IRBAS www.irbas.academyirmbr.com October 2021
International Review of Basic and Applied Sciences Vol. 9 Issue.4

Corporate Social Responsibility and New Venture Performance: The Mediating Role of Stakeholders' Trust

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Abstract

This study tends to explore the influence of corporate social responsibility (CSR) on new venture performance (NVP) through the mediation of stakeholders' trust. While following the chronicles of stakeholder theory and resource based theory, this study used survey approach for collection of data from 378 managers, owners, and owner-mangers of the new ventures in Khyber Pakhtunkhwa Province of Pakistan. We used structural equation modelling technique in AMOS 24 to deduce precise results of the study. After testing data normality and conducting confirmatory factor analysis, the hypotheses of the study were checked with the help of path analysis diagrams. The outcomes of the study revealed that CSR has a significant positive impact on NVP and ST. Further, evidence was documented for stakeholders' trust as playing positive significant role in the route of CSR and NVP. This study empirically proved that every good brings good in return.

Keywords: *CSR, NVP, ST, Stakeholder Theory, Resource Base Theory, Sustainability.*

Introduction

The paradox of synchronously fulfilling the needs of shareholders and society is being disentangled and corporate social responsibility (CSR) is undertaken as a tool for achieving sustainable firm performance. Business organizations are provoked to stretch their duties across the conventional lines of operations and assimilate CSR into their basic business models. Managers have recognized that most of the business objectives can be attained by the satisfaction of diverse stakeholders' groups (Boccia & Sarnacchiaro, 2018; Hasan, Kobeissi, Liu, & Wang, 2018). Furthermore, the high level population in developing countries has surpassed government capacity to cater for the solutions of social problems. Therefore, CSR has gained substantial consideration and is playing as a vigorous complement to the governments' efforts

undertaken for balanced and sustainable growth of communities in both developed and developing nations of the world (Anwar, Khan, & Khan, 2018; Jamali & Karam, 2018; Jamali, Zanhour, & Keshishian, 2009; Khan, Yang, & Waheed, 2019b).

CSR has risen to prominence at present both in academia and all types of business organizations around the globe (Cho, Chung, & Young, 2019; Jamali, 2014). This surge of interest in CSR is attributed to increased awareness and activism among the diverse stakeholders of organizations (Hasan et al., 2018; Khan, 2018). There are massive institutional, instrumental and philanthrophic pressures that have forced managers to serve not only the interests of shareholders but also to address the environmental, social, and economic concerns of the society (Bhattacharya, Sen, & Korschun, 2011; Boccia et al., 2018). Thus, managers are no more freer to follow the inhuman attitude of operations, where the prime objective is the maximization of shareholders' wealth (Khan et al., 2019b; Vallaster, 2017; Zhao, Liu, Zhang, & Huang, 2017). CSR in this study is used to denote policies and practices assumed by business in a way forward to provide for social, economic and environmental impacts of a business on society beyond that is required by law and institutions (Abbas, Gao, & Shah, 2018; Carroll & Shabana, 2010; Sheehy, 2015).

Adopting an organized and instrumental approach to CSR initiatives, helps firms build their trust and develop goodwill in the minds of diverse stakeholders including both internal and external stakeholders (Bai & Chang, 2015; Boccia et al., 2018). Based upon its strategic importance, CSR is called by some managers as "corporate social opportunity" instead of "corporate social responsibility (Bhattacharya et al., 2011; Jenkins, 2009; Moon & Parc, 2019). Stakeholder theory states that effective and efficient engagement in social activities leads towards good ties between a business and its different stakeholders and earns critical intangibles resources including trust of the associated stakeholders and competitive advantage (Bitektine & Haack, 2015; Shad, Lai, Fatt, Klemeš, & Bokhari, 2019). Such resources build loyalty, satisfaction and trust of the employees and customers and in turn improve firm's reputation and brand image (Anbarasan, 2018; Boccia et al., 2018; Gilal, Channa, Gilal, Gilal, Gong, & Zhang, 2020). The satisfaction and confidence on the part of diverse stakeholders create, sustain and promote trust (Barney, 1991; Freeman, 1984) which finally raises the firm's performance (Khan, Yang, Khan, & Waheed, 2019a).

The formation of new ventures is encouraged and assisted by every nation to attain the goal of economic growth and development. A new venture is not only a source of income generation for the owner(s) but also a basis of employment creation for the others and an optimum utilization of multiple resources (Fox & Sohnesen, 2012). In this regard, Pakistan has made notable reforms in the procedure of starting new businesses and made it very simple and easier for the nascent entrepreneurs. The procedural steps of forming a new business have been reduced from ten to five and thus Pakistan has gone upward in the "Ease of Doing Business 2020" global ranking (World Bank, 2020).

Pakistan hosts millions of SMEs, which are considered as the key pillar of economy (Khan et al., 2019a; Khawaja, 2006). The SMEs sector contributes around 40 percent of the GDP and gives employment to approximately 70 percent of the total labor in the industrial sector of Pakistan. Concurrently, the government of Pakistan is striving its best to enhance the number of SMEs, for which numerous offers and packages are provided to potential entrepreneurs, like the establishment of economic zones in less-privileged localities, extension of loans, training and motivation, provision of technology support fund and services etc. (SMEDA, 2017). On the other side of the picture, the scenario is very foggy, because a substantial number of newly established ventures are rapidly closing due to one or another reason (Khan et al., 2019a). As per published reports, the failure rate amongst upstart ventures is as high as around 19 percent of ventures close down in the initial five years and only four percent firms go beyond the age span of 25 years (Khan et al., 2019a).

In such critical situation, entrepreneurs, managers, academicians, and researchers develop and try competitive strategies for ensuring the survival and successful operation of new ventures. In order to get competitive advantage over counterparts and to ensure survival in turbulent markets, the upstart ventures

focus on building trust and market value through CSR related initiatives which move the ventures toward smooth operations and survival (Anwar et al., 2018; Jain, Vyas, & Roy, 2017). In this age of sustainability concerns, CSR is not an option rather an obligation. Firms are not freely allowed to operate as per their economic targets, but the mangers are bound to follow the varied rules and regulations regarding sustainable operations. Business ventures are bound to contribute toward people and planet in economic, social, and environmental aspects. As such, the firms are not only responsible to address the owners' interests, but also to take care of the interests of other stakeholders including employees, customers, environment, society, suppliers and government etc. (Bai et al., 2015).

There has been a lot of research conducted to determine the objective outcomes of investing in socially responsible causes, but as whole, their results have been inconclusive showing positive (Akben-Selcuk, 2019; Bai et al., 2015; Gilal et al., 2020; Inou & Lee, 2011; Jain et al., 2017; Javed, Rashid, & Hussain, 2017; Khan et al., 2019b; Mikołajek-Gocejna, 2016; Murphy, Trailer, & Hill, 1996; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015; Vallaster, 2017; Williams, 2020; Yu & Choi, 2014), negative (Bird, Hall, Momentè, & Reggiani, 2007; Brammer & Pavelin, 2006; Daszynska-Zygadlo, Slonski, & Zawadzki, 2016; Reinartz, Haenlein, & Henseler, 2009; Su, Liu, & Teng, 2020; Yoon & Chung, 2018) and neutral (Crifo, Diaye, & Pekovic, 2016; Crifo & Forget, 2012; Gutsche, Schulz, & Gratwohl, 2017) effects of CSR on performance. This has prompted social researchers to utilize reconvening criteria to help managers achieve a balance between CSR expenditure and its outcomes (Javed et al., 2017). Moreover, majority of the CSR-output related studies have been conducted in developed countries and in large and established businesses. This field is very minimally investigated in developing countries and the informal CSR of small businesses needs due investigation (Jamali, 2014).

The primary objective of study was to know whether socially responsible practices by new ventures have significant influence on their performance or not and to analyze the role of stakeholders' trust as mediator in the relationship between CSR and NVP. Hence, based upon the elements of stakeholder theory and resource based theory, this study investigates the effect of CSR on NVP and stakeholders' trust and again uses stakeholders' trust as a mediator between CSR and NVP.

Literature Review

This section presents the operational definitions of the study variables and sheds light on the arguments in favor and un-favor of CSR related activities and NVP relationship. Furthermore, this section elaborates the theoretical background of the study, and contains the hypotheses of the study which are developed for testifying in further steps.

Corporate Social Responsibility

CSR is viewed as the responsibilities undertaken by a business to meet the criterions set by the society and other legal regulations.(Cholette, Kleinrichert, Roeder, & Sugiyama, 2014). The European Commission defines CSR as the business obligations assumed in return for the impacts it has on the society. Due to the global sustainability concerns and social performance requirements of businesses, the ethical aspects of business have become secondary in priority (Moura-Leite & Padgett, 2011), and CSR has become an obligatory act (Khan et al., 2019b).

Till present date there is no agreed-upon-by-all-definition of CSR among the scholars, probably due to perceptual differences. United Nations Industrial Development Organization (UNIDO) defined CSR as those policies and actions which give substantial weightage and considerations to society and environment (UNIDO, 2020). A most common definition of the concept is that CSR is a total of all those obligations which are assumed for the benefit of diverse stakeholders and which is in excess of what is required by regulations (Bai et al., 2015; Carroll, 1999; Lee & Jung, 2016). Furthermore, CSR includes and deals with the three basic types of sustainability i.e. environmental preservation,

sustainable economic growth and social equality (Lee et al., 2016). In this study CSR is conceptualized as strategies, postures and actions undertaken by ventures for achieving social and economic goals while being meeting the needs and expectations of varied stakeholders.

There are no formal rules for governing CSR in Pakistan and it is generally undertaken on voluntary basis. The Securities and Exchange Commission of Pakistan (SECP) has presented a set of some discretionary CSR related guidelines (SECP, 2013). CSR Association of Pakistan, Responsible Business Initiative (RBI), Triple Bottom Line Pakistan (TBLP) and some NGOs have been struggling to promote CSR in Pakistan. Academically, CSR in Pakistan is still going through its crescent stages. CSR related research in Pakistan was started nearly two decades ago. The study of Ray (2000) is conceived to be the first study in the field of social responsibility in Pakistan. Like all over the world, in Pakistan corporations have been the focus of researchers in the context of CSR studies. There are very few studies that have investigated the role of CSR in small businesses.

New Venture Performance

A venture that is not yet firmly matured is called a new venture. In guidance of the previous research, ventures having age of 10 or less than 10 years are deemed as new ventures (Cardon & Kirk, 2015; Yli-Renko, Autio, & Sapienza, 2001). Ma, Gu, and Liu (2017) and Patel and Jayaram (2014) have treated those businesses as new ones, which were younger than 8 years. This study considers a venture as new when it has an age of ten or less than ten years. Moreover, this study includes in the sample those firms which were in the age limit of 3 to 10 years. The criteria of minimum three years' age was followed in pursuance of the previous research (Amankwah-Amoah, Danso, & Adomako, 2019; Anwar et al., 2018; Khan et al., 2019a).

Performance means the attainment of business goals and objectives in accordance with the desired targets, like increased sales volume and profit, employees and customers satisfaction, maximization of shareholders' wealth and so on (Murphy et al., 1996; Tulcanaza-Prieto, Shin, Lee, & Lee, 2020). In business research, performance has been used to denote efficiency, effectiveness, success, growth, better operations and task completion (Anwar et al., 2018; Khan et al., 2019a). Firm performance is classified as either financial or non-financial. In the extant literature, accounting based and market based perspectives have been adopted for measuring financial performance of a business. In this paper firm performance is used to encompass both financial and non-financial performance.

Stakeholder Trust

Trust is fundamentally a representation of expectations rather than conduct because it has a direct link with one's mental state. Due to its basic role in social sciences, trust is interchangeably used with social capital. However, till date there is no unified definition of trust among the academicians and scholars(Misztal, 2013).According to Li, Wang, and Wang (2017), trust is defined as a source of intrinsic drive for building a partnership relationship. Integrity, benevolence and ability have been reported as determinants of trust. Trust supports the exchange of valuable information, ideas and the occurrence of continuous business dealings (Bannock, Davis, Uncles, & Trott, 2002).

De Oliveira and Rabechini Jr (2019) describe three dimensions of trust: integrity, intuitiveness and competence. Integrity refers to the degree to which relationships are genuine on both sides; intuitive refers to the trustee's perception; and competence refers to the trustee's knowledge, aptitude, and skills. All the three components of trust are equally important in the development and improvement of relationships. The notion of stakeholder trust is conceptualized in this study to describe the positive prospects and conduct of the relative stakeholders in response to new ventures' socially responsible policies and practices.

Hypothesis Development

CSR and New Venture Performance

Corporate social responsibility literature contains a considerable number of studies that show a significant association between CSR and firm performance but with plus, minus and neutral relationship between the two. CSR has been proven to have little to no influence on financial success in several research (Williams, 2020). Brammer and Pavelin (2006) have reported negative effect of CSR on stock returns. According to some analysts, the detrimental effect is due to inadequate stakeholder management in emerging nations (Anwar et al., 2018). The inconclusiveness of the results call for adopting some contemporary methodologies and adding some new factors in the existing models (Khan et al., 2019b) to maintain a desirable balance between CSR investment and its outcome (Javed et al., 2017). When it comes to CSR, small and large businesses have distinct goals and concerns (Hou, Liu, Fan, & Wei, 2016). Large and financially sound corporations engage in CSR to improve their image, but small and medium-sized enterprises engage in CSR to get an impact and become accepted in the community, which leads to higher revenues and profitability (Popa & Salanta, 2014).

A general perception suggests that the leading return to CSR expenses is reflected in augmented intention to purchase from, invest in and work with those firms which behave in socially responsible ways (Bhattacharya, Korschun, & Sen, 2009). In addition, prior research has proved that policies and practices like application of internal code of conduct and training of sustainability mould employees' conduct in a manner that is environmentally responsible (Khan et al., 2019b; Mishra & Suar, 2010). Furthermore, literature admits that employees' CSR positively influences employees' engagement, motivations, loyalty and trust. Furthermore, it has become fashionable for customers to prefer to buy goods and services from socially responsible businesses. As a result, there is a huge chance for a new venture to engage in social responsibility and to gain a competitive edge that will help the company survive and expand in the long run (Cohen, Marques, Lameira, Sousa, & Au-Yong-Oliveira, 2020). Strategies and actions that benefit the community, assist firms in developing good image and favourable recognition through the creation of distinctive brands (Ansong, 2017), gaining public opinion and motivation of stakeholders' productive engagement in firm's operations (Gilal et al., 2020; Jain et al., 2017; Manimegalai & Baral, 2018).

Though big businesses are better able to adopt CSR because of their sufficient resources and capabilities (Cohen et al., 2020), new ventures also try to get an optimal balance between their CSR activities and their strapped resources and undertake only those practices which are feasible in terms of conduct, competitiveness and profitability (Voinea, Logger, Rauf, & Roijakkers, 2019). In case of upstart ventures, the market value and stakeholder trust are considered as the crux of smooth survival and successful operation (Bai et al., 2015; Javed et al., 2017; Khan et al., 2019a). It has become fashionable for customers to prefer to buy goods and services from socially responsible businesses. As a result, there is a huge chance for a new venture to engage in social responsibility while also gaining a competitive edge that will help the business ensure its survival and growth in the long run (Smartcompany, 2016). In reality, when stakeholders recognize a business CSR effort, they do good to the business in a variety of ways that reflect a solid connection in which purchase, employment, and investment are just the beginning. In a number of stakeholder arenas, deep connections may lead to desirable actions leading towards survival and growth (Bhattacharya et al., 2011). So, based upon the given literature, we formulate the following hypothesis:

H1: Corporate social responsibility will be a significant predictor of New Venture Performance.

CSR and Stakeholder Trust

Trust occupies an important place in social theories and it is sometimes used interchangeably with the concept 'social capital'(Misztal, 2013). Rempel, Holmes, and Zanna (1985) defines trust as one party's belief in the other party and considers it a basis for internal motivation and partnership relationships. The

existing trust literature shows many determining factors of trust such as ability, transparency, benevolence, altruism and integrity. Stakeholder trust in business means the willingness by the associated stakeholders to be vulnerable to the actions of the firm.

Firms that engage in CSR operations improve stakeholders' trust in the market by sending a positive message to their diverse stakeholders and cultivating a favorable image (Khan et al., 2019b; Pivato, Misani, & Tencati, 2008). Firm's socially responsible actions have a positive and significant effect on employees wellbeing and performance. Furthermore, employees' loyalties, satisfaction and trust can be gained through strategic CSR practices (De Roeck & Farooq, 2018; Yu et al., 2014). Firms' internal resources like employees competencies, skills, self-esteem, knowledge, contentment, and retention and external resources like firm's image, goodwill, excellent public relationships, suppliers' partnership, and capacities are strengthened by following the RBT approach and investing in CSR activities (Bai et al., 2015; Khan et al., 2019b). Moreover, CSR aids in the development of creative initiatives which in turn assist businesses in developing differentiated and low-cost products that deliver superior results (Anwar et al., 2018; Song, Wang, & Zhu, 2018).

CSR has the power to create and strengthen social relationships between businesses and their customers. Furthermore, CSR is source of trust generation (Glaveli, 2020). Social exchange theory postulates that the flow of every resource will remain continued if it has a contingent favorable return meaning that doing good to someone will compel him to do good in return (Cook, Cheshire, Rice, & Nakagawa, 2013). Firms receive positive feedback from their workers, customers, and society as a result of well-organized CSR. Furthermore, CSR fosters good intensions about the firm among diverse stakeholders (Bai et al., 2015; Khan, 2018) and nurtures stakeholder trust (Boccia et al., 2018). Thus, in the light of the mentioned literature, we formulate the following hypothesis:

H 2: Corporate social responsibility positively impacts trust of the firm's stakeholders.

CSR, Stakeholder Trust and NVP

Trust among the associated stakeholders is critical to any organization's success. When stakeholders lose faith in the organisation and its leadership, they will cease to support it. Customers will switch brands, investors will consider reallocating their capital, and suppliers will not participate in a satisfactory manner. Employees will become dissatisfied with their existing position and will begin looking for a new job (Chams-Anturi, Moreno-Luzon, & Escorcia-Caballero, 2019) and there will be a trust crisis. A new management pattern will thus be required to properly address the present trust issue. 'Doing well by doing good' appears to be a better alternative to the 'traditional mode of doing business,' and it has the potential to help restore the lost trust (Bhattacharya et al., 2009; Pirson, Martin, & Parmar, 2019).

Trust results in encouraging cooperative and flexible behaviour, the development of dynamic organisations, the elimination of disputes, lower transaction costs, and favourable crises response (Rose & Schlichter, 2013). Increased customer sincerity as a result of CSR reduces firms' need to incur expenses for charming and attracting customers because they readily get their side. Similarly promotions need not higher expenditure, and because the business has a good repu, it can easily enter into new markets and their products can appeal to those customers who want eco - friendly products often on premium prices (Rapti & Rapti, 2011).

Trust is critical for resolving a variety of issues because it enables the exchange of pertinent information and facts and encourages team members to accept the impact of others on their actions and choices. The relationship between stakeholder trust and job performance is strong (De Oliveira et al., 2019). Building strong working connections and understanding the complicated interactions among stakeholders, as well as resolving their problems, are all outcomes of trust. According to organisational behaviour research, there

are various critical procedures and mechanisms that have to be examined and researched in the CRS-outcomes connection. Trust is recommended as a key tool that can influence the relationship between sustainability initiatives and workforce perceptions and attitudes (Rupp, Ganapathi, Aguilera, & Williams, 2006).

Prior research has suggested trust to be studied as mediator between the perceived notion of CSR and customers' behavioural intentions, because CSR sends fascinating message to all kinds of stakeholders about the firm's worthiness, ethics, values, credibility and legitimacy, as well as the extent with which an organization should be trusted (Ansong, 2017; Zhang, Li, Cao, & Huang, 2018). Firms' CSR actions help produce stakeholders' trust in the organisation (De Oliveira et al., 2019; Pirson & Malhotra, 2011; Sharif, Kalafatis, & Samouel, 2005), which in response works as a stimuli for the organization's smooth operations by allowing for effective coordination, co-operative & flexible behaviour, and a reduction in agency costs and destructive clashes (Rose & Schlichter, 2013; Xu, Fernando, & Tam, 2019). Stakeholder trust contributes to positive work attitudes, which lead towards improved business performance. As a result of the foregoing debate, this research presents the following possibilities.

H 3: Stakeholder trust will positively influence NVP.
H 4: Stakeholders trust will significantly mediate in relationship between CSR and NVP.

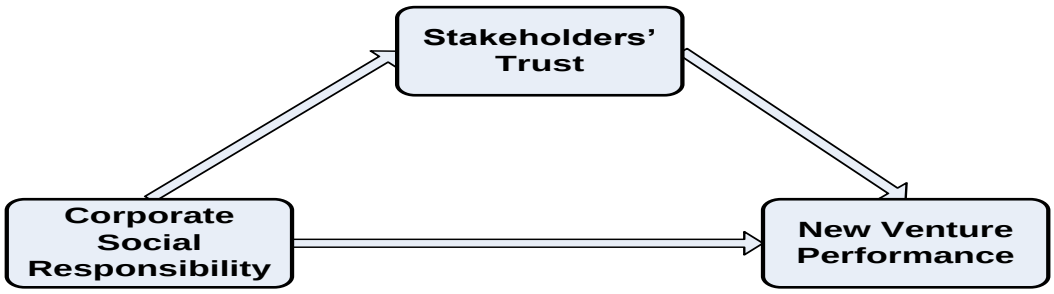

Figure 1. Diagrammatic Representation of the Study

Methodology

Data Collection

To test the hypotheses of the study, primary data were collected from the managers and owners/managers of new ventures located in the Khyber Pakhtunkhwa province of Pakistan, with the help of structured questionnaire. By using convenience sampling technique, data obtained from 378 respondents were analyzed, where each respondent represented a new venture in the target area. Primary data were used because of several reasons including unavailability of secondary data in case of SMEs and particularly the newly established ones (Anwar et al., 2018; Khan et al., 2019a).

Measurement

For measuring the variables of the study, already utilized scales from the previous studies were adapted and a questionnaire was designed that consisted of two parts. Part first was meant for collecting data on demographics of the respondents and part 2nd was designed to gather data on the key variables of the study. New venture performance was measured with the help of self-reported items adopted from Charoensukmongkol (2016). The 10 items' scale seeks information on financial and non-financial

performance including profitability, return on equity, return on asset, market share, customers satisfaction and quality of the products etc. CSR measures (a 12 items scale) were adopted from (Ansong, 2017; Williams, 2020) because those measures encompassed all the important dimensions of CSR. Stakeholders trust was measured with the items used by Kim (2019).

Analysis and Discussion

To test the direct effect of CSR on NVP and indirect effect through stakeholders' trust, AMOS 24 (Analysis of Moment Structures) was utilized and with the help of Structural Equation Modeling (SEM) all the hypotheses of the study were tested. SEM is considered as second generation analysis technique and is extensively used by contemporary social science researchers (Gilal, Paul, Gilal, & Gilal, 2021; Khan, Yang, Khan, Kherbachi, & Huemann, 2020).

Profile of the Respondents

This section sheds light on demographics of the surveyed ventures. Table 1 represents the composition of the age, size and type of industry of the surveyed respondents. The sample of the study includes all the three main types of industry where trading concerns were 43.7%, trading businesses were 32.3% and 24% were manufacturing units. Size-wise 51-100 employees' group has the highest frequency of 44.4% followed by 19%, 18%, 13.2% and 5.3% for less than 50 employees, 101-150 employees, 200-250 employees and 150-200 employees' groups. Age-wise distribution was almost even among the three groups.

Table 1 : Profile of the Respondents

		Number	Percent
Nature of Industry			
	Manufacturing	91	24.1
	Trading	165	43.7
	Services	122	32.3
	Total	378	100.0
Size of Firms			
	< 50 Employees	72	19.0
	51-100 Employees	168	44.4
	101-150 Employees	68	18.0
	151-200 Employees	20	5.3
	201-250 Employees	50	13.2
	Total	378	100.0
Age of Firms			
	≥ 03 Years	91	24.1
	04-07 Years	153	40.5
	08-10 Years	134	35.4
	Total	378	100.0

Testing Data Normality

Skewness and kurtosis tests were used to assess the normality of the data as a precondition for data analysis because the appropriate selection of data analysis tools, is greatly dependent upon the respective distribution (Hair, Anderson, Babin, & Black, 2010). The skewness and kurtosis statistics were found to be within the standard range of normal distribution (+3, −3) and hence, there was no normality issue in the data set (Hair, Ringle, & Sarstedt, 2013).

Common Method Variance

For checking spuriousness in the method of measurement and ensuring that the variations in the data are due to the constructs themselves, 'Harman's Single Factor' test was applied and all the scale items of the variables were loaded onto one single factor. The result of the test showed that the single factor's variance is 42.95% of the total variation that is well below the standard of 50%, indicating no presence of common method bias (Podsakoff, Mackenzie, & Podsakoff, 2012).

Validity and Reliability

Before testing the study hypotheses, confirmatory factor analysis was conducted to make sure whether the scale items are loading into their respective latent variables reliably or not and to confirm that the observed model is in consonance with the proposed model.

In this study, both composite reliability and Cronbach alpha were calculated for assessing the reliability of the measures. We found good loading scores that ranged from 0.707 to 0.891. Table 2 shows that composite reliability and Cronbach Alpha values for all the variables are well above the threshold value of 0.70. Hence, the measuring scale of the study was found reliable (Khan, Liu, Liu, Khan, & Hameed, 2020; Nunnally & Berstein, 1994).

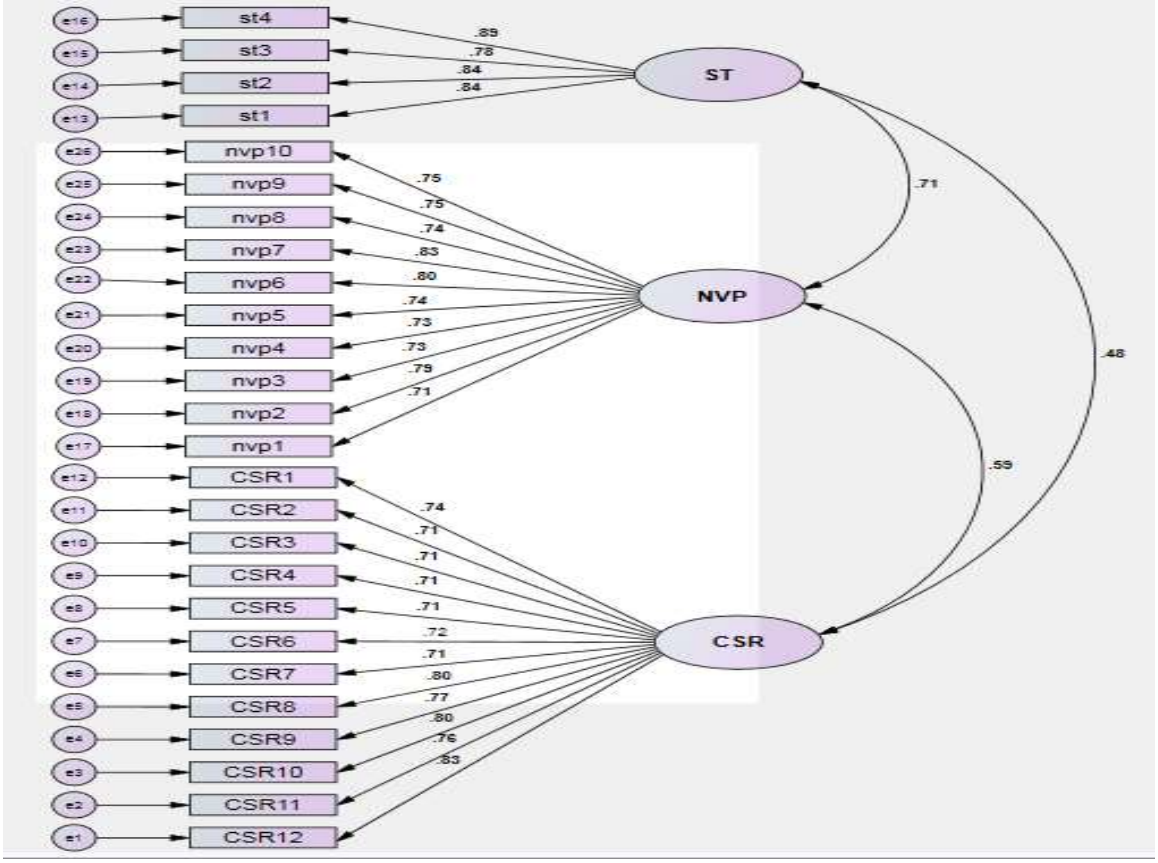

Figure 2 Measurement Model of the Study

As the measuring items of the variables were adopted from previous studies, all of them were deemed to have proven content validity. For construct validity, master validity plug-in feature of AMOS was utilized. Table 2 shows that factor loadings, AVE and √AVE values were above 0.7, 0.5, 0.7 respectively and thus meeting the criterion of convergent validity (Hu & Bentler, 1999). Fornell and Larcker (1981) criterion was used for establishing discriminant validity of the construct. Table 3 depicts that the √AVE value for each construct is more than its inter-construct correlations, thus confirming discriminant validity.

Table 2: Factor Loadings, Validity and Reliability Indices

Items	Loadings	AVE	√AVE	CR	Cronbach Alpha
New Venture Performance		0.573	0.757	0.930	0.930
NVP1	.709				
NVP2	.792				
NVP3	.727				
NVP4	.727				
NVP5	.741				
NVP6	.799				
NVP7	.826				
NVP8	.737				
NVP9	.752				
NVP10	.750				
Stakeholders Trust		0.702	0.838	0.904	0.903
ST 1	.838				
ST 2	.835				
ST 3	.782				
ST 4	.891				
Corporate social Responsibility		0.558	0.747	0.938	0.938
CSR1	.745				
CSR2	.707				
CSR3	.708				
CSR4	.709				
CSR5	.711				
CSR6	.719				
CSR7	.708				
CSR8	.795				
CSR9	.769				
CSR10	.795				
CSR11	.760				
CSR12	.826				

For assessing the model fit, a number of contemporarily used indices were employed. CFA showed good to excellent model fit indices both for the measurement model as well the structural model as $\chi 2/df = 1.847$, CFI = 0.961, GFI = 0.896, AGFI = 0.877, TLI = 0.957, and NFI = 0.919, RMR = 0.023 and RMEA = 0.047

(Hair et al., 2010; Hu et al., 1999). Furthermore, table 4 indicates excellent fit indices for the structural model of the study (Hair et al., 2010; Hu et al., 1999).

Table 3: Discriminant Validity

		CSR	ST	NVP
Corporate Social Responsibility	**(CSR)**	**0.747**		
Stakeholder Trust	**(ST)**	0.482	**0.838**	
New Venture Performance	**(NVP)**	0.706	0.591	**0.757**

Table 4 : Structural Model Fit Indices

Measure	Value	Cutoff value	Remarks
CMIN/DF	1.847	Between 1 and 3	Excellent
CFI	0.961	>0.95	Excellent
SRMR	0.038	<0.08	Excellent
RMSEA	0.047	<0.06	Excellent
PClose	0.750	>0.05	Excellent

Testing Hypotheses of the Study

In order to test the hypotheses, path analysis was conducted in AMOS 24. Besides the direct impact of CSR on NVP and ST, the indirect effect of CSR on NVP was checked through the route of stakeholder trust (mediator) with the help of SEM.

First the direct effect of CSR was checked on NVP and ST and of ST on NVP and second the indirect effects of CSR was checked on NVP through the mediation of ST. Baron and Kenny (1986) suggest three conditions to be met before running mediation analysis i.e. there should be significant relationship between independent variable (IV) and dependent variable (DV), IV and Mediator (M) and M and DV. Table 5 shows that all the prerequisite relations are significant and hence, the Baron and Kenny conditions for mediation are met. Moreover, the results in table 5 present evidence in respect of H1, H2 and H3 of the study. The results indicate that CSR has positive and significant influence on NVP (β=.607, P=.000) and ST (β=.505, p=.000). Stakeholders' trust was also found a significant predictor of NVP (β=.681, p=.000).

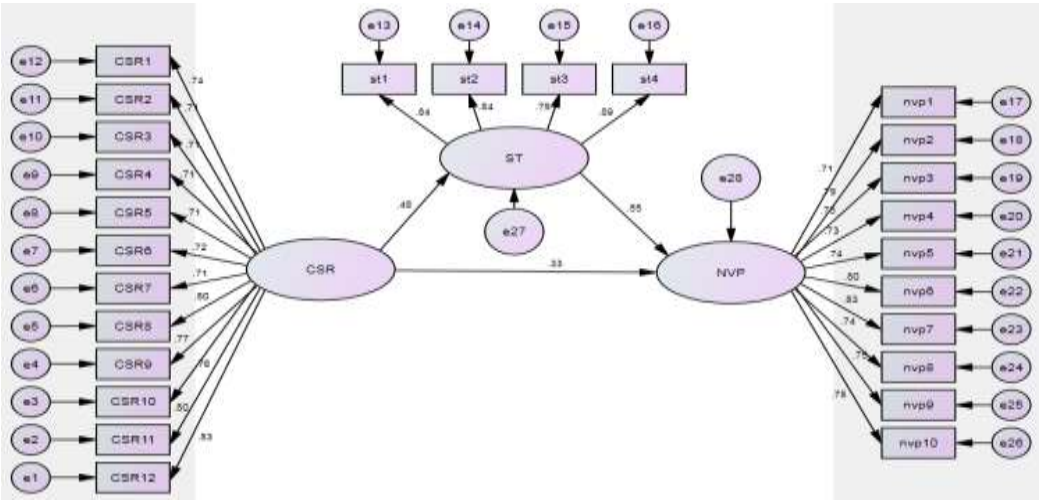

Figure 3 Mediating Role of Stakeholders' Trust between CSR and NVP

Table 5 : Direct Effects of CSR and ST on NVP

			Standardized Estimates	C.R.	P
NVP	<---	CSR	.607	11.05	.000
ST	<---	CSR	.505	9.34	.000
NVP	<---	ST	.706	13.60	.000

Table 6: Mediating Role of Stakeholders' Trust between CSR and NVP

		Standardized Estimates	C.R.	P
ST	<--- CSR	.482	8.873	.000
NVP	<--- CSR	.326	6.785	.000
NVP	<--- ST	.549	10.697	.000

Table 6 depicts the mediating role of ST in the association of CSR with NVP. The results showed partial mediating role of ST in the relationship between CSR and NVP. Ergo, the direct effect of CSR on NVP was reported as 60.7 percent change ($p = .000$) is occurred in NVP by making one unit change in the value of CSR related activities. However, the beta value shown by Table 6 in the direct relationship between CSR and NVP is decreased as ($\beta = .326$, $p = .00$), but on the other hand its total effect is increased. Since, it is proved that ST plays a role of mediator in the link between CSR and NVP. The mediating role of ST in this link is reported as partial, because of no change in significance level of pre and post mediation analysis (path c and c`).

Discussion

The findings of the study revealed that the performance of newly established ventures in the study area has a significant positive dependence on CSR related activities. The results of the study showed that firm's involvement in CSR related activities builds trust among multiple stakeholders of a firm, which ultimately intensifies venture performance. In line with Javed et al. (2017), the impact of CSR on firm performance is reported as positive significant irrespective of the nature and age of firms (Anwar et al., 2018; Khan et al., 2019a). Moreover, the results showed that CSR has a significant positive impact on NVP, which supported H1 of the study. In line with existing studies in the study area, CSR related activities play a pivotal role in ensuring the successful survival and superior performance of new ventures (Khan et al., 2019a).

Doing well by doing good is the prime objective of CSR and this has been proved by the findings of this research. The significant positive impact of CSR on NVP is due to the fact that CSR gains its reward either through the direct or the indirect route. It generates value for a business in varied ways. CSR enhances brand image and reputation of the firm, nurtures and sustains cooperative behaviour of the diverse stakeholders, attracts, motivates and retains employees and enables overall working environments (Manimegalai et al., 2018). The creation of value for society and environment indeed results in the creation of business value.

Furthermore, the results revealed statistically significant and positive influence of CSR on stakeholders' trust, which substantiate H2 of the study. These results are in consonance with social exchange theory that postulates that every good action will be reflected in the form of favourable reaction (Cook et al., 2013). Socially responsible actions increase consumers' loyalty and support, as well as employees' morale, resulting in improved employees retention and productivity (Bhattacharya et al., 2011) that in turn leads towards enhanced trust levels. Stakeholders that are satisfied with the company's actions choose to pay back the firm by buying its shares, purchasing its products, and seeking/doing jobs with the firms. When stakeholders are dissatisfied with the firm's behaviour, they may terminate the relationships and look for another business that is deemed adequately responsible.

The influence of stakeholders' trust on NVP was found to be significantly positive, thereby supporting H3 of the study. It means that investment in socially responsible initiatives will lift up the performance of new ventures in the study area. These findings are in harmony with prior research studies that show stakeholders' trust as significantly influencing firms' performance (De Oliveira et al., 2019; Fard & Karimi, 2015; Jang, 2021; Xu et al., 2019). Trust works as a drive for developing employees' positive attitudes, high morale, proper and adequate engagement and perceptions about their job security (Spreitzer & Mishra, 1999). Furthermore, by creating cooperative and friendly working environment, trust minimizes transaction costs that in turn leads to better firm-level performance (Belk, 2014; Cummings & Bromiley, 1996; Rose et al., 2013).

Most of the new ventures are small and medium sized businesses and their stakeholders belong to the local communities. The results of mediation analysis revealed that stakeholders' trust plays a partial mediating role between CSR and NVP, meaning that the indirect effect of CSR on NVP increased when ST was added in the model of direct effect, while the direct effect of CSR on NVP was still significant. In other words, ST was found as an internal mechanism in the link from CSR to NVP. Hence, the findings of the study provide a solid evidence in support of H4. Similar results have been found by earlier research studies like Saeidi et al. (2015) and Yu et al. (2014). The partial mediating role of ST shows the presence of other mediating factors (Baron et al., 1986) like firm reputation, stakeholders loyalty and satisfaction, competitive advantage etc., or it may also be attributed to the informal and improperly managed CSR undertaken by the new ventures.

This study also collected data on demographics of the participating firms in the survey and their impact was checked with the help of ANOVA in SPSS 24. The results showed insignificant mean differences between and within the groups i.e. age group, size group and nature of industry group. In this study the 3 to 10 years' age of the venture was divided into three groups that basically indicated the early age of the ventures. Although, age has been reported in previous studies as having significant impact on the firm performance (Badulescu, Badulescu, Saveanu, & Hatos, 2018; Santos, 2011), in this study its effect on NVP as well as on CSR was insignificant. Similarly, the impacts of size of the firms and type of industry were found as insignificant. Such results could be attributed to the fact that all the respondents of the study consisted of small and medium sized new businesses.

Practical and Theoretical Implications

The current study offers various practical and managerial ideas and insights. The outcomes of this study, for example, instruct entrepreneurs to place a high value on various stakeholders rather than just shareholders (Khan et al., 2019a; Kim, Yin, & Lee, 2020). Furthermore, the mediating effect of ST in the link between CSR and NVP was investigated and evidenced in this study which opened up new areas for nascent entrepreneurs for improvement and growth. The partial mediating role of ST indicates the presence of other internal factors that leads toward improved performance besides ST. Moreover, this study advocates that CSR is a win-win approach for both the firms and their associated stakeholders.

This research has critical implications for businesses. It will aid understand firms' managers that how socially responsible actions can contribute towards sustained performance in case of new ventures. It will assist business managers in engaging and listening to all relevant stakeholders, rather than focusing just on shareholders. A company that manages its stakeholders effectively and efficiently gains a better reputation in the community, ensures increased employee dedication and sincerity, and receives tax credits from government entities, all of which help to build ST and improve venture performance (Bai et al., 2015; Khan et al., 2019b; Xu et al., 2019). Based on the conclusions of this study, entrepreneurs may develop unique, cost-effective, and practical CSR measures to ensure the survival and growth of the new ventures.

Theoretically, this research backed up the notion of stakeholder's theory which states that adequate considerations should be given to all types of stakeholders which in return creates stakeholders' trust and

ensures better NVP (Jain et al., 2017). Furthermore, this study adds to the literature on strategic management by proving the instrumental viewpoint of stakeholder theory. The contingency technique for calculating the CSR-NVP link was validated in this study. In Pakistan, the CSR-performance link has only been studied using financial metrics thus far. The non-financial factor was introduced to the performance construct in this study.

This study adds to the existing body of literature by introducing and proving stakeholders' trust as a mediator in the CSR-NVP model. Moreover, the data collection instrument of the study has been proved as having good reliability and validity for all the constructs and researchers will be able to utilise these scales in future to perform studies in the CSR field. Furthermore, the sample comprised the greatest number of new businesses in the Khyber Pakhtunkhwa province of Pakistan. As a result, our findings have added to the literature by giving additional evidence that CSR has a positive impact on new venture performance and such effect transmits through the route of stakeholders' trust.

Limitations and Future Research Directions

Despite vital contributions, this research study is not exempted from limitations. The first limitation is that this study only looked at one province (Khyber Pakhtunkhwa) in Pakistan, and the conclusions are based on a sample size that is limited to a certain geographic area, despite the fact that they have been made comparable to other studies (Jain et al., 2017; Jamali, 2008; Jang, 2021; Khan et al., 2019a). Subjective measurement is also considered as a limitation of the study. It would enhance the reliability of the study if a blend of objective and subjective measures are used in future research.

Future studies may apply the model of this study in context of large businesses. The impact of CSR on NVP can be comparatively examined in developing and developed economies. Furthermore, this study examined the mediating effect of ST in the association between CSR and NVP by expanding the model described by Javed et al. (2017). The model of the study may be evaluated in the presence of additional critical mediators and moderators such as competitive advantage, firm reputation, stakeholders' loyalty and satisfaction, communication, corporate governance, government assistance, and sustainable business model innovation in future research.

Conclusion

This study investigated the effect of corporate social responsibility on new venture performance. Additionally, it examined the role of stakeholders' trust as a mediator between the relationship of CSR and NVP. Findings of the study reflected that there is a 'market for virtue' meaning that the reward of doing good is not nothing but good and socially responsible practices undertaken by new ventures have positive impact on their financial and non-financial performance.

New ventures are in close contact with their associated stakeholders and have greater dependency on them. By gaining stakeholders trust, new ventures can improve their performance and ensure their survival and growth in the wake of tough competition and dynamism. Findings of the study reported that CSR related activities directly and indirectly intensify venture performance. Similarly, socially responsible actions build trust among multiple stakeholders regarding firms' networking attitude and behavior. Resultantly, high level of stakeholders' trust injects NVP in turbulent markets and leads the venture towards smooth operations and survival.

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