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Article

CSR and Financial Performance of Listed Firms in the Philippines

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Abstract: The study explores the link between corporate social responsibility (CSR) and the financial performance of listed firms in the Philippines. This research used a longitudinal approach to investigate data from the Philippine Stock Exchange Index (PSEi) from 2019 to 2022. The environmental, social, and governance (ESG) framework assessed CSR performance, while financial performance was measured using return on equity and stock return. Firm profiles such as industry type, firm size, firm age, and auditor type were used as control variables. The researchers used firms' sustainability, annual, and governance reports as the primary data sources. The regression analysis results show insufficient data to support the idea that CSR performance affects the firm's financial performance. It shows that only governance performance is positively correlated and significant with return on equity. Other components and overall CSR performance were found insignificant with return on equity and stock return. This study provides preliminary information on the link of CSR to the financial performance of listed firms in the Philippines. It extends the current literature on CSR performance and its link to financial performance in an emerging economy setting.

Keywords: CSR, ESG, financial performance, PSE, Philippines

1. Introduction

Firms are now under immense pressure and scrutiny for their active contributions to achieving sustainable socioeconomic growth and development [1,2]. Before, firms' only objective is to be profit-driven and generate income for their stockholders. This objective resulted in environmental destruction, human rights abuses, and unethical business practices, but this norm is changing. Issues on climate change, human rights, and corporate governance have brought attention to firms' contribution to these dilemmas and how they contribute to sustainable development. Pressures from stakeholders like customers, investors, government agencies, and local communities expect public companies to promote and implement sustainable business practices [3]. Firms impact on the environment and society has become a significant concern.

Corporate social responsibility (CSR) describes companies' voluntary initiatives to manage their environmental, social, and governance (ESG) issues and contributions. There is a growing concern about CSR due to climate change, global warming, and social inequality [4,5]. There is a notion that CSR practices are just additional expenses for firms that reduce profits, discouraging companies from engaging in CSR efforts [3]. Firms focus on strengthening their bottom line and other financial ratios as the main drivers of success. CSR has not been taken seriously before and is not considered a part of management objectives as it has no significant financial impact on the company's bottom line [6].

Recent worldwide developments in the CSR movement reveal that investors and other stakeholders are developing an appreciation for sustainable development to supplement financial information in making sound investment decisions [7]. Now, firms incorporate CSR practices as a business strategy to maintain a balanced working relationship among stakeholders [8]. A clear CSR strategy benefits the companies and, more importantly, contributes to the development of society [9]. There is a growing interest in the construct of CSR and financial performance of firms. The changing business landscape has led to a growing interest in whether CSR activities can generate firm value and competitive advantage [10–12].

Previous literature has found inconclusive results on CSR performance on financial performance. Other studies show that CSR performance is positively associated with financial performance [13–15]. Moreover, it has been found that CSR performance has a positive effect on stock market valuation [16–19]. Additionally, it was found that CSR performance and return on equity have a significant positive impact [20]. Conversely, other studies have found a negative or no effect on CSR and financial performance. Almeyda and Darmansya [21] found no significant relationship with the stock price. Additionally, environmental and social performance were negatively associated with ROE [22]. Evidence also shows that firm profile controls the relationship between CSR performance and financial performance. Financial performance may be affected based on the industry type [23], firm size [24], firm age [25], and auditor type [12] of listed firms.

Aside from inconclusive results between CSR and financial performance, it is mostly done in developed countries. Limited studies have examined the construct of CSR and financial performance within the context of developing countries [26–29]. Findings in the context of advanced markets may not apply to those in emerging markets due to the differences in civil society, stakeholders' expectations, regulatory frameworks, policy development, and institutional systems [27,30,31]. Driving factors for CSR performance in emerging markets may differ from those in developed countries [26,31,32]. In most emerging economies, economic performance is usually the most important driver for companies in doing business [33]. Few companies in emerging economies have considered CSR's importance and assumed benefits [28,34–36]. Thus, there is a need to explore CSR and financial performance in the context of an emerging economy like the Philippines.

To address the gaps, this study examines whether firms' CSR performance and its components can affect the financial performance of listed firms in the Philippines. ESG framework is mainly used to measure firms' CSR performance. This study tests whether each ESG component affects the financial performance of listed firms in the Philippines. Financial performance was measured using two commonly used metrics: return on equity for accounting-based measures and stock return for market-based measures. Industry type, firm age, firm size, and auditor type are used as control variables of the study. It is believed that higher CSR results in higher financial performance. This study examines companies under the Philippine Stock Exchange Index (PSEi), which was used as the study sample. PSEi is a collection of 30 of the biggest and most active companies in the Philippine Stock Exchange (PSE). A longitudinal research approach was utilized to investigate CSR and the financial performance of listed firms in the Philippines. The year of coverage of observation of the study is 2019–2022. Data is drawn from individual sustainability, corporate governance, and listed firms annual reports. CSR performance is divided into environmental, social, and governance. A rating for each dimension is formulated based on their level of disclosures. The results of this study provide preliminary information on the nexus in Philippine context.

This study is expected to have theoretical and practical contributions to the existing body of knowledge. It extends the current literature on CSR and its link to financial performance in the Philippines Stock Exchange Index firms. It adapts a multi-theoretical perspective using stakeholder and agency theory to develop the hypotheses of the study that investigate the relationship between variables. It overviews CSR efforts' extent, nature, and quality by measuring the Philippines' economic, social, and governance dimensions. This study assists firms' management and investors in estimating any practicable relationship between CSR ratings and financial performance. Importantly, firms can discover opportunities by integrating ESG into their corporate strategy by supporting CSR programs and projects that may eventually convert to increased financial performance. Firms can realize that financial performance can be achieved by doing business sustainably. This also opens up investors and other market participants to the new modern socially responsible investing approach.

2. Literature Review and Hypotheses Development

According to Simmons et al. [37], CSR and financial performance are complex and cannot be explained with one theory. They recognize that there may be constraints in using one single theoretical view to explain the construct of the study. Consistent with the previous literature [27,29,38], the present study takes a multi-theory approach to examine the effect of CSR on the

financial performance of listed firms in the Philippines. The multi-theoretical approach in this construct is considered complementary rather than opposing. A review of existing literature reveals that two dominant perspectives used to explain the effect CSR reporting and disclosure to the firm's financial performance, stakeholder theory [23,39–41] and agency Theory [39,41–43].

Stakeholder theory puts forward that stakeholders are in a powerful position that a firm's long-term viability depends upon addressing the concerns of its stakeholders and that the firm has the organizational responsibility to take care of all the stakeholders, not just the owners and investors [44]. This theory examines the existence of a link between companies and diverse stakeholders [41]. The survival of the firm depends on the support of the stakeholders. Therefore, firms must seek stakeholder support through their organizational activity [44]. Hence, businesses must maintain and manage good working relationships with these stakeholders, especially those associated with the firm's operational activities [45]. It has been argued that CSR reports result from pressure from different stakeholders [46]. They are the main reason for information disclosure [47]. They expect firms to disclose not only financial information about the company but also non-financial information [48]. The stakeholders' information requirements about firms' operations have increased remarkably [48]. A CSR report is a communication tool for firms to distribute information to various powerful stakeholder groups and suggests that socially responsible firms will perform better. [44]. Thus, company disclosures reduce information asymmetries [7].

Agency theory explains the contractual relationship between the principal and the agent [49]. The principal is the party that directs the agent to carry out business activities on behalf of the principal in his capacity as a decision-maker [49]. Agency theory describes the conflicting relationship between agents and principals, assuming the existence of opportunistic conduct of managers and information asymmetry between the two parties. It is advisable to monitor the agents' actions to align the principal-agent relationship that reduces conflicts and achieves the organizational goal of maximizing the shareholders' wealth [50]. Company disclosure can act as a bonding and monitoring instrument in reducing agency conflicts between managers and shareholders [49]. The agency theory postulates that managers should disclose all relevant information available to stakeholders since principals cannot supervise all standard corporate activities [49,51]. CSR reporting may act as a mechanism for monitoring and controlling agency problems between managers and shareholders [52,53]. It lessens agency conflicts between managers and shareholders since the provided CSR information is more reliable [54].

2.1. CSR and Financial Performance

There is an ongoing debate on the link between CSR and firm performance. The adoption of firms in conducting sustainable engagements and its connection to financial performance have inconclusive results from previous literature. CSR is widely accepted to be measured based on three dimensions: environmental, social, and governance (ESG). Generally, CSR performance is believed to affect both financial and non-financial performance [55]. Firms that engage in CSR practices boost firms' competitive advantages [28,34–36]. Moreover, CSR performance is believed to increase the firm's value over time [35,56]. Yang et al. [57] examined 122 listed firms in China, showing that CSR performance significantly increases firm profitability. On the other hand, previous research found the opposite. Sampong et al. [25] documented a positive but insignificant relationship between CSR performance and firm value on South African listed firms. This was seconded by Mukherjee and Nuñez [36] in their study of 173 firms from the United States of America, which showed no significant relationship between CSR reporting and financial performance at an aggregate level.

This study utilizes return on equity (ROE) as accounting-based and stock return as market-based measures to measure financial performance. ROE is one of the most used profitability ratios, especially in research [58], this ratio shows the efficiency of own capital use. A higher ROE indicates a higher financial performance. The relationship between CSR performance and return on equity is complex and varies across studies. Buallay [20] found a significant positive impact of ESG on ROE in the European banking sector, with environmental disclosure having a powerful effect. Bermejo Climent et.al. [59] further supported this, demonstrating that CSR performance is associated with

improved return growth. Alareeni and Hamdan [22] also found a positive association between ESG disclosure and ROE in US S&P 500-listed firms, with corporate governance disclosure having a powerful positive effect. These findings suggest that ESG performance has a positive impact on ROE. Naimy et al. [60] found no significant relationship between ESG and ROE in East Asian firms, while Plagge and Grim [61] observed mixed results in ESG performance. Almeyda and Darmansya [21] reported a positive relationship between ESG disclosure and a firm's ROE but no significant relationship with the stock price. Therefore, from the literature stated, the first alternative hypothesis was formulated for empirical testing

Hypothesis 1 (H1). *CSR performance and its components positively impact the return on equity of a firm.*

Stock return is a market-based measure to assess how investors and market participants value firms. This metric was mainly used to verify the performance of the company from the perspective of the investors, whether the company was under or over valued by the market. Higher valuation from the market means higher stock performance for the firm. Shanaev and Ghimire [62] reported that CSR performance leads to positive abnormal returns. Gibson Brandon [63] added that stock returns positively relate to ESG rating disagreement, particularly in the environmental dimension, suggesting a risk premium for firms with higher disagreement. This is seconded by Lourenço et al. [64], who states that CSR performance has significant explanatory power for stock prices over the traditional summary accounting measures and found that the net income of firms with good CSR reputation has a higher valuation by the market as compared to those with less CSR reputation. Bag and Mohandi [65] found a small but significant impact of ESG performance on stock returns, with governance practices particularly influential. However, La Torre et al. [66] found no significant effect of ESG performance on stock returns for companies in the Eurostoxx50 index. Therefore, from the literature stated, the following second alternative hypothesis was formulated for empirical testing.

Hypothesis 2 (H2). *CSR performance and its components positively impact the stock return of a firm.*

3. Research Methodology

3.1. Sample and Data Collection

The study sample are firms from the Philippine Stock Exchange Index (PSEi), which consists of thirty (30) companies used as a benchmark of the stock market's overall performance. The researchers focuses on the PSEi to prevent potential outliers from firms with no operation and/or are suspended from trading, which may affect the study result. The years covered are from 2019-2022. The beginning year of 2019 was considered the start of compliance of firms with the mandatory disclosure of annual sustainability report. The researchers obtained financial and non-financial data from the Philippines Stock Exchange (PSE) Electronic Disclosure Generation Technology (EDGE). If not found on PSE EDGE, the researchers used the firm's corporate website. The researchers eliminates the observation of firms whose annual CSR and corporate governance reports are unavailable. In addition, the PSEi is re-composed every six months; certain firms are added and removed from the index. Hence, firms consistently included in the PSEi from 2019-2022 are considered. After the exclusion parameters, the final sample is 23 firms from 2019-2022, resulting in 92 firm-year observations. This gave enough data for data processing and analysis.

3.2. Measurement of Variables

The study's dependent variable is financial performance. ROE is used as the accounting-based measure. The market-based measure is derived from the company stock return. ROE is computed by dividing a firm's net income by their average shareholders' equity, then multiplying by 100. The stock return is computed by dividing the difference between the ending share price for the year and the beginning share price to the beginning share price, then multiplying by 100.

Independent variables of CSR performance are divided into three dimensions: environmental, social, and governance (ESG). The researchers measures the environmental and social performance from each firm's sustainability report, which is based on SEC Philippines Memorandum Circular

No. 4 series of 2019 entitled “Sustainability Reporting Guidelines for Publicly-Listed Companies.” This reporting guidelines have been developed using four globally recognized CSR reporting frameworks - the Global Reporting Initiative’s (GRI) CSR Reporting Standards, the CSR Accounting Standards Board’s (SASB) CSR Accounting Standards, the International Integrated Reporting Council’s (IIRC) Integrated Reporting (IR) Framework and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Governance performance is based on SEC Philippines Memorandum Circular No. 15 series of 2017 entitled “Integrated Annual Corporate Governance Report (I-ACGR).” This is derived on the recommendations of the Code of Corporate Governance for Publicly Listed Companies of the Philippines.

Following previous research methodology [42,43,67,68], the researchers measures CSR performance on a binary level which takes the value of 1 if the item is disclosed otherwise 0. A performance index for each dimension was extracted by counting the number of items disclosed, dividing into the total indicator per dimension, and then multiplying by 100. Environmental performance has 40 indicators, social performance has 53 indicators, and governance performance has 67 indicators. The overall CSR performance index is extracted based on the sum of the environmental, social, and governance performance dimensions and then divided by three.

The researchers also used firm profiles as control variables (industry type, firm size, firm age, and auditor type). The industry type is coded based on sector type found on the PSE EDGE (1 - financials, 2- industrial, 3 - holding firms, 4 - property, 5 - services, and 6 - mining and oil). Firm age is coded using the age of each firm since the incorporation date. Firm size is based on the logarithm number of the firm's total assets. Auditor type is a binary variable that takes 1 if the external auditor is a member or affiliate of the big four auditors globally - Klynveld Peat Marwick Goerdeler (KPMG), Ernst & Young (EY), Deloitte, PricewaterhouseCoopers (PwC), and otherwise 0.

Table 1. Definition and Measurement of Research Variables.

Variables	Acronym	Operationalization
<i>Dependent Variables</i>		
Return of Equity	ROE	It is calculated by dividing firms’ net income by shareholders’ equity.
Stock Return	STK	It is computed by deducting the ending share price at the end of the year from the share price at the beginning of the year and then dividing the difference by the share price at the beginning of the year.
<i>Independent Variables</i>		
Environmental Performance	ENVI	Each of the 40 indicators relating to environmental performance takes a value of 1 if the corresponding indicator is disclosed; otherwise, 0. Then, it is calculated in percentages.
Social Performance	SOC	Each of the 53 indicators relating to social performance takes a value of 1 if the corresponding indicator is disclosed; otherwise, 0. Then, it is calculated in percentages.
Governance Performance	GOV	Each of the 67 indicators relating to governance performance takes a value of 1 if the corresponding indicator is disclosed; otherwise, 0. Then, it is calculated in percentages.
<i>Control Variables</i>		
Industry Type	IND	It takes the value of 1 if from the financial sector, 2 if from the industrial sector, 3 if from the holding firms’ sector, 4 if from the property sector, 5 if from the

		services sector, and 6 if from the mining and oil sector.
Firm Age	AGE	The number of years since the incorporation date of the firm.
Firm Size	SIZE	The natural logarithm number of the firms' total assets.
Auditor Type	AUDIT	It takes a value of 1 if Big Four auditing firms audit the firm; otherwise, 0.

3.3. Regression Analysis

To examine the relationship between CSR and financial performance for a given set of firms over four years. Pearson’s correlation was used to check the linear relationship between the variables. At the same time, to test for independence, the Durbin-Watson test was conducted to check for autocorrelation. Visual inspection of the scatter plot of residuals was made to verify the homoscedasticity and quantile-quantile (Q-Q) plot to check for normality. The researchers applies the following multiple regression model to test the hypotheses.

$$FP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 IND_{it} + \beta_3 AGE_{it} + \beta_4 SIZE_{it} + \beta_5 AUDIT_{it} + \varepsilon_{it}$$

where, FP is the financial performance alternatively return on equity and stock return of firm i at the time t ; β_0 is the constant term; CSR_{it} is a vector of CSR performance three dimensions composed of environmental, social, and governance performance; IND_{it} is the industry type; AGE_{it} is the number of years since the incorporation of the firm; $SIZE_{it}$ is the natural logarithmic number of total assets of firm; $AUDIT_{it}$ represents whether the external auditor of the firm is part of the big four auditing company; ε is the regression error.

4. Results and Discussion

Table 2 reports the Pearson correlations among the variables from year 2019-2022. GOV is positively correlated with ROE at 5 percent significance level. This result suggests that firms with higher governance performance have higher returns on equity. AGE is positively correlated with CSR at 1 percent significance level, indicating that older firms have higher CSR performance. Conversely, SIZE is negatively correlated with CSR at 5 percent significance level, which argues that bigger firms have lower CSR performance. The correlations between CSR and its components are lower than 0.700, indicating the absence of multicollinearity.

Table 2. Pearson’s Correlation Matrix.

	CSR	ENVI	SOC	GOV	ROE	STK	AGE	SIZE
CSR	1							
ENVI	0.912***	1						
SOC	0.836***	0.670***	1					
GOV	-0.123	-0.330**	-0.402***	1				
ROE	0.075	-0.016	0.032	0.229*	1			
STK	-0.045	-0.025	-0.057	0.003	0.083	1		
AGE	0.272**	0.098	0.241*	0.275**	0.173	-0.040	1	
SIZE	-0.220*	-0.336**	-0.152	0.273**	-0.178	-0.085	0.356***	1

Notes: values per column are the correlation coefficients, * indicates significance at 5% level (p <0.05), two-tailed, ** indicates significance at 1% level (p <0.01), two-tailed, *** indicates significance at .01% level (p <0.001), two-tailed, ENVI – Environmental Performance Index, SOC – Social Performance Index, GOV – Governance Performance Index, CSR – CSR Performance Index, ROE - Return on Equity, STK – Stock Return, AGE – Firm Age, SIZE – Firm Size

Table 3 presents the regression analysis of ROE and ENVI (Model 1) as the measure of environmental performance, SOC (Model 2) as the measure of social performance, GOV (Model 3) as the measure of governance performance, and CSR (Model 4) as the measure of the overall CSR

performance. Model 3 coefficient shows positive and significant results, which indicates that governance performance impacts the return on equity of a firm. Models 1, 2, and 4 are found to be not significant with return on equity. These results clearly suggest that most CSR components and overall CSR performance do not affect the return on equity. The findings align with Earnhart [69], who found mixed results, showing a negative link between environmental and financial performance. Naimy et.al. [60] also found no significant relationship between CSR performance and return on equity. These results failed to accept H1 and indicate that CSR performance and its components do not affect the return of equity except governance performance.

Table 3. Regression Analysis of CSR and its Components on Return on Equity

Variables	Model 1 (ENVI)	Model 2 (SOC)	Model 3 (GOV)	Model 4 (CSR)
Constant	80.390* (2.5309)	84.5632** (2.69034)	14.5611 (0.358)	92.172* (2.9336)
Return on Equity	-0.104 (-1.6557)	-0.1325 (-1.57509)	0.4342** (2.798)	-0.142 (-1.1450)
Industry Type:				
Industrial	-10.060 (-1.0440)	-12.4301 (-1.35954)	-4.6578 (-0.491)	-13.625 (-1.4752)
Holding Firms	-7.491 (-1.1601)	-10.2195 (-1.70884)	-5.5844 (-0.910)	-9.993 (-1.6220)
Property	-3.920 (-0.5745)	-7.5441 (-1.17791)	-5.5500 (-0.886)	-6.208 (-0.9395)
Services	-5.020 (-0.6401)	-5.5233 (-0.70901)	3.4465 (0.405)	-7.599 (-1.0000)
Mining & Oil	19.382* (2.1035)	16.6722 (1.92384)	18.9776* (2.275)	16.467 (1.8335)
Firm Age	0.185** (3.2959)	0.1873** (3.33030)	0.0905 (1.390)	0.198*** (3.4699)
Firm Size	-2.413* (-2.3966)	-2.3986* (-2.36790)	-1.5898 (-1.522)	-2.604* (-2.5980)
Auditor Type:				
Non-affiliate	-0.224 (-0.0517)	0.0340 (0.00780)	-1.0897 (-0.261)	-0.311 (-0.0707)
Adjusted R ²	0.260	0.258	0.195	0.247

Notes: values per column are the standard coefficients while t-stat values are in parenthesis * indicates significance at 5% level (p <0.05), two-tailed, ** indicates significance at 1% level (p <0.01), two-tailed, *** indicates significance at .01% level (p <0.001), two-tailed, ENVI – Environmental Performance Index, SOC - Social Performance Index, GOV – Governance Performance Index, CSR – CSR Performance Index

Table 4 presents the regression analysis of STK and ENVI (Model 5) as the measure of environmental performance, SOC (Model 6) as the measure of social performance, GOV (Model 7) as the measure of governance performance, and CSR (Model 8) as the measure of the overall CSR performance. Models 5,6,7, and 8 are found to be not significant with stock return. These results clearly suggest that CSR components and overall CSR performance do not affect the stock return. This is congruence with the result of Torre et al. (2020), who found no significant impact of ESG performance on stock returns for companies in the Eurostoxx50 index. These results failed to accept H2, indicating that CSR performance and its components do not affect stock return.

Table 4. Regression Analysis of CSR and its Components on Stock Return

Variables	Model 5 (ENVI)	Model 6 (SOC)	Model 7 (GOV)	Model 8 (CSR)
Constant	25.8605 (0.378)	19.53116 (0.2931)	-27.4538 (-0.3057)	34.9826 (0.5232)

Stock Return	-0.0701 (-0.517)	-0.28198 (-1.5813)	0.3434 (1.0033)	-0.2241 (-0.8461)
Industry Type:				
<i>Industrial</i>	-2.1460 (-0.103)	3.28949 (0.1697)	2.9834 (0.1425)	-1.2728 (-0.0648)
<i>Holding Firms</i>	-3.0185 (-0.217)	-2.33602 (-0.1842)	-0.9800 (-0.0724)	-2.9409 (-0.2243)
<i>Property</i>	-1.8742 (-0.128)	-3.82587 (-0.2818)	-2.6929 (-0.1949)	-1.9103 (-0.1358)
<i>Services</i>	6.3698 (0.377)	12.56127 (0.7605)	13.6599 (0.7269)	6.8048 (0.4208)
<i>Mining & Oil</i>	20.0557 (1.011)	24.09418 (1.3114)	20.5370 (1.1159)	21.5340 (1.1268)
Firm Age	0.0124 (0.102)	0.00964 (0.08080)	-0.0631 (-0.4397)	0.0277 (0.2283)
Firm Size	-0.7264 (-0.335)	-0.17077 (-0.0795)	-0.0323 (-0.0140)	-0.7027 (-0.3294)
Auditor Type:				
<i>Non-affiliate</i>	-3.4680 (-0.372)	-1.56883 (-0.1696)	-4.0427 (-0.4396)	-2.7696 (-0.2964)
Adjusted R ²	-0.0308	-0.00358	-0.0216	-0.0252

Notes: values per column are the standard coefficients while t-stat values are in parenthesis * indicates significance at 5% level (p <0.05), two-tailed, ** indicates significance at 1% level (p <0.01), two-tailed, *** indicates significance at .01% level (p <0.001), two-tailed, ENVI – Environmental Performance Index, SOC – Social Performance Index, GOV – Governance Performance Index, CSR – CSR Performance Index

5. Conclusions And Recommendations

This study explores listed firms CSR and financial performance in the Philippines from 2019-2022. The result shows that CSR performance does not yet translate into financial performance. This evidence aligns with previous literature [21,22] that suggests that CSR performance does not affect financial performance. Overall, the results show preliminary data on CSR and financial performance in the Philippines. CSR performance in this context is only in the early stage of development. The appreciation of stakeholders and investors on CSR performance is not yet reflected in financial performance.

The study has practical contributions for firms, stakeholders, investors, policymakers, and regulators. The result of this study opens opportunities for firms to discover the relationship between CSR rating and financial performance. Investors' awareness of socially responsible investing as a basis for future investment, making sure that they are investing in companies that promote CSR. Finally, policymakers and regulators can use the preliminary result to create additional policies and programs. This ensures that the CSR performance in the Philippines advances to achieve higher CSR performance among firms. Aside from practical contributions, this study offers important theoretical contributions. It extends the current literature on CSR performance and its link to financial performance in an emerging economy like the Philippines. It also extends the use of adaption and complimenting multi-theoretical perspectives using stakeholder and agency theories to investigate the relationship between variables.

The current study acknowledges limitations that provide avenues for further research. First, the study was conducted during the COVID-19 pandemic, which created economic uncertainty among listed companies and the stock market. Future research must be done in a more stable market environment. A similar study must be conducted in the post-pandemic environment to test the effect of CSR on the financial performance of listed firms. Second, this paper tested firms from different industry types. Some firms are not as environmentally sensitive as others. Hence, they are not expected to perform corporate social responsibility than environmentally sensitive industries where greater corporate social responsibility is expected. A focused examination of environmentally

sensitive industries can be explored in the CSR and financial performance nexus. Lastly, the researchers relies on the reporting guidelines by the SEC Philippines to measure CSR performance; a different scoring matrix can be developed to assign CSR performance scores. A scoring matrix wherein firms are given points on their positive engagements and demerits on the lack of data provided or actions that negatively affect ESG dimensions.

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