UNIVERSITY OF TARTU

Faculty of Social Sciences

School of Economics and Business Administration

Famil Mammadov

MEDIA ATTENTION INFLUENCE ON THE LINK BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE

Bachelor's Thesis

Supervisor: Associate professor Kertu Lääts

Tartu 2023

I have written this Bachelor Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

Table of Contents

Introduction

In recent years, there has been a rising demand from different stakeholder groups and communities, such as investors or consumers, for companies to be more transparent as well as more accountable for the issues that are on an economic, environmental, and societal level. However, some critics argue that the company's only desire is to increase its value. Friedman (1970) mentions that the traditional approach implies that the company's ultimate goal is to increase its shareholders' value. On the other hand, corporate social responsibility (CSR) has gained increasing attention as a way for companies to align their traditional approach to business with societal values and expectations. This creates an argument about whether businesses should or not be socially responsible. Furthermore, the reason behind the argument is the possible interference of CSR on the financial performance of businesses. Some studies have found that CSR can positively impact financial performance (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003), while others have found no significant relationship (McWilliams & Siegel, 2001).

As for the analysis, some studies use survey instruments or behavioral and perceptual measures. In contrast, others rely on specific methods such as the Kinder Lydenberg Domini (KLD) rating system, which uses a combination of financial statements, articles in the popular press, academic journals, and government reports to assess CSP along eleven dimensions. There are different approaches and indexes available for studies. An example is the study (Mentor, 2016) that uses the two ratings MSCI and ESG in the study. However, a different case study (McWilliams & Siegel, 2001) used a quantitative approach to the link between CSR and financial performance. The study was based on the retail industry, and the results indicated a negative relationship between corporate social responsibility (CSR) and financial performance in the retail industry, with companies that prioritized CSR experiencing lower levels of financial performance. Further studies have found that the impact of CSR on financial performance is more pronounced in specific industries, such as those with high levels of consumer interaction or those that rely on natural resources (Margolis & Walsh, 2003).

However, what makes the part of the research so hindered is the ability to prove the evidence. The relationship between CSR and financial performance is not necessarily straightforward. It may depend on various factors, including the specific CSR initiatives undertaken, the industry in which the company operates, and the expectations of different stakeholders (McWilliams & Siegel, 2001).

This work aims to determine if media attention influences the relationship between CSR and financial performance based on the consumer goods companies in France and UK. Before the author investigates how media attention influences the link between financial performance and CSR, the author will first determine the link between CSR and financial performance, followed by the relationship between CSR and media attention. Based on the results, the author will determine whether the media attention has a positive, negative, or no effect on the link between CSR and financial performance, which can be used by corporate managers who want to improve their strategies with CSR activities as well as investors who want to better understand how CSR and media can influence the financial performance of the company.

As for the tasks of this work, the list is as follows:

- To present the necessary theoretical background behind CSR and to explore the type of connection between CSR and financial performance;
- To give an overview of the previous empirical studies on the relationship between Corporate Social Responsibility and Financial performance.
- To explain the reasons behind choosing media attention as a moderating role and to set up the hypothesis for empirical research;
- To explain the methodology and gather all the data that is necessary for this research;
- Based on the results, discuss and compare the main findings and elaborate on how the research can be explored further.

The unique part of this work is the ability to test the relationship between CSR and financial performance using a media attention as a moderating variable. This study was inspired by the Li, Fu, Han & Liang (2023) who are the first to analyse the relationship using the media attention. Furthermore, this study attempts to analyse whether the high score in CSR gives the financial support or hindrance to the companies using the ESG score for the CSR measurement. Consequently, bringing the further support to the previous studies made to analyse the relationship between two variants.

In addition, this study choses United Kingdom and France for a research topic on the link between CSR and financial performance for the consumer sector both in staples and discretionary. The reason for choosing two countries was their popular rating in this specific sector. Therefore, studying the link between CSR and financial performance in these two countries for consumer sector can also provide insights into the importance of social responsibility in the presence of media attention.

The structure of the thesis consists of two chapters. The first chapter of the thesis is divided into three main theoretical subchapters. The first subchapter 1, provides the overall theory behind the two main topics. The first topic is dedicated to explaining the necessary information about CSR to further amplify the research, as the definition behind CSR is still under exploration. The author explains the theoretical background behind CSR to understand the CSR connection with financial performance better. Subchapter 2 is dedicated to the previous empirical studies on the relationship to better understand the previous methodology and data used for the investigation. Then proceeding with subchapter 3, where the author provides explanations behind choosing the methodology and data for the empirical research and setting up the hypothesis for the models.

On the other hand, the second chapter focuses on the more empirical part of this thesis. The first subchapter mainly acknowledges the data and methodology behind the research, the second addresses the results, and the third focuses on discussions of the analysis.

Keywords: Corporate social responsibility (CSR), Financial performance, Media attention.

1. Theoretical framework of the link between CSR and the financial performance

1.1. Definition of CSR and its reasoning behind the relationship with financial performance

Firstly, the importance of CSR itself needs to be clarified and is still in the ongoing debate. As mentioned previously, some studies put into arguing whether companies should be socially responsible. These studies imply that businesses do not have the power to influence social aspects; therefore, CSR should not be considered part of a business strategy. Critics argue further that the employee’s mission is to fulfill the interests of its shareholders by increasing their value. Friedman (1970) mentioned this in the beginning, as the businesses’ traditional approach focuses solely on increasing the shareholder’s value. On the other hand, some studies argue that companies are indeed part of society and have the power to change the environment that the company is surrounded by. Therefore, societal values, as well as the responsibility for the environment, should be considered when pursuing the desire to achieve economic goals.

In addition, Tsoutsoura (2004) mentions as well whether social responsibility should be addressed by corporations and instead explains that CSR covers issues such as human rights and topics that, in general, address the well-being of communities that often should be dealt with by elected governments and consequently there is a huge concern on why corporations should cover these topics. In support, companies sometimes do not have materials to deal with issues related to societal problems and are concerned to be best addressed by governments. Nevertheless, on the opposite side, though the government is the one that should address issues related to CSR, one can argue that so-called "the shift balance of power" is tending toward corporations. Companies now hold more power over the economic, environmental, and societal areas, so they should be more responsible for solving social issues. (Tsoutsoura, 2004)

With that noted, CSR extends the view and considers aspects beyond the traditional approach. Instead of concentrating only on shareholders, companies pursue forward to take into account all stakeholders that are affected by their actions. Generally, companies tend to differ in how they implement corporate social responsibility. If a company has a weakness in some specific social or environmental area, it may want to focus on addressing the specifics; however, some companies tend to concentrate on the full implementation of CSR, addressing all areas (Tsoutsoura, 2004). The importance can vary for different companies. For example, the larger the company is, the more influence it has on its surrounding. Therefore, these types of companies tend to invest more in CSR. The other aspects, for example, are transparency, industry, demand, and reports. The CSR strategy must align with the company's corporate goals and core capabilities. The CSR principles must be incorporated into the organization's strategic planning and values. Management and staff members share this commitment in order for a company to implement CSR successfully. (Tsoutsoura, 2004)

It is also important for companies to consider the finances available when implementing CSR. There are different ways that CSR can affect a company's financial performance. There have been various studies on the link between CSR and financial performance, and the results of these studies have been somewhat different.

An example of this is the company purchasing expensive equipment that would reduce environmental pollution. In this case, for a short period, it negatively affected the company's finances. However, it also invested in CSR and made the future look more promising for potential benefits, i.e., in the long run. Although it is not easy to justify that purchasing equipment that produces less or no pollution to the environment would generate more financial performance in the future, CSR can affect financial performance indirectly. For instance, if the company chooses not to invest in the equipment and significantly pollutes the environment, the company would be obligated to pay fines which in the long-term would generate more cost than the short-term investment. It is not practical for a company to generate negative profits; therefore, it implements CSR to potentially reduce the risk of unexpected costs and increase benefits in the future.

A business's commitment to and adoption of CSR activities can help it gain a competitive advantage by meeting stakeholders' requirements. Consumer loyalty is often increased when companies adopt CSR activities, and socially responsible companies may attract more investment. Some investors may avoid companies that do not adhere to their defined values and mission or violate laws and principles. A company's financial performance can influence its social performance, as companies with more profits may have more resources to invest in social activities. At the same time, investing in social activities can attract more resources, conscious consumers, and a better reputation, leading to a competitive advantage over other companies. (Gaio & Henriques, 2020)

There are many other benefits that CSR can provide for the company, though the benefits may not directly affect the financial performance of a company. One of the benefits can be the image and reputation of a company's brand. There is no secret that a good brand can bring many advantages to the company, and implementing CSR can amplify the brand further (Tsoutsoura, 2004). When a company invests in the community and deals with social problems, its brand and image are perceived as more reliable as it is willing to invest in the future and focus on the long term. This attracts investors to put their money into the company in hopes of making a profit in the future, therefore, increasing the company's financial performance. The company's profits can also increase as customers are more attracted to brands and companies with good images and reputations. Companies that are dealing with CSR issues gain more trust from the customers. Overall, with a good reputation, a socially responsible company can attract more funds and profits, thus bringing more benefits to financial performance (Tsoutsoura, 2004).

On the other hand, they also can reduce the risk of potential unexpected costs. For instance, reputation. A negative reputation can bring more social risks that can significantly damage the company's finances.

Not only a socially responsible company can bring more money into the business, but it also can reduce the risk of potential unexpected costs. “Overlooking negative social and environmental externalities when valuing a company might be equal to ignoring significant tail risk.” (Tsoutsoura, 2004). Overall, additional costs of being a socially responsible company can reduce risks of significant financial damage by avoiding fines. (Tsoutsoura, 2004)

In addition, a socially responsible company can bring more benefits internally. As mentioned by some studies, successful implementation of CSR can cause an increase in internal factors of the company. There are instances where doing what is ethical and responsible aligns with what is best for the business. Implementing corporate social responsibility (CSR) initiatives can often lead to cost savings by reducing packaging materials or optimizing delivery routes. Adopting CSR principles can also inspire company leaders to reevaluate their business practices and find more efficient ways of operating.

Furthermore, companies that are perceived to have a solid commitment to CSR may be more successful in attracting and retaining employees, leading to lower turnover, recruitment, and training costs. Employees may also consider a company's CSR performance when evaluating whether their values align with the company's. In some cases, their supervisors may ask employees to ignore written or moral laws in pursuit of higher profits, which can create a toxic culture of fear in the workplace and damage employee trust, loyalty, and commitment to the company. Companies that improve working conditions and labor practices may see increased productivity and reduced error rates. Implementing regular checks on production facilities worldwide to ensure that employees are working in good conditions and receiving fair wages can be costly. However, the increased productivity and improved quality of products can generate positive cash flow that offsets these costs. Companies may benefit from socially responsible actions regarding employee morale and productivity.

Table 1

Advantages and disadvantages of CSR on financial performance

Advantages	Disadvantages
Cost savings from sustainability initiatives	Increased costs associated with implementing CSR practices
More profits with investor's interest	Reduced profits due to lower demand for products or services
Stable income with increased customer loyalty and retention	Regulatory fines or penalties for non-compliance with CSR-related regulations

Source: compiled by the author

In general, depending on its specific circumstances, the decision to implement corporate social responsibility (CSR) can have both advantages and disadvantages for a company,. While CSR initiatives may not always directly benefit companies in terms of immediate increase in financial performance, there are studies that aim to explore the relationship between financial performance and CSR. Some argue that it is not the responsibility of corporations to be socially responsible, as the impact of CSR may not always bring direct benefits for the company. However, due to the significant growth of corporations, others argue that companies have become more influential in the environment than the government, suggesting that companies should be more responsible.

1.2. Overview of empirical studies on the relationship between CSR and Financial performance

The studies on the topic of the link between CSR and financial performance ranges to decades, however, more recent studies are also available. In this subchapter the author analyses and compares the studies that were made (see Table 2) in order to better understand the relationship and the methodology.

Table 2

Overview of studies on CSR and Financial performance

Source	Date	Stock Market	CSR Measurement	Result
Tenuta & Cambrea (2022)	2013 - 2019	Italy	Standard Ethics Rating (SER)	Positive
Acharya (2022)	2014 - 2019	India	Annual Reports	Positive
Kahloul, Sbai & Grira (2022)	2008 - 2015	French	ESG Score (Asset4*)	Positive
Vuong (2022)	2005 - 2019	Japanese	ESG Score (Asset4*)	Positive
Okafor, Adeleye & Adusei (2021)	2017 - 2019	United States	ESG Disclosure Score (ISS*)	Positive
Han, Kim & Yu (2016)	2008 - 2014	Korea	Bloomberg's ESG Disclosure score	No link
Gaio & Henriques (2020)	2007 - 2016	Europe	The STOXX Europe Sustainability Index	Positive
Akben-Selcuk (2019)	2014 - 2018	Turkey	Borsa Istanbul (BIST)-100 index	Positive
Li, Fu, Han & Liang (2023)	2014 - 2020	China	Rankins CSR Ratings (RKS)	Positive
Kim & Oh (2019)	2010 - 2015	India	Bloomberg's ESG Disclosure score	U-Shaped
Sameer (2021)	2014 - 2018	Maldives	Annual Reports	Negative

Source: compiled by the author

In general, most of the provided authors have a positive result in their research, such as Tenuta & Cambrea (2022), Acharya (2022), Kahloul, Sbai & Grira (2022), and Vuong (2022). However, some studies have shown negative as well as U-shaped results. Each study uses a different stock market for their research, excluding India, which has two studies with conflicting results between Acharya (2022) and Kim & Oh (2019).

Starting with the study made with the evidence from India, Acharya (2022) gathers data from the top 25 companies listed in NSE based on their market capitalization for 2014 and 2019 (5 years). For the research, Acharya (2022) uses Net Profits, Net Sales, and Return on capital employed (ROCE) and additional variables such as Total Assets, Current Liabilities, Capital Employed (CE), and Earnings Before Interest and Tax (EBIT) in order to calculate the financial performance. Moreover, it is mentioned that CSR was measured by calculating costs using annual reports that companies relate to CSR actions. The findings show a statistically significant relationship between CSR and Financial Performance.

Similar to Acharya (2022), Sameer (2021) uses annual reports of the listed companies in MSE to measure CSR. The research is based on the public companies of Maldives, ranging from 2014 - 2018. For gathering data on financial performance, the variables for firm size, Return on Asset (ROA), Return on Equity (ROE), and Earnings per Share (EPS) were used for the analysis. But unlike Acharya (2022), Sameer (2021) has found a negative relationship between CSR and Financial Performance. The difference might be related to the approach to financial performance variables. Or, as mentioned by Sameer (2021), the result might be associated with the country where the study was conducted. In addition to the countries, the results can also vary depending on the industry in which the research was done.

Another example where variables ROA and ROE are in use is in the study by Gaio & Henriques (2020), where the research focuses on the Europe STOXX index. This study is based on the STOXX Europe 600, where a sample of 266 listed companies in 14 industries from 15 European countries are used. Instead of using an annual report to measure CSR, the traditional approach of using a sustainability index was used to measure CSR. In this case, the variable for CSR that the study utilizes derived from the STOXX Europe Sustainability Index, a smaller version of the STOXX Europe 600 Index. The STOXX Europe Sustainability Index groups the chosen companies by analyzing their sector and business practices in combination with sustainability evaluations based on environmental, social, and economic factors. If the outcome of the company and sector valuation is a shaded field in the Sarasin Sustainability Matrix, then the evaluation is deemed positive. Previous studies examining CSR have utilized financial performance metrics, including, as previously mentioned, accounting-based variables return on asset (ROA) and return on equity (ROE) but also market-based measures variable Tobin’s Q. Return on equity (ROE) and return on assets (ROA) use to capture short-term financial performance.

In contrast, market-based measures such as Tobin's Q use to evaluate long-term financial performance. Tobin's Q is often favores by researchers studying the link between CSR and financial performance over the long term (Kahloul, Sbai & Grira (2022), Vuong (2022), Okafor, Adeleye & Adusei (2021), Han, Kim & Yu (2016) and Kim & Oh (2019)). Both in the short-term (ROE and ROA) and in the long-term (Tobin’s Q), Gaio & Henriques (2020) found a positive relationship between CSR and financial performance.

Another way to measure data for CSR is through ESG disclosure scores, which are the primary independent variable used in the analysis of each company, which measure the extent to which a company has disclosed information about its ESG activities on three dimensions - environmental, social, and governance. Okafor, Adeleye & Adusei (2021) studied the relationship between 2017 and 2019 using the top 100 tech companies listed on the S&P 500. In order to assess corporate social responsibility, the study incorporated relevant attributes from the Institutional Shareholder Services (ISS) ESG rating score. The investment research division of ISS manages the ISS-ESG rating score, and it involves researching to compare companies' contributions and initiatives relating to environmental, social, and governance issues. The score also evaluates companies' efforts to achieve sustainable development goals (SDGs). As Okafor, Adeleye & Adusei (2021) focuses on long-term results, the study's sample assembles to calculate several financial metrics, including net profit margin, revenue growth, return on assets, return on equity, and firm value, all of which evaluates using Tobin's Q. As the result, Okafor, Adeleye & Adusei (2021) have found a positive effect on long-term growth by spending on being socially responsible.

Moreover, Han, Kim & Yu (2016) and Kim & Oh (2019) have used the same Bloomberg’s ESG Disclosure score, which is calculated based on publicly available information about the company. The score includes a broad range of data related to various aspects such as CO2 emissions, total waste, energy efficiency, and emissions reduction policies, the number of female board members, and the frequency of board meetings per year. However, both studies use different countries, periods, and financial performance variables for their research. Han, Kim & Yu (2016) focus on listed companies in Korean Stock Market (KOSPI) in 2008 and 2014. In contrast, Kim & Oh (2019) used a sample of Indian-listed firms between 2010 and 2015. In order to evaluate the financial performance of companies, Han, Kim & Yu (2016) uses several measures. These included Return on Equity (ROE), which served as an accounting-based measure of the company's performance; Annual Stock Returns, which provided insight into the company's market-based performance; and Market-to-Book Ratio (MBR) and Tobin’s Q, which represented a combination of both accounting and market perspectives.

On the other hand, Kim & Oh (2019) employs two indicators to represent a company's financial performance. The first is Tobin's Q, which serves as a proxy for the company's overall value, and the second is the return on assets (ROA), which is a proxy for the company's performance. As for the result of the studies, Han, Kim & Yu's (2016) analysis did not reveal any statistically significant indication of a connection between the social responsibility performance score and financial performance. But on the other hand, Kim & Oh's (2019) findings suggest that the impact of CSR is associated with the company's value in the long run but not with its performance in the short term as reflected in accounting measures. As mentioned earlier, many factors can influence the effect of CSR on financial performance. In this case, even though the measurement for CSR was the same, it might be that the results were different because the country, time, and financial variables were not the same.

Additionally, there are several studies that use “a moderating role” in their methodology in order to support further research of the link between CSR and financial performance.

For example, Tenuta & Cambrea (2022) studied the role of executive directors in family firms of the Italian companies listed on the FTSE MIB at the Milan Exchange for 2013 – 2019. In their research, even though corporate social responsibility (CSR) has a negative impact on family firms’ performance, the presence of multiple executive members on the board of directors of the family has a positive effect on CSR linked with corporate financial performance (CFP). Tenuta & Cambrea's (2022) sample was created by merging and cross-referencing data from multiple databases. As mentioned by Tenuta & Cambrea (2022), Standard Ethics Rating (SER) only provides publicly available data for a period of eight years (2013-2020). Therefore, Tenuta & Cambrea (2022) decided to gather the Standard Ethics Rating (SER) for Italian publicly traded firms between 2013 and 2019. Interestingly, Tenuta & Cambrea (2022) note that in order to avoid any potential bias from the COVID-19 pandemic, Tenuta & Cambrea (2022) excluded 2020 from the analysis, as the pandemic negatively impacted firms' financial performance. The dataset used in this study was ROA for financial data and manual collection and includes data on the personal and demographic characteristics of boards of directors.

Another example is by Akben-Selcuk (2019), which comprised a study from the publicly listed Borsa Istanbul (BIST)-100 index companies from 2014 to 2018. Like Tenuta & Cambrea (2022), Akben-Selcuk (2019) uses ROA for the financial performance of the companies. Surprisingly, Akben-Selcuk (2019) results were the same as Tenuta & Cambrea (2022). According to an instrumental variable approach, the study's empirical results suggest that financial performance positively correlates with corporate social responsibility. Additionally, the findings indicate that this correlation is weakened by ownership concentration, despite controlling for endogeneity. Even though the countries, approaches, and data gathering for CSR were different, the similarity in the result might be because of the same use of ROA and almost the same time frame.

Furthermore, another example of a similar approach is the study by Kahloul, Sbai & Grira (2022). In this study, Kahloul, Sbai & Grira (2022) focused on a panel data set that utilizes in this study, including a sample of French companies listed on the SBF 120 from

2008 to 2015. Kahloul, Sbai & Grira (2022) reveal that CSR reporting positively impacts corporate financial performance, further reinforced by gender diversity on the board. In addition, the findings of this research contribute to the understanding of the relationship between CSR and gender diversity.

Last but not least, Li, Fu, Han & Liang (2023) played another moderating role used for the studies. For the research, Li, Fu, Han & Liang (2023) gathered information on Chinese publicly traded firms from 2014 to 2020 to investigate whether a positive or negative association exists between CSR and financial performance. In addition, Li, Fu, Han & Liang (2023) examined the role of media attention as a moderating variable, which has not been explored in previous studies. For measuring CSR, the rating reports issued by RKS implemented. Unlike the other empirical studies mentioned, Li, Fu, Han & Liang (2023) use Earnings before interest and tax (EBIT) and Tobin's Q to calculate the financial performance. By conducting a setting up hypothesis and regression analysis, Li, Fu, Han & Liang (2023) discovered that firms with strong CSR performance have higher financial performance. In addition, there is a positive relationship between media attention and CSR performance. And lastly, positive reports weaken the positive effect of CSR on financial performance, while negative reports reinforce this positive impact. Li, Fu, Han & Liang (2023) is the first study to examine the moderating role of media attention on the relationship between CSR and financial performance.

Overall, since there is no exact way to know what is the ideal way to measure CSR, there is still further research explored for this topic. As mentioned before, the traditional way of measuring CSR is through sustainability indexes (Gaio & Henriques (2020) and Akben-Selcuk (2019)). However, other options can be implemented. The same can be said for the measurement of financial performance. It can be noticed that the most used variables to measure financial performance is ROA and Tobin's Q (See Figure 1). In order to analyze short-term ROA and ROE used. As for the long-term, there is Tobin's Q.

ROA	Tobin's Q	ROE, Net Sales, Net profits, Unebit, EPS
• Tenuta & Cambrea (2022) • Kahloul, Sbai & Grira (2022) • Vuong (2022) • Gaio & Henriques (2020) • Akben-Selcuk (2019) • Kim & Oh (2019) • Sameer (2021)	• Kahloul, Sbai & Grira (2022) • Vuong (2022) • Okafor, Adeleye & Adusei (2021) • Han, Kim & Yu (2016) • Gaio & Henriques (2020) • Li, Fu, Han & Liang (2023) • Kim & Oh (2019)	• Acharya (2022) • Li, Fu, Han & Liang (2023) • Sameer (2021) • Han, Kim & Yu (2016) • Gaio & Henriques (2020) • Sameer (2021)

Figure 1. Financial performance variables used for empirical studies.

Source: compiled by the author

In general, there are different methods to measure both CSR and financial performance that influence the conclusion of the research. However, other factors, such as sample, location, and time, can influence the study results. In the example of studies between Sameer (2021) and Acharya (2022), both use the same approach to measure CSR but reach different results. In addition, some studies use a specific case of companies such as Kahloul, Sbai & Grira (2022), who uses gender diversity on the board to more precisely elaborate on the effect that a moderating role can have on the link between CSR and financial performance. Even though most of the studies tend to show positive results in the relationship, additional factors must be explored.

1.3 Reasons behind empirical research and hypothesis set up

The author's choice of data and hypothesis for the empirical research is based on a review of previous studies that have examined the link between CSR and financial performance. It can be mentioned that more diversity in the research can further improve the relationship between CSR and financial performance. Adding a moderating role in the empirical study further explains the link between CSR and Financial performance. Finding what parts can impact CSR additionally can be used for CSR and financial performance as well. In particular, the author chooses to investigate the relationship between CSR and financial performance with the moderating role of media attention. To the best of the author's knowledge, Li, Fu, Han & Liang (2023) is the only study that has employed this approach in the context of the Chinese market. The author also focuses on companies operating in the consumer goods sector, which will be elaborated on later. To obtain more reliable and accurate results, the author selects France and the UK as the countries of focus for this research, as they are among the top players in this industry.

1.3.1. The hypothesis for FP - ESG

The initial step is to establish whether a correlation exists between corporate social responsibility (CSR) and financial performance. As previously discussed, the relationship between these variables can be positive, negative, or non-existent, based on previous studies. Therefore, it is crucial to comprehend the nature of the association before progressing further with the empirical research.

The following equations are determined for the first model:

$$Q_{i,t} = \beta 0 + \beta 1(ESG)_{i,t} + \beta 2(CF)_{i,t} + \beta 3(DT)_{i,t} + \beta 4(SZ)_{i,t} + \beta 5(AG)_{i,t} + \beta 6(GR)_{i,t} + \varepsilon_{i,t}$$

$$ROA_{i,t} = \beta 0 + \beta 1(ESG)_{i,t} + \beta 2(CF)_{i,t} + \beta 3(DT)_{i,t} + \beta 4(SZ)_{i,t} + \beta 5(AG)_{i,t} + \beta 6(GR)_{i,t} + \varepsilon_{i,t}$$

In this equation, β0 represents the intercept, or the value of financial performance when all of the independent variables are equal to zero. In this case, financial performance includes both equation for each dependent variable for ROA and Tobin's Q financial performance. β1 represents the effect of CSR on financial performance, holding all other variables constant. In addition, following the effects of the control variables Return on Assets, Debt, Size, Age, and Growth on Financial Performance, holding all other variables constant. i represents the effect of time on FP, which may account for changes in the outcome variable over time. And lastly, ε represents the error term, or the degree to which the model does not perfectly fit the data.

The hypothesis for models FP – ESG is set up as follows:

- $H0_{1a}$ = There is no link between CSR and Tobin's Q financial performance
- $H1_{1a}$ = There is a link between CSR and Tobin's Q financial performance
- $H0_{1b}$ = There is no link between CSR and ROA financial performance
- $H1_{1b}$ = There is a link between CSR and ROA financial performance

1.3.2. The hypothesis for ESG – MA

Given that the focus of this thesis is on media attention, the author chooses to examine companies operating in the consumer goods sector as the sample for this study. The consumer goods industry comprises businesses and stocks that produce and sell goods primarily purchased by households and individuals, as opposed to the industrial sector which caters to manufacturers and industries. For the purposes of this research, the consumer goods sector includes companies operating in the consumer staple or consumer discretionary sectors. The media presence has a significant impact on consumer behaviour, particularly in sensitive industries such as the consumer sector. Hadjikhani, Kaptalan-Nagy, Ljungren & Seyed-Mohamrnad (1998) conducted a study on the influence of media attention on consumer behaviour and found that not only do consumers alter their behaviour based on news reports, but producers must also adapt to unexpected events and scandals. As being a socially responsible and stable company is one way for a company to protect its image from negative news, the author aims to investigate whether media attention has an impact on how companies view CSR.

The equation is determined as follows:

$$ESG_{i,t} = \beta 0 + \beta 1(MA)_{i,t} + \beta 2(CF)_{i,t} + \beta 3(DT)_{i,t} + \beta 4(SZ)_{i,t} + \beta 5(AG)_{i,t} + \beta 6(GR)_{i,t} + \varepsilon_{i,t}$$

The second equation includes several variables that have an impact on CSR. β0 refers to the intercept, which is the value of CSR when all the independent variables are zero. β1 represents the effect of media attention on CSR while keeping all other variables constant. The control variables such as Return on Assets, Debt, Size, Age, and Growth have effects on Financial Performance and are similar to the first model. The variable "i" captures the effect of time on ESG, which can account for changes in the outcome variable over time. Lastly, ε denotes the error term that measures how much the model deviates from the actual data.

The hypothesis for models ESG – MA is set up as follows:

- $H0_2$ = Media attention has no influence towards the company's implementation on CSR
- $H1_2$ = Media attention has an influence towards the company's implementation on CSR

1.3.3. The hypothesis for FP - ESGMA

If the hypothesis mentioned earlier is tested and the alternative hypothesis is selected for the first two models, the author can proceed to test the final hypothesis. The author aims to investigate whether media attention influences the relationship between financial performance and CSR. By testing this hypothesis, the author can accomplish the research objective.

The equation of the last model is as follows:

$$FP_{i,t} = \beta 0 + \beta 1(ESG)_{i,t} + \beta 2(MA)_{i,t} + \beta 3(ESG \times MA)_{i,t} + \beta 4(CF)_{i,t} + \beta 5(DT)_{i,t} + \beta 6(SZ)_{i,t} + \beta 7(AG)_{i,t} + \beta 8(GR)_{i,t} + \varepsilon_{i,t}$$

The final equation consists of several components. The intercept, β0, represents the value of financial performance when all the independent variables are zero. The financial performance aspect includes two equations for each dependent variable – one for Tobin's Q and one for ROA financial performance, similar to the first model. β1 denotes the impact of CSR on financial performance, while β2 signifies the influence of media attention on financial performance. The model also includes a cross-variable of CSR and media attention (ESG*MA), which illustrates the impact of media attention on the link between financial performance and CSR. Finally, the control variables are taken into account to obtain a more accurate picture of the relationship between the variables.

The hypothesis for models FP – ESGMA is set up as follows:

- $H0_{3a}$ = Media attention has no influence towards the link between CSR and Tobin's Q financial performance
- $H1_{3a}$ = Media attention has an influence towards the link between CSR and Tobin's Q financial performance
- $H0_{3b}$ = Media attention has no influence towards the link between CSR and ROA financial performance
- $H1_{3b}$ = Media attention has an influence towards the link between CSR and ROA financial performance

2. Empirical analysis

2.1. Methodology and data

This section provides a detailed explanation of the methodology used in the research (see figure 2). The methodology employed in this research is similar to that of previous studies, with an emphasis on determining the impact of various variables on reach and engagement. To ensure accurate results, the author follows a similar analysis methodology as that used by Li, Fu, Han & Liang (2023) though the data for this research is different compare to the source. Based on the established hypotheses, the author has developed a study plan consisting of several phases.

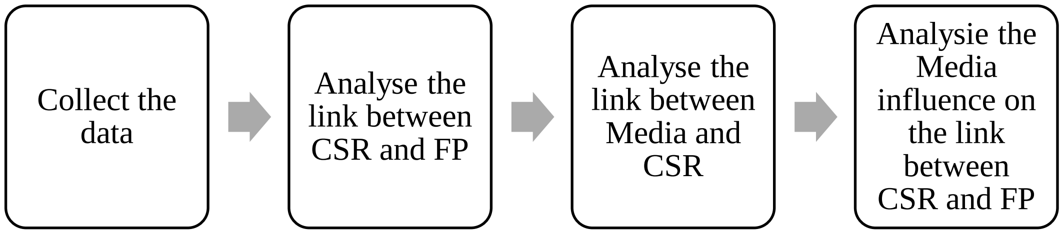

Figure 2. Steps for empirical research

Source: compiled by the author

For this empirical research the author uses the sample consisting of top companies of the United Kingdom and France for the period between 2019 and 2022. The companies that were chosen for this sample are top firms in the consumer sector which are then divided into both consumer staples and consumer discretionary sectors. After a thorough research based on a data availability of existing companies, the list consists of 60 companies (23 companies in consumer staples sector and 37 companies in consumer discretionary sector).

In general, the table 3 illustrates all the variables that are used for the analysis. In order to test the relationship between CSR and financial performance, the author uses two main dependent variables for financial performance (Q & ROA), one main independent variable for CSR (ESG), following with moderating variable (MA) and lastly control variables (CF, DT, SZ, AG, GR).

Table 3

Definition and measurement of variables

Indicator	Variable	Measurement
Dependent Variable		
Q	Tobin's Q	(Market capitalization + total debt)/total assets
ROA	Return on Assets	Net income/Total Assets
Independent Variable		
ESG	ESG Score	Data was collected from S&P Global Sustainability 1.
Moderating Variable		
MA	Media Attention	The data was collected using a search engine that was divided into years
Control Variables		
CF	Cash Flow	Operating Cash Flow/Total Assets
DT	Firm's Debt	Total Debt/Total Assets
SZ	Firm's Size	ln(Total Assets)
AG	Age of the company	ln(Year - IPO initial date)
GR	Growth	Sales Growth

Source: Compiled by the author

As for main variables, the data for measuring CSR was extracted from S&P Global Sustainable 1 Database. Whereas the accounting and financial data was extracted from financial databases such as Yahoo Finance and the Wall Street Journal Market (WSJ).

As mentioned previously the most used measurement for financial performance based on the previous empirical research are ROA and Tobin’s Q. However, similar to Kahloul, Sbai & Grira (2022) in this case author decided to use Tobin’s Q as a dependent variable and ROA as one of the support variables for financial performance. To be brief, in order to assess how well a company generates profits using its assets, the ROA is used, it is determined by dividing net income by total assets. Tobin's Q on the other hand, is a metric that can demonstrate a business's competitive strengths. It is computed by using market capitalization of the company's shares summing with the total debt book value, and then dividing this sum by the total assets of the company. Based on studies, Tobin’s Q shows more reliable results for financial performance than ROA.

For the main independent variable, we use ESG scores which summarizes the company's performance on environmental, social and governmental area. The author implements the ratings from the S&P Global Sustainable 1 Database, the diverse and interrelated collection of unmatched analyses and viewpoints delivers a comprehensive view of ESG performance to meet the varying demands of market players across the value chain. As far as author knows, there are no sources using the same approach for CSR measurement. The scoring system is ranked from 0 to 100 where firms are evaluated based on data they provide to S&P Global while actively engaging in the CSA, as well as on information that is accessible to the public.

One of the outstanding variables the author chose is a moderating variable based on the company's media attention. In order to measure the media attention, Li, Fu, Han & Liang (2023) split the results of the total collected news into two categories – one is positive and another is opposite. For determining whether the news is negative Li, Fu, Han & Liang (2023) use keywords such as "scandal" or "loss" that are more inclined to the negative attention. However, the author finds it hard to determine the accuracy of keywords affecting the overall message of the news. For simplification, the author uses the total number of pieces of news and splits them between each year from 2019 to 2022. In author's logic, the more there are news written on a certain company, the more it attracts the media attention. The data was collected from the "Google Trends" database where you can search for companies and filter the results based on the date and information of what you are looking for. In this case, all the pieces of news related to media such as scandals and gossips were collected for the data.

Lastly, control variables are used to supplement the financial performance of the company. Based on several other studies, the author decides to use control variables such as Cashflow (CF), Leverage (DT), Size of the company (SZ), Firm's age (AG) and firm's growth rate (GR).

2.2. Result of analysis

Table 4 illustrates the descriptive results of the chosen variables. These statistics show that the mean value of Tobin's Q is 1.63, whereas the standard deviation is 1.00. If Tobin's q value is less than 1, the company is undervalued since its stock value is less than its total assets. On the other hand, if it is higher than 1, this can be explained that the company is overvalued; in the same logic, the value of the firm's stock is more expensive than its total assets. Based on the average Tobin's Q value of 1.63, we can say that, on average, there are more overvalued companies. Tobin's Q range can also be considered as a high gap, considering that the minimum Tobin's Q value is 0.2 (undervalued) and the maximum value is 4.

Moreover, according to (Investopedia), if the value of ROA is less than 5%, it is considered a bad return; if it is higher than 5%, then a good return. However, if the value of ROA is higher than 20%, it is considered a great return. According to the author's results, the sample contains companies with a minimum negative return of -19% of ROA and a maximum of 22%, making the average return of 4%. It means the sample has companies that perform relatively badly compared to others. This can also be supported by other control variables such as cash flow (CF), where the minimum has a negative return of -21% and the maximum of 82%, and growth (GR), indicating the highest negative growth of -74% and the highest positive growth of 189%. As for ESG, out of scores from 0 to 100, there is a large gap between the scores for companies in the sample, where the lowest score for ESG is 4, and the highest is 91. It can also be said that the average ESG score between those companies is 46, which is slightly less than half, indicating that there are slightly more companies in the sample that have less than half a score.

The range makes it suitable for a sample since we can compare companies with bad and good overall performance.

Table 4

Descriptive statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
Q	0.20	4.89	1.63	1.00
ROA	-19%	22%	4%	6%
ESG	4	91	46	22
MA	57	642	271	112
CF	-21%	82%	9%	9%
DT	0%	84%	31%	15%
SZ	13.29	18.85	16.03	1.28
AG	0.00	3.66	2.89	0.89
GR	-74%	189%	8%	26%

Source: Compiled by the author

Table 5 displays the Pearson correlation matrix of the 5%. Studies like Vuong (2022) and Kahloul, Sbai & Grira (2022) suggests that a correlation above 0.8 usually indicates multicollinearity. As the highest correlation value among the independent variables is only 0.57, it falls below this threshold. Therefore, there is no indication of multicollinearity based on the Pearson correlation matrix.

There are some outstanding results that can be seen in correlation analysis. For example, ESG has a significant correlation with both ROA and Tobin’s Q. Almost half of the independent variables exhibit a negative correlation with Tobin's Q and ROA such as Size (SZ) and Debt (DT). Most importantly there is a negative statistically significant relationship between ROA and Media Attention (MA). The findings give an overview of the simultaneous relationships among the variables examined, which will be further explored in the following regression analysis.

Table 5

Correlation analysis

Variables	Q	ROA	ESG	ME	CF	DT	SZ	AG	GR
Q	1								
ROA	0.314	1							
ESG	0.049	0.048	1						
MA	0.173	-0.048	0.001	1					
CF	0.314	0.523	-0.13	-0.017	1				
DT	0.024	-0.339	0.268	0.073	-0.141	1			
SZ	-0.211	-0.017	0.572	-0.182	-0.172	0.168	1		
AG	-0.033	0.222	0.206	-0.141	-0.068	-0.091	0.376	1	
GR	0.04	0.17	-0.038	-0.043	0.335	-0.096	-0.069	-0.113	1

Source: Compiled by the author in SPSS

The results of the regression analysis of the models for FP and ESG variables are presented in Table 6. Firstly, the R^2 coefficient for ROA (0.419) is higher than Q (0.182), indicating a better fit between the explanatory variable (ESG) and the explained variable (ROA).

The results based on the formula is as follows:

$$Q = 4.519 + 0.12(ESG) + 0.054(CF) + 0.004(DT) - 0.261(SZ) + 0.071(AG) - 0.003(GR)$$

$$ROA = 5.264 + 0.056(ESG) + 0.459(CF) - 0.096(DT) - 0.557(SZ) + 0.405(AG)$$

According to the results, we can conclude that with every point for the ESG score, Tobin's Q increases by 0.012, and with every point for the ESG score, the ROA increases by 0.056. By fulfilling their social responsibilities, companies can establish a positive corporate image and attract more investors to cooperate, leading to good profits. Furthermore, the results also imply that with each cash flow rate increase by 1, the Q increases by 0.054; however, with each SZ, the Q decreases by -0.261. Moreover, for ROA, if cashflow (CF) increases by 1, the ROA also increases by 0.459, and with each increase in debt, the ROA decreases by -0.096, and with more companies age, the ROA increases by 0.405.

Additionally, the findings indicate a significant positive correlation at the 95% confidence level between ESG and both FP variables where Q is <.001 (<p value) and ROA is 0.002 (< p-value). Therefore, for the model where the financial performance is tested with the company's CSR performance, we reject the $H0_{1a}$ and accept $H1_{1a}$ and we reject $H0_{1b}$ and accept $H1_{1b}$. These results can suggest that companies are indeed part of society on environmental, social, and governmental levels, and they cannot ignore stakeholders related to the company.

Table 6

Regression analysis of FP - ESG

Variables	Unstandardized B	Sig.	Unstandardized B	Sig.
	Q		ROA	
(Constant)	4.519	<.001	5.264	.217
ESG	.012	.002	.056	.001
CF	.054	<.001	.459	<.001
DT	.004	.417	-.096	<.001
SZ	-.261	<.001	-.557	.062
AG	.071	.401	.405	<.001
GR	-.003	.321	0	.99
R^2	.182	<.001	.419	<.001

Source: Compiled by the author in SPSS

The regression analysis results for the ESG-MA models are presented in both the following text and Table 7. Notably, the R2 coefficient is 0.343, suggesting a stronger correlation between the explanatory variable (ESG) and the explained variable (MA). The regression analysis suggests a moderate positive correlation between the independent and dependent variables. With an R^2 value of 0.343, the chosen variables can account for about 34% of the variance in the dependent variable.

The results based on the formula is as follows:

$$ESG = -108.107 + 0.021(MA) - 0.218(CF) + 0.181(DT) - 8.663(SZ) + 1.737(AG) + 0.04(GR)$$

In the regression analysis between ESG and MA we can interpret several results. The relationship between ESG and Debt (DT) has a significance value of 0.026 (<0.05) meaning with each debt, ESG increases to 0.181. Similar significance can be seen in size. With each increase in size ESG increases to 8.66.

Moreover, the results reveal a significant positive correlation between ESG and MA at the 95% confidence level, with MA < .042 (< 0.05). As a result, we reject $H0_2$ and accept $H1_2$ in the model where CSR performance is tested with the company's media attention.

This highlights the significant role of media attention in promoting corporate social responsibility. Higher media coverage might lead to increased transparency and information accessibility, enhancing stakeholders' understanding of the company's operations and prospects. Consequently, more consumers are attracted to purchase enterprise products, and suppliers and investors are encouraged to collaborate. With these benefits, companies become more active in fulfilling and disclosing their social responsibility. Conversely, if the company receives lower exposure, there is a lack of communication and understanding between the company and society. (Li, Fu, Han & Liang (2023))

Table 7

Regression analysis of ESG - MA

Variables	Unstandardized B	Sig.
(Constant)	-108.107	<.001
MA	0.021	0.042
CF	-0.218	0.294
DT	0.181	0.026
SZ	8.663	<.001
AG	1.737	0.262
GR	0.04	0.406
R^2	0.343	<.001

Note: Dependent variable: ESG

Source: Compiled by the author in SPSS

And lastly, by comparing first two models which turn out to reject null hypothesis and accept the alternative, now it is known that in this analysis the media attention has an effect on ESG and the ESG has an impact on financial performance. Consequently, the author further tries to make analysis on the last model.

To confirm that media attention moderates the link between CSR and FP, we include the cross-variable of ESG and MA. In order to do that both variables should be multiplied together. In result we get $ESG \times MA$ in the regression analysis, as also suggested by previous research Li, Fu, Han & Liang (2023).

The outcomes of this analysis are presented in Table 8. The R^2 coefficient for ROA (0.421) is higher than Q (0.237), indicating a better fit between the explanatory variable (ESG) and the explained variable (ROA) but both suggesting a stronger correlation between the explanatory variable (FP) and the explained variable (ESG*MA).

The results based on the formula is as follows:

$$Q = 2.52 + 0.034(ESG) - 0.006(MA) - 0.00009(ESG \times MA) + 0.056(CF) + 0.005(DT) - 0.226(SZ) + 0.062(AG) - 0.003(GR)$$

$$ROA = 4.08 + 0.082(ESG) - 0.005(MA) + 0.458(CF) - 0.094(DT) - 0.559(SZ) + 1.385(AG) - 0.001(GR)$$

To elaborate, in the confidence level of 95%, Tobin's Q has a significant negative correlation with ESG*MA 0.002 (<0.05). According to unstandardized B, with each increase in ESG*MA, Tobin's Q decreases to -0.00009. Based on the significance value, we reject the null hypothesis and accept the alternative hypothesis for Q – ESG*MA model. In addition, ROA has 0.45 significance which means it is not statistically significant toward ESG*MA. Unlike Q, ROA accepts the null hypothesis for the model ROA – ESG*MA. This can be interoperated that media has a negative or no influence on the relationship between financial performance and CSR.

Furthermore, the result of hypothesis are as follows:

Reject $H0_{3a}$ → Accept $H1_{3a}$:

$$Q = \beta 0 + \beta 1(ESG)_{i,t} + \beta 2(MA)_{i,t} + \beta 3(ESG \times MA)_{i,t} + \beta 4(CF)_{i,t} + \beta 5(DT)_{i,t} + \beta 6(SZ)_{i,t} + \beta 7(AG)_{i,t} + \beta 8(GR)_{i,t} + \varepsilon_{i,t}$$

Accept $H0_{3b}$:

$$ROA = \beta 0 + \beta 1(ESG)_{i,t} + \beta 2(MA)_{i,t} + \beta 3(ESG \times MA)_{i,t} + \beta 4(CF)_{i,t} + \beta 5(DT)_{i,t} + \beta 6(SZ)_{i,t} + \beta 7(AG)_{i,t} + \beta 8(GR)_{i,t} + \varepsilon_{i,t}$$

Table 8

*Regression analysis of FP – ESG*MA*

	Q		ROA	
Variables	Unstandardized B	Sig.	Unstandardized B	Sig.
(Constant)	2.523	0.021	4.08	0.408
ESG	0.034	<.001	0.082	0.035
MA	0.006	<.001	0.005	0.516
ESG*MA	-0.00009	0.002	0	0.447
CF	0.056	<.001	0.458	<.001
DT	0.005	0.264	-0.094	<.001
SZ	-0.226	<.001	-0.559	0.068
AG	0.062	0.453	1.385	<.001
GR	-0.003	0.24	-0.001	0.951
R^2	0.237	<.001	0.421	<.001

Source: Compiled by the author in SPSS

Overall, the results illustrate that the media attention weakens the link between financial performance and social responsibility. Meaning that the more company gains media attention the more it tends to focus on its social responsibility rather than its long-term financial performance.

2.3. The discussion of the results

For this subchapter the author will discuss the conclusion for the analysis. These results are collected based on the regression analysis of the empirical research. The purpose of this subchapter is to provide more detailed explanation of the analysis and the reached hypothesis for the link between CSR and Financial performance, media attention and CSR and lastly media attention effect on the link between CSR and Financial performance.

First, the lack of data availability should be considered a limitation of this research. This includes a small sample size as well as needing more information available on ESG scores and the financial performance of the company. In addition to the previous studies based on ESG, the score covers topics on environmental, societal, and governmental areas, where the governmental part is not necessary for the research. Nevertheless, considering the lack of data available for each ESG area, this is considered a limitation of the research.

In the study conducted by Kahloul, Sbai & Grira (2022), the objective was to investigate the impact of CSR reporting on the financial performance of French companies. The results showed that while the Tobin's Q performance measure had a positive relationship with CSR, the ROA measure had a negative relationship with CSR. Similar results were obtained by Vuong (2022), who used the same approach to measure CSR for Japanese companies. However, since Tobin’s Q method is considered to be more reliable it can be suggested that the overall result lead to a positive relationship between CSR and financial performance. The first models of the author's analysis shows a significant positive correlation at the 95% confidence level between ESG and both FP variables. In the two first two models, Q is <.001 (<p value), and ROA is 0.002 (< p-value). Since, in this case, the sample covers only four years, ROA indicates an immediate performance of the company, whereas Tobin's Q represents short-term financial performance. A positive relationship was found between CSR and Tobin's Q financial performance, which supports the hypothesis that the two variables are positively associated. And the author also found a positive relationship between CSR and ROA financial performance. In addition, based on the unstandardized B with every point for the ESG score, the ROA increases by 0.056, and Tobin's Q increases by 0.012. This indicates that firms with high levels of CSR tend to outperform those with low levels of CSR in terms of financial success. The subchapter 1.1 discussed several variables that may explain this finding, such as greater reputation, higher employee morale, increased client loyalty, and lower risk. The results are consistent with previous research that has also found a positive link between CSR and financial performance.

Furthermore, the results of the next model reveal a significant positive correlation between ESG (CSR) and MA (media attention) at the 95% confidence level, with MA (media attention) < .042 (< 0.05). In addition, with each piece of news covered by the media, the ESG score increases by 0.021 points. For this hypothesis, we reject H02 and accept H12, which suggests that when a company is in the public eye, it is more likely to be evaluated on its CSR activities. Moreover, the author found that media attention can positively and negatively affect the perception of a company's CSR efforts. This suggests that companies must be aware of their media presence and develop appropriate strategies to manage their reputation and CSR activities.

Similar to the study made by Li, Fu, Han & Liang (2023), the author tends to implement the same logic behind the analysis though the data which was collected for the research differs compared to the source. For example, the author choses Tobin's Q and ROA to measure financial performance whereas Li, Fu, Han & Liang (2023) use Unebit (Profit margin on total assets, not including earnings management, prior to interest and taxes). To elaborate on the results, Tobin's Q has a significant negative correlation with ESG*MA by 0.002 (<0.05) based on the confidence level of 95%. Therefore, we reject the null hypothesis and accept the alternative hypothesis for Q – ESG*MA model. However, Unlike Tobin's Q results, ROA accepts the null hypothesis for the model ROA – ESG*MA as there is a 0.45 significance (<0.05) which means it is not statistically significant toward ESG*MA. Nevertheless, when it comes to the total media attention influence, the results show similar negative link with relationship between CSR and financial performance. The negative analysis of the influence of media attention on the link between CSR and financial performance indicates that media attention can moderate the relationship between the two variables. The results demonstrate that when media attention is high, the positive relationship between CSR and financial performance is weaker. This suggests that the more attention the company receives from the media, the more companies tend to focus on the CSR rather than financial performance. On the other hand, when there is less media attention present, the relationship between CSR and financial performance increases. This highlights the importance of managing media attention and developing effective CSR strategies to mitigate negative effects.

Conclusion

Corporate social responsibility (CSR) has been a topic of interest for over a century, and the relationship between CSR and financial performance has been the subject of many studies. However, with the growing demand for companies to be more transparent and responsible, the relationship between CSR and financial performance has become a source of controversy in both the business and academic communities. While some studies have shown a positive association between CSR and financial performance, others have found no significant or even a negative relationship. Nevertheless, most studies indicate a positive relationship exists, indicating that companies with strong CSR activities tend to outperform those without such practices.

Moreover, some studies incorporate additional variables to further elucidate the relationship between CSR and financial performance. For instance, Tenuta & Cambrea (2022) explored the link between CSR and financial performance by considering the role of executive directors in family firms. Their study revealed that the positive relationship between CSR and corporate financial performance is enhanced by the presence of multiple executive members on the board of directors of family companies, highlighting the advantages of shared leadership in family boards.

In the present thesis, the author investigates the moderating role of media attention to test the relationship between CSR and financial performance. This role has only been used once before in a study by Li, Fu, Han & Liang (2023), which motivated the author to explore it further. After conducting the analysis, the author found a positive relationship between CSR and financial performance, which is consistent with the majority of previous studies. This suggests that CSR can benefit a company in various ways, such as enhancing its reputation, increasing customer loyalty, and achieving cost savings through greater efficiency.

The key findings of the thesis are as follows:

- There is a positive relationship between CSR and the financial performance of the studied companies;
- Media attention has an influence on the company’s implementation of CSR of the studied companies;
- Media attention has a moderating effect on the link between CSR and financial performance of the studied companies;
- Media attention has a negative influence on the relationship between CSR and the financial performance of the studied companies.

To address the main objective of the thesis, the author conducted an analysis on how media attention influences the link between CSR and financial performance. The findings of the study revealed mixed results. While the author did not find any influence of media attention on the link between CSR and financial performance in Return on Assets (ROA), the author did find a negative influence on the link between CSR and financial performance in Tobin’s Q (Q). This suggests that as media attention increases, the link between CSR and financial performance weakens. This could be attributed to the fact that companies tend to shift their focus towards CSR in response to increased media attention, at the expense of financial performance. Therefore, it can be inferred that the relationship between CSR and financial performance is complex and may be influenced by various external factors.

Despite the valuable insights gained from this research, there are some limitations that should be addressed in future studies. One such limitation is the relatively small sample size of companies included in the analysis. Increasing the sample size could provide a more comprehensive understanding of the relationship between CSR and financial performance. Another limitation is the use of ESG scores as a measure of CSR. As ESG scores are based on self-reported data, a more objective and standardized measure of CSR should be explored in future studies. One of the additional opportunities for future research can consider removing governmental aspects from the ESG score. Moreover, incorporating additional moderating variables, as demonstrated in this study with the use of media attention, could provide a more nuanced understanding of the link between CSR and financial performance.

In conclusion, the author investigated whether media attention can influence the relationship between CSR and financial performance using the companies in the consumer goods sector based in the United Kingdom and France. In addition, this thesis can also be an aid for the managers involved with CSR activities facing media attention issues, as well as the investors interested in the company's financial performance with high media attention. Lastly, the author provided the limitations and further research opportunities.

References

1. Acharya, N., (2020) Analysis of the Relationship Between CSR and financial Performance: Evidence From India. UGC Care Journal, 40(23)

2. Friedman, M. (1970). The social responsibility of business is to increase its profits. *The New York Times Magazine*.

3. Gaio, C., & Henriques, R., (2020). Social Responsibility and Financial Performance: The Case of STOXX Europe Index. Retrieved from https://www.intechopen.com/chapters/73206

4. Global ranking (n.d.). Retrieved from companiesmarketcap.com

5. Hadjikhani, A., Kaptalan-Nagy, E., Ljungren, U., Seyed-Mohamrnad, N., (1998). Consumer behaviour and the media. Department of Business Studies Uppsala University.

6. Investopedia (2022). How to Calculate Return on Assets (ROA) With Examples. Retrieved from https://www.investopedia.com/ask/answers/031215/what-formula-calculating-return-assets-roa.asp#:~:text=A%20ROA%20of%205%25%20or,have%20a%20ROA%20of%2015%25.

7. Kahloul, I., Sbai, H., Grira, J., (2022). Does Corporate Social Responsibility reporting improve financial performance? The moderating role of board diversity and gender composition. *The Quarterly Review of Economics and Finance*, 84, 305-314.

8. Kim, S., W., (2019). Corporate social responsibility, business groups and financial performance: a study of listed Indian firms. *Economic Research-Ekonomska Istraživanja*, 32(1), 1777-1793.

9. Li, J., Fu, T., Han, S., Liang, R., (2023). Exploring the Impact of Corporate Social Responsibility on Financial Performance: The Moderating Role of Media Attention. Sustainability 15(6).

10. Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268-305.

11. McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26(1), 117-127.

12. Mentor, M., (2016). The Effects of Corporate Social Responsibility on Financial Performance. *Honors Undergraduate Theses*. 47.

13. Okafor, A., Adeleye, N., B., Adusei, M., (2021). Corporate social responsibility and financial performance: Evidence from U.S tech firms. *Journal of Cleaner Production*, 292.

14. Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441.

15. Sameer, I., (2021). Impact of corporate social responsibility on organization’s financial performance: evidence from Maldives public limited companies .*Future Business Journal*.

16. Selcuk, A., E., (2019). Corporate Social Responsibility and Financial Performance: The Moderating Role of Ownership Concentration in Turkey. *Sustainability*, 11(13).

17. Tenuta, P., Cambrea, R., D., (2022). Corporate social responsibility and corporate financial performance: The role of executive directors in family firms. Finance Research Letters. 50.

18. Tsoutsoura, M., (2004). Corporate Social Responsibility and Financial Performance. Retrieved from https://escholarship.org/content/qt111799p2/qt111799p2.pdf

19. Vuong, B., N., (2022). Investor sentiment, corporate social responsibility, and financial performance: Evidence from Japanese companies. *Borsa Istanbul Review*. 22(5), 911-924.

20. Wall Street Journal (n.d.). Retrieved from www.wsj.com

21. Yahoo Finance (n.d.). Retrieved from https://finance.yahoo.com/

22. Yu, J., Kim, J., H., Han, J., J., (2016). Empirical study on relationship between corporate social responsibility and financial performance in Korea. *Asian Journal of Sustainability and Social Responsibility*, 61-76.

Resümee

MEEDIA TÄHELEPANU MÕJU ETTEVÕTTE SOTSIAALSE VASTUTUSTUNDE JA FINANTSTULEMUSTE SEOSELE

Selle töö peamine eesmärk on uurida, kas meediakajastusel on mõju ettevõtte sotsiaalse vastutuse (CSR) ja finantsjõudluse seosele. Kuna pole selget meetodit CSR-i ja finantsjõudluse seose mõõtmiseks, tsiteerib autor varasemaid selle teemaga seotud uurimusi. Selle uuringu jaoks uuris autor meediakajastuse modereerivat rolli CSR-i ja finantsjõudluse suhtes ning tugines ainult ühele varasemale uuringule, mis kasutas meediakajastust sel viisil.

Autori valimi moodustasid 2019. aastast 2022. aastani UK ja Prantsuse tarbekaupade ettevõtted, kus analüüsiti kokku 60 ettevõtet (23 tarbekaupade põhisektoris ja 37 tarbekaupade valikulises sektoris).

Uuringu tulemused ei olnud selgelt ühesed. Nimelt, meediakajastuse mõju CSR-i ja lühiajalise finantstulemuste seosele ei olnud märkimisväärne, kuid täheldati negatiivset mõju seoses CSR-i ja pikaajalise finantstulemuste seosega. See viitab sellele, et meediakajastuse suurenemisel nõrgeneb CSR-i ja finantsjõudluse seos, mida võib selgitada ettevõtete fookuse nihkumisega meediakajastusele reageerimiseks. Seega on selge, et CSR-i ja finantsjõudluse suhe on keeruline ja mõjutatud mitmest välisest tegurist. Tulevikus võib olla vajalik lisada valimisse rohkem ettevõtteid ning võtta kasutusele põhjalikum CSR-i mõõtmisviis. Lisaks võiks täiendavate modereerivate tegurite kaasamine aidata paremini mõista CSR-i ja finantstulemuste seost.