

Corporate Social Responsibility and Financial Performance Complementarity in Multinational Enterprises of the EU and India: A Socio-Political Approach

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Abstract : The present research analyses the interactions between various categories of corporate social responsibility (CSR) that mediate the relationship between CSR and financial performance in Multinational Enterprises (MNE) in light of the present socio-political factors prevalent in the countries under observation. In the research it has been hypothesized that the absence of consensus in the empirical literature on the CSR-financial performance relationship may be explained by the existence of synergies (Complementarities) between the different CSR components. Upon investigation about whether such relationships exist, a final unbalanced panel sample of 1000 observations taken from 100 Multinational Enterprises per year functioning in the Schengen countries and one south east Asian country namely: India, over the span of 10 years i.e. from the year 2008 to 2018 has been analyzed. The empirical analysis used in the research methodology employs dynamic Panel Data in time series specifically, the system Generalized Method of Moments (GMM) which had been used to detect the varying degrees of relationships between the CSR and financial performance parameters in the background of the socio-political factors prevailing in the countries at the time and also taking into account the bilateral treaty obligations between the countries under observation. The econometric model has employed the financial ratio namely the Return on Assets (ROA) as an indicator of financial performance in order to gauge the internal performance and valuation of a firm as opposed to the Tobin's Q that provides for the external evaluation of a firm's financial performance which may not always be accurate. The various CSR dimensions have demonstrated significant correlations to the 'ROA' which include some negatively associated correlations and one positively associated correlation that is highly significant throughout the analysis of the observations, namely the correlation between the 'ROA' and the CSR dimension: 'Environment'. The results provide a deeper insight in the synergistic CSR activities that managers could adapt into their Firm's CSR strategy in order to enhance the 'ROA' and also to understand which interactions between the CSR dimensions can be adapted together due to their positively correlated association with each other and the ROA. The future lines of research would be inclined to investigate the effects of socio-political factors on the ROA of the MNEs through better designed econometric models.

Keywords : CSR, financial performance, complementarity, sociopolitical factors

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