CHAPTER 2: LITERATURE REVIEW

A literature review is an integral part of the thesis. It provides an analytical, methodological and conceptual review of the topic that is being studied (Hart, 2018). It is important to carry out a literature review as it provides details about the subtopics of the primary topic and review is undertaken as per what is already written on the topic. The following section will discuss corporate social responsibility performance, financial distress and firm life cycle in depth. It will also look to develop a relationship between the research variables. At the end of the chapter, a conceptual and theoretical framework will be presented. The conceptual model will summarize the findings of the literature whereas the theoretical framework will support the literature with the theories to authenticate what is being stated in the literature. The aim of the literature review will be to identify whether corporate social responsibility performance of a firm reduces the financial distress of the organization with respect to the firm cycle.

Based on the study of Carroll and Shabana (2010), the concept of CSR has been growing in terms of its importance and significance. CSR had been mainly given high focus before World War II. Moreover, the study had pointed out that the CSR also plays an important role in the corporate financial performance. Thus, many of the business has been focusing on the CSR activities as the firms are rewarded with financial and economic perspectives. The CSR activities provide the firm with many advantages in which it enhances the edge of competition as well as providing a win-win situation with the stakeholders of the company. Similarly, the study of Cheng, Ioannou and Searfeim (2014) had highlighted that the CSR activities enables the firms in gaining accessibility towards the capital markets. However, the study had indicated that it may cause unnecessary expenditures. The CSR activities can result in creating strong associations with the stakeholders which leads towards the enhancing of profits and revenue generation. Moreover, the study had highlighted that firm has strong CSR performance are mostly focused in disclosing its activities of CSR and that overall leads towards accountability and transparency.

2.1 Concept of Corporate Social Responsibility

The competition within the business conducting firms has gone severely due to the increasing globalization and due to the fact that it has become easier to replicate the innovations developed by the firms. Achieving and sustaining competitive advantage for a longer period of time has become a difficult task for the performance. Similarly attracting consumers has also become a difficult task and corporate social responsibility (CSR) is a way through which firms can influence the customers indirectly other than fulfilling their corporate and social responsibility that the society owes upon them. Besides quality, price and the other essential factors that consumers consider before purchasing from the brand, CSR performance of the firm is also a considerable factor that individuals undertake while thinking to purchase. A flexible initiative by a firm which is directed towards the important stakeholders particularly the consumers and the investors is referred to as CSR (Malik, 2015). The CSR activities carried out by the firms have a positive and a significant impact on the society particularly in the case of multinational organizations who have the required resources to bring change in the society with the help of their social welfare work.

Due to the positive image of the brand that is conveyed due to their social activities, the consumers tend to attract to the firms that actively participate in such activities. According to Caramela (2018), a survey indicated that 87% of the people state that they buy products and services from brands that have highlighted the issue they care about or have worked in the sector that required charity. There are numerous ways through which firms can participate in CSR activities. Some of the commonly used ways of fulfilling their social obligations by the firm are participation in environmental efforts considering how critical it has become to take care of the environment, participating in philanthropy activities like donating money for a cause and local community programs is another way through which firms can strengthen their CSR performance. CSR has recently has also evolved in Pakistan and the local Pakistani firms are now actively participating in CSR activities.

In other words, CSR is a self-regulating robust business model which is incorporated by firms into the roots of their business. According to the research that is published by Crowther & Seifi (2018), determines and estimates that CSR activities creates a strong relationship and association of organisation with their customers as well as with their communities. In addition to that, CSR empowers the company to establish a good brand name in the industry. CSR helps the organisation to increase their firm value as well as enhance the outcomes of the projects they are working in (Tran, 2019). In today’s competitive market, it is essential for organisations to invest in the CSR activities in order to create a stronger bond with their stakeholders and stockholders.

The above statement evaluates that, CSR activities empowers the organisation to create a solider and studier bond with their employees and workforce which encourages them to work effectually and proficiently leading towards enhanced outcomes and boosted profits. Many large international firms like McDonalds have developed CSR into their business structure and business roots. This enables McDonalds to attract maximum customers and achieve large market share. In addition to that, a common approach is incorporated many firms in which they help the NGO's and other similar sectors to enhance the wellbeing of the society and communities (Singh, 2010).

2.2 Factors affecting CSR and CSR disclosure

Corporate Social Responsibility due to its importance has been a topic of interest of variable studies and authors. Several authors in their study have identified the various factors that influence CSR and CSR disclosure. A study was carried out by Kalyar, Rafi & Kalyar (2013) to identify the factors influencing CSR on firms in Pakistan. The authors carried out a detailed study and collected data from 800 CEOs of organizations operating in Pakistan. The results of the study indicated that the firm's humanistic culture and the strategic planning of the organization are positively associated with Corporate Social Responsibility. Similarly, there are certain elements and factors that affect the disclosure of CSR. A study was compiled by Bayoud, Kavanagh & Slaughter (2012) carried out a quantitative study on Libyan firms with an aim to recognize the factors that restrict or promote the CSR disclosure. As per the findings of the study, it was revealed that there was a positive association between the lifecycle of the firm and the type of industry and the level of corporate social responsibility disclosure.

Despite being something that is highly beneficial to society, there are certain challenges and issues that restrict the effective implementation of CSR. For instance lack of interest from the community to which the CSR is intended or the beneficiaries of the CSR programs has been a key issue for firms in effectively executing their CSR plans. This is more prominent in developing and underdeveloped regions. For instance, in Pakistan, there have been campaigns against polio vaccination just because the World Health Organization's (WHOs) name is attached to it and which is a western community-based organization. Another issue that limits the growth and sustainability of CSR activities is the issue of transparency. It is a general perception that non-profit organizations tend to share inadequate information about their acuities and therefore they are not able to gain the trust of the locals. Therefore it is important to disclose the CSR information honestly and fairly. The study by Hussainey, Elsayed & Razik (2011) has reflected upon the factors that influence the disclosure of CSR. As per the findings of the study, the profitability of the firms plays an important role in the disclosure of corporate social responsibility. Considering how important CSR is from the businesses and corporations, the society, businesses and the government should ensure that the hindrances within this work are reduced as much as possible.

There are factors which affect CSR and CSR disclosure. Those factors include environment, communities and employees.

2.2.1 Environment

Environment is referred as is one most imperative that affects the CSR activities. The aim behind CSR activities is to enhance and support the environment. There are number of projects that negatively affect the environment. For that purpose, firms need to consider the due diligence in context of the laws and regulation of environment. This has been determined that now due to extensive pollution and bas influence on environment, the environmental laws are now stricter (Epstein, 2018). For that purpose, it is essential for organisations to incorporate CSR activities which will enable them to enhance the environment and surroundings. This will enable the firms within Pakistan to decrease the financial distress and enhance firm life cycle (Kolk, 2016).

2.2.2 Communities

In addition to corporate governance, the concept of communities is considered as substantial factor which affects the CSR and CSR disclosure of the firms. CSR believes in paying back to the society and community. This has been analysed by many researchers that firms which do not invest in CSR activities tend to have lesser market share, international attention and decreases the reputation of the firm (Grayson & Hodges, 2017). On the other hand, firms that focus on the development and improvement of communities of their customers tend to attract maximum customers in smaller period of time, have international attention and are able to achieve a larger market share along with the improved reputation of the organisation. Many firms and organisations contribute with NGOs in order to enhance and improve the wellbeing of communities and societies of their customers (Wang et al., 2016).

2.2.3 Employees

Employees who are considered as the stockholders of the organisation have a direct impact on CSR activities of the organisations. This statement can be verified by the research proposed by Cycyota, Ferrante & Schroeder (2016), which determines and explains that employees that are effectively involved in CSR activities of the organisation inclines to have better results and outcomes. Moreover, CSR activities by firms also enable the employees to perform well in the company. For that purpose, it is essential for the organisation to have satisfied and content employees and workforce leading towards CSR activities which will enable the firm to decrease the financial distress and enhance firm life cycle (Flammer, & Luo, 2017).

2.3 Corporate Social Responsibility (CSR) performance

Corporate social responsibility (CSR) performance is how a firm has performed and played its part in the community work that as discussed above is very important from the overall point of view of the organization. The purpose of CSR performance is to evaluate how the firms have performed. This not only represents how the firm has performed but it also assists the relevant stakeholders and authorities to meet their CSR goals. The performance of a firm in CSR has a major influence on the various factors associated with a firm's financial reporting and financial position. Many researchers have concentrated upon the financial issues that are faced by the organisations as well as economic performance of companies and its effect on their CSR activities. According to the research proposed by Oh, Chang, & Cheng (2016), evaluates that companies that face shortage of funds and are comfortable financially are least concerned about CSR activities. However, few researchers argue that it is essential for the organisations to invest in CSR activities so that they will be able to attract maximum investors and market share leading towards increased profitability and enhanced financial position. It was estimated by the data gathered from the financially distressed firms which invested in CSR activities and were able to achieve a better financial performance due to efficient CSR which enabled them to attract efficient and proficient investors (Martínez-Ferrero, Banerjee, & García-Sánchez, 2016).

According to De Colle, Henriques & Sarasvathy (2014), CSR performance has a negative association with the risks related to business. Firms that look to enhance their ratings by performing well in the CSR category tend to face less amount of business risk. Similarly, it also has a negative association with the cost of equity capital (Dhaliwal et al., 2014). CSR activities not only enhance a firm's reputation and which also becomes a source of producing long-term value for the investors and shareholders (Timbate & Park, 2018). It has a positive and significant relationship with the financial reporting of firms. According to the argument put forth by Timbate & Park (2018), CSR performance improves the quality of the accounting or financial reporting of firms. This eventually has a positive impact on the investors as their trust in the business is strengthened. Thus it is important for the firms to report their CSR performance on regular basis and with utmost sincerity.

2.4. Measuring Corporate Social Responsibility (CSR)

In the contemporary business environment, corporate social responsibility (CSR) has been suggested to be exceptionally important for the businesses, irrespective of the industry and the size of operations. In this context, the article by Onunaiwu (2018) suggested that CSR has positively affected the operations and functions of the business, and its impact ranges from marketing and sales to the human resource management, and even other important aspects of the business. This makes it extremely important to measure CSR so that the businesses can evaluate the overall influence and impact of CSR on the business and its performance. This suggests that measurement of CSR plays an important role in assessing the performance of the internal and external CSR practices adopted by companies while elaborating on the progress made by the companies in reference to the practices embarked on (Perez and Del Bosque, 2013).

This suggests that measuring CSR can present the business with an ability to determine the communication of the value added (i.e. CSR activities and practices are measured; businesses can succinctly communicate the outcome to the internal and external stakeholders of the business) (Gjolberg, 2009). The stakeholders, over the years, have shown great interest in the outcomes of CSR initiatives, as it presents them with factual evidence of the value derived from CSR in reference to the environment, brand image, sales, and even performance (Turker, 2009).

On the other hand, studies have also indicated that CSR has consistently contributed in the bottom line of businesses, which makes it the centre of attention in comparison to traditional approaches and business concepts (Gallardo-Vázquez and Sanchez-Hernandez, 2014). This implies that organisations can capitalise upon CSR by using it as a defensive mechanism (i.e. supporting CSR initiatives); however this can only be achieved by measuring the outcomes of CSR, which is why companies have continually relied upon the use of sustainability reports to help the stakeholders remain interested and confident in the business and its operations (Scalet and Kelly, 2010).

2.5. Financial Distress and Corporate Social Responsibility

According to the study conducted by Deegan (2002), it has been suggested that both financial distress and corporate social responsibility are amongst the most prominent research topics, but are often taken into consideration in isolation. This can be attributed to the fact that CSR is a multidimensional approach that ranges from social to economic reasons. On the other hand, financial distress represents the situation that is considered an alarming situation for the investors in terms of the survivability of the business. Considering both the constructs, the study conducted by Prahalad and Hamel (1994) argued that good CSR behaviour and activities undertaken by the business can play an important role in changing the mind-set of the stakeholders, which is even represented in several studies, where it has been argued that companies with effective CSR activities are valued by the market. In particular, their behaviour towards CSR is attributed as a product offered to the investors, which they are more willing to purchase, although it may result in the reduction of the cash flow's present value (Kundid and Ercegovac, 2011). However, investors consistently support the firms, and in return, they are presented with rewards to remain satisfied (Mecaj and Bravo, 2014).

On the other hand, studies have also suggested CSR has played an important role in assessing the future value of the firms in terms of their efficiency, competitiveness, and even survival (Dharma and Nugroho, 2013; Hsu and Chen, 2015); hence making the companies that have adopted CSR activities more appealing and attractive for the investors. More importantly, the information in reference to the responsible behaviour of the firms is complimented by their financial information; hence adding more value for the firms in a wider perspective. This suggests that the actions undertaken by businesses can generate a positive response from the investors, as firms that have undertaken CSR actions have the higher probability of reporting higher returns resulting from the socially responsible actions (Shahab, Ntim and Ullah, 2018).

However, some studies have associated socially responsible actions with that of distress risk, while indicating a negative relationship between the two constructs (Chan, Chou and Lo, 2017; Salloum, Schmitt and Bouri, 2012).

This has even been reflected in the studies conducted by Graves and Waddock (2002) and Luo and Bhattacharya (2006), where it has been indicated about the reverse-causality relationship between CSR investment and financial performance, while further stating that the historical financial performance of the business has significantly contributed in the CSR investment. This suggests that if the firm is able to show good financial results, investors are more likely to redirect excessive resources towards CSR activities; however in case of poor financial performance, companies and their investors would be more likely to focus on value-adding activities, and their financial distress would more likely to reduce the resources for CSR.

On the contrary, the study by Godfrey et al. (2009) disapproved the earlier studies by stating that companies that have embraced CSR activities are more likely to avert risk factors, as these businesses have higher goodwill and capital. These eventually help the business to overcome the financial distress through the aforementioned factors. More importantly, studies have also suggested that financial distress is minimal based on the CSR activities undertaken by the businesses, as the businesses are able to negate any kind of negative assumptions prevailing in the marketplace. This leads to the indication that both of these factors of CSR and financial distress are negatively associated.

2.5.1 Hypothesis Development

$H1_o$: There is no significant relationship between CSR and Financial Distress

$H1_1$: There is a significant relationship between CSR and Financial Distress

2.6 Proxies for the Corporate Life Cycle

The corporate life cycle of a firm is measured in different ways by various authors around the world. Different ways utilized vary from age to profitability ratio and to the size of the firm. Age and size of the firm are the most used ways to identify the life cycle of a firm. According to Faff et al. (2016), these two might not be true and there are certain limitations of these factors as well. Therefore several authors have emphasized upon the need for a proper tool to identify the life cycle stage of a firm. According to Anthony & Ramesh (1992), the life cycle of a firm is identified by a different range of factors. The authors in their study have used four factors: age, dividend yield, sales productivity and capital expenses. These four factors or variables are distinguished into four stages of a firm's life cycle which are introduction, growth, maturity and decline. Similarly, other proxies to identify a firm's corporate life cycle are also identified in the literature. For instance, DeAngelo et al. (2006), identified that retained earnings are a valuable tool to indicate the life cycle of a corporation. This technique was adopted and accepted by other studies like Faff et al. (2016) and Owen and Yawson (2010) as well.

2.7 Firm life cycle, CSR disclosure and Financial Distress

Change is an integral part of our lives. Similarly, change is inevitable from a firm's perspective as well. According to the life-cycle theory, organizations are subject to organized variations in its operations and processes as the organization progresses upwards in its life cycle (Helfat & Peteraf, 2003). Studies in the past have stated that firms that are in the maturity stages are more profitable and generate more revenue as compared to the firms who are in their introduction and declining phase (Habib & Hasan, 2015). Thus it can be concluded with these statements that such differences will unarguably influence the financial distress levels of the organizations depending upon the stage that they are in. The shareholders analyse an organization’s capability to handle the distress and improve productivity mainly through the cash flows generated.

A difference exists between how a firm operates and which will highly be dependent upon the stage in which the firm is in. The strategies in the introductory phase will be different to that of the maturity and declining phase. For instance, in the early or the introductory stages, a firm will lack the resources to effectually contest with the competitors and according to Helfat & Peteraf (2003), there will be a deficiency of human, social and resource capital in the early stages of a firm. The level of uncertainty in this stage will be high therefore the firm will look to act cautiously due to the doubts in raising capitals and about the future cash flows (Hasan et al., 2015). The strategies and approach of a firm while in the maturity phase will be different. The firm will have a competitive advantage due to full potential in resources like capital and human resource. The sufficient resources will allow the firm to reduce the chances of financial distress and the level of expertise within the firm will also be at its full potential (Hasan & Habib, 2017).

Similarly, in the declining stages, a company's approach will be a different and a huge amount of capital will be required to sustain in this stage.

Positive CSR rating or performance of a firm will help in reducing the level of financial distress and as it is clear the financial distress is an anguish on an organization's life cycle, therefore, it can be deduced the life cycle stage of a firm and the corporate social responsibility (CSR) performance of the firm can combine influence the financial distress of the corporation (Al-Hadi et al., 2017). Secondly, the correlation between FD and CSR disclosure will exaggerate due to the life cycle stages of a firm. According to the argument of Habib & Hasan (2015), firms that are in their maturity stages are inclined participate in CSR activities more regularly and often as compared to the firms in other stages because mature firms are concerned about their relationships with the stakeholders and also their concern about the regulatory authorities will encourage the firms to participate in CSR activities.

As stated above that in the starting and the declining phases, the capital resource will be very crucial for the firms and CSR activities demand a high amount of capital investment which in short run will be costly and therefore the firms in these stages will restrict themselves from all sorts of costs and expenses. CSR activities and the disclosure will produce benefits in the long run, in the short term, they are the expenses that firms that are in their introduction and declining phases will look to avoid. The aim of the introductory and declining phases will be to achieve financial and growth objectives rather than investing in CSR. According to Ramaswamy et al. (2008), firms in this phase are less likely to engage in CSR activities as they will be more concerned about investing in the core competencies and in achieving operational excellence. This and the above scenarios indicate that a firm's life cycle will decide whether the firm will go for corporate social work (which will eventually lead to CSR disclosure).

This theory suggests that businesses are subject to systematic changes in reference to the financing and investment activities, organisational capabilities, their risk management and mitigation strategies, as these firms progress through the different stages of life cycle (Helfat and Peteraf, 2003). In this context, the studies conducted by Habib and Hasan (2015) and Dickinson (2011) suggested that firms in either their introduction or decline stages are more risky and less profitability; whereas firms in their maturity stage are highly profitable with minimal risks. Hence, it would be unreasonable to expect that the difference in stages will have a dramatic impact on the financial distress based on the stage in which the firm is currently on. This has even been reflected in the study conducted by Black (1998), where it has been suggested that investors are more interested in understanding about the ability of the business in terms of dealing with the financial distress, and the recovery of the company's profit through the potential earnings and cash flow. There are instances when firms face intense financial constraints, and this is more likely in the case of firms in their early stages of growth, which makes it the responsibility of the managerial teams and personnel to search for innovative ways of improving organisational capabilities and competencies (Gond and Moon, 2011), in addition to resource retention (Helfat and Peteraf, 2003). On the contrary, firms in the mature stages have the greater competitive advantage, which makes them less susceptible to the financial distress, as they have higher earnings per share, in addition to higher retained earnings/total equity, as well as higher return on net operating assets. These collectively result in higher dividend pay-outs in comparison to firms in their introduction stages.

The mature firms will have less risk of future cash flows and earnings, therefore firms belonging in this stage are less likely to face financial distress and are more likely to participate in corporate social activities and the CSR performance of such firms will be high which will lead to transparency in the disclosure about their CSR work. Funds or financial capital plays a very important role in CSR and the approach that a firm might adopt. It is the capital which will limit the firms in the introduction and the declining phases to participate in CSR activities (Elsayed & Paton, 2007). Other than cash, there are other factors as well that encourage or discourage a firm to participate in social work. According to Elsayed & Paton (2007), reduced competition in the market and decreased amount innovations might also be the factors that change a firms approach about participating in CSR activities. Several studies have a differentiation between the fundamental differences between the mature and immature firms and their approach about CSR activities. Thus after analyzing the viewpoints of various authors the following section deduces that mature firms tend to be serious and active about their involvement in CSR activities and CSR disclosure as such firms have low tendency or probability of financial distress whereas firms that are in their early and declining phase are less likely to participate in CSR work and are more prone to indulge in financial distress.

2.8 Impact of Corporate Social Responsibility on Financial Distress

The above section has discussed in depth about the impact of CSR on the financial earnings of a firm or distress. The impact is dependent upon the stage in which the firm is in. For instance, a firm that is in the early stages of its life is more likely to experience financial distress due to lack of capital and human resources and also there will be a deficiency in the CSR performance (Hasan et al., 2015). Similar is the case with the firms in the declining phases. Firms belonging into this phase of their corporate life are generally willing to focus on their financial situations and as they also lack the essential resources thus the chances of financial distress increase and firms also tend not to participate in CSR activities due to reduced finances. However when a firm is in its maturity phases, it tends to participate in CSR activities and enjoys the long-term benefits of CSR and the financial distress of such firms is also extremely low contrary to the firms in the other two stages (Al-Hadi et al., 2017). Various studies had been analysed by Al-Hadi et al. (2017), in which had been reported that CSR and financial performance had positive relationship among each other. The reason was that the CSR activities created strong financial performance that had been generally created by forming strong relationship with the stakeholders such as customers, employees and creditors. The CSR activities had also resulted in reducing the interference of the government that overall led towards the growth of the revenues. The study had also illustrated that the firms that conducted the CSR activities were also serving the interest of shareholders that ultimately mitigated the risks that are related with the financial distress.

2.9. Effect of Lifecycle on the Relationship between CSR and Financial Distress

According to the study conducted by Minor and Morgan (2011), in addition to the study by Godfrey (2005) indicated that companies have continually embraced CSR activities, primarily as a risk management strategy, as these activities can help firms in enhancing their reputation, which eventually protects these firms from social, regulatory, and political sanctions. This suggests that lack of CSR orientation will eventually result in negative sanctions, and this would result in the loss of brand image and reputation while increasing the media and political pressure on the companies in terms of potential penalties and fines (Erhemjamts and Venkateswaran, 2013). However, CSR activities and positive engagement in them results in the generation of several benefits ranging from financial to social, and these benefits eventually allow the businesses to outweigh the costs associated with it.

In connection with the latter, the study conducted by Al-Hadi et al. (2017) suggested that the life cycle of the firm has played a role of moderator in reference to CSR and financial distress. In particular, it is evident from the cases of companies that their access to resources is more likely to evolve with the passage of time across the life cycle stages, which leads to the conjecture that there exists a relationship between CSR and financial distress across the life cycle stages (Padgett and Galan, 2010). The underlying reason for it can be argued to be the association between the CSR activities and financial distress, and the dynamic nature in reference to the economic fundamentals and their variations; for instance, the solvency-related risks, cash flows, asset turnover, and even retained earnings), and even the opportunities that would be available to the companies during their life cycle. This has even been confirmed that the negative relationship between the financial distress and the positive CSR activities is magnified due to the progression of firms in their life cycle (Benabou and Tirole, 2010).

It is noteworthy that studies have indicated that positive CSR activities and involvement of firms in CSR activities have resulted in reduced financial distress, and some studies have suggested that financial distress is dependent upon the lifecycle of the firm. In this context, studies have also suggested that both life cycle stages and CSR performance are more likely to impact the financial distress of an organisation (Torigsa, O'Donohue and Hecker, 2013). This suggests that the association between the CSR performance and financial distress can be magnified as a consequence of the life cycle stage in which the firm is currently in. In particular, Hasan and Habib (2017) have indicated that mature firms undertake CSR activities to mitigate the reputational consequences for overlooking the CSR activities, and since undertaking them have presented with the opportunity to have a better relationship with the key stakeholders; it has significantly influenced more and more mature firms to engage in positive CSR activities in comparison to firms in either their introduction or declining stages. This has been analysed by many researchers that positive VSR helps the organisation to decrease their financial distress and enables them to increase their profit margin in smaller period of time. Increase in financial distress can increase the chances of risks which can be tackled by positive CSR (Hsu, 2018). According to the stakeholder theory, the CSR activities by firm ensure involvement of high quality management. In addition to that, many firms fall into financial distress because they have inefficient management and they are least concerned about CSR activities and do not incorporate corporate social responsibility into the structure of the business (Lee & Choi, 2018).

2.9.1 Hypothesis Development

$H2_o$: Life Cycle has no significant relationship among CSR and Financial Distress

$H2_1$: Life Cycle has a significant relationship among CSR and Financial Distress

2.10. Summary of the Chapter

In summary, the chapter has presented in-depth information related to the concepts of corporate social responsibility and financial distress, even relating both of the constructs to that of the lifecycle stages. Not only this, but the literature review has also presented information related to the factors affecting corporate social responsibility and CSR disclosure, which leads to information on CSR performance. On the other hand, the chapter also entails description related to financial distress and CSR, which are amongst the dependent and independent variables of the study. The most important section is about the impact of CSR on the financial distress, in which the study has presented information related to how CSR changes the perception of investors and managers to be more interested in engaging in CSR activities, and how this process eventually results in lower risks and improved financial performance.