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**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE
ON CORPORATE FINANCIAL PERFORMANCE: EVIDENCE FROM
VIETNAMESE LARGE LISTED FIRMS**

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Title The Effect of Corporate Social Responsibility Disclosure on Corporate Financial Performance: Evidence from Vietnamese Large Listed Firms			
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<p>Abstract</p> <p>Corporate social responsibility (CSR) is gradually turning into a critical issue in business management. Over the decades, both theoretical and empirical literatures were concentrated on studying the effect of CSR disclosure on corporate financial performance. However, the results have been ambiguous and inconsistent. The purpose of this master thesis is to examine the relationship between CSR disclosure and Corporate Financial Performance in Vietnamese large listed firms, both on short-term and long-term profitability for a period of three years, from 2014 to 2016. Focusing the study in Vietnam helps to enrich the existing literature and bridge the research gap in a geographic sense.</p> <p>For the study purpose, different CSR theories such as economic agency, legitimacy and stakeholder theories are reviewed to provide extensive understanding towards CSR approaches. In addition, an overview of the general CSR application in developing countries is put forward to explain the differences between CSR in emerging markets and its manifestation in developed world. Current status of CSR practice in Vietnam and PESTEL analysis are also included to provide a macro analysis of Vietnamese market based on Political, Economic, Social, Technological, Environmental and Legal aspects.</p> <p>In this study, we performed linear regressions on the sample data in order to investigate the effect of CSR disclosure on corporate financial performance. CSR disclosure is measured by using a disclosure index which consists of environmental, social, economic and legal aspects. Content of annual reports and stand-alone CSR reports of each firm is examined and disclosure scoring scale is constructed for the purpose of measuring the level of CSR disclosures. For corporate financial performance, Return on Assets (ROA) and Tobin's Q ratio were employed as measures of short-term and long-term profitability respectively.</p> <p>The results indicate that, in the short run, there is no significant relationship between CSR disclosure and corporate financial performance. However, in the long run, the study found a positively significant relationship between CSR disclosure and firms' financial performance. The results are encouraging since it provides an empirical evidence that Vietnamese firms can be both socially responsible and financially successful. It is expected to make Vietnamese firms become more aware of the significance of CSR practice. At the same time, strategic managers and socially responsible investors can take into account the reported results for sustainability and investment decision making processes.</p>			
<p>Keywords</p> <p>Corporate Social Responsibility, CSR, Corporate Financial Performance, ROA, Tobin's Q ratio, CSR disclosure, CSR reporting, GRI, Global Reporting Initiative, Vietnam, Vietnamese listed firms.</p>			
Additional information			

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1 INTRODUCTION

1.1 Background

Corporate social responsibility (CSR) is the idea of corporations practicing socially responsible ways (Lu, Weisheng, Chau, Wang & Pan 2014). The idea is developed closely with heightened sensitivity of society towards externalities of corporate activities – both are topics with long tradition in economics (Ullmann 1985). Over the decades, the concept of CSR has been growing in significance and influence (Carroll & Shabana 2010). It is currently a very dynamic and developing field of research (Bakker, Groenewegen & Hond 2005; Lockett, Moon & Visser 2006; Crane, McWilliams, Matten, Moon & Siegel 2008). What precisely the development of CSR movement signifies remains open to debate. Some consider it as a management tendency, some view it as a ‘soft regulation’ framework that sets new demands on corporations, whilst others perceive it as a way for firms to support economic and social development (Sahlin-Andersson 2006).

At the same time, the demand for transparency of how firms measure, report and enhance unceasingly their CSR performance is continuously growing (Tsoutsoura 2004; Dhaliwal, Li, Tsang & Yang 2011). As a result, CSR information has been widely disclosed and received much attention from firms’ stakeholders. The quality and quantity of CSR disclosure are set to become vital factors and have been considerably enhanced (Chelli, Durocher & Richard 2014). CSR disclosure is now perceived as the most applicable method to represent non-financial information while enabling business capabilities to cope with the present dynamic, global, and fast technological advancements (Beurden & Gossling 2008; Williamson & Lynch-Wood 2008).

More and more firms provide detailed information of their CSR principles, activities and performance and publish them as stand-alone CSR reports or disclose within annual reports. As of 2015, 92 percent of the world’s biggest companies (G250) were perceived to report on corporate responsibility, and the reporting rate is expected to continue remaining in the foreseeable future (KPMG 2015). The question now is

transformed from “Who is reporting?” to “Who is not reporting?” as CSR reporting gradually becomes a mainstream expectation among businesses (KPMG 2008: 14).

The objective of CSR disclosure is to uphold corporate financial performance. Profitability is the key factor that grants managers permission to be flexible in engaging and revealing more extensive socially responsible programs to firms’ shareholders (Heinze 1976). If enhancing CSR disclosure extent can improve financial performance, firms will not hesitate to perform it. On the contrary, if the correlation between CSR disclosure and financial performance is not a clear-cut, firms may be reluctant and cautious to disclose further information (Yang, Bui & Truong 2017).

CSR can be referred as corporate noble intentions, but apparently a profit-seeking aspiration is irresistible. A wide range of studies have been conducted in different countries, concentrated on different firm sizes, adopted different disclosure measurement techniques in order to examine the relationship between CSR disclosure and financial performance (Pava 1996; Waddock & Graves 1997; Orlitzky, Schmidt & Rynes 2003; Klerk, Villiers & Staden 2015). However, the results have been contentiously inconsistent and there is no real consensus on nature of the relationship (e.g. Cochran & Wood 1984; Patten 2002; Barth & Clinch 2009).

The primary reasons for these disparities are either from a deficiency in theoretical foundation, a lack of systematic CSR measurement, improper methodology or constraints from the sample size (Beurden & Gossling 2008). A vast majority of the empirical studies have focused only on a specific industry in order to find out conclusions. A comparative study on several industries is rare. Hence, in this study, we try to examine the association between CSR disclosure and financial performance of different industries comparatively, thereby closing the major gaps.

On another aspect, prior studies asserted that the country where the firm reports has an impact on the theme and the amount of CSR disclosures (e.g. Andrew, Gul, Guthrie & Teoh 1989; Guthrie & Parker 1990; Gray, Kouhy & Lavers 1995b; Maignan & Ralston 2002). While CSR, which regarded as a western phenomenon, has been investigated thoroughly and extensively in developed countries, the concept

is still relatively new and under developed in developing countries, including Vietnam. According to the survey results from The Vietnam Business Council for Sustainable Development in 2014, more than 50% out of 150 representative Vietnamese firms do not have the legitimate knowledge about CSR.

Vietnam, akin to other developing countries, is striving with a number of difficulties on the way to initiate CSR principles. Not only the institutions, standards, appeals system but also the level of economic development which influence CSR practices are relatively weak in developing countries of Asia (Tsang 1998; Kemp 2001; Chapple & Moon 2005). Particularly, the Vietnamese market economy is socialist-oriented and is managed tightly by the government. Domestic and foreign businesses are controlled closely in order to further socialism in the country (Netherlands Enterprise Agency 2015). The extent of free press, citizen rights and government systems in Asian countries are also totally different from western systems (Rodan 2002). Therefore, it is improper to assume and generalize the results of studies carried out in developed countries to the less developed ones including Vietnam.

This research intends to unleash the association between CSR disclosure and corporate financial performance of Vietnamese large listed firms. Focusing the study in Vietnam thus helps to enrich the existing literature and bridge the research gap in a geographic sense. Emerson, Bonini & Brehm (2003) assert that the level of CSR's commitment and interpretation varies within firms and across sectors. Furthermore, Tran (2014) argues that since CSR practices and reporting are not codified in Vietnam, the adaption of socially responsible activities is highly constrained in both quantity and quality. Only the large firms engaged to CSR practice and sustainability development in Vietnam. Apart from the taxation responsibilities, Vietnamese large firms also commit and register with the government to implement CSR initiatives. Abiding by this suggestion, the research hence focuses on large listed firms of different industries.

The purpose of this content analysis study is to examine the relationship between CSR disclosure and financial performance in Vietnamese large listed firms, both on short-term and long-term profitability (i.e. future profitability) for a period of three years, from 2014 to 2016. In this study, short term is referred as a period of time that

less than twelve months while long-term is perceived as a period of time that exceeds twelve months. Data is collected and examined from VN100 listed firms, which is the most advanced and significant index from HOSE (Ho Chi Minh City Stock Exchange). VN100 was firstly released in January 2014 to specify top 100 stocks with highest liquidity and market capitalization.

The results of this study are significantly valuable in several aspects. Firstly, only few prior studies have examined the aforementioned relationship in the context of Vietnamese market (e.g. Trang & Yekini 2014; Nguyen et al. 2015). This study hence will bridge the gap in the existing literature by addressing the issue in the secluded geographic area, Vietnam. Secondly, since the study performs a panel data analysis on the relationship between CSR disclosure and firms' financial performance for their industries, it will bring firmly empirical evidence for Vietnamese firms in CSR-related decision making for sustainability. Finally, this study contributes to a developing body of interdisciplinary CSR knowledge. At the same time, if it can be validated that being socially responsible contributes to firm's profitability, this would be an advocated argument for the growing CSR movement.

1.2 Research questions and thesis structure

Based on the aforementioned purposes, this study is designed to answer the following question of interest:

What is the association between CSR disclosure and corporate financial performance in Vietnamese large listed firms, if any?

The existing empirical researches on the relationship between CSR disclosure and corporate financial performance can be divided into two groups based on study methodology. The first group of studies utilizes the event study methodology for the purpose of evaluating short-run financial impact when firms implement CSR initiatives. The second set of studies investigates the relationship from the perspective of long-term financial performance. However, both groups have presented disagreements and inconsistent results (McWilliams & Siegel 2000).

A number of studies have validated the effect of CSR disclosure on short-term financial performance measured by Return on Assets (ROA). The study of Russo and Fouts (1997) suggests that high social and environmental performance is positively correlated with corporate financial performance measured by ROA. In contrast, Murray and Vogel (1997) propose that CSR initiatives are incapable of generating short-term financial payoffs. The direct short-term impact of CSR disclosure on financial benefits is largely absent. Lin, Yang and Liou (2009) find no significantly positive correlation between ROA and CSR investments in Taiwanese's large manufacturing firms. Their results indicated that even when firms perform CSR activities, this positive act does not necessarily increase immediate profitability for the firms. In addition, the empirical results of Kang, Lee and Huh (2010) also suggest that there is no significant association between CSR and ROA for three out of four examined industries under hospitality.

Inoue and Lee (2011) review a vast majority of the studies about the impact of CSR dimensions on firm's financial performance. The results imply that different CSR dimensions affect profitability in different ways. Some affect positively, some affect negatively and the others demonstrate insignificant effects. The scholars attribute these impact differences to the level of significance designated to each main stakeholder for the industry.

Taking into consideration of the former studies and the fact that investment in CSR needs some time to derive benefits, the study proposes the following hypothesis:

Hypothesis 1: CSR disclosure is not positively associated with corporate financial performance in short-term.

Earlier studies about the impact of CSR disclosure on future profitability are reviewed by Inoue and Lee (2011). According to the scholars, each of CSR dimensions affects differently to corporate future profitability. While Kacperczyk (2009) proposes that diversity issues, environmental issues and community relations have positive impact on the future financial benefits, Hillman and Keim (2001) claim that only community relation is positively correlated with future profitability. On the basis of the resource-based view, a number of researchers have asserted that CSR

disclosure has a positive impact on firms' future financial performance (e.g. Berman, Wicks, Kotha & Jones 1999; Brammer & Millington 2008). Berman et al. (1999) claim that the positive assessment of product quality has influences to investor's reaction of the firm value. Brammer and Millington (2008) also argue that higher market value derives from higher community involvement. The researchers suggest that by adopting CSR principle, a company is able to generate intangible resources which can bring in high expectations for long-term profitability, and thus lead to a higher firm's market value.

A majority of researches have suggested that long-term economic benefits obtained via indirect effects are significant and considerable (Murray & Vogel 1997). Corporations engage in CSR practice with a hidden motive of gaining positive economic outcomes and this aspiration has been validated in former studies (e.g. Davis & Blomstrom 1975; Dalton & Cosier 1982). This study thus proposes in line with previous literature that CSR disclosure has a positive effect on corporate future profitability (as measured by Tobin's Q ratio):

Hypothesis 2: CSR disclosure is positively associated with corporate financial performance in long-term.

The rest of this research will be organized into four main sections. The first section thoroughly reviews prior literature related to CSR concepts and theories, CSR disclosure, corporate financial performance as well as CSR in Vietnam. The second section specifically describes how the data is collected, sample collection and methodology for measuring variables. Next section discusses and analyzes results from the data. Finally, the last section draws conclusion of the research, maps out limitations and offers recommendations for future studies.

2 LITERATURE REVIEW

2.1 Corporate Social Responsibility (CSR)

2.1.1 Concept of CSR

The concept of CSR has been intensively argued over the decades (e.g. Wood 1991; Carroll 1999; Moir 2001; Dahlsrud 2008). Academic scholars have been continuingly researching and building theories around the concept in order to seek out and unify a predominantly accepted definition. The first comprehensive discussion of CSR concept initiated from the 1950s with the notable publication of Howard R. Bowen's (1953) book "Social Responsibilities of the Businessman". He defines CSR as "the obligation of businessmen to pursue those politics, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society." This concept was set forth from the assumption that several hundred biggest business firms were key centers of power and decision, and these firms' actions affect to the lives of people around in multiple ways. Bowen argues that CSR should not be considered as panacea for all corporate problems, but it should be the critical guidance for businesses in the future.

The concept of CSR continued to be developed intensively in the 1960s and 1970s as the trend of expansion among large conglomerate corporations growing (Carroll 1999). The major and prominent contributors in this period were Keith Davis, Joseph McGuire, Harold Johnson and Archie Carroll. Davis (1960: 70) views CSR under the management perspective and refers the term as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". He claimed that some socially responsible business decisions can be adjusted by a long, complex process of reasoning as having a decent chance of gaining long-term economic benefits to the firm, thereby compensating for its socially responsible outlook. McGuire (1963: 144) consents to Davis's concept as he posited in his book "Business and Society" that socially responsible corporations have "not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations." Johnson (1971) advocates more

arguments to the field when perceives social responsibility as a mean for organizations to maximize their long-run profit.

In 1979, Carroll set his prominent landmark in CSR concept with the proposition of four basic components of total social responsibilities. In particular, they are economic, legal, ethical, and discretionary or philanthropic responsibilities, all together, constructed the complete definition and nature of CSR. Carroll further developed his CSR concept and theory into a pyramid model of CSR in 1991, which has been the most widely cited and durable in the literature (Crane & Matten 2004).



Figure 1. The Pyramid of Corporate Social Responsibility (Carroll 1991)

During the era of global corporate citizenship, from 1990s until today, CSR practice has become mainstream, more characterized and more profoundly integrated into business practices (Frederick 2008; Carroll & Shabana 2010; Carroll & Buchholtz 2014). Many CSR concepts and theories have still been constructing by major scholars (Wood 1991; Frooman 1997; McWilliams & Siegel 2001; Waddock & Bodwell 2004; Aguilera, Rupp, Williams & Ganapathi 2007) as well as by reputable organizations (Commission of the European Communities 2001; WBCSD 1999, 2000; Business for Social Responsibility 2000). Different phrases, contexts as well as

wide spectrum of views were employed in order to define and develop CSR theories. Nevertheless, in general, they are all consistent with Carroll's (1991) concept.

A noteworthy theory in this period comes from Dahlsrud (2008). First, the scholar identifies five different dimensions of CSR, which are environmental, social, economic, stakeholder and voluntariness dimensions through a content analysis of 37 CSR definitions covered a time span from 1980 to 2003. The author then applies frequency counts from Google to compute the relative usage of each dimension. He concludes that many of the available CSR definitions are consistently indicating to the five dimensions of CSR. Therefore, CSR definitions are generally congruent, and that the confusion for business is no longer about how CSR is defined, but how CSR is socially constructed in a particular context and how to take this into consideration when business strategies are planned and developed.

2.1.2 CSR Benefits

There are rationales for the engagement of firms in socially responsible performance (Margolis & Walsh 2001; Tsoutsoura 2004; Aguilera et al. 2007; Kurucz, Colbert & Wheeler 2008). Margolis and Walsh (2001) propose two entwined explanations for social initiatives as (1) social trends for CSR and (2) situations claiming a firm to be responsible regardless of its purpose. Aguilera et al. (2007) suggest three main motives for firms to engage in CSR, namely (1) instrumental motive or self-interest driven; (2) relational motive or concerned with relationships among group members and (3) moral motive or concerned with ethical standards and moral principles. Kurucz et al. (2008) consider different arguments and put forward the framework of four value creation categories of CSR. Their four approaches cover (1) cost and risk reduction; (2) profit maximization and competitive advantage; (3) reputation and legitimacy and (4) synergistic value creation.

Firstly, socially responsible firms can effectively cut down operating costs and risks (Zadek 2000; Tsoutsoura 2004; Clarkson, Li, Richardson & Vasvari 2011). According to PwC's (2002) sustainability survey report, there are up to 73 percent of business executives agreed that cost savings was on the top three reasons for firms to practice CSR principles. In the process of practicing CSR principles, managers are

motivated to seek for innovative ideas and more effective operating methods (Husted & Allen 2007). For example, enhancing working conditions and training employees can actually improve productivity and diminish error rates; using less energy and less packaging, diluting pollution can reduce operating costs and regulatory risk (Margolis & Walsh 2001; Clarkson et al. 2011).

Nielsen (2014) “Global CSR Report” indicates that 67 percent of employees are in favor of working for socially responsible firms. It is no longer about the perks of remuneration policy, but linking employees to the core mission of the business that can captivate employees. Firms with strong commitment to CSR often have better competency to attract and retain their employees (Davis & Blomstrom 1975; Soloman & Hansen 1985; Turban & Greening 1997) which results in lower employee turnover rate as well as lower costs of training and recruitment.

Another justification for firms to perform CSR initiatives holds that socially responsible firms have the ability to anticipate, plan and initiate actions to prevent social problems, which may cost severely if they arise (Carroll & Shabana 2010). This is in accordance with the views of Margolis and Walsh (2001), Bowie and Dunfee (2002) and Tsoutsoura (2004). They propose that CSR can reduce not only risks of bribery and corruption but also the possibility of costly sanctions. By taking care of product quality, their stakeholders and the environment, firms can avoid paying heavy penalties, encountering with liability lawsuits or consumer boycott. The cost and risk reduction perspective assumed that the existence of a business can be threatened by its stakeholders’ demands. Thus, in order to survive and acquire economic interests, the firm needs to reduce all of these potential threats through a threshold level of CSR performance.

Secondly, adopting CSR principles can help firms to set themselves apart from their competitors, and thus, gain competitive advantage on the market. According to Carroll and Shabana (2010), firms should commit to CSR since it is strongly supported by the public. CSR is a function of economic wealth and it is a good business, thus it should be considered as a competitive driver by the firm (Porter & Linde 1995; Chapple & Moon 2005; Beurden & Gossling 2008). A firm is capable of gaining competitive advantage over its competitors by strategically allocating

resources to stakeholders' demands of CSR. Stakeholders' demands in this case should be seen as opportunities for firms, rather than constraints, to be leveraged for the goal of profit maximization (Kurucz et al. 2008).

Thirdly, CSR is a practical business choice to develop reputation and legitimacy (Deng, Kang & Low 2013). According to Cochran and Wood (1984), there is correlation between the image of a firm and its CSR principles. Tsoutsoura (2004) demonstrates practical evidences to validate the ability of CSR to enhance brand image and reputation. KPMG (2005) in their "Survey of Corporate Responsibility Reporting" further asserts that having a good brand and reputation is one of the business drivers for firms to implement CSR.

Finally, firms can seek for win-win-win outcomes through synergistic value creation by implementing CSR principles. This approach seeks out and connects stakeholders' interests in order to create win-win-win results for organizations, environment and societies. The underlying idea is that aforetime unnoticed opportunities for creating value on multiple fronts can be opened up when stakeholders are connected by relating common interests (Kurucz et al. 2008).

To that end, adhering to CSR practices can be correlated with a series of underlying benefits. These theories advocate that highly engaged CSR firms have better alignment between the interests of shareholders and other stakeholders than low CSR firms. Consequently, they can gain higher level of stakeholders' contribution, resulting in the more favorable profitability and efficiency in the long run (Jensen 2001; Jawahar & McLaughlin 2001; Phillips, Freeman & Wicks 2003).

2.1.3 CSR Costs

In opposite of the arguments for CSR, the namely shareholder expense view with orientation against CSR has been proposed (Deng et al. 2013). One of the most prominent and forceful arguments against CSR is from the Nobel laureate Milton Friedman (1970). He sets forth that the only responsibility of management is to maximize profits for shareholders, and further asserts that social involvement activities are costs, therefore if the firm invests into these initiatives, management

would be perceived as failing to minimize costs, failing to maximize dividends and place highest precedence towards the shareholders' interests.

In support of “the business of business is business” point of view, Walley and Whitehead (1994) further hold that CSR activities are costly and not always compatible with financial benefits, thus dilute the main purpose of businesses. For example, a company must abandon a profitable product because it is injurious or offensive to some of its customers. By following CSR principles, firms can be misled to the fields of endeavor which are irrelevant to their proper purpose. Additional costs from adopting CSR initiatives will eventually offset the expected benefits (Cornell & Shapiro 1987; Moore 2001).

In addition, entrepreneurs may not have sufficient expertise, skills and ethics in order to handle CSR initiatives as they are more management oriented and self-interested by nature (Davis 1973; Abbott & Monsen 1979). Concerns for CSR may hinder business strategic alternatives (Nelling & Webb 2009) and make the firm less competitive globally (Carroll & Shabana 2010). Therefore, managers need to carefully consider trade-offs between business and social responsibility concerns in order to come up with the strategy that can make the most significant impact to the business. In most cases, “it is impossible to get something for nothing” (Walley & Whitehead 1994: 47).

2.1.4 CSR Performance and CSR Disclosure

CSR as a business strategy can be practiced through Corporate Social Performance (CSP) and CSR Disclosure. Former CSP – CSR Disclosure studies examined the correlation between the two factors and found evidence that they are positively related (Al-Tuwaijri, Christensen & Hughes 2004; Clarkson, Li, Richardson & Vasvari 2008). According to the discretionary disclosure model proposed by Verrecchia (1983), firms with better environmental performance have the incentives to disclose more environmental information to the public in terms of both quality and quantity. Gelb and Strawser (2001) claim that the practice of disclosing CSR information is an act of social responsibility, and that CSR disclosure reflects true corporate social performance.

Al-Tuwaijri et al. (2004) and Clarkson et al. (2008) both found a significant positive correlation between environmental reporting and environmental performance. Al-Tuwaijri et al. (2004) assert that good environmental performers can be more forthright in reporting their performance and in addition, Clarkson et al. (2008) further complement that those firms disclose environmental information in a way that the poor performers cannot imitate competently.

Even in the case that the information may arise negative affection, a firm would still have incentives to disclose that information in order to establish credibility with its stakeholders (Deegan & Gordon 1996). Consistently, KPMG (1993: 16) states that “Disclosing the bad news as well as good is very important if companies want to gain credibility for their reports. Otherwise, the reports can appear biased and akin to public relations tools. Even if there is considerable data, an otherwise 'good' report will invite suspicion on all its disclosures if companies are not "up front" about the problems they are facing, including fines and prosecutions”. Al-Tuwaijri et al. (2004: 467) further emphasize on this point that “Good CSR does not necessarily carry-over to good accounting practices”.

Ultimately, it can be inferred that CSR reporting is, rather than a tool to disclose CSR performance, indeed a management strategy that businesses should consider carefully and implement effectively in order to achieve their overarching goals. A firm with inferior CSR performance and superior reporting techniques can be more appreciated than a firm implementing CSR activities more seriously but lacking skills in communicating that information. In this case, stakeholders might doubt the credibility and authenticity of disclosed information of the good performers while appreciate the greater exposure of the poor performers. Communication is as much important as performance. To that end, firms should concentrate more on how to communicate their CSR performance effectively rather than only give attention to their actual performance.

2.2 Theoretical Perspectives on CSR

2.2.1 Economic Agency Theory

Economic Agency theory argues that firms will adopt, follow and practice CSR principles only when they match with the ultimate goal of maximizing shareholder benefits (Jensen & Meckling 1976; Lev, Petrovits & Radhakrishnan 2010; Dhaliwal et al. 2011; Davis, Guenther, Krull & Williams 2015). Under this theory, CSR is seen only as a tool for wealth creation, and social initiatives are only a method to acquire the desired economic outcomes.

The theory was advanced by Friedman (1970: 126) as he asserted that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”. Shareholder value maximization is perceived as the fundamental motive for corporate decision-making. Husted and Salazar (2006) further extend the analysis by forming an agency theory model where CSR engagement can be an appropriate business practice. If it can be proved that CSR strategy is contributing to corporate financial performance then managers are advancing to the firms’ goals in the most reasonable and best suited way (Margolis & Walsh 2003).

2.2.2 Legitimacy Theory

Legitimacy theory justifies the reason for firms’ engagement in CSR practice and disclosure by their “norms, values, customs and attitudes” (Hibbitt 2004: 254). Comparing to other theories, legitimacy theory presents a comprehensive view on CSR reporting as it explicitly acknowledges the social contract that firms are bounded and must accept to perform in order to gain economic benefits in return and guarantees their continued existence (Guthrie & Parker 1989; Brown & Deegan 1998). The firms need to fulfil the existing accepted morals, norms and standards in order to survive. These social expectations vary in term of severity as a result of the diversity among different economic systems. For instance, ideals of a socialistic country are greatly different from capitalistic ideals (Tilling 2004).

Legitimacy theory is especially useful as an explanation when CSR disclosure is expected to close a specific legitimacy gap (Branco & Rodrigues 2008). Prior studies suggested that firms often have the tendency to adjust their CSR practices when some particular incidents related to environment and society happened, such as oil spill or gas explosion, which can put the firms in the spotlight for their shareholders and stakeholders (Patten 1992; Walden & Schwartz 1997; Deegan et al. 2000).

2.2.3 Stakeholder Theory

Stakeholder theory posits that since actions of a company influence to not only shareholders but also many other stakeholders, the firm should perform in a responsible way to all of its stakeholders (Freeman 1984; Donaldson & Preston 1995; Jones 1995; Clarkson 1995; Garriga & Melé 2004; Crane et al. 2008). Stakeholders were initially defined by Standford Research Institute (1963) via Freeman (1984: 31) as “those groups without whose support the organization would cease to exist”. Freeman in his landmark book “Strategic Management: A stakeholder approach” (1984: Preface VI) supplemented and clarified the concept of a firm’s stakeholders as “any group or individual who can affect, or is affected by, the achievement of a corporation's purpose. Each of these groups has a stake in the modern corporation, hence, the term "stakeholder".". Figure 2 illustrates the twelve important stakeholder groups of an organization.



Figure 2. The stakeholder model (Polonsky 1995)

Polonsky (1995)'s model is based on key points of Freeman's original theory. He further asserts that each of stakeholders' groups has a vital role to the accomplishment of the business and thus, none of the groups should be left out because it may hinder the firm's successful outcomes.

There is a natural match between the idea of CSR and a firm's stakeholders (Carroll 1991). According to the scholars, while the word "social" in CSR does not adequately specify to whom the corporation is responsible for, the stakeholder concept, on the other hand, illustrates social responsibilities by setting out the specific groups that the firm should take into consideration its CSR orientation. When managers engage in maximizing stakeholders' benefits, they will behave in a way that warrants the well-being of different stakeholders' groups (Aguilera et al. 2007) and this motivates the examination of nexus between stakeholder management strategies such as CSR and organizational performance (Donaldson & Preston 1995;

Campbell 2007). It is practical and important for stakeholder theory to be revolving around financial consequences so that managers can be persuaded that stakeholders are worthy of their attention (Harrison & Freeman 1999; Jones & Wicks 1999; Margolis & Walsh 2003).

2.3 Corporate Social Responsibility Disclosure

2.3.1 Concept of CSR disclosure

CSR disclosure can be defined as “the provision of financial and non-financial information relating to an organization’s interaction with its physical and social environment, as stated in corporate annual reports or separate social reports” (Guthrie & Mathews 1985 via Hackston & Milne 1996: 78). In particular, CSR disclosure consists of detailed information about physical environment, human resources, products, energy and community involvement issues (Hackston & Milne 1996; Klerk et al. 2015). CSR disclosure can also be referred as “Social and environmental reporting”, “social and environmental disclosure” or “sustainable reporting” since they all indicate the process of disclosing CSR information (Gray et al. 1995b).

It is the underlying purpose of annual reports to support shareholders and investors in their decision making by providing them necessary information (PwC 2011). Therefore, the most significant audience of CSR disclosure is shareholders and investors, besides the government, activists and other relevant stakeholders (Neu, Warsame & Pedwell 1998). Those are the actors that drive firms acting either in a socially responsible or irresponsible behavior.

CSR disclosure has become a key strategy concern for businesses (Déjean & Gond 2004; Ducassy & Jeannicot 2008). CSR disclosure can be perceived as a communication tool of social accounting strategy, which does not necessarily represent the real performance of the firm. “The image created may range from hideous to angelic depending on who is conjuring up the image. It is like a kaleidoscope in that the same pieces turned a little differently form a whole new pattern” (Jensen & Meckling 1976: 1). The scholars further hold that in most cases,

the concerns of what to disclose, how to disclose as well as how to compare and assess different businesses are still in the dark (Jensen & Meckling 1976). However, as the studies towards CSR are promptly mushrooming over the years, the situation has changed and might not hold true in today's CSR reporting practice.

2.3.2 Strategic CSR disclosure

Why disclose CSR information?

Why managers decide to disclose private information of their firms to the public? There are several justifications for this management strategy from empirical evidence and theories in earlier studies.

First of all, disclosure decisions made by managers are influenced by incentive systems. Managers tend to disclose information that can lead investors to make decisions closest to the objectives of managers when the costs of misreporting are negligible. "Managers have incentives to disclose their information to distinguish themselves from managers with less favorable information" (Beyer, Cohen, Lys & Walther 2010: 301). According to Grossman (1981), sellers have an inclination toward withholding information such as product quality in order to sell all items at the same price. If the sellers of good quality items cannot differentiate themselves from sellers of low quality items, then it is in the less responsible counterparts' interest to conceal information of their product quality. Therefore, managers of more favorable information need to communicate their quality by voluntary disclosing information and using warranties to the consumers.

Managers may also bear potential costs if they do not preempt and disclose large negative news promptly. Stockholders may sue them when stock price decreases significantly because of the adverse news, since it is part of their responsibility for delaying to disclose information in a timely manner (Skinner 1994). In addition, this will put managers' reputation at risk and they have to bear reputational costs for being accused of withholding negative news. Managers can reduce the damages of these potential bad events by limiting the period of nondisclosure and disclose information preemptly.

Secondly, CSR reporting is a useful communication tool to diminish information asymmetries between the firm and its stakeholders, primarily in the investment community (Brammer & Millington 2008; Schadewitz & Niskala 2010; Dhaliwal et al. 2011). The provision of voluntary disclosures can reduce ambivalence among investors, provide them critical information that usually missing from financial reports, enhance their perceptions of the firm's key value drivers such as corporate governance, innovative capacity, and thus, improve investors' assessment about the firm value (Eccles, Herz, Keegan & Phillips 2002; Clarkson et al. 2008). Since managers can decide strategically and selectively which information should be disclosed, investors have to judiciously foresee such strategic reporting, provide worthy incentives to managers in order to encourage them to disclose information and consequently decrease the level of information asymmetry (Beyer et al. 2010).

Last but not least, accounting disclosure in general and CSR disclosure in particular can increase the firm's market liquidity, enhance risk-sharing and reduce its cost of capital (Merton 1987; Diamond & Verrecchia 1991; Healy & Palepu 2001). Firms are motivated to be more and more attentive toward reporting CSR information, generating higher quality reports in the need for invested capital, increasing firm size and making it visible in the market. The purpose is to diminish the aforementioned information asymmetry problem and at the same time, to reduce the cost of capital.

Therefore, CSR reporting not only strengthens the relationships of a firm with its stakeholders, shareholders and the community, but also supports the firm in managing business risks, enhancing adaptability in a rapidly changing environment and competing more effectively in the market.

What and how to disclose CSR information?

According to costly state falsification models, disclosures are not necessary to be forthright and precise, however, managers should consider before falsifying reports since it is expensive and costly to do so. Furthermore, if the firm wants to propose a proactive and socially responsible image to the public, it should provide honest information about their CSR performance, notwithstanding the information is negative or not on a situational basis (Al-Tuwaijri et al. 2004). Responsibility

information is pertinent for understanding business environment as well as evaluating the underpinning factors which can enhance competitive advantage for the firm (Schadewitz & Niskala 2010).

In general, prior studies indicates that when the costs of disclosing information are relatively low, managers tend to report both sufficiently positive and negative news, but hold back intermediate news. On the other hand, when the disclosure costs are high, managers will only report news which can be perceived as sufficiently favorable in pursuance of firm value maximization (Verrecchia 1983; Dye 1986; Wagenhofer 1990).

2.3.3 Measurements of CSR disclosure

CSR disclosure is generally measured by two different techniques (Al-Tuwaijri et al. 2004). The first one consists of measures that quantify the extent of CSR disclosure on the basis of the number of pages (Davey 1985; Gray et al. 1995b; Guthrie & Parker 1989), number of sentences (Ingram & Wiseman 1980; Frazier & Rayner 1982) or number of words (Ng 1985; Deegan & Gordon 1996) devoted to CSR topic in annual reports or stand-alone CSR reports.

Each of the measures suffers from its limitations. If the level of CSR disclosure is measured by number of pages from reports, the pages may contain unrelated non-narrative CSR disclosures such as charts or photographs. Besides, the variety of print sizes, column and page sizes of different annual reports are also add up constraints to this method. In contrast, a strong argument against the methods of measuring CSR disclosures by numbers of characters, words or sentences proposes that these methods will lead to essential non-narrative CSR disclosures being overlooked. Any unit of measurement that cannot take into consideration tables, charts or photographs may neglect from the CSR study these possibly powerful and highly effective means of communication (Beattie & Jones 1992, 1994; Preston, Wright & Young 1996). Using these measurement methods also springs the problems of identical sentences with different font sizes as well as standardizing number of words. Most importantly, CSR disclosure analysis should concern not only what the disclosure stated but also

how it is stated (Guthrie & Parker 1990), which is completely impotent by adopting these measurement methods.

The second technique applies content analysis in order to develop a disclosure-scoring measurement. In this measurement technique, a certain number of CSR issues will be identified and analyzed by a scoring methodology. For example, a “1/0” scale indicates that a firm gets a score “1” if a specified information is verified and gets a score “0” for otherwise. After each individual issue is quantified, researchers will determine and specify the aggregate score of CSR disclosure’s level of each firm (Al-Tuwaijri et al. 2004). Thus, it is possible to see how a particular item in CSR disclosure is stated, either qualitatively or numerically (Cochran & Wood 1984).

There are a number of supportive arguments for adopting CSR disclosure scoring scale in organizational research (Abbott & Monsen 1979). First of all, since annual reports are publicly available and the technique is mechanical, CSR disclosure scores can be possibly acquired for a large number of companies. Secondly, there is no need to contact firms for cooperation, which is an advantage as the response rates of voluntary surveys are usually very low. Research costs hence are moderate comparing to other data collection methods. This method guarantees that redundant or irrelevant information are not considered as strategic social and environmental disclosure (Aerts, Cormier & Magnan 2008). Last but not least, replication of studies using disclosure scoring scale is completely feasible because of the availability of data. As a result, the scale can be re-examined and verified reliably by forthcoming studies.

Both of the aforementioned measurement techniques have their own values. However, the majority of the literature indicates that even though requiring more intensive work, the disclosure scoring scale method presents richer dataset and, at the same time, covers automatically the first measurement technique (Guthrie & Mathews 1985; Cowen, Ferreri & Parker 1987; Gray, Kouhy & Lavers 1995a).

On another aspect, there are good reasons that CSR disclosure measurement should be examined in annual reports (Deegan & Rankin 1997; O’Dwyer & Owen 2005;

Branco & Rodrigues 2006). Annual report is the primary means of corporate communication, which is widely adopted to present a business and communicate with the firm's stakeholders (Botosan 1997). A vast majority of former studies, for example Neu et al. (1998) and Gray et al. (1995a) suggest that annual report is the most significant document for a firm to establish its social image to stakeholders. Since the reported material is closely related to the audited financial statements and it is mandatory for auditors to read such material, annual report owns the credibility level that none of the other media can achieve. Furthermore, annual report was found to be increasingly employed to disclose CSR practices and corporations' social actions (Alnajjar 2000; Holland & Foo 2003).

Other CSR information sources such as stand-alone CSR reports are also found to be widely used in the existing literature (Cormier, Gordon & Magnan 2004; Clarkson et al. 2008). It is rational that stakeholders collect information for their decision-making and assess firms' value by all publicly available reports (Staden & Hooks 2007). Thus, in this study, the author will deploy analyzing the content corporate annual reports and stand-alone CSR reports as sources of CSR information.

2.4 Corporate Financial Performance (CFP)

Corporate Financial Performance (CFP) reflects and evaluates the achievement of a firm's economic goals. It has consistently been the center of interest and focus in management study on firm performance (Barney 2002; Combs, Crook & Shook 2005; Richard, Devinney, Yip & Johnson 2009; Gentry & Shen 2010). Prior studies used different measurement instruments in order to evaluate CFP. According to Margolis & Walsh's (2001) "People and Profits" book, CFP could be measured in 70 different ways but the two dominant methods are accounting measures and market measures.

Accounting measures are indicators of the past or short-term firm performance. The general accounting-based measures used to evaluate financial aspect of firm performance are Return on Equity (ROE), Return on Assets (ROA), Return on Sales (ROS), Return on Investment (ROI) and Sales Growth (Margolis & Walsh 2001). In particular, ROA is rationally alleged as an authentic measure of CFP (Griffin &

Mahon 1997; Berman et al. 1999). As opposed to the other accounting-based measures, ROA is not influenced by the fluctuation of financial leverage level and is less susceptible to management manipulation. Consequently, ROA is less likely to generate misleading results and more generally adopted than the other indicators (Aupperle, Carroll & Hatfield 1985; Mishra & Suar 2010).

Market measures are reflections of the future or long-term firm performance (Keats & Hitt 1988; McGuire, Sundgren & Schneeweis 1988; Hoskisson, Johnson & Moesel 1994). The widely accepted market measures are Total Shareholder Returns (TSR), Market Return, Price-Earnings ratio (P/E), Cumulative abnormal return (CAR) and the most adopted indicator used in earlier studies, namely Tobin's Q ratio (Combs et al. 2005; Hult et al. 2008). In comparison with accounting measures, market measures are less susceptible to bias by managerial manipulation and accounting procedures. At the same time, the measures can illustrate investors' assessment of a firm's ability to achieve future economic outcomes rather than historical performance. However, the stock-market-based measures of performance also encountered problems. Since companies have to deal with multiple constituencies, it is insufficient to focus only on investors' evaluations as a performance measure (McGuire et al. 1988).

Taking into consideration the pros and cons of accounting and marketing measures, the study adopts both methods in order to investigate the association between CSR disclosure and corporate financial performance in the short-term as well as in the long-term.

2.5 CSR Disclosure and Financial Performance

Much work on identifying the relationship between CSR disclosure and financial performance has been implemented. However, it is still the subject of contradictory views over the decades (Orlitzky et al. 2003). As Cochran and Wood (1984) assert, if certain actions labeled as socially responsible are negatively associated with corporate financial performance, managers are advised to be prudent and cautious. On the contrary, if the association is demonstrated to be positive, the managers are encouraged to engage in such activities with enthusiasm. According to Paret and

Eibert (1975) and Ullmann (1985), even if CSR is perceived as a significant cost, businesses with profitable performance might be more willing to involve these costs in the future than the less profitable firms, those which are more hesitant in conducting socially responsible activities (McGuire et al. 1988).

The existing literature has validated three arguments on the subject. In support of a positive relationship, arguments of researchers are based on stakeholder theory (Pirsch, Gupta & Grau 2007), indicating that the survival and success of an organization depends on its achievement of both economic goals (profit maximization) and non-economic goals (CSR practice) in the interest of the firm's stakeholders (Kang et al. 2010). Scholars asserted that an increment in expenditures on CSR activities can enhance a firm's relationships with its stakeholders. This may result in reduction in firm's transaction costs, increase in market opportunities and pricing premiums, which eventually lead to a better financial performance.

Bowman and Haire (1976) find substantial differences between companies with and without CSR disclosure in terms of a five-year average return on equity (ROE). They postulate that social responsiveness demands the same adaptive management style which is essential for a firm to survive in today's market competition and make the firm profitable. Preston (1978) presents a higher one-year ROE for highly disclosing companies in Fortune 500 list. Roberts (1992) also finds evidence of a positive association between CSR disclosure and firms' lagged profits. There is a vast majority of researches abide by the idea that a high level of social privilege can support a firm to build good connection with its stakeholders, and thus improve the firm's financial performance.

On the other hand, there are a number of studies indicating the opposite results. While Belkaoui and Karpik (1989) suggest a negative association between Return on Assets (ROA) and CSR disclosure, Cowen et al. (1987) and Patten (1991) failed to support any relationship between profitability and CSR disclosure. Gray, Javad, Power and Sinclair (2001) find no evidence of an authentic association between share returns and disclosure. Gray et al. (1995b) in studying corporate social and environment reporting suggested that corporate social disclosure is not associated with profitability in the same period, but there may have a possible correlation to

lagged profits. Hence, the practical reality of CSR initiatives and efforts to invalidate or justify them has motivated more and more researchers to examine the correlation between CSR disclosure and corporate financial performance.

2.6 CSR in Vietnam

2.6.1 CSR drivers in developing countries

Despite the central focus of this study is on the Vietnamese market, an overview of the general CSR application in developing countries, including Vietnam is essential to understand what makes CSR in emerging markets different from its manifestation in developed world, and at the same time, draw a picture of how CSR initiatives are perceived, incentivized and practiced in developing economies.

Wayne Visser (2008) in his work derived from the Oxford Handbook of Corporate Social Responsibility maps out four different reasons for concentrating on CSR in developing countries as distinct from developed world. First, since developing countries are the most rapidly growing economies, they are the most lucrative booming markets for business. Second, these are the areas where social and environmental crises are most severely perceived. Third, economic growth, globalization, investment as well as business activity in those countries probably have the strongest impact to society and environment. Last but not least, CSR agenda challenges presented in developing countries are distinctive from those that developed world have to cope with. Focusing on CSR in developing economies hence will clarify how businesses in these emerging markets contribute to enhance the governance, social, environmental, ethical and labour conditions of the countries in which they operate, while being aware of the prevailing religious, historical and cultural contexts.

There are rationales behind what sets CSR in developing countries apart from its conventional demonstration in developed world, as defined by America and Europe. Visser (2008) identifies ten key drivers for CSR in emerging economies, consisting internal drivers, which are pressures from within one country, and external drivers,

which refer to global pressures. Some of the major drivers will be thoroughly discussed in this section. The CSR drivers are illustrated in the following figure:

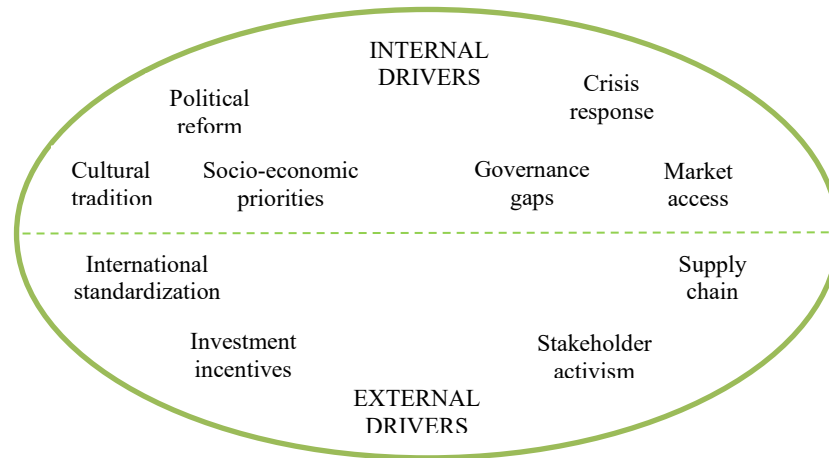


Figure 3. CSR drivers in developing countries (Visser 2008: 481)

Cultural tradition

It is firmly believed that the practice of CSR in developing countries derives from deep-rooted moral principles and indigenous religions such as Hinduism, Buddhism and Islam, which advocate ethical business, philanthropy and community embeddedness (Visser & Macintosh 1998; Frynas 2006). Nelson (2004) suggests that Buddhist traditions in Asia are associated with CSR application. Vives (2006) surveys over 1,300 firms in Latin America and concluded that religious beliefs are one of the crucial motivations for CSR. Similarly, Chapple and Moon (2005)'s research indicates that CSR is approached differently among Asian countries, not as a result of development levels, but by factors lie within distinctive business system of each country.

Political reform

CSR in developing economies cannot be separated from the socio-political reforming process, which inevitably underpins business behaviors towards adopting CSR practices, as a corresponding act to the new regulations. For instance, the political changes in South Africa towards democracy played an important role for CSR practices, through the execution of enhanced corporate governance (Rossouw, Watt

& Rossouw 2002), collective business activities for social upliftment (Fourie & Eloff 2005) and business ethics (Malan 2005).

Socio-economic priorities

The socio-economic environment in which businesses operate and the development priorities have significant and direct influences on CSR practices. Amaeshi, Adi, Ogbechie and Amao (2006) assert that in Nigeria, CSR initiatives are expressly targeted at socio-economic development challenges such as poverty alleviation, education, infrastructure development and healthcare provision. Oliveria (2006) studies CSR practices in Latin America and finds that CSR approaches tend to respond to environmental and social problems within the region, such as crime, unemployment and income inequality. This is in contrast with emerging countries' more developed counterparts in America and Europe, where CSR priorities are consumer protection, climate change concerns, fair trade and socially responsible investments.

Governance gaps

In developing countries, CSR is perceived as a method to close the 'governance gaps' deriving from weak, corrupt or insufficient-resourced governments which are unable to adequately provide social services to the people, such as housing, roads, healthcare and education (Visser 2008: 483).

International standardization

There are empirical evidences that CSR codes and standards are major drivers for CSR practices in developing nations (Baskin 2006; Dolan & Opondo 2005; Kolk & Tulder 2002). Baskin (2006) studied CSR in emerging countries and found out an increasing rate of adoption in international codes and standards such as ISO 14001 and GRI (Global Reporting Initiative's Sustainability Reporting Guidelines). These codes and standards are applied to deal with social issues and provide prevention against business malpractices. In addition, in the case of multinational companies,

CSR standards are proposed in order to promote global consistency in operation among its subsidiaries.

Investment incentives

There is an inextricable relationship between multinational investment and social welfare in developing countries (Gabriel 1972). CSR performance is screened for the increasing number of socially responsible investments. Goyal (2006) suggests that CSR may also act as a signal device for emerging economies to access foreign direct investment proposals from foreign companies.

Stakeholders' activism

As solid governmental controls over environmental, social, and ethical behaviors of corporations in developing countries is still lacking, activism by different stakeholder groups gradually becomes another key driver for CSR (Visser 2008). Stakeholder groups considered as the strongest dominances for CSR are development agencies (Jenkins 2005), trade unions (Kaufman, Tiantubtim, Pussayapibul & Davids 2004), international NGOs (Aid 2004), and corporate associations (WBCSD 2000). Altogether, they build up a strong foundation which can assist and develop the local NGOs to provide better facilitation for CSR.

2.6.2 PESTEL analysis

PESTEL analysis tool provides a macro analysis of Vietnamese market based on Political, Economic, Social, Technological, Environmental and Legal aspects. This framework will specifies and supports a comprehensive understanding about CSR drivers in Vietnam.

Political aspect

The Vietnamese political system is constituted from three main segments, namely the Party, the State and the Army (Tran 2017). This section will discuss the first two segments as they are more closely linked to the way CSR is perceived and practiced

in the country. The Socialist Republic of Vietnam is solely regulated by the Communist Party of Vietnam (CPV). Under the leading of CPV, Vietnamese people attained liberation out of nearly a century of Western colonialism and to the country's unification in 1975. The CPV continued to lead Vietnamese people in carrying out the renovation, industrialization and modernization progresses in the country. The Marxist – Leninist socialism theory as well as President Ho Chi Minh's thoughts and morals are strictly adopted by the Party as the ideology basis, serving as the guiding light for its activities, promoting traditional exoticness and native culture while absorbing other nations' quintessence ideas (Vietnam Government Web Portal 2017).

CPV summons the National Congress in order to elect the Central Committee every five years. The Committee is accountable for implementing the policies of the Congress. The National Assembly is the highest agency of State power and is authoritative for appointing the Supreme People's Court, the Prime Minister (Head of Government) and the President (Head of State), among many other responsibilities (Buttinger et al. 2016). In January 2016, the twelfth Central Committee of Vietnam was assembled with new electors in various influential positions in politics such as Prime Minister and President. These shifts in leadership can bring inevitable changes to the Vietnamese socio-economic environment, of which CSR is one of its factors.

Economic aspect

Since 1986, the “Doi Moi” reforms (or “Revolution” in English) has been the most crucial catalyst in transforming Vietnam from a highly centralized economy to a socialist-oriented market economy. The government issued new market regulations and promoted an opener attitude towards Foreign Direct Investment (FDI) through sets of five-year plans, hence improved the overall business environment in the country (Rousseau 2011). Prior to the open door policy, the foreign trade relations of Vietnam concentrated mostly on the former socialist countries such as Russia and China. However, after the participation of the country in various international and regional organizations, for example, the Association of South East Asian Nations (ASEAN) in 1995, the Asia-Pacific Economic Cooperation (APEC) in 1998 and most remarkably the World Trade Organization (WTO) in 2007, Vietnam gained

more than USD 350 billion for exporting and importing activities at the end of 2016, compared to just USD 14.45 billion at the beginning of the 21st century (Official Vietnamese Custom portal 2017). In addition, the participation of Vietnam in the aforementioned associations and various international trade agreements brings not only better tariff, greater exporting and importing taxation, but also more prominent introduction to various exotic products of the country. The current situation of Vietnamese economy is illustrated through some KPIs in the following figure:

Overview	Last	Reference	Previous	Range	Frequency
GDP Growth Rate	7.46 %	Sep/17	6.28	3.14 : 8.46	Quarterly
Unemployment Rate	2.02 %	Sep/17	2.05	1.63 : 4.5	Quarterly
Inflation Rate	2.65 %	Jan/18	2.6	-2.6 : 28.24	Monthly
Interest Rate	6.25 %	Jan/18	6.25	4.8 : 15	Daily
Government Debt to GDP	62.4 %	Dec/16	58.3	31.4 : 62.4	Yearly

Figure 4. Economic key performance indicators in Vietnam (TradingEconomics.com)

According to PwC (2008), Vietnam can become the fastest-growing markets among emerging economies by 2020. Nguyen (2016) in her published report on Bloomberg also puts Vietnamese economy among top performers in 2016. In spite of the positive suggestions on economic development, the country's economy is still struck and dealing with high inflation and unemployment rates.

Social aspect

The Vietnamese society has been suffering from many civil inequalities deriving from the politic monopoly of the government and the policy of permitting no challenges to its leadership (Human Right Watch 2016). This results in the restrictions of speech, opinion, press and associations' freedom. Rights activists and dissident bloggers have been suffering from different kinds of harassment and even physical abusing (Tran 2017). Religious freedom is also suppressed in the country by

different means such as legislation requirements, surveillance and even persecution. Children labor issue, poor working conditions, poverty among minorities and universal access to education are several examples of many alarming social problems in Vietnam.

Technological aspects

Vietnam is a relatively dynamic country in terms of technology. The country has a young population with the median age of 31 years old (United Nations 2018), which is one important factor that transformed a country with barely no IT firms just around two decades ago to a nation booming with young engineers, entrepreneurs and coders with approximately 14,000 IT firms ranging from hardware, software to digital contents (Marvin 2015). Since the beginning of the Doi Moi reforms more than 30 years ago, the country has been on its way towards the achievement of the 2020 IT Master Plan, which targets to establish a system of concentrated hi-tech parks throughout the country, promoting hi-tech along with socio-economic development, enhancing the economy's competitiveness as well as speeding up national modernization and industrialization (Vietnamese Government Portal 2015).

Environmental aspect

Being one of the most rapid growing emerging markets, Vietnam is inevitably dealing with a degenerating environmental situation which derives from a number of reasons such as poor corporate legislation concerning environmental initiatives from corporation, under-developed CSR practice, along with inadequate general environmental awareness and knowledge from the locals. In Vietnam, annually, the online publication “Tin Môi Trường” (or “Environmental News” in English) gets together with journalists specializing in the field of environment in the country to vote for the 10 most outstanding national environmental events. The chosen results are those that have direct impacts on the community, society and the development of the domestic environment. In 2016, the list consists of equally shared positive and negative news, indicating signs of enhancement in awareness from the market towards environmental protection, yet still absencing so much on its course towards the CSR level of more developed nations.

The year of 2016 witnessed some of the worst environmental catastrophes caused by corporations. The most notorious case was the Formosa incident. In early April, 2016, the central coastal Vietnamese started to notice an unusual number of dead fish. One month later, more than hundred tons of dead fish were collected. However, the consequences were tremendous to the economy as well as mental wellness of the people. Prime Minister Nguyen Xuan Phuc asserted to investigate the case and at the same time, find out the best solutions for the related problems. Three months later, Vietnamese government convicted the crime on a steel plant owned by Taiwan-based Formosa Plastic Group (Tiezzi 2016). This case was referred as the most catastrophic incident in the history of Vietnam by Tin Môi Trường (Environmental News) as well as many other publications.

On the bright side, 2016 was the year which witnessing enhancement in both governmental and local awareness of environmental issues. In March, the first manufacturing plant utilizing discarded industrial rubber tires was launched in Vinh Phuc province. In May, Vietnam and the United States signed an agreement of cooperation between the two countries on battling climate change.

Legal aspect

The Vietnamese legal system is based on the socialism legal theory inherited from the French colonialism period. In the legal system, the supreme legislative agency of the National Assembly issues laws. When the National Assembly is not in session, the Standing Committee is in charge of issuing ordinances and the government is responsible for passing down decrees, which are further supplemented by regulations.

Generally speaking, the Vietnamese legislative environment is complicated, unsteady and unpredictable, which causes great concerns towards the local and foreign investors (The World Bank & PPIA 2000 via Tran 2017). However, as the country is committing intensely to globalization, the legal system is one of the main goals of the government for improvement and development. Furthermore, with the EU-Vietnam Free Trade Agreement (EVFTA) signed in 2015 along with Transpacific Partnership Agreement (TPP) on the verge of completion, many new configuration

and enhancement for Vietnamese legal system will be undertaken in order to facilitate further global economic cooperation in the country (Luu 2016 via Tran 2017).

2.6.3 Current Status of CSR Practice in Vietnam

In Vietnam, reporting on social and environmental issues is a new notion as CSR concept was first introduced to the country only over a decade ago. Listed firms have insufficient information and access to CSR standards as well as best practices for sustainable development (IFC 2013). However, awareness about the importance of CSR reporting is gradually growing among Vietnamese firms. In 2014, there were only 35 listed firms in Vietnam included CSR content in their annual report and only few of them registered in using international standards in sustainable development reporting (Nguyen & Nguyen 2017). This is a modest number in comparison with nearly 700 listed firms on the two stock exchanges of Vietnam. However, under the impact of the Circular No. 155/2015/TT-BTC by Ministry of Finance on the mandatory reporting of social and environmental contents, the number of annual reports including sustainable development section has increased significantly, up to 45% in 2017 over the previous year (ARA 2017). It is transparent that Vietnamese firms are more and more considering about using CSR information to gain attention from investors, consumers, authorities and related parties in the country (Nguyen 2012).

Even though CSR legislation in Vietnam has already been in alignment largely with international conventions, the enforcement of disclosing CSR information is experiencing some certain difficulties. According to the Corruption Perception Index 2014, Vietnam is ranked at 119th place by Transparency International criteria, out of the 175 countries evaluated. In addition, Vietnamese firms are operating based on the mechanism of pursuing short term incomes and do not pay attention to sustainable development in the long run (Nguyen 2012; Netherlands Enterprise Agency 2015). They have politicians as their advocacy to reach firms' achievements. Short term profits are in priority for those firms while sustainability and transparency are only secondary.

This situation indicates that in the context of integration with international business environment, Vietnamese firms are still relatively slow not only in providing CSR related information but also in approaching the reporting trends which can make their business operations become more transparent. This dearth of CSR information may lead to the inability to attract capital from investors with high standards in social and environmental responsibility. In order to receive positive feedbacks from the community and enhance competitive advantage, CSR reporting needs to be strengthened. In addition, if possible, the government intervention in institutionalized regulations is essential for implementing CSR reporting practices to businesses.

CSR policies of the government

In Vietnam, sustainable development has become a guiding principle of the Communist Party of Vietnam and the government. A number of policies and mechanisms have been issued by the Vietnamese government in order to encourage businesses to re-direct activities in an environmentally friendly way. For example, if the firms make investments in environmental protection and environmentally friendly products, they can enjoy manifold tax incentives, interest rates, land rental costs and other administrative procedures. The government also prioritizes the implementation of programs and projects to assist businesses in finding solutions for cleaner production and energy efficiency.

Political Bureau's Direction No. 36-CT/TW was issued in 1998 to enhance environmental protection in the period of industrialization and modernization. Moreover, in Vietnam Agenda 21, the government set forth strategic orientation for sustainable development and established sustainable development strategy within a 10-year-period from 2011 to 2020. The National Council on Sustainable Development was established for the purpose of implementing, monitoring and assessing those strategies on a national scale.

The role of civic organizations

There is an emerging role of civic organizations for sustainable development in Vietnam. Since 2008, the United Nations Development Programme (UNDP) in

Vietnam has been organizing different projects in order to encourage the implementation of CSR practices in Vietnamese organizations. Several other prominent international organizations and institutions have similar projects, such as the Vietnam Chamber of Commerce and Industry (VCCI), Vietnam Business Council for Sustainable Development (VBCSD) and the Vietnam Business Links Initiative (VBLI) have been granting CSR awards to the most conscientious companies.

The application of CSR reporting in Vietnam is a gradual process of institutionalization from the government, the firms as well as other civic organizations. Most of Vietnamese firms may not have sufficient conditions to apply CSR reporting practices in short term. Therefore, these reporting practices should be applied first to large firms which have great impacts on society and environment such as corporations and listed firms, then the country can apply those practices gradually to small and medium firms later.

CSR reporting standards in Vietnam

CSR concept has been established in Vietnam through a number of international standards and codes of conduct, such as ISO 9001, ISO 14001, SA8000 (Tencati, Russo & Quaglia 2008). The most common global sustainability report framework is developed by the Global Reporting Initiative (GRI). The GRI guideline provides a set of principles about "How to report" as well as operating indicators about "What to report" that have been developed for more than 12 years among multiple stakeholders all over the world. In particular, the principles of GRI are stated as follows:

Materiality: the report must reflect the substantial economic, environmental and social impacts of the organization and include sufficient information to significantly influence the evaluation and decision-making processes of the firm's stakeholders.

Stakeholder Inclusiveness: the report must identify the firm's stakeholders and record the firm's responsiveness to the expectations and needs of the stakeholders.

Sustainable development context: the report must describe the performance of the firm in a broader sustainability context.

Completeness: the report must provide sufficient information on the required issues and indicators within a transparent reporting boundary.

The GRI framework also covers many other aspects of economic, environmental and social activities with technical guidelines on how to measure and report these issues. The fourth generation sustainability report guideline of GRI is the G4 Guideline which was published in 2016. G4 guideline was designed to be globally applicable to all of the organizations' types, sizes and sectors across the world. In addition, it reflects the most comprehensive consensus on a global scale for the content of a sustainability report. In 2018, GRI is planning to release GRI Sustainability Reporting Standards (GRI Standards) to supersede the G4 Guideline. GRI Standards are expected to generate compatible, reliable and standardized information in order to evaluate both risks and opportunities for the business and its stakeholders.

While there are specific and transparent accounting standards governing financial reporting, CSR disclosure is not yet mandatory and still be reported on a voluntary basis in Vietnam. In 2013, the State Securities Commission (SSC), the International Finance Corporation (IFC) together with consultants from PwC Global have collaborated and published the "Guidelines for Sustainable Development Reporting" for Vietnamese enterprises. The handbook of reporting provides specific processes and criteria to support Vietnamese enterprises developing their own CSR Reports. The SSC aims to have more listed companies use their guidance in order to understand how to measure, manage and publish information about the impacts of the firms to the surrounding environment and society.

Recently, on October 6th, 2015, the Ministry of Finance issued Circular No. 155/2015 /TT-BTC in order to guide Vietnamese firms on how to disclose their information on the stock market. One of the requirements from the Circular requires that all of the listed firms must disclose their CSR related information, either in their annual reports or their stand-alone CSR reports.

The country has not published any codes of conduct for CSR practice. There is a small number of companies want to engage in CSR initiatives, however, the firms are dealing with a number of difficulties in implementing CSR principles in a systematic way. Therefore, it is essential to construct and develop a set of criteria for evaluating CSR practice in Vietnam based on international experience, taking into account of the actual context and conditions of the country.

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Research methods

Sample selection and data

Annual reports and stand-alone CSR reports (if any) from the VN100 listed on the Ho Chi Minh City Stock Exchange (HOSE) from 2013 to 2015 were selected for this research. HOSE is the largest stock exchange in Vietnam with nearly 90 percent of total market capitalization in Vietnam in 2016. The VN100 comprises more than 93 percent of the total HOSE's market capitalization and consists of 100 leading firms in terms of market capitalization and liquidity on HOSE. Those are perceived as influential companies which can set trends in CSR practices and disclosure in their own sectors.

The study uses annual reports and stand-alone CSR reports as firms are continuously assessed by the reliance placed on those reports from various stakeholders (Guthrie, Petty & Johanson 2001; Singh & Kansal 2011), and thus, the information disclosed in those reports is more trustworthy and reliable than other sources. The reports will be examined and analysed in order to collect CSR disclosed information.

The criteria used for selecting the sampling firms are: (1) The firm must be included on the latest VN100 list published on 18th April, 2017 and (2) The firm must disclose CSR information in its annual report and/or stand-alone CSR report during the period from 2013 to 2015. Firms that did not qualify for both of the criteria were excluded. After the basic screening process, a total of 54 companies were chosen to be investigated and 162 observations were obtained for the final sample.

At the same time, the financial data were gathered from DataStream by Thomson Reuters. For several firms, the variable values for total debts are not available on Thomson Reuters database. The missing values were then acquired from annual reports of the firms in order to perform analysis for the study. With all the raw data collected to investigate the association between CSR disclosure and corporate

financial performance, the study then performs a linear regression analysis using the statistical software Eviews 8 owned by IHS Global Inc.

Empirical models

Scholars have repeatedly applied regression analysis in order to validate the effect of CSR on firm's financial performance (Margolis & Walsh 2001). Ullman (1985), Waddock and Graves (1997) and McWilliams and Siegel (2000) employ econometric models with financial performance as a function of CSR, firm size, market risk and industry effects. Mahoney and Roberts (2007) examine the association between CSR and financial performance in Canadian firms. Their regression model adopted ROA and ROE as dependent variables, corporate social performance (CSP) as independent variables and level of debt, firm size as well as industry as control variables. The study of Nguyen et al. (2015) performs a regression analysis for Vietnamese listed firms. The researchers applied Tobin's Q ratio as a measure of financial performance, CSR disclosure as a measure of CSR and categorized control variables as firm size, financial leverage, liquidity and sales growth.

Therefore, in this study, multiple regression analysis was adopted in order to examine the relationship between CSR disclosure and financial performance. Due to the different dependent variables, two regression models were employed to test the hypotheses, one considers ROA as response variable, the other takes into account of Tobin's Q ratio as response variable, and the explanatory variable of interest in both models is CSR disclosure.

Akin to Nguyen et al. (2015), a time lag between measures of CSR disclosure and financial performance was designated in the regression models, namely that strategic planning on financial performance for year t should be driven by the CSR disclosure in year $t-1$, with the exception of the other explanatory factors such as firm size, financial leverage, sales growth that should be the status of firm in the current year.

The first model tests hypothesis H_{1a} in order to examine the nexus between ROA and CSR disclosures, as follows:

Model 1:

$$ROA_{i,t} = \beta_0 + \beta_1 CSR_{i,t-1} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 SALES_{i,t} + \beta_5 IND_{i,t} + \beta_{6-7} ((YRD)_{1-2})_{i,t} + \varepsilon_{i,t}$$

The second model tests hypothesis H_{1b} in the interest of investigating the association between Tobin's Q ratio and CSR disclosures:

Model 2:

$$TOBINQ_{i,t} = \beta_0 + \beta_1 CSR_{i,t-1} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 SALES_{i,t} + \beta_5 IND_{i,t} + \beta_{6-7} ((YRD)_{1-2})_{i,t} + \varepsilon_{i,t}$$

The variables in the regression models are defined as follows:

i, t = indices for firms and time, respectively, where t ranged from 2014 to 2016, hence, t-1 ranged from 2013 to 2015.

ROA_{i,t} = Return on Assets at the end of year t

TOBINQ_{i,t} = Tobin's Q ratio at the end of year t

CSR_{i,t} = The level of CSR disclosures of the firms for year t.

SIZE_{i,t} = Firm Size at the end of year t

LEV_{i,t} = Financial Leverage at the end of year t

SALES_{i,t} = Revenue growth rate in year t

$IND_{i,t}$ = A dummy variable which has value of 1 if the firm is in sensitive industries and value of 0 otherwise.

$YRD_{i,t}$ = Array of two year-effects dummies, where the variable takes value of 1 for a focal year and 0 for the other years.

3.2 Dependent variable

The study tested for the effect of CSR disclosure on financial performance both in short-term and long-term. Thus, our first dependent variable is a short-term indicator - Return on Assets (ROA) which is calculated as net income divided by total assets at the end of each year (Wu & Shen 2013). Net income of a firm in a given year is defined as the earnings after interests, taxes, depreciation and amortization (Dhaliwal et al. 2011; Barnett & Salomon 2012).

Our second dependent variable is Tobin's Q ratio since it is a reliable and widely used measure for future financial performance (Crisóstomo, Freire & Vasconcellos 2011). Tobin's Q ratio can be computed by dividing total market value to total book value of equity and liabilities, whereas the market value of equity is a product of share price and total amount of outstanding shares at the end of each year (Hackston & Milne 1996; Maury & Pajuste 2005).

3.3 Independent variables

In this study, independent variable is measured by CSR disclosure index which was based on the study of Lassaad and Khamoussi (2012). The study adopted the assessment criteria of CSR disclosure because they are in accordance with the Global Reporting Initiative (Clarkson et al. 2011), the Global Compact (Rasche & Gilbert 2012) and the ISO 26000. The scale is composed from 58 items (see Appendix). It comprises environmental, social, economic and legal aspects. Index items were empirically verified by former studies such as Rhouma (2008), Aerts et al. (2008) and Cormier et al. (2011). In addition, the scale covers all of the items developed by Le (2015) which were confirmed by conducting deep interviews with two experts from the audit firm, KPMG and one expert from Centre for Social research and

development of Vietnam (Le 2015). Thus, the scale is firmly believed to be both and appropriate and comprehensive for the Vietnamese market context.

CSR disclosures scaling score ranges from zero to three and measures how the information is disclosed, using the guide as follows:

Score “zero” for non disclosures or no information about the item.

Score “one” for an item described in general.

Score “two” for an item discussed specifically.

Score “three” for an item disclosed in quantitative or monetary terms.

Since there are five items that are unable to describe in quantitative or monetary terms, such as “Environmental policies or company concern for the environment” (see Appendix 1 for the full list), the maximum score for each of these items is two points. A firm can reach the maximum score of 169 for total quality, which is achieved by adding the maximum score for each of the CSR disclosure items.

In order to measure the level of CSR disclosures, firstly, content of annual reports and stand-alone CSR reports of each firm will be examined. Each disclosed statement will be identified and analysed to see its connection to the keywords in terms of CSR items. Secondly, a disclosure scoring scale will be constructed to measure the quantity and quality of CSR disclosures. Appropriate items for CSR will be selected and awarded scores for both quality and quantity. In contrast, information regarded as irrelevant to CSR will be ignored and avoided awarding any score. Finally, inferences will be drawn out of the content analysis (Krippendorff 2004).

After the scoring process is finished, the scores in each theme will be computed and given to each firm’s total disclosure scores. These total scores provide information about CSR practices performed by Vietnamese large listed firms. The study performed the process of reading stand-alone CSR and annual reports of each firm

for two times at different time. After that, the final results were examined and reviewed carefully in order to avoid subjective interpretation.

3.4 Control variables

Since corporate financial performance is dependent variable of the study, it is necessary to take control of factors that could systematically influence financial performance. Variables which are likely to affect financial performance will be included in the regression models. According to Capon, Farley and Hoenig (1990) and Margolis and Walsh (2001), the study controls the following variables:

Industry effects

Former studies indicated that apparent differences in financial performance and levels of CSR disclosure exist among different industries (Graves & Waddock 1994; Tsoutsoura 2004). Hackston and Milne (1996) suggest that firms whose economic activities transform the environment, for example the extractive industries, tend to disclose information and report about their environmental impacts more than firms in other industries. Carroll (1979) further asserted that particular social issues vary among businesses, depending on the industry in which they operate. For instance, a bank is not as pressed on environmental concerns as a manufacturer. Similarly, a manufacturer can be more concerned with recycling issues than an insurance company (Carroll 1979). The understanding of CSR disclosure effects on financial performance may be blurred as an industry may experience significant environmental and social issues or not depending on its own characteristics, unless the overall differences in CSR disclosure among distinct industries are controlled (Waddock & Graves 1997). Hence, controlling for industry effects takes these differences into consideration.

Firms' industries in this study were classified by Global Industry Classification Standards (GICS®), corresponding to Ho Chi Minh City Stock Exchange (HOSE) categorization. Then the industries were divided into sensitive and insensitive categories according to the classification system based on prior studies of Bowen (2000), Line, Hawley and Krut (2002) and Jenkins and Yakovleva (2006).

Specifically, the industries of industrials, materials, utilities and energy were indicated as having high environmental impact and thus were classified as sensitive industries. Sample firms that belong to one of the sensitive industries are given a dummy variable of 1. Otherwise, the industry sensitivity dummy takes a value of 0.

Firm size

Evidences from former studies demonstrate that firm size has impact on CSR practices (Lang & Lundholm 1993; Blacconiere & Patten 1994; Ntim & Soobaroyen 2013). According to Burke et al. (1986), firms are able to attract more attention from stakeholders as well as more open to respond stakeholders' demands as they mature and grow, thus, larger firms may exhibit socially responsible behaviors more often than their smaller counterparts.

Beside that, larger firms are more likely to perform better than smaller firms, suggesting a positive nexus between firm size and financial performance (Kang et al. 2010). By providing more information to stakeholders, larger firms can reduce information asymmetry between managers and investors, hence decreasing the cost of capital which contributes to increase firm value (Ball 1978). Therefore, firm size (SIZE) is an important variable that should be controlled. Furthermore, taking into consideration that firm size has positive skewness, a natural logarithm transformation of the total assets in each particular year was adopted (Gray et al. 2001; Wang & Choi 2013).

Financial leverage

In addition to firm size, the study controls for financial leverage. Based on the fact that interest expense is tax deductible while dividends are not, a firm can take advantage of its increased debt. However, on the other hand, excessive increment in the firm's debts may be perceived as highly risky by the market, resulting in declining equity returns. Financial leverage employed in this study is defined as the ratio of debt-to-assets, and it acts as a control parameter for the business specific structure of capital (Kang et al. 2010). The LEV ratio is attained by retrieving data for total debts and total assets from the Thomson Reuters database.

Sales growth

Sales Growth of each firm in the research period was added in the models as control variable since it is one of the important factors that affect both firm's financial performance and CSR reporting (Zeitun & Tian 2007; Amouzesh, Moeinfar & Mousavi 2011). Sales Growth rate (SALESG) is measured as changes in revenue over two consecutive years divided by the revenue of the preceding year (Nguyen et al. 2015).

Year effects

Brammer and Millington (2008) suggest that the degree of correlation between CSR and corporate financial performance may vary on a yearly basis. Hence, in order to control for any year effect, a set of year dummy variables (YRD) is adopted in this study (Barnett & Salomon 2012). The variable takes the value of 1 for a focal year and value of 0 for the other years. Year 2014 is the specified reference year. Hence, a set of two dummy variables are employed in order to control the year specific effects in 2015 and 2016.

All variables employed in the study are illustrated in the Table 1 as follows:

Table 1. Variables description

Variables	Type	Code
Return on Assets	Dependent	ROA
Tobin's Q ratio	Dependent	TOBINQ
CSR Disclosure	Independent	CSRD
Firm Size	Control	SIZE
Financial Leverage	Control	LEV
Sales Growth	Control	SALESG
Industry Effects	Control	IND
Year Effects	Control	YRD

3.5 Robustness Testing

In order to verify the accuracy of research results, the study further employs several robustness tests. Former researchers (e.g. Preston 1978; Griffin & Mahon 1997, Mahoney & Roberts 2007) employ Return on Equity (ROE) as a measure of short-term financial performance. The study uses this fact for robustness check. ROE, being defined as the ratio of net income to shareholder's equity (Wu & Shen 2013), is employed to perform supplemented regression analysis for all the industries. With regard to the long run, Total Shareholder Returns (TSR) is adopted as a measure of future profitability (Barnett & Salomon 2012) in order to examine the relationship between CSR disclosure and corporate financial performance. TSR is defined as "percentage of total share returns made up of share price and dividends" (Ntim & Soobaroyen 2013: 47). Mortanges and Riel (2003) assert that TSR is one of the most important measures of financial performance for investors. According to the scholars, TSR is computed as follows:

$$TSR = [SP_t - SP_{t-1} + D_t] / SP_{t-1}$$

Where SP_t is share price for the current year, SP_{t-1} is the share price for the previous year and D_t is the dividends per share paid during the current year (Guzmán & Reverte 2008). In order to calculate the value for TSR, data of market price at the year end for the stock prices and dividends per share were collected from the Thomson Reuters database.

The next robustness test is performed when the study excludes firms from financial sector in the sample data due to the sector's particular characteristics in terms of its business nature and financial behavior (Fama & French 1992; Trang & Yekini 2014). Finally, several earlier studies have adopted natural log transformation of financial performance measures in order to correct the positive skewness and enhance normality (e.g. Eisenberg, Sundgren & Wells 1998; Stock & Watson 2002; Hall, Jaffe & Trajtenberg 2005). Hence, to be in line with the former studies, an additional robustness test is employed with log transformations of financial performance measures. In order to handle negative values of ROA observations, the study adopted the suggestion by Howell (1992) via Singh (2014) to use the true form of logarithm

of ROA as $\log(ROA+1 - \min(ROA))$. Besides, the true form of logarithm of Tobin's Q ratio used in the robustness test is $\log(TOBINQ)$ (Kang et al. 2010).

4 RESULTS AND ANALYSIS

This chapter analyses the sample data based on descriptive statistics and the correlation matrix of the important variables used in this study. At the same time, it provides explanations of the results achieved from the collected observations over the years 2014 – 2016. First, an analysis of the descriptive data is conducted. Second, the correlations between research variables in the regression models are examined and analyzed. Next, regression analysis results of sample data are thoroughly explained. Finally, the chapter concludes with an analysis for different types of robustness tests.

4.1 Descriptive Statistics

Data from fifty-four firms listed on Ho Chi Minh City Stock Exchange (HOSE) were analyzed. Ten different industries in which the listed firms operated as well as their average CSR disclosure scores were summarized in table 2. Higher CSR disclosure scores suggest a better rating for the firm corresponding to different CSR aspects.

Table 2. Summary of industries in the sample

No.	Industries	Number of companies	Average CSR disclosure score
	Sensitive industries	23	56.48
1	Industrials	12	51.44
2	Materials	5	59.67
3	Utilities	4	54.33
4	Energy	2	83.00
	Insensitive industries	31	60.70
5	Financial	9	59.56
6	Real Estate	6	51.39
7	Consumer Staples	6	69.72
8	Consumer Discretionary	6	50.83
9	Health Care	3	85.00
10	Information Technology	1	59.00
	Total	54	58.90

Descriptive statistics regarding all the variables employed in the regression models are illustrated in Table 3.

According to the table, during the three-year period, the independent variable CSRD has the mean value of 58.901 for all the industries. In particular, the sensitive industries have the mean value of CSRD variable of 56.478, which is lower than the mean value of 60.699 for the insensitive industries. It is evident that the insensitive industries are more inclined towards CSR and have higher level of CSR incorporation than the sensitive industries. Further more, in the process of analyzing contents of annual and CSR reports, it was observed that information disclosed in these reports regarding to CSR practice was both positive and negative in nature.

With regard to the dependent variables, ROA has the mean value of 0.078 for all the industries. Specifically, the mean value for ROA of sensitive industries is 0.093, higher than the mean value of insensitive industries at 0.067. Since ROA is defined as the ratio of net income to total assets, the positive sign of its mean value indicates that on average, all the industries gained profit during the course of three years starting from 2014. The second dependent variable of regression model is Tobin's Q ratio. Tobin's Q, being defined as the ratio of total market value to total book value of equity and liabilities, has the mean value for all the industries at 1.392. The sensitive industries and insensitive industries had the mean values for Tobin's Q ratio as 1.367 and 1.410 respectively. These values imply that in overall, market values of all the industries were higher than their book values at the research period.

Concerning the control variables, firstly, firm size as measured in terms of total assets has average value of 22.823, which represents approximately VND 63,500 billions. The minimum value of SIZE control variable is 19.653, signifying 343 billions VND and the maximum value of SIZE is 27.637, which means VND 1,010,000 billions correspondingly. The values suggest a significant gap between the minimum and maximum values of firms' total assets. At the same time, the mean value of SIZE is highly affected by the large firms. For the purpose of eliminating this large positive skewness, natural log of the total assets was adopted in measuring the size of each firm in each particular year for further analysis (Gray et

al. 2001). Secondly, financial leverage (LEV) for all the industries has mean value at 0.205 indicating that the total debt for all the industries falls short of its total assets by 20.5% (Liao, Luo & Tang 2015) or on average, one fifth of firms' total assets were funded by debts. Finally, the average SALES variable is 20.584 implying that revenues of the firms grow at the rate of more than twenty percent each year.

Table 3. Descriptive statistics of variables

Variable	N	Mean	Median	Standard Deviation	Minimum	Maximum
Panel A: All Industries						
CSR	162	58.901	55.000	20.990	21.000	127.000
ROA	161	0.078	0.065	0.070	-0.022	0.332
TOBINQ	162	1.392	1.186	0.788	0.493	6.449
SIZE	162	22.823	22.581	1.797	19.653	27.637
LEV	162	0.205	0.173	0.171	0.000	0.586
SALES	160	20.584	11.245	44.883	-67.181	271.830
Panel B: Sensitive Industries						
CSR	69	56.478	55.000	16.167	31.000	101.000
ROA	69	0.093	0.081	0.076	0.002	0.332
TOBINQ	69	1.367	1.187	0.668	0.493	4.108
SIZE	69	22.461	22.715	1.175	19.688	24.761
LEV	69	0.215	0.195	0.182	0.000	0.586
SALES	68	20.802	15.379	44.722	-67.181	207.295
Panel C: Insensitive Industries						
CSR	93	60.699	55.000	23.878	21.000	127.000
ROA	92	0.067	0.058	0.063	-0.022	0.299
TOBINQ	93	1.410	1.186	0.870	0.723	6.449
SIZE	93	23.092	22.225	2.112	19.653	27.637
LEV	93	0.198	0.172	0.163	0.000	0.568
SALES	92	20.424	9.406	45.245	-58.227	271.830

Note: CSR is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; ROA is the Return on Assets calculated as ratio of net income to total assets; Tobin's Q is the ratio of market value to book value of total assets; SIZE is the Firm Size calculated as natural log of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets; SALES is Sales Growth which is measured as changes in revenue over two consecutive years divided by the previous year's revenue.

4.2 Pearson's Correlation Analysis

Table 4 presents the Pearson's correlation analysis between each pair of variables during the three-year period from 2014 to 2016.

Table 4. Summary of Pearson's correlation for the years 2014 - 2016

	CSRD	ROA	TOBINQ	SIZE	LEV	SALESG
Panel A: All Industries						
CSRD	1					
ROA	0.206***	1				
TOBINQ	0.367***	0.778***	1			
SIZE	0.012	-0.458***	-0.159**	1		
LEV	-0.234***	-0.371***	-0.269***	0.059	1	
SALESG	-0.021	-0.056	-0.032	-0.011	0.090	1
Panel B: Sensitive Industries						
CSRD	1					
ROA	0.283**	1				
TOBINQ	0.224*	0.878***	1			
SIZE	-0.090	-0.382***	-0.376***	1		
LEV	-0.328***	-0.508***	-0.411***	0.327***	1	
SALESG	-0.241**	-0.084	-0.043	-0.025	0.123	1
Panel C: Insensitive Industries						
CSRD	1					
ROA	0.214**	1				
TOBINQ	0.422***	0.776***	1			
SIZE	0.018	-0.512***	-0.102	1		
LEV	-0.186*	-0.264**	-0.184*	-0.045	1	
SALESG	0.087	-0.031	-0.026	-0.006	0.063	1

Note: CSRD is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; ROA is the Return on Assets calculated as ratio of net income to total assets; Tobin's Q is the ratio of market value to book value of total assets; SIZE is the Firm Size calculated as natural log of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets; SALESG is Sales Growth which is measured as changes in revenue over two consecutive years divided by the previous year's revenue.

*** denotes significance at the level of 1%, ** denotes significance at the 5% level, * denotes significance at the 10% level based on a two-tail test.

According to the table, ROA had a significant correlation with CSRD. The value indicates a significant positive correlation (0.206) of CSR disclosure with ROA,

suggesting a positive impact of CSR on the short-term profitability as measured by ROA. Likewise, the TOBINQ variable significantly correlated with CSRD variable at the significant level of 1%. The value implies that CSR disclosure and Tobin's Q ratio are positively correlated (0.367) and that CSR had a positive effect on the long-term profitability as measured by Tobin's Q ratio. The data of table 4 also suggests that none of the control variables (SIZE, LEV, SALESG) are significantly correlated with each other and thus, multicollinearity does not affect severely to results of the study (Clubb & Naffi, 2007).

4.3 Panel Data Regression Methods Testing

For the purpose of applying panel data regression analysis for model 1 and model 2, there are three methods can be employed, namely pooled OLS regression model, fixed effects model and random effects model. Several tests were performed in order to determine which model is the most appropriate approach for panel regression in this study. Firstly, likelihood ratio test was conducted in order to compare between pooled OLS regression panels and fixed effects model. For fixed effects models, the study controls for industry dummies. Results of the test for model 1 and model 2 are illustrated in Appendix 2. As p-values of cross-section Chi-square were smaller than 0.05, null hypothesis that pooled OLS regression model is more appropriate was rejected, indicating that fixed effects model was preferred to pooled OLS regression model.

Secondly, Hausman test was conducted to test that between fixed effects model and random effects model, which one is the appropriate model to accept. The results are presented in Appendix 3. As p-value of cross-section random for model 1 is less than 0.05, null hypothesis that random effects model is more appropriate was rejected, suggesting that fixed effects model was preferred to random effects model. The p-value of of cross section random for model 2 is higher than 0.05. Hence, null hypothesis that random effects model is more appropriate for the model was not rejected, indicating that random effects model was preferred to fixed effects model. Thus, fixed effects model is used for model 1 and random effects model is employed for model 2 in order to analyze panel data in this study.

4.4 Regression Analysis

Hypothesis 1

Model 1 in table 5 illustrates the regressed values for ROA. For all industries, the p-value of CSRD is 0.180, higher than p-value at the 10% level of significance. In particular, the p-values of CSRD for sensitive and insensitive industries are 0.802 and 0.708 respectively. The results indicate that the effect of CSR disclosure on ROA is insignificant and it can be assumed that there is no direct association between CSR disclosure and ROA. The evidence is consistent with previous findings of Murray and Vogel (1997), Lin et al. (2009) and Kang et al. (2010). Therefore, the hypothesis 1 is justified that CSR disclosure is not positively associated with short-term profitability as measured by ROA.

Hypothesis 2

For the model 2, there is a positive significant relationship (coefficient > 0 , p-value < 0.10) between CSRD and TOBINQ at the 10% level of significance for all industries. This result reinforces the accumulation of empirical evidence of the positive impact of CSR reporting on financial performance and confirms the second hypothesis by showing CSR disclosure is positively associated with long-term profitability as measured by Tobin's Q ratio. The same result can be concluded in the additional hypothesis test for insensitive industries, with coefficient value of CSRD is positive (0.007) and p-value is 0.049 (< 0.05).

This evidence is in line with earlier results suggested by Melo and Galan (2011). Their study asserted that benefits related to CSR practice outweigh related costs in the long run. A possible explanation of the significant positive relationship is the fact that CSR investments have great returns in terms of cost and risk reduction, reputation, competitive advantage and overall, in terms of financial returns (Kurucz et al. 2008). Peters and Mullen (2009) further supported the long-term impact of CSR on financial performance. The scholars assumed that since CSR practice is beneficial for a firm's shareholders and stakeholders, it can influence positively on overall performance of the firm. Thus, the regressions conducted in this study confirm that

the practice of CSR reporting and the adoption of CSR practice as a long-term investment can yield positive effect on the corporate financial performance.

With regard to the additional hypothesis test for sensitive industries, our result suggests an insignificant relationship between CSR disclosure and Tobin's Q ratio ($p\text{-value} > 0.10$). This indicates CSR does not yield significant positive impact on the financial performance in long-term. The descriptive statistics illustrates a low level of CSR involvement of the sample firms in sensitive industries. The regression result also find support from another study which put forth that firms with low CSR initiatives do not generate high stock returns (Deng et al. 2013).

Table 5. Results of linear regression for the years 2014 - 2016

	Model 1: ROA		Model 2: TOBIN'S Q	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
Panel A: All Industries				
CSRD	-0.0003	0.180	0.005	0.076*
SIZE	0.028	0.107	-0.058	0.271
LEV	-0.059	0.206	-0.872	0.046**
SALESG	7.90E-05	0.157	0.0003	0.652
Constant	-0.530	0.176	2.546	0.038
N	159		160	
Adjusted R-sq	0.888		0.044	
F-statistic	22.226		2.057	
Panel B: Sensitive Industries				
CSRD	-0.0001	0.802	-0.002	0.742
SIZE	-0.007	0.531	-0.124	0.234
LEV	-0.167	0.008	-0.953	0.127
SALESG	9.64E-05	0.253	0.0007	0.514
Constant	0.290	0.236	4.333	0.063
N	68		68	
Adjusted R-sq	0.066		0.029	
F-statistic	1.794		1.333	
Panel C: Insensitive Industries				
CSRD	8.61E-05	0.708	0.007	0.049**
SIZE	-0.015	0.0009***	-0.047	0.474
LEV	-0.075	0.063*	-0.825	0.185
SALESG	7.90E-05	0.254	7.44E-05	0.947

Constant	0.415	0.0001***	2.192	0.156
N	91		92	
Adjusted R-sq	0.105		0.032	
F-statistic	2.765		1.494	

Notes: CSRD is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; ROA is the Return on Assets calculated as ratio of net income to total assets; Tobin's Q is the ratio of market value to book value of total assets; SIZE is the Firm Size calculated as natural log of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets; SALES_G is Sales Growth which is measured as changes in revenue over two consecutive years divided by the previous year's revenue; Industry and year dummies are included.

*** denotes significance at the level of 1%, ** denotes significance at the 5% level, * denotes significance at the 10% level based on a two-tail test.

4.5 Robustness Analysis

A number of alternative models were employed in order to test the robustness of the study's results. First, as illustrated in table 9, the results apparently indicates that the Vietnamese large listed firms exhibit a significant effect for only the two variables CSR disclosure and Financial Leverage. This implies that the other variables namely Firm Size and Sales Growth are redundant in the regression models. Thus, in order to confirm that those variables do not have any impact on the results, the study performs another regression model with only two variables CSR disclosure and Financial Leverage. The newly generated results are in agreement with the results of the main analysis. This indicates that the omitted variables do not influence significantly on the effects of CSR disclosure to corporate financial performance. The results are demonstrated in Appendix 4.

For the second test of robustness, Returns on Equity (ROE) and Total Shareholder Returns (TSR) were employed as alternative measures of short-term and long-term profitability respectively. The study then performed regression models again with ROE and TSR being dependent variables. The results suggest that CSR disclosure has no significant effect on ROE (p-value > 0.10), while it has significant impact on TSR (p-value < 0.10) at the 10% level of significance, hence justifying the main analysis for ROA and Tobin's Q ratio. The results of regressions for ROE and TSR are presented in Appendix 5.

Regarding to the third robustness test, the study excludes firms from financial sector. The results are closely identical to the main analysis, suggesting CSR disclosure has no significant impact on ROA but it is found to be positively and significantly correlated to Tobin's Q ratio ($p\text{-value} < 0.01$) for all industries. The results of this robustness test are illustrated in Appendix 6.

Finally, for the fourth test of robustness, the study employed natural log transformations of ROA and Tobin's Q ratio. Appendix 7 illustrates the results for the test. The data suggest identical conclusions as the main analysis. CSRD is found to have insignificant effect on ROA and again, the coefficient of CSRD is negative in magnitude implying the incapability of CSR disclosure in supporting the firms to generate positive and significant economic benefits in the short-term. On the other hand, according to the data, there is a positive significant relationship ($p\text{-value} > 0.05$) between CSRD and LOG_TOBINQ, suggesting that CSR disclosure is positively related with logarithm of Tobin's Q ratio as a measure of long-term financial performance. This result is also in alignment with empirical evidence of the regression analysis.

5 CONCLUSIONS

5.1 Discussion of findings

Corporate social responsibility is gradually turning into a critical issue in business management. Over the decades, both theoretical and empirical literatures were concentrated on studying the effect of CSR on firm's financial performance. However, the results have been ambiguous and inconsistent. In addition, there is still no real consensus on the nature of the relationship, whether it is positive, negative or no direct association (Cochran & Wood 1984; McWilliams & Siegel 2001; Orlitzky et al. 2003; Barth & Clinch 2009). Hence, it is attempted to advocate clarification to the comprehensive understanding of the relationship between CSR and financial performance.

This study is an attempt to investigate the effect of CSR disclosure on corporate financial performance of Vietnamese large listed firms. Even though Vietnamese market economy is socialist-oriented and is managed tightly by the government, firms are able to decide to voluntarily invest in sustainability programs. This study suggests that Vietnamese large listed firms have implemented CSR initiatives in order to become socially responsible. At the same time, the firms have publicly reported their efforts in stand-alone CSR reports and annual reports (Tran 2014).

In this study, the relationship between CSR disclosure and corporate financial performance was examined, both in short-term and long-term scenario. For this purpose, linear regression analysis was employed on a sample of data over the course of three years, starting from 2014 to 2016. CSR disclosure was measured by CSR disclosure index, which was attained by analyzing the contents of firm's annual and stand-alone CSR reports. Corporate financial performance was measured by ROA for short-term profitability, and Tobin's Q ratio for long-term profitability. Several control variables were added to the models in order to validate the effect of CSR disclosure, namely firm size, financial leverage and sales growth. Furthermore, industry and year dummies were employed for any industry-specific effect and year effect respectively (Waddock & Graves 1997; Tsoutsoura 2004).

Regarding to the short-term scenario, empirical results of the study suggest that there is no significant relationship between CSR disclosure and corporate financial performance. In other words, CSR initiatives do not generate profits for the firms in the short run. This result is in agreement with the evidence suggested by prior studies such as Murray and Vogel (1997), Lin et al. (2009) and Kang et al. (2010), indicating that financial performance of Vietnamese large listed firms is not immediately affected by CSR reporting.

The contribution of this work to the empirical literature for Vietnamese context is underlining the long-term effect of CSR disclosure and therefore CSR practice on corporate financial performance. As CSR is considered as a business strategy and long-term investment (Chatterji, Levine & Toffel 2007), it seems rational to find its positive benefits to the firm financial performance in the future. A survey conducted by PwC (2002) further advocates this view by suggesting that a large number of executives in multinational firms believe that non-financial measures performance can outweigh financial performance measures as a result of long-term value for shareholders.

The results are encouraging since it provides an empirical evidence that Vietnamese firms can be both socially responsible and financially successful (Simpson & Kohers 2002). It is expected to make Vietnamese firms become more aware of the significance and importance of CSR practice. CSR no longer presents a discretionary activity in management perspective as it is proved to be fundamentally connected with management performance. Engaging in CSR initiatives can support firms to gain credibility among stakeholders as well as mitigate risk among suppliers of capital. Strategic managers and socially responsible investors can take into account the reported results for sustainability investment decision making processes. The study is an advocated argument for the growing CSR movement not only in Vietnam, but also in Asia area and all over the world.

5.2 Limitations and directions for further research

There were several limitations that make the results of this study should be utilized with caution. It is widely accepted that longitudinal data proposes the most powerful

and effective test of the merits. As samples of data are gathered over time with respect towards behaviour and attitude, forecasting value of prior impact in terms of the latter ones is rational. However, in this study, the sample of data considered an observation period of only three years. This is due to the fact that in Vietnam, reporting on social and environmental issues is still a new notion as CSR concept was first introduced to the country only over a decade ago. Only a small number of firms have disclosed and published CSR information, hence, the study focused on the most recent years in order to collect a greater extent of data. This approach constrains the generalizability of the results to all the industries (Murray & Vogel 1997). It is believed that if sample size is increased, some of the insignificant results in the correlation analysis would then become significant (Vong & Wong 2013).

The small number of sample firms can be defended since the study takes into account of the empirical evidence that large firms have the competence to be socially responsible and thus more likely to disclose CSR information than small and medium firms (Wu 2006). In addition, large firms are perceived as influential firms which can set trends in CSR practices and CSR reporting in their own sectors (Tran 2014).

On another aspect, studying CSR disclosure can be criticized because of the fact that there is no normative assessment and judgment yet to the content of the examined reports. In order to tackle this issue, the study examined mainly the effect of the firm's communication practice about its CSR initiatives on corporate financial performance. Stand-alone CSR and annual reports are generally considered as reliable sources of CSR information. Nevertheless, our data is still relatively partial.

At the same time, despite the fact that measuring CSR disclosure by a scaling score guarantees that redundant and irrelevant information are not regarded as strategic CSR disclosure, the process of reading through all the pages of stand-alone CSR and annual reports for CSR disclosure score is highly subjective. For the purpose of avoiding subjective interpretation, the study performed measuring CSR reporting by disclosure index of each firm for two times at different time. After that, the final results were examined and reviewed carefully. However, the results might still vary from one observer to another and lead to bias in measuring CSR disclosure. In

addition, the validity of the CSR disclosure index is subjected to criticism since it depends on qualifications and skills of the assessors (McGuire et al. 1988).

Therefore, future students and researchers are encouraged to seek for bigger sample and third-party sources of panel data for the purpose of developing further validity and reliability of the findings. In addition, in coming years and further works, the number of years-lags can be increased in order to test well the long-term effect of CSR disclosure on corporate financial performance. The perceptions of firm's stakeholders about CSR practice in business management are also recommended for further study. In fact, a number of theoretical and empirical researches (Mark-Herbert & Von Schantz 2007; Minor & Morgan 2011) attempted to examine the value creation of CSR initiatives in term of the stakeholders' attitudes, especially when the practice of CSR principles can have impact on firm reputation and consequently influence firm's financial performance.

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APPENDICES

Appendix 1. CSR disclosure rating index

No.	Criteria
	Expenditure and risk
1	Investment
2	Operation Costs
3	Future investments
4	Future operating costs
5	Financing for investments
6	Environmental debts
7	Risk provisions
8	Risk litigation
9	Provision for future expenditures
	Laws and regulations conformity
10	Litigation, actual and potential
11	Fines
12	Orders to conform
13	Corrective action
14	Incidents
15	Future legislation and regulations
	Pollution abatement
16	Emission of pollutants Discharges
17	Waste management
18	Installation and process controls
19	Compliance status of facilities
20	Noise and odors
	Sustainable development
21	Natural resource conservation
22	Recycling
23	Life cycle information
	Land remediation and contamination
24	Sites
25	Efforts of remediation
26	Potential liability - remediation
27	Implicit liability
28	Spills (number, nature, efforts of reduction)
	Environmental management

29	Environmental policies or company concern for the environment*
30	Environmental management system
31	Environmental auditing
32	Goals and targets
33	Awards
34	Department, group, service affected to the environment
35	ISO 14000*
36	Involvement of the firm in the development of environmental standards*
37	Involvement in environmental organizations (e.g. industry committees)
38	Joint projects with other firms providing environmental management services
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	Labor practices and decent work
39	Absenteeism and reasons
40	Employment opportunities
41	Labor rights / Job creation
42	Rehiring, accompanying, social communication
43	Equity programs
44	Human capital development / training
45	Accidents at work
46	Health and safety programs
47	Employee savings
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	Society
48	Regional development
49	Gifts and sponsorships
50	Business ethics / measures anticorruption*
51	Strategic alliances
52	Community involvement
53	Dispositions of the International Labor Organization*
54	Relations with stakeholders (environmental groups, consumer associations, ...)
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	Consumer and product responsibility
55	Purchases of goods and services
56	Product-related incidents
57	Product development and environment
58	Consumer health and safety /Product safety

Note: “*” signifies items which are unable to describe in monetary or quantitative terms

Appendix 2. Results for Likelihood ratio test for regression models

Model 1

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.550	(53,99)	0.000
Cross-section Chi-square	354.993	53	0.000

Model 2

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.005	(53,100)	0.000
Cross-section Chi-square	307.475	53	0.000

Appendix 3. Results for Hausman test for regression models

Model 1

Correlated Random Effects - HausmanTests

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	15.336	6	0.018

Model 2

Correlated Random Effects - HausmanTests

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.101	6	0.312

Appendix 4. Results of linear regression with whole sample for the years 2014-2016, excluding control variables Firm Size and Sales Growth.

	Model 1: ROA		Model 2: TOBIN'S Q	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
Panel A: All Industries				
CSR	-4.19E-06	0.985	0.005	0.067*
LEV	-0.108	0.002***	-0.879	0.040**
Constant	0.090	0.000	1.231	0.000
N	159		160	
Adjusted R-sq	0.045		0.046	
F-statistic	2.505		2.558	
Panel B: Sensitive Industries				
CSR	-9.38E-05	0.845	-0.002	0.760
LEV	-0.182	0.003***	-1.172	0.054
Constant	0.142	0.000	1.646	0.000
N	69		69	
Adjusted R-sq	0.076		0.031	
F-statistic	2.408		1.544	
Panel C: Insensitive Industries				
CSR	1.52E-05	0.949	0.007	0.041**
LEV	-0.071	0.093*	-0.779	0.191
Constant	0.080	0.0001	1.100	0.0001
N	92		93	
Adjusted R-sq	0.032		0.047	
F-statistic	0.728		2.144	

Notes: CSR is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; ROA is the Return on Assets calculated as ratio of net income to total assets; Tobin's Q is the ratio of market value to book value of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets.

*** denotes significance at the level of 1%, ** denotes significance at the 5% level, * denotes significance at the 10% level based on a two-tail test.

Appendix 5. Results of linear regression on the dependent variable ROE and TSR for the years 2014-2016.

	Model 1: ROE		Model 2: TSR	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
Panel A: All Industries				
CSRD	-0.047	0.401	0.022	0.082*
SIZE	9.494	0.022**	0.257	0.734
LEV	-2.091	0.843	-0.107	0.958
SALESG	0.024	0.064*	0.003	0.218
Constant	-197.672	0.034	-4.332	0.802
N	155		138	
Adjusted R-sq	0.708		0.141	
F-statistic	7.338		1.383	
Panel B: Sensitive Industries				
CSRD	-0.006	0.952	0.036	0.045**
SIZE	0.054	0.976	-0.728	0.457
LEV	-12.889	0.234	1.025	0.766
SALESG	0.045	0.022**	0.013	0.004***
Constant	18.945	0.637	17.729	0.415
N	67		54	
Adjusted R-sq	0.016		0.220	
F-statistic	1.176		1.534	
Panel C: Insensitive Industries				
CSRD	0.048	0.237	0.003	0.449
SIZE	-0.677	0.290	-0.042	0.2450
LEV	0.444	0.947	0.454	0.370
SALESG	0.009	0.522	-0.0005	0.795
Constant	26.586	0.083	1.305	0.135
N	87		82	
Adjusted R-sq	0.051		0.002	
F-statistic	0.719		1.031	

Notes: CSRD is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; ROE is the Return on Equity calculated as ratio of net income to total equity; TSR is the Total Shareholder's Return and is computed as ratio of differences in the share price for the current year and previous year plus the dividends paid in the current year to the share price of the previous year; SIZE is the Firm Size calculated as natural log of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets; SALESG is Sales Growth which is measured as changes in revenue over two consecutive years divided by the previous year's revenue; Industry and year dummies are included.

*** denotes significance at the level of 1%, ** denotes significance at the 5% level, * denotes significance at the 10% level based on a two-tail test.

Appendix 6. Results of linear regression with whole sample for the years 2014-2016, excluding firms from Financial sector.

	Model 1: ROA		Model 2: TOBIN'S Q	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
CSR	-0.0005	0.107	0.008	0.009***
SIZE	0.039	0.051	0.007	0.910
LEV	-0.049	0.443	-1.071	0.012**
SALESG	6.15E-05	0.330	0.0003	0.722
Constant	-0.751	0.090	1.088	0.430
N	132		132	
Adjusted R-sq	0.875		0.065	
F-statistic	19.302		2.294	

Notes: CSR is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; ROA is the Return on Assets calculated as ratio of net income to total assets; Tobin's Q is the ratio of market value to book value of total assets; SIZE is the Firm Size calculated as natural log of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets; SALESG is Sales Growth which is measured as changes in revenue over two consecutive years divided by the previous year's revenue; Industry and year dummies are included.

*** denotes significance at the level of 1%, ** denotes significance at the 5% level, * denotes significance at the 10% level based on a two-tail test.

Appendix 7. Results of loglinear regression with whole sample for the years 2014 - 2016

	Model 1: LOG_ROA		Model 2: LOG_TOBINQ	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
Panel A: All Industries				
CSR	-0.0001	0.184	0.005	0.076*
SIZE	0.010	0.124	-0.058	0.271
LEV	-0.023	0.199	-0.872	0.046**
SALESG	3.14E-05	0.137	0.0003	0.652
Constant	-0.178	0.228	2.546	0.038
N	159		160	
Adjusted R-sq	0.889		0.044	
F-statistic	22.532		2.057	

Panel B: Sensitive Industries				
CSRD	-4.93E-05	0.785	-0.0001	0.934
SIZE	-0.002	0.554	-0.033	0.195
LEV	-0.066	0.007***	-0.269	0.082*
SALESG	3.89E-05	0.230	0.0003	0.302
Constant	0.110	0.238	0.885	0.122
N	68		68	
Adjusted R-sq	0.072		0.031	
F-statistic	1.872		1.362	
Panel C: Insensitive Industries				
CSRD	3.68E-05	0.671	0.007	0.049
SIZE	-0.006	0.0004	-0.047	0.474
LEV	-0.028	0.066	-0.825	0.185
SALESG	2.96E-05	0.257	7.44E-05	0.947
Constant	0.175	0.000	2.192	0.156
N	91		92	
Adjusted R-sq	0.119		0.032	
F-statistic	3.024		1.494	

Notes: CSRD is the score measured by CSR disclosure index from analyzing the contents of annual and stand-alone CSR reports; LOG_ROA is calculated as the logarithmic value of (ROA plus 1 minus minimum of ROA); LOG_TOBINQ is calculated as the logarithmic value of (ratio of market value to book value of total assets); SIZE is the Firm Size calculated as natural log of total assets; LEV is the Financial Leverage which is the ratio of total debt to total assets; SALESG is Sales Growth which is measured as changes in revenue over two consecutive years divided by the previous year's revenue; Industry and year dummies are included.

*** denotes significance at the level of 1%, ** denotes significance at the 5% level, * denotes significance at the 10% level based on a two-tail test.