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Research on the Impact of Corporate Social Responsibility Reputation on Financial Performance—Based on Listed Company Data

Sulin Pang[1,2], **Jinmeng Yuan**[1,2]

[1]School of Management/School of Emergency Management/Institute of Finance Engineering, Jinan University, Guangzhou, China
[2]Guangdong Emergency Technology Research Center of Risk Evaluation and Pre-warning on Public Network Security, Guangzhou, China
Email: jmyserena@foxmail.com

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Abstract

With the improvement of living conditions, more and more people have begun to pay attention to environmental safety and social responsibility issues. The market's growing resistance to irresponsible companies may be that these companies are not aware of the seriousness of the consequences of their consequences on corporate finances. Facing the increasingly harsh product safety environment in recent years, people are increasingly focusing on the pursuit of quality products. With the development of the global corporate social responsibility movement, the relationship between corporate social responsibility and financial performance has gradually attracted people's attention. A comprehensive study of domestic and foreign scholars found that most scholars' studies have demonstrated that the relationship between corporate social responsibility and financial performance is positively correlated, followed by irrelevant and uncertain relationships, and negatively related to only a small portion. It can be seen that the fulfillment of corporate social responsibility is generally necessary for the enterprise. In the domestic and foreign literature review, financial performance also takes its related corporate value and other related indicators as part of its performance. Research and development space is huge. This article is a study of corporate social responsibility research on how corporate financial performance affects corporate social responsibility. It aims to provide a clear analysis and explanation of the relationship between corporate social responsibility and financial performance through accurate theoretical introduction and empirical analysis by exploring the relationship between the two.

Keywords

Corporate Social Responsibility, Corporate Financial Performance, Listed Company

1. Introduction

Social concerns about irresponsible companies are heating up. Perhaps these companies are not aware of the seriousness of the consequences of their consequences on corporate finances. Faced with the increasingly harsh product safety environment in recent years, people are increasingly focusing on the pursuit of quality products. With the development of the global corporate social responsibility movement, the relationship between corporate social responsibility and financial performance has gradually attracted people's attention. In the domestic and foreign literature review, financial performance also regards its related corporate value and other related indicators as part of its performance. Research and development space is huge.

The study of Schnietz (2005) [1] also shows that a good social responsibility reputation established by the company can maintain the stability of the stock price. Chuck McPesk and N. Tooley (2008) [2] studied 56 US companies with DSR records issued by DJSJ institutions. They found that the sample company's financial performance was significantly higher than other companies under the Standard 500 Index. A study by Holman, New, and Singer (1985) [3] shows that investors have rejected the increased capital expenditures for fulfilling social responsibilities. Anginer (2008) [4] research found that respected companies have relatively lower stock returns than other companies. Hu Xiaoquan (2004) [5] concluded that the fulfillment of corporate social responsibility is conducive to establish a good corporate image, not only laying a solid foundation for the sustainable development of enterprises, but also creating a broad living space for the development of the company. Liu Qingxue and He Zhongjian (2005) [6] proved that fulfilling corporate social responsibility can help increase customer loyalty and attractiveness to talents. It can also create a good market environment for enterprises to improve their competitiveness. On the basis of stakeholder theories, Shen Hongtao (2005) [7], Xu Guanghua, Zhang Rui (2007) [8], Qiao Haijun, Tan Ming (2009) [9] research on the relationship between corporate social responsibility and financial performance. Through analysis, the company concludes that the fulfillment of corporate social responsibility helps improve the financial performance of the company. Domestic scholar Tian Hong (2009) [10], on the basis of considering the time lag, found that the current and the first three periods of corporate social responsibility index are positively related to corporate profits, corporate competitiveness, and corporate growth. Wu Chunlei and Zhang Hao [11] took a listed company with 100 social responsibilities in 2010 as a case. After analyzing the company's social responsibilities to shareholders and other stakeholders, it studied the relationship with financial performance. It is found that the fulfillment of corporate social responsibility is beneficial to improving the financial performance of the company.

The article is organized as follows: the first part talks about theoretical basis and application on empirical research; then we analyze different data used in the annual report accounting data of 2015 and 2016.

2. Theoretical Basis and Empirical Research

In empirical research, the hypothesis is based on domestic and foreign literature and theoretical basis, so it is necessary to discuss the theoretical basis of social responsibility and financial performance here.

2.1. Theoretical Basis

2.1.1. Corporate Social Responsibility Theory

The active advocates of corporate social responsibility define the different meanings of corporate social responsibility from different dimensions based on their own experience and the need for theoretical construction. They put forward that companies should adopt actions that meet social goals and values, and that enterprises must not only fulfill their necessary economic responsibilities In addition, we must also have long-term goals and consider responsibilities such as law and ethics. In short, the core of CSR theory is that companies are part of society, and defining the attributes of enterprises is "social people".

2.1.2. Stakeholder Theory

Freeman's definition of stakeholders: Stakeholders in an organization are groups or individuals that can influence the achievement or impact of the organization's goals. The broad concept of stakeholders is based on a wide range of communities and has been widely used in most areas. It can be well-reconciled with stakeholders in corporate social responsibilities, and generally refers to stakeholders in a broad sense. The definition includes five aspects: shareholders, creditors, customers, employees, and suppliers. Our current study is also from these aspects to do research and analysis.

2.2. Put Forward Hypotheses

Whether it is social responsibility or the theory of stakeholders, it shows that, in addition to fulfilling its own economic and legal responsibilities, enterprises must further perform corresponding responsibilities to other stakeholders of the company on the basis of meeting their own development needs.

Hypothesis 1: Corporate performance of social responsibilities can better improve corporate financial performance, that is, corporate social responsibility has a positive impact on financial performance.

Hypothesis 2: There is a lag in the impact of corporate social responsibility on financial performance.

2.3. Study Variable Selection

The selection of corporate social responsibility measurement index is showed in Table 1.

The selection of financial performance measurement indicators in this paper is showed in Table 2.

Combined with the research object of this paper, this paper selects the scale of the company and the nature of the company as a control variable. Because, theoretically speaking, the size and nature of the company are different, and the public has different expectations for it, then its social responsibility performance is also different, and the level of financial performance is also different. Due to the uneven distribution of samples in the industry, the industry was not selected as a control variable and only the size of the company was selected as a control variable. As showed in Table 3.

2.4. Source of Sample Data

The sample company of this article selects 100 listed companies and finds relevant data from the company's annual report, wind database, and related websites. According to the purpose of the study, the missing sample in the sample was removed and after screening, a total of 132 listed companies were obtained. Data processing mainly uses Stata and other related software.

3. Empirical Research and Analysis

Correlation analysis is a commonly used statistical method for studying the degree of correlation between variables. Through correlation analysis, we can see whether there is a positive, negative, or irrelevant relationship between the degree of fulfillment of corporate social responsibility and financial performance, and whether there is lag in the interaction between the two. This study separately validates and analyzes the correlation between the social responsibilities undertaken by the current company and the financial performance during the same

Table 1. Variable design.

meaning of variable	*variable*	*variable name*	*calculation method*
Responsibility to shareholders	X_1	Capital appreciation and appreciation rate	Owner's Equity at the end of the year ÷ Owners' equity
Responsibility to creditors	X_2	Interest coverage ratio	EBITDA ÷ interest expense
Responsibility to customers	X_3	Sales growth rate	(Main Business Revenue of the Year − Main Business Revenue of the Previous Year) ÷ Main Business Revenue of the Previous Year
Responsibility to employees	X_4	Wage and welfare rate	Payable employee benefits ÷ net profit
Responsibility to suppliers	X_5	Inventory turnover	Main business cost ÷ Average balance of accounts payable

Table 2. Financial performance metric variable design.

meaning of variable	*variable*	*variable name*	*calculation method*
Financial Performance Indicators	Y	Income-liability ratio	Total net profit/debt

Table 3. Variable design.

meaning of variable	*variable*	*variable name*	*calculation method*
Control variable	X_6	Business scale	Logarithm of total assets at the end of the period

period and the subsequent financial performance.

3.1. Analysis of Current Social Responsibility and Current Financial Performance (2016)

3.1.1. Research Design

The first is to analyze the correlation between the current corporate social responsibility and the current financial performance to test whether the fulfillment of corporate social responsibility is conducive to improving the financial performance of the company. This study uses the selected 2016 data of all listed companies in the Beijing area. The data is obtained from the annual report of the company, the Guotai security database, and the wind database. This study uses a multiple regression analysis method, regression equation:

$$Y = \beta_0 + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \mu$$

Among them, the explained variable Y: income-liability ratio; explanatory variable X_1: shareholder responsibility (shareholder equity); explanatory variable: X_2: creditor liability (net profit growth rate; explanatory variable: X_3: customer responsibility (main business income growth Rate); Explanatory Variable: X_4: Employee Responsibility (inventory turnover rate); Control Variable X_6: Enterprise Total Assets (take logarithm).

3.1.2. Regression Results

$$Y = 4.73 + 0.98 * X_1 + 0.10 * X_2 + 0.69 * X_3 - 0.49 * X_4 + 0.07 * X_5 - 0.2 * X_6$$

t test: for H_0: $\beta_j = 0$ ($j = 0, 1, 2, 3, 4, 5, 6$), given the significance level $\alpha = 0.05$, check t distribution table degrees of freedom nk = 23 (K-bit The estimated number of parameters) has a critical value of 1.714. From Table 4, it can be seen that all but the total asset size X_6 rejects the original hypothesis, and it follows

Table 4. Correlation analysis of current social responsibility and current financial performance (2016).

variable	*coefficient*	*P value*
C	4.73 0.86	0.39
X_1	0.98*** 1.01	0.01
X_2	0.10*** 1.05	0.00
X_3	0.69*** 0.76	0.00
X_4	−0.49*** −1.76	0.04
X_5	0.07*** 2.53	0.01
X_6	−0.20 0.39	0.69

that the explanatory variables have a significant effect on the explanatory variables. F test: for H_0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$, given the significance level $\alpha = 0.05$, the criticality of the freedom degree nk = 23 is 2.47, can be seen from the above table F = 13.29 shows the linear relationship of the model is significant at a confidence level of 0.95, and the regression equation is significant. Coefficients: The sum of regression squares reflects the part of the total sum of squared deviations that can be explained by the sample regression line.

The bigger he is, the smaller the sum of the squared residuals is, which indicates that the degree of fit between the sample regression line and the sample observations is higher. R-squared = 0.76, so the model fits better.

3.2. Analysis of the Relevance between Current Social Responsibility and Post-Financial Performance

3.2.1. Research Design

The current performance of corporate social responsibility will enable consumers to demonstrate the performance of corporate recognition in the later period. Therefore, in order to find whether the fulfillment of corporate social responsibility has a certain impact on the financial performance in the later period, social responsibility and the later period of the current period correlation analysis of financial performance has been done. This research uses the ROA data of all listed companies in the selected Beijing area in 2016. The remaining variables and control variables are used in 2015. The data are obtained from the annual report of the company, the Guotai security database, and the wind database. The same method is used for multiple regression analysis, regression equation:

$$Y = \beta_0 + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \beta_6 * X_6 + \mu$$

Among them, the explanatory variable Y: Return on enterprise ROA (ROA); Explanatory variable X_1: Shareholder responsibility (capital increase and appreciation rate); Explanatory variable: X_2: Creditor liability (interest guarantee multiple); Explanatory variable: X_3: Customer responsibility (Sales growth rate); Explanatory variable: X_4: Employee Responsibility (Wage and Welfare Rate); Explanatory Variable: X_5: Supplier Responsibility (Accounts Payable Turnover Rate); Control Variable X_6: Corporate Total Assets (Logarithm).

3.2.2. Regression Results

$$Y = 7.80 + 0.82 * X_1 + 0.02 * X_2 + 2.79 * X_3 - 2.53 * X_4 + 0.08 * X_5 - 0.38 * X_6$$

t test: for H0: $\beta_j = 0$ (j = 0, 1, 2, 3, 4, 5, 6), given the significance level $\alpha = 0.05$, check t distribution table degrees of freedom nk = 23 (K-bit The estimated number of parameters) has a critical value of 1.714. From Table 5, it can be seen that all but the company's total asset size X_6 rejects the original hypothesis, and it follows that the explanatory variables have a significant effect on the explanatory variables.

F test: for H0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$, given the significance level α =

Table 5. Coefficients of analysis of current social responsibility and late financial performance.

variable	*coefficient*	*P value*
C	7.80 1.64	0.10
X_1	0.82*** 0.91	0.03
X_2	0.02*** 1.05	0.00
X_3	2.79*** 3.59	0.00
X_4	−2.53*** −6.06	0.00
X_5	0.08*** 2.79	0.00
X_6	−0.38 0.84	0.40

0.05, the criticality of the freedom degree nk = 23 is 2.47, can be seen from the above table F = 14.55 indicates the linear relationship of the model is significant at a confidence level of 0.95, and the regression equation is significant.

Coefficient: The sum of regression squares reflects the part of the total sum of squared sums that can be explained by the sample regression line. The bigger he is, the smaller the sum of the squared residuals is, which indicates that the degree of fit between the sample regression line and sample observations is higher. R-squared = 0.41, so the model fits in general.

3.2.3. Relevance between Social Responsibility Index and ROA of the Current Period

1) The 2016 total return on assets shows a significant positive correlation with the X_2, X_3, and X_5 in the previous period at the 1% level, negative correlation with the X_4 at the 1% level, and the responsibilities of the shareholders at 5%. The level shows a significant positive correlation.

2) The current total asset return rate is negatively correlated with the total asset size, but it is not significant, mainly because the larger the size of the enterprise, the relatively slower the rate of return on investment, and the larger the asset size of the enterprise There are also many social resources, so the scale is larger, but it is negatively related.

3) There was a significant negative correlation between the total asset return rate of the current period and the employee responsibility X_4 at the 1% level. The main reason is that the more the company may pay the staff, the more the employee compensation, the lower the net profit of the company. It may be that the current rate of return is reduced, and another reason may be that management's overpaying leads to overpayment, and the performance of management ability is only reflected in the later years.

4. Conclusion and Suggestion

4.1. Analysis Conclusion

This article, through theoretical review and empirical test, basically proves that the company's positive performance of social responsibility to a certain extent can help improve the level of corporate financial performance, and it can also affect the improvement of financial performance in the later period.

1) From the current period, the high degree of corporate social responsibility for employees may reduce the level of corporate profits in the short term, but the corporate performance of social responsibility for creditors, customers, shareholders and suppliers and other stakeholders will have financial performance, and overall produce better results. In general, the fulfillment of corporate social responsibility can protect the interests of most of the stakeholders and can, to some extent, improve the overall financial performance of the company.

2) From the standpoint of lagging, the social responsibility for performance in the current period increased shareholder's returns in the later period, which had a positive impact on financial performance, and negatively impacted other stakeholders, especially employees, in the later period. It has a negative impact on the financial performance of the company.

4.2. Research Suggestion

The fulfillment of corporate social responsibility has become a general trend. This is also one of the channels through which companies actively seek to strengthen their competitiveness in the international market. Otherwise, a simple standard that cannot reach the standards of foreign companies will talk about going out of the country. Although this research has already proved to some extent that there is a positive relationship between corporate social responsibility and financial performance, the company's practice of social responsibility requires further efforts:

1) Companies need to continuously improve their social responsibility. Enterprises need to regularly publish reports on corporate social responsibility reports and other related reports to publicize the performance of their social responsibilities, including the performance of basic stakeholder groups (such as shareholders, employees, etc.), which can be monitored by the outside world. This will not only help improve the reputation of an enterprise, but also help the enterprise to better take measures to strengthen the performance of corporate social responsibilities; the internal social responsibility departments of the company also need to supervise the implementation of the relevant social responsibility system. Only by defining the fulfillment of social responsibility as a basic corporate policy can the utility of improving the level of corporate financial performance be revealed.

2) In the process of fulfilling social responsibilities, business managers play an irreplaceable role and need to further strengthen the training of enterprise managers so as to help the company to take the lead in fulfilling its social responsibilities. First of all, it is necessary to further strengthen the study of laws and regu-

lations of corporate managers so that they understand that the bottom line of fulfilling their social responsibilities is not to violate the corresponding laws and regulations; secondly, they need to let managers understand how to properly perform social responsibilities. Only when corporate managers understand the importance of fulfilling their social responsibilities can they turn corporate social responsibility into corporate culture and penetrate into every part of the company.

3) The company's stakeholders should actively learn relevant rights protection knowledge to protect their rights and interests, especially those employees who have the closest relationship with the company. When their own rights and interests are violated, they must pick up legal weapons to safeguard their rights and interests. In this way, it will not only help safeguard their own interests, but also help improve the level of corporate social responsibility.

5. Insufficiency and Outlook

This study only selected listed companies in the Beijing area. The representativeness of the sample is yet to be explained; the type of the enterprises involved and the distribution of the industry did not make descriptive statistical analysis. The data of all listed companies that have been selected was only made simple. Data Regression Analysis Research: This empirical study analyzes the data used in the annual report accounting data of 2015 and 2016. Since the accounting data of the annual report of the company can be falsified, the accuracy of the data remains to be examined. We analyzed the impact between corporate social responsibility in 2015 and corporate financial performance in 2016, and this aspect neglects the uncertainty of time; this empirical research analysis does not return to "the impact of corporate financial performance on corporate social responsibility". Robustness check has not been done.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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