

Conformity and Differentiation in CSR Practices on Capital Market Performance: Empirical Evidence from Stock Liquidity and Price Crash Risk

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Abstract : Using the theory of optimal distinctiveness, this study examines the effects of conformity and differentiation within corporate social responsibility (CSR) practices on capital market performance. Analysing data from Chinese A-share listed firms from 2007 to 2022, this paper demonstrates that when firms conform to the expected scope of CSR, such behaviour enhances investor attention and market acceptance, thereby boosting stock liquidity. Conversely, emphasising differentiation in CSR practices more effectively mitigates stock price crash risk by addressing principal-agent problems and decreasing information asymmetry. This paper also investigates how organisational and environmental factors moderate the relationship between conformity and differentiation in CSR practices and their impact on capital market performance. The results also show that the influence of conformity on stock liquidity is accentuated in smaller firms and environments with stringent legal oversight. By contrast, the benefits of differentiation in reducing stock price crash risk are amplified in firms with robust corporate governance and markets characterised by high uncertainty.

Keywords : corporate social responsibility, social responsibility practices, capital market performance, optimal distinctiveness

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