

The impact of corporate social and environmental responsibility (CSEER) on financial performance of listed companies in Thailand

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Introduction

- Today's business practices have an increasing focus on Corporate Social and Environment Responsibility (CSER)
- CSER is widely practiced, shifting from forced action to be voluntary.
- CSER has been adopted as an organizational strategy because adopting CSER will benefit the companies by improving trust and image.
- There has been the question on the effectiveness of CSER in shaping corporate financial performance.



Introduction

- Several studies have found:
 - Positive association between CSER and firm performance (Nguyen & Tu, 2019; Somset, 2011; Lee, 2020; Pattanachak, 2011; Raksasuk, 2011; Suttipun, 2014)
 - Negative association between CSR operations and the entity's performance (Nelling & Webb, 2009; Iqbal et al., 2012; Hashim et al., 2019)
 - No association at all (Cornell & Shapiro, 1987; Fauzi et al., 2007)



Introduction

- In Thailand, CSER practice is promoted and supported by government agencies.
- The Securities and Exchange Commission (SEC) of Thailand is a central agency that plays an important role.



Introduction

- Little work has been done on the Thai stock markets.
 - Especially since 2015, when the SET launched Thailand Sustainability Investment (THSI) and presented Sustainability Awards to encourage companies to engage in CSER.
- Moreover, most those studies determine level of effort in CSER from CSER disclosure in publicly available sources like annual report or CSER separate report (Koonsatian et al., 2020; Somset et al., 2013; Suttipun, 2014; Suttipun & Sittidate, 2016).
- ***Lack of a study with focus on CSER spending***
 - Therefore, this study sought to investigate the influence of CSER spending on a company's financial performance.
- This study also looked at the relationship of the ***number of CSER awards and activities*** on the firm's financial performance.



Introduction

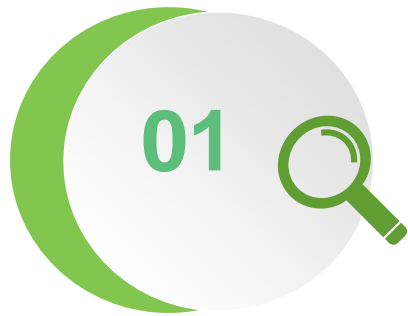
- There is a tendency for the business to formulate CSER committee (Mackenzie, 2007).
- However, the intentions of forming CSER committees in firms is questionable and leading to the attention on the impact of CSER committee on CSER performance.



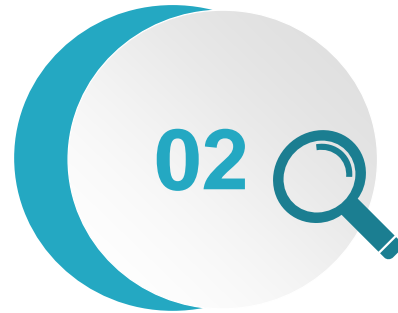
- Therefore, this study additionally focused on the effect of CSER committee on the CSER effort by *comparing CSER spending, award and activity between firms with and without CSER committee.*



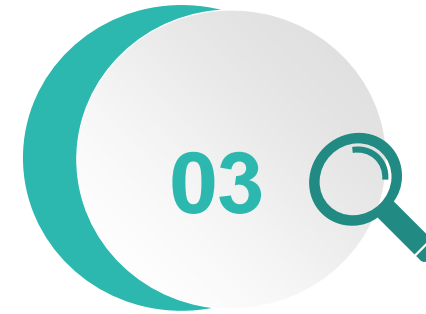
Research Objectives



(1) To investigate the level and pattern of corporate social and environmental responsibility (CSER) spending, award, and activity of listed companies in the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI)



(2) To test the impact of CSER spending, award, and activity on financial performance of listed companies in Thai capital markets



(3) To examine the levels of CSER spending, award, and activity between the listed companies within and without CSER committee

Theoretical Perspective



Legitimacy Theory

- One of the most widely cited theories in the practice and disclosure of CSER.
- Organizational legitimacy is a condition or status which exists when an entity's value system aligns with the value system of the larger social system of which it is a member.
- The point of view of CSER on this principle is that the power to utilize the natural and human resources of the company is due to the powers and rights inherited as a result of society's acceptance. The society decides and continually investigate whether or not the company's business operations meet the society's expectations.

Theoretical Perspective



Legitimacy Theory

- The legitimacy theory could explain the motivation of Thai listed companies in spending and disclosing CSER activities, as there have been social pressure and regulatory standards requiring companies to engage in CSER practices in order to facilitate social recognition.
- The companies have to demonstrate their participation in philanthropic and social investments by using CSER references in their annual reports and by taking other steps to project a socially responsible company image, which can result in short- or long-term financial benefits for businesses.

Hypothesis Development

H1

CSER spending per activity has a possible effect on financial performance..

H2

CSER award has a positive effect on financial performance.

H3

CSER activity has a positive effect on financial performance

H4

There are different levels of CSER spending, award, and activity between those listed companies with and those without CSER committee.

Methods

The population and sample:

All the listed companies in resource industry from the SET and the MAI during the period from 2015 to 2019.

Exclude listed companies that

- (1) did not end their accounting year on 31st December,
- (2) were registered as fund company of resource industry at the SET or the MAI, and
- (3) were withdrawn from listing by the SET or the MAI

Corporate annual reports for this sample during 2015 to 2019 were used to collect data.



**Total = 80
companies**



**71
companies**

**9
companies**

Methods

$$ROA = \beta_0 + \beta_1 SPEND + \beta_2 AWARD + \beta_3 ACTIVI + \varepsilon \text{ (Model A)}$$

$$ROA = \beta_0 + \beta_1 SPEND + \beta_2 AWARD + \beta_3 ACTIVI + \beta_4 SIZE + \beta_5 RISK + \beta_6 AGE + \beta_7 COMMIT + \beta_8 AUDIT + \varepsilon \text{ (Model B)}$$

Table 1: Variable measurements

Variable	Notation	Measurement
CSER spending	SPEND	CSER spending per activity as million baht
CSER award	AWARD	CSER award as number of awards
CSER activity	ACTIVI	CSER activity as number of activities
Financial performance	ROA	Return on asset (ROA)
Firm size	SIZE	Natural logarithm of total assets
Firm risk	RISK	Debt to equity ratio
Firm age	AGE	Year of firm age
CSER committee	COMMIT	Dummy variables as 1 = Have CSER committee in the firm, and 0 = the others
Audit type	AUDIT	Dummy variables as 1 = Big 4 auditors, and 0 = the others

Table 2:
Descriptive analysis of CSER spending, award, and activity

Disclosure	2015	2016	2017	2018	2019	Average
	N=52	N=53	N=62	N=62	N=64	N=293
	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)	Mean (SD)
CSER spending	2.0969 (3.6998)	2.0721 (2.9356)	2.1238 (3.2416)	2.4205 (4.0113)	2.8638 (4.1482)	2.2964 (3.5791)
CSER award	2.1538 (3.5112)	2.1887 (4.1373)	2.1774 (3.7918)	2.2903 (3.1068)	2.0625 (3.0957)	2.1741 (3.5064)
CSER activity	9.5490 (13.3796)	11.1887 (15.8661)	11.5000 (14.9839)	12.1290 (15.5009)	12.3281 (14.6396)	11.4178 (14.8487)

Table 3: Correlation matrix

Variables	ROA	SPEND	AWARD	ACTIVI	SIZE	RISK	AGE	COMMIT	AUDIT
ROA	1	-.214**	.190**	.233**	.121*	-.126*	-.043	.065	.217**
SPEND	-	1	-.023	-.048	.038	-.035	.187**	.186**	-.073
AWARD	-	-	1	.311**	.424**	-.056	.115*	.345**	.199**
ACTIVI	-	-	-	1	.253**	-.032	.113*	.316**	.220**
SIZE	-	-	-	-	1	-.019	.211**	.248**	.324**
RISK	-	-	-	-	-	1	-.036	-.087	.120*
AGE	-	-	-	-	-	-	1	.090	-.163**
COMMIT	-	-	-	-	-	-	-	1	.099
AUDIT	-	-	-	-	-	-	-	-	1

** is significant at 0.01 level, and * is significant at 0.05 level.

Table 4: Multiple regression analysis

Variable	Model A		Model B	
	B	t (sig)	B	t (sig)
Constant	2.584	5.222 (.000 ^{**})	1.947	2.222 (.027 [*])
SPEND	-.095	-3.542 (.000 ^{**})	-.084	-3.151 (.002 ^{**})
AWARD	.250	2.620 (.009 ^{**})	.239	2.361 (.019 [*])
ACTIVI	.082	3.516 (.001 ^{**})	.070	3.001 (.003 ^{**})
SIZE	-	-	-7.454	-1.160 (.247)
RISK	-	-	-.412	-3.733 (.000 ^{**})
AGE	-	-	-.014	-.729 (.467)
COMMIT	-	-	-.329	-.409 (.683)
AUDIT	-	-	2.937	3.564 (.000 ^{**})
R Square	.151		.238	
Adj. R Square	.140		.210	
F-value (sig)	0..639 (.000 ^{**})		8.761 (.000 ^{**})	
N	293		293	

** is significant at 0.01 level, and * is significant at 0.05 level.

Table 5:
T-tests for difference in CSER
between cases with and without CSER committees

Variable		N	Mean	SD	T	Sig.
CSER spending	With	72	6.2376	23.2294	2.923	.004**
	Without	221	0.9853	2.5063		
CSER award	With	72	4.2917	4.2208	6.276	.000**
	Without	221	1.4842	2.9366		
CSER activity	With	72	19.6111	20.7945	5.674	.000**
	Without	221	8.7409	11.1093		

** is significant at 0.01 level, and * is significant at 0.05 level.

Findings and Discussion

H1



CSER spending per activity has a possible effect on financial performance..

H2



CSER award has a positive effect on financial performance.

H3



CSER activity has a positive effect on financial performance

H4



There are different levels of CSER spending, award, and activity between those listed companies with and those without CSER committee.

Contributions and Implications

- The results can **guide companies to pay attention to CSER**, especially the CSER award and activity, because they can benefit from a higher corporate financial performance. Additionally, CSER spending per activity is also important for a company to take into account in managing CSER practices. The companies with lesser CSER spending per activity can manage expenses more efficiently than those with a higher CSER spending and, then, gain an advantage in financial performance.
- The findings are able to **explain how and why legitimacy theory can be used** to explain the impact of CSER award and activity on corporate financial performance, whether the corporate social expectations have a right to be responded to by corporate actions and activities in this case by CSER, and the benefits from corporate responsibility are better reputation and loyalty as well as better financial performance and firm value.

Limitations

- This study did not collect the other proxies of CSER information for the companies listed in Thailand.
- This study focused only on the listed companies in resource industry, excluding the other industries in Thailand.
- There were only 80 listed companies used in this study, while over 700 firms are listed in the SET and the MAI..



Thank You



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