Impact of Stakeholders Interest on Firm Financial Performance with Mediating Role of Financial Decision

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Abstract

The study explored the impact of stakeholders' interests on firm financial performance and the mediating role of a firm's financial decisions. The study has included all the banks as the population of the study. One hundred twenty-eight banks operate in the Pakistani market, which is the study population and secondary data was collected from 75 banks from 2012 to 2021. The study used the GMM model as the analysis model. The correlation model showed that the highest correlation value was found for ROE, with 0.56. The findings of the Hausman Test showed that the Hausman test for both ROA and ROE supports FE for estimating results. The next test after the recommendation of FE is to check whether to include the fixed effect (FE) or pooled OLS model. The findings of the Bruesch Pagan test for both ROA and ROE have been significant, meaning that the FE model should be used to estimate results. The Autoregressive Model of Endogeneity findings showed that the ROA and ROE have a significant relationship with L.ROA (0.469; 0.642 and L.ROE 0.412; 0.489) and show a positive sign of the endogeneity problem. The findings of the GMM model reported a significant and positive relationship between ROA and a significant but negative relationship was received for ROE in GMM. In contrast, FE has reported a positive relationship. This study encourages future research to extend the study across different industries by examining the phenomenon as a time series analysis, thereby detecting insightful knowledge of the relationship's development.

Keywords: Financial Performance, Financial Decisions, Stakeholder Interest, GMM Model.

Introduction

The corporate sector and economic situation have two ways of relationship and influence each other. The corporate sector is pivotal to the country's economic growth (Takizawa & Seino, 2019). Nonetheless, a correlation has been seen between financial performance and corporate social responsibility (Usman, 2020). Stakeholder interactions and shareholder performance may be related. Consequently, to ascertain if, about various theoretical conceptions about the business, there is a correlation between financial performance and stakeholder relations.

The fundamental aspects delineating a company and its activities frequently precede a company's corporate strategy, enabling the corporation to determine its desired identity and the means to accomplish its objectives. This process encompasses two significant aspects: the formulation and implementation of corporate strategy. When formulating corporate strategy, the corporation considers its objectives, potential opportunities and threats, internal strengths and weaknesses, the expertise and influence of decision-makers, and its obligations to society. A socially responsible

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firm surpasses legal obligations by implementing corporate practices and policies that benefit its primary stakeholders.

Financial performance is the monetary gain from trasding a company's stocks. Regarding stakeholder relations, community engagement, business governance, employee interactions, environmental practices, workforce diversity, human rights policies, and product characteristics. Heathcote et al. (2020) assert that a firm's management regards itself as a stakeholder and ensures that all the firm's operations match the interests, needs, and perspectives of these stakeholders. Identifying various elements of stakeholder relations is intricately linked to shareholder performance (Chen & Hung, 2021). Hence, thoroughly examining the intricacies of stakeholder relationships regarding financial success is advantageous.

Return on Assets (ROA) is a financial metric that measures a company's profit by evaluating the returns from the assets used to produce revenue. Divide the net income after taxes by the entire amount of bank assets to arrive at the computation (Zhang et al., 2021). A financial metric called return on equity (ROE) assesses banks' profitability. According to (Raza et al., 2018), it is calculated by dividing the net income after taxes by the entire amount of bank equity. An operational profit margin (OPM) metric quantifies the operating profit percentage from total sales (Nadarajah et al., 2021). A company's total company expenses are used to assess its long-term performance. Before calculating earnings and taxes, assets and income are evaluated to determine financial success. Every business must assess its financial performance to ascertain whether it is now accomplishing its primary purpose and goals. Banks and financial organizations use efficiency, return on equity, net interest margin, and return on assets to assess their financial performance. The limits of various financial ratios are generally acknowledged in the accounting literature. The ROA and ROE ratios are used to evaluate the performance of financial organizations (Ho et al., 2021).

Companies work hard to make the best financial decisions possible, which might improve output. A market's economy is analyzed before making financial decisions (Heathcote et al., 2020). Financial decisions have little to do with a financial manager's ability to control shift in the economy. Financial decisions must be rational and in line with changes in internal and external environmental elements.

Research by Cho et al. (2019) aimed to clarify and differentiate the differences in financial decision-making processes between businesses, such as private limited companies, public limited companies, and corporations of various sizes (small, medium, and giant). The performance and prosperity of the company are significantly impacted by financial decision-making. A company's cost decreases when its financial decisions are structured effectively, sending positive signals to stakeholders, investors, regulators, and society. Yang (2021) asserts that companies using NPV methods will perform better if they have access to stable financial markets and know their rivals' position rivals' have the correct information. Studies show that financial conduct and socioeconomic volatility correlate positively, including political legislation, trade union activity, and financial markets.

Selecting the appropriate capital structure is essential for each business organization. The choice is crucial because it affects an organization's competitive landscape and the necessity of maximizing investor and owner equity returns. Given the interconnectedness of today's globe, it is increasingly difficult to increase prices and yet increase profits. Instead, cost reduction is the primary tactic for gaining a competitive edge in the market. In this sense, the financial decisions businesses make are very significant.

Niazi et al. (2011) have devised financial management strategies for Pakistan's corporations. These include using working capital policies, performance evaluation using financial ratios, and an analysis of their effects on organizational performance. The results showed a strong relationship between these practices and the company's economy. Financial management choices and organizational success are correlated, as Butt et al. (2010) showed. Investment assessment techniques are essential for corporate financial management, according to Hunjra et al. (2020). Moreover, they consider them necessary for the company's continued success and survival. The capital investment constraints are:

- The availability of funds.
- The mindset of upper management.
- The need for compelling investment opportunities.

Problem Statement

The determinants of financial decisions are identified following a critical literature review and preliminary investigation; however, there is inadequate evidence to support testing financial decisions as mediators (Takizawa & Seino, 2019). It is acknowledged that changes in economic development, societal perceptions, and local or national security will impact how social performance is evaluated and stakeholder engagement is influenced, ultimately affecting the organization's organization. It is recommended that organizations transition towards and modify their socially responsible practices in response to pragmatic business and ethical considerations (Sofyan, 2019). Although previous research has identified the factors that influence financial decisions, insufficient evidence supports the notion that financial choices can mediate. A few studies have proposed that financial decisions should mediate between their determinants and financial performance (Haarauskaite & Streimikiene, 2020). Hence, the present study investigates the mediating function of financial decisions in the relationship between firm financial performance and its determinants. The current research concerns the benchmarked financial practices, the perception of finance managers, and the implementation of these financial decisions in the Pakistani banking sector.

Research Questions

This research study is based on some thought-provoking and research-based questions to be analyzed here in like:

1. Does stakeholder interest have an impact on financial performance?
2. Does a firm's financial function mediate between stakeholder interest and economic performance?

Study Objectives

The following are the main objectives of the study:

1. Investigate the impact of stakeholder interest on financial performance.
2. Check the mediating role of firm financial decisions between stakeholder interest and economic performance.

Significance of the Study

Pakistan is still adapting to financial decision-making practices and policies compared to global ones. Before conducting the study, few studies were available on the impact of stakeholder interest on firm financial performance, mediating and mediating role of firm financial decisions. This

research will provide a paradigm that connects stakeholder interests to financial performance with the mediation role of firm financial choices. The importance of firm financial decisions in relation to stakeholder interest and firm financial performance is also highlighted in this study. This research helps the administration by providing essential literature on management and financial matters. This study contributes practically as well as theoretically.

First, this study would contribute to theory in the form of social responsibility and stakeholder interest and to the literature by providing more information on stakeholder interest and other variables such as firm financial performance and financial decisions. Secondly, in this study, a new model is formulated to show how third variables, such as financial decisions, intervene in the relationship between independent and dependent variables. Financial institutions today face the challenge of developing strategies for achieving financial performance and financial decisions. Implementing different stakeholder interest strategies is desirable to promote the firm's development and financial effectiveness. This research is significant because it gives practical implementation support to financial institutions by developing more competitive social responsibility and stakeholder interest strategies. This research provides managers and practitioners insight into the stakeholder interest approach, which can aid in creating competitive advantages and cost savings.

Literature Review

The market's knowledge is beneficial to all managers. The management is knowledgeable about the company and how it affects the state of the economy. He ought to keep a watch on stock prices and interest rates. To support corporate expansion, the management should balance costs and available capital. Management ought to draft a strategy before the company grows. The management has to have a plan to make most money out of their company. Seiler et al. (2020) state that industrial knowledge is essential for all business plans. The interest rate, equity, and stock prices worry every investor. Generally speaking, some businesses do better throughout a cycle than others. Numerous companies were impacted by the global crisis and were forced to take pre-planned steps back. It was hard to secure a loan at the time because most banks were experiencing losses. Some businesses began to raise funds at that time, and they gained an edge by allowing for pricing negotiations. As a result, some enterprises cease investing, while others begin to do so to raise their capital expenditure. As a result, the investment firms decide to boost their market share through capital increases. In light of this, investment organizations are exposed to risk due to capital growth, high depreciation charges, and potentially high interest rates from external financing sources in the event of increased outsourcing.

Firm Financial Performance

Guo and Saxton (2014) state that there are several areas in which firm performance can be categorized, such as relationship-building performance, financial and non-financial performance, and short- and long-term performance. Economic metrics such as profitability, market share, and sales growth evaluate an organization's organizations. According to Bartolacci and Caputo (2020), financial indicators can only be used to gauge previous performance; they cannot predict future results. A sector or comp sector's role for a company is crucial since it shows the results achieved over time. It is impossible to exaggerate the significance of performance in determining an industry's reputation. An industry's financial performance interests investors, business managers, financial specialists, and regulators since it indicates profitability, solvency, and investment returns. The technique of objective development combined with stock market success can

artificially impact efficacy and effectiveness as a yardstick of performance benchmarks. For example, the stock market will not yield outcomes indicative of a good measure of success if it is not actively marketed, active, and dynamic.

Sangmi and Nazir (2010) assessed the financial performance of two central Indian banks after changing the banking system. The study was a 5-year dataset from each bank's annual examination with the CAMEL model. The writers concluded that the banks had demonstrated solid and exemplary performance in capital sufficiency, asset quality, liquidity, and managerial skills. Nonetheless, JKB outperformed PNB regarding productivity metrics such as earnings and spending per worker. A significant area for improvement in the study is its limited number of banks, which raises the possibility that the modifications overall effect on Indian banks were not fully captured.

Mwangi and Murigu (2015) looked at the variables that affect Kenya insurance companies profitability. The parameters used were ownership, size, management competency index, liquidity, equity capital, retention ratio, and return on assets. The study used multiple regression analysis in addition to a descriptive research methodology. A representative sample of Kenya’s twenty three general insurance firms were taken. The study used secondary data from 2009 to 2012, which spanned four years. The findings demonstrated that the enhanced financial performance of Kenya's business was made possible by more outstanding equity capital, managerial skill, and leverage.

Nonetheless, there was an adverse link between foreign ownership and size and the return on assets of the enterprises. One disadvantage of the research is that it should have considered structural changes in the Kenyan economy that might impact the general insurance businesses' success. Furthermore, variations in economic performance over time may occur, and a linear model may need to be more robust in its ability to represent the actual connection between the variables of interest.

Stakeholder Interest

These individuals with a stake in the company have the power to influence the organization or those who may be impacted by its operations (Hunjra et al., 2020). According to Jones (2021), it all comes down to how a company treats the individuals that matter to it. It should also be an effort to organize individuals involved and provide for their needs, interests, and perceptions. Furthermore, the managers are required to complete it. The manager has two responsibilities: on the one hand, he represents the stakeholders' interests; on the other hand, he must take actions that will support the firm, survival, expansion and; in the end, the production of value for all stakeholders over the long term. According to Johan et al. (2020), a firm is the stakeholders individuals who are impacted by its activities, particularly if they conflict with the organization and defense of other stakeholders; for the company to survive long, stakeholder management must be a primary agent in interacting with different stakeholders. Ambiguity was discovered in the literature about several topics, such as ambiguity in stakeholders' ideas, the organization, etc. These concepts altered the character of the literature. Even the individual who initially proposed the idea of stakeholders has frequently revised his definitions. Takizawa and Seino (2019) presented an additional notion regarding stakeholders. He said that it is clear why stakeholders are involved in the company and what they do.

Stakeholder Interest and Firm Financial Performance

According to Iqbal et al. (2020), a firm's financial production requires close observation of the relationship between CSR and financial output. However, Ntim and Soobaroyen (2013) discovered this strategy. The financial production of a corporation was positively impacted by stakeholder interest, as shown by the market value added by the company. This proxy positively represented the company's attempts to maximize shareholder value through effective resource management. By using such an approach, shareholder theory exhibited an instrumental bias. According to Aguilera et al. (2007), there was a claim that a company's financial production would respond favorably if it worked with its shareholders. According to Bae et al.'s (2019) observations of company performance and customer service, companies prioritizing customer service had higher shareholder value and future profitability. In the future, companies with higher levels of shareholder retention efforts for long-term relationships with shareholders will see more growth and prosperity than those with lower levels of shareholder retention operations (Iqbal et al., 2020).

Research Methodology

This study adopts a quantitative approach, using secondary data from yearly reports. The data acquired is measured using quantitative methods. The population of interest for the study consisted of all the banks registered and supervised by the State Bank of Pakistan, including both public and private sectors. There are a total of 128 banks, according to the State Bank of Pakistan in 2021. The researcher selected the sample size using the purposive sampling technique, as all of the banks for the population have been chosen. Based on purposive sampling, the study has included 91 banks in the scope of the study. In the data collection process, the study excluded those banks whose data were not available in the sample period; those banks with negative equity were also removed. Therefore, 75 banks were included in the sample framework, and these were included for the data collection. The data has been collected from 2012-2021. Every data has its own nature; secondary data was collected from the official audited reports on their websites. Adding more explanation, the data for the selected variables were collected from the balance sheet reports, profit and loss statement, i.e., financial statement analysis/ annual reports of concerned banks from 2012 to 2021. Stata was used to analyze the data.

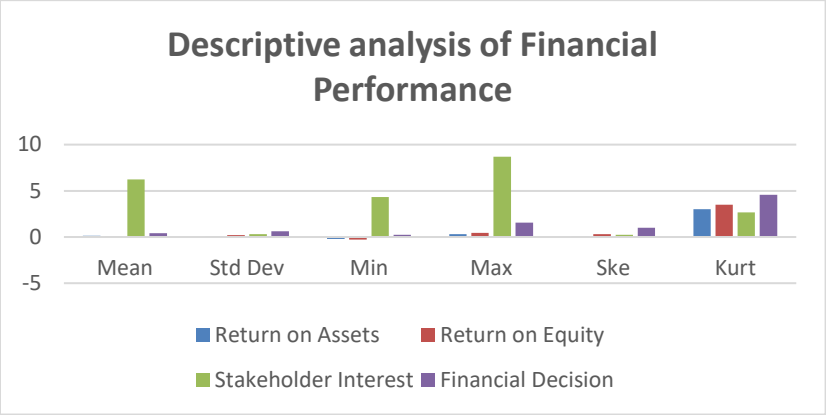
The relevant institutions' financial statement analysis/annual reports were used to acquire secondary data from 2012 to 2021. The data was analyzed using Stata. The present study examines the relationship between financial performance (dependent variable) and several factors: uncertainty, corporate social responsibility, and stakeholder interest (independent variables). Additionally, the study considers the impact of mediating variables, namely capital structure decisions, dividend policy, and investment appraisal techniques. The statistical analysis was conducted using Stata. Mean and standard deviation were calculated using descriptive statistics, and regression a Stata calculated mediating analysis Stata.

Results & Discussions

Table 1: Descriptive Statistics

Variable	Mean	Std Dev	Min	Max	Ske	Kurt
Return on Assets	0.131	0.067	-0.213	0.316	0.067	3.013
Return on Equity	0.097	0.213	-0.289	0.431	0.316	3.493
Stakeholder Interest	6.23	0.316	4.33	8.691	0.236	2.669
Financial Decision	0.399	0.613	0.224	1.546	1.013	4.569

Figure 1: Descriptive analysis of financial performance



Descriptive statistics of the data and it shows the overall picture of the data included in the analysis. Table reports the mean, standard deviation, minimum, maximum as a measure of dispersion or variability. The data has been selected from the sample banks for the selected time period. The data was found unbalanced in the beginning then the negative values of the performance (ROA and ROE) were removed to get balance data and also more precise results. Those banks were also removed whose data was not available for the selected time period. The findings of ROA showed the mean return on assets for the sample banks were about 13 percent which makes that the due to the higher inflation rates from the last a few years, the banks are facing lower sales on their different products. Therefore, the mean ROA has been lower as 13% and same picture can be seen in the case of ROE which is on 9%. The financial decision has been measured by current ratio and the mean value showed 39% of CR and reflects that the overall CR position of the bank has been found satisfactory. This shows that the financial decision of the bank is having a financial stable position. The uncertainty was measured by taking the firm size (LN of assets) and therefore, the mean value of it was found significantly higher.

Table 2: Multicollinearity Analysis

	ROA	ROE	SI	FD
Return on Assets	1			
Return on Equity	0.569***	1		
Stakeholder Interest	-0.346***	0.341***	1	
Financial Decision	0.516***	-0.019***	-0.117***	1

****p<.01, **p<.05, *p<.1*

It has been reported from the previous studies, that it is one of the regression assumption that the repressors should independent of each other. For checking the issue of multicollinearity, the study has used two scales i) Pair wise Correlation and ii) Variance Inflation Factor (VIF) Test. The findings of pair wise correlation were reported. The correlation matrix shows the degree of relatedness among the selected variables. The results suggested that the correlation coefficient above 0.70 shows a strong correlation while the value before 0.70 is acceptable range (Islam, 2023; Ratner, 2009). The findings in the table shows that the highest correlation value has been found for ROE with 0.56 which also in safe and acceptable region.

The variance inflation factor test (VIF) can be used to measure the multicollinearity between the repressors included in the multiple regression. According to Islam (2023) and Johnston *et al.*, (2018) reported that when the VIF value has been found below 2.5 is acceptable range, while the value ranges between 2.5 and 5.0 can also be considered as acceptable. A value of VIF between 5 to 10 is a core concern for the researcher regarding the issue of multicollinearity. While the higher value than 10 showing the strong sign of multicollinearity. In the current study, all the VIF values for the variables have been found in safe zone.

Table 3: Autoregressive Model for Endogeneity

	ROA	**ROA**	**ROE**	**ROE**
L.ROA	0.469***	0.642***		
	(0.017)	(0.001)		
L.ROE			0.412***	0.489***
			(0.007)	(0.003)
Stakeholder Interest		0.506***		0.447***
		(0.004)		(0.006)
_cons	0.455***	0.17*	0.26***	-0.23***
R-squared	0.408	0.489	0.253	0.292
F-stat	118.63***	198.31***	1051.28***	270.64***

Robust standard errors are in parentheses
****p<.01, **p<.05, *p<.1*

Table 3 shows the findings of estimation technique used in the current study. The table showed the autoregressive model where the lagged DV is also used as a regressor in addition to the study independent variables. The table has included the findings of both ROA and ROE. The models have been estimated separately and then combined in this table. The findings in the table showed that the ROA and ROE are having significant relationship with L.ROA (0.469; 0.642) and L.ROE (0.412; 0.489) and shows the positive sign of endogeneity problem.
The existing study has used second technique for measuring the issue of endogeneity problem i.e. Durbin test of endogeneity.

Table 4: Estimation Results (GMM Model)

	(1) ROA	**(2) ROA**	**(3) ROE**	**(4) ROE**
Stakeholder Interest	0.416***	0.213***	-0.197***	-0.271***
_cons	0.77***	0.192***	0.07*	0.086*
L.ROA	0.33***			
L.ROE			0.61***	
R-squared		0.056		0.031
F-stat	57.36***	125.66***	470.21***	275.99***
AR(1)	-9.66***	-7.77***	-8.931***	-6.49***
AR(2)	1.03	0.44	0.84	1.31
Hansen	302.76***	230.17***	193.67***	240.36***

Robust standard errors are in parentheses
****p<.01, **p<.05, *p<.1*

The table shows the findings of estimation of result for the results by GMM model and also FE model. In case of ROA, model 1 shows the findings of GMM model while model 2 is the findings of FE. ROE, model 3 shows the findings of GMM model while model 4 is the findings of FE. The value of R-square in the table shows that the model explanation was found weaker for both ROA and ROE i.e. 0.056 and 0.031 respectively. The findings of GMM model reported significant and positive relationship of CSR with ROA and significant but negative relationship was received for ROE in GMM while positive relationship has been reported by FE. The results of SI show that it is having significant and positive relationship with ROA in case of both GMM and FE model. The findings of ROE show that SI is having negative and significant relationship with ROE in both GMM and FE. While looking at the f-stat value of the all selected four models. It has been argued that statistically significant values are obtained in GMM and FE for ROA and ROE respectively. Looking at the AR (2) values of all the models, the null hypotheses are accepted implying that the moment conditions are correctly specified, and the error term is serially uncorrelated. Moreover, the Hansen test values fail to reject the null hypotheses at a 0.05 confidence interval thus supporting instruments validity. The values of Hansen test are also below the danger level that 0.25.

Table 5: Autoregressive Models for Endogeneity

	(1) ROA	**(2) ROA**	**(3) ROE**	**(4) ROE**
L.ROA	0.461***	0.552***		
	(0.002)	(0.004)		
L.ROE			0.564***	0.316***
			(0.017)	(0.011)
Stakeholder Interest	0.569***	0.166***	0.237***	0.516***
	(0.136)	(0.046)	(0.019)	(0.014)
_cons	0.589***	0.058	0.122*	-1.41*
R-squared	0.581	0.439	0.597	0.732
F-stat	253.79***	187.63***	753.42***	698.13***

Robust standard errors are in parentheses
****p<.01, **p<.05, *p<.1*

Table shows the findings of estimation technique used in the current study. The table showed the autoregressive model where the lagged DV is also used as a regressor in addition to the study independent variables. The table has included the findings of both ROA and ROE. The models have been estimated separately and then combined in this table. The findings in the table showed that the ROA and ROE are having significant relationship with L.ROA (0.461; 0.552) and L.ROE (0.564; 0.316) and shows the positive sign of endogeneity problem.

The existing study has used second technique for measuring the issue of endogeneity problem i.e. Durbin test of endogeneity.

Table 6: GMM Model by Moderation Interaction

	(1) ROA	(2) ROA	(3) ROE	(4) ROE
L.ROA	0.394***			
	(0.023)			
L.ROE			0.493***	
			(0.042)	
Stakeholder Interest	0.361***	0.276***	0.293***	0.536***
	(0.031)	(0.021)	(0.041)	(0.034)
_cons	1.663	2.879***	1.036	2.549***
	(0.536)	(1.987)	(0.364)	(2.034)
R-squared		0.061		0.029
F-stat	249.66***	137.46***	201.33***	275.93***
AR(1)	6.11***	7.31***	8.33***	8.36***
AR(2)	0.91	1.01	0.68	0.35
Hansen	328.15*	256.14*	355.67*	109.33*

Robust standard errors are in parentheses
****p<.01, **p<.05, *p<.1*

The table presents the estimated outcomes for the results using both the GMM model and the FE model. Regarding the return on assets (ROA), model 1 presents the results obtained from the generalized method of moments (GMM) model, while model 2 represents the findings derived from the fixed effects (FE) model. Model 3 presents the results of the Generalized Method of Moments (GMM) model, whereas Model 4 presents the results of the Fixed Effects (FE) model. The R-square values in the table indicate that the model's explanatory power was found to be weak for both ROA and ROE, with values of 0.061 and 0.029 respectively. The GMM model findings indicate a strong and positive correlation between CSR and ROA, whereas a significant but negative correlation was found for ROE. On the other hand, the FE model reports a positive correlation. The findings from the structural equation modeling (SEM) analysis indicate a strong and positive correlation between the strategic initiative (SI) and return on assets (ROA) for both the generalized method of moments (GMM) and fixed effects (FE) models. The results of the Return on Equity (ROE) analysis indicate that there is a strong and negative correlation between the Sustainable Investment (SI) and ROE, as shown in both the Generalized Method of Moments (GMM) and Fixed Effects (FE) models. When examining the f-statistic values of all four chosen models. Some have contended that GMM and FE yield statistically significant values for ROA and ROE, respectively. Upon examining the AR (2) values of all the models, it is evident that the null hypotheses are accepted, indicating that the moment requirements are accurately described and the error term is devoid of serial correlation. Furthermore, the Hansen test scores do not provide sufficient evidence to reject the null hypotheses at a 0.05 confidence range, hence confirming the validity of the instruments. The values of the Hansen test are likewise below the threshold of 0.25, indicating that they do not pose a hazard.

Mediation Analysis (Financial Decisions)

Table 7: Return on Assets (ROA)

	Effect	SE	t-value	p-value	LLCI	ULCI
Total Effect	.552	.043	12.83	.000	.449	.613
Direct Effect	.031	.126	0.246	.413	-.314	.403
Indirect Effect	.512	.139			.387	.776
Sobel Test	.512	.121	4.231	.000		

The above test showed the findings of mediating analysis by including financial decision as mediating, CSR and SI as independent and ROA as dependent variable. The table has included the findings related to TE, DE, IE and ST. The Sobel test has been used in the study for the confirmation of mediation among the SI and ROA. The findings show that the TE has significant t-value confirms that SI along with FD has reported significant effect on ROA. While the significant Soble test value i.e. t-value and p-value has confirmed the significant mediating role of FD among SI and ROA.

Table 8: Return on Assets (ROE)

	Effect	SE	t-value	p-value	LLCI	ULCI
Total Effect	.602	.113	5.327	.000	.617	.816
Direct Effect	.179	.018	9.944	.000	-.320	.419
Indirect Effect	.663	.153			.418	.731
Sobel Test	.663	.167	3.970	.000		

The above test showed the findings of mediating analysis by including the financial decision as mediating, CSR and SI as independent, and ROE as the dependent variable. The table includes TE, DE, IE, and ST findings. The Sobel test was used in the study to confirm SI, and The findings show that the TE has a significant t-value, which confirms that SI and FD have reported a significant effect on ROE. At the same time, the significant Soble test value, i.e., t-value and p-value, has confirmed the significant mediating role of FD among SI and ROE.

Conclusion

The impact of globalization and urgent ecological concerns has significantly transformed the responsibilities of a firm towards the social environment in which it works in recent years. Currently, organizations strive to fulfill the requirements of the current generation while ensuring that future generations may also fulfill their demands without any negative impact.

Consumers and investors are intrigued by the outcomes of a company's business operations and often own their perspectives. Being the largest and most prominent groups of stakeholders, they are led by diverse concerns and methods. Nevertheless, both investors and customers, whether directly or indirectly, consider the information disclosed in the financial statements of public corporations. Analysis of performance indicators is a customary element in the investment decision-making process. Brand ratings provide consumers with information about a company's financial state and performance. When evaluating brands, important global agencies rely on financial data such as historical and present income and costs and information about the prospective revenue that a brand may earn when discounted. Financial statements are the sole means of obtaining comparable and reasonably dependable information regarding a company's

business operations. Hence, financial reporting items may be utilized to ascertain the distinct characteristics of how various stakeholder groups see corporate reputation, a crucial aspect in the efficient administration of goodwill.

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