



Corporate Social Responsibility Disclosures & Delegated Investment Decisions: The Role of Religiosity

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Abstract

This study is intended to test the conditional effect of corporate social responsibility disclosures on the performance of investment professionals in Pakistan with the intervening effects of religiosity and decisions of investment professionals. The proposed relationship has been tested over a sample of 248 investment professionals analyzed through the application of structured equation modelling by using Smart PLS 4. The study discovered the significant mediating effects of religiosity and investment decisions in between the causal relationship of CSR disclosures and the performance of investment professionals in Pakistan. Moreover all direct effects developed in the conceptual model have been found to be significant. This means that the extent of religiosity of investment professionals affects their investment decisions being made for their clients on the basis of the CSR disclosures. The positive direction of mediation reveal that CSR disclosures of religious investment professionals positively affect their decisions and performance related to the investments they make for their clients. This is the first time, to the best of our knowledge, that both direct and indirect/conditional effects of corporate social responsibility disclosures on the performance of investment professionals have been tested in the perspective of delegated investments.

Keywords: Corporate Social Responsibility Disclosures, Religiosity, Investment Decisions, Investment Performance, Delegated Investments.



Introduction

Background to the Study

CSR disclosures may help improve the value and reputation of the firm thus have potential to attract more investors. Disclosures of corporate social responsibility help in reducing agency costs and information asymmetries thus promoting investment efficiency (Huang, Chen, & Liu, 2023). Jiang & Yang (2015) examined the relationship between the firm's social performance and its financial performance within the limits of CSR's environmental component. As per the results of the study, it is possible to detect a significant positive relationship between corporates' environmental accomplishments and their accounting-based financial performance for the ones that are more inclined to reveal corporate information. Whereas on the other hand, another study by (Riyadh, Sukoharsono, & Alfaiza, 2019) finds no significant effects of CSR disclosures on the organizational performance. Moreover, (Khuong, Herdianti, & Anh, 2022) have observed significant negative effects of CSR disclosures on investment efficiency and suggest that investors should carefully consider the quality of CSR reporting of the companies those are potential investment ventures whereas (Saputri & Agustina, 2022) found negative effects of corporate social responsibility on investments inefficiency.

Problem Statement

It has been argued that profit is the main motive for stakeholders relative to social responsibility disclosures (Aminah, Suhardjanto, Rahmawati, & Winarna, 2022). Managers perform such activities in order to retrieve personal benefits (Hussaini, Hussain, Nguyen, & Rigoni, 2021). CSR expenditures are also assumed to be the result of agency issues in an organization. It has been observed that the organizations seemed to respond the social pressure by increasing CSR expenditures at the expense of the shareholders' benefit. Conversely, all CSR expenditures may not cause reduction in the firm value and the institutional shareholders by actively monitoring the organizational activities help in reducing the unproductive investment outlays in corporate social responsibility (Tops, 2017). Corporate social responsibility disclosures, if enhance reputation, may add value to the company and boost investors' confidence for buying shares of the company. This is because the sustainability measures by company may be seen as the way towards future financial success (Aminah, Suhardjanto, Rahmawati, & Winarna, 2022). Firms with higher CSR performance have been found to be more valuable (Cook, Romi, Sánchez, & Sanchez, 2018) besides observing less volatility, higher growth and profitability



during economic crisis (Wei, Peng, Huang, & Yeh, 2020). Increased consideration over social sustainability has affected the behavior of investors. Hence, it creates a pressure over companies to report activities related to their social responsibilities. However, the differences in attitudes of investors have also been observed with respect to corporate social responsibility (Nikyar & Tewolde, 2017). Investors with different cultural backgrounds and geographical areas perceive CSR differently. Nevertheless, both professional and non-professional investors have been found to consider CSR information in the similar way (Pratoomsuwan & Chiaravutthi, 2023).

(Aminah, Suhardjanto, Rahmawati, & Winarna, 2022), (Prayanthi & Budiarmo, 2022) and (Oyewumi, Ogunmeru, & Oboh, 2018) have studied the impact of corporate social responsibility (CSR) disclosures on firm performance. Likewise, numerous other studies for instance (Rasheed, Arshed, Malik, & Mahmood, 2018), (Coelho, Jayantila, & Ferreira, 2023) and (Wei, Peng, Huang, & Yeh, 2020) have been conducted in order to find the relationship between corporate social responsibility and organizational performance. Several studies (Huang, Chen, & Liu, 2023), (Khuong, Herdianti, & Anh, 2022) and (Anwar & Malik, 2020) also discussed the relationship between CSR disclosures and investment efficiency.

Religiosity has also been observed to be an important aspect that affects corporate social responsibility disclosures (Chantziaras, Dedoulis, Grougiou, & Leventis, 2020). (Terzani & Turzo, 2020) endorse the significant moderating effect of religiosity on ESG disclosures. A recent study by (Amer, 2023) also confirms the relationship between religiosity and corporate social responsibility. However, no study yet discloses the combined effects of religiosity and CSR disclosures on investment decisions and performance of investment professional in the context of delegated investments.

Delegated investments refer to the ones made by the investment professionals on behalf of actual investors. Though, the above mentioned studies have produced instances to assess the impact of CSR information on the investors' decisions and firm value. However, it is still unclear how the investment professionals consider and process corporate social responsibility disclosures in delegated investment decisions that involves agency issues and legitimacy concerns. Therefore, this study has been conducted to test the behavior of investment professionals regarding corporate social responsibility, their respective investment decisions and investment performance with the mediating effects of religiosity.

Unique Contribution of Study



This research is a valuable contribution in the literature related to the delegated investments and corporate social responsibility disclosures in a way that it is expected to support investors in deciding which professional/ manager should be hired to manage their investments in the best possible manner that can derive above average returns for investors. It will also help regulators in formulating policies related to the investments and delegated investments in a developing country like Pakistan.

Objectives of Research

Corporate social responsibility and sustainable development goals (SDGs) have similar objectives. The economic, social and environmental dimensions of corporate social responsibility may be connected to the sustainable development goals and may help in solving the sustainability issues (Pachar, 2020). This research has been conducted to investigate the impact of corporate social responsibility disclosures on the investment decisions and performance of investment professionals.

Strategic investment decision making has been found to be influenced by contextual variables (Imran & Rautiainen, 2022) and religiosity is one of those contextual variables (Karimi, Liobikiene, & Alitavakoli, 2022). Hence, this study has included religiosity as a mediating variable between corporate social responsibility disclosures of investee company, investment decisions and performance of investment professionals.

Research Questions

In view of the problem statement and research objectives mentioned in earlier sections, following research questions are being proposed to be answered.

1. Whether CSR disclosures affect the performance of investment professionals in Pakistan under delegated investments?
2. Whether CSR disclosures affect the performance of investment professionals in Pakistan under delegated investments subject to mediating and moderating influence of religiosity?

Theoretical Framework

Corporate social responsibility is about managing the businesses in a way that can yield positive influence on society. A single common theory is not applicable to CSR disclosures. However, the Legitimacy theory appears to be appropriate for developed countries whereas stakeholder theory seems to be suitable for the firms in developing nations (Omran & Ramdhony, 2015). Legitimacy theory and stakeholder theory enhance the conception of CSR



practices (Gray, Kouhy, & Lavers, 1995). Hence, besides stakeholder theory, the CSR policies should focus on the concerns identified by legitimacy theory (Stratling, 2007). Considering in its entirety, the agency theory, contingency theory, legitimacy theory and stakeholder theory are the foundation of this research study.

Agency Theory

Agency theory pertains to the principal-agent conflicts that may arise due to information asymmetry (Siddika & Ahmad, 2022). It explains the act of management (agent) in its self-interest that may sometimes financially harm the shareholders (the principal) that creates agency costs. Hence, managers disclose the social information if it reduces their agency costs and escalates the welfare by making themselves appeared to be working in favor of the shareholders (NESS & MIKZA, 1991). Hence, corporate social responsibility is sometimes considered to be the outcome of agency problems (Tops, 2017). Since, investment professionals also serve as agents of the investors, therefore, it is very crucial to know how investment professionals perceive these CSR disclosures about the investee company whenever they make any investment decisions on behalf of their clients (the actual investors) and how their decisions based on CSR disclosures affect their investment performance.

Contingency Theory

The main idea behind contingency theory is that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. In this way, this theory is supporting the current study because the effects of corporate social responsibility on investment decisions and performance of investment professionals has been tried to be explored with the inclusion of some moderating/mediating variables.

Legitimacy theory

The financial emergencies worldwide impose a pressure on organizations to realize the significance of legitimacy (BURLEA & POPA, 2013). As per legitimacy theory, businesses must function within the confines of social standards if they want to maintain their profitability. Legitimacy theory relies on the idea that businesses may operate in an economy with the support of society hence can only continue if they are responsible and reliable for the use of resources therein. However, in case they do not perform business activities in a way which is acceptable for society then their ability to continue will be rescinded. Since, legitimacy is sensitive to time and context thus requires continuous adaptation according to the needs of society at any time. This legitimacy is ensured through fair disclosures by the



company for its stakeholders that portray the alignment of company's objectives and practices with environmental expectations. Nevertheless, inability to meet the expectations by society may create legitimacy gap (Martens & Bui, 2023). Therefore, organizations should implement CSR policies those will help them getting legitimacy and will reduce the risks accordingly (Olateju, Olateju, Adeoye, & Ilyas, 2021). Thus, disclosure of information must complement the actions according to social and environmental standards (BURLEA & POPA, 2013).

Stakeholder Theory

Stakeholder theory (ST) is an insightful theory in corporate ethics and management. According to this theory, the goal of business organizations is to create benefits for different stakeholders in the society. These stakeholders may comprise the shareholders, customers, suppliers, government etc. Stakeholder may be any individual or group who can affect or are affected by the organizational objectives. Hence, this theory emphasizes to come up with the needs and demands of these internal and external stakeholders for the organization's long-term viability (Mahajan, Lim, Sareen, Kumar, & Panwar, 2023). The stakeholder theory holds that playing a vigorous part in the society where they function is a requisite for business organizations (Omran & Ramdhony, 2015). Organizations are suggested to include the viewpoints of stakeholders in their policies and decisions (Goyal, 2020). According to this theory, the organization should involve in the deeds and disclose the information that is necessary for its stakeholders (Martens & Bui, 2023). Stakeholders, may they be the employees, customers, suppliers or any other respond with positive attitude in return for a fair treatment by the organization (Harrison, Freeman, & Mônica Cavalcanti , 2015). This theory is relevant to our study because the stakeholders here are the investors on behalf of whom the investment decisions are to be made by the professionals.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line-Approach"), while at the same time addressing the expectations of shareholders and stakeholders. (What is CSR?, 2021)



Reinhardt, Stavins, & Vietor (2008) studied corporate social responsibility (CSR) especially with respect to environmental protection in view of economic benefits and legal requirements. Usually, the costs of these CSR activities are adjusted through higher prices, lower wages, declining dividend payouts and other economic concerns. Moreover, court may allow the CSR activities but does not force companies to engage in such activities. Hence, companies spend on CSR activities if that is supporting to provide them financial benefit.

CSR Disclosures

(Brooks & Oikonomou, 2018) define the disclosure of corporate social responsibility (CSR) as a public information by a firm that relates to its performance, standards or activities under the egis of CSR either in form of CSR report, sustainability report or corporate citizenship report (Gautam, Singh, & Bhowmick, 2016). CSR disclosures those have been included in our study refer to the disclosures of achieving social and economic values, lesser use of the energy, recycling processes and transparency in dealings.

Religiosity

Though, a universal definition of religiosity could not be discovered however, it is considered to be a personal characteristics of an individual and one's innermost approach related to God that can shape the behavior (Asih, Setini, Dharmmesta, & Purwanto, 2020). Religion may be defined as an individual's established system of religious views, approaches, and practices (Victor & Treschuk, 2020).

Religious individuals have been found to emphasize on socially responsible investment. Investment advisors should keep in consideration the factor of religiosity while acting on the investment opportunities (Mumtaz, Saif, & Rehman, 2022).

Investment Decisions

Investment is a financial activity with the objective of raising wealth. However, care must be taken while making decisions for investments in order avoid the possibilities of risks (Atmaningrum, Kanto, & Kisman, 2021). Investment decision making has been defined in the multiple researches and is considered to be a rational activity by most of them (Musfidah, Aji, & Hartono, 2022). Decision making is based on an objective perspective as well as on a subjective one. It is also influenced by psychological and behavioral factors (Virlics, 2013). Multiple factors that affect these investment decision are a matter of interest for various stakeholders (Du & Zhou, 2022).

Investment Performance



Though, there is no standard definition of performance, however the same may be understood as a combination of the effectiveness and efficiency in attaining objectives (Ghalem, Okar, Chroqui, & ElAlami, 2016). The investment performance in our study means the performance of investment managers and it is measured here by testing how well the investment professional performs relative to the other investment professionals in the market in terms of service quality, customer responsiveness, asset liability matching, risk management, cost containment, and customer satisfaction.

Developed markets have a relatively large number of investment professionals and rigorous requirements for disclosures. Hence, it is not appropriate to apply the results of these developed markets to the developing economies. The system in developing economies may cause information asymmetry between individual and institutional investors due to inadequate policies for investor protection and disclosures. Individual investors in Korea have been observed to underperform due to their weak skills in stock selection (Park & Kim, 2014). Forecasting performance of fund may help investors to mitigate risks and maximize returns over the same (Gu, 2021).

Literature Review and Hypotheses Development

Corporate Social Responsibility Disclosures and Performance of Investment Professionals

Corporate social responsibility is one of the vital areas to be discussed in recent times in Finance with respect to investment decisions. Significant positive relationship has been observed in between corporate social responsibility and financial performance of banks in Pakistan. Positive returns have been witnessed for the businesses in Pakistan that invest in corporate social responsibility (Zara, Saleem, & Khan, 2022). However, the CSR disclosures may negatively affect firm performance if these are just for a fake presentation rather than being factual with genuine intentions (Nguyen, Nguyen, & Nguyen, 2022).

H₁: CSR disclosures have significant positive effects on the Performance of Investment Professionals under Delegated Investments in Pakistan

Corporate Social Responsibility Disclosures and Investment Decisions Under Delegated Investments

Findings of an experimental study conducted by (Arnold, Hörner, Martin, & Moser, 2020) over the use of corporate social responsibility (CSR) by US and German firms uncover that investment professionals' personal beliefs about the societal benefits of corporate social responsibilities affect their investment recommendations to clients and they do not differ



from investment decisions for themselves. More disclosure of CSR activities is perceived to be the identification of better financial performance by German professionals. However, Clients relying on investment professionals' recommendations need to be aware that such advice is not entirely objective, rather reflects investment professionals' personal preferences.

H₂: CSR disclosures have significant positive effects on the Investment Decisions under Delegated Investments in Pakistan

Corporate Social Responsibility Disclosures and Religiosity of Investment

Professionals

Results of the study by (Czerwonka, 2014) discovered the positive effect of religion on approaches towards socially responsible investments. Hence, this concept that reflects the inherent demand for SRIs by religious investors need not to be ignored. (Husin, Aziz, & Hee, 2021) also support the impact of religiosity over investment attitude.

H₃: CSR disclosures have significant positive effects on the religiosity of Investment Professionals in Pakistan

Investment Decisions and Performance of Investment Professionals under Delegated Investments

(Ariemba, Evusa, & Muli, 2016) investigated the effects of investment decisions on financial performance and discovered that the decision for investing in research and development have significant effects on the financial performance Savings and Credit Cooperatives in Kenya. Our study test whether investment decisions of investment professionals affect their performance.

H₄: Investment Decisions have significant positive effects on the Performance of Investment Professionals in Pakistan

Religiosity and Investment Decisions Under Delegated Investments

(Chircop, Johan, & Tarsalewska, 2020) have studied the relation between religiosity and investment decisions of venture capital. Results of the study indicate that investors in venture capitals located in a religious place are risk-averse. They usually prefer staging, syndication and investment in the later stages of the venture.

However, another study by (Brimble, Vyvyan, & Ng, 2013) evidenced a very insignificant differences in investment decisions of both more religious and less religious individuals. Both religious and less religious investors focus on the financial aspects of investment rather than



social responsibility criteria. These results are in contradiction of study by (Banuri, Murgia, & Haq, 2023) where the funds based on faith got preference over economic performance. Religiously associated funds have been popular in the world. Investment in Islamic fund that is based on Shariah principles has also been found to be motivated by religious inclination where investments in multiple non-Islamic modes is not allowed. This preference of investing in Islamic funds due to religious considerations sometimes motivates for investing at a lower return and increasing risk as observed in a controlled environment. In spite of being in the same asset class, the Islamic funds have received the preference of Islamic investors over socially responsible investments (Banuri, Murgia, & Haq, 2023). It has also been observed in a study by (Hashim & V, 2020) that investors found in avoiding investments involving interest where they were aware about its prohibition.

H₅: Religiosity have significant positive effects on the Investment Decisions under Delegated Investments in Pakistan

Religiosity and Investment Performance Under Delegated Investments

(Jha & Agrawal, 2022) have witnessed the effect of religious belief on their economic decisions, investment patterns and resultant economic performance. An event study performed by (Alshammari & Ory, 2023) explains that investors behave as per religious announcements and these announcements ultimately influence returns over the stock. For instance, stock price increases after a positive religious announcement whereas it declines in case of any negative announcements by the religious scholars.

H₆: Religiosity have significant positive effects on the Performance of Investment Professionals under Delegated Investments in Pakistan

Mediating Effects of Religiosity and Investment Decisions

Relationship of CSR disclosures and investment decisions have been observed in the presence of religiosity and some other moderating/mediating variables in several studies (Kouaib & Amara, 2022), (Stuart, Bedard, & Clark, 2021), (Cohen, Holder-Webb, & Khalil, 2017), and (Brown-Libur, Cohen, & Zamora, 2018).

(Saputra, Natassia, & Utami, 2020) uncovered the moderating influence of religiosity in between loss aversion and investment decisions. As per this study, religiosity does not have direct effects on investment decisions. However, moderation of religiosity with loss aversion has significant negative effects on investment decisions. (Hameed, Sabir, Razzaq, & Humanyon, 2018) also confirmed moderating influence of religiosity in between investor



biases and investment decisions of brokers and individual investors trading in Pakistan Stock Exchange.

Nevertheless, no study has found yet that have tested the mediating effects of religiosity in between CSR disclosures and investment decisions under delegated investments. Further, no study has been found for testing the mediating influence of both religiosity and investment decisions in the causal relationship of CSR disclosures and investment performance under delegated investments. Our study is a step towards filling in this gap.

H₇: Investment Decisions significantly mediate the relationship of CSR disclosures and the Performance of Investment Professionals under Delegated Investments in Pakistan

H₁₀: Religiosity significantly mediates the relationship of CSR disclosures and the Investment Decisions under Delegated Investments in Pakistan

(Hunjra, Boubaker, Arunachalam, & Mehmood, 2020) discover that religiosity and CSR together support in enhancing performance of the firm. However, CSR has been taken as a mediating variable in this study. Another study supports these findings that CSR mediates between CSR and company performance. On the other hand, our study has tested the mediating influence of religiosity between CSR disclosures and investment performance in the perspective of delegated investments.

H₈: Religiosity significantly mediates the relationship of CSR disclosures and the Performance of Investment Professionals under Delegated Investments in Pakistan

H₉: Religiosity and Investment Decisions significantly mediate the relationship of CSR disclosures and the Performance of Investment Professionals under Delegated Investments in Pakistan

Investment decisions have found to mediate the relationship among several variables. (Iqbal, Saeed, & Rehman, 2023) study the mediating effects of investment decisions and moderating effects of risk attitude between financial literacy and financial satisfaction. Significant mediating effects of investment decisions of individual investors have been uncovered by the research. This study emphasize the significance of making investment choices for attaining financial satisfaction. Another study by (Efni, 2017) reveal that investment decisions has the ability to enhance the value of the company. Our study has made an attempt to investigate the mediating effects of investment decisions between religiosity and performance of investment professionals under delegated investments.

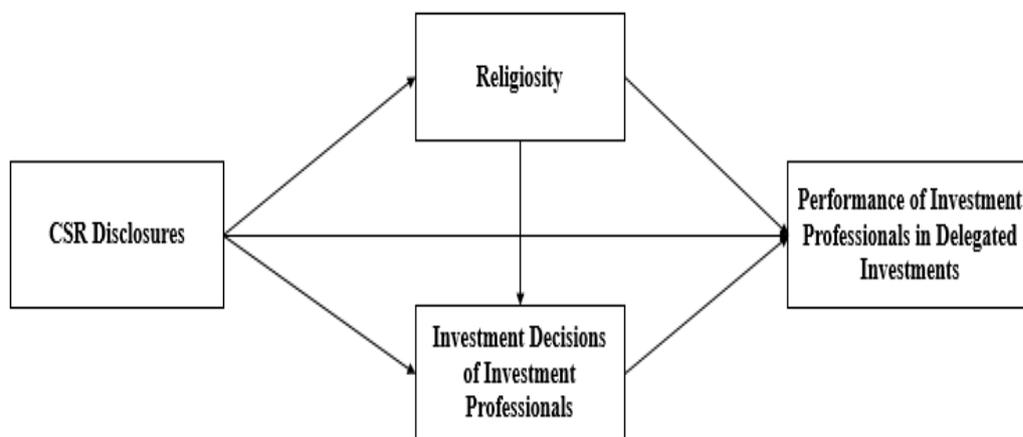
H₁₁: Investment Decisions significantly mediate the relationship of Religiosity and the Performance of Investment Professionals under Delegated Investments in Pakistan

Conceptual Model

This research is an inspiration from an experimental study by (Arnold, Hörner, Martin, & Moser, 2020). It has been conducted to test the influence of corporate social responsibility disclosures on the investment decisions and performance of Investment Professionals in Pakistan with the mediating effects of religiosity of investment professionals.

Figure: 1.

Conditional Influence of CSR Disclosures on the Performance of Investment Professionals in Pakistan under Delegated Investments



Research Methodology

This is a descriptive causal study where cause-effect relationship of corporate social responsibility disclosures (independent variables) with performance of investment professionals in Pakistan (dependent variable) has been uncovered along with mediating effects of religiosity of the investment professionals and investment decisions. The causal study design is more suitable in this study because the CSR is one of those factors that may affect the decisions and performance of investment professionals. In this study, we have used the survey technique rather than experimental design in (Arnold, Hörner, Martin, & Moser, 2020) and the study has been conducted for delegated investments.

Sampling

This research is based on 248 responses collected from investment professionals performing as investment managers, portfolio managers, fund managers, asset managers, investment bankers, security brokers or financial/investment analysts.



Research Instruments

A survey has been conducted from investment professionals in Pakistan through the closed-ended questionnaires including the aspects of CSR disclosures, religiosity, investment decisions and resultant performance of investment professionals under delegated investment management in Pakistan.

Questionnaire items based on a five degree Likert scale comprising strongly disagree (1), disagree (2), neither agree nor disagree/neutral (3), agree (4), strongly agree (5). All items have been adopted from earlier studies. Items for the CSR disclosures (independent variable) from CSR1 to CSR5 have been adopted from (Gimeno-Arias, Santos-Jaén, Palacios-Manzano, & Garza-Sánchez, 2021), seven items for religiosity REL1 to REL7 have been taken from (Iddagoda & Opatha, 2017), items for investment decisions have been adopted from (Ahmad, M. 2021) and (Mayfield et al., 2008) and the items for performance of investment professionals have been adopted from Fairbank, James F., Giuseppe "Joe" Labianca, and H. Kevin Steensma (2006) of this study.

Data Analysis

Descriptive Statistics

Appended in Table-1 below are the descriptive statistics and confirmatory factor analysis of the responses collected through the questionnaires for the item/questions analyzed after reliability and validity analysis of all items. For mean values, '5' represents the maximum value i.e. 'strongly agree' and '1' is the minimum value i.e. 'strongly disagree'. Values of '2', '3' and '4' represent 'disagree', 'neither agree nor disagree/ neutral' and 'agree' respectively. In corporate social responsibility disclosures, two out of five items of CSR disclosures CSR1 and CSR4 received neutral responses. Three items CSR2, CSR3 and CSR5 received agreement from respondents as mean value is approximately 3.5 or more. For religiosity, respondents have agreed in six out of seven items and one REL7 received neutral response from professionals. Investment professionals have agreed with all three items of long term investment decisions and one item of short term investment decisions. However, remaining two items of short term decisions received neutral responses. All responses for the items related to the performance of investment professionals showed agreement from the side of



investment professionals serving under various categories. For all these factors/items/questions, item loadings > 0.5 reveal indicator reliability (Hulland, 1999).

Table: 1.
Descriptive Statistics and Confirmatory Factor Analysis of Responses

| Variables Factors | Item/ Question Code | Question Description | Descriptive Stats | | Confirmatory Factor Analysis | | |
|-------------------|---------------------|--|-------------------|----------------------------|------------------------------|--------------------------|----------|
| | | | Mean | Standard deviation (STDEV) | Outer loading | T statistics (O/STDEV) | P values |
| CSR Disclosures | CSR1 | I prefer to invest in a company where concept of CSR is broadly understood by management and implemented in company | 3.419 | 0.947 | 0.827 | 23.356 | 0.000 |
| | CSR2 | I prefer to invest in a company where CSR refers to achieve social and economic values | 3.464 | 0.911 | 0.848 | 27.761 | 0.000 |
| | CSR3 | I prefer to invest in a company that performs its activities spending less energy and other resources | 3.448 | 0.945 | 0.809 | 23.406 | 0.000 |
| | CSR4 | I prefer to invest in a company that implements effective recycling measures | 3.440 | 0.909 | 0.881 | 49.875 | 0.000 |
| | CSR5 | I prefer to invest in a company where in recent years, transparency towards customers and suppliers has improved | 3.754 | 0.911 | 0.774 | 19.196 | 0.000 |
| Religiosity | REL1 | I believe in what the founder of my religion preached (e.g. through the Qur'an and Hadiths) | 4.238 | 0.900 | 0.691 | 12.642 | 0.000 |
| | REL2 | I have a very positive feeling and respect for religion and religious personages (the prophet, religious leaders, etc.) | 4.363 | 0.797 | 0.737 | 18.080 | 0.000 |
| | REL3 | I practice what the founder of my religion preached | 4.089 | 0.828 | 0.803 | 23.876 | 0.000 |
| | REL4 | I am more concerned about practicing what the religious books (like Qur'an) prescribe and engaging in a wholehearted way | 4.077 | 0.841 | 0.800 | 18.813 | 0.000 |
| | REL5 | I very often go to religious places (such as mosque) to pray | 3.665 | 1.022 | 0.582 | 8.553 | 0.000 |
| | REL6 | I participate in religious ceremonies because I know their religious significance. | 3.706 | 0.901 | 0.667 | 9.575 | 0.000 |



| | | | | | | | |
|---|-------|--|-------|-------|-------|--------|-------|
| | REL7 | I participate in social activities which have a religious significance (such as recitation, dhikr, etc.) | 3.427 | 0.973 | 0.709 | 14.766 | 0.000 |
| Short Term Decisions | STD2 | I engage in portfolio management activities at least twice per week | 3.407 | 1.070 | 0.755 | 10.258 | 0.000 |
| | STD3 | I put at least half of my investment money into the stock market | 3.210 | 1.176 | 0.595 | 4.514 | 0.000 |
| | STD4 | I perform my own investment research instead of using outside advice | 3.637 | 0.957 | 0.769 | 12.369 | 0.000 |
| Long Term Decisions | LTD1 | I save at least 10% of my gross earnings for investing/saving/retirement purposes | 3.669 | 1.006 | 0.732 | 14.298 | 0.000 |
| | LTD2 | I have a portfolio that focuses on multiple asset classes (i.e., stocks, bonds, cash, real estate, etc.) | 3.645 | 1.045 | 0.775 | 17.186 | 0.000 |
| | LTD3 | I invest some money in long-term assets where my money will be tied up and inaccessible for years | 3.625 | 1.044 | 0.815 | 23.827 | 0.000 |
| Performance of Investment Professionals | PERF1 | Compared to other investment professionals, I am performing better in terms of service quality | 3.532 | 0.818 | 0.687 | 12.006 | 0.000 |
| | PERF2 | Compared to other investment professionals, I am performing better in terms of customer responsiveness | 3.593 | 0.832 | 0.771 | 19.152 | 0.000 |
| | PERF3 | Compared to other investment professionals, I am performing better in terms of asset liability matching | 3.488 | 0.818 | 0.745 | 14.827 | 0.000 |
| | PERF4 | Compared to other investment professionals, I am performing better in terms of risk management | 3.613 | 0.854 | 0.718 | 10.587 | 0.000 |
| | PERF5 | Compared to other investment professionals, I am performing better in terms of cost containment | 3.540 | 0.827 | 0.685 | 9.956 | 0.000 |
| | PERF6 | Compared to other investment professionals, I am performing better in terms of investment performance | 3.649 | 0.763 | 0.758 | 18.140 | 0.000 |
| | PERF7 | Compared to other investment | 3.661 | 0.817 | 0.775 | 21.270 | 0.000 |



professionals, I am
performing better in
terms of customer
satisfaction

Source: Author's own calculation based on responses received.

Analysis of the Measurement Model

Table 2
Construct Reliability and Validity

| Variables Factors | Items | Loadings | AVE | CR (Rho C) | Rho A |
|---|-------|----------|-------|------------|-------|
| CSR Disclosures | CSR1 | 0.827 | 0.686 | 0.916 | 0.897 |
| | CSR2 | 0.848 | | | |
| | CSR3 | 0.809 | | | |
| | CSR4 | 0.881 | | | |
| | CSR5 | 0.774 | | | |
| Religiosity | REL1 | 0.691 | 0.513 | 0.880 | 0.850 |
| | REL2 | 0.737 | | | |
| | REL3 | 0.803 | | | |
| | REL4 | 0.800 | | | |
| | REL5 | 0.582 | | | |
| | REL6 | 0.667 | | | |
| | REL7 | 0.709 | | | |
| Short Term Decisions | STD2 | 0.755 | 0.504 | 0.750 | 0.547 |
| | STD3 | 0.595 | | | |
| | STD4 | 0.769 | | | |
| Long Term Decisions | LTD1 | 0.732 | 0.600 | 0.818 | 0.667 |
| | LTD2 | 0.775 | | | |
| | LTD3 | 0.815 | | | |
| Performance of Investment Professionals | PERF1 | 0.687 | 0.540 | 0.891 | 0.862 |
| | PERF2 | 0.771 | | | |
| | PERF3 | 0.745 | | | |
| | PERF4 | 0.718 | | | |
| | PERF5 | 0.685 | | | |
| | PERF6 | 0.758 | | | |
| | PERF7 | 0.775 | | | |

Source: Author's own calculation based on responses received

Items Removed: Indicator items having loading below 0.5 have been removed. These items include STD1 and LTD4.

^a All item loadings > 0.5 point toward indicator reliability (Hulland, 1999)

^b All Average Variance Extracted (AVE) > 0.5 indicate convergent validity (Bagozzi & Yi, 1988; Fornell Larker, 1981)

^c All Composite Reliability (CR) > 0.7 indicate internal consistency (Gefen et al., 2000)

^d Rho A > 0.7 for most of the constructs indicate indicator reliability except Short Term Decisions and Long Term Decisions (Henseler et al., 2015). However, these two constructs meet reliability criteria as per Chin (1998) according to which Rho_c is the closer approximation assuming that parametric estimates are accurate for reflective measures.



Table 3
Fornell-Larcker Criterion

| | CSR | LTD | PERF | REL | STD |
|---|-------|-------|-------|-------|------|
| CSR Disclosures | 0.829 | | | | |
| Long Term Decisions | 0.337 | 0.775 | | | |
| Performance of Investment Professionals | 0.338 | 0.337 | 0.735 | | |
| Religiosity | 0.295 | 0.218 | 0.318 | 0.716 | |
| Short Term Decisions | 0.114 | 0.21 | 0.402 | 0.199 | 0.71 |

Source: Author's own calculation based on responses received. All diagonal values in the above appended Fornell-Larcker Criterion are the highest. Hence, all the constructs in study meet requirements for discriminant validity as per (Fonell & Larcker 1981).

Table 4
Cross Loadings

| | CSR | LTD | PERF | REL | STD |
|-------|-------|--------|-------|-------|-------|
| CSR1 | 0.827 | 0.234 | 0.237 | 0.228 | 0.066 |
| CSR2 | 0.848 | 0.290 | 0.308 | 0.227 | 0.103 |
| CSR3 | 0.809 | 0.253 | 0.273 | 0.181 | 0.107 |
| CSR4 | 0.881 | 0.317 | 0.338 | 0.296 | 0.128 |
| CSR5 | 0.774 | 0.290 | 0.228 | 0.279 | 0.060 |
| LTD1 | 0.273 | 0.732 | 0.275 | 0.171 | 0.193 |
| LTD2 | 0.215 | 0.775 | 0.212 | 0.217 | 0.148 |
| LTD2 | 0.215 | 0.775 | 0.212 | 0.217 | 0.148 |
| LTD3 | 0.294 | 0.815 | 0.294 | 0.121 | 0.149 |
| PERF1 | 0.234 | 0.196 | 0.687 | 0.194 | 0.307 |
| PERF2 | 0.355 | 0.238 | 0.771 | 0.249 | 0.280 |
| PERF3 | 0.260 | 0.323 | 0.745 | 0.274 | 0.291 |
| PERF4 | 0.141 | 0.299 | 0.718 | 0.222 | 0.278 |
| PERF5 | 0.140 | 0.238 | 0.685 | 0.175 | 0.300 |
| PERF6 | 0.245 | 0.212 | 0.758 | 0.187 | 0.367 |
| PERF7 | 0.333 | 0.219 | 0.775 | 0.316 | 0.257 |
| REL1 | 0.122 | 0.060 | 0.217 | 0.691 | 0.100 |
| REL2 | 0.200 | 0.174 | 0.284 | 0.737 | 0.157 |
| REL3 | 0.237 | 0.203 | 0.213 | 0.803 | 0.150 |
| REL4 | 0.254 | 0.210 | 0.228 | 0.800 | 0.099 |
| REL5 | 0.133 | 0.145 | 0.208 | 0.582 | 0.180 |
| REL6 | 0.197 | 0.080 | 0.184 | 0.667 | 0.133 |
| REL7 | 0.286 | 0.169 | 0.248 | 0.709 | 0.171 |
| STD2 | 0.118 | 0.179 | 0.309 | 0.118 | 0.755 |
| STD3 | 0.006 | -0.017 | 0.161 | 0.122 | 0.595 |
| STD4 | 0.091 | 0.219 | 0.345 | 0.181 | 0.769 |

Source: Author's own calculation based on responses received

Every item in the above cross loadings is loaded highest to its latent variable across columns. Hence, all the constructs are meeting criteria of discriminant validity. (Chin 1998)

Table 5
 HTMT Results

| | CSR | LTD | PERF | REL | STD |
|------|-------|-------|-------|-------|-----|
| CSR | | | | | |
| LTD | 0.435 | | | | |
| PERF | 0.376 | 0.443 | | | |
| REL | 0.328 | 0.280 | 0.368 | | |
| STD | 0.167 | 0.385 | 0.569 | 0.296 | |

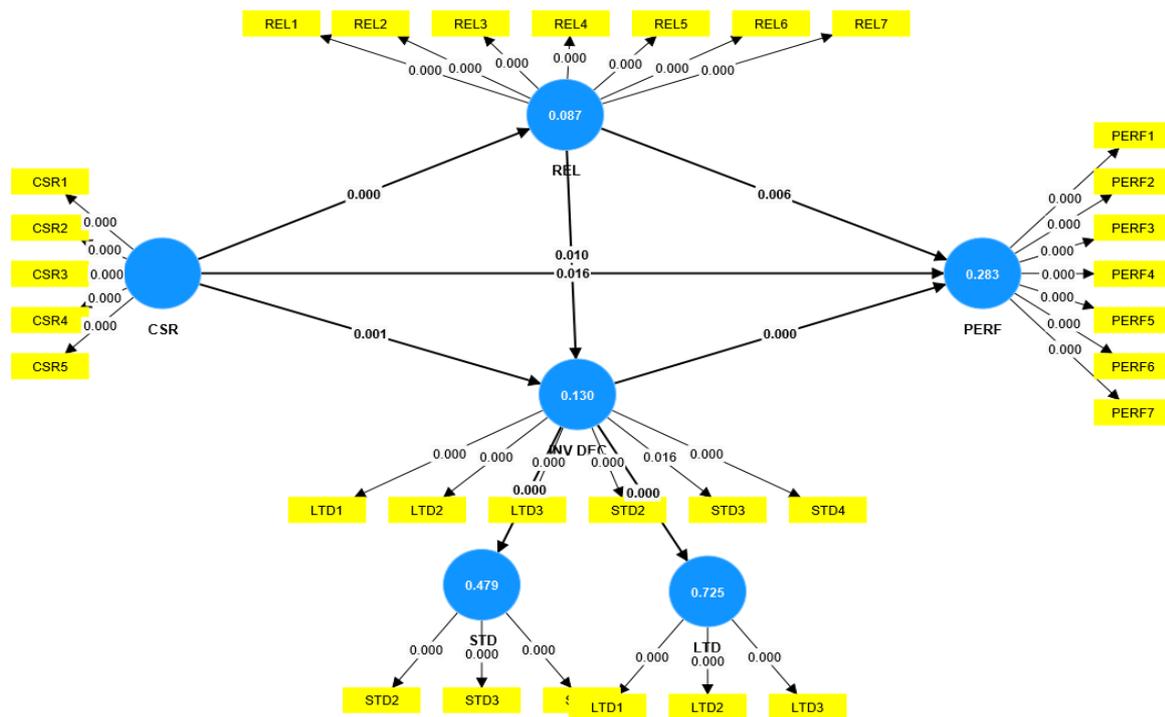
Source: Author’s own calculation based on responses received
 All values in the above HTMT results are below 0.85 that ensure discriminant validity.

Results And Analysis Of The Structural Model

This study has investigated the causal relationship of corporate social responsibility disclosures and performance under delegated investments with mediating effects of religiosity in the behavior of investment professionals.

PLS-SEM model for the study is being presented below.

Figure: 2
 PLS Model



Tests of the above model reveal that all paths are significant as produced below in Table 6 below:



Table: 6
Path Coefficients

| | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values | Decision |
|-----------------|--------------------|-------------------------------|-----------------------------|----------|-------------|
| CSR -> INV DEC | 0.257 | 0.077 | 3.288 | 0.001 | H2 Accepted |
| CSR -> PERF | 0.178 | 0.073 | 2.403 | 0.016 | H1 Accepted |
| CSR -> REL | 0.306 | 0.059 | 4.999 | 0.000 | H3 Accepted |
| INV DEC -> PERF | 0.365 | 0.071 | 5.118 | 0.000 | H4 Accepted |
| REL -> INV DEC | 0.197 | 0.074 | 2.590 | 0.010 | H5 Accepted |
| REL -> PERF | 0.174 | 0.062 | 2.724 | 0.006 | H6 Accepted |

In view of the above depiction of path coefficients confirm the causal effect of CSR disclosures on performance (H1), effect of CSR disclosures over investment decisions (H2), effect of CSR disclosures on religiosity (H3), effect of Investment decisions on performance of investment professionals (H4), effect of religiosity on investment decisions (H5) and effect of religiosity on performance (H6).

Significance of below specific indirect effects along with the direct effects in Table 6 above reveal partial mediation of investment decisions between CSR disclosures and performance (H7), partial mediation of religiosity between CSR disclosures and performance (H8), partial mediation of both religiosity and investment decisions simultaneously between CSR disclosures and performance (H9), partial mediation of religiosity between CSR disclosures and investment decisions (H10) and partial mediation of investment decisions between religiosity and performance (H11). This mediation is complementary partial mediation as the total effect of variables is positive over here (Zhao et al. (2010).

Table: 7
Specific Indirect Effects

| | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values | Decision |
|-------------------------------|-----------------|----------------------------|--------------------------|----------|--------------|
| CSR -> INV DEC -> PERF | 0.093 | 0.033 | 2.775 | 0.006 | H7 Accepted |
| CSR -> REL -> PERF | 0.053 | 0.022 | 2.319 | 0.020 | H8 Accepted |
| CSR -> REL -> INV DEC -> PERF | 0.022 | 0.010 | 2.072 | 0.038 | H9 Accepted |
| CSR -> REL -> INV DEC | 0.059 | 0.024 | 2.354 | 0.019 | H10 Accepted |
| REL -> INV DEC -> PERF | 0.072 | 0.031 | 2.300 | 0.021 | H11 Accepted |

Source: Author's own calculation based on responses received

Discussion and Conclusion

Discussion

It is important to avoid agency conflicts that may arise between investment professionals and the actual investor. Hence, it is also imperative to know if factors those affect decisions of investors may also affect the decisions of investment professionals that are made on behalf of



actual investors in order to assist investors in selecting the best manager for their funds. In this way our study supports the involvement of agency theory in investor-manager relationship.

As far as the relationship between corporate social responsibility disclosures and investment decisions is concerned, our study agrees with the results of (Kouaib & Amara, 2022) in a way that significant relationship has been observed in between CSR disclosures and investment decisions as reflected through the acceptance of H2. Nevertheless, this relationship in the said study has been conducted for the end users (the actual investors) whereas in ours it has been conducted on the investment decisions of investment professionals those are made on behalf of actual investors. Our results are also in line with findings of (Huang, Chen, & Liu, 2023) as may be confirmed through the accepted H1 with the differentiation that even though the said study has confirmed the effects of CSR disclosures on investment efficiency, our research validates this relationship in the viewpoint of delegated investments where performance of investment is the performance of investment professionals in fact.

According to legitimacy theory, the social responsibility along with its fair disclosures are requisites for the success of a business where the investors' funds are tied up. Thus, findings of our study endorse the presence of legitimacy theory in the delegated investment decision making as is reflected through the positive effects of corporate social responsibility disclosures on the investment performance. Our work also supports the stakeholder theory according to which the businesses must engage themselves in the activities those are beneficial for its stakeholders.

Apart from examining in the context of delegated investments, our study also conforms the results of (Husin, Aziz, & Hee, 2021) that demonstrate the effect of religiosity on investment decisions. Concurrence of H3 is the reflection of this relationship between religiosity and investment decisions. In line with (Sherine, Wiyanto, & Budiono, 2021) where positive effects of investment decisions have been found on the value of the firm, our research uncovers the significant causal association between investment decisions and performance of investment professionals. Findings of our study are in contradiction with the research results of (Brimble, Vyvyan, & Ng, 2013) where no significant effects of religiosity were observed on investment decisions. Rather, in our research, significant effects of religiosity have been established on the investment decisions as well as performance of investment professionals that may be verified through the accepted H5 and H6. This study also made an attempt to explore whether religious attitudes of investment professionals and consequent investment



decisions have any mediating effects on their performance. It has been revealed that investment decisions partially mediate the relationship between CSR disclosures and investment performance (H7 accepted), Religiosity partially mediates the relationship of CSR disclosures and the Investment Decisions (H10 accepted) as well as the relationship of CSR disclosures and their investment performance (H8 accepted). Moreover, religiosity and investment decisions simultaneously mediate between CSR disclosures and investment performance (H9 accepted). The confirmation of the mediation of investment decisions between religiosity and economic performance of investment professionals supports the findings of (Efni, 2017) according to which investment decisions result in the appreciation of economic performance.

These results also supports contingency theory according to which the decisions are contingent upon some internal and external factors. In this study, religiosity is the factor that to a certain extent affects decisions of investment professionals.

Conclusion

This research is inimitable from various earlier researches those have been conducted in the area of behavioral finance. This is because the behavior of investment managers/professionals rather than real investors has been tested everywhere in the study. Though many earlier works addressed the link between CSR and performance, however, the way in which this relationship has been tested in the current study is different. An important intervening variable of religiosity addresses the behavioral patterns thus investment decisions of investment professionals in diverse circumstances. All direct and the specific indirect paths have been found to be significant under the study. Though, moderating influence of religiosity have also been tested in between CSR disclosures and investment professionals' performance, however, they produced insignificant effects. Therefore, the results of the same have not been included in this study. Nevertheless, the results have ensured that there is direct as well as indirect relationship between corporate social responsibility disclosures and performance of investment professionals. There is partial complementary mediation of religiosity and investment decisions in between CSR disclosures and performance of investment professionals. Hence, it may be concluded that religiosity adds significance to the CSR disclosures. Whenever CSR disclosures combine with the religious attitude of investment professionals then decisions they make on behalf of their clients (the actual investors) leads towards their positive performance.



Results of the study urge businesses to perform in the best interest of society that has been found to be an important consideration before making investment. This inclination will not only benefit investors instead the society and economy as a whole. Investment professionals may enhance their emphasis over the presence of CSR disclosures at the time of making investment decisions in order to enhance efficiency of investments those have been delegated to them. Moreover, the investors may get benefits of these findings (where mediating influence of religiosity have been observed) in selecting best professional for managing their investments.

Practical Implications

Since this study has been conducted in the scenario of delegated investments, therefore, it is expected to benefit both the investors as well as the investment managers/professionals to enhance performance of investments in the form of extending returns and mitigating risks.

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