

The Effect of the Enterprises Being Classified as Socially Responsible on Their Stock Returns

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Abstract : The aim of this study is to examine the stock price effect of the enterprises being classified as socially responsible. We explore the stock price response to the announcement that an enterprise is selected for the Taiwan Corporate Sustainability Awards. Empirical results indicate that the announcements of the Taiwan Corporate Sustainability Awards provide useful informational content to stock market. We find the evidence of insignificantly positive short-term and significantly positive long-term price reaction to the enterprises being classified as socially responsible. This study concludes that investors in the Taiwan stock market tend to view an enterprise being selected for the Taiwan Corporate Sustainability Awards as one with superior quality and long-term price potential.

Keywords : corporate social responsibility, stock price effect, Taiwan stock market, investments

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