

Dimensional Corporate Social Responsibility and Financial Performance: Evidence from Malaysian Public-Listed Companies

Lim Boon Keong^{1,2*}, Suresh Ramakrishnan², Nanthakumar Loganathan², Nadisah Zakaria³

¹Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman, 43000 Kajang, Selangor, Malaysia

²Faculty of Management, Universiti Teknologi Malaysia, 81310 Skudai, Johor Bahru, Malaysia

³Faculty of Business, International University Malaya-Wales, Jalan Tun Ismail 50480, Kuala Lumpur, Malaysia

*Corresponding author's email: bklm@utar.edu.my

ABSTRACT

Ample studies show that corporate social responsibility (CSR) is a significant factor of improving financial performance. However, the majority of the studies failed to address the multidimensional nature of CSR. Therefore, the present paper aims to examine the relationship between individual CSR dimensions and the financial performance of the top 100 Malaysian public-listed companies. CSR is proxied by CSR disclosure-based dimensional scores (including dimensions of community, environment, marketplace and workplace) whilst financial performance employs both accounting performance (i.e. ROA) and market performance (i.e. Tobin's Q) measures. Based on pooled OLS and fixed effects estimations, for a period from 2007 to 2017, the results show that the CSR performance of Malaysian companies has no effect on financial performance in the short run. However, CSR performance mostly positively affects financial performance in the long term. Among the four CSR dimensions, the community dimension consistently demonstrates a stronger positive effect on ROA and Tobin's Q. Another highlight from the control variables is that whether the companies are government-linked does affect the companies' CSR and financial performance. In a nutshell, the findings could help Malaysian companies formulate a clearer dimensional CSR strategic agenda, creating values and competitive advantages for Malaysian companies.

Keywords: CSR, Financial performance, Tobin's Q

