

A Quantitative Analysis for the Correlation between Corporate Financial and Social Performance

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Abstract : Recently, the corporate social performance (CSP) is not less important than the corporate financial performance (CFP). Debate still exists about the nature of the relationship between the CSP and CFP, whether it is a positive, negative or a neutral correlation. The objective of this study is to explore the relationship between corporate social responsibility (CSR) reports and CFP. The study uses the accounting-based and market-based quantitative measures to quantify the financial performance of seven organizations listed on the Egyptian Stock Exchange in 2007-2014. Then uses the information retrieval technologies to quantify the contribution of each of the three dimensions of the corporate social responsibility report (environmental, social and economic). Finally, the correlation between these two sets of variables is viewed together in a model to detect the correlations between them. This model is applied on seven firms that generate social responsibility reports. The results show a positive correlation between the Earnings per share (market based measure) and the economical dimension in the CSR report. On the other hand, total assets and property, plant and equipment (accounting-based measure) are positively correlated to the environmental and social dimensions of the CSR reports. While there is not any significant relationship between ROA, ROE, Operating income and corporate social responsibility. This study contributes to the literature by providing more clarification of the relationship between CFP and the isolated CSR activities in a developing country.

Keywords : financial, social, machine learning, corporate social performance, corporate social responsibility

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