

# ABSTRACT

The economic consequence of engagement in socially responsible activities on firm valuation is quite a contentious issue. The debate on whether the objective of business is to maximize shareholders' wealth or to maximize the welfare of society touches upon issues relevant to the long-term sustainability of firms. Businesses are under increasing pressure to act more ethically and responsibly due to the changes in technology, easy access to information, and better awareness of the adverse effects of business operations. Public pressure is mounting for corporate accountability covering all aspects of business operations whether legal, social, moral, governance, or financial by various stakeholders. Consequently, corporations are responding by issuing corporate social responsibility (CSR) related reports and analysts are providing coverage on CSR-related issues. Increasing number of investors not only evaluate the financial performance of firms but also looking at how corporations are meeting their social responsibilities.

The research question for the thesis is "Does CSR (Community involvement, Environment contribution, Workplace, Diverse) activities influence FV (Return on Assets, Tobin'Q) and innovation in the manufacturing firms of Pakistan?". The population was taken from different industrial sectors, which comprise 132 firms listed on the Pakistan Stock Exchange (PSE) covering the time period from 2006 to 2017 for CSR, and other firm-specific financial variables. The software Stata Tools 13.0 was used to analyze the data. The analysis was conducted for a twelve-year period. The results from the study demonstrated that no significant relationship exists between CSR, Innovation and the FV measured by Tobin'q. But there is significant relation between CSR, Wealth Maximization (P/E Ratio) and firm value measured by (ROA). Recommended future studies for the findings include, conducting a replication study utilizing other FV indicators such as return on investments, earnings per share, or return on sales.