION  
GOMAL UNIVERSITY DERA ISMAIL KHAN  
PAKISTAN

November 2021

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Session: 2016-2019

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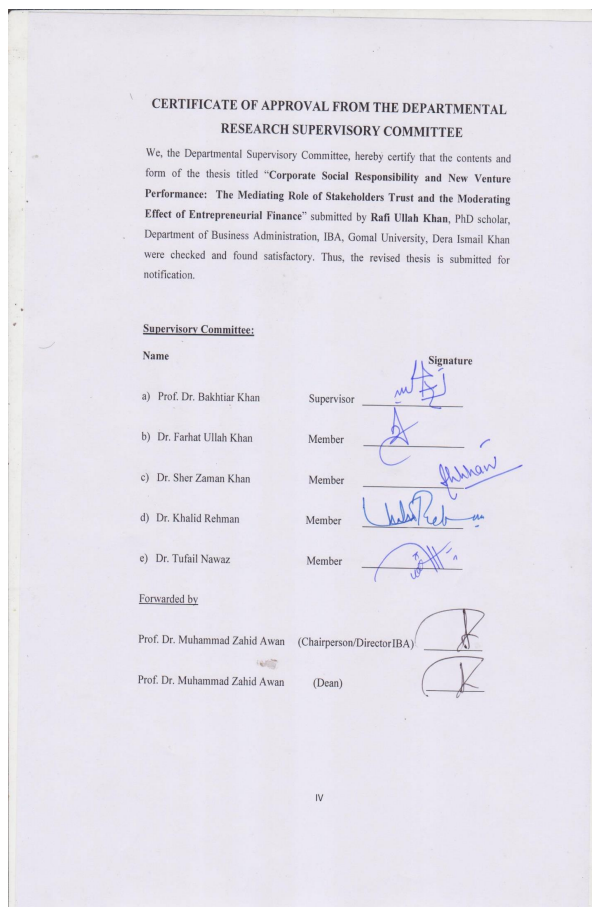
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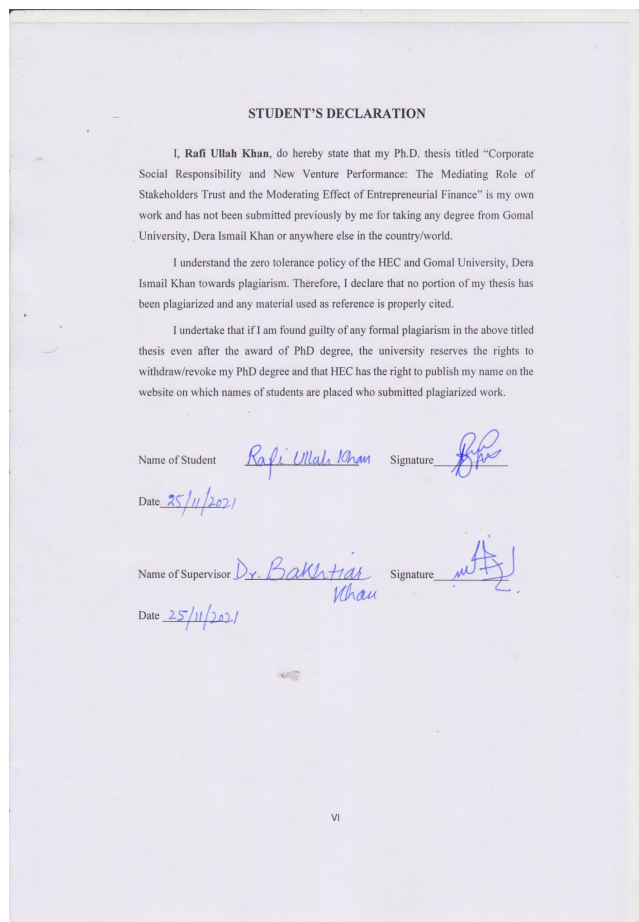
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**DEDICATION**

This thesis is dedicated to my  
loving Parents



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LIST OF ABBREVIATIONS

CSR	Corporate Social Responsibility
CCSR	Composite CSR
NVP	New Venture Performance
ST	Stakeholders' Trust
EF	Entrepreneurial Finance
SMEDA	Small & Medium Enterprises Development Authority
KP	Khyber Pakhtunkhwa
D.I. Khan	Dera Ismail Khan
UNIDO	United Nations Industrial Development Organization
SC	Social Capital
SPSS	Statistical Package for the Social Sciences
PCA	Principal Component Analysis
KMO	Kaiser-Meyer-Olkin
EFA	Exploratory Factor analysis
CFA	Confirmatory Factor Analysis
GFI	Goodness of Fit Index
CFI	Comparative Fit Index
NFI	Normed-Fit Index
IFI	Incremental Fit Index
TLI	Tucker Lewis index
RMSEA	Root Mean Square Error of Approximation
AGFI	Adjusted Goodness of Fit Index
DF	Degree of Freedom
ANOVA	Analysis of Variance
IBA	Institute of Business Administration
H	Hypothesis
IV	Independent variable
DV	Dependent variable
AMOS	Analysis of Moment Structures

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**Corporate Social Responsibility and New Venture Performance: The Mediating Role of Stakeholders Trust and the Moderating Effect of Entrepreneurial Finance**

ABSTRACT

This study was intended to investigate the impact of composite and dimensional CSR on new ventures' performance in the presence of stakeholders trust and entrepreneurial finance as mediator and moderator respectively. The theoretical background of this study is resided in Stakeholders Theory and Resource Based Theory. By adopting survey method, cross sectional primary data were collected from a sample of 384 respondents with the help of questionnaire adopted from the previous related studies. All the constructs were measured quantitatively on 5 point Likert scale. SPSS was utilized for descriptive statistics and AMOS was used for finding the instrument's validity and model fitness. Structural Equation Modelling technique in AMOS 24 was employed for testing the research hypotheses.

Findings of the study revealed significant positive effect of composite CSR on overall new venture performance. In case of dimensional CSR, employees related CSR has the greatest influence on new venture performance, followed by customers' related CSR and then community CSR. However, environment related CSR, type of industry, size and age groups of new ventures showed positive but insignificant relations with new venture performance and stakeholders trust. Moreover, stakeholders trust fully mediates the relationship of customers and employees related CSR with new venture performance and partially mediates the link between community CSR and new venture performance. Moreover, entrepreneurial finance showed positive moderation effect on the relationship between CSR and new venture performance.

The findings of this study have robust implications for the owners and managers of new ventures by empirically proving that there is a market for virtue, irrespective of the nature and size of business. It is concluded from this study that for ensuring survival, growth and sustainability, new ventures need to view CSR as a value generating instrument.

**Keywords:** Corporate Social Responsibility, Entrepreneurial Finance, New Venture Performance, Stakeholder Trust, Stakeholder Theory, Resource Base Theory.

## INTRODUCTION

Corporate social responsibility (CSR) has got its momentum at present (Jamali, 2014) both in academia and modern business practices all over the world (Cho, Chung, & Young, 2019). Though the topic of CSR is under debate since the last few decades among the scholars, it has risen to prominence from the inception of the new millennium. There are massive expectations and pressures from the full range of stakeholders that has made it mandatory for managers to contribute not only towards maximization of profits, but also towards environmental, social and economic benefits of the societies in which they operate their businesses (Boccia & Sarnacchiaro, 2018; De Oliveira Neto, Pinto, Amorim, Giannetti, & De Almeida, 2018). Managers are no more free in practicing the vicious approaches of operations (Vallaster, 2017), where the one and only objective of operation is the profit maximization and increasing the shareholders' wealth (Vallaster, 2017; Zhao, Liu, Zhang, & Huang, 2017), but it has become imperative for them to behave in socially responsible manners. Thus, the responsibilities assumed by business in trying to fulfill such social obligations can be said as corporate social responsibility (Carroll & Shabana, 2010; Cholette, Kleinrichert, Roeder, & Sugiyama, 2014).

The paradox of 'simultaneous promotion of shareholders' wealth and social welfare' is being resolved and CSR is considered as an opportunity for sustaining a firm's performance. Therefore, businesses are prompted to do more beyond their conventional duties and integrate CSR into the mainstream business strategy. Concurrently, managers emphasize on Corporate Social Responsibility (CSR) towards diversified stakeholders, as they comprehend that majority of the firm's objectives can be gained through the fulfillment of multiple stakeholders' interests (Akben-Selcuk, 2019; Boccia & Sarnacchiaro, 2018; Hasan, Kobeissi, Liu, & Wang, 2018). Moreover, the rapid increase in population in developing countries has led to a mounting number of social issues and community needs that have surpassed governments' capacity to address such problems. Therefore, CSR has attracted significant attention and posed as a vital complement to government's efforts for sustainable and balanced development of societies in developed and developing countries of the world (Jamali & Karam, 2018; Jamali, Zanhour, & Keshishian, 2009).

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and secondary job, is now taken as an opportunity for the creation of business value. Some businesses admit this fact to such extent that they tend to use the phrase as "corporate social opportunity" instead of "corporate social responsibility" (Bhattacharya et al., 2011). Traditionally, CSR was meant for few key stakeholders' groups but now it has been recognized and accepted that it is equally important for the full range of stakeholders including own employees, customers, suppliers, investors, regulating bodies and the societies in which the businesses operate. Early, CSR was used as a short term strategy for achieving some specific and emergent goals, but now it is integrated in the long term strategies of the business (Bhattacharya et al., 2011).

Furthermore, the adoption of an organized approach to CSR strategies and activities, builds trust and creates goodwill for the firm in the minds of employees, customers, suppliers, society and owners (Bai & Chang, 2015; Boccia & Sarnacchiaro, 2018). Stakeholder theory posits that substantial investments in CSR practices provide for developing good relations between a business entity and its stakeholders and help the firm gain those crucial and critical resources which are associated with diverse stakeholders of the firm (Bitektine & Haack, 2015; Shad, Lai, Fatt, Klemeš, & Bokhari, 2019). Furthermore, if these resources are properly attained and utilized through sustainable and socially responsible practices, then it will bring a positive change in the firm's reputation and brand image. The firm will be able to reap the benefits of employees' satisfaction and customers' confidence (Anbarasan, 2018; Boccia & Sarnacchiaro, 2018). Such confidence, on the part of employees and customers, promotes stakeholder trust (Barney, 1991; Freeman, 1984) which ultimately increases new venture performance (Khan, Yang, Khan, & Waheed, 2019a).

In view of the existing literature, a venture is considered as new venture if its age is ten or less than ten years (Cardon & Kirk, 2015; Yli-Renko, Autio, & Sapienza, 2001). In addition, ventures having age of less than 10 years are generally termed as new ventures by practitioners in light of the recommendations of National Federation of Independent Business (NFIB) and 'Small Business Advocacy' group (Ma, Gu, & Liu, 2017; Patel & Jayaram, 2014; Shane, 2008). For a venture, three to five years' age is deemed as the initial stage and commonly a venture in the age of 08 to 12 years is said to be a new venture (Kazanjian & Drazin, 1990). In this study, new ventures are referred to those SMEs that are younger than 10 years and older than or equal to 3 years. The minimum three years' age is taken for the sake of performance measurement

The concept of CSR is used in literature as similar with business social responsibility, sustainable social responsibility, sustainable development, corporate sustainability, triple bottom line, sustainable investment etc. (Amin-Chaudhry, 2016; Hubbard, 2009; Khan, Yang, Khan, Kherbachi, & Huemann, 2020b; Malik & Jasińska-Biliczak, 2018; Spence, 2016; Talan & Sharma, 2019; Wijethilake, 2017). This field studies the effects of profit seeking businesses on society beyond that is required by law and institutional constraints (Sheehy, 2015). Keeping in view the mixed arguments found in the existing literature, CSR is conceptualized as an organization's strategic policies and practices that result in sustainable development through the persistent satisfaction of the economic, cultural, social and environmental expectations and obligations of stakeholders (Pekovic & Vogt, 2021). Likewise, Freeman (1984) defines a stakeholder as any individual or group of individuals who affects or is affected by the actions and operations of a business. Thus customers, owners, employees, suppliers, community and environment are thought as the stakeholders of a business (Khan, Yang, & Waheed, 2019b). For the conduct of this research, the operational definition of CSR is given as policies and practices of small and medium size new ventures adopted for attaining economic, environmental and social targets while being trying to simultaneously meet the needs of owners and internal and external stakeholders. Given the broader perspective of CSR, owners/managers view positive and effective social engagement as a tool for developing sustainable competitive advantage for their businesses (Khan et al., 2019b; Zhao, Meng, He, & Gu, 2019).

Firms tend to adopt CSR due to three main reasons that are altruism or philanthropy, coerced egoism or institutional pressures and instrumental or strategic use. Altruism refers to the situation where firms' engagement in socially responsible practices is totally based on sincerity without taking into account the outcomes of such activities. This behavior is driven by the wish to promote good causes and wellbeing of people. Coerced egoism scenario is one in which firms adopt socially sustainable practices in response to regulations and increased expectation and pressures from different stakeholders. Strategic or instrumental CSR occurs when firms on their own discretion embrace it to gain some strategic advantages associated with it (Bhattacharya, Sen, & Korschun, 2011; Jamali, 2007; Lantos, 2001).

Many progressive companies are adopting more strategic CSR approaches to meet stakeholders' demands and expectations. CSR, once considered as an obligation

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because such criteria have been used by previous researchers (Amankwah-Amoah, Danso, & Adomako, 2019; Khan et al., 2019a).

Small and medium size enterprises (SMEs) play a substantial part in the national economy by pushing up the living standard of the most vulnerable people in society by restructuring growth strategies, and ensuring employment and social interconnection (SMEDA, 2017). In many countries of the world, more than ninety percent of all businesses are SMEs. They play their role for development in diverse ways, such as employment generation for increasing work force, provision of much needed goods and services at affordable prices, bringing flexibility and innovation and contributing towards GDP. In Pakistan, SMEs constitute around 99% of the business units and contribute nearly 40% to national GDP and more than 40% to the exports. Despite the high rate contribution of SMEs in job creation and value addition to GDP in Pakistan, it is a fact that they are running in trouble due to financial, management, skills and technology problems (SMEDA, 2017).

Tiffany Apczynski, Vice President of Public Policy and Social Impact at Zendsk Inc., says that startups need to undertake CSR activities to benefit from the increasing tendency of rewarding socially responsible practices by the consumers and also to deliver for the betterment of the world (Khan et al., 2019a; Smartcompany, 2016). According to her, ninety percent consumers in the world will opt for those brands which are related with a good cause. Startups and social responsibility are concomitant to each other and their ultimate end is a better world (Smartcompany, 2016). A startup can't get success and grow customers if there is crisis in the economy. Because in such situation customers are so overburdened by social issues that they even can't think about the innovative products of a company. Fifty percent Australians believe that high level demonstration of corporate social responsibility is important for the company they buy from and one third will select to purchase the product of those companies which are socially responsible. This eminent position of CSR is due to millennials (youngest consumers market in the world). It has become a trend to purchase products and services from socially responsible companies. So there is a great opportunity for new venture to embark upon social responsibility and build competitive advantage that will benefit the business to ensure survival and sustainable growth (Smartcompany, 2016).

Furthermore, every organization needs either sufficient funds or sound financial capability to engage in CSR related activities with the intention to build stakeholders

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trust and to ensure sustainable venture operation and performance. Ergo, new ventures particularly the SMEs in this region categorically pass through financial crunches which hinder their ability to undertake CSR activities (Anwar, Khan, & Khan, 2018a). In presence of such situation, new ventures are needed to stimulate financial capabilities/entrepreneurial finance (EF) rather than accumulating funds from their limited sources (Fonseka, Yang, & Tian, 2013). Simultaneously, a firm needs stronger financial capability (Entrepreneurial Finance) to reap the maximum gains of the CSR activities (Fonseka et al., 2013). Moreover, the existing literature argued that an efficient financial management assists managers to properly undertake CSR activities, which builds stakeholders trust and boosts NVP. Nonetheless, a stable EF ensures the smooth operation of routine activities of an organization in addition to substantial investment in CSR activities (Khan et al., 2019b).

A plethora of research is conducted on exploring the sound output of investment in societal responsibilities, but their diverse findings stroked social scientists to use reconvening factors in order to support the managers in making a balance between CSR investment and its output (Javed, Rashid, & Hussain, 2017). Furthermore, much the CSR research has been conducted in the context of large businesses. Small and large firms have different purposes and concerns from one another while engaging in CSR (Hou, Liu, Fan, & Wei, 2016). Large businesses undertake CSR to get good image and reputation while small and medium sized firms conduct CSR to make an influence and to be accepted in the community that leads to increased revenues and earnings (Salanta & Popa, 2014). Small and medium sized firms are riskier in conducting CSR than large firms because of the short time span between CSR implementation and its potentially negative outcomes (Sarbutts, 2003).

Keeping in view the significance of new ventures' CSR related decisions and given their strapped resources, this research study particularly measures and investigates the link of aggregated (composite CSR) and segregated (dimensional CSR) socially responsible activities with NVP mediated by Stakeholder Trust and moderated by Entrepreneurial Finance in an emerging economy of Pakistan. The theoretical framework of the study is based upon Stakeholder Theory and Resource Based Theory. Stakeholder Theory advocates that alongside the interests of the owners, a business should cater for the needs and expectations of all other stakeholders too (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). Resource Based Theory, says

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The present day globally recognized and institutionalized concept of CSR is commonly considered a product of the previous century, generally from the beginning of 1950s (Carroll, 2008). Howard Bowen Drucker, being considered the true father of the present day CSR, conceptualized the idea as social obligations: "to follow those lines of action which are desirable in terms of the objectives and values of our society" (Carroll, 2008). During 1950s, the focal point of interest in CSR field was on the firms' obligations to society and with a very minimal focus on linking CSR with business performance (Carroll, 2008). In the 1960s, CSR literature experienced a mass expansion and it was accepted by business that stakeholders' expectations would finally be addressed by businesses. The CSR definitions and the linkage between CSR and financial outcome remained the central points of discussion (Carroll, 1999; Carroll & Shabana, 2010). In the next decade of 1970s, the focus of many researchers was the content and implementation of CSR. Ackerman (1973) analyzed those factors in the literature which were relevant to the internal structures of organizations. He also studied and analyzed integration mechanisms deemed helpful in managing and solving society related problems within the organizations. Further, Fitch (1976) recommended that firms should identify, select and solve social problems.

In the 1980s, social and business interests were considered as concomitant and businesses became more receptive to their multiple stakeholders (Freeman, 1984). The focus of research was to develop new definitions of CSR. There was a plethora of writings on related notions and ideas of CSR. The decade of 1990s gave to the idea of CSR a universal sanction and it was studied along with strategy. In the first decade of the current century CSR obviously became a significant issue to many businesses because of institutional changes. At that time sustainable social and environmental practices were believed a vital source of legitimacy (Moura-Leite & Padgett, 2011).

In the 2000s, the face of CSR has completely changed and it has been undertaken due to stakeholders' demand. It is no more the idea of a single man but now a substantial portion of population rewards socially responsible companies and punishes irresponsible ones. Vogel (2007) calls this trend as 'the market for virtue'. Nowadays, it is the belief of many people that businesses are more capable to contribute towards social problems than the governments. They argue that governments are lacking the resources against their increased population and are not adaptive to quick change. On the other hand, businesses are more equipped with resources, are more dynamic to address problems as come ahead, and adopt performance based approach

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that due to some rare, unique and inimitable resources a business can gain competitive advantage. Such resources can be gained through socially responsible actions (Barney, 1996)

## 1.1 Historical Perspective of CSR

Corporate social responsibility, earlier termed as just social responsibility or corporate responsibility, has a very long history. The notion that business along with its own sustainability can be operated in ways that is beneficial for society, is traced back to the beginning of 18<sup>th</sup> century. At that times, CSR was mainly the concern of industrialists. They on their own followed and tried to promote the vision of "paying back to society by business". For example, Robert Owen, a Welsh-born industrialist, in 1799 bought a cotton mill in Scotland just for conducting an experiment in business practice. By purchasing the factory, he formulated and included a number of socially responsible policies into the traditional business strategy for uplifting the life standard of the workers. He opened a school, a bank and a store on the site for providing the daily needed goods and services at fair price (Bhattacharya et al., 2011, pp. 27,28). In 1831, the same idea was promoted by George Cadbury who made a model village for the wellbeing of his workers. George Cadbury was the son of a well-known philanthropist and chocolate maker John Cadbury. Similarly, in 1853, Sir Titus Salt created a residential town in Saltaire for those worker who were living under very bad conditions and severe pollution in nearby areas. Upon doing this, Salt in response to a question, answered that outside of his business he was nothing and within his business he had considerable influence. All such type activities were totally based on altruism and not on the demands of the workers and employees (Bhattacharya et al., 2011, p. 29).

Besides having concerns for the wellbeing of employees, general philanthropy was seen on the scenario in the late 1800s. Philanthropic contributions were the major components in CSR development since its inception. The period from 1870s to 1930s is termed as pre-legalization period of CSR because before 1900s, the perception of many people about corporate social contributions was negative. They were of the opinion that it was not good to give away shareholders' assets without their permission. Also, such business contributions were confined to some specific purposes (Carroll, 2008).

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that enable them to respond to such problems in a quick and efficient way. Thus, it has led to increased expectation from society that businesses should contribute towards social, economic and political transformations (Bhattacharya et al., 2011, pp. 178,179; Khan et al., 2019b).

At present there is great diffusion and prominence of CSR. The concept of CSR has been made enriched with substantial theoretical contributions and meanings that has paved the way for more empirical research. Recently business research scholars have shown interest to a marked extent in CSR and other related topics such as social capital, stakeholder theory, corporate citizenship, business ethics, sustainable development, etc. (Husted, 2015; Schrempf-Stirling, Palazzo, & Phillips, 2016; Stutz & Sachs, 2018) within the field of management and organization studies.

## 1.2 Situation of CSR in Pakistan

Pakistan is the world's 5th most populous country with more than 220 million population (GULF NEWS, 2020). Geographically, it is located at a very strategically important point in South Asian countries concerning the regional trade linkages among South Asia, China, Central Asia and Middle East. Moreover, there is abundance of undiscovered natural resources which is yet to be exploited. In addition, it has a demographic edge due to its increased labor force. On the other side, the increased working force and population create policy formulation problems for the government concerning the provision of jobs and sufficient social facilities to them (Shaikh, Ji, & Fan, 2016). At present the economy of Pakistan is faced with manifold challenges like decreasing investment, weak to bad governance, escalating inflation, severe energy shortage, multiplying unemployment and deteriorated law and order situation. Such challenges make the macro-economic stability and sustainable development targets at stake (Asian Development Bank, 2019). These elements put serious hurdles in the way of CSR policy and implementation in Pakistan and many businesses are striving to ensure their survival instead of investing in CSR.

In Pakistan CSR is in embryo stage but getting its pace very quickly due to its global prominence (Gilal, Channa, Gilal, Gilal, Gong, & Zhang, 2020). Many people take CSR only in its philanthropic and institutional perspectives (Rehman, Khan, & Rahman, 2020). The fact is that CSR is not only limited to altruism and charity like acts but it is a comprehensive set of obligations aimed at delivering shared value for diverse groups of stakeholders (Fatima, 2017; Wilson & Post, 2013). It has been argued in the

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literature that most of the companies adopt reactive CSR strategies in Pakistan (Ahmad, 2006; Yunis, 2009). So it can be concluded that most of businesses' responsible actions are to meet societal expectation to prove them as legitimate entity in the society. Naeem and Welford (2009) found that CSR is comparatively immature in Pakistan. However, they determined that public limited corporations are relatively good in the conduct of CSR. Likewise, Baughn, Bodie, and McIntosh (2007) also reported small amount of CSR in Pakistani companies. Seventy-five percent of the companies in Pakistan fall in the category of beginners in respect of CSR (Jeswani, Wehrmeyer, & Mulugetta, 2008). Furthermore, they found problems in the way of CSR like informal regulations, lack of sufficient resources and capabilities that make it hard for businesses' managers to initiate socially responsible actions.

However, Multi-National Corporations (MNCs), national public and private companies and SMEs are conducting CSR activities at their levels in Pakistan. Companies Ordinance 1984 of Pakistan is to regulate public listed companies in the country. Companies registered under this ordinance follow the capital market regulations and publish CSR reports (Javed et al., 2017). These companies externally address issues related to education, health, poverty, infrastructure and skill development, rehabilitation and emergency relief services. Within the organization, they are doing employees related CSR like training and development, provision of workplace safety, health and just and fair compensation etc.

MNCs play an active part in CSR practices to improve their brand image, global recognition, reputation and legitimacy. Increased social awareness and activism, heightened stakeholders' pressures and emerging regulations are among the other factors that feed the motivational drive of MNC's for CSR. These companies, sometimes with collaboration with NGOs, contribute in the form of providing basic services in the local communities. Moreover, these companies are actively engaged in internal activities that relate to sustainability concerns like sustainable usage of energy and water, carbon reduction, waste management and developing occupational health and safety (OHS) at workplace.

CSR in Pakistani SMEs is in the initial phase. These organizations have not yet formally adopted socially responsible practices (Bhutta, 2006). Most of the SMEs are very small and have limited growth and employment capacities and their primary goal is that of economic survival. Furthermore, most of such businesses are run and managed by owners and family members who lack the resources and capabilities to address

order to overcome the higher velocity of failure among newly born SMEs, practicing managers, entrepreneurs, researchers and academicians are looking for every novel and innovative strategy to be applied for success and survival of new ventures. Concurrently firms tend to develop trust and entrepreneurial financial capabilities by undertaking CSR activities that leads the firms towards successful operation and survival in emerging markets.

Consequent upon the critical investigation of the existing literature of CSR, it is argued that CSR is no more treated as a voluntary deed rather it's an obligatory act because firms face heightened pressure from diverse stakeholders including customers, employees, society, government, shareholders and suppliers etc. Firms have no way but to contribute towards social, economic, cultural and environmental causes for the benefit of the society as a whole. Hitherto, the managers are not only responsible to satiate the expectations of owners but they are substantially obligated to meet the claims of diverse stakeholders including employees, suppliers, customers, environment and community (Anwar, Shah, & Khan, 2018c). On the other hand, by taking proactive/instrumental approach to CSR, the existing literature argues that there is a "market for virtue" which means that CSR has a value (Kuzey, Uyar, Nizaeva, & Karaman, 2021). Such value is transmitted to a business either through the direct or indirect route in the form of tangible or intangible output (Bhattacharya et al., 2011, p. 39).

Therefore, this research study expects that in response to increased commitment to CSR, new ventures achieve favorable message from the associated stakeholders regarding image and goodwill of the firms that build trust, enhance competitiveness and in return ensure the firms' successful survival and superior performance. Hence, this study tends to assess the effect of aggregated CSR and segregated CSR on new venture performance in presence of entrepreneurial finance, and stakeholder trust as moderating and mediating factors.

### 1.4 Research Questions

This study examines CSR effect on new venture performance. Both aggregated (composite) CSR and segregated (dimensional) CSR impacts are checked on NVP and stakeholder trust. New venture performance is taken as a sum of financial and non-financial performance. This study takes stakeholder trust as an internal process or

society related problems (Awan, Khattak, & Kraslawski, 2019). However, it cannot be argued that there is complete absence of CSR in Pakistani SMEs, but there is lack of formal CSR activities in these firm. Cultural, religious and ethical values have considerable effect on the attitude of managers and owners towards philanthropic activities. New ventures are the basis of investigation in this research study where CSR initiatives of trading, manufacturing and service sectors (all types) are evaluated to know whether they come up with financial and non-financial benefits. This study follows Freeman's stakeholders' perspective which explains that organizations have disparate stakeholders and it is an imperative for organizations to deliver to all these diverse stakeholders.

### 1.3 Problem Statement

For achieving economic growth and development, every nation has to boost up economic activities by encouraging and assisting the establishment of new ventures. A new venture not only provides a profit earning opportunity for owner(s) but is a source of employment for others (Fox & Sohnesen, 2012). Thus, an increased employment and production of goods and services result in economic growth, which ultimately leads towards economic development. To gain such objectives, Pakistan has made numerous reforms to make starting a business easier. The number of required procedural steps of starting a new business has been decreased from ten to 5. This struggle for increasing the number of new businesses has improved Pakistan position in the world ranking of "Ease of Doing Business 2020" (World Bank, 2020).

In Pakistan SMEs, being considered to be the backbone of the economy, constitute 99 percent of all businesses. They share 40 percent of the GDP and employ more than 70 percent of the total work force in the country. SMEs are second to agriculture in employment. Despite the crucial contribution of SMEs in economic development, the upstart ventures face a severe problem of failure where the survival rate of new ventures is as lower as 19% firms fail in the first five years of operation, while only a minimal percentage (4%) of the firms have a life span of more than 25 years (Khan et al., 2019a; Khawaja, 2006). Ergo, the failure of a venture has long-lasting and multifaceted negative consequences on the firm and society. For example, the failure of a venture devastates various valuable tangible and intangible resources, and particularly hinders the entry of nascent entrepreneurs in the market. Moreover, in

mechanism and entrepreneurial finance as a contingency factor. Majority of the CSR-outcome studies have investigated the effect of CSR on financial performance, but contemporary researchers tend to measure firm performance both in terms of financial and non-financial performance (Ahmed & Manab, 2016; Anwar et al., 2018a; Charoensukmongkol, 2016; Holt, Pearson, Carr, & Barnett, 2017; Khan et al., 2019b; Škrinjar, Bosilj-Vukšić, & Indihar-Štemberger, 2008; Williams, 2020). This study also addressed Jamali, Lund-Thomsen, and Jeppesen (2017) suggesting research on SMEs' related CSR influence on firm profits and employees and environment condition in developing countries. Thus this study seeks to answer the following questions.

1. How does investment in socially responsible practices affect the performance of new ventures?
2. What is the effect of dimensional CSR on New Venture Performance?
3. What is the impact of aggregated and segregated CSR on stakeholders' trust?
4. How stakeholders' trust mediates in the link between CSR and New Venture Performance?
5. How entrepreneurial finance moderates the CSR and New Venture Performance link?

### 1.5 Research Objectives

The general objective of this research study is to find out the extent of CSR related practices in newly established ventures in Pakistan and to know whether such new ventures should invest or not in strategic CSR practices for ensuring their survival and growth. Survival is the biggest challenge for upstart ventures all over the world and especially in Pakistan. The failure rate is so alarming that 19% firms fail in first five years of operations while only 4% of the firms cross the age of 25 years (Khawaja, 2006). In order to overcome this failure problems, entrepreneurs try every new strategy related to success of the firm. Based upon the stakeholder theory, this study finds the relationship between CSR and new venture performance while also taking into consideration the effect of other contemporary factors such as stakeholders' trust and entrepreneurial financial capabilities/entrepreneurial finance. There is difference in dimension-wise CSR practices between large and small businesses. This study shows, besides the composite CSR, the individual effect of each dimension of CSR on new venture performance. However, the specific objectives of this study are:

1. To check the impact of CSR on new venture performance in the context of Pakistan.
2. To check the influence of individual dimensions of CSR on new venture performance.
3. To check the impact of aggregated and segregated CSR on stakeholders trust.
4. To check the mediation of stakeholders' trust in the link between CSR and NVP.
5. To check the moderating role of Entrepreneurial Finance in the relationship of CSR with New Venture Performance.

## 1.6 Research Gap

Survival and growth is the main problem of new ventures in Pakistan. To stop the problem of an ever-increasing number of failures amongst newly-established ventures, prior studies have recommended the researchers and academicians to conduct in-depth empirical research studies to find out the panacea by using some emerging strategies.

A number of surveys showed that top level managers, key shareholders and members of the boards are of the opinion that corporate social responsibility is in the best interest of the of their companies. It is a common belief that CSR can boost up a society well-being and firm performance simultaneously. CSR does not usually reach its full potential as it is revealed in the mainstream media. Merely doing good by company is not enough for creating business and social value. CSR must generate tangible outcome for the society and environment and also for the firm to ensure its own sustainability, otherwise it will not last long (Bhattacharya, Korschun, & Sen, 2009).

In developing countries, the institutional environment is not usually conducive for CSR and compliance to it remains on the discretion of the organizations. So there is a dire need for CSR engagement to be studied both in critical and contextual terms (Jamali et al., 2017). Further, Jamali et al. (2017) particularly suggest investigating micro-firms and SMEs engagement in CSR related informal practices and firms' overall performance including profitability, employees condition and environmental improvement. To fill the research gap pointed by numerous studies of (Anwar et al., 2018a; Jamali et al., 2017; Javed et al., 2017; Khan et al., 2019a), this study probes into

the effect of aggregated and segregated CSR on NVP in an emerging economy of Pakistan.

Many times, the outcome of investment in CSR related activities becomes unclear to owners and managers of the corporations. They become indifferent about the commensurate reward of such type of investment (Cohen & Sminnett, 2015). Such reward/value comes through the stakeholders' route which is more indirect because it depends upon the subjective responses of the stakeholders and contingent upon diverse and complex factors that affect stakeholders' responses (Bhattacharya et al., 2009, pp. 30-32). Studies examining CSR-NVP relationships lack the effect of internal processes and mechanisms between this link. Hence, potential moderators and mediators deserve due attention of the future research scholars (Grewatsch & Kleindienst, 2017).

Although, a considerable number of studies have been conducted in developed economies about the determinants of Trust and NVP, but as per our depth search, none of the study is found regarding CSR and NVP in the context of Pakistan. Furthermore, existing studies suggested that the factors such as CSR and Entrepreneurial Finance have a significant impact on SMEs' competitive advantage and performance. Such as Jain, Vyas, and Roy (2017) conducted a study to check the mediation of intellectual capital and competitive advantage between the link of CSR and SMEs performance and suggested that future research can be conducted with some other possible variables. This study adds valuable facts and figures to existing literature by providing new evidences from emerging economies and highlights the importance of the contemporary factors that affect NVP in turbulent markets. Simultaneously, in line with (Khan et al., 2019b; Yadav, Han, & Kim, 2017) this study follows the chronicles of two prominent theories (stakeholder theory and resource-based theory) to support the relationship among the key variables of the study.

Similarly, this study extends the models presented by previous research studies by using stakeholders' trust as a mediating factor and entrepreneurial finance as a moderating factor on a data set to be gleaned from practicing managers and owners of newly established ventures in different cities of Khyber Pakhtunkhwa, a province of Pakistan (Khan et al., 2019b; Testa, Miroshnychenko, Barontini, & Frey, 2018). In this study, the influence of sub-dimensions of CSR including CSR towards Employees, Customers, Society and Environment on NVP is checked in presence of a mediating factor (Stakeholders' Trust) and a moderating factor (entrepreneurial finance).

Moreover, this study uses structural equation modeling in AMOS 24 in order to get the precise results of the study.

## 1.7 Significance of the Study

This study has both practical and theoretical implications. Practically, it assists entrepreneurs, owners and top managers of existing and potential business ventures in successfully operating their businesses. It helps them to ensure survival in this age of cut-throat competition. This study highlights and investigates the role of intangible resources and capabilities that are necessary for building stakeholders' trust and gaining sustainable competitive advantage. Such advantages may not be instantly reflected in financial statements, however overtime they could well build enhanced employees' morale, retention, loyalty and devotion leading to higher productivity and efficiency (Bhattacharya et al., 2011, pp. 300-304).

In the context of new startups, Pakistan has significantly improved its position in the World Bank ranking of "Doing Business 2020" by capturing 6<sup>th</sup> position in top ten of those economies that have made improvements among 190 economies around the globe (World Bank, 2020). Due to a rigorous progress in business related regulations, Pakistan has ascended 28 places among 190 economies and got 108<sup>th</sup> position in the world "Ease of Doing Business" this year than the previous year's 136<sup>th</sup> position. According to Illango Patchamuthu, a country director of World Bank for Pakistan, the reforms that assisted the nation improve its ranking are noteworthy. The country has made the start of business easier by reducing the number of procedures required to set up a business from 10 to 05 steps and improved the country's ranking for starting a new business (World Bank, 2020).

In the next few years, the landscape of Pakistan business and trade is expected to observe a drastic change with the completion and functionality of CPEC (China Pakistan Economic Corridor). There would be a change in volume, nature and extent of competition in businesses. This economic route will promote the mobility of factors of production and free trade among the strategic partners. Almost, it will change the market scenario all over the world and there will be race for gaining global market leadership. Besides voluminous international business and global market opportunities, there is a number of challenges for countries connected through the mega project of "one belt one road". In such a situation, the new ventures' owners are required to try every possible and feasible strategy to cope with internal and external competition by

strengthening their intangible resources and capabilities like social capital, intellectual capital, CSR, financial capabilities, stakeholders' trust and so on. Only those firms will reap the benefits of and will avoid the unfavorable consequences of CPEC, which are well prepared for challenges like free trade agreements, globalization, digitalization, automation etc.

Theoretically, this study adds to existing CSR-outcome literature by providing evidence from the emerging economy of Pakistan. It extends the literature by examining the impact of socially responsible practices by small and medium sized new ventures. This research investigates the link between CSR and its value by exploring the effect of some underlying mechanisms and processes. It also provides support for the two basic theories (i.e. stakeholders' theory and resource-based theory) regarding a firm's intangible resources. Moreover, this study addresses the influence of aggregated (overall) CSR and segregated dimensions of CSR on trust and NVP that explore new insights in the field of HRM, strategic management, operation management, CSR and NVP.

## REVIEW OF LITERATURE

Part first of this chapter presents the conceptual understanding of the research variables. The next part delineates theoretical background for the conceptual model of the study. The third section presents conceptual associations among the study variables in light of detailed contemporary literature and empirical findings of studies regarding CSR-outcome link and presents hypotheses of study.

## 2.1 Conceptual Understanding of the Study Variables

This portion of study conceptualizes variables of the study in light of the relevant literature. In this section, the scholar has made rigorous attempts to encompass all the given explanations and definitions of research variables and to operationalize them according to the purpose of the study.

## 2.1.1 New Venture Performance

Ventures having age of less than 10 years are generally termed as new ventures by practitioners in light of the recommendations of National Federation of Independent Business (NFIB) and 'Small Business Advocacy' group (Patel & Jayaram, 2014; Shane, 2008). Ma et al. (2017) uses an eight years cut off age for new ventures. New ventures in this research are referred to those SMEs that are younger than 10 years and older than or equal to 3 years. The minimum three years' age is taken for the sake of performance measurement because such criteria have been used by previous researchers (Amankwah - Amoah et al., 2019; Khan et al., 2019a). The minimum three years' period of operations is considered as a prudent technique for judging the outcomes of any kind of initiated practices.

Venture performance simply means the realization of a firm's goals and objectives, including sales volume, profit, profitability, return on equity, return on investment, employees and customers satisfaction and retention etc. (Murphy, Trailer, & Hill, 1996). However, Performance is used interchangeably with success and growth in the field of business management research (Anwar et al., 2018a; Khan et al., 2019a). In the same way, the term firm performance is used to denote efficiency, effectiveness, task completion, better operations, organizational performance etc. in the field of business research. The operationalization of financial performance is facing very fewer

challenges in the academia. Firm performance is divided into financial and non-financial performance. In literature financial performance is gauged from two perspectives i.e. accounting based approach and market based approach. Both the market and accounting approaches are generally acknowledged as the economic measurement tools of performance.

Some research studies that tended to investigate financial performance, have used a mix of accounting and financial market measures in an attempt to balance the underlying variability with operational performance research. Such commonly accepted mix measurement practices like per share cash flow, balanced scorecards, and Tobin  $Q$  present intangible assets such as social capital and intellectual capital (Richard, Devinney, M., Yip, Gs, & Johnson, 2009b; Sabu & Manoj, 2020). Balanced scorecards are a multi-faceted framework that indicates an overall firm's business plan. Tobin's  $Q$  is the ratio of market value of a business assets to the replacement costs of those assets. These are good indicators of measurable objectives (Richard et al., 2009b). However, mixed measurement tools and financial market measurement practices both have limitations in the context of SMEs because most of the SMEs are not listed on the stock market (Al-Smadi, 2019; Galant & Cadez, 2017). Studies investigating the link between CSR investments and firm performance have applied combined measurement tools or both type of measures, which could be reflected in the variation of results (Dekker, Groot, & Schoute, 2013; Galant & Cadez, 2017; Hategan & Curea-Pitorac, 2017).

The establishment and operation of a firm may have multiple and diverse objectives, but firm financial performance is fundamental among them. Firm performance is a yardstick used to measure and analyze success and survival. Better firm performance leads towards the satisfaction of multiple stakeholders. Firm performance, on the other hand, has a direct dependence on multi-function role and entrepreneurial posture of the owners and managers, for example, entrepreneurial strategic and financial capabilities, sustainable social responsibility behavior, efficient and effective financial, operation, production and marketing management strategies and practices are a key to better firm performance (Anwar, Shah, & Khan, 2018b). More often, firm Performance is measured by dividing it into two segments i.e. financial and non-financial firm performance.

## 2.1.2 Corporate Social Responsibility

The concept of CSR has continued to develop across the diversity of social institutions. The customary thinking about CSR is that businesses should carry out their operations with societal benefits in mind, even with the short term losses (Ahmad & Mohamad, 2014; Bhattacharya et al., 2011). Past studies regarded CSR, as the obligation a business undertakes to observe the standards set by society and governmental bodies (Cholette et al., 2014). Mentioning to the integration of societal and environmental concerns into the mainstream strategies, the European Commission defined CSR as the obligation of businesses for the effect they have on societies. The ethical approach towards CSR has decreased over time as business sustainability and business social performance play a key role in explaining and defining CSR (Moura-Leite & Padgett, 2011).

To date there is no agreement on the exact definition of CSR. The European Commission (2017) defined CSR as the duty of firms for the influence they have on societies. The United Nation Industrial Development Organization (UNIDO) defines CSR as those philosophies where companies integrate social and environmental aspects into business operations and stakeholder management (UNIDO, 2020). A more general and commonly stated definition of CSR is a set of responsibilities that firms assume towards diverse stakeholders beyond the requirements of the law (Bai & Chang, 2015; Lee & Jung, 2016).

Probably, due to the difference in perceptions about the concept, CSR lacks a universally accepted definition. The ethical, philanthropic, economic and legal dimensions of CSR, as described by Carroll (1991), are interpreted on the basis of business circumstances (Justyna & Sebastian, 2016). European researchers describe this concept as social CSR, ecological CSR, economic CSR and stakeholders size CSR (Buhăniță, 2015). Moreover, CSR involves and addresses three tenets of sustainability i.e. sustainable economic growth, social equality, and environmental preservation (Lee & Jung, 2016). Given the wide and comprehensive range of CSR concepts, companies managers consider involvement in positive social responsibility to get competency of their organizations.

Since its inception, the notion of CSR has passed through different stages of evolution. However, it is a comprehensive and broad term consisting of several dimensions where each dimension is composed of activities bearing contradictory

interests of business stakeholders. Indeed, CSR needs an objective, comprehensive and accepted by all definition that is still unavailable (Visser, 2010; Williams, 2020). According to Votaw (1973), "corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense". In practice, CSR has been stated to be very contextual and very sensitive to individual, organizational and environmental specification that makes it a very complicated and hard to define it once for all (Kakabadse, Kakabadse, & Rozuel, 2007).

The field of CSR encompass a broad range of concerns including employee wellbeing and relations, corporate ethics, human rights, community benefits and the environmental protection (Bhattacharya et al., 2009). The definition of CSR given by the World Business Council for Sustainable Development (WBCSD) is one of the most cited definitions in CSR literature. World Business Council for Sustainable Development (WBCSD) defines the concept of CSR as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large" (WBCSD, 1999). Moreover, Carroll (1979) CSR classification work is a substantial and exemplary one that paves the way for CSR conceptualization and interpretation. He divided CSR into four dimensions that are economic, legal, ethical and philanthropic dimensions. It is assumed that management's prime objective is profit and wealth maximization but within the bounds of law. However, simultaneously a business has to pay due regards towards ethical and philanthropic activities for the composite benefit of all the concerned stakeholders (Nadeem & Kakakhel, 2016). For the purpose of the study, CSR is operationalized as the strategies and posture by which a venture achieves its social, economic and environmental goals while providing for the expectations of diverse stakeholders.

## 2.1.3 Stakeholder Trust

The term trust is a very complex phenomenon. It can take on different forms like general trust and situation-specific trust, rational trust and emotion-based trust. Luhmann (2000) in his 'Trust Theory' argues that the start of a trusting relationship is based on a situation where there is uncertainty, chance of personal loss, and freedom of choice. Mayer, Davis, and Schoorman (1995) state that when someone trusts, he is making himself vulnerable to the trustee and takes the risk that the trustee may become opportunistic. Many scholars argue that trust is characterized by attributions of

benevolence, integrity, reliability, competence, openness, and identification. Trust here is thus viewed as a willingness to be vulnerable to an individual, a group, or an organization, based on expectations of trustworthiness along the dimensions of integrity, competence, reliability, transparency, and identification.

Trust is basically a manifestation of expectation and not of behavior because it is related with the state of one's mind. Trust plays a vital role in social theory and it is even used interchangeably with the term "social capital". Despite, so much importance, its meaning has not been agreed upon by research scholars (Miszal, 2013). Trust designates a psychological condition that contains the intent of accepting vulnerability which is based upon the first party's positive behavior or expectations about the intentions of the other party (Rousseau, Sitkin, Burt, & Camerer, 1998) whose intentions and behavior is not in the control of the first party (Zand, 1972). Rempel, Holmes, and Zanna (1985) and Li, Wang, and Wang (2017) state that trust is belief in the other party and considered a source of intrinsic motivation for forming a partnership relation. Trust literature has explored various determinants of trust such as benevolence, ability and integrity on the part of trustee. Generally, trust means "goodwill" between two or more parties in relationships. In business affairs, goodwill supports stakeholders and management in the exchange of information, ideas, goods and services and thus it ensures long lasting relationships. To put it in other words, it helps to support repeated business dealings (Bannock, Davis, Uncles, & Trott, 2002).

De Oliveira and Rabechini Jr (2019) divide and define trust into three dimensions i.e. integrity, intuitive and competence. Integrity is the extent of authenticity of relations from either part; Intuitiveness posits the perception left by the trustee; and competence depends upon the knowledge, ability and skills of the trustee. Equally, all these three parts of trust are necessary to build and improve relationships. Organizational trust means the positive expectations of the internal and external stakeholders about the integrity, benevolence and competence of the organization. Trust includes inter-personal trust and institutional trust. Further, inter-personal trust is divided into two types i.e. lateral and vertical trust. Trust among the employee with each other while vertical trust means the trust between the management and the employees. Institutional trust means one's confidence in the position of institutional structures that those would be competent and honest to safeguard his personal interests (Mayer et al., 1995). In this study the concept of stakeholder trust is used to denote the

competitiveness and better performance. EF is concerned with handling the financial matters either to manage it from internal or external sources (Cumming & Johan, 2017; Fonseka et al., 2013). In this study, EF is conceptualized to include firm's capabilities required not only to accumulate the needed funds from diverse resources but to efficiently manage those funds so that the objectives of the firm are achieved in an optimal way (Khan et al., 2019b).

## 2.2 Theoretical Background

The socially responsible policies and actions by a business have a substantial link to stakeholders' interests. The Stakeholders Theory (Freeman, 1984) argues that a business should strive to maintain a balance between its organizational goals and stakeholders' interests. This argument serves as the basis for CSR initiatives (Freeman, 1984; Jensen, 2009; Russo & Perrini, 2010). McWilliams and Siegel (2001) elucidated numerous foundations of CSR such as stakeholder theory, agency theory, resource-based theory (RBT), and stewardship theory. Likewise, Garriga and Melé (2004) described four types of CSR related theories i.e. ethical, instrumental, political, and integrative theories of CSR. Nonetheless, the tenets of this research study are based upon the Stakeholders Theory and Resource Based Theory.

This study follows the foundations of Stakeholders Theory and Resource Based Theory (RBT), where Stakeholders Theory argues that managers are required to give considerable value to the interests and expectations of multiple stakeholders rather than shareholders only. Moreover, Freeman (1984) argues that managers'/firms' steps towards the interests of diverse stakeholders build trust, loyalty and good firm's image in the minds of employees, customers, creditors, society and owners that bolsters venture performance irrespective of firm's age, size and types of industry. Simultaneously, the RBT advocates that each and every firm holds some unique and novel resources through the help of which it competes in the market and ensures its survival in dynamic markets (Barney, 1991). This study extends the practice of Stakeholders Theory and RBT concepts towards new ventures by examining the influence of aggregated CSR and segregated CSR on stakeholders trust and new venture performance in presence of the moderating role of entrepreneurial finance on the relationship.

positive expectations and behavior of multiple stakeholders resulting from the socially responsible actions undertaken by the new ventures.

## 2.1.4 Entrepreneurial Finance

The study of value and resource allocation in new businesses is known as entrepreneurial finance (EF). It answers essential questions that all entrepreneurs face, such as how much money can and should be raised; when and from whom should it be raised; what is a realistic startup value; and how should financing contracts and exit decisions be written. EF integrates different capabilities of firms and deals with competitive activities by deploying, directing and transforming all the resources of firms. Strategic performance of firms largely depends on the accessibility, timing and optimal utilization of finances during new investment, development and growth, whereas EF favors or hinders the managers and owners in decision-making. According to the RBV Theory, businesses with enough resources are more inclined to participate in social activities, resulting in improved environmental and financial performance.

Historically, scholars in finance have had the tendency to view entrepreneurial finance as completely separate from corporate finance. Inherent in this approach is the notion that the entrepreneurial finance issues are substantially diverse from those confronted by public companies so as to limit the applicability of traditional finance theory. However, in recent studies, finance scholars have got the point that entrepreneurs are confronted by the same two basic finance problems of corporate finance i.e. agency problems and information asymmetries. Traditional corporate finance and entrepreneurial finance are different from each other in the sense that the magnitude of these two problems is larger in entrepreneurial finance. So entrepreneurs look for contractual solutions that is not typically the case in respect of large and established companies. In the more recent literature, entrepreneurial finance problems have been analyzed in the context of the theories of corporate finance (Denis, 2004).

In the context of RBT, EF plays a pivotal role in firm's competitiveness and its superior performance. The core values of firm have a dominant influence on developing firm's strategic objectives and decision-making regarding negotiating and undertaking its implicit and explicit agreements with stakeholders. Firm's EF is considered to be its capability of gaining, managing and controlling the finances through budgeting, record keeping, cost control and cash flow techniques. Better EF leads the firm toward

## 2.2.1 Stakeholders Theory

Stakeholder theory is the most commonly applied theoretical background for assessing CSR. It is the driving force for socially beneficial actions beyond the legal obligation by the managers (Cantrell, Kyriazis, & Noble, 2015; Jamali, 2008). The term "stakeholder" remained undefined till 1963 and after it was defined as individual or group of individuals who can affect or be affected by an organization's operations (Freeman, 1984). The basic idea behind this theory is that businesses should pay appropriate attention towards all the stakeholders' issues while planning and striving for achieving organizational goals (Civera, De Colle, & Casalegno, 2019; Sen & Cowley, 2013). For many years, scholars have been on the opposite of CSR but now they have recognized and accepted the conception that organizations are ordained to address the issues of multiple stakeholders rather than shareholders (Sweeney, 2009). This relative prominence of diverse stakeholders has led CSR to adopt strategic approach rather than altruistic one. The managerial decisions and actions, in response to such instrumental approach, result in dynamic capabilities and competitive advantage (Cantrell et al., 2015).

Stakeholders are divided into primary and secondary stakeholders. Employees, customers and suppliers are called primary stakeholders while those who have no direct effect on the business results and overall performance are categorized as secondary stakeholders (Williams, 2020). Though, Freeman's stakeholder theory (1984) has not given a narrative that specifies the levels of stakeholders, yet his theory plays a pivotal role in the field of CSR as an ethical and moral justification irrespective of the type of stakeholders (Srichatsawan, 2014). Stakeholder theory impacts firms' CSR strategies and offers a lens for evaluating such practices (Cantrell et al., 2015; Jamali, 2008; Moura-Leite & Padgett, 2011). Recent research has reported that corporate social responsibility efforts are strongly affiliated with the development of business sustainability. CSR is used as a common tool for stakeholders' engagement by almost every modern organization and stakeholder theory paves the way for formulating and implementing socially responsible actions.

After CSR evolution, stakeholder theory has begun the most prominent theory in CSR related studies. Stakeholder theory affirms that business firms have connection with multiple groups including Suppliers, customers, employees etc. Stakeholders Theory is considered a vital and not negligible one in the CSR literature (Aguinis,

2011). A bulk of research studies (Davenport, 2000; Donaldson & Preston, 1995; Jones, Felps, & Bigley, 2007) have argued that CSR related studies should be based on stakeholder theory. Turnbull et al. (1999) stated that CSR is wholly related with both internal as well as external stakeholders such as employees, owner, investors, government, suppliers etc. The justification for using stakeholder theory in the current study is built on the fact that owners and employees are major stakeholders in any business firm (Donaldson & Preston, 1995; Freeman, 1984). Therefore, conducting a study to test the relationship of CSR and new venture performance makes the adoption of stakeholder theory appropriate for the current study.

## 2.2.2 Resource Based Theory

Resource Based Theory upholds that each business has some valuable, sporadic, difficult to replicate, and hard to substitute resources, that give the firm long run position for outstanding performance. Such strategic resources can provide the foundations for developing the firm's capabilities and that can lead to better performance over time. Concurrently, firm compete for enhancing their intangible resources rather than collecting maximum amount of physical properties. Firm's intangible resources play pivotal in achieving competitive advantage over its counterparts in turbulent markets (S. Z. Khan, Yang, & Waheed, 2019) This theory is named with different notions in literature such as strategic resources, strategic assets, core competence, intangible resources, dynamic capabilities (Amit & Schoemaker, 1993; Anwar et al., 2018a; Barney, 1986; Khan et al., 2019b; Liu, Kim, & Yoo, 2019; Prahalad & Hamel, 1997; Snow & Hrebiniak, 1980).

It is an inside-out approach that suggests to select a strategy which optimally make the use of firm internal resources and capabilities instead of external resources (Grant, 1991). The resource based view approach suggests that by implementing CSR, a firm can obtain competitive advantage by developing resources and skills that can't be easily imitated. Research studies have found that a firm's internal resources like employees, ideas, knowledge, skills, trademarks, patents, and so on, are more important for creating and maintaining sustainable competitive advantage in relation to external resources (Barney, 1991; Grant, 1991; Khan et al., 2019b; Özbağ & Arslan, 2020).

causes for the wellbeing of community. Likewise, managers have no more absolute discretion in exercising the avaricious styles of conduct and operations. Subsequently, firms make every possible attempt conducted to be compatible to the market dynamism through satiating the expectations of multiple stakeholders (Bai & Chang, 2015; Khan et al., 2019b) rather than shareholders only (Javed et al., 2017; Vallaster, 2017). Firms are endured to be committed to pay due attention to the social, economic and environmental dimensions of growth and sustainability. In this study, we follow the Freeman (1984) definition of stakeholder as "any individual or group (s) of individuals who has a direct or indirect impact upon the firm or is directly or indirectly influenced by the policies and practices of the firm is known as a stakeholder of that firm. Customer, suppliers, owners, employees, community and environment are the key stakeholders of a business (Clarkson, 1995). Relatively primary stakeholders have a dominant plus/minus effect on the long term success and survival of firms as compared to secondary stakeholders (Clarkson, 1995).

Conventional wisdom suggests that the biggest return to CSR spending stems from an increased intent to purchase products from or seek employment with or invest in a firm that is deemed socially responsible (Bhattacharya et al., 2009). For example, a poll by Cone Communications in 2007 found that when price and quality are equal, 87 percent of American consumers are likely to switch from one product to another that is associated with a good cause; this number has gone up from 66 percent in 1993. Similarly, 77 percent considered a company's commitment to social causes when considering employment (up from 48 percent in 2001) and 66 percent considered such commitment while making investment decisions (up from 40 percent in 2001). In fact, when stakeholders reward a company for its CSR initiatives, they do so in multiple ways that are reflective of a strong relationship in which purchase, employment, and investment are but the starting points. Deep relationships can result in valuable behaviors across a variety of stakeholder realms. Besides all such studies and findings, investments in CSR by newly established firms remain less investigated in Pakistan.

By following the chronicles of RBT, making investments in CSR activities, firms' internal (employees' skills, morale, knowledge, satisfaction and retention) and external resources and capabilities (firm goodwill, good public relations, suppliers' partnership and image) are boosted (Bai & Chang, 2015). The main theme and pinned objective of CSR go to the firms' values and profitability amplification as a strategic

## 2.3 Conceptual Relationships Among the Study Variables

The section shows the conceptual relations among the study variables in the light of the theoretical underpinning and empirical results of the previous studies in the fields of CSR and firm performance.

### 2.3.1 CSR and New Venture Performance

Corporate social responsibility literature has reported significant relationship between firms' performance and their involvement in socially responsible activities. Research projects, examining the association between CSR and organizational performance, have shown inconsistent outcomes. Some studies have found little to neutral or negative effect of CSR on financial performance (Williams, 2020). Inou and Lee (2011) found a positive impact of employees CSR and product quality related CSR on short term performance and insignificant effect for community and environment related CSR. Brammer and Pavelin (2006) reported negative correlation between composite CSR and stock returns. The negative effect has been attributed to poor stakeholder management in the context of developing countries by some experts.

Other researchers have concluded a positive association between CSR and financial performance of the organization. Mikolajek-Gocejna (2016) analyzed 53 empirical studies conducted on the relationship between CSR and financial performances and found a positive relation in 71.7 percent studies. Furthermore, Boaventura, Silva, and Bandeira-De-Mello (2012) carried out a meta analytical study consisting of 58 articles on the association between socially responsible investment and financial performance and concluded a positive influence of social and environmental CSR on firm performance. Policies and practices undertaken for the benefit of community help firms develop positive image and recognition through the creation of distinctive brand (Akben-Selcuk, 2019; Anwar et al., 2018a; Murphy et al., 1996), gain public opinion and motivate stakeholders' constructive engagement in the activities of firms (Bai & Chang, 2015; Jain et al., 2017). Firms conducting CSR practices, by conveying a positive message to community and by building constructive image, gain stakeholders trust in the market (Pivato, Misani, & Tencati, 2008).

In response to massive expectations and heightened pressure from the diverse stakeholders, and to observe the guidelines of local and international governments, firms are expected to contribute, in addition to their primary objective, towards social

resource. For instance, McWilliams and Siegel (2001) established RBT framework in order to construct an effective model "Profit-maximizing through CSR". This model is used for the conduct of cost-benefit analysis to determine the extent and structure of resources allocation to CSR activities. Nonetheless, CSR practices help in the promotion of innovative activities. These innovative activities help firms in the development of differentiation and lower cost products which yield superior performance (Anwar et al., 2018a; Song, Wang, & Zhu, 2018).

Similarly, in the current era, stakeholder engagement is extensively focused in order to strengthen firms' internal and external resources and capabilities (Branco & Rodrigues, 2006). Nonetheless, RBT persuades firms to enhance their internal and external resources and capabilities, because every firm possesses some perfectly inimitable, unique, rare and valuable resources through which it gains sustainable competitive advantage and superior performance (Anwar et al., 2018a; Barney, 1991). Accordingly, a well-undertaken CSR uplifts firms' internal strengths, for example, it promotes corporate culture, increases employees' learning, builds morale, captivates the loyalty of employees, customers and financiers, and firms' external sources like, the firms' goodwill, good public relations, higher reputation and better image in the markets (Branco & Rodrigues, 2006; Khan et al., 2019b).

In response to a well-organized CSR, firms obtain a favorable response from employees, customers, and society. Moreover, well managed CSR results in positive attitudes of various stakeholders towards the firm (Bai & Chang, 2015; Boccia & Sarnacchiaro, 2018) and builds community trust (Pivato et al., 2008). Firms tend to undertake social responsibilities effectively and efficiently in order to create a distinctive reputation and brand recognition in the market (Bai & Chang, 2015), fascinate public feelings and safeguard the productive contribution of stakeholders in the operations of the firm (Brammer & Pavelin, 2006; Surroca, Tribó, & Waddock, 2010) which lead the ventures towards successful operations and survival (Bai & Chang, 2015). Based upon the above discussion, the study proposes the following hypotheses.

**H 1:** CSR towards multiple stakeholders has positive effect on new venture performance.

**H 2:** CSR towards multiple stakeholders has positive effect on stakeholder trust.

### 2.3.2 CSR towards Employees, Stakeholder Trust and NVP

Employees assume primary importance among all the stakeholders of an organization (Story & Neves, 2015). They are deemed so much important that some experts call them “internal customers” instead of “internal stakeholders”. They play a pivotal role in the smooth functioning and realization of objectives of the organization (Agarwal, Singh, & Thakur, 2013; Suganthi, 2019). Employees’ job satisfaction results in low turnover intentions and in enhanced commitment. Employees who perform their jobs with greater efficiency and effectiveness lead to increased organizational performance (Pirson, Martin, & Parmar, 2019). Furthermore, motivated employees tend to bring creativity and are conscious about organizational needs. They set their personal goals in line with the organizational goals. By the same token, employees’ empowerment results in greater satisfaction and enable them to provide standard quality service to customers of the organization (Ukil, 2016). High employees’ engagement, job satisfaction and motivation increases performance on the job (Bustasar, Sumarsih, & Nugroho, 2019; Tampubolon, 2017). In small business environments, which basically operate in local communities, the provision of quality service to customers is totally dependent upon the employees (Çemberci & Civelek, 2018).

When organization adopt “market oriented” and “customers focused” approaches and become responsive more to external stakeholders than internal ones, they tend to lose the loyalty and commitment of their employees (Turker, 2009). Previous research on employees’ response to CSR proved that employees have a substantial role to influence the organizational results both in terms of productivity and profitability and they have pivotal role in determining the level of CSR investment (Aguinis & Glavas, 2012). Moreover, the earlier literature proved that activities like implementation of an internal code of conduct and sustainability training result in employees’ behavior in way that is environmentally responsible (De Roeck & Farooq, 2018; Mishra & Suar, 2010). Moreover, existing literature acknowledges that CSR towards employees positively influences employees’ motivations, engagement, attitude, and behavior towards preservation of environment (Ferreira & De Oliveira, 2014; Sharabati, 2018). When a firm behaves in a socially responsible way it attracts employees easily, especially those committed and motivated by an enriched working environment. This reduces the cost of employee turnover and enhances greater

**H 4:** CSR towards employees positively influences stakeholder trust.

### 2.3.3 CSR toward customers, Stakeholder Trust and NVP

Customers are considered key stakeholders for the survival and growth of any business. CSR towards customers earns value for a business in different ways. Better customer attitude towards an organization helps improve its performance (Alshehhi, Nobanee, & Khare, 2018). CSR initiatives towards customers include provision of standard quality goods, customer health and safety, fair prices, avoiding of unfair trade practices, advertising standards etc. (Ansong, 2017; Manimegalai & Baral, 2018; Mishra & Suar, 2010). Effective customers related CSR strategies show responsible behavior of the firm that in turn influence purchasing behavior favorably and ultimately lead towards better performance (Homburg, Stierl, & Bornemann, 2013; Vahdati & Mousavi Nejad, 2016). Positive attitude of customers towards the quality, safety standard and price of products results in enhanced sales volume (Chung, Yu, Choi, & Shin, 2015; Kim, Yin, & Lee, 2020). Improved customer loyalty brought about by CSR reduces the need for firms to use a lot of money to charm/attract them since they are already on their side. Thus the promotional tools are less expensive and since the firm has a good reputation, it can easily enter new markets especially those that are advocates of socially responsible business and their products can appeal to new customers.

CSR can work as a brand for the business that can attract more customer and change their behavior towards the products of the firm (Harrison & Freeman, 1999; Singh & Agarwal, 2013). Customers always buy goods and services from those supplier who exhibit and operate in more friendly and ethical ways (Carroll, 1979). Businesses always make it their first priority to develop genial relationships with their customers. Many firms have embraced CSR strategies to impact their customers’ buying behaviors (Inoue & Kent, 2014; Turker, 2009). Companies with irresponsible behavior towards their stakeholders will suffer from financial crisis (Abbas, Gao, & Shah, 2018; Mishra & Suar, 2010), specifically in case of customers. Customers related CSR include producing quality goods and services in accordance with customers’ needs, taking care of customers’ health, ethical advertisements, avoidance of information manipulation, reasonable pricing etc. (Mishra & Suar, 2010; Saeidi, Sofian, Saeidi, Saeidi, & Saeidi, 2015). Such practices result in generating worthy image in the minds of customers and public (Mishra & Suar, 2010). These practices, besides generating good image with customers, also influence employees’ positive attitudes because through them such

productivity. The reduction in employee turnover cuts down the costs of hiring new people through expensive recruitment and selection processes (Chaudhary, 2017; Lin & Liu, 2017).

Employees related CSR consists of diverse strategies and steps of an organization such as employees’ engagement in decision making process, fair remuneration, favorable work environment, training and development, promotion and recognition, gender equity and so on (Ko, Chan, & Wong, 2019; Skudiene & Auruskeviciene, 2012; Tian & Robertson, 2019). When employees get all such incentives and benefits, they feel pride in their workmanship and they own the organization (Lee, Lee, & Li, 2012) which in turn may lead to higher performance. Organizations can satiate their employees by indulging in practices that will help them to perform better in a better way and enhance the financial and non-financial performance of the organizations (Mishra & Suar, 2010). Given the findings of Vlachos, Panagopoulos, and Rapp (2013) organization’s commitment towards socially responsible actions positively impacts the perceptions and behaviors of sales personnel’s. Likewise, Lee et al. (2012) proclaimed that employees feel proud and satisfied when recognize that their organization is taking active part in socially responsible practices (Skudiene & Auruskeviciene, 2012).

A business firm, by the dint of its socially responsible actions, gives signals about its values and norms to its diverse stakeholders especially to internal stakeholders. Such messages help generate organizational identity, positive attitudes and belief of the employees. This firm belief in the honesty, integrity and competence of the firm increases the level of trust (Hansen, Dunford, Boss, Boss, & Angermeier, 2011; Yu, Mai, Tsai, & Dai, 2018). Pivato et al. (2008) hold trust allocation between organization and its stakeholders as the most important outcome of CSR initiatives undertaken by companies. Firms’ socially responsible actions positively modify employees’ intentions and attitudes and make them think that the organization is taking care of them. Moreover, organization’s caring attitude towards external stakeholders strengthens their feelings further that they are and would be treated with honesty and just. Thus, CSR actions promote employees’ trust in the organization (Lee, Song, Lee, Lee, & Bernhard, 2013; Manimegalai & Baral, 2018). Therefore, the following hypotheses are formulated:

**H 3:** CSR towards employees will be positively related to new venture performance.

initiatives are undertaken. Such factors cannot be ignored and they prompt organizations to invest appropriate amount in customers CSR because customers are one of those stakeholders upon which the existence and survival of a business is dependent (Saeidi et al., 2015).

Customers’ trust refers to the extent of confidence they have that their business would behave in the expected way (Hart & Saunders, 1997). Rousseau et al. (1998) advocated that trust is affected by the positive expectations of customers based on the ability, reliability and benevolence of the organization. Trust is linked with the intention of stakeholders to accept vulnerability that is the result of expectation and uncertainty (Ahn & Kwon, 2020). In consonance with the mentioned facts, Wu, Mattila, Wang, and Hanks (2016) also suggested that perceived social responsibility is a key driver for increasing customers’ trust in businesses. It is verified that socially beneficial practices can influence customers’ trustworthiness to the business (Park, Kim, & Kwon, 2017). Those retailers are more likely to be trusted who are deemed as dedicated towards respecting and satisfying the rights and needs of their customers. Customers, who experience socially responsible behavior from the company, tend to believe that the organization is a friendly, helpful and caring one. By summing up, there is an inevitable relationship between CSR and stakeholder trust. (Selamat, Saat, & Ali, 2016). Hence, the study formulates the following research hypotheses.

**H 5:** CSR toward customers will have a positive impact on new venture performance.

**H 6:** CSR towards customers will have a positive influence on stakeholder trust.

### 2.3.4 CSR towards community and Stakeholder trust and NVP

The community in which a business operates is another important stakeholder. Community CSR highlights the effects of an organization’s operations on the community and strive to adjust for such impacts in the form of paying back to the community upon which the very existence of the firm is dependent (Perrini, 2006). Therefore, organizations always attempt to benefit the community. Currently, there is augmented awareness of socially responsible conduct globally, so it is generally presumed that activities related to the well-being of community tend to have a positive influence on firm’s status in term of economic performance (Choongo, 2017; MankeLOW & Quazi, 2007). According to Velte (2017), stakeholder theory upholds that stakeholders other than the owners, have greater opportunities to protect their interests

when their organization operates in socially responsible ways. Customers, employees, suppliers, debtors, the local community and the regulatory bodies are at more advantageous position and have better contracting options (Sen, 2011). By adopting the strategic approach, CSR can be a source of innovation, opportunity and competitive advantage (Husted & De Sousa-Filho, 2017). In context of CSR, it is obligatory for businesses to take adequate steps towards social programs and share parts of their efforts, profits and services towards the wellbeing of community (Cheng, Nolan, & Macaulay, 2013). Organizations should invest in the provision of basic health programs, education, drinking water and safety of environment. Such programs not only increase the standard of living of the people but at the same time enable those societies to pay back to the organizations (Chen & Lee, 2017). Existing works also show that businesses' philanthropic activities tend to augment the business's social image and economic outcome (Hornig, Liu, Chou, Tsai, & Hu, 2018). Moreover, community related CSR has been suggested as an instrument to attain long term advantages of sustainable growth (Sharabati, 2018). CSR to community is based on the win-win approach and it plays a decisive role in getting a good name for the business in community which in turn leads to better performance.

Community trust refers to the willingness of vulnerability towards the business by the public. It denotes the level of confidence put in business by the society at large. One of the key managerial tasks is to promote and deserve community tasks because it is the need of every business including profit seeking firms as well as nonprofit organizations such as schools, universities and hospital (Poppo & Schepker, 2010). In the context of community trust in a business, those members of the public who observe their values in the business and think that their rights are respected, would have higher levels of trust than those who do not see their value represented by the business (Pirson & Malhotra, 2011; Pirson et al., 2019). It is argued that the values-based attitude of the respective community towards business has an association with the level of trust with that particular business (Pirson et al., 2019). Accordingly, the following hypotheses are proposed.

**H7:** CSR towards community will be positively related with new venture performance.

**H8:** CSR towards community will be positively related with stakeholder trust.

coming generations (Turker, 2009). Environment related CSR practice increase CSR image that in turn can boost up trust levels of the stakeholders (De Leaniz, Crespo, & Gómez-López, 2019; Lacey & Kennett-Hensel, 2010). Accordingly, H9 and H10 are established in this study as:

**H9:** Environmental CSR positively influences new venture performance.

**H10:** Environmental CSR positively influences stakeholder trust.

### 2.3.6 Mediating Role of Stakeholder Trust between CSR and NVP

The term "trust" is basically a manifestation of expectation and not of behavior because it is related with the state of one's mind. Trust plays a vital role in social theory and it is even used interchangeably with the term "social capital". Despite, so much importance, its meaning has not been agreed upon by research scholars (Misztal, 2013). Stakeholders' trust designates a psychological condition that contains the intent of accepting vulnerability which is based upon positive behavior or expectations of the first party, about the intentions of the other party (Rousseau et al., 1998) whose intentions and behavior is not in the control of the first party (Zand, 1972). Rempel et al. (1985) states that trust is belief in the other party and considered a source of intrinsic motivation for forming a partnership relation. Trust literature has explored various determinants of trust such as benevolence, ability and integrity on the part of trustee.

Stakeholder trust in firms involves a willingness to be vulnerable by the stakeholders (i.e. employees, customers, suppliers and community) in relation to the activities of the business. Following this viewpoint, in general, each stakeholder is considered as a trust judgement on the attributions of the firm. This judgement process is said to be reflective, cognizant, rational and business-specific. The attributions, made associated with a specific business by the stakeholders, are based on the informed judgement of competence, integrity, benevolence, transparency and value compatibility of the firm (Mayer et al., 1995; Pirson & Malhotra, 2011). De Oliveira and Rabechini Jr (2019), divides and defines trust into three dimensions i.e. integrity, intuitive and competence. Integrity is the extent of authenticity of relations from either part; Intuitive posits the perception left by the trustee; and competence depends upon the knowledge, ability and skills of the trustee. Jointly, all these three parts of trust are necessary to build and improve relationships. Firms conducting CSR practices, by conveying a

### 2.3.5 CSR towards environment and New Venture Performance

An eco-friendly environment is the need of the day. Present-day environment is faced by too many problems such as air pollution, dust pollution, global warming, land erosions, mass deforestation, river contamination etc. Such problems are mainly due to negligence and self-interest of man. Because of these reasons organizations are forced to comply with the ISO standards. Due to increased awareness among the masses, there is a general voice raised against such activities and it has been proved very instrumental in this regard (Sarkis, Gonzalez-Torre, & Adenso-Diaz, 2010). Therefore, organizations have initiated numerous environmental CSR projects to protect their environment. Some of the activities are plantation, waste management, water management, running awareness campaigns on clean and green environment, training and directing employees on environmental issues.

Environmental CSR initiatives increasingly contribute towards the establishment of sustainability through the preservation and protection of environment. There have been heightened pressures from multiple stakeholders including state regulators on companies to follow environmental standards and the triple bottom line for promoting environmental sustainability. Research scholars have reported that businesses are vigorously highlighting the need for safeguarding the natural environment (Babiak & Trendafilova, 2011). Tomomi (2010) found that environment related CSR offers a basis for competitiveness and it has a significant influence on economic performance of a business (Al-Abdin, Roy, & Nicholson, 2018; Larran Jorge, Herrera Madueno, Lechuga Sancho, & Martínez-Martínez, 2016; Martínez-Conesa, Soto-Acosta, & Carayannis, 2017; Mehralian, Nazari, Zarei, & Rasekh, 2016; Saeidi et al., 2015).

With the growing concerns for environmental issues around the globe, majority of the firms are accepting their responsibilities for the protection of environment by adopting green practices on voluntary basis (Kim, Hlee, & Joun, 2016). Environmental CSR initiatives not only impact environment but also have considerable influence on creating positive attitudes of employees and other stakeholders. It creates a sense of legitimization in the eyes of stakeholders which in turn favor the organization in one way or another. Employees feel gratified to be a part of such organization that cares for the

positive message to community and by building constructive image, gain stakeholders trust in the market (Pivato et al., 2008).

Stakeholder trust plays a crucial role in the success of any organization. When stakeholders do not trust the organization and its management, they will discontinue their supportive efforts. Customer will switch brands, investors will start thinking to reallocate their funds and suppliers will not contribute in desirable way. Employees will start searching for another job or succumb to inner resignation in their current job (Moreno-Luzon, Chams-Anturi, & Escorcía-Caballero, 2018) and internal confusion, decrease in production, and incompetiveness become the norms. To successfully manage the current trust crisis, a new management paradigm is therefore needed. 'Doing well by doing good' seems a promising alternative to 'traditional way of doing business' and can help rebuild the lost trust. When extrapolating the results presented above, we can envision organizations that are in a better position to provoke higher levels of stakeholders trust (Bhattacharya et al., 2009; Pirson et al., 2019).

An opportunistic profit objective is truly a barrier to sustained high trust. Non-profit seeking organizations possess much higher levels of trust, because their cause is much bigger than earning profit. Over the time businesses indeed feel the need for higher level vision and mission statements but those are rarely believed. The new movement to Social Entrepreneurship also leads the way in creating organizations that are structurally setup to solve social problems and create profit towards that end. A trust based economy needs to restructure its institutions for not to reward systemic trust decrease, but even within the current system there are many ways to build and rebuild businesses to enjoy higher levels of stakeholder trust (Pirson et al., 2019).

Trust works for cooperative and adaptive behavior, promotion of dynamic organization, reduction of conflicts, decrease in transaction cost, and positive responses in time of crisis (Rose & Schlichter, 2013). Trust is essential for solving numerous problems as it promotes the transmission of relevant data and information and makes team members to allow the influence of others on their actions and decisions. There is a significant correlation between stakeholder trust and a project success (De Oliveira & Rabechini Jr, 2019). Trust results in constructing good working relations and knowing the complex relationships among stakeholders and solving their conflicts in a good manner. Organizational behavior literature indicates that there are some important processes and mechanisms between the CRS-outcomes relationship that need to be

explored and investigated. These studies highlight and suggest trust among others, an important instrument that may affect the link between sustainable activities and employees' perceptions and attitudes (Rupp, Ganapathi, Aguilera, & Williams, 2006).

Previous studies have reported trust as mediator in the link between the perception of CSR and customers' behavioral intentions because CSR conveys important messages to the associated stakeholders about the firm's ethics, values and legitimacy and the degree to which the business can be trusted (Chen & Chang, 2013; Nuttavuthisit & Thøgersen, 2017; Zhang, Li, Cao, & Huang, 2018). Firm's socially responsible practices help generate stakeholder trust in the organization (Ben-Ner & Halldorsson, 2010; De Oliveira & Rabechini Jr, 2019; Pirson & Malhotra, 2011; Sharif, Kalafatis, & Samouel, 2005) which in turn works as lubricant for smooth functioning of the organization as it paves the way for efficient coordination, cooperative & adaptive behavior, decrease of destructive clashes and transaction costs (Rose & Schlichter, 2013). Stakeholder trust leads towards constructive work environments which in turn ensures enhanced firm's performance. Thus, based upon the above discussion this study proposes the following hypotheses.

- H 11:** Stakeholder trust positively influences new venture performance.
- H 12:** Stakeholders trust significantly mediates the influence of Composite CSR on new venture performance.
- H 13:** Stakeholders trust significantly mediates the influence of CSR towards employees on new venture performance.
- H 14:** Stakeholders trust significantly mediates the influence of CSR towards customer on new venture performance.
- H 15:** Stakeholders trust significantly mediates the influence of CSR towards community on new venture performance.
- H 16:** Stakeholders trust significantly mediates the influence of CSR towards environment on new venture performance.

### 2.3.7 Entrepreneurial Finance, CSR and New Venture Performance

Entrepreneurial finance (EF) can never be skirted while conferring the prerequisites of firms' successful operation, because, it is closely associated with innumerable proceedings of firms including, investment, operation and dividend

Santos (2011) reported a statistically significant and positive relationship between the age of SME firms and their respective community involvement. Others have reported a positive and statistically significant link between CSR initiatives like philanthropy and voluntarism and age of the firm. Age has also been found to have positively and statistically significant association with CSR dimensionality such as social, economic and environmental CSR elements (Trencansky & Tsaparlidis, 2014). In its 2002 report on SMEs, the European Commission has stated that SMEs' conduct of CSR rises by more than ten percent as firms grow beyond the age of five.

CSR and financial performance literature shows "firm size" as a usually measured and key control variable (D'amato & Falivena, 2020). Previous studies have designated a significant correlation between firm size (number of employees) and CSR activities (Gbadamosi, 2016; Sweeney, 2009). Type of industry is another variable that has frequently been used as control variable in CSR and firm performance studies. Specifically, the impact of CSR on firm performance has been found to show different results across the sectors and classification of industry (Hoepner & Yu, 2010; Park & Lee, 2009; Su, Liu, & Teng, 2020). However, in this study age, size of the firm and type of industry is used as control variables.

### 2.5 Theoretical Framework of the Research

In this conceptual framework, CSR is used as an independent variable and new venture performance as a dependent variable whereas entrepreneurial finance is moderating and stakeholders trust is mediating variable in this study. The influence of stakeholders-related CSR on new venture performance is grounded in stakeholder theory, and the influence of stakeholder trust and entrepreneurial financial capabilities is based on Resource Based Theory. Freeman's seminal work "Strategic Management: A stakeholder approach" in 1984 is the basis of Stakeholder Theory. His theory argues that the primary objective of an organization is to deliver towards the benefit all the diverse stakeholders. Moreover, it posits that organization should not overlook any group or individual who can influence or be influenced by the operations of the organization. This theory asserts that businesses cannot satisfy their shareholders consistently without satisfying other relevant stakeholders (Freeman, 1984). When an organization, primarily, aims at serving its shareholders, to a greater extent, the achievement of this objective is dependent upon the satisfaction of the other stakeholders (Bhattacharya et al., 2009; Foster & Jonker, 2005). So, an inclusive

decisions (Fonseka et al., 2013). EF integrates different capabilities of firms and deals with competitive activities by deploying, directing and transforming all the resources of firms. Strategic performance of firms largely depends on the accessibility, timing and optimal utilization of finances during new investment, development and growth, whereas EF favors or hinders the managers and owners in decision-making. According to Khan et al. (2019b), the firms' capability to acquire funds by issuing shares and bonds as well as a better access for bank financing on soft terms and relatively low cost than competitors are the valuable intangible assets (Fonseka et al., 2013).

In the context of RBT, EF plays a pivotal role in firm's competitiveness and its superior performance. The core values of a firm have a dominant influence on developing firm's strategic objectives and its decision-making regarding negotiating and undertaking its implicit and explicit agreements with stakeholders. Firm's EF is considered to be its capability of gaining, managing and controlling the finances of the firms through budgeting, record keeping, analyses, cost control and cash flow techniques. Better EF leads the firm toward competitiveness and better performance. EF is concerned with handling the financial matters either to manage it from internal or external sources (Fonseka et al., 2013). Due to limited research studies that have investigated moderators and/or mediators in the context of CSR-firm performance relationships, the factor of entrepreneurial finance needs to be investigated in this regard. Hence, the following hypotheses are proposed.

- H 17:** Entrepreneurial finance significantly affects NVP.
- H 18:** Entrepreneurial Finance significantly moderates the influence of composite CSR on NVP.

### 2.4 Control Variables of the study

This study uses age, size and type of industry as control variables so that to precisely examine the effect of predictors and mediator on the dependent variable i.e. NVP. However, previous studies have checked the impact of these variables and such like other demographic variables on the firm performance. The age, time span of a business being in operation and in contact with local communities, has been examined in the context of CSR and firm performance relationships (Badulescu, Badulescu, Saveanu, & Hatos, 2018). Gbadamosi (2016) conveyed that the life of a firm has been considered as a controlled variable in CSR-outcomes research, though it has statistically significant correlation with other variables of the study. Badulescu et al. (2018) and

stakeholders approach can help organizations maximize shareholders' wealth, while creating value for other stakeholders. The advocates of the theory assert that better the organizations serve their multiple stakeholders, the more probably they will survive and succeed in the future. Freeman contended that whatsoever the reasons might be, the organizations which would neglect their stakeholders would be in distress.

Stakeholder theory was revisited by Donaldson and Preston (1995) who were of the opinion that stakeholders approach can be applied in a number of different situations. As a result, they divided stakeholder theory into four different categories: descriptive, normative, instrumental and managerial. Stakeholder theory is descriptive as it defines what is a corporation, what are its different stakeholders and how these corporations are managed. Donaldson and Preston (1995) stated stakeholder theory as an instrumental one because it attempts to accomplish the goals of profitability and growth through stakeholders management. By taking the normative approach, it tells an organization about its obligations towards multiple stakeholders and at the same time justifies such practices. Stakeholder theory is called managerial one because it recommends different processes and practices, attitudes and structures that help an organization in stakeholder management.

This study uses the instrumental approach of stakeholder theory. Instrumental perspective of stakeholder theory makes the link between stakeholders' management and organizational performance (Donaldson & Preston, 1995). Instrumental approach suggests stakeholders' interests as a source for attaining economic goals and it asserts that addressing the needs of diverse stakeholders results in positive stakeholders' response which ultimately leads towards better performance (Khan et al., 2020b). The focus of attention of an organization has now shifted from only shareholders to different stakeholders. Clarkson (1995) views an organization as, "a total of interdependent stakeholders" with diverse right and obligations. Freeman and Reed (1983) defined stakeholder concept both in narrow and broader terms. In broader sense, they considered stakeholder as "any group or individual who can affect or be affected by the organization. In narrower terms, they define the stakeholders as those groups of individuals that are important for the existence, growth and success of the organization.

Waddock and Graves (1997) posited that stakeholder theory provides a better theoretical framework for CSR research. Mele (2008) considered stakeholder theory as a pertinent CSR theory as it provides a framework for doing business responsibly. Stakeholder approach is the most favored attitude to CSR by top-level managers

(Lenssen, Bevan, Fontrodona, Arevalo, & Aravind, 2010). Stakeholder theory is considered as the most appropriate theoretical framework for assessing corporate social responsibility (Wang, Dou, & Jia, 2016). Many authors used stakeholder approach for probing CSR relationship with organizational performance (Ansong, 2017; Goyal, Rahman, & Kazmi, 2013; Jamali, 2008; Khan et al., 2020b; Mishra & Suar, 2010; Saeidi et al., 2015). So, this study also adopts stakeholder approach for examining the impact of composite and dimensional CSR on new venture performance.

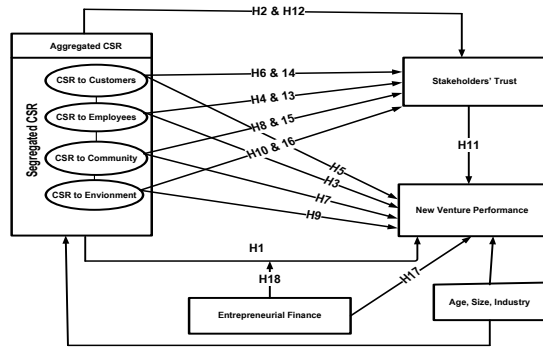


Figure 1 Research Framework

RESEARCH METHODOLOGY

This chapter mainly presents the design for the study and focuses on the paradigm, methods, techniques and materials of the proposed study. The authenticity of the outcomes of a research study is dependent upon the methodology followed by the research. Therefore, a brief description of methodology is essential at the inception. This segment of the thesis comprises of the research design and approach, population of the study, sampling methods and data collection and analysis techniques.

3.1 Research Design

A research design is a comprehensive plan that contains guidelines for the smooth and successful conduct of the study. Normally, it highlights methods of data collection, development and use of the instrument and tools of data analysis. This design includes an outline regarding what the researcher is supposed to do, starting from developing different hypotheses and their operational implications to finally analyze the collected data. Research design stipulates the different sources and relevant information required for the specific research problem and explicates particular approach for gathering and analyzing the data. Research design is considered important for ensuring timely and smooth completion of research operations. Adopting a well thought-out research design, a researcher fully serves the purpose for which the study is conducted. Descriptive design is adopted to assess the perceived level of CSR practices, and analytical design is used for relationship analyses among CSR, entrepreneurial finance, stakeholders trust and new venture performance.

3.1.1 Research Philosophy

Out of the research philosophies, positivism approach has been adopted in this study, because the research issue under investigation is viewed as possessing cause and effect relationships that can be objectively examined and stated. Under this philosophy, a researcher views research problem with the help of objectivity (Gill & Johnson, 2002). Here, a researcher is interested to collect data from a large sample and researcher's personal beliefs are not going to influence the settings of research study. This research paradigm is primarily related to collect numeric data (Easterby-Smith, Golden-Biddle,

& Locke, 2008). In positivism, first a researcher uses a theory to construct framework and formulate hypotheses, then researcher tests these hypotheses which are either partially or fully accepted or rejected. This whole process leads to further developments in theory which are tested in future research. In positivism, research is conducted without taking care of values. Here, the whole research process is independent of the researcher's personal belief and influence (Collis & Hussey, 2013). A positivist researcher will use an extremely structured methodology for facilitating replication (Crossan, 2003; Gill & Johnson, 2002) and will emphasize on quantifiable observations leading to statistical analysis. Positivism is considered very important in advancement of social sciences as it assumes that social reality is objective and independent of interpretations. Positivism relies on deductive approach and uses empirical testing and it is the dominant paradigm in management research (Welch, Piekari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011).

3.1.2 Approach

A research approach comprises procedure and a plan spanning from well-established assumptions to collecting, analyzing and interpreting data (Myers, Well, & Lorch Jr, 2013; Saunders & Lewis, 2012). Commonly used approaches are inductive and deductive. An insight of these approaches is necessary because research paradigm and philosophy need to be supported by selecting a suitable approach. In inductive approach, particular instances are used to draw general principles. Many observations are used to know the causes of behavior. Causes of a particular behavioral pattern are found by carefully computing the results as this approach moves from specific to general through data which is well-attested. It provides the researcher with some flexibility as there is no prerequisite of a predetermined existing theory. Facts and data are used to reach hypothesis and a theory is defined by the researcher considering problem statement. Inductive approach helps in producing inductive arguments (Douglas, 2003).

Positivism paradigm is associated with deductive approach that allows a researcher to postulate hypothesis by using existing theories. The research issue is resolved by rejecting or accepting the hypothesis through data collection, analysis and interpretation. Thus, a conclusion is deduced from theoretical postulation or known premises (Gill & Johnson, 2002; Saunders & Lewis, 2012). This study by using deductive approach, makes the use of stakeholders' theory and resource based theory

to back up the hypothetical relations. This study moves from a general idea to a particular situation and tries to investigate and prove the hypotheses formulated on the basis of extant literature (Ritchie, Lewis, Nicholls, & Ormston, 2013).

3.1.3 Research Method

Research method is an organized, logical and controlled procedure meant for collecting, compiling, analyzing, and interpreting data to give solution to a business problem (Cooper, Schindler, & Sun, 2006; Sekaran & Bougie, 2016). A brief overview of the research method used in this study is given below.

This study uses quantitative method because it follows the positivism paradigm and deductive research approach (Collis & Hussey, 2013; Wilson, 2014). Correlational research method/regression analysis ascertains the strength of relationship, an association or an interdependence of two or more variables quantitatively. It explores and creates causal links by examining the degree of relationships. Quantitative analysis brings objectivity because it is based upon valid and reliable constructs, logical hypothesis and concepts. It interprets findings of the study in the light of numerical values, numbers and describes the strength of association between/among the variables of the study (Neill, 2007). Survey approach was used in this study because it is a cross-sectional research where data were collected through a single survey. The units of investigation for this study are new ventures. Perceptions in the form of quantitative data was obtained from individuals representing their ventures.

Survey method was employed for several reasons. First, survey is one of the most widely adopted observational method in case of primary data in the research field of business, education, marketing and social science (Aaker, 2006; Cameron, 1986; Santos, 1989; Shajahan, 2005). Second, on the contrary to informal data collection, survey approach is a systematic technique of data collection. This approach is considered a formal data collection approach because of minimum interference of the researcher (Backstrom, Backstrom, & Hursh-César, 1981). Thus, survey approach was considered suitable and reliable for the current study. This approach is also an economic one, when data are collected from a larger population. Moreover, data collected through survey is believed accurate within the sampling error limit (Suen, Huang, & Lee, 2014). Third, this method allows a researcher to evaluate the relative importance of various factors and to test compound propositions (Babbie, 1995). Fourth, the use of standardized items enables a researcher to determine internal

validity. Further, survey approach enables a researcher to develop a complete view point of the problem and ensures answering all five types of question like what, who, where, how many and how much of the research (Yin, 2003).

### 3.2 Study Population

Population is the set of all possible observations relevant to the purpose of the study (Chaudhry, 2011). This study was conducted in Khyber Pakhtunkhwa (KP), one of the four provinces of Pakistan which is divided into 7 divisions. So the population area for the study is the KP region. The population of this study consists of all small and medium sized new ventures whether they are manufacturing, trading and or service concerns operating in KP. Hence, every new venture in KP was considered as an element of the study population.

### 3.3 Sampling Technique and Sample Size

All new ventures in Khyber Pakhtunkhwa (a province of Pakistan) comprise the population of the study where the accurate number of the population' elements is unknown. Although, it was an uphill task to approach the managers or owners of all the new ventures in 7 divisions of Khyber Pakhtunkhwa, therefore, we selected a major city from each division of Khyber Pakhtunkhwa. Thus, data was gathered from the firms located in Peshawar, Mardan, D.I. Khan, Bannu, Kohat, Haripur and Malakand. In this study the sample size is 384 respondents, where each respondent represents a new venture. Due to unknown population, non-probability sampling technique was used and respondents were selected by the use of convenience and purposive sampling methods. Each targeted firm is deemed as single element of the sample.

In Khyber Pakhtunkhwa, each big city has its own Chamber of Commerce and industry. If a firm wants to be registered, it has to apply for registration in the concerned chamber of commerce and industries. In addition to it, KP Directorate of Industries and Commerce, SMEDA, Small industries development Boards, Statistical Bureau of Pakistan etc. keep categorical and updated sector related records in the form of "Business Directories". But there exist no formal and up to date records about small and medium sized businesses and especially in case of new ventures in KP, because many of the new businesses are undocumented and unregistered (Hyder & Lussier, 2016; SMEDA KP, 2020). As per accessible statistics, there are around 12000 small, medium and large businesses in KP, out of them only 2299 are registered (KP Industrial

Policy, 2016). According to Rahman and Rahman (2019) there are 2222 registered industrial units in Khyber Pakhtunkhwa, out of which 330 units are un-functional. This study used a mix of convenience and purposive sampling technique because of the non-availability of the exact number of new ventures in the study area.

### 3.3.1 Sample Size Justification

Adequate sample size in research is suggested to generalize the findings of a particular study. Adequate sample size is also recommended for desired level of precision and confidence. Hence, sampling decisions should consider the appropriateness of sample size because neither too large nor too small sample sizes help complete research studies (Sekaran & Bougie, 2016). Sample size depends on statistical technique, along with other factors, being used for a particular study (Hair, Anderson, Babin, & Black, 2010). Some researchers suggest minimum one hundred observations in sample to obtain acceptable power in structural equation modelling (SEM) (Hair, Ringle, & Sarstedt, 2011). Some authors have argued that SEM works well in estimating a model even with 60 respondents sample size (Bentler & Yuan, 1999; Tabachnick, Fidell, & Ullman, 2007).

When sample size is small, it creates problem of generalization of findings and study becomes of little scientific value. What should be appropriate sample size, different authors have provided different guidelines for multiple regression. Like Stevens (2012) recommended 15 subjects for each predictor for credible research in social science. Tabachnick et al. (2007) also suggested a method for determining appropriate sample size. His formula is  $N > 50 + 8m$ . Where 'm' denotes the number of predictors. For example, if a study includes 7 predictors or independent variables, then 106 cases will be needed for adequate sample size. While determining sample size, some authors have suggested 10 times rule as a rule of thumb (Hair, Sarstedt, Ringle, & Mena, 2012).

Hair et al. (2012) conducted a review which included studies published in leading journals of management. Studies on empirical application of SEM were searched in these leading journals for a period of 30-years ranging from 1981 to 2010. This review observed 154.9 as average size of sample (Hair et al., 2012). Moreover, this review also observed even smaller samples in the strategic management field as compared to other disciplines. According to Yamane (1967) a sample of 384 can be used for up to one million population elements. Roscoe (1975) presented a rule of

thumb for the determination of a sample size. He argues that a sample between 30 and 500 is sufficient for most research. In developing countries like Pakistan, Bangladesh and India, shortage of required resources is big problem for the researchers, so in such cases sample size is a matter of convenience only (Bulmer & Warwick, 1993). Therefore, in view of the above mentioned facts, figures and arguments, a sample size of 384 is considered as better for the study.

### 3.4 Data Collection Methods

Data can be collected from diverse sources and in different ways (Ghauri & Gronhaug, 2005). Mainly, data are categorized in two ways i.e. primary data and secondary data. Each type of data can be collected using different tools and sources.

#### 3.4.1 Primary Data

This research is mainly based on primary data that refer to firsthand information on the variables of interest obtained by the researcher for further processing and analysis. Again, primary data can be collected using different methods (Ghauri & Gronhaug, 2005). However, selecting suitable method for data collection, to a great extent, relies on the research objectives and the target respondents of the study (Sekaran & Bougie, 2016). The major tools of primary data collection are interviews, questionnaires and observations. For quantitative data collection and hypotheses testing, questionnaires are considered more appropriate and are widely used (Hair et al., 2010; Malhotra, Nunan, & Birks, 2017). This study tests hypotheses, therefore, questionnaire is selected for collecting the data. CSR decision are made by the managerial positions in an organization, so managers are chosen as informants because they are directly involved in CSR strategy and implementation (Mishra & Suar, 2010; Rettab, Brik, & Mellahi, 2009; Saeidi et al., 2015; Taherdoost, 2016). This study has used variables (CSR, NVP, stakeholder trust, Environmental CSR, Entrepreneurial finance) for which the use of secondary data is not possible due to unavailability of data. Therefore, questionnaire survey approach is selected for collecting the data. In the same context, published research articles such as Anwar et al. (2018c), Khan et al. (2019b) and Yu and Choi (2014) have also used primary data. CSR decision are made by the managerial positions in an organization so managers are chosen as informants because they are directly involved in CSR strategy and implementation (Mishra & Suar, 2010; Rettab et al., 2009; Saeidi et al., 2015; Taherdoost, 2016).

For the purpose of this study, data was collected through self-reported questionnaire. The measures of constructs were adopted from the previous studies and minor wordings modifications were made only in the measuring items of a variable according to the subject matter of the current study following previous studies (Khan, Liu, Liu, Khan, & Hameed, 2020a; Khan et al., 2019b). Self-reported questionnaire has higher response rate in comparison to email and other data collection tools (Anwar et al., 2018a). The CEOs, Owners, top managers or chief operators of the firms were requested to fill the questionnaire as they are more aware and have specific concern with their firm strategies (Ansong, 2017; Khan et al., 2019a).

#### 3.4.2 Secondary Data

Based on the needs of the study, secondary data was collected from the relative websites. Research journal databases like Science Direct, Emerald, JSTORE, Springer etc. were used for previously published research papers in the field of CSR, sustainability, SMEs and new venture performance. Similarly, Small and Medium Enterprises Development Authority (SMEDA) of Pakistan, BCCL, SCCI, KCCI and MCCI, KPCCI, SBP, SECP, World Bank reports, GEM reports etc. were utilized on needed basis.

### 3.5 Questionnaire Design

The data collection instrument employed for this study was a questionnaire which is based upon previous studies conducted in CSR- FP field (Barbero, Casillas, & Feldman, 2011; Charoensukmongkol, 2016; Jain et al., 2017; Yadav et al., 2017). The measures of constructs were already validated by the previous studies and hence, it needed not to be pre-validated. The questionnaire is consisted of 2 parts. Part first deals with categorical variable and seeks to collect data about respondents' demographical information and part second is meant for collecting data on continuous variables relating dimensional CSR, firm performance, stakeholder trust and entrepreneurial financial capabilities.

#### 3.5.1 Administering the Questionnaire

There are different methods for the administration of questionnaire like through e-mail, post and hand-distributed by personally visiting the respondents. Administering a questionnaire through email and post is effective for getting desired response rate in

a developed culture of research where respondents are interested to provide their responses. Considering the country context of Pakistan, the environment is not conducive for research and the respondents are usually unwilling to receive and respond to the questionnaire. It is because of these reasons that the researcher personally administered the questionnaires to the respondents. The data collection phase started one week after the ASRB approval of my research proposal was granted in November, 2019 and remained continued for 3 months.

A total of 700 copies of the questionnaire were distributed where each copy had a covering letter telling about the purpose of data collection (i.e. academic purpose), questionnaire and assurance of secrecy of information. Besides this covering letter, managers, owners or chief operators were briefed on the structure and purpose of the instrument. Those respondents who were present at time of visit were requested if they could spare some time to fill in the questionnaire. Thus a greater number of respondents filled the questionnaire at the same time and returned to the researcher. In a very small number of cases the researcher had to make a second visit to those respondents who were either absent at the time of first visit or very busy in their routine business. At the time of first visit, some managers/owners or representatives of them promised that they would fill and send back the questionnaires at some later date.

In total 430 filled questionnaires were received and then thoroughly examined by the researcher. Out of them, 57 were removed and 373 were considered good for analysis. Questionnaires were rejected on the basis of various discrepancies like questionnaires having unfilled portions, marking the same rank for all items etc. In order to complete the already determined sample size of 384, again 11 copies were got adequately filled from other new ventures.

### 3.6 Variables and Measurement

Dependent variable of the present study is new venture performance which consists of financial performance and non-financial performance. Independent variables include aggregated/composite CSR, CSR to customers, CSR to employees, CSR to Society and CSR to environment. Stakeholder trust is used as mediator between aggregated and segregated CSR (four dimensions of CSR i.e. CSR towards customers, employees, society and environment) and NVP. Entrepreneurial finance is used as moderator on the link between CSR and NVP. It is also an independent variable for NVP.

### 3.6.1 New Venture Performance

In light of the NVP literature, a venture having age of ten or less than 10 years is considered as new venture (Cardon & Kirk, 2015; Patel & Jayaram, 2014; Yi-Renko et al., 2001). According to Ma et al. (2017) ventures younger than eight years are taken as new venture. In addition, ventures having age of less than 10 years are generally termed as new ventures by practitioners in light of the recommendations of National Federation of Independent Business (NFIB) and 'Small Business Advocacy' group (Patel & Jayaram, 2014; Shane, 2008). This study defines 'new venture' as a venture that has an age of less than 10 years and includes in its sample those ventures that are older than three years and younger than ten years.

Previous scholars have mostly used objective measures of firm performance (Gatsi, Anipa, Gadzo, & Ameyibor, 2016; Haryono & Iskandar, 2015; Hmieleski & Ensley, 2007; McWilliams & Siegel, 2000; Shukla & Agarwal, 2017). However, in the context of small and medium sized new ventures, objective performance indicators are always hard to obtain and interpret (Stam & Elfring, 2008). Besides, it is very tough to accumulate business performance information in Pakistan, especially for newly created small and medium-sized firms that are mostly not registered, and whose managers and owners are hesitant to unveil their performance data (Dai, Li, & Zhang, 2019).

Firm performance measurement in case of new venture is not a simple and easy task, and it is because of this reason that different researchers have used different approaches to measure it. NVP can be measured with both objective and subjective measures. Objective Measure uses financial data (secondary data, archived data and reports-based data) of firms. While Subjective Measure uses self-reported data that are collected from managers and owner of the ventures (Anwar et al., 2018a; De Jong & Bruch, 2013; Javed et al., 2017; Khan & Hassan, 2013). Objective measures are prioritized when financial data are easily available because it is based on financial data to measure ROA, ROE and ROI etc. Studies such as (De Jong & Bruch, 2013; Dibrell, Craig, & Neubaum, 2014; Khan et al., 2019b; Tajeddini & Mueller, 2019) have suggested self-reported questionnaire to measure the venture performance in SMEs because of several reasons including:

1. SMEs do not disclose their financial information publically and they are not legally bound to disclose their financial statements.

2. Owners and managers of newly formed ventures are reluctant to reveal their performance information.
3. Majority of SMEs have no proper records of financial statements.
4. Objective based measure of firm performance does not give broad results of firm performance as to be gained through self-reported questionnaire.
5. By using subjective measures, data can be collected regarding financial and non-financial performance of firms, while in case of objective measure only financial performance can be measured.

New venture performance is divided into financial performance and non-financial performance. Financial performance encompasses profitability, return and earning of firms (Santos and Brito 2012) while non-financial performance talks about market shares, customer and shareholders' satisfaction. Non-financial performance attracted recent researchers (Mariadoss, Tansuhaj, & Mouri, 2011). So, in the present study, we rely on self-reported measures used by Charoensukmongkol (2016) regarding financial and non-financial performance. There are 10 items, based upon which the managers and owners were asked to report their performance in respect of profitability, return on assets, market share, and customer satisfaction etc. during the last three years in comparison with major competitors. A sample item is "Our firm performs well relative to its competitors in terms of net profit margin".

### 3.6.2 Corporate Social Responsibility (CSR)

CSR has been discussed through different aspects in existing literatures. Typically, large-scale firms engage in broad CSR activities related to society and community's welfare etc. because of their enough resources. However, SMEs have been engaged in multiple CSR related activities for a longer time, but their way of attempt seems to be less systematic and less formalized due to lack of financial and non-financial resources (Jamali et al., 2017; Khan et al., 2019b; Santos, 2011). Moreover, in the current age of competition small ventures show more serious concern in undertaking CSR related activities as compared to large firms (Khan et al., 2020b). This study relies on CSR measures used by Jain et al. (2017) because these measures enclosed the key magnitudes of CSR where the sample items are "Our firm resolves its customers complaints in a timely manner, our firm ensures work/life balance among the employees, recruitment and purchasing policies of the firm favor the local

community and our firm undertakes pollution control measures". In this study the four dimensions of CSR were measured through a 5-point Likert scale including CSR to customers, CSR to employees, CSR to community, and CSR to environment (Jain et al., 2017).

### 3.6.3 Stakeholder Trust

Stakeholder trust has been used as mediator between the four dimensions of CSR and new venture performance. Trust refers to a psychological state of mind that contains intentions to accept vulnerability expected from the behavior and intentions of the other party where such acceptance of vulnerability of the first party is based on positive expectations (Rousseau et al., 1998). In this study the term "stakeholders' trust" was used to denote the perception of multiple stakeholders towards the firm's promises in regard of its CSR actions. Furthermore, this study adopted the measures of trust from the study of (Kim, 2019). A sample measuring item of the construct is "the firm keeps its promises in terms of being socially responsible".

### 3.6.4 Entrepreneurial Finance

Different items are used for the measurement of entrepreneurial finance, including financial capability, financial capital, financial resources and financial networking etc. In this study the notion 'entrepreneurial finance' is conceptualized as the competence and capability of a firm to efficiently manage finance related matters rather than managing to hold extravagant cash balances and other liquid assets (Hitt, Ireland, & Lee, 2000; Khan et al., 2019b; Rugman & Verbeke, 2002). Entrepreneurial finance refers to effective and efficient debt and credit system, active financial decision making, the optimum investment in particular portfolio (Khan et al., 2019b). This research adopted the entrepreneurial finance measures (a sample item being 'our firm has the capability of budgeting and cash flow management') used by Barbero et al. (2011); Cooper, Gimeno-Gascon, and Woo (1994).

### 3.7 Questionnaire Based Surveys

Questionnaires are frequently used as data collection tools in investigations where there are limited corporate reports or reputation indices are not made by the raters (Galant & Cadez, 2017). Questionnaire surveys are administered to stakeholders occupying key position in the business for the collection of primary data. Ansong

(2017), Bai and Chang (2015), Khan et al. (2019a), Srichatsuwan (2014), and Sweeney (2009) employed questionnaires designed to gather information on CSR and financial performance. In questionnaire based surveys response bias is a usual shortcoming. This drawback could be limited by the collection of additional information of interest from diverse sources. Besides using questionnaire surveys, Fonseca and Ferro (2016) and Sweeney (2009) also conducted interviews of managers to get an in-depth examination of CSR practices. However, Brenner and Delamater (2016) described that interviews employed to assess normative performance showed a greater possibility of over-reporting response bias than self-administered questionnaires.

Research scholars have conducted validity and reliability analysis of their constructs in cases where they have adopted questionnaire approach. They have determined Cronbach's Alpha, construct reliability, convergent and discriminant validity to authenticate their scales. Questionnaire measurement approach offers considerable convenience and flexibility (Williams, 2020). Affordability, convenience and flexibility were the basic reasons behind the use of questionnaire survey in this study. Moreover, to reduce the response bias, the target population was decided to include respondents from all the 07 divisions of KP across different types of industries.

### 3.8 Perceptual Measurement Approach

The technique of measuring perceived performance has been in practice for many years. Recently, Anwar, Shah, Khan, and Khattak (2019), Anwar et al. (2018b), Choongo (2017), Fonseca and Ferro (2016), Khan et al. (2019b), Knezevic, Mijatov, Dragin, and Nedeljkovic (2020) and Williams (2020) have used perceptive measures of performance in their surveys of CSR and FP relationships, and where their questionnaires were based on Likert Scale. Perceptual measures are a workable and convenient means of investigating firm performance in the context of small and medium scale new ventures (Anwar et al., 2018a).

Some research scholars have adopted mixed measures approach for carrying out correlational analyses of financial performance. Balance scorecards (BSC) are the most prevalent and dynamic indicators of operational and financial performance that converts strategies into measures (Bentes, Carneiro, Da Silva, & Kimura, 2012; Richard, Devinney, M, Yip, Gs, & Johnson, 2009a). This composite measuring tool accounts for both past and future performance. SMEs and especially the new ones, do not have a market presence. Therefore, BSC is not considered appropriate for studying

researcher applied descriptive statistical techniques (frequency tables, means and standard deviations of the variables).

### 3.9.2 Data Normality Test

Normality of data is one of the basic assumptions for estimation process. This study used descriptive statistics techniques (Skewness and Kurtosis) for testing normality in the data. The detail of these tests is provided in chapter 4 of the thesis.

### 3.9.3 Structural Equation Modelling

Structural Equation Modeling (SEM), the main feature of AMOS, is a blend of powerful techniques of multivariate analysis (Byrne, 2010) that postulates the relationship between and among the study variables through measurement and structural equations. Measurement equations allow to test the precision of proposed measurements through examining the relations between the latent and observed variables. Structural equations are meant for specifying the theorized relationships among/between the latent variables, and thus allows for testing the research hypotheses. Furthermore, SEM allows for the modeling consideration of interactions, measurement errors, non-linearities, correlated error terms, correlated independents and multiple latent interdependences where each term is based on multiple indicators/measured variables (De Carvalho & Chima, 2014).

Structural Equation Modeling (SEM) was introduced as a second generation technique of multi-variate analysis which also possesses the features of the first generation techniques like regression and correlation analysis (Javed et al., 2017). Research scholars have been employing first-generation techniques in the field of social sciences, but now there is a move towards the second generation techniques. Multivariate analysis has become mainstream methods in today's research (Chin, 1998; Hair et al., 2011; Hair et al., 2012; Sarstedt, Ringle, Smith, Reams, & Hair Jr, 2014). SEM is one of the most remarkable statistical improvements in the field of social science research (Javed et al., 2017).

Though, the first generation analysis techniques are appropriate for evaluating relationship between constructs, assumptions of those techniques are hard to fulfil sometimes. For instance, the assumptions of multiple regression analysis include correctly specified model, linearity of relationship, normality of data, no multi-

SMEs' performance. Market value added (MVA), economic value added (EVA) and Tobin Q ratio are indicators of financial performance that are getting popularity in investor-owned organizations (Gapenski, 1996), but these are not workable techniques in case of new ventures.

The extant literature on SME firms' performance shows that these firms use complicated and inconsistent methods for managing and measuring their financial performance and those methods are totally dependent upon the prevailing practices, business environment and management skills (Williams, 2020). Rojas-Lema, Alfaro-Saiz, Rodríguez-Rodríguez, and Verdecho (2020) postulated that SMEs firms today are obligated to adjust their strategies, innovate and review performance measuring methods regularly due to increased social activism, awareness, markets dynamism and capacious amount of information (Choi, Kim, & Yang, 2018; Williams, 2020). In this study employees, customers, community and environment related CSR dimensions were selected as social performance indicators. Furthermore, sales, profits, market share, development of new products, innovation, product quality, cost control and customers satisfaction have been employed as indicators of firm's performance (Charoensukmongkol, 2016; Khan et al., 2019b).

### 3.9 Data Analysis Techniques

AMOS statistical software is used to analyze the data of the current study. Previous studies have recommended AMOS for analyzing the data, where the responses exceed 300, because of producing accurate and less-varient results (Khan et al., 2020b). Researchers have used diverse tools and techniques based upon the nature of the analysis. This section of the chapter discusses about the different tools and techniques used for analyzing the research data. Part first of the section describes techniques used for descriptive statistics, data normality, reliability and validity of the constructs and common method variance (CMV). It also discusses about structural equation modelling (SEM). Next, it outlines techniques used for determining association among the study variables and testing the research hypotheses of the study.

#### 3.9.1 Descriptive Statistics

For analysis purpose, researcher entered the data collected through questionnaires in SPSS 24. For knowing about the different data characteristics,

collinearity, no autocorrelation and homoscedasticity. On the other hand, SEM examines all the relations among the constructs in a model simultaneously. SEM also permits statisticians to analyze complicated data like time series data, non-normal and even incomplete data. SEM conducts both types of factor analysis i.e. EFA and CFA. Thus, SEM is called a suitable procedure both for theory building and theory testing.

There are different motivational factors for using SEM. First, older techniques are not capable of dealing with the advanced models and can process only a limited number of variables that limits the assessment of complex phenomena. Whereas, SEM can use multiple observed variables which allows a researcher to statistically model and test complex phenomena. Therefore, quantitative research scholars suggested SEM to develop and confirm theoretical models (Javed et al., 2017; Kyriazos, 2018). Second, SEM makes the use of observed scores which have greater validity and reliability because it separately analyzes measurement error and data. Third, SEM has the facility of analyzing more complicated theoretical models like group differences. Furthermore, in SEM, both main and interaction effects can be tested by including interaction terms (Schumacker & Lomax, 2004, pp. 194-208).

SEM is generally employed in studies investigating for the cause and effect relationship between independent and dependent variables. SEM estimates causal relationship, manifests parameter estimates along with path links. It can run multiple regression equations concurrently using specific structural model and it allows a researcher modelling with latent variables using modeling of measurement error associated with observed indicators (Hair et al., 2010). Thus, in this study SEM is used for testing the conceptualized model which is based on prior theories.

#### 3.9.4 Confirmatory factor analysis

CFA is a part of SEM and it is also known as covariance structure. CFA technique is applied for a confirmatory test of measurement theory. A measurement model in SEM elucidates the logical and systematic demonstration of measured variables in a theoretical model. Measurement model postulates different relationships among measured variables representing a latent construct. Additionally, this measurement model is complemented with a structural model to specify a SEM model completely. Measurement model, first, requires a construct to be defined. Secondly, CFA applies measurement model to determine a priori number of factors and variables

loading on these factors. This specification operationalizes the conceptual constructs in a measurement model. CFA has an advantage that it controls measurement error in the latent construct. There are very good software packages for conducting CFA and this study uses Analysis of Moment Structures (AMOS) version 24 because it is interactive and user-friendly.

This study employs adopted measures from the previous studies that are already established and validated, so it conducts CFA to test the construct validity (Khan et al., 2019b). Convergent and discriminant validity is determined by the use of standardized factor loadings and average variance extracted method. The detail regarding the score of factor loadings and average variance extracted is provided in chapter 4. Cronbach Alpha (a) is used to test reliability of the constructs in SPSS 24. Reliability of each construct is calculated separately and scores of reliability are provided in next chapter.

**3.9.5 Common Method Variance**

Common method variance (CMV) or common method bias (CMB) means the systematic error caused by the employed measurement methods (Podsakoff, Mackenzie, & Podsakoff, 2012). CMV exaggerates the observed correlations among the different variables and results in false conclusions (George & Pandey, 2017). Research scholars have suggested different techniques to address the issue of bias. This study in order to reduce the bias, uses population that includes respondents from all the 07 divisions of KP region across different types of industries.

**3.9.6 Association among Variables of the Study**

This study uses Pearson paired correlation to determine the strength and direction of association among the variables of study. The coefficients (r) of correlation are calculated and presented in the next chapter.

**3.10 Testing of the Research Hypotheses**

**3.10.1 Path Analysis**

For testing the research hypotheses structural models are the essence of SEM. The structural model relates explanatory variables(s) to dependent variable(s) and it is also called as path models (Hair et al., 2010). In SEM, relationship between any two variables is indicated either by a single or double headed arrows where the arrow looks

like a path from one variable to the other variable and such presentations are called path diagrams. Path diagrams are helpful in analyzing and showing that how the study constructs are related with each other and how a variable or a set of variables affects another variable(s), therefore it is called path analysis. The underlying research theory guides the researcher to distinguish between independent and dependent variables and draw paths among those variables with the help of arrows. Gamma estimate in this model is a measure of causation in dependent variable with respect to one-unit manipulation in independent variable. Critical ratio is a percentage linked with the probability of result. This study uses path analysis to assess direct and indirect effects of composite and dimensional CSR on new venture performance by the application of SEM.

**3.11 Ethical Issues Surrounding the Research**

Ethical issues surrounding a research study are deemed very serious and therefore scholars are recommended to pay due consideration to them. The primary ethical concern in conducting a research is to make sure that it is being carried out with a positive intention and the study contributes to existing knowledge in a particular field of research. The researcher ensures that research is conducted in a way that participants' interests are safeguarded at every cost (Resnik, 2015). There are also ethical concerns for the influence of the research outcomes relating to organizations i.e. perceived degree of social performance in regard of diverse and disparate stakeholders. There are certain limits existing between research and practice which a researcher should respect especially when human beings are involved (Javed, 2020).

The primary data sources for this quantitative study consisted of managers representing different new ventures. First, the purpose of the study was explained to all the respondents individually with the help of a covering letter and/or in-person explanation before getting the survey questionnaire filled. The demographics of the respondent firms were held completely confidential. Moreover, managers were assured that results of study will be presented as whole and that will not disclose their individual status in regard of different variables. Moreover, researcher reported the methods of data collection fully, ensured the accuracy of the data and further analyzed the data honestly. Results of this study were not misrepresented.

**Chapter No. 4**

**DATA ANALYSIS AND RESULTS**

This chapter contains several sub-sections and basically reports the results of data analysis. In the first part, data entry procedure and verification are discussed. This section also discusses handling of missing entries in the data and unanswered questions. Second section presents different demographics pertaining to the respondents. Data normality is discussed and tested in third section. The discussion on factor analysis and its basic assumptions is offered in fourth section. Findings of confirmatory factor analysis are reported in fifth section. Sixth section of this chapter discusses results regarding validity and reliability of factors. In this section, intra-class correlation is also offered which tests inter-rater reliability. Seventh section provides techniques for controlling common method variance. Eighth section reports findings on coefficients of Pearson correlation to determine direction and gauge strength of association among different variables of the study. Final section of this chapter tests the hypotheses regarding the direct, mediating and moderating effects.

**4.1 Data Tabulation**

The data analysis process was formally started with data entry in SPSS. Each of the questionnaire was checked at the time of data entry and only those questionnaires were entered into SPSS where > 90% items were answered. Data were verified in two different ways before starting the analysis. First, all the entries were manually verified. Second, descriptive statistics and frequency tables were generated. These tables identified seven mistakes in the data and these mistakes were corrected by checking them manually from the questionnaires. Unanswered items in the questionnaires were assigned the average of measurement scale.

**4.1.1 Profiles of the Respondents**

This section reports the demographic profile of responding organizations. The questionnaires were filled in by the managers and owners of newly established ventures around the KP. Total, 450 (430+20) responses were retrieved, out of which 384 aggregate responses were found valid. Age, size and industry-wise composition of the valid responses is provided in table 4.1.

**Table 4.1 Profile of Participating Ventures**

	Number	Percent
<b>Industry</b>		
manufacturing	117	30.5
trading	148	38.5
services	119	31.0
Total	384	100.0
<b>Size of Firms</b>		
< 50 employees	28	7.3
51-100 employees	174	45.3
101-150 employees	77	20.1
150-200employees	20	5.2
200-250 employees	85	22.1
Total	384	100.0
<b>Age of Firms</b>		
3 years and less	93	24.2
4-7 years	156	40.6
8-10 years	135	35.2
Total	384	100.0

Table 4.1 presents the profile of the responding organizations. The demographics consist of firm's age, size, and nature of industry. Analyzing the age of ventures, major percentage (41%) were in the range of 4-7 years, and 35% of ventures were 8 to 10 years old and 24% of firms were having age less than three years.

**4.2 Testing Data Normality**

Data normality is the prerequisite and initial supposition for data analysis. The normality of data can be checked through various tools and techniques (Drezner & Turel, 2011) and selection of appropriate data analysis technique relies on the type of data distribution. This study used multiple tests for checking the normality of data including skewness and kurtosis etc. The data are considered non-normal when it is either highly skewed or has high value of kurtosis (Rindskopf & Shiyko, 2010). Non-normality of the data affects the estimation process (Hall & Wang, 2005).

4.2.1 Skewness and Kurtosis

Researcher used skewness and kurtosis tests to test the normality of the data as per the recommendations of existing studies (Hair et al., 2010). Symmetrical position of the data is checked by skewness. In skewness, sign with the numeric value specifies whether the distribution of data is positively or negatively tilted. While, kurtosis measures that to what extent data distribution is flat or peaked (Rindskopf & Shiyko, 2010). Researchers recommend different criteria for testing normality by employing skewness and kurtosis statistics. Some researchers suggest that the numeric values of kurtosis and skewness should be in between +3 and -3 (Hair, Ringle, & Sarstedt, 2013).

Other researchers also suggest that values of skewness and kurtosis should be compared with the twice of their respective standard errors. If numeric values of kurtosis and skewness are less than twice of their respective standard errors then assumption of normality is observed (Venter, 2008). Table 4.2 presents numeric values of skewness and kurtosis. The results in table 4.2 reveals that the data meet both conditions of normality with respect to skewness and kurtosis. In all cases, numeric values of skewness and kurtosis lie within the recommended range of +3 and -3. Secondly, when values of skewness and kurtosis are compared with twice of standard errors, all the values are less than twice of the standard errors.

4.2.2 Normal Probability Plots for the Study Constructs

In addition to provide statistical details for skewness and kurtosis to check the normality in data distribution, researcher also added normal probability plots to substantiate normality findings. In normality testing, probability plot distributes all the data observations alongside the linear line (Henderson, 2006). If the data observations converge on this line, then data distribution is considered normal. On the other hand, if data observations considerably diverge from the trend line, then data distribution is not considered normal (Srivastava, 1984).

The Q-Q plots or quantile-quantile plots is a graphical presentation that helps to assess if a data set is normal or abnormal. Figure 2 to figure 9 show the Q-Q plots for the variables of the study. The plots demonstrate that data observations of customers CSR, employees CSR, community CSR, environmental CSR, ST, EF and NVP constructs are almost converging on the trend line which acknowledge normal distribution in data.

Table 4.2 Data Normality Tests

	Minimum	Maximum	Mean		Std. Deviation		Kurtosis
	Statistic	Statistic	Statistic	Error	Statistic	Statistic	
Customers CSR	1.50	5.00	3.9473	.03293	.64532	-.556	.332
Employees CSR	1.25	5.00	3.9486	.03327	.65196	-.770	1.038
Community CSR	1.50	5.00	3.8340	.03377	.66177	-.495	.564
Environment CSR	1.00	5.00	3.3392	.03347	.65588	-.249	.334
Stakeholder Trust	1.75	5.00	3.8438	.03865	.75747	-.461	-.106
Entrepreneurial Finance	2.00	5.00	4.1359	.03251	.63703	-.901	.786
NVP	1.50	5.00	3.9346	.03429	.67202	-.872	.776
CSR	1.63	4.81	3.7673	.02325	.45556	-.426	.788
Valid N (listwise)			384				

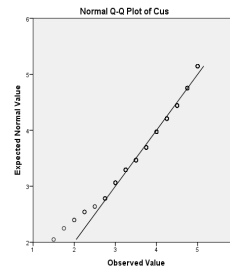


Figure 2 Q-Q Plot for Customers CSR

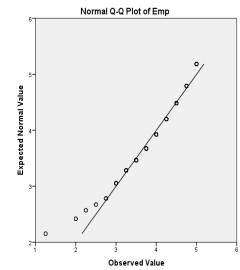


Figure 3 Q-Q Plot for Employees CSR

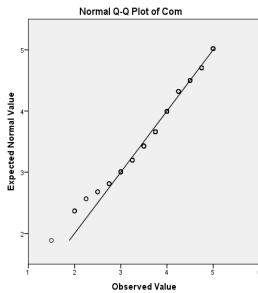


Figure 5 Q-Q Plot for Community CSR

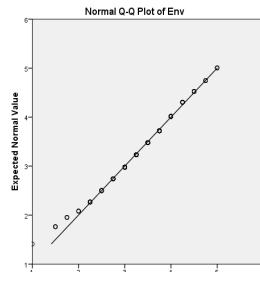


Figure 4 Q-Q Plot for Environmental CSR

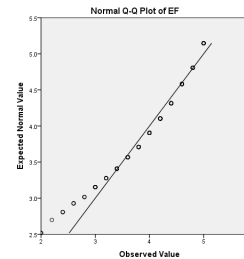


Figure 9 Q-Q Plot for Entrepreneurial Finance

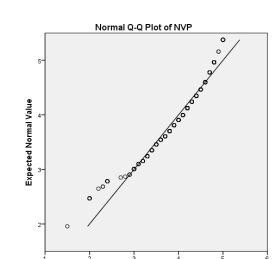


Figure 8 Q-Q Plot for New Venture Performance

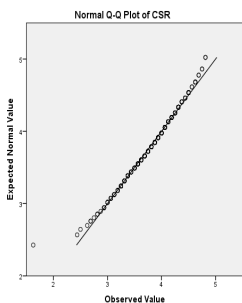


Figure 6 Q-Q Plot for Aggregated CSR

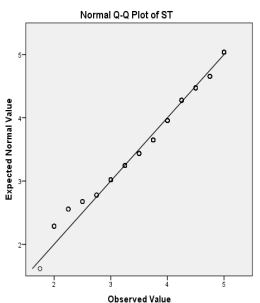


Figure 7 Q-Q Plot for Stakeholder Trust

4.3 Common Method Variance

Common method variance (CMV) is the variance ascribed to measurement method (Bagozzi & Yi, 1993). Common method variance exaggerates the findings pertaining to observed correlations among the variables and this variance results in false conclusion regarding relationships (Campbell & Fiske, 1959; Podsakoff, Mackenzie, Podsakoff, & Lee, 2003). This variance is caused when a rater applies common rules to rate conceptually distinct measurement scales (Feldman & Lynch, 1988). So, the variance that is shared by theoretically distinct constructs is common method variance (Podsakoff et al., 2012). In the present study, data were obtained through multiple respondents in order to avoid and control variance. From one organization, data were collected from more than one manager so that variance could be minimized.

This study also used Harman's One Factor test to check the presence of common method bias in the data set. Harman, (1960) applied exploratory factor analysis approach in which all the variables were loaded on a single factor and the number to extract fixed factors was given as one (1). Moreover, in Harman's Single Factor Test, none rotation is applied (Akaike, 1987). Actually, this new factor is not already in the researcher's model; it was introduced only for the analysis purpose and later on, it was rejected. If the newly incorporated factor explains less than 50 per cent (%) of the variance, it is considered that common method bias is not present. After conducting the

test, the output reflected (table 4.3) that Harman’s Single Factor explained less than 50 % of the variance i.e. 33.914%, indicating that there is no CMV issue.

**Table 4.3 Harman’s One Factor test of CMV**

Component	Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	12.209	33.914	33.914

Extraction Method: Principal Component Analysis.

**4.4 Factor Analysis**

Factor analysis is an important technique which is used to either explore or confirm the theorized structure of latent variables. Factor analysis is of two kinds; exploratory and confirmatory. Exploratory factor analysis (EFA) is used when the researcher is trying to identify the different dimensions without a prior theory (Hair et al., 2010). Confirmatory factor analysis (CFA) is employed to confirm measurement model with a prior theory. In this study, already established and verified scales of measurement have been employed. Therefore, CFA has been used to confirm the factor structure of the latent constructs. CFA is a theory-driven approach for testing the model fit (Santos & Brito, 2012; Schreiber, Nora, Stage, Barlow, & King, 2006). A proposed model is considered as having a good fit if it has not considerable deviations between the proposed and observed correlations (Hair et al., 2010). However, before running CFA, two assumptions of sample adequacy and test of sphericity must be checked and fulfilled.

**4.4.1 Sample Adequacy and Sphericity**

Sample adequacy refers to adequate number of data observations to conduct analysis and specific test used for this purpose is Kaiser-Meyer-Olkin (KMO) test. The numeric values of KMO test range between 1 and 0, and the value closer to 1 reflects that the sample data are adequate for factor analysis (Anastasiadou, 2011). Test of sphericity is employed to test whether sub-scales are correlated and inter-dependent (Field, 2013). Bartlett test is used to check inter-item correlation and p value is used as

a criterion for evaluation. If the p value is lesser than 0.05, it indicates that subscales are correlated and interdependent. In this study both KMO and sphericity tests were used. The results in table 4.4 reveal that both assumptions of sample adequacy and sphericity are fulfilled successfully. KMO test has 0.937 value which is greater than the cut-off criteria of 0.70 (Hair et al., 2010). Bartlett’s test has also fulfilled the condition of minimum significance level criteria of p value less than 0.05. These findings reflect that both conditions have been fulfilled.

**Table 4.4 KMO and Bartlett’s Test**

KMO and Bartlett’s Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.937
Bartlett’s Test of Sphericity	Approx. Chi-Square	7957.649
	df	630
	Sig.	.000

**4.5 Factor loadings and Reliability of the Constructs**

Reliability of a measure refers to the consistency of that measure in producing results over time (Salekin, Neal, & Hedge, 2018). Since in this study, unit of analysis is firm and data are collected from multiple respondents, therefore, for testing reliability Cronbach Alpha is calculated. Cronbach Alpha (a) is normally used to test the reliability of measures (Cronbach & Shavelson, 2004). Value of Cronbach Alpha ranges between 1 and 0 and generally, a value greater than 0.70 reflects that the measure is reliable (Nunnally & Berstein, 1994). Cronbach Alpha scores for the constructs of the study are given in table 4.5. Moreover, this study checked the factor loading and the composite reliability (CR) in order to ensure the reliability of the constructs and found excellent results of factor loading for all variables i.e. above 0.70 and composite reliability is also above the threshold value of 0.7 which can be seen in Table 4.5 (Javed et al., 2017). Following previous practice (Khan et al., 2020a), we dropped one item (env5) because of low loading score.

**4.6 Measurement Model and Validity Tests**

In this section, findings on fitness of measurement model and validity of the measures are presented. Model fitness demonstrates whether a model is capable to fit the data (Barrett, 2007). While, validity determines whether the specific construct

measures what it intended to measure (Admiraal, Hoeksma, Van De Kamp, & Van Duin, 2011). For measuring the distinctiveness of scales, validity is primarily of two types; content validity and construct validity (Hair et al., 2010). Content validity refers to what extent an instrument signifies all the aspects of the scale (Malhotra, 2002). In research, it is essential that content validity of the instrument is established and researchers recommend that experts opinion can ensure face validity of the instrument (Beckstead, 2009). However, current study has used already established measures and subject experts have already ensured their content validity. The second form of validity is construct validity which has further two forms; convergent validity and discriminant validity (Zhu, 2000). Convergent validity is the extent to which the indicators of a particular scale are positively correlated with each other (Sekaran & Bougie, 2016). While the discriminant validity is the extent to which indicators of one measure are not correlated with other measures (Malhotra, 2002). The indicators of a particular scale should be different from the indicators of other scales (Sekaran & Bougie, 2016).

**4.6.1 Convergent Validity**

Convergent validity is also another assumption for CFA. It tests the underlying structure of the construct in the data-set based on prior theory (Mueller, 1999). Standardized coefficients of regression and average variance extracted (AVE) scores of constructs are the commonly used convergent validity testing techniques. For having adequate convergent validity, it is customary and recommended that standardized regression weight of indicators and AVE from the construct should be equal or greater than 0.50 (Hair et al., 2010). They further added that factor loadings of greater or equal to 0.40 is acceptable when sample size is larger than 150. However, this study retained all those factors, which reported loading scores of .70 or greater than .70. Convergent validity (AVE), Discriminant Validity, Composite Reliability (CR) are presented in Table 4.5. The table offers labels of constructs, different indicators measuring the specific construct, standardized loadings of indicators and average variance contributed by these indicators in each construct. Factor loadings which are the standardized regression weights, reflect the weight that each indicator contributes in its respective construct. Generally, the contribution of each indicator is almost equal to or greater than 0.70. However, loading scores for an indicator (env5) was less than 0.50, which was removed from the revised measurement model. Results in table 4.5 revealed that all the constructs of study have adequate convergent validity.

**Table 4.5 Factor Loadings, Validity and Reliability Indices**

Items	Factor Loadings	AVE	√AVE	CR	Cronbach Alpha
<b>Employees CSR</b>		0.553	0.744	0.832	0.833
emp4	.800				
emp3	.743				
emp2	.716				
emp1	.713				
<b>Customer CSR</b>		0.566	0.752	0.839	0.838
cus4	.791				
cus3	.800				
cus2	.717				
cus1	.697				
<b>Community CSR</b>		0.629	0.793	0.872	0.871
com4	.800				
com3	.767				
com2	.823				
com1	.781				
<b>Environmental CSR</b>		0.511	0.715	0.807	0.805
env5	Dropped				
env4	.677				
env3	.730				
env2	.747				
env1	.705				
<b>Stakeholder Trust</b>		0.705	0.840	0.905	0.904
st4	.907				
st3	.767				
st2	.832				
st1	.846				
<b>Entrepreneurial Finance</b>		0.594	0.771	0.880	0.879
ef5	.820				
ef4	.736				
ef3	.782				
ef2	.731				
ef1	.782				
<b>New Venture Performance</b>		0.569	0.754	0.929	0.929
nvp5	.741				
nvp4	.737				
nvp3	.737				
nvp2	.792				
nvp1	.719				
nvp6	.797				
nvp7	.820				
nvp8	.693				
nvp9	.748				
nvp10	.749				

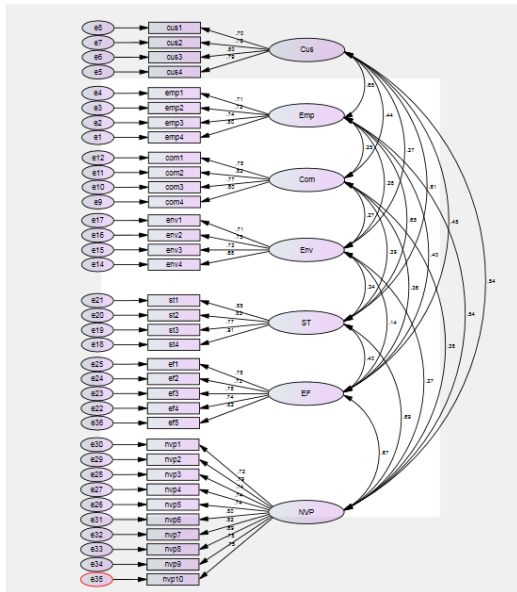


Figure 10 The Measurement Model

4.6.2 Discriminant Validity

Discriminant validity is another form of construct validity and it tests the degree to which one latent construct is different from the other constructs (Malhotra et al., 2017). This form of validity is assessed by matching the square root of AVE for a specific construct with the paired correlations (Islam, Hollebeek, Rahman, Khan, & Rasool, 2019). If estimates of the square root of AVE are greater than the paired correlation coefficients between the factors, then the discriminant validity is proved (Fornell & Larcker, 1981; Hair et al., 2010).

For the purpose of confirming the manually calculated convergent and discriminant validity indices as shown in table (4.5), master validity plugin in AMOS 24 (Gaskin & Lim, 2016) was applied to generate an automatic HTML file that consists of correlation matrix of the constructs with CR (composite reliability), AVE (average variance extracted: convergent reliability) and  $\sqrt{AVE}$  on the diagonal of the matrix. This plugin brings simplicity, ease and accuracy in the process of checking validity of a model. It also highlights validity issues, if any, and provides suggestions based on those indicators which cause problems. Table 4.6 presents the master validity results for all the constructs of the study. The results show that all the AVE values are greater than 0.5 and less than their respective CR values. The comparison of square root of AVE with the paired correlation shows that  $\sqrt{AVE}$  is greater than the paired correlation coefficients for all the variables. Thus, there is no convergent and discriminant validity issues in the constructs and the model is considered as fit (Hu & Bentler, 1999).

Table 4.6 Master Validity of the Constructs

	CR	AVE	MSV	Max R (H)	1	2	3	4	5	6	7
1. Customers CSR	0.839	0.566	0.424	0.845	<b>0.752</b>						
2. Community CSR	0.872	0.629	0.197	0.873	0.248	<b>0.793</b>					
3. Environment CSR	0.807	0.511	0.137	0.809	0.284	0.371	<b>0.715</b>				
4. Stakeholder Trust	0.905	0.705	0.473	0.916	0.653	0.611	0.388	<b>0.840</b>			
5. Employees CSR	0.832	0.553	0.427	0.836	0.405	0.448	0.358	0.139	<b>0.744</b>		
6. Entrepreneurial Finance	0.880	0.594	0.447	0.883	0.541	0.541	0.385	0.275	0.687	<b>0.771</b>	
7. NVP	0.929	0.569	0.473	0.932	0.443	0.271	0.337	0.397	0.668	0.651	<b>0.754</b>

4.7 Model Fitness Indices

Different strategies are used to ascertain the model fit. Many authors warned against depending on one index for determining the model fit (Hair et al., 2010; Hu & Bentler, 1999). Therefore, researchers recommended 2-index presentation strategy covering absolute and incremental fit indices for determining the model fitness

(Boateng, Neilands, Frongillo, Melgar-Quinonez, & Young, 2018). Absolute fit index evaluates how much capable a priori model is to reproduce the sample data (Hu & Bentler, 1999). Absolute indices include CMIN/DF (normed chi-square) and RMSEA (Root Mean Square Error of Approximation). The incremental fit index assesses the proportional change in fit when a targeted model is compared with a base line model (Hu & Bentler, 1999). These indices include CFI (Comparative fit index), TLI (Tucker-Lewis Index) and IFI (Incremental Fit Index). Therefore, researchers recommend a blend of both absolute and incremental fit indices as a criterion for determining the model fitness. This study following 2-index presentation strategy and threshold level of both absolute index and incremental index is given in table 4.7 below.

Table 4.7 Model Fitness Threshold

Measures	Threshold		
CMIN/df	<.03 Excellent,	>.03 Acceptable,	>.05 Terrible
SRMR	<.08 Excellent,	>.06 Acceptable,	>.08 Terrible
RMSEA	<.06 Excellent,	>.06 Acceptable,	>.08 Terrible
GFI	>.95 Excellent,	<.95 Acceptable,	<.90 Terrible
AGFI	>.95 Excellent,	<.95 Acceptable,	<.90 Terrible
CFI	>.95 Excellent,	<.95 Acceptable,	<.90 Terrible
TLI	>.95 Excellent,	<.95 Acceptable,	<.90 Terrible
NFI	>.95 Excellent,	<.95 Acceptable,	<.90 Terrible

Source: (Hair et al., 2010; Hu & Bentler, 1999).

For testing fitness of the measurement model, a path diagram (figure 10) was drawn in AMOS 24 and the respective indicators of each construct were loaded on it. All the latent variables were linked with each other by arrows and then the given commands were executed. Fit-indices for the measurement model and for the eight structural models are presented individually in table 4.8.

Chi-square is a most commonly used model fitness indicator. However, some researchers (Brown, 2006; Kline, 2005) have suggested that chi-square alone is not sufficient as a model fitness indicator because of its high dependency on the sample size that could cause problems. Thus, researchers have recommended normed chi-square (CMIN/DF) that has lesser dependency on the sample size (Schreiber et al.,

2006). A value of <3 for CMIN/DF is considered as good by the researchers. The value of CMIN/DF for all the measurement model and structural models are below the threshold of 3 (table 4.8). Thus, these values suggest that the estimated models have a good to an excellent fit.

RMSEA (Root Mean Square Error of Approximation) in an absolute fit index and is one of the most popular fit indices. RMSEA assesses and determines the extent to which the proposed model is in congruence with the perfect model i.e. to know the extent a specific model fits well into population (Brown, 2006). Earlier researchers suggested a value of <.05 as a good fit, a value of >.06 as a reasonable fit and a value >.08 as terrible (Bentler & Bonett, 1980; Hu & Bentler, 1999; Rigdon, 1996). RMSEA for all the models have met the cut-off criterion of 0.06 and the given results (table 4.8) show that the measured models meet the criterion of good to excellent fit.

GFI (the goodness of fit index) is a fitness measure that is based on the comparison between the hypothesized model and the observed covariance matrix of the sample. It computes the amount of variance caused by population covariance estimates. AGFI (adjusted goodness of fit) adjusts the GFI for the effects of each latent variable's indicators. The values' range for GFI and AGFI is from 0 to 1, with a value >.9 is deemed an acceptable model fit (Baumgartner & Homburg, 1996). As seen from table 4.8, GFI and AGFI values for all the models are within the limit of acceptable to excellent fit. SRMR (standardized root mean square residual) is the square root of discrepancy between the implied covariance matrix and the sample observed covariance matrix. All the values of SRMR are well below the cut off limit of .08 that indicate an excellent fit.

The results of incremental fit indices reflect that all the models meet the criteria of good to excellent fit. Comparative fit index (CFI) compares an estimated model with the null model and evaluates to which extent an estimated model is superior to the null model (Hu & Bentler, 1999). Threshold limit for CFI is presented in table 4.7 and CFI values for all the estimated models are 0.95 or above which successfully satisfies the fitness criteria. The other presented indices are TLI (Tucker-Lewis Index) and NFI (the normed fit index). They also compares the hypothesized model with the null model (Hu & Bentler, 1999). Cut off values for both types measures are given in table 4.7. Both measures fulfill the fitness criteria for all models, which verifies that all the models have acceptable to excellent fit.

Table 4.8 Fit Indices of the Models

Models	Chisq/df	GFI	AGFI	CFI	TLI	NFI	SRMR	RMSEA
Measurement Model	1.505	.893	.875	.964	.960	.901	.043	.036
Structural Model 1	1.839	.899	.879	.949	.943	.896	.049	.047
Structural Model 2	1.733	.932	.910	.970	.964	.932	.045	.044
Structural Model 3	2.249	.941	.918	.973	.967	.952	.034	.057
Structural Model 4	1.840	.904	.833	.959	.954	.915	.045	.047
Structural Model 5	2.608	.936	.912	.955	.946	.929	.042	.065
Structural Model 6	2.050	.976	.955	.986	.979	.973	.034	.052
Structural Model 7	2.015	.932	.912	.966	.967	.936	.038	.051
Structural Model 8	2.049	.943	.923	.973	.963	.948	.038	.052
Structural Model 9	2.615	.941	.914	.963	.954	.942	.036	.065

4.8 Correlation Coefficients

Correlation refers to the extent for which different variables have association among each other (Aggarwal, 2004). The value of correlation coefficient ranges between +1 and -1 and is denoted by (r). Coefficient signifies relationship from two perspectives; one it reveals the strength of relationship and second, it discloses direction of the relationship. Strength is gauged by the magnitude of correlation coefficients and a value nearer to +1 or -1 indicates a strong relationship between variables and a value closer to zero manifests weak relationship. Direction of association among variables is defined by the sign of correlation coefficients (Campbell & Stanley, 2015; Ferguson, 1959).

The current study has employed Pearson correlation for determining the strength and direction of association among variables of the study. Results of correlation coefficients are presented in table 4.9 below, showing that CSR, its different

dimensions, mediating and moderating variables and performance outcomes are significantly correlated among each other. The numeric values with double asterisk (\*\*) are significant at p<.01 and values with single asterisk (\*) are significant at p<.05. The significant correlations results reflect that the model will produce significant results in hypotheses testing.

Table 4.9 Pearson's Correlation Among the Study Variables

	Cust.CSR	Emp.CSR	Com.CSR	Env.CSR	S.Trust	E.Finance	NVP
Customers	1						
CSR		1					
Employees	.537**	1					
CSR			1				
Community	.377**	.203**	1				
CSR				1			
Environment	.313**	.235**	.225**	1			
CSR					1		
Stakeholders	.532**	.560**	.342**	.282**	1		
Trust						1	
Entrepreneurial	.380**	.339**	.322**	.117*	.350**	1	
Finance							1
NVP	.478**	.474**	.351**	.247**	.636**	.607**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).  
\* Correlation is significant at the 0.05 level (2-tailed).

4.9 Testing the Research Hypotheses

To check the hypotheses of the study, researcher ran path analysis and examined the influence of aggregated and segregated CSR on NVP. Since this study has a mediator (ST) and a moderator (EF), therefore, a structural equation model was executed to analyze the direct and indirect impact of aggregated and segregated CSR on NVP. The segregated or dimensional CSR is meant as a firm's CSR response toward individual primary stakeholders, like, community, environment, employees, and customers (Jain et al., 2017; Javed et al., 2017) while, the aggregated or composite CSR is calculated by adding up all the steps undertaken by a firm toward the above-

mentioned stakeholders. Moreover, this study has checked three types of hypotheses. First type of hypotheses regarding the direct effects of CSR and its dimension on NVP. Second type of hypotheses regarding mediating effects of ST between CSR and NVP are tested. The third type of hypotheses tested are in regard of the study moderator (EF). According to Baron and Kenny (1986), mediation analysis can be done, if the model fulfills three of the initial conditions, which are stated as under:

- Condition 1. The independent variable (IV) has a significant impact on the dependent variable (DV).
- Condition 2. The IV has a significant relationship with mediator (M).
- Condition 3. The mediator has a significant relationship with dependent variable.

If all the above three conditions are met, then step four is taken for checking the nature of mediation to know whether it is partial mediation or full mediation.

4.10 Effect of Dimensional CSR on NVP

This model tests the direct effects of independent variables on dependent variable. In estimation process, the effects of CSR's dimensions are tested on NVP. The results of research hypotheses (H3, H5, H7, H9) regarding the direct effects of CSR dimensions on NVP are presented in Figure 11. The beta values, critical ratio (C.R), and p values are provided in the following table 4.10. Beta value is a measure of causation in dependent variable with respect to one-unit manipulation in independent variable (Gujarati, Porter, & Gunasekar, 2012). Critical ratio is a percentage linked with the probability of result.

Table 4.10 Direct Impact of CSR Dimensions on NVP

	Unstandardized	S.E.	Standardized	C.R.	P
	Estimate		Estimates		
NVP <--- Employees CSR	.333	.072	.339	4.641	***
NVP <--- Customers CSR	.220	.080	.218	2.743	.006
NVP <--- Community CSR	.192	.055	.193	3.464	***
NVP <--- Environment CSR	.321	.430	.044	.746	.455

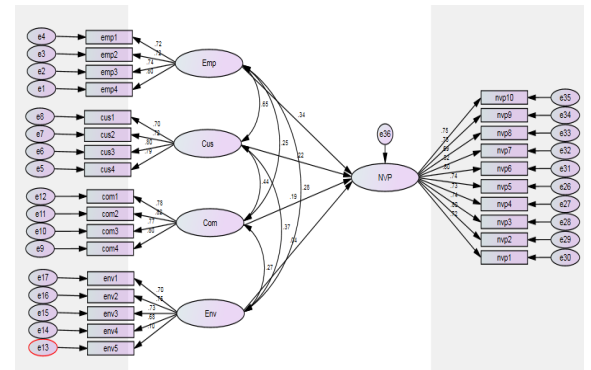


Figure 11. Structural Model 1: Impact of CSR's Dimensions on NVP

In this structural model 1, the direct impact of sub-dimensions of CSR including employees CSR, Customers CSR, Community CSR, and Environmental CSR on NVP is tested. As per the results depicted by Table 4.10, the Employees CSR has a significant positive influence on NVP, i.e.  $\beta = 33.9\%$ ;  $p = 0.000$ . Similarly, Customer CSR showed a significant positive relationship with NVP in the context of new ventures located in KP province of Pakistan. The results are reported as  $\beta = 21.8\%$ ;  $p = 0.006$ . Furthermore, the Community CSR has also a significant positive impact on NVP, i.e.  $\beta = 19.3\%$ ;  $p = 0.000$ . Unexpectedly the Environmental CSR showed an insignificant positive influence on NVP, i.e.  $\beta = 4.4\%$ ;  $p = 0.455$ . Since, the three dimensions of CSR (employees, customers, and community) have a significant relationship with NVP, which meet the first criterion of mediation analysis as directed by (Baron & Kenny, 1986), while the environmental CSR has no significant relationship with NVP, therefore it does not meet the first condition of (Baron & Kenny, 1986).

4.11 Effect of CSR on ST

While checking for the second condition of Baron and Kenny (1986), the structural model 2 depicts the impact of independent variables (the Four dimensions of CSR) on the study mediator (ST). Moreover, it provides evidence for testing H4, H6, H8 and H10. The results obtained from Figure 12 are presented as under in table 4.11. The table shows that the Employees CSR has a significant positive influence on ST, i.e.  $\beta = .456$ ;  $p = 0.000$ . Similarly, Customer CSR showed a significant positive relationship with ST in the context of new ventures located in KP province of Pakistan. The results are reported as  $\beta = .216$ ;  $p = 0.004$ .

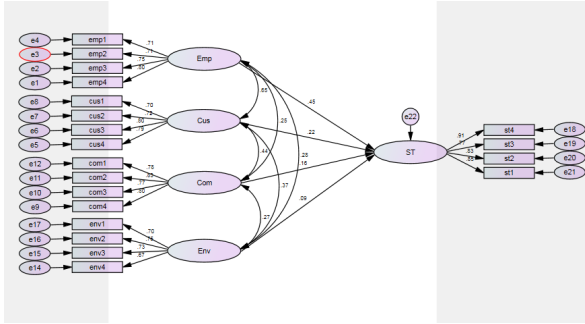


Figure 12. Structural Model 2: Impact of CSR Dimensions on ST

Furthermore, the Community CSR has also a significant positive impact on ST, i.e.  $\beta = .157$ ,  $p = 0.002$ . Unexpectedly the Environmental CSR showed an insignificant positive influence on ST, i.e.  $\beta = .087$ ,  $p = 0.085$ . Since, the three dimensions of CSR (employees, customers, and community) have a significant relationship with ST, which meet the second condition of mediation analysis as directed by (Baron & Kenny, 1986), while the environmental CSR has no significant relationship with ST, therefore it does not meet the second condition of mediation analysis (Baron & Kenny, 1986).

Table 4.11 Impact of Dimensional CSR on ST

		Unstandardized	S.E.	Standardized	C.R.	P
		Estimate		Estimates		
ST <---	Employees CSR	.560	.086	.450	6.527	***
ST <---	Customers CSR	.277	.095	.216	2.908	.004
ST <---	Community CSR	.200	.065	.157	3.065	.002
ST <---	Environment CSR	.126	.073	.087	1.725	.085

4.12 Effect of ST on NVP

Structural model 3 of the study shows the effect of ST on NVP and tests H11 of study. Table 4.13 depicts the results extracted from Figure 13 regarding the impact of mediator (ST) on dependent variable (NVP). As per the table results, it is argued that ST has a significant relationship with NVP. For instance, one percent change in ST brings 68.8% change in the value of NVP ( $\beta = .688$ ;  $p = 0.000$ ). Hence, the third condition of mediation is met, i.e. the significant relationship between mediator and dependent variable.

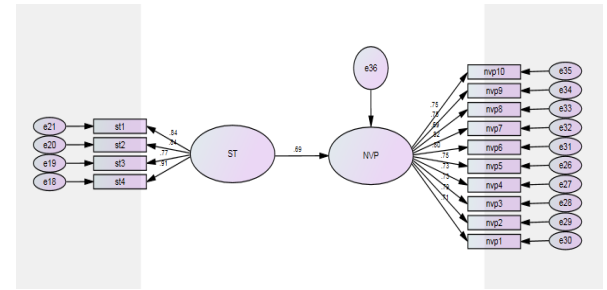


Figure 13. Structural Model 3: Impact of ST on NVP

Table 4.12 Impact of ST on NVP

	Unstandardized Estimate	S.E.	Standardized Estimate	C.R.	P
NVP <--- ST	.543	.044	.688	12.475	***

4.13 Mediating Role of ST in The Relationship Between Dimensional CSR and NVP

To check either the relationship of dimensional CSR with NVP is mediated by ST partially or fully, and to test H13, H14 and H15, we performed step 4 in a structural model (SM4). The results are shown in table 4.13. Concurrently, the dimensions of CSR showed mixed results, for instance, in case of employees CSR the indirect relationship is significantly positive ( $\beta = .456$ ,  $p = .000$ ) while the direct influence turns into insignificant ( $\beta = 0.114$ ,  $p = .116$ ), which indicates that ST fully mediates the relationship between employees CSR and NVP. Similarly, the indirect effect of customers CSR on NVP through ST is shown as significantly positive ( $\beta = .238$ ;  $P = .001$ ) while the direct impact of customers CSR on NVP goes into insignificant ( $\beta = .109$ ;  $p = .127$ ) that shows full mediation of ST between the link of customers CSR and NVP. In case of community CSR, the indirect effect is significant positive ( $\beta = .169$ ;  $p = 0.000$ ) while the direct effect still remains as significant positive ( $\beta = .113$ ;  $p = 0.026$ ), that represents a partial mediating role of ST in the relationship between community CSR and NVP. Finally, there is positive significant impact of ST on NVP ( $\beta = .503$ ;  $p = 0.000$ ), showing composite and significant mediation of ST for the three dimensions of CSR.

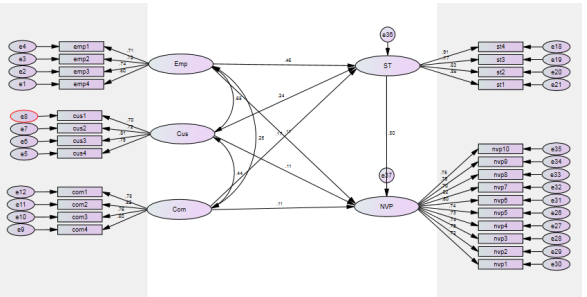


Figure 14 Structural Model 4: Mediating Role of ST in the Relationship between Dimensional CSR and NVP

Table 4.13 Mediating Role of ST in the Relationship between Dimensional CSR and NVP

		Unstandardized	S.E.	Standardized	C.R.	P
		Estimates		Estimates		
ST <---	Community CSR	.214	.065	.169	3.302	***
ST <---	Customers CSR	.306	.094	.238	3.260	.001
ST <---	Employees CSR	.568	.086	.456	6.588	***
NVP <---	Employees CSR	.112	.071	.114	1.573	.116
NVP <---	Customers CSR	.110	.072	.109	1.527	.127
NVP <---	Community CSR	.113	.051	.113	2.232	.026
NVP <---	ST	.395	.054	.503	7.260	***

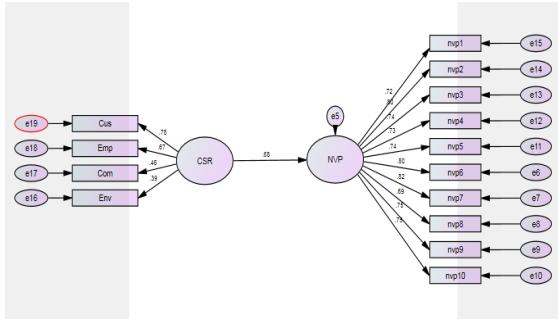


Figure 15. Structural Model 5: Impact of Aggregate CSR on NVP

4.14 Impact of Composite CSR on NVP

Following the output resulted from the structural Model 5 (Figure 15), the composite CSR has a positive and statistically significant influence on NVP. For instance, Table 4.14 shows a significant positive influence of aggregated CSR on NVP as ( $\beta = .677, p = .000$ ). It means that one percent change in aggregated CSR brings .677% change in the value of NVP. This model provides evidence for testing hypothesis H1. Basically, the value of aggregated CSR is achieved by summing up the averages of its four dimensions i.e. employees CSR, customers CSR, community CSR, and environmental CSR. This model supports H1 of the study.

Table 4.14 Impact of Composite CSR on NVP

		Std. Estimate	S.E.	C.R.	P
Performance	<--- CSR	.677	.308	6.274	***

employees CSR and NVP and customers CSR and NVP, while partial mediating role has been reported by ST between community CSR and NVP (structural model 4). Now its partial mediating role in the link between composite CSR and NVP may be due to its variant mediating role in dimensional CSR. It may be due to the reason that composite CSR is the average of the four dimensions of CSR and the role of ST as mediator in dimensional CSR was confined only to employees, community and customers CSR. Environmental CSR was dropped from mediation analysis due to its insignificant relationship with NVP and ST.

Table 4.16. Mediating effects of ST between Composite CSR and NVP

Path	Unstandardized Estimate	S.E.	Standardized Estimates	CR	P
ST <--- CCSR	2.111	.275	.792	7.685	***
NVP <--- ST	.300	.075	.381	4.019	***
NVP <--- CCSR	.811	.231	.386	3.508	***

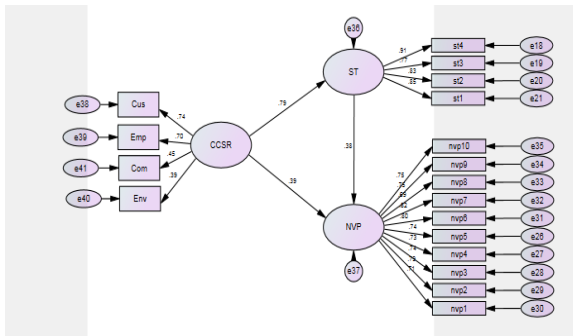


Figure 17. Structural Model 7: Mediating role of ST between Composite CSR and NVP

4.15 Impact of Composite CSR on ST

This model was run to check the research hypothesis H2. As indicated by the results in table 4.15 extracted from figure 16, composite/aggregated CSR positively and significantly predicts stakeholder trust ( $\beta = .791; p = .000$ ). These results show a very close link between the CSR activities undertaken for the multiple stakeholders and new venture performance. This model provides sufficient evidence in support of H2 of the study.

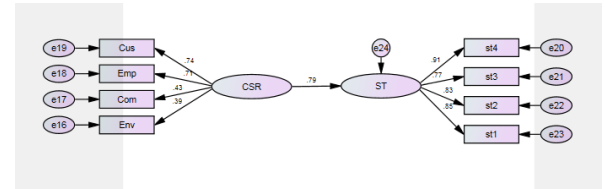


Figure 16. Structural Model 6: Impact of Composite CSR on ST

Table 4.15 Impact of Composite CSR on ST

		Estimate	S.E.	C.R.	P
ST	<--- CSR	.791	.360	6.731	***

4.16 Mediating role of ST between Composite CSR and NVP

As suggested by Baron and Kenny (1986), we found significant effects of composite CSR on NVP ( $B = .677; p = 0.000$ ), composite CSR on ST ( $\beta = .791; p = 0.000$ ) and ST on NVP ( $\beta = .386; p = 0.000$ ), shown by the structural model 3 above. As indicated in Table 4.16, after introducing mediator i.e. ST, the indirect effects of composite CSR on NVP is positively significant ( $B = .792; p = 0.000$ ) while the direct effect of composite CSR on NVP is still significant ( $B = .386; p = 0.000$ ), signifying the existence of partial mediation. ST has shown full mediation in the link between

4.17 Impact of EF on NVP

Structural model 8 shows the impact of entrepreneurial finance on new venture performance and tests the research hypothesis H17. Basically, EF has been used as moderator in the study but before checking the moderation effect, its direct effect is checked on NVP. The SEM (AMOS) results (table 4.17) indicate positive and significant effect of entrepreneurial finance on NVP ( $B = .668; p = 0.000$ ).

Table 4.17 Impact of EF on NVP

		Unstandardized Estimate	S.E.	Standardized Estimate	C.R.	P
NVP	<--- Entrp. Finance	.726	.068	.668	10.627	.000

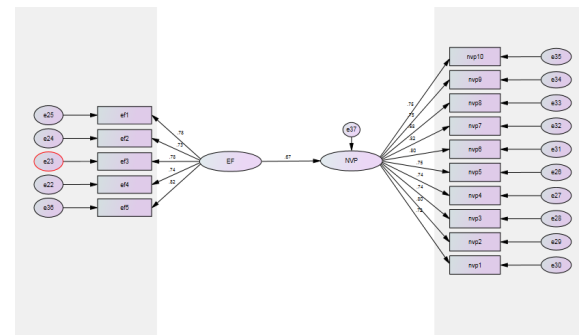


Figure 18. Structural Model 8: Impact of EF on NVP

Figure 18 shows the influence of EF on NVP. The results depicted by Table 4.17 argue, that EF has a significant relationship with NVP in the context of new ventures in the KP region of Pakistan ( $\beta = .668, p = .000$ ).