

The Relation between Corporate Social and Financial Performance in Asian Markets

Panita Chalermchokvijit

5302042196

Master of Science Program in Finance (International Program) Faculty of Commerce

and Accountancy Thammasat University, Bangkok, Thailand

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ABSTRACT

This paper contributes to the impact of corporate social performance on financial performance in finance literature. Bloomberg's ESG disclosure score represents the aggregate corporate social performance. Financial performance includes both accounting-based and market-based measures using samples across 11 countries during the period of 2007-2010. The main analytic part of this paper applies panel data and the generalized linear latent and mixed model (GLLMM) for assessing the impact of firm characteristics, industry sectors and market characteristics accordingly. The empirical results reveal that CSR is positively correlated to Tobin's q whereas accounting based measure such as ROA and ROE present negative relations with social performance. In addition, our finding implies Tobin's q reflects firm's tangible and intangible value in forward-looking perspective, while ROA and ROE captures simultaneous value of firms. Moreover, the study in disaggregate CSR scores gestures that stakeholders perceive the value created from social activities through the forward-looking financial measure whereas the value from governance activities is recognized concurrently. Our key findings have implications for managers of the listed companies that CSR helps firms to create value.

Keywords: Corporate social performance; CSR; Financial performance; Asian market