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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON CORPORATE FINANCIAL PERFORMANCE

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ABSTRACT

Corporate social responsibility (CSR) is gradually turning into a critical issue in business management. Over the decades, both theoretical and empirical literature were concentrated on studying the effect of CSR disclosure on corporate financial performance (CFP). However, the results have been ambiguous and inconsistent. The purpose of this paper is to examine the relationship between CSR disclosure and CFP in Vietnamese large listed firms on short-term and long-term profitability. We performed linear regressions on the sample data 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. For CFP, return on assets (ROA) and Tobin's Q ratio were employed as measures of short-term and long-term profitability respectively. The results indicated in the short run, there is no significant relationship between CSR disclosure and corporate financial performance. However, in the long run, there was a positive significant relationship between CSR disclosure and corporate financial performance. The results are encouraging since it provides 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.

Contribution/Originality: This study contributes to the existing literature by examining the effect of CSR disclosure on corporate financial performance (CFP).

1. INTRODUCTION

Corporate social responsibility (CSR) is the idea of corporations practicing socially responsible ways (Lu *et al.*, 2014). Over the decades, the concept of CSR has been growing in significance and influence (Carroll and Shabana, 2010). It is currently a very dynamic and developing field of research (Bakker *et al.*, 2005; Lockett *et al.*, 2006; Crane *et al.*, 2008). 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 *et al.*, 2011). As a result, CSR information has been widely disclosed and received much attention from firms' stakeholders. 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).

CSR can be referred to 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 (Waddock and Graves, 1997; Orlitzky *et al.*, 2003; Klerk *et al.*, 2015). However, the results have been contentiously inconsistent and there is no real consensus on nature of the relationship (Cochran and Wood, 1984; Patten, 2002; Barth and 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 and Gössling, 2008). A vast majority of the empirical studies have focused only on a specific industry in order to find out conclusions. A comparative study in 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 shortening the major gaps.

On another aspect, prior studies asserted that the country where the firm reports have an impact on the theme and the amount of CSR disclosures (Andrew *et al.*, 1989; Guthrie and Parker, 1990; Gray *et al.*, 1995b; Maignan and 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 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 levels of economic development which influence CSR practices are relatively weak in developing countries of Asia (Tsang, 1998; Kemp, 2001; Chapple and Moon, 2005). Particularly, the Vietnamese market economy is socialist-oriented and is managed tightly by the government. The extent of a 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, both on short-term and long-term profitability for a period of three years, from 2014 to 2016. Focusing the study in Vietnam thus helps to enrich the existing literature and bridge the research gap in a geographic sense. Only large firms engaged in CSR practice and sustainable development in Vietnam (Tran, 2014). Abiding by this suggestion, the research hence focuses on large listed firms of different industries.

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

2. LITERATURE REVIEW

2.1. Theoretical Perspectives on CSR

2.1.1. 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 and Meckling, 1976; Lev *et al.*, 2010; Dhaliwal *et al.*, 2011; Davis *et al.*, 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) 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 extended the analysis by establishing an agency theory model where CSR initiatives can be a pertinent 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 and Walsh, 2003).

2.1.2. Legitimacy Theory

Legitimacy theory justifies the reason for firms' engagement in CSR practice and disclosure by their "norms, values, customs and attitudes" (Hibbitt, 2004). 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 and Parker, 1989; Brown and Deegan, 1998). The firms need to fulfill 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, the 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 and 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 and Schwartz, 1997; Deegan *et al.*, 2000).

2.1.3. 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; Clarkson, 1995; Donaldson and Preston, 1995; Jones, 1995; Garriga and Melé, 2004; Crane *et al.*, 2008).

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 and 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 and Freeman, 1999; Jones and Wicks, 1999; Margolis and Walsh, 2003).

2.2. 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 *et al.*, 2004; Clarkson *et al.*, 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.

Even in the case that the information may arise negative effects, a firm would still have incentives to disclose that information in order to establish credibility with its stakeholders (Deegan and Gordon, 1996). Consistently, KPMG (1993) 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) 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 appreciating the greater exposure of the poor performers. Communication is as much important as performance. Therefore, firms should concentrate more on how to communicate their CSR performance effectively rather than only give attention to their actual performance.

2.3. 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; Guthrie and Parker, 1989; Gray *et al.*, 1995b) number of sentences (Ingram and Frazier, 1980; Frazier and Rayner, 1982) or number of words (Ng, 1985; Deegan and 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 the 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 also adds 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 (Preston *et al.*, 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 and 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. 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 and Wood, 1984).

There are a number of supportive arguments for adopting CSR disclosure scoring scale in organizational research (Abbott and 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. This method guarantees that redundant or irrelevant information are not considered as strategic social and environmental disclosure (Aerts *et al.*, 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 and Mathews, 1985; Cowen *et al.*, 1987; Gray *et al.*, 1995a).

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 focuses in management study on firm performance (Barney, 2002; Combs *et al.*, 2005; Richard *et al.*, 2009; Gentry and Shen, 2010). Prior studies used different measurement instruments in order to evaluate CFP. According to Margolis and Walsh (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 a 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 and Walsh, 2001). In particular, ROA is rationally alleged as an authentic measure of CFP (Griffin and 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 *et al.*, 1985; Mishra and Suar, 2010).

Market measures are reflections of the future or long-term firm performance (Keats and Hitt, 1988; McGuire *et al.*, 1988; Hoskisson *et al.*, 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 in Vietnam

2.5.1. 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 (International Finance Corporation), 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 and 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 (Vietnam Annual Report Award), 2017).

2.5.2. 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 a 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.

2.5.3. 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 the 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.

2.5.4. 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 *et al.*, 2008). 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. 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 the actual context and conditions of the country.

2.6. The Relationship between CSR Disclosure and Corporate Financial Performance

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 and Siegel, 2000).

A number of studies have validated the effect of CSR disclosure on short-term financial performance measured by return on assets (ROA). Russo and Fouts (1997) suggested that high social and environmental performance is positively correlated with corporate financial performance measured by ROA. In contrast, Murray and Vogel (1997) proposed 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 *et al.* (2009) found 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 action does not necessarily increase immediate profitability for the firms.

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 the short-term.

A majority of researches have suggested that long-term economic benefits obtained via indirect effects are significant and considerable (Murray and 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 and Blomstrom, 1975; Dalton and 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 the long-term.

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Research Methods

3.1.1. 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 *et al.*, 2001; Singh and Kansal, 2011) and thus, the information disclosed in those reports is more trustworthy and reliable than other sources. The reports will be examined and analyzed 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.

The financial data were gathered from DataStream by Thomson Reuters. For several firms, the variable values for total debts are not available on the database, therefore, the missing values were acquired from annual reports of the firms in order to perform analysis for the study.

3.1.2. Empirical Models

Scholars have repeatedly applied regression analysis in order to validate the effect of CSR on firm's financial performance (Ullmann, 1985; Waddock and Graves, 1997; McWilliams and Siegel, 2000; Margolis and Walsh, 2001). Therefore, in this study, multiple regression analysis was adopted in order to examine the relationship between CSR disclosure and financial performance.

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

The first model tests hypothesis H1ain order to examine the nexus between ROA and CSR disclosures, as follows:

Model 1:

$$ROA_{i,t}=\beta_0+\beta_1 CSRD_{i,t-1}+\beta_2 SIZE_{i,t}+\beta_3 LEV_{i,t}+\beta_4 SALESG_{i,t}+$$

$$+\ \beta_5 IND_{i,t}+\ \beta_{6-7}((YRD)_{1-2})_{i,t}+\varepsilon_{i,t}$$

The second model tests hypothesis H1bin the interest of investigating the association between Tobin's q ratio and CSR disclosures:

Model 2:

$$TOBINQ_{i,t}=\beta_0+\beta_1 CSRD_{i,t-1}+\beta_2 SIZE_{i,t}+\beta_3 LEV_{i,t}+\beta_4 SALESG_{i,t}+$$

$$+\ \beta_5 IND_{i,t}+\ \beta_{6-7}((YRD)_{1-2})_{i,t}+\varepsilon_{i,t}$$

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.

ROAi,t = Return on assets at the end of year t.

TOBINQi,t= Tobin's q ratio at the end of year t.

CSRDi,t = The level of CSR disclosures of the firms for year t.

SIZEi,t= Firm size at the end of year t.

LEVi,t= Financial leverage at the end of year t.

SALESGi,t = Revenue growth rate in year t.

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

YRDi,t= Array of two year-effects dummies, where the variable takes the 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 and 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 and 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 *et al.*, 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 shared price and total amount of outstanding shares at the end of each year (Hackston and Milne, 1996; Maury and 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 and Gilbert, 2012) and the ISO 26000. The scale is composed of 58 items see Appendix 1. It comprises environmental, social, economic and legal aspects. Index items were empirically verified by former studies such as Rhouma (2008); Aerts *et al.* (2008). 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:

i. Score “zero” for non-disclosures or no information about the item.
ii. Score “one” for an item described in general.
iii. Score “two” for an item discussed specifically.
iv. 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, the 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 CSRD 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 the 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 the 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 *et al.* (1990) and Margolis and Walsh (2001) the study controls the following variables:

3.4.1. Industry Effects

Former studies indicated that apparent differences in financial performance and levels of CSR disclosure exist among different industries (Graves and Waddock, 1994; Tsoutsoura, 2004). 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 and Graves, 1997). Hence, controlling for industry effects takes these differences into consideration.

Firms' industries in this study were classified by the 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 *et al.* (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.

3.4.2. Firm Size

Evidence from former studies demonstrates that firm size has an impact on CSR practices (Lang and Lundholm, 1993; Blacconiere and Patten, 1994; Ntim and 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. Therefore, firm size (SIZE) is an important variable that should be controlled. Taking into consideration that firm size has positive sknewness, a natural logarithm transformation of the total assets in each particular year was adopted (Gray *et al.*, 2001; Wang and Choi, 2013).

3.4.3. Financial Leverage

In addition to firm size, the study controls for financial leverage. Based on the fact that interest expense is taxation 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.

3.4.4. 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 and Gang, 2007; Amouzesh *et al.*, 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).

3.4.5. 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 and Salomon, 2012). The variable takes the value of 1 for a focal year and value of 0 for the other years. The 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 Table 1.

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

4. RESULTS AND ANALYSIS

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

Table-3. Descriptive statistics of variables.

Variable	N	Mean	Median	Standard deviation	Minimum	Maximum
Panel A: All industries						
CSRD	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
SALESG	160	20.584	11.245	44.883	-67.181	271.830
Panel B: Sensitive industries						
CSRD	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
SALESG	68	20.802	15.379	44.722	-67.181	207.295
Panel C: Insensitive industries						
CSRD	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
SALESG	92	20.424	9.406	45.245	-58.227	271.830

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.

Descriptive statistics with regard to 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. Furthermore, in the process of analyzing the contents of annual and CSR reports, it was observed that information disclosed in these reports regarding 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, is 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.

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 and Naffi, 2007).

4.3. 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 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).*

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; 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.

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 validate that the practice of CSR reporting and the adoption of CSR practice as a long-term investment can generate 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-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 finds support from another study which put forth that firms with low CSR initiatives do not generate high stock returns (Deng *et al.*, 2013).

4.4. 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 5 the results apparently indicate 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 2.

Regarding the second robustness test, the study excludes firms from the 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-value < 0.01) for all industries. The results of this robustness test are illustrated in Appendix 3.

Finally, for the third test of robustness, the study employed natural log transformations of ROA and Tobin's q ratio. Appendix 4 illustrates the results of 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-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 AND FUTURE RESEARCH

5.1. Conclusions

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). Regarding the short-term scenario, the 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 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 study 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 *et al.*, 2007) it seems rational to find its positive benefits to the firm financial performance in the future. A survey conducted by Price Waterhouse Coopers (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 and 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 propose 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 and 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 and 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 is 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 from the authors 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. Therefore, future students and researchers are encouraged to seek bigger sample and third-party sources of panel data for the purpose of developing further validity of the findings.

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

Criteria	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	-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			
CSRD	-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			
CSRD	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: 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; 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-3. Results of linear regression with whole sample for the years 2014-2016, excluding firms from Financial sector.

Criteria	Model 1: ROA		Model 2: TOBIN'S Q	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
CSRD	-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: 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; 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-4. Results of loglinear regression with whole sample for the years 2014 – 2016.

Criteria	Model 1: LOG_ROA		Model 2: LOG_TOBINQ	
	Coefficient	Pr > χ^2 (p-value)	Coefficient	Pr > χ^2 (p-value)
Panel A: All industries				
CSRD	-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 minium 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.