CSR PRACTICES DISCLOSURE'S IMPACT ON CORPORATE FINANCIAL PERFORMANCE AND MARKET PERFORMANCE: EVIDENCE OF MALAYSIAN PUBLIC LISTED COMPANIES

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INTRODUCTION

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Environment | **Community** | **Marketplace** | **Workplace**

The significance of CSR performance to the business organization is indicated by the rising trend of CSR disclosure as 93% of largest companies are formally reporting on CSR practices (Bursa Malaysia, 2018).

CSR -> Corporate Financial Performance (CFP)

Research Issues?

Firm Reputation as Mediator

Variety of Methodology e.g. Index scoring

Measurement of CFP

- **Accounting-based (ROA, ROE, ROS, NPM**
- **Market-based (MVA, MTBV, PE, Tobin's Q)**

1. **CSR has been empirically proven to have a positive and significant link to CFP**
2. **CSR contribution to the firm in terms of firm performance based on financial and market has often been questioned.**
3. **This study explores using PLS approach to determine the predictive accuracy and relevancy of CSR practices disclosure on corporate financial performance given by ROA and market performance given by Tobin's Q.**

INTRODUCTION

Research Aims:

To assess the relationship between CSR and CFP mediated by firm reputation using ROA and Tobin’s Q as measurement for CFP

H1: CSR significantly and positively affect reputation
H2: CSR significantly and positively affect ROA
H3: CSR significantly and positively affect Tobin’s Q
H4: Reputation significantly and positively affect ROA
H5: Reputation significantly and positively affect Tobin’s Q
H6: Reputation mediates the relationship between CSR and ROA
H7: Reputation mediates the relationship between CSR and Tobin’s Q

METHODOLOGY

Content Analysis

Secondary Data from Annual Report

200 Public Listed Companies (PLCs) in Bursa Malaysia

Annual Report:
CSR Disclosure

Annual Report:
CFP & Reputation

CSR and Reputation:
Index Scoring

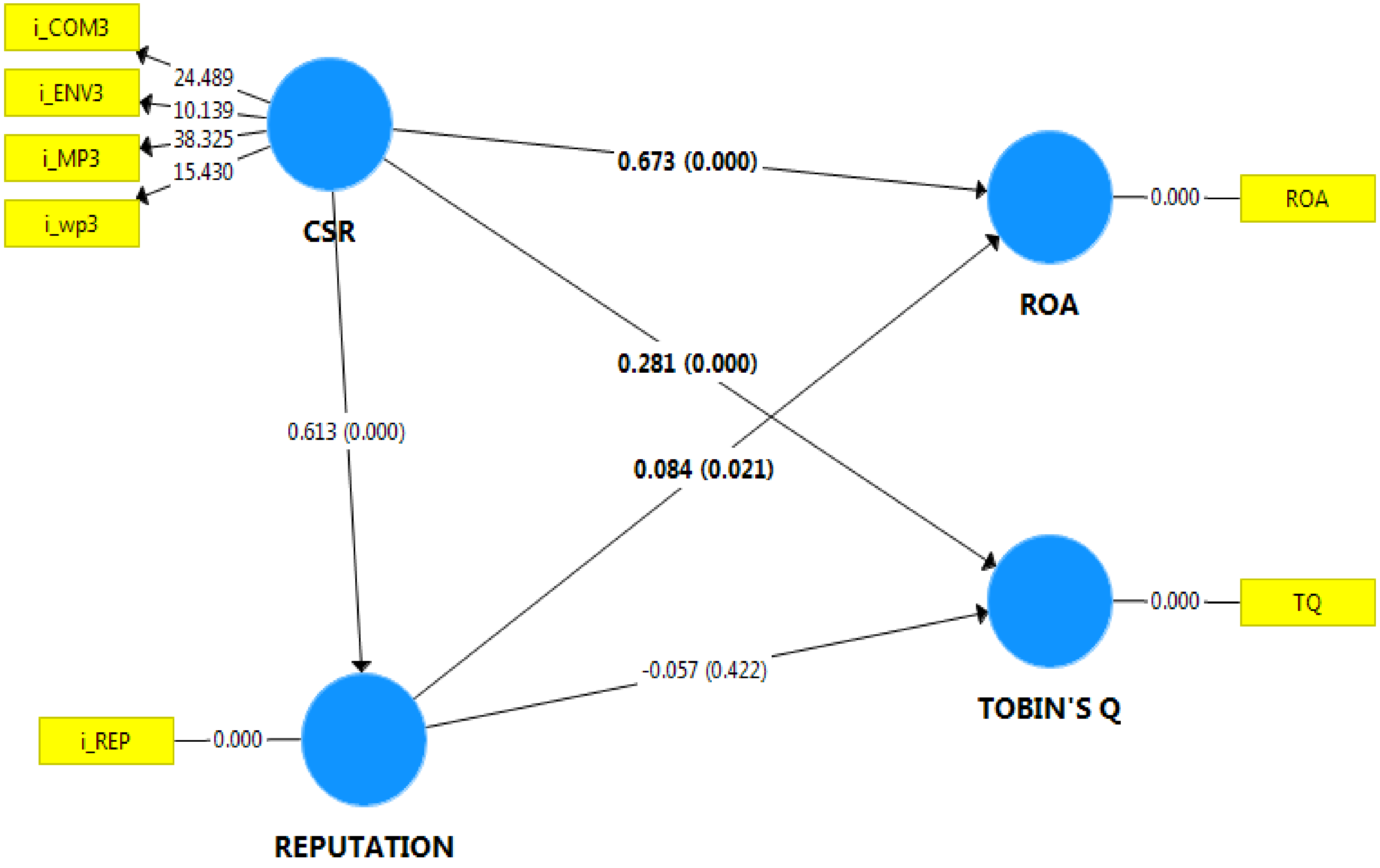
CFP:
ROA & Tobin's Q

IBM SPSS VER. 23.0

SmartPLS VER. 3.0

1. Use of content analysis to gather secondary data from annual report
2. 200 PLCs were randomly selected
3. Data on CSR disclosure and CFP from Annual Report
4. CSR and reputation used index scoring
5. CFP is based on ROA and Tobin's Q
6. Data analysis with SPSS and PLS-SEM (SmartPLS Ver 3.0)

RESULTS



Bootstrapping showed all paths are significant except reputation to Tobin’s Q

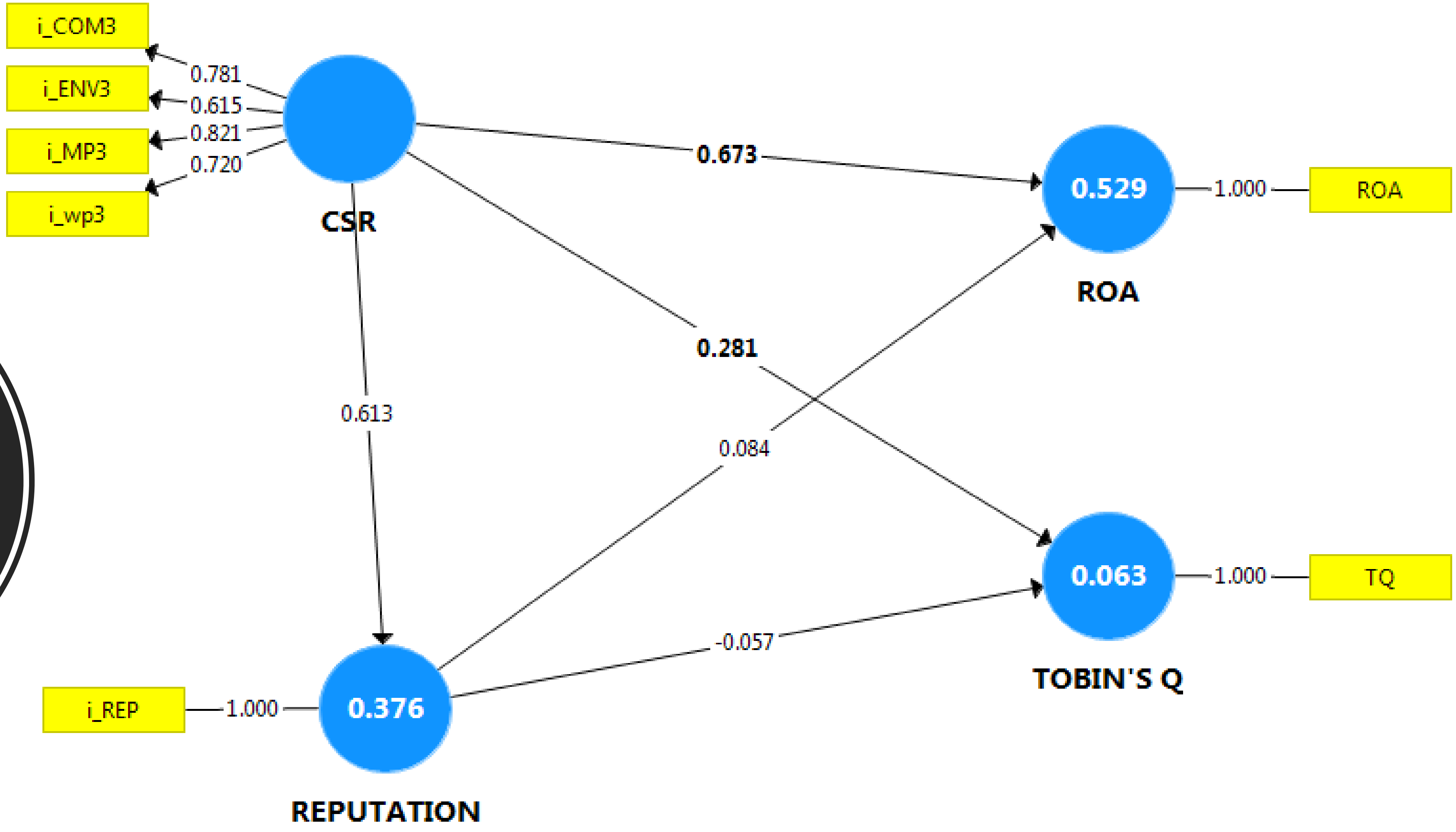
RESULTS

Table 5. Path Significance and Direction of Relationship

Path	β	T	P	Decision
CSR → Reputation	0.613	11.647	0.000	Significant
CSR → ROA	0.673	19.05	0.000	Significant
CSR → Tobin's Q	0.281	4.002	0.000	Significant
Reputation → ROA	0.084	2.307	0.021	Significant
Reputation → Tobin's Q	-0.057	0.804	0.422	Not significant
CSR → Reputation → ROA	0.051	2.319	0.021	Significant
CSR → Reputation → Tobin's Q	-0.035	0.790	0.430	Not significant

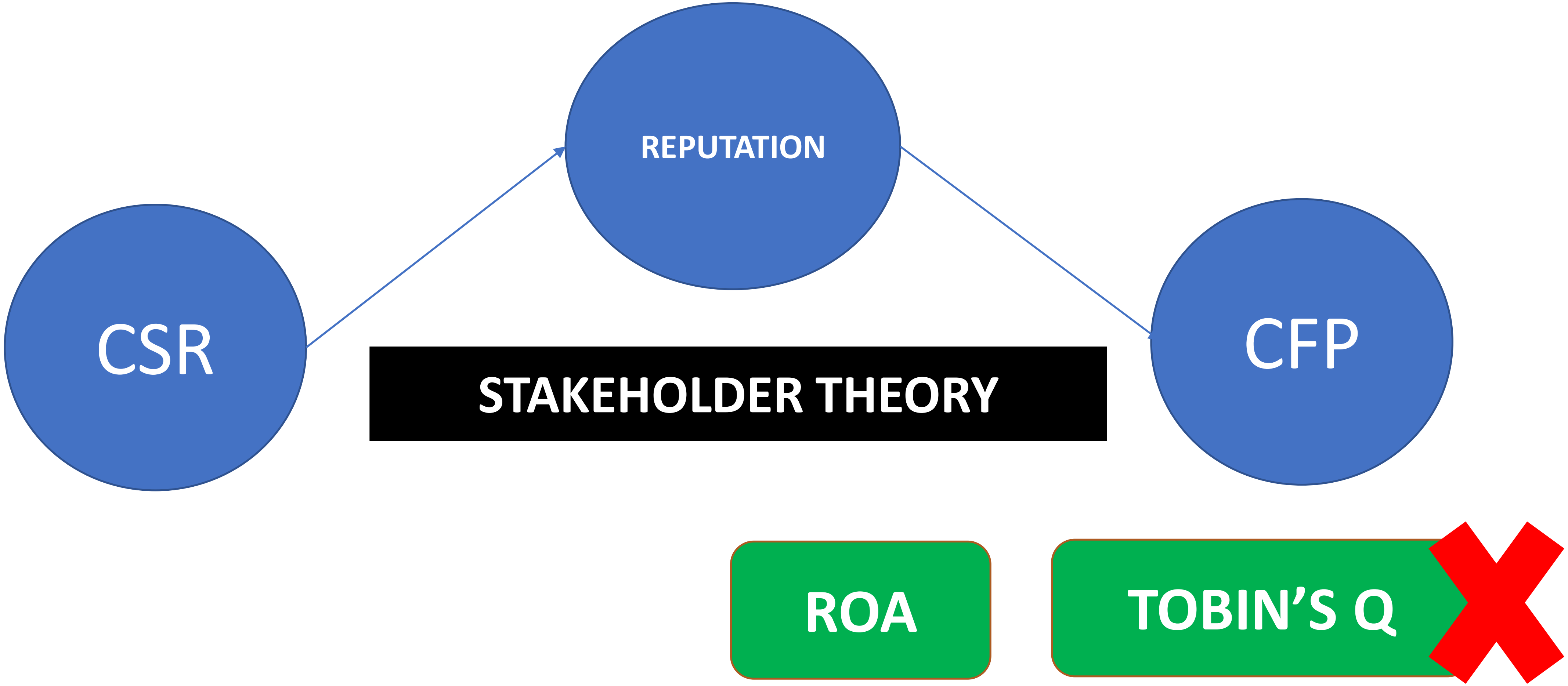
All paths are significant except the relationship between reputation and Tobin's Q and the relationship of CSR with Tobin's Q via reputation.

RESULTS



PLS implied that CSR and reputation could explain 52.9% of variance in ROA but only 6.3% of variance in Tobin’s Q.

DISCUSSION



1. CSR has significant effect on CFP through reputation only when CFP is measured with ROA but not with Tobin's Q
2. Reason for insignificant effect on Tobin's Q could be due to the short time line (2 years), not be adequate enough for reputation to develop a strong effect in terms of investment.
3. The relationship between CSR and CFP could be explained by the stakeholder theory

CONCLUSION

- **Good performance in CSR directly impact on firm reputation and financial performance**

- **Reputation mediates CSR and financial performance relationship in terms of firm's profitability**

- **CSR relates more the ROA compared to Tobin's Q**

- **Findings implied that CSR practices can relate significantly to accounting-based financial performance but not market-based financial performance.**

- **Therefore, it indicates that CSR and reputation has more immediate effects on profitability but may require more time to provide significant and larger impacts on investment effectiveness.**