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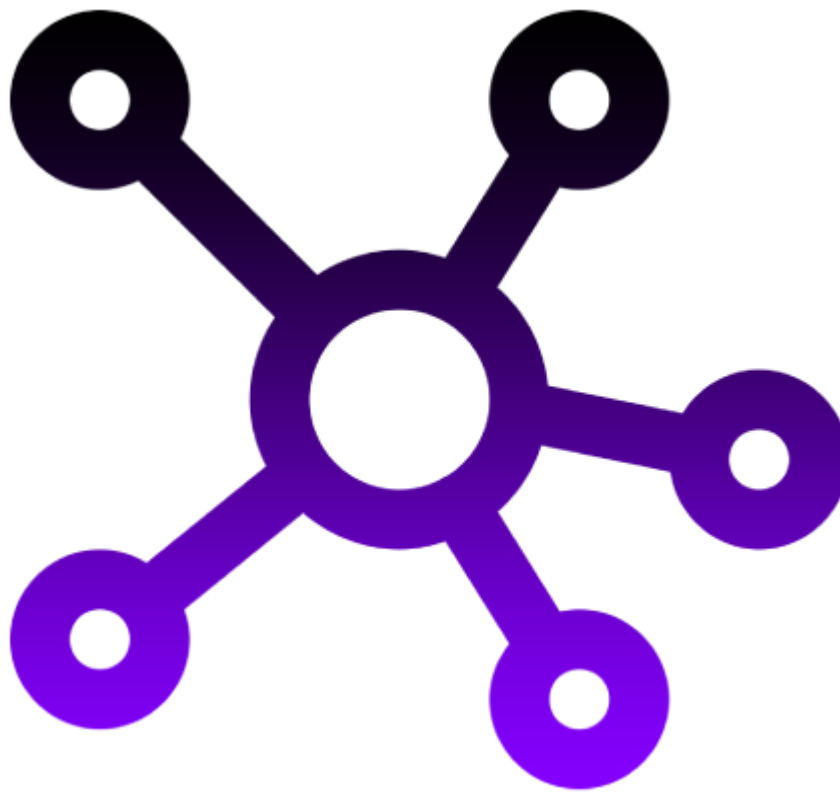
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ESG RATING OF CAPITAL'S EFFECT ON FIRMS' FINANCING SOURCES: A CASE STUDY OF ASIAN COMPANIES

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ABSTRACT

The study is aimed at presenting the relationship between corporate social responsibility (CSR) and the effect of the work of companies and areas of possible implementation in the largest Asian companies. Corporate social responsibility positively affects a company's business reputation and builds trust with customers who value improved financial performance.

Objectives: The purpose of the study is to find any correlation between CSR and firm performance in Kazakhstan and allows for improvement of both the enterprise sustainable development management model and its assessment.

Results: Analytical observation, monitoring, and comparison formed the basis of researching the CSR programs of selected companies. NPM, ROA, ROE, and NPM for leading Kazakh enterprises, the augmented Dickey-Fuller unit root test, and the Student's t-test indicate a correlation between CSR practices and NPM, which is an indicator of profitability. Kazakh companies show a connection between CSR practice and firm efficiency, but this only occurs through net profit margin. The analysis revealed a relatively weak quantitative relationship between the main indicators of stock market activity for companies and their net income. The results provide the basis for the hypothesis that business activity indicators in stock markets today are influenced not only by financial performance indicators. One of the key factors influencing companies' positions in stock market indices is their reputation (image) capital, which affects key indicators and ESG market ratings.

Conclusions: Research data indicate the mixed impact of Corporate Social Responsibility (CSR) on corporate financial performance, with evidence of positive, negative, and insignificant relationships. Investing in CSR can enhance a company's value if certain thresholds are met. Companies are recommended to invest more in the social aspects of CSR to boost competitiveness and profitability. The results of the study are consistent with the theory and confirm the fact that CSR practices and firm performance are correlated. The association between CSR activities and financial performance was tested, and the results show that there is a positive correlation among those variables studied in Kazakhstan. The social responsibility of enterprises in Kazakhstan should be considered in two aspects: as a necessary cost item and as strategic reputational investments that contribute to the creation of a more sustainable global world and positively correlate with the financial position of the company.

Keywords: CSR, profitability, responsible investment, corporate governance, financial performance, KASE, ratio analysis.

JEL classification: A13; G30; M14; M21; O53

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INTRODUCTION

Slowing down the global economic recession requires stimulating economic growth and investment, which necessitates a shift in traditional investment objectives from profit maximization and risk minimization to achieving a balance between financial and non-financial goals through the adoption of responsible investment strategies. Such strategies are derived from the concept of sustainable development and contribute to achieving sustainable development goals, ultimately reducing the role of government regulation (Kalabina, Gazizova, Khussainova, 2021; Khussainova et al., 2023; Kurmanov et al., 2019; Iliev et al., 2023; Seitzhanov et al., 2020; Zhartay, Khussainova, Yessengeldin, 2020). Sustainable consumption represents a departure from conventional consumption patterns that are widespread in the Global North and prioritise economic growth and individualistic materialism and requires a more conscious and responsible approach to consumption that seeks to minimise environmental impact, promote social justice, and improve overall well-being (Ismailov & Krivins, 2023). Long-term responsible investment strategy for companies entails aligning investment decisions with a company's ESG (environmental, social, and governance) rating and its financial instruments, including risk and return analysis. Financial crises and accounting scandals, such as the situation with Volkswagen, where the German company lost over \$50 billion in stock market value due to proven fraud in financial reports, and other similar events, have had a catastrophic impact on reputation and caused harm not only to the company but also to investors, financial markets, and society as a whole. The influence of ESG ratings on a firm's financial condition is undeniable, as is the increasing motivation of investors in the stock market.

From the perspective of economic theory, the development of a corporate social responsibility (CSR) strategy for a company is an integral component of effective enterprise operation, as it enhances the company's relationship with society and plays a crucial role in the economic development of individual enterprises and countries. Modern business in Kazakhstan and the world in general cannot be isolated from its most important stakeholders, and the implementation of corporate social responsibility indirectly establishes the connection: corporate social responsibility- stakeholders-increased enterprise efficiency.

Corporate social responsibility (CSR) can be defined as a tool for applying the concept of corporate sustainability. It encompasses practices and policies reflecting a business organization's responsibility to society, often referred to as "giving back to society" in return for the resources it receives. Social responsibility is a management strategy adopted by companies of all sizes, sectors, or types, whether for philanthropic, ethical, or competitive differentiation reasons, offering opportunities to gain a competitive edge.

In the modern context, sustainable management corporate reporting is a crucial indicator of business reliability and stability, signaling long-term goals, and serving as a guarantee of corporate responsibility to customers, society, and the environment.

The term "corporate social responsibility" gained popularity in the 1960s and has remained a term used broadly by many to encompass legal and ethical responsibilities. In business practice, CSR encompasses activities such as organizing charity events, providing environmental care, and promoting social interests. CSR



has gained increasing global significance and is predicted to participate. CSR practices can be influenced by CSR competencies and orientation, affecting CSR commitment.

Firms in emerging economies pay more attention to CSR due to their image and the need to attract foreign investments. Investors tend to favour companies with CSR practices, and firms with more CSR practices tend to have better capabilities. Financial performance and CSR activities are strongly related, especially in emerging economies.

Research on ethics and CSR in Asia, particularly in regions like South and Southeast Asia, remains underdeveloped. CSR-related research in emerging economies focuses on fields suitable for their economic and political contexts but often overlooks the financial and accounting performance of companies. The study aims to bridge this gap by examining the profitability of companies and their CSR activities.

CSR and profitability are interrelated because successful and prosperous companies can afford CSR practices. Kazakhstan, as an emerging economy, presents an opportunity to study this relationship, given its rapid economic growth and the presence of successful corporations, especially in the oil and gas sector. This study is a pioneering effort to investigate the link between CSR and profitability in an emerging economy like Kazakhstan.

LITERATURE REVIEW AND HYPOTHESIS

Corporate social responsibility (CSR) initiatives and their influence on corporate financial performance have been actively researched by different authors worldwide. The term means how the company contributes to the preservation of the environment by reducing air pollution and issuing green bonds. At the same time, environmental, social, and governance (ESG) initiatives cover social issues such as caring for employees by providing good work conditions, effective human capital management, and health and safety programs (Harmsone, 2021).

Fatemi et al. (2018) examined the influence of ESG activities and their disclosure on firm market value by using a two-stage model for 403 US companies from 2006 to 2011. The authors confirmed that the interrelationship between ESG activities and firms' financial performance is strictly positive. Moreover, they assumed ESG disclosure helps companies differentiate themselves from less successful performers and escape the effects of adverse selection. Furthermore, Fatemi et al. (2018) explained the second result, which demonstrates that strengthening ESG transparency might be interpreted by the market as the company's effort to justify unnecessarily excessive investments in ESG activities.

Bhaskaran et al. (2020) confirmed that companies investing in ESG projects tend to enhance their market value. Share prices tend to increase as a result of ESG projects. The authors highlighted other factors strengthening these relationships. For example, cash-rich companies tend to invest more in environmental activities that help reduce air pollution emissions, which appeals to investors. In addition, Bhaskaran et al. (2020) emphasized that companies are actively investing in welfare initiatives to create higher firm value and



operating performance because highly motivated workers will demonstrate increased productivity in a more favorable working climate.

Interestingly, Duque-Grisales and Aguilera-Caracuel (2019) found a negative interrelationship between ESG activities and firms' financial performance while analyzing the financial data of 104 multinational companies headquartered in Latin America from 2011 to 2015. The authors mentioned that Latin American firms differ considerably from their competitors in developed markets in managerial, cultural, ethical, and social practices. Also, Latin American firms may not consider ESG activities as a priority, because these initiatives are invisible and financial resources are constrained there. Latin American companies suffer from a scarcity of financial resources, and their managers focus on operating business activities to survive rather than expensive ESG projects. However, the authors identify that if the availability of funding increases, investment in ESG projects will begin positively affecting corporate financial performance.

Duque-Grisales and Aguilera-Caracuel (2019) determined that the higher the international sales of the firm, the stronger the positive influence of ESG activities on corporate financial performance. Foreign businesses and investors may bring ESG activities and teach local businesses to perform them. Foreigners may demand local companies to become active in ESG initiatives, whereas foreign investors can provide additional funding for such initiatives. Previous empirical work on CSR and profitability demonstrates debatable results. The negative relationship between CSR and profitability was proved by Anderson et al. (1980). At the same time, Roman et al. (1999) and Wood and Jones (1995) argued that stable causal relationships were found between CSR and the performance of the firms. A strong positive relationship between CSR and profitability was found by (Shapiro 1987), and (Donaldson and Preston, 1995).

McGuire et al. (1988) found a positive relationship between prior profitability and corporate social responsibility as well. They mentioned that firms with high productivity indicators can ensure the level of their social responsibility at a high level (Hammond et al., 1996). Mostly, those firms are large businesses with a strong credit rating. Margolish et al. (2003) noted that approximately half of the research did not find a correlation between corporate social responsibility and profitability. Mc Guire and Sandgren (1988) mentioned the fact that market returns have some advantages over accounting-based measures and other profitability ratios.

Mochales & Blanch (2021) emphasize that the brand capital projected by CSR initiatives has a positive impact on the strategic nature of CSR and can also contribute to the company's efficiency.

Cho et al. (2019) analyzed the systemic relationship between the results of corporate social responsibility (CSR) and the financial performance of the company. The researchers analyzed data on 191 firms from South Korea. To determine the effectiveness of CSR, researchers took into account the index of the Korean Institute of Economic Justice for 2015. At the same time, the firm's profitability and value were analyzed as a tool for measuring the company's financial performance. Return on assets was used as a proxy for profitability, and Tobin's Q was used as a proxy for firm value. They discovered a strong positive correlation between the growth of assets and the CSR activities of a company.



Waddock et al. (1997) argued that corporate social performance is found to be positively associated with the prior performance of a company, while (McWilliams et al., 2000) mentioned the idea that the model should be properly specified. The results of their study support the idea of neutrality. They claim that CSR has a neutral impact on financial performance. Financial performance and CSR activities are two variables, which attract the interest of academicians nowadays. Two variables are related when the traditional statistical method is employed. However, when a time series fixed effect approach is employed, the results show a weaker correlation between CSR and financial performance.

Al-Malkawi et al. (2018) performed a meta-analysis to find out the relationship between corporate social performance and accounting-based along with market-based indicators. The results of this research show that corporate social performance and accounting-based indicators are highly correlated. At the same time, there is no correlation between corporate social performance and market-based indicators. Studies examining the relationship between corporate social responsibility and accounting-based performance measures have found significant positive results (Parket et al., 1975).

Popova et al. (2019) discussed the issue of CSR or, more recently its corporate social responsiveness and its financial and accounting performance and revealed positive relationships between corporate social responsibility and asset age. Baumann-Pauly (2015) reported the results of his qualitative empirical study of corporate social responsibility in Swiss MNCs and SMEs, and the author suggests that the smaller the firms, the much less they implement CSR strategies in their organization than large firms (Al Ani et al., 2015). According to this author, small firms have several organizational parameters that pragmatically promote the internal implementation of CSR practices. At the same time, if we talk about large firms, the latter has several characteristics that allow for the promotion of further external communication and reporting on CSR projects, but at the same time limit the processes of internal implementation. Accepting this fact, we hypothesize that large companies in Kazakhstan and Russia are more socially responsible.

The phenomenon of CSR was also studied in the context of the following scientific vectors: 1) An exploration of the relationship between CSR initiatives and excess work ethic (Ali, 2021). The findings of the study reveal that CSR perception of employees negates the excessive work ethic but the introduction of a higher level of organizational identification due to work meaningfulness indirectly positively affects excess work ethic with pro-environmental orientation as a moderator; 2) Firm acceptance of CSR initiatives and organizational commitment of employees to CSR (Lin et al., 2021); 3) The role of perceived CSR motive and perceived CSR fit on CSR authenticity and mediation effect of OPR and reputation on supporting behaviours (Kim et al., 2021); 4) The strategic intersection of HR and CSR (Ikhide et al., 2021); 5) The role of CSR in corporate strategy (Nwe & Ozmel, 2021; Fedorov et al., 2023); 6) Effect of the CSR committee and CSR-linked executive compensation on CSR performance (Radu & Smaili, 2021). The authors of the study believe that the CSR Committee has both direct and indirect positive effects on the effectiveness of CSR, with CSR-related compensation acting as a mediator in the relationship; 6) Correlations between strategic management and CSR (Roszkowska-Menkes, 2021). Under modern conditions, corporate reporting of sustainable



management is an important indicator of reliability and stability of business, a marker of its long-term goals and intentions, a guarantor of corporate responsibility of business to customers, society, and the environment. (Zamlynskyi et al, 2023).

Recently, CSR research has expanded its geographical coordinates. In particular, scientific analyzes were carried out on 1) A CSR-based reputation study of Spanish companies in Latin America (Farber & Charles, 2013); 2) CSR and investment efficiency in Western European countries (Ben Khediri, 2021); 3) CSR in the Scandinavian countries (Munkelien et al., 2018); 4) Legalization of CSR in the Philippines (Madanguit, 2021); 5) Prevalence of CSR reporting in Arab countries (Ismaeel et al., 2021); 6) CSR in BRIC countries (Crotty, 2014); 7) Internal and external determinants of corporate social responsibility practices in multinational subsidiaries in Ethiopia; 8) Internationalization and internationalization of CSR practice for a Japanese multinational company (Perera & Hewege, 2021); 9) Overview of CSR activities in India (Dadas, 2021).

The financial viability of the company, as well as the conditions under which the company achieves strategic growth points based on accounting and analytical indicators, such as the company's return on assets (ROA), return on equity (ROE) or earnings per share (EPS), Market Value of stock, Net Profit Margin reflect the company's internal performance, respectively, most indicators of financial results are divided into: investor income and accounting income. Financial management develops a sustainable investment strategy that takes into account financial results in the context of the investor's income and the accounting financial result of the company. A necessary condition is the allocation and structural presentation of part of the capital for systemic sustainability improvements. Sustainable financial products and their use to promote sustainable development, play a key role in integrating ESG factors into financial solutions (Todorov, Aleksandrova, & Ismailov, 2023).

The study aims to analyse the relationship between CSR activities and the performance of the largest companies in Kazakhstan, which are included in Index KASE (Kazakhstan Stock Exchange) list.

MATERIALS AND METHODS

The materials for writing this article were primary data obtained through a review of domestic and international scientific literature on corporate social responsibility (CSR) in business. An important component of the information base for this research included international standards, codes, and regulations related to CSR. Primary sources of information consisted of annual financial reports and CSR reports of companies in Kazakhstan, which were obtained from official company websites. Secondary sources included financial data and indices from the Kazakhstan Stock Exchange (KASE). The data collection period for companies in Kazakhstan spanned from 2009 to 2020.

The article employed a combination of general scientific and specific economic research methods, with a foundation based on the dialectical methodological approach to understanding socio-economic phenomena and processes. A monographic research method was used to identify key trends in the development of corporate social responsibility in modern companies. A review of scientific literature was conducted using the abstract



systematization method, which helped identify key trends and drivers characterizing the development of business social responsibility.

The statistical method, economic-statistical analysis, and analytical monitoring of financial data were used to assess the current state of economic development in leading Kazakh companies and to evaluate their level of corporate social responsibility. In particular, the linear regression method was employed to identify trends and dependencies between financial indicators of company development, expressed through the formula: $y = aX + b$, where aX represents the factor coefficient of the regression equation, and y represents the outcome variable. The index method was used to assess the growth rates of financial indicators for Kazakh companies (such as asset size, equity, and net income) using the following statistical formula:

$T = a1/a0 * 100$, where T represents the growth rate of the financial indicator, $a1$ is the value of the financial indicator in the reporting period, and $a0$ is the value of the financial indicator in the base period.

Financial analysis methods were applied to calculate liquidity and profitability indicators of selected companies. Analytical observation, monitoring, and comparison formed the basis of the research on the CSR programs of chosen companies. Conclusions from the research were formulated using methods such as abstract concretization, generalization, structural-genetic analysis, and synthesis of the results obtained.

The combination of these methods was complemented by a graphical method to visualize the results of scientific research. Investment inflows, one of the main drivers of economic growth in Kazakhstan, were among the most significant in the former Eastern region. The active development of the oil and gas, chemical, and mining and metallurgy sectors was accompanied by the implementation of corporate social responsibility practices in major companies in the Republic. According to the United Nations, 18 companies officially represent the Republic of Kazakhstan as participants in the global platform for corporate social responsibility and sustainable development (Table 1).

Table 1. Participation of Kazakhstani Companies in the UN Global Compact.

Name	Company Size	Field of Activity	Joining
JSC "Microfinance Company "OnlineKazFinance"	Large Business	Finance and Credit Services	2023
First Heartland Jusan Bank JSC	Large Business	Banking Services	2023
Central Asian Institute of Ecological Research	Small and Medium Business	Diversified Activities	2023
JSC HALYK BANK	Large Business	Banking Services	2023
JSC AK Altynalmas	Large Business	Mining and Industry	2022
Karachaganak Green Energy Corporation	Small and Medium Business	Alternative Energy	2022
Terra Space LLP	Small and Medium Business	Industrial Engineering	2022
GPI-Lab LLP	Small and Medium Business	Diversified Activities	2022
Mediker LLP	Large Business	Medical Equipment and Services	2022
NAC Kazatomprom JSC	Large Business	Mining and Industry	2022
SAP Kazakhstan	Small and Medium Business	Software and Computer Services	2019
KDL OLYMP LLP	Large Business	Medical Equipment and Services	2018



Joint Stock Company "Export Insurance Company "KazakhExport"	Small and Medium Business	Insurance	2017
Joint Stock Company National Company "Kazakhstan Temir Zholy"	Small and Medium Business	Industrial Transportation	2012
JSC Samruk Energy	Large Business	Electric Power	2011
Daily Express Ltd	Small and Medium Business	Telecommunications Equipment and Services	2010
JSC National Company "KazMunayGas"	Large Business	Oil and Gas Industry	2006

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

The mentioned companies have committed to adhering to the 10 fundamental principles of the UN Global Compact, which are foundational for corporate social responsibility in business. These principles include respecting human rights, eliminating discrimination in labour practices, recognizing the rights of personnel to engage in collective bargaining with business administration, eradicating child labour, actively engaging in voluntary initiatives for environmental protection and the dissemination of safe technologies, and combating corruption.

Corporate social responsibility in the contemporary management practices of Kazakhstani companies is gradually taking on a stable character with clear manifestations. Large businesses now clearly understand that efforts directed towards establishing socially responsible behaviour bring benefits both in the short term and from a strategic perspective (Mikhno et al., 2022). The positive impact on society and the natural environment creates significant potential for influencing customers and improving the financial performance of business activities.

Research conducted based on the analysis of annual financial reports and sustainability reports of the largest companies listed in Forbes demonstrates the increased activity of large businesses in Kazakhstan in the realm of corporate social responsibility and the diversity of its programs. The primary categories of corporate social responsibility programs implemented by companies include the following:

- 1) Environmental programs and initiatives aimed at the protection and preservation of natural resources and the environment.
- 2) Initiatives focused on employee development and ensuring safe working conditions.
- 3) Initiatives related to the production and promotion of high-quality and safe products.
- 4) Sponsorship programs and philanthropic responsibilities towards local communities and regions.

The average exchange rate of the US dollar to the Kazakhstani tenge in 2020 was 412.95.

Currently, large businesses in Kazakhstan demonstrate a stable practice of implementing corporate social responsibility programs that contribute to the achievement of business development goals. Financial indicators, such as revenue and profit, are no longer the sole determining factors of a company's success in the market. Alongside these, the importance of business and brand value indicators, which are directly linked to the image and reputation capital of enterprises, is growing. Improvement in the value of these indicators is possible



through the presence of socially responsible business initiatives implemented within corporate social responsibility programs and projects. Stakeholders and customers pay great attention to a business's behaviour and its approach to addressing important social, economic, and environmental issues. Gaining the loyalty of partners and customers in the long term becomes a necessary factor and condition for the long-term successful development and existence of a company. The creation of shared public and corporate values increases the number of customers, clients, sales volumes, and enhances the financial performance of the business.

Research into the financial reporting and corporate social responsibility practices of large businesses in Kazakhstan has allowed the identification of several key advantages that socially responsible initiatives offer: 1) opportunities for additional income and profit generation by creating a positive, sustainable business image in regions, national, and international markets; 2) improving the image and increasing the value of the reputation capital of companies; 3) increasing the level of investment attractiveness for domestic and foreign investors.

Large businesses have significantly greater financial potential to participate in corporate social responsibility projects compared to medium and small-sized companies. However, the scale and cost of socially responsible initiatives often act as a deterrent for small and medium-sized businesses. The priority of short-term profit remains one of the main focuses for small companies. Many managers of small businesses in Kazakhstan believe that corporate social responsibility brings benefits only in the long term and is not financially profitable. Nevertheless, socially responsible initiatives can yield significant results in the current period and do not necessarily entail significant additional costs. For example, energy efficiency environmental programs can have a powerful effect on resource cost savings, waste management programs can lead to material cost savings and employee development programs are characterized by a significant effect on labour productivity and employee initiative even during their implementation ((Table 2).

Table 2. Key Financial Performance Indicators (2020).

Indicators	Kaz Minerals		Kazakh Communal Systems		Kazakhmys Corporation		Kazchrome	
	million USD	million KZT	million USD	million KZT	million USD	million KZT	million USD	million KZT
Revenue	2355	972497	347,4	143467,7	2139,4	883475	1615,3	667030
Assets	6889	2844812	817,1	337442,4	2514,2	1038245	2762,7	1140853
Net Profit	650	20647,5	47,8	19764,6	279,5	115422	335,5	138557
EBITDA margin	60,8	25107,4	0,07	30,6	0,05	19,1	6,5	27,4
EBITDA	1431	590931	106,3	43900,0	407,5	168302	442,7	182807
Current Ratio (CR)	2,61		0,52		1,35		1,88	
Quick Ratio (QR)	1,9		0,43		0,77		1,07	
Absolute Liquidity Ratio	1,01		0,08		0,01		0,33	
Accounts Receivable Turnover (RT)	15,2		37,05		16,1		1,09	
Asset Turnover Ratio (ATR)	0,34		0,42		0,85		0,58	



Return on Assets (ROA), %	9,4	5,9	11,1	0,12
Return on Sales (ROS), %	27,6	13,8	13,1	20,7
Return on Equity (ROE), %	28,3	11,5	28,8	75,8
Return on Net Assets (RONA), %	22,0	8,9	28,6	113,3

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

The average exchange rate of the US dollar to the national currency (Tenge) for the year 2020 was 1:412.95.

In order to identify the main factors influencing the key financial performance indicators of business activity, the authors collected and analyzed stock market data for the largest participants in quarterly trading for the years 2009–2020. The source of the data was the largest stock exchange in Kazakhstan, KASE. From the pool of all companies, those with the most stable financial results, regular participation in stock trading, and transparency in corporate policy regarding the disclosure of public information to stakeholders were selected. To illustrate the results, the statistical sample included companies from various economic sectors. Among such companies, the following were chosen: "Kcell" is the leading mobile network operator in Kazakhstan; "Halyk Bank," a diversified financial institution; "KazTransOil" JSC, a company engaged in oil transit; VSS Commercial Bank; the innovative online trading services company "Kaspi," "Kaztelecom" JSC, the national telecommunications company; and "KEGOC" JSC, an energy company.

The conducted research has shown that in modern business conditions, the correlation between the size and impact on traditional financial performance indicators, such as the company's assets and equity, is diminishing. The size of the raised funds no longer plays a leading role in generating business income. In contemporary business conditions, revenue is a fairly volatile, flexible, and sensitive indicator, and non-financial factors are beginning to exert a significant influence on it. For example, regression analysis revealed a rather weak relationship between the size of net income and the asset value of the selected companies. Similarly, the correlation between the size of net income and the equity size of business investors was found to be relatively weak. These results suggest that, at present, revenue is influenced to a certain extent by non-financial factors. Excluding the direct influence of sales volumes and the impact of pricing factors, which are always the main indicators of income size, it is considered possible that the influence of the level of business activity in the practice of corporate social responsibility on the process of forming companies' net income will increase (Table 3).

Table 3. Assessment of the degree of dependence of financial indicators on the capital cost of the enterprise (period 2007-2020).

Companies and areas of CSR	Power functions			
	Ratio of the rate of change in the value of assets and capital to the increase in net income	Degree of dependence of net revenue on assets	Degree of dependence of net revenue on equity capital	Degree of dependence of the KASE index on net revenue
Kcell	Assets = 156.6%	R ² = 0,56	R ² = 0,44	R ² = 0,15



More than 40 social programs: education, sports, support for people with disabilities, preservation of the cultural heritage of the region. The amount of social investment is \$6 million per year	Capital = 84.0% Net income = 41.5%	$Y = -0,8X + 1,7$	$Y = -0,8X + 3,7$	$Y = -0,8X + 2,2$
Halyk Bank CSR projects: children's healthcare, education, support for culture, art, mass and professional sports, environmental protection and care for children without parental care	Assets = 624% Capital = 869% Net income = 785%	$R^2 = 0,94$ $Y = 0,04X - 3,1$	$R^2 = 0,96$ $Y = 0,3X - 3,6$	$R^2 = 0,42$ $Y = 1,9X + 12,8$
KazTransOil Adoption of the CSR Code, natural resource conservation programs, environmental neutrality, energy efficiency, human rights protection, personnel development	Assets = 243% Capital = 278% Net income = 248%	$R^2 = 0,67$ $Y = 0,14X - 2,6$	$R^2 = 0,65$ $Y = 0,16X - 19,7$	$R^2 = 0,32$ $Y = 1,2X + 96,3$
BCC CSR projects: charity, financing the revival of national culture, credit lines for green economy companies, personnel development and labor protection programs	Assets = 211% Capital = 170% Net income = 72%	$R^2 = 0,01$ $Y = -0,01X + 99,6$	$R^2 = 0,03$ $Y = 0,09X - 31,1$	$R^2 = 0,26$ $Y = 3,2X + 13,8$
Kaspi CSR projects: social and financial support for veterans, charity, purchase of equipment for medical institutions for the treatment of Covid	Assets = 150% Capital = 648% Net income = 2203%	$R^2 = 0,71$ $Y = 0,08X - 3,16$	$R^2 = 0,79$ $Y = 0,7X - 3,8$	$R^2 = 0,07$ $Y = 2,1X + 14,7$
Kazakhtelecom CSR projects: environmental protection, energy efficiency, occupational safety and health, anti-fraud and corruption	Assets = 557% Capital = 827% Net income = 739%	$R^2 = 0,39$ $Y = 1,14X - 1,6$	$R^2 = 0,47$ $Y = 0,2X - 1,1$	$R^2 = 0,04$ $Y = 1,2X + 14,7$
KEGOC Creation of new jobs, implementation of social programs for personnel, sponsorship and charity, environmental and educational events, support for sports	Assets = 545% Capital = 458% Net income = 1281%	$R^2 = 0,64$ $Y = 0,07X - 1,5$	$R^2 = 0,60$ $Y = 0,1X - 1,5$	$R^2 = 0,69$ $Y = 1,5X + 11,4$

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

Additionally, the analysis revealed the presence of a relatively weak quantitative relationship between the main indicators of stock market activity of the companies and the size of their net income (KASE index - the primary indicator of the stock market in Kazakhstan).

Such results provide the basis for the hypothesis that indicators of companies' business activity on stock markets today are determined not only by financial indicators of their performance. We consider reputational



(image) capital to be one of the main factors influencing companies on the value of companies' index stock positions, the value of which today is largely determined by the level of business participation in solving social development problems: socio-economic, environmental, cultural, regional, that is, the actual level of social business responsibility. The results obtained indirectly confirm this assumption and will serve for further research into the impact of social responsibility of modern business on its key indicators and market ratings.

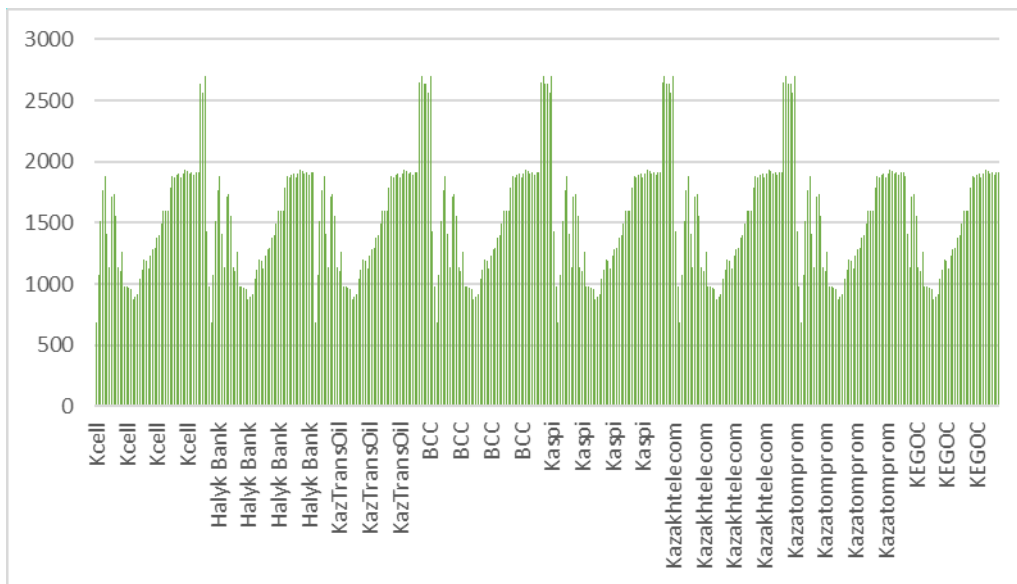


Fig. 1. Dynamics of the KASE index of companies Kazakhstan (2009-2020).

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

The study is devoted to CSR and firms' performance issues and it is mostly focused on CSR activities and firms' performance. How does firm performance affect CSR activities in Kazakhstan? The paper strives to find a correlation between performance and CSR activities of the firm. The motivation behind it is to conduct this study in a developing country, which is more vulnerable to any external shocks. Businesses in emerging economies face numerous problems in their projects and probably, CSR activities are needed to improve their image. The research employs quarterly data obtained from Bloomberg Finance (2023) and the Kazakhstan Stock Exchange (2023). The sample employs eight largest corporations in Kazakhstan. The period studied is Q1- 2010 through Q1-2020, which employs 44 quarters. Several financial ratios and accounting profitability were taken into account when measuring profitability. In scientific research classic financial indicators such as return on equity, return on assets, as well as surplus-value were used.

CSR is measured by Moskowitz's (1972, 1975) tripartite ratings ('outstanding', 'honorable mentioned', and 'worst' companies). For example, Sturdivant and Ginter (1977) employed Moskowitz's categories in their studies. Moskowitz's categories data for Kazakhstani companies were hand-collected from annual audited reports from January 2010 – December 2020. The panel least squares technique was employed in the study. The main model is demonstrated below:



$$CSR = \alpha_0 + \alpha_1ROA_{t-1} + \alpha_2ROE_{t-1} + \alpha_3MV_{t-1} + \alpha_4NPM_{t-1} + \varepsilon \quad (1)$$

Where: ROA – Return on assets; ROE – Return on equity; MV-Market value; NPM-Net profit margin.

In this model, prior financial performance is employed in the research because the higher the company's financial performance, the more it can be active, effective, and mobile in socially responsible practices. ROA and ROE are classical variables in finance, which demonstrate Return on Assets and Return on Equity. Both are measures of profitability and efficiency. Greater profitability and greater efficiency may improve CSR practices. Only profitable businesses may actively engage in CSR projects. NPM stands for Net Profit Margin.

Table 4 below demonstrates descriptive statistics parameters for all the variables studied. The table demonstrates such parameters as mean, median, and IQR.

Table 4. Companies from Index KASE, 2022.

Code	Company	Last price, KZT	Weight, %	Shares, pcs	Fi, %
HSBK	Halyk Bank	125,88	15,3	10 908 249 222	30,5
KSPI	Kaspi.kz	34 050,00	15,2	190 309 970	23,3
KCEL	Kcell	1 774,86	15,2	200 000 000	34,1
KMGZ	KazMunayGas	9 560,02	15,0	610 119 493	3,0
KZAP	Kazatomprom	13 420,00	14,1	259 356 608	25,0
KZTK	Kazakhtelecom	29 592,00	7,5	10 338 514	16,3
CCBN	Bank Center Credit	631,30	7,2	188 029 035	40,4
KEGC	KEGOC	1 618,70	6,3	259 998 191	10,0
KZTO	Kaztransoil	717,00	4,1	384 618 364	10,0

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

Figure 2 demonstrates Index KASE behaviour from 2001 till 2022.

NPM is an indicator of net profit margin; it is the percentage of profit that a business receives for each monetary unit earned. Unlike the net profit indicator, the return on sales is calculated as a percentage, which makes it easier to analyse financial performance. These metrics are a measure of profitability and efficiency. Higher profitability and greater efficiency can improve CSR practices. Only profitable enterprises can actively participate in CSR projects. Profitability ratios are useful from the point of view of both absolute value and dynamics. Analysis of dynamics allows us to highlight the nature of changes in the profitability of an enterprise



and determine the direction of movement. Figures 3-5 below show the dynamics of the ROA, ROE and NPM coefficients for leading enterprises in Kazakhstan. Trends are downward and unstable.

But in general, the coefficients are positive, with the exception of 2010, 2011 and 2012, which shows that enterprises are competitive and attractive to investors



Fig. 2. KASE index (2001 -2022) of the most liquid shares of resident companies of the Republic of Kazakhstan.

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

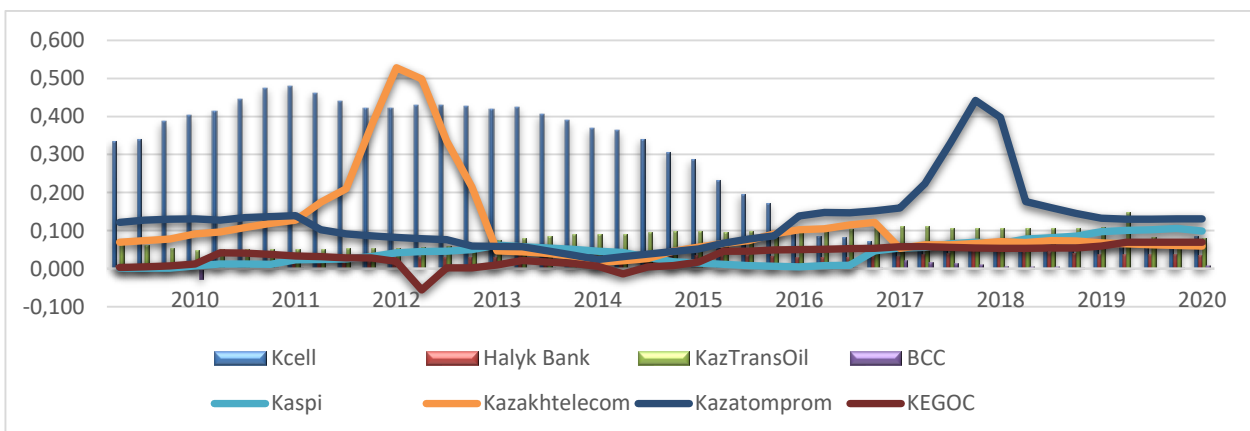


Fig. 3. ROA - Return on assets of leading enterprises in Kazakhstan.

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

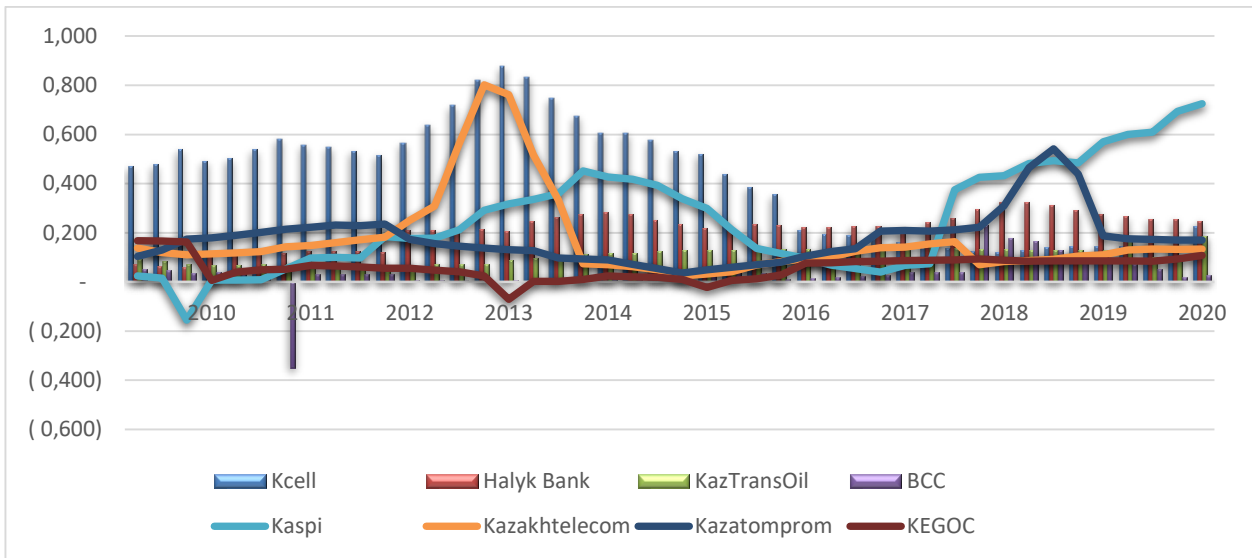


Fig. 4. ROE - Return on equity of leading enterprises in Kazakhstan.
 Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

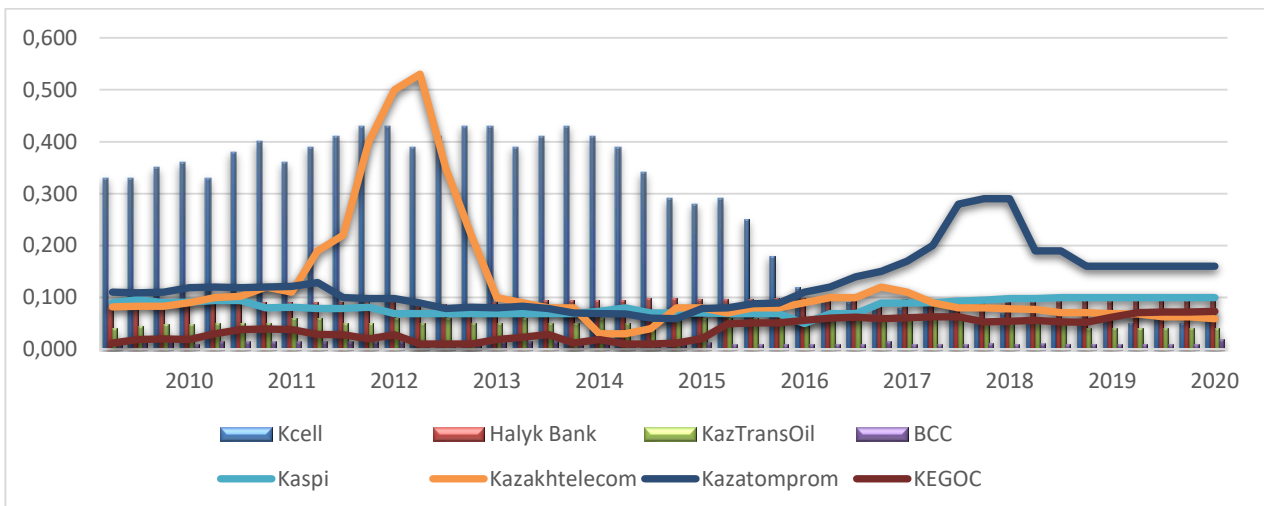


Fig. 5. NPM - Net Profit Margin of leading enterprises in Kazakhstan.
 Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

Table 5 presents descriptive statistics for all study variables. The goal of descriptive statistics is to use mathematical tools to reduce hundreds of sample values to a few summary measures that provide insight into the sample. The following statistical indicators are used: mean, median, dispersion, standard deviation.

The table below provides summary statistics of data for the 1st quarter of 2010–4th quarter of 2020. Return on assets is the ratio of net profit to average assets. The asset variable is measured by the natural logarithm of total assets. Return on equity is the ratio of net income to equity. Net profit margin is the ratio of net profit to sales. The reliability level is 95%.



Table 5. Descriptive Statistics (Kazakhstan data).

	Kcell	Halyk Bank	KazTransOil	BCC	Kaspi	Kazakh telecom	Kazatomprom	KEG OC
ROA – Return on Assets								
Average	0,257	0,032	0,083	0,003	0,042	0,112	0,125	0,033
Standard error	0,025	0,002	0,004	0,001	0,005	0,017	0,013	0,004
Median	0,320	0,033	0,090	0,002	0,044	0,072	0,128	0,039
Standard deviation	0,167	0,011	0,024	0,006	0,032	0,114	0,086	0,027
Sample variance	0,028	0,000	0,001	0,000	0,001	0,013	0,007	0,001
Interval	0,430	0,041	0,099	0,047	0,105	0,512	0,418	0,125
Minimum	0,049	0,008	0,048	-0,026	0,001	0,016	0,024	-0,056
Maximum	0,480	0,049	0,148	0,021	0,106	0,528	0,442	0,069
Reliability level(95.0%)	0,051	0,003	0,007	0,002	0,010	0,035	0,026	0,008
ROE – Return on equity								
Average	0,257	0,032	0,083	0,003	0,042	0,112	0,125	0,033
Standard error	0,025	0,002	0,004	0,001	0,005	0,017	0,013	0,004
Median	0,320	0,033	0,090	0,002	0,044	0,072	0,128	0,039
Standard deviation	0,167	0,011	0,024	0,006	0,032	0,114	0,086	0,027
Sample variance	0,028	0,000	0,001	0,000	0,001	0,013	0,007	0,001
Interval	0,430	0,041	0,099	0,047	0,105	0,512	0,418	0,125
Minimum	0,049	0,008	0,048	-0,026	0,001	0,016	0,024	-0,056
Maximum	0,480	0,049	0,148	0,021	0,106	0,528	0,442	0,069
Reliability level(95.0%)	0,051	0,003	0,007	0,002	0,010	0,035	0,026	0,008
NPM - Net Profit Margin								
Average	0,251	0,093	0,053	0,013	0,082	0,123	0,127	0,039
Standard error	0,023	0,001	0,001	0,000	0,002	0,017	0,009	0,003
Median	0,310	0,095	0,050	0,015	0,081	0,083	0,115	0,038
Standard deviation	0,152	0,005	0,007	0,003	0,013	0,112	0,057	0,021
Sample variance	0,023	0,000	0,000	0,000	0,000	0,013	0,003	0,000
Interval	0,380	0,019	0,020	0,010	0,050	0,500	0,231	0,063
Minimum	0,050	0,080	0,040	0,010	0,050	0,030	0,059	0,010
Maximum	0,430	0,099	0,060	0,020	0,100	0,530	0,290	0,073
Reliability level(95.0%)	0,046	0,002	0,002	0,001	0,004	0,034	0,017	0,006

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

The correlation matrix (Table 6) shows the correlation coefficients between the variables.

The table shows that the correlation between all the studied variables is low. Some relationships are negative. It can be interpreted that all the variables studied are not significantly correlated, which means that there is no problem of multicollinearity.

Based on this fact, we can assume that all variables can be easily studied and used in one regression model.



Table 6. Correlation Matrix (data from Kazakhstan)

Variable	ROA	ROE	NPM	MV
ROA	1			
ROE	0,023	1		
NPM	0,012	0,005	1	
MV	0,010	0,012	0,043	1

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

RESULTS AND DISCUSSION

The extended Dickey-Fuller unit root test was used as a prelude to the regression analysis. The results show that there is a unit root at the first level. The data was logged and varied in some cases to eliminate the unit root problem.

Today, the most popular statistical test in statistical research is t-tests. T-test It is also called paired Student's T-test, t-test, two-sample unpaired t-test.

It is worth noting that the results of statistical tests and their interpretation in general do not indicate an exact “yes” or “no” in the conclusion, that is, growth is different, or growth is not different. It is always a matter of a certain degree of probability - the degree of probability of being mistaken when stating a positive result.

Table 7 presents the relationship between CSR activities and profitability indicators for companies in Kazakhstan. The results show the T-test in parentheses.

Table 7. CSR and hard performance indicators (data from Kazakhstan).

Indicators	Coefficients		t-statistic		P-Value	
	5%*	1%**	5%*	1%**	5%*	1%**
ROA t-1	0.061	0.069	1.821	1.674	0.000	0.000
ROE t-1	0.052	0.059	2.932	2.741	0.000	0.000
NPM	0.451	0.049	2.523	2.981	0.000	0.000
MV	0.002	0.002	2.182	2.651	0.000	0.000
Scaled R squared	0.198					

Source: developed by the authors on the basis of Kazakhstan Stock Exchange JSC (2023).

The research results presented show the correlations between previous financial and accounting indicators and CSR. Correlations between the variables used are presented. The results indicate that ROA and ROE do not influence CSR in Kazakhstan. However, there is a relationship between CSR and NPM in Kazakhstan. Various confidence intervals were used and demonstrated. The model and its applicability were explained in detail earlier. Classic indicators of efficiency are ROA and ROE, which do not correlate with CSR in Kazakhstan. However, NPM is strongly correlated with CSR practices in Kazakhstan. Profitable companies practice CSR in Kazakhstan.



The practice of CSR is influenced by the performance results of companies in Kazakhstan. Kazakhstani companies demonstrate a correlation between CSR practices and NPM, which is an indicator of profitability. Kazakhstani companies have a link between CSR practices and firm efficiency, but it occurs only through net profit margin. CSR practices in Kazakhstan are of interest only to profitable (high NPM) businesses. The results are interesting and unique due to the emerging post-Soviet economy. This is an innovative study that opens up new opportunities for further research.

CONCLUSION

Kazakh companies are increasing their expenses related to improving their ESG rating, clearly understanding the relationship between factors, reliability, and the prospects of gaining a competitive advantage. Improving the company's business reputation and increasing and qualitatively improving the human capital of employees leads to the growth of the company's financial position. Expenses for improving the ESG rating should not be limited to the implementation of environmentally friendly production technologies, rational use of natural resources, and environmental pollution reduction, but also expanded through reputational improvements in its relationships with stakeholders in the fields of ecology, social sphere, corporate governance, and public reporting on this activity. "ESG company rating—financial success" as a practice aimed at increasing the ESG rating contributes to the accumulation of intellectual capital, which provides a competitive advantage.

ESG strategy is dynamically developing, forming responsible investment, and reflecting the desire of investors to invest only in instruments of issuers with a high ESG rating. However, there are significant risks to trust in ESG company reports, which can lead to the presentation of unjustified profitability of shares with high ESG ratings (of which there are many, but they are largely incomparable, immaterial, and unstable). It is difficult to calculate the business reputation of a company and the quality of human resource management, even in the short term.

Further research is needed on the relationship between "responsibility level (ESG rating) and financial performance and investment efficiency" in the context of actual changes in the business model, regional and global risks, the development of a clear, unified methodology, and a list of mandatory criteria for assessing the situation when companies that do not meet investors' ESG expectations lose capitalization and increase the risk of losing access to capital markets.

The results of the study are consistent with the theory and confirm the fact that CSR practices and firm performance are correlated. The association between CSR activities and financial performance was tested, and the results show that there is a positive correlation among those variables studied in Kazakhstan. The limitation of the research is the fact that only 8 firms. Another limitation of this research is that only a short period was studied. The study employed only a ten-year period. The problem with a small sample is due to the fact that the data is unavailable in Kazakhstan.

The possibility and implications of additional explanatory variables must be explored. To avoid the problems of accounting-based and financial measures, it would be better to use only stock-market-based



measures of performance. Therefore, further research may employ market indicators such as stock prices or stock market indexes in their study.

Further research may also employ new techniques such as the Granger causality method, which analyzes the influence on both dimensions such as CSR and profitability. Such variables as retained earnings may be added. Probably, retained earnings play a crucial role in this matter as well. It should be noted and studied further. Comparative analysis of developing and developed countries may be employed as well. The study may take place in any developing or emerging country as well as in a developed one. Moreover, a qualitative approach may be performed as well as a quantitative technique. In-depth interviews, questionnaires, and other qualitative approaches may be employed as well. The topic is a promising avenue for further research. The topic is interesting for academicians as well as for business people.

CSR activities are essentially important in emerging economies because they are focused on society. The more they earn, the more they engage in CSR practices. The financial performance of a firm and CSR practices are positively correlated in Kazakhstan. It should be taken into consideration as well.

In addition, it should be noted that Kazakhstan is an emerging country and that it differs from developed markets in managerial, cultural, ethical, and social practices.

In our opinion, we should not forget about the peculiar effects of the implementation of socially responsible policy in a particular enterprise. The latter will manifest itself in creating a positive image, improving the reputation, and establishing effective interaction with target audiences. At the same time, it should be noted that the process of forming a positive image based on corporate social responsibility is a systemic process that requires significant financial resources, but the benefits that the company receives as a result are quite significant. Thus, in particular, when investing in the social development of staff, the company ensures the recruitment and retention of highly qualified personnel, increases productivity, increases sales, and maximizes profits. In summary, we note that corporate social responsibility is focused on the future, and the funds that the company spends on it will return only later, but in an increased amount (Lipovka et al, 2021; Aslanzade, 2021).

The social responsibility of enterprises in Kazakhstan should be considered in two aspects: as a necessary cost item and as strategic reputational investments that contribute to the creation of a more sustainable global world and positively correlate with the financial position of the company.

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