

# The Relationship Between Corporate Social Responsibility Disclosures and Corporate Value: Evidence from Listed Companies on Vietnam's Stock Market

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Received: August 30, 2018 Accepted: September 23, 2018 Published: November 7, 2018

doi:10.5296/afb.v5i2.13868

URL: <http://dx.doi.org/10.5296/afb.v5i2.13868>

## **Abstract**

Information on corporate social responsibility is part of non-financial information which shows the interaction of business with society and the living environment, specifically, information on environmental pollution control, human rights, product liability, labor relations, charitable activities. Corporate social responsibility disclosure is considered a means to help enterprises increase their reputation, enhance their competitiveness, and strengthen relationships with stakeholders. The sharing of this information has become a global business trend. This study uses Two-Stage Least Squares (2SLS) Regression Analysis to examine the reciprocal relationship between corporate social responsibility disclosures and corporate value represented by the Tobin'Q ratio through a sample of 43 listed firms on

Vietnam's stock market during the period 2006–2016 with 473 observations. The results show that there is a positive reciprocal relationship between corporate social responsibility disclosures and corporate value Tobin'Q.

**Keywords:** corporate social responsibility disclosures, financial effectiveness, corporate value Tobin'Q

## 1. Introduction

Nowadays, corporate social responsibility has become a global trend, so the reporting of such issues has also evolved into a major concern for enterprises. Corporate social responsibility disclosures (CSR) indicate that an enterprise has implemented activities to protect living environment, the rights of the employees, as well as carried out responsibilities to communities. CSR is an important tool to communicate information on corporate social responsibility activities of enterprises to stakeholders. Gray et al. (1995) suggested that CSR is a process providing information about environmental and social impacts of an organization's economic activities. It relates to accountability of organizations (especially enterprises), as in addition to providing financial information for shareholders, enterprises also have the responsibility to provide other information to stakeholders and interested groups.

A number of studies have shown that CSR are beneficial to enterprises such as enhancing images, reputations and brands, helping businesses attract investment, improving financial efficiency, attracting talent (Alexander et al. 1978; Belkaoui, 1976). This is confirmed by a study of KPMG in 2013 with a sample of 4.100 enterprises among which more than 70% of enterprises disclosed social responsibility information in their activity reports. Thus, many companies consider the implementation and disclosure of corporate social responsibility as their business strategy (Belkaoui, 1976).

Furthermore, CSR is also considered a tool for evaluating the social efficiency of an enterprise. As a result, many companies voluntarily disclose information about their activities relating to ethics, corporate governance, social and environmental issues. In addition, CSR is seen as a tool in increasing transparency and showing social responsibility (Berthelot, 2012).

In Vietnam, the practice and disclosure of corporate social responsibility have gradually been paid more attention by enterprises due to the need of satisfying international standards and integration requirements. In addition, pressure from the community requires Vietnamese enterprises to be more responsible after a series of scandals over the use of child labor, the release of waste into the environment, low-quality products. Therefore, corporate social responsibility and CSR have become the subject of research by many Vietnamese researchers. However, these studies various results due to different contexts, times and methods of measuring financial performance.

The purpose of this study is to identify the method of determining corporate value Tobin'Q; prove the relationship between CSR and corporate value. The research was conducted over a period of 10 years (from 2006 to 2016) to carefully observe the variation of the research problem over time. The research results showed that good implementation of corporate social responsibility will have a positive impact on corporate values. Recently, there is an increasing trend to implement corporate social responsibility. It encourages enterprises to carry out corporate social responsibility and recommends the government to specify legal regulations relating to corporate social responsibility.

The rest of the study is as follows: Section 2 reviews the literature. Section 3 shows theoretical foundations and develops the research hypotheses. Section 4 elaborates on the research methodology. Section 5 describes the data, analyses the empirical results and presents the research results and discussion. Section 6 concludes the study, indicates the limitations and recommends for future research.

## 2. Literature Reviews

There have been many studies around the world examining the relationship between CSR and market value of enterprises such as research of Belkaoui (1976), Anderso and Frankle (1980), Robert (1978), Freedman and Stagliano (1991), Blacconiere and Patten (1994), Edmund et al. (1997), Hassel et al. (2005), Alexander and Buchloz (1978), Murray et al. (2005), Berthelot et al. (2012), Clarkson et al. (2013), Klerk (2015), Cahan et al. (2015), Khlif et al. (2015), Saleh et al. (2011), Dewiand Monalisa (2016), Mohammed et al. (2016), Jitaree(2015). The results of these studies are diversified, flexible, and can be divided into three following groups:

*Group 1: There is a positive relationship between CSR and the market value of enterprises*

There has been much evidence showing that the practice and disclosures of corporate social responsibility increases the value of enterprises. These researchs indicate that investors tend to invest in firms which have reports on environmental issues rather than those which do not. Belkaoui (1976) conducted a study on the influence of environmental information on fluctuation of enterprises' stock price, with data from the annual report of 50 US firms in 1970. The results were similar to conclusions of Anderso & Frankle (1980) in their study on how the disclosures of social information affect the capital markets of enterprises on the Fortune 500 list based on annual reports from July 1972 to August 1973.

Another study of Robert (1978) found that information related to the environment, equity in business, health and safety of employees, community support, product information influenced share price of enterprises through a survey of 287 enterprises on the Fortune 500 list based on annual reports from 1970 to 1976.

Furthermore, research associated with social environment events also showed a positive correlation between CSR and the market value of enterprises. Freedman & Stagliano (1991) examined corporate environmental information disclosures of 27 firms in the US textile industry after the US Supreme Court issued regulations tightening cotton dust levels. The study found that, before the issue of cotton dust regulations by the US Supreme Court, stock prices of companies which did not disclose information or disclosed general information assessing the potential impacts of this regulation fell considerably compared to those of companies which had quantitative reports on this issue. This indicates that one of the factors influencing the market is the content and extent of the previously published information regarding new standards or regulations.

Another study that linked to a major event in India of Blacconiere & Patten (1994) examined reaction of the stock market of 47 US chemical companies (except multinational company Union Carbide) after the leak of chemicals in Bhopal, India caused by Union Carbide, also

showed similar results. The author explained that the investors have noticed signs of how the company faced the crisis after Bhopal disaster through previously published information. This result is an evidence indicating that if a company discloses “good news”, it can overwhelm bad news related to environmental scandals.

In order to better explain the correlation between CSR and financial performance, many studies have constructed regression equations demonstrating a positive correlation between these two variables, such as Berthelot et al. (2012), Clarkson et al. (2013), Klerk (2015), Cahan et al. (2015). With different methods of measuring level of CSR in different contexts, these studies gave the same result on the positive correlation between CSR and the market value of enterprises. Berthelot et al. (2012) conducted a research on listed companies on the stock market of Toronto, Canada concluding that sustainability reports have a positive impact on the market capitalization of firms.

In another context, Clarkson et al. (2013) examined environmental-sensitive companies in the United States and found that the level of CSR based on Global Reporting Initiative reporting standard had a positive impact on these companies' stock prices. A study at an international level regarding national characteristics and corporate characteristics of Cahan et al. (2015) examined 676 companies from 22 different countries with data on corporate social accountability collected by a survey of KPMG, using a two-stage least squares regression analysis. The authors found that in Anglo - Saxon accounting countries with flexible and highly professional judgment which have international organizations, the impact of corporate social responsibility information on market value Tobin'Q is greater than other countries.

*Group 2: There is a negative relationship between CSR and the market value of enterprises*

The positive effects of CSR on the market value of enterprises are not found in some cases. This is explained by authors as follows:

Firstly, the market is short term and investors do not consider corporate social responsibility information to have long-term benefits on investment decisions.

Secondly, investors find that corporate social responsibility activities increase the cost of business, which is negatively evaluated by investors because the expected return is reduced but the risk is not reduced accordingly.

Edmund et al. (1997) studied 64 US defense companies in 1986 in two groups: 25 companies signing the defense industry initiative on business ethics and conduct (DII) and 39 companies not signing DII. The results indicated that the market reacted negatively to all companies but more negatively to those companies which signed DII. The authors explained that the market responds to DII because investors consider the signing of DII as an acknowledgment of unethical behavior and then the monitoring of these firms will be more emphasized, which negatively affects the opportunity to earn profits of these companies. Hassel et al. (2005) examined 71 listed companies the stock market in Stockholm, Sweden from 1998 to 2000. The Ordinary Least Squares (OLS) model of the study proved a negative impact of environmental information disclosures on market value (MV).

One weakness of these studies is the use of OLS. Two types of studies on impacts of CSRD on the market value of enterprises and vice versa found a reciprocal relationship between these two variables. When independent variables and dependent variables are interrelated, these variables can make Ordinary Least Squares Regression become faulty, resulting in inaccurate estimates. This indicates that it is necessary to find a method to ensure that the model has reliable estimation. Thus, the author will select the Two-Stage Least Squares regression analysis 2SLS to overcome this phenomenon with instrument variable chosen as the exogenous variable of the CSRD variable.

*Group 3: There are mixed results when examining the relationship between CSRD and the market value of enterprises*

In addition, some studies gave mixed results on the relationship between CSRD and market value of enterprises. The reason for such results is that these studies were conducted in different contexts or they considered different aspects of corporate social responsibility. Khlif et al. (2015) studied this relationship with the sample of 14 listed companies in South Africa and 14 listed companies in Morocco. Secondary data was collected from annual reports of these companies during a six-year period from 2004 to 2009. The results showed that when examining overall 28 enterprises in both countries, there was no relationship between CSRD and Tobin'Q. However, the results were different in each market, specifically, CSRD in South Africa had a positive impact on business efficiency and Morocco had an opposite outcome. The authors explained that there were differences between the two legal systems applied by two countries. South Africa applied the Common law while Morocco followed Civil Law. The differences in these two legal systems led to distinctive features of the accounting information system, particularly, in South Africa, professionalism, transparency and law enforcement were more emphasized than in Morocco.

Another study of Verbeeten et al. (2016) examined two aspects environment and society of 130 largest listed companies on the German stock market during the period from 2005 to 2008. The results showed that environmental information does not affect corporate value, but social information has a positive impact on the stock price of the enterprise. This finding suggests that the additional provision of social responsibility information may affect different interest groups. Information about corporate environmental responsibility which satisfies the demand of the government and environmental protection organizations, may have a negative impact on shareholders because it indicates over-investment in environmental activities. Disclosures of social information will build investors' expectations of good financial performance in the future as it indicates both professional human resources department and low risk from systemic events in the wider economy.

In Vietnam, a number of studies have explored the relationship between CSRD and market value of enterprises such as research of Ho & Yekini (2005), Nguyen et al. (2015), Nguyen & Trinh (2016), Ho & Ho (2017). However, with short research time and the use of estimation models such as the Ordinary Least Squares (OLS), Fixed Effects Model (FEM) and Random Effects Model (REM), which may not be reliable if there are endogenous phenomena in the model. Thus, the use of a new estimation method to overcome endogenous phenomena

among variables with a longer research time is essential to ensure reliable conclusions about the impact of CSRD on corporate value. With this purpose, the authors used the Two-Stage Least Squares regression analysis 2SLS for balanced panel data with 473 observations of 43 firms over an eleven-year period from 2006 to 2016.

### **3. Theoretical Foundations and Research Hypothesis**

#### *3.1 Stakeholder Theory*

Edward (1984) was the first to propose the stakeholder theory. He stated that stakeholder is an important element of corporate social responsibility. Stakeholders of an enterprise include shareholders, suppliers, customers, employees, competitors, activists, media, legislators, scholars, local people, unions, local authorities and the government. He supposed that profit is the result of business rather than the goal of the business. According to Freeman, if a business only concerns the interests of its shareholders, and disregards the needs of other stakeholders who may influence or be influenced by the achievement of enterprises' purposes, the enterprise will probably have to close down. Freeman concluded that the goal of the business is to meet the needs of stakeholders which are anyone affected by the company's decisions, if the company can do this, profit of the company will be generated.

Based on Edward's theory, many studies used the theory's foundation as a basis for explaining the relationship between corporate social responsibility disclosure and corporate value. In the context of corporate governance, the authors argue that a firm with a good corporate social responsibility policy and appropriate managerial behavior will promote employee morale, attract customers, investors and other stakeholders, enhance the image and prestige of the business with investors, exert positive impacts on the financial performance, productivity and create value for the enterprise (Alexander, 1978; Belkaoui, 1976). Another study by Deng et al. (2013) examined the impacts of social responsibility practices on performance efficiency of mergers in the United States. The results showed that acquirees with good corporate socially responsibility bring higher stock returns for acquirers. Servaes and Tamayo (2013) showed that social responsibility adds value to businesses which have customers of good perception.

Thus, according to stakeholder theory, the motivation of enterprises to implement and report corporate social responsibility is to carry out their responsibilities with stakeholders and show that the companies can meet the needs of stakeholders with an expectation that profits will be generated. Provision of corporate social responsibility information reduces asymmetry of information and brings a level playing field for stakeholders, in return, companies expect it to bring certain benefits to the business such as improving image/prestige, attracting investors and improving relationships with stakeholders to obtain support and approval from stakeholders.

#### *3.2 Legitimacy Theory*

Legitimacy theory which is derived from the concept of organizational legitimacy, is defined by Dowling & Pfeffer (1975) as follows: "An entity can exist when its value system is congruent with the value system of the larger social system where the entity belongs to. When there is a real or potential disparity between two value systems, the legitimacy of that entity is threatened". By developing the legitimacy theory, Guthrie and Parker (1989) argued that the

legitimacy theory relates to the power of society. They emphasized that enterprises operating in society must sign a social contract in which the managers agree to fulfill certain social requirements to achieve their goals. The terms of this contract represent the regulations of the law or some terms are not well defined, which depends on expectations of the social communities. Enterprises need to make sure that terms of the contract are not violated in order to maintain a society with legislation in which the organization is permitted to operate.

Legitimacy theory is often used in research to explain the relationship between CSR and financial performance of enterprises (Jitaree, 2015). According to Toukabri Mohamed et al. (2014) the legitimacy theory explains that CSR have two basic aspects: the business needs to legitimize its activities and the legitimization process brings benefit to the business. Lopin Kuo and Vivian Yi-Ju Chen (2013) proved benefits of environmentally responsible behaviors with specific evidence from studies such as: easily accessing to resources, attracting more workers and improving communicating conditions with partners, attracting more consumers, limiting the risk of fines due to environmental violations, and having lower cost of capital due to advantages of mobilizing capital on the stock market. Therefore, the legal existence through social responsibility activities has helped businesses improve competitiveness and promote financial performance.

These two theories are primarily used by researchers to explain why managers choose voluntary CSR. Considering the aspect of cost and benefit, when carrying out corporate social responsibility activities and communicating information about these activities, enterprises will incur certain costs but the benefits may be long-term and valuable. Based on these theories, the authors expect corporates which are aware of implementing corporate social responsibility will improve the corporate image to investors and other stakeholders, contributing to the value of the enterprises. Therefore, the following hypothesis is established:

***H1: There is a positive relationship between CSR and market value of enterprises.***

## **4. Methodology**

### *4.1 Research Data*

The sample selected by the authors is non-financial companies listed on Vietnam's stock market during the period from 2006 to 2016. The financial and banking enterprises are eliminated because the information provided by these companies is significantly different compared to other types of enterprises. The last sample includes 43 listed companies on the Vietnam stock market after removing financial, credit companies, company delisted during research time, and companies which the authors could not collect their annual reports or sustainable development reports. Thus, 43 enterprises were surveyed in 11 years through the balanced panel data with the total number of observations of  $43 \times 11 = 473$ . List of surveyed enterprises, Table 1.



Table 1. List of companies surveyed

	<b>Code</b>	<b>Company's name</b>
1	AGF	An Giang Fisheries
2	BHS	Bien Hoa Sugar
3	BMC	Binh Dinh Minerals
4	BMP	Binh Minh Plastics
5	CAN	Halong Canfoco
6	CII	Ho Chi Minh Infrastructure
7	CLC	Cat Loi Tobacco
8	CYC	Chang Yih Ceramic
9	DHA	Hoa An Stones and Materials
10	DHG	Hau Giang Pharmaceutical
11	DMC	DOMESCO Medical
12	DTT	Do Thanh Technology Corp.
13	FPT	FPT Group
14	GIL	Binh Thanh Im-export
15	GMD	Gemadep
16	HTV	Ha Tien Transport
17	IMP	Imexpharm Pharmaceutical
18	ITA	Tan Tao Industrial Park
19	KDC	Kinh Do Corporation
20	KHA	Khanh Hoi Investment and Services
21	KHP	Khanh Hoa Power
22	MCP	My Chau Printing and Packaging
23	PGC	Petrolimex Gas
24	PJT	Petrolimex Tanker
25	PNC	Phuong Nam Cultural
26	PPC	Pha Lai Thermal Power
27	REE	Refrigeration Electrical Engineering
28	SFC	Saigon Fuel Co.
29	SFI	Sea and Air Freight International
30	SGH	Saigon Hotel Corp.
31	SJD	Can Don Hydro Power
32	SMC	SMC Trading and Invm't
33	SSC	Southern Seed JSC
34	TAC	Tuong An Vegetable Oil
35	TDH	Thu Duc House
36	TNA	Thien Nam Trading and Exim
37	TS4	Seafood No 4
38	TYA	Taya (Vietnam) electric wire & cable
39	VGP	Vegetexco Port
40	VIP	Viet Nam Petroleum Transport
41	VIS	Vietnam - Italy Steel
42	VNM	Vinamilk
43	VTC	VTC Telecom

## 4.2 Determining and Measuring Variables

### 4.2.1 Independent Variables—CSR

In this study, the author measured CSR according to content analysis method, based on annual reports and sustainable development reports of companies. The analyzing process was based on the list of indicators categorized in 4 groups: information about environment—ENV (10 indicators), information about responsibilities to employees—EMP (11 indicators), information about responsibilities to community—COM (6 indicators) and information about responsibilities to customers—CUS (3 indicators). The indicators of information were inherited from studies of Gunsanan et al. (2009), Jitaree (2015), Nguyen (2016) according to Circular 155/2015 of Ministry of Finance of Vietnam issued on 06/10/2015 on guidelines about information disclosures on the stock market.

**Steps of the process:** Corporate social responsibility is a complex field with many guiding standards, and the selection of standards depends on economic conditions, laws and environment of each country. Therefore, in order to ensure the objectivity of the standard selection process, data collection and survey were conducted in these two following steps.

Step 1, a survey of the 57 listed companies with largest capitals on the Vietnam stock market was conducted, the survey year was 2016. The purpose of this step was to adjust and select the appropriate indicators to conditions and characteristics of Vietnam.

Step 2, based on the indicators of information selected and corrected through step 1, the authors conducted official survey on 43 listed companies with 473 observations. This method has been used by several authors such as Branco & Rodrigues (2006), Gunawan et al (2009), Saleh et al. (2011), Tjia & Setiawati (2012), Bayoud et al (2012), Jitaree (2015). After making adjustment in step 1, the authors developed a list of indicators of corporate social responsibility information are 35 indicators, including 4 groups: ENV (10 indicators), EMP (12 indicators), COM (8 indicators) and CUS (5 indicators). List of indicators of corporate social responsibility is shown in Table 2.

Table 2. List of indicators of information about corporate social responsibility

Symbol	Indicators (observed variables)
<b>ENV</b>	<b>Information about environmental responsibility</b>
ENV 1	The enterprise complies with the law and regulations on prevention of environmental pollution (including number of times and amount of fines for violation of laws and regulations on environment)
ENV 2	Information about pollution control activities in the course of business / The report indicates that the polluting activities of enterprise have been and will be reduced.
ENV 3	Information about conservation of natural resources such as the use of recycled materials, recycled glass, metal, oil, water, recycled paper
ENV 4	Information about preventing and dealing with environmental consequences due to production process or exploitation of natural resources, such as soil improvement or reforestation.

ENV 5	Information about strategies and supporting activities of enterprises towards environmental protection / improving the environment
ENV 6	Information about environmentally friendly design of infrastructure
ENV 7	Report information on emissions
ENV 8	Report information on discharging waste water
ENV 9	Report information on solid waste disposal
ENV 10	Report on information on environmental protection awards
<b>EMP</b>	<b>Information on responsibilities to employees</b>
EMP 1	Information about enterprises complying with safety standards and working conditions for employees
EMP 2	Information about health care for employees
EMP 3	Information about training, financial support of training courses for employees
EMP 4	Information about recreational activities for employees
EMP 5	Information about homestay accommodation or plan of homeownership, food and other benefits for employees
EMP 6	Information on compensation for employees, maternity leave, holidays
EMP 7	Information about salaries, bonuses and other benefits for employees
EMP 8	Information about employee stock purchase plan
EMP 9	Information about qualifications and experiences of employees
EMP 10	Information on job stability of current and future employees
EMP 11	Information about the relationship of enterprise with the union or workers through the movement of culture, sports, emulation of production
EMP 12	Information about discrimination at workplace and jobs
<b>COM</b>	<b>Information about responsibilities to community</b>
COM 1	Information about charitable activities with money, products / services or corporate employees participating in these activities, community events such as sports, culture and arts.
COM 2	Information about employment opportunities for students, special people such as ethnic minorities, children of war invalids, disabled people, victims of Agent Orange and those in difficult circumstances.
COM 3	Information about sponsoring projects of community health and providing health information to the Community / Supporting medical research
COM 4	Information about establishing education funds or scholarships or educational conferences
COM 5	Information about supporting victims of natural disasters, family under preferential treatment policy, victims of Agent Orange, contributions to charity, sponsoring disabled children and orphans
COM 6	Information about supporting the development of industries, economic projects bringing benefits to the local
COM 7	Creating jobs and developing skills for local people
COM 8	Contribution to building electricity infrastructure, roads, schools and stations for localities
<b>CUS</b>	<b>Information about responsibilities to customers</b>
CUS 1	Information about product safety of enterprise
CUS 2	Information about product quality
CUS 3	Information about production and product development
CUS 4	Commitment to quality, product safety and supporting when having trouble using the products
CUS 5	Building customer relationships, collecting contributions and resolving customer complaints

**Technical process:** First the authors read reports and found information related to the indicators in the evaluation list. If an enterprise did not disclose the  $i^{\text{th}}$  indicator, the label is “0”, if the indicator was disclosed with general presentation or only with quantitative presentation without specific explanation, the label is “1”, if the indicator was disclosed with specific information about activities, the label is “2”. However, in order to ensure reliability when calculating these indicators, the authors analyzed the content of the enterprises’ reports in the following process:

*Firstly*, the authors used two assistants to analyze the content of the annual reports and sustainable development reports of enterprises. The two assistants must be knowledgeable in accounting, financing and CSR issues.

*Secondly*, the content of corporate social responsibility in this study was discussed and communicated to two assistants by the authors. Besides, two assistants were required to understand indicators of information which needed to be checked in the list of corporate social responsibility information which authors tested and made necessary adjustment.

*Thirdly*, the authors assigned tasks to assistants and worked at the same time to analyze content of the reports of the enterprises and give appropriate label for each indicators of information. The indexes found would be marked and recorded carefully. Assistants and authors worked independently and did not see the results of the others.

*Fourth*, cross-check was carried out with the results of assistants and the results of the authors. If there were differences, they would check again, analyze and discuss to make the final decisions.

After determining the score for each indicator of each enterprise in each year, the level of CSR was determined using the following formula:

$$CSR_j = \sum_i^n X_{ij}$$

*In which:*

$CSR_j$ : indicator of information disclosures of  $j^{\text{th}}$  enterprise

$X_{ij} = 0$  if  $i^{\text{th}}$  indicator of information is not disclosed in enterprise  $j$

$X_{ij} = 1$  if  $i^{\text{th}}$  indicator of information disclosed in enterprise  $j$  is general information or quantitative information without specific explanation

$X_{ij} = 2$  if  $i^{\text{th}}$  indicator of information disclosed in enterprise  $j$  is detailed information about specific activities

#### 4.2.2 Dependent Variables—Market Value of Enterprises

In this study, the authors selected both market value compared to book value Tobin’s Q (TBQ) to measure corporate value. TBQ is a modern financial measuring tool introduced by James Tobin in 1971 to reflect the market value of total assets compared to the book value of total assets (Tobin, 1971). In this research, TBQ is measured using the following formula:

$$\text{Tobin's Q} = \frac{\text{Market value of enterprise' equity} + \text{Book value of liabilities}}{\text{Book value of total assets}}$$

*In which: market value of enterprise' equity = share price x the number of outstanding shares*

#### 4.2.3 Control Variables

The variables SIZE, LEV, GRW were selected to be control variables of the model. Those are variables used by many authors when analyzing corporate profits. They are important factors influencing the estimation of variables that affect corporate financial performance.

*Corporate size (SIZE).* Bayoud et al. (2012) argued that large-scale enterprises are likely to generate more profits than smaller ones. Therefore, the size of enterprises is considered an important factor affecting the relationship between CSRD and corporate financial performance.

*Leverage (debts/equity) (LEV).* Financial leverage is used by research as a factor affecting corporate financial performance. Researchers argued that when a company is dominated by creditors, its financial performance may be affected (Nguyen & Doan, 2017). Therefore, financial leverage is necessary in the model to test the correlation between CSRD and corporate financial performance.

*Revenue growth (GRW).* A study of Zeitun (2014) on capital structure and corporate performance of Jordanian countries demonstrated that revenue growth has a positive effect on corporate performance. The author explained that corporates with high growth rate will have better results because they can have more investment opportunities and more profits.

#### 4.3 Data Analysis

To examine the positive relationship between corporate social responsibility and market value of enterprises, the author developed the regression equation between the dependent variable TBQ and CSRD, as follows:

$$(1) \text{TBQ}_{i,t} = \beta_0 + \beta_1 \text{CSR}_{i,t} + \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{LEV}_{i,t} + \beta_4 \text{GRW}_{i,t} + u_{i,t}$$

In addition, some authors have demonstrated that the practice and disclosures of corporate social responsibility affect financial performance of enterprises in the future (Makni et al. 2009) (Elena Platonova et al., 2009) (Jitaree (2015) (Nguyen Xuan Hung & Trinh Hiep Thien, 2016). The authors explained that the CSRD contributes to improving the image of the enterprises, thereby improving the value of the enterprises in the future. Therefore, the authors developed the second regression equation as follows:

$$(2) \text{TBQ}_{i,t} = \beta_0 + \beta_1 \text{CSR}_{i,t-1} + \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{LEV}_{i,t} + \beta_4 \text{GRW}_{i,t} + u_{i,t}$$

In this study, the authors used panel data in regression analysis. Panel data has many advantages over time-series data and spatial data (cross-section data) because it allows

studying of complex models fluctuating in both directions. In this study, the authors used the Ordinary Least Squares regression (Pooled OLS), Fixed effects model (FEM), Random effects model (REM), The Generalized Least Square (GLS), Two-stage least squares 2SLS regression to find the best model for research data.

## 5. Research Results and Discussion

### 5.1 Descriptive Statistics

The survey on level of CSRD in 43 listed enterprises during the period from the 2006 to 2016 showed that the average level of CSRD increased steadily. This indicates that enterprises have gradually concerned more about CSRD and focused on the objectives of long-term development and bringing benefits for community.

Table 3. Statistical results of average level of information disclosures of enterprises from 2006 to 2016

Year	Total score of average CSRD	Indicators of average CSRD
(1)	(2)	(3) = (2)/35 indicators
2006	9.12	0.26
2007	11.30	0.32
2008	13.09	0.37
2009	14.67	0.42
2010	15.56	0.44
2011	16.33	0.47
2012	17.74	0.51
2013	18.63	0.53
2014	19.42	0.55
2015	21.40	0.61
2016	22.53	0.64

Source: results of data analysis based on Stata 12.

Detailed information on average levels of CSRD on environment (ENV), responsibilities to employees (EMP), responsibilities to community (COM), responsibilities to customers (CUS) indicates that the level of environmental disclosures is the lowest. This means that Vietnamese enterprises have not truly concerned about environmental responsibilities. The activities of waste disposal, pollution control in the business process, strategies to support environmental protection activities have not been given due consideration by enterprises. This is the difference between Vietnam and developed countries in Europe, where enterprises focus on information disclosures of environment, energy, recycling, pollution caused by the pressure from customers, investors on the environmental protection of enterprises. Information about the responsibilities to customers is published the most by enterprises including information on product quality, safety level of products, production process. This

shows that Vietnamese companies are most likely to focus on customers with the desire to pass this information to promote their products to consumers.

Table 4. Statistical results of components of CSRD of enterprises from 2006 to 2016

Indicators	Env mean	Indicator env	Emp mean	Indicator emp	com mean	Indicator com	Cus mean	Indicator cus
Total	2.084567	0.21	6.881607	0.57	3.112051	0.39	4.95	0.99

Source: results of data analysis based on Stata 12.

## 5.2 Correlation Analysis

Table 5. Correlation coefficient among variables in the model

Variables	TBQ	CSRD	CSRD (-1)	SIZE	LEV	GRW
tbq	1					
csrd	0.4149	1				
csrd(-1)	0.4069	0.9607	1			
size	0.0484	0.4069	0.4017	1		
lev	-0.1669	-0.2874	-0.2725	0.1881	1	
grw	0.0567	0.014	-0.0298	0.0459	-0.0379	1

Source: results of data analysis based on Stata 12.

Table 5 shows that CSRD in the previous year and the present year have a relatively high correlation with the market value of the enterprise Tobin'Q. This indicates enterprises with more information disclosures have positive signals for corporate stock prices. In addition, table 3 also shows that the corporate market value is positively correlated with firm size, growth rate, but negatively correlated with debt to equity ratio. This shows that enterprises having high market value are large-scale enterprises with high revenue growth rates and low debt to equity ratio.

### 5.3 Regression Analysis

Table 6. Results of regression analysis of dependent variables TBQ

Variables	Model 1—TBQ			Model 2—TBQ		
	OLS	FEM	REM	OLS	FEM	REM
CSRD	0.040795***	0.009723	0.024844***			
<b>CSRD(-1)</b>				0.0447***	0.014745	0.027778***
SIZE	-0.12167***	-0.85285***	-0.23468***	-0.1061***	-0.66328***	-0.14921**
LEV	0.008411	0.262415***	0.050179	-0.0136	0.202264**	-0.01597
GWR	0.139478	0.067406	0.132718	0.1742**	0.124048	0.173103*
_cons	4.074958***	24.39556***	7.394366***	3.5334***	19.13517***	4.990672***
N	473	473	473	430	430	430
Hausman Prob>chi2		0.0000			0.0000	
Prob>F	0.0000					

Source: results of data analysis based on Stata 12.

In both models (1) and (2), the authors applied Fixed Effects Model (FEM) and Random Effects Model (REM). Based on results of FEM and REM, the authors used Hausman test to compare the selection of FEM or REM. The result of Prob>chi2 = 0.000 means that  $P\_value = 0.000 < \alpha = 5\%$ , thus there is enough evidence to reject  $H_0$ . In this case, the Fixed Effect Model (FEM) is more suitable than Random Effects Model (REM).

After selecting the FEM instead of the REM, the authors carried out Ordinary Least Squares regression (OLS) and applied F test to select the appropriate model between the FEM and the OLS. The results of F test show that Prob>F = 0.000 <  $\alpha = 5\%$ , then reject  $H_0$ , select FEM.

Thus, with the data collected, the FEM is the best selection. However, before analyzing the relationship between CSRD and corporate market value, the authors conducted validation tests and makes necessary corrections to overcome limitations of the model.

#### 5.3.1 Detecting Multi-Collinearity

In order to check if the multi-collinearity exists in the selected model from regression analysis, the authors used VIF-Variance Inflation Factor. There are several proposals for VIF values, but the maximum value is 10. However, there are some studies suggesting that if VIF is higher than 5, multi-collinearity may be present (Pan & Jackson, 2008).



Table 7. Results of VIF checking with dependent variable TBQ

Variable	Model 1		Model 2	
	VIF	1/VIF	VIF	1/VIF
CSRD	1.43	0.69925		
CSRD(-1)			1.41	0.708815
SIZE	1.36	0.733349	1.36	0.737703
LEV	1.22	0.819272	1.23	0.815703
GRW	1	0.995044	1.01	0.989709
Mean VIF	1.25		1.25	

Source: results of data analysis based on Stata 12.

Both equations have VIFs less than 5, therefore it is unlikely that multi-collinearity exists.

### 5.3.2 Heteroskedasticity Test

The modified Wald was used to check heteroskedasticity. Ho: there is no heteroskedasticity in the model. If the test gives  $P\_value < \alpha = 0.05$ , Ho is rejected and H1, which says there is heteroskedasticity in the model, is accepted. The results of the test are displayed in table 8:

Table 8. Results of heteroskedasticity test

<b>Model 1</b>	chi2 (43) = 21735.13 Prob>chi2 = .0000	There is heteroskedasticity
<b>Model 2</b>	chi2 (43) = 1625.78 Prob>chi2= 0.0000	There is heteroskedasticity

Source: results of data analysis based on Stata 12.

### 5.3.3 Checking Auto-Correlation

Auto-correlation was checked with Wooldridge test. Ho: there is no auto-correlation. If the test result shows  $P\_value < \alpha = 0.05$ , Ho is rejected and H1 is accepted, which means there is auto-correlation in the model. The test results is shown in table 9:

Table 9. Results of auto-correlation test

<b>Model 1</b>	F(1, 42) = 4.594 Prob > F = 0.0379	There is auto-correlation
<b>Model 2</b>	F(1, 42) = 39.078 Prob > F = 0.0000	There is auto-correlation

Source: results of data analysis based on Stata 12.

### 5.3.4 Checking Endogenous Phenomena

Endogenous phenomena occur when independent variables are influenced by other variables in the model. Endogenous phenomena may lead to serious errors in regression analysis since this estimation is divergent and unsteady (Nguyen & Hoang, 2015). In this study, endogenous phenomena can occur due to reciprocal relationship between CSRD and corporate financial performance. Although Jitaree (2015) pointed out the endogenous problem in CSRD and TBQ, however, in this study, the authors also examined the endogenous relationship between these variables. To check the endogenous phenomena of independent variables in models (1), (2) the author used the Durbin- Wu- Hausman Test with hypothesis  $H_0$ : variable is exogenous. If the test result shows  $P\_value < \alpha = 0.1$ ,  $H_0$  can be rejected which means the variable is endogenous. The test results are shown in Table 10:

Table 10. Results of endogenous phenomena test

<b>Model 1</b>	F(1, 429) = 2.91 Prob > F = 0.0888	There are endogenous phenomena
<b>Model 2</b>	F(1, 386) = 0.51 Prob > F = 0.4746	There are no endogenous phenomena

Source: results of data analysis based on Stata 12.

Based on results of table 8, 9, 10, summary of defects in models is shown table 11 as follows:

Table 11. Summary of defects in models

<b>Model</b>	<b>Auto-correlation</b>	<b>Heteroskedasticity</b>	<b>Endogenous phenomena</b>
1	Yes	Yes	Yes
2	Yes	Yes	No

Source: Created by the authors.

### 5.3.5 Regression Analysis with Models

To overcome defects of the model, the author used different regression methods depending on the types of defects.

#### Regression analysis result of model 1

To overcome the endogenous phenomena in model 1, in this study, the authors used two-stage least squares regression model (2SLS) to examine the relationship between CSRD and corporate value. In order to control potential deviations, instrument variables need to be exogenous variables corresponding to endogenous variables CSRD of the 2SLS regression. Thus, the instrument variables that can be used for two-stage least squares regression 2SLS of the endogenous relationship between CSRD and corporate value are audit quality variable (Audit) and law variable (Law). Which means enterprises audited by large auditing firms (Big 4) have a higher level of CSRD (Nguyen et al., 2017) (Kelly & Buranatrakul 2017). This variable is determined as follows: the enterprise audited by Bigfour is labeled "1" and enterprise not audited by Bigfour is labeled "0". Apart from Audit, the author used the second tool, Law. If there are mandatory requirements of the law, the level of CSRD is higher. This has been confirmed by the survey of the KMPG (2013) showing that the percentage of firms reporting corporate social responsibility increased by 37% from 2011 to 2013 as some markets such as Singapore, South Africa, the United States, India, Indonesia have tightened mandatory requirements for social responsibility reporting. In Vietnam, in 2015, the Ministry of Finance issued Circular 155/2015/TT-BTC mandatorily requiring listed enterprises to have environmental and social reports. Thus, the Law variable in this study is labeled as "1" with 2015 or 2016 and "0" with the remaining years. The regression equation between instrument variables and endogenous variables is shown as follows:

$$CSR D = \beta_0 + \beta_1 AUDIT_{i,t} + \beta_2 LAW_{i,t} + \epsilon_{i,t}$$

The authors conducted regression analysis OLS, FEM, REM to verify the relationship between instrument variables Audit, Law and endogenous variables CsrD. The regression results are shown in Table 12:

Table 12. Regression analysis between instrument variables and endogenous variables

CSR D	OLS		FEM		FEM	
	Coef.	P>t	Coef.	P>t	Coef.	P>t
audit	8.05575	0	6.270754	0	6.221204	0
law	5.755859	0	4.33118	0	4.689608	0
_cons	12.36873	0	13.6295	0	13.50817	0
Hausman Prob>chi2			0.000			
Prob>F	0.000					

Source: results of data analysis based on Stata 12.

This result shows that the selection of instrument variables is appropriate. This means that if listed companies are audited by audit firms Big 4 and more laws are enforced, the level of CSRD will be increased.

Then, auditors conducted 2SLS (IV (2SLS) estimation) with dependent variable TBQ, dependent variable CSRD and instrument variables AUDIT, LAW. Results of regression analysis are shown in table 13:

Table 13. Results of regression analysis 2SLS of variables TBQ and CSRD

Tbq	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
Csrd	0.081556	0.0376	2.17	0.03	0.007861	0.155251
Size	-1.39147	0.29525	-4.71	0.00	-1.97015	-0.81279
Lev	0.331186	0.082554	4.01	0.00	0.169383	0.49299
Grw	0.075779	0.094686	0.8	0.424	-0.1098	0.261359
Sargan statistic (over-identification test of all instruments): 3.71						
Chi-sq(1) P-val = 0.0541						

Source: results of data analysis based on Stata 12.

Before analyzing test results of 2SLS, the authors assessed the completeness and validity of instrument variables used in the 2SLS regression by Sargan test. Sargan test has hypothesis  $H_0$ : the instrument variable is exogenous, which is not correlated with model error (Hansen et al. 1996). The results of Table 11 show that  $p\text{-value} = 0.0541 > 0.05$  so  $H_0$  is accepted, which means the model has enough necessary instrument variables.

Assuming other factors are constant, there is a positive relationship between CSRD and the market value of the firm (coefficient  $\beta = 0.081$  and  $\text{sig} = 0.03$ ). This finding is consistent with the authors' predictions and coincides with some studies (Cahan et al. (2015) (Makni et al. 2009) (Platonova et al. 2016). This means that good CSRD will bring value to the business.

### Regression analysis results of model 2

To overcome the Heteroskedasticity phenomena and auto-correlation in the research model, the authors used the Generalized Least Square (GLS). The GLS regression results of the model 2 are shown in Table 14.

Table 14. The GLS regression analysis results of model 2

Tbq	Coef.	Std. Err.	z	P>z	[95% Conf.Interval]	
Csrd(-1)	0.044717	0.005005	8.93	0.000	0.034907	0.054528
Size	-0.10608	0.038892	-2.73	0.006	-0.18231	-0.02985
Lev	-0.01361	0.05295	-0.26	0.797	-0.11739	0.090168
Grw	0.174169	0.099724	1.75	0.081	-0.02129	0.369625
_cons	3.533449	1.018852	3.47	0.001	1.536535	5.530362

Source: results of data analysis based on Stata 12.

Table 14 shows positive relationship between CSRD in the previous year and the market value of the enterprise (coefficient  $\beta = 0.044$  and sig = 0.00). This is consistent with the prediction of the authors that CSRD contributes to improving the image of the enterprise, thereby improving the value of enterprise in the future. Similar results have been confirmed in studies of Jitaree (2015), Nguyen & Trinh (2016).

## 6. Conclusion

The actual survey showed that the level of practice and disclosures of corporate social responsibility of listed companies on the stock market in Vietnam is still low. However, these activities have been improved over time. This shows that Vietnamese enterprises have increasingly concerned about social activities with the objective of sustainable development for businesses and the whole society. The results from the regression analysis of relationship between CSRD and value of enterprise showed that the practice of corporate social responsibility of business has a positive impact on the market value of listed companies on the stock market of Vietnam. Although the level of impact is low, this shows a positive sign of the activities and information disclosures about corporate responsibility to the environment, lives of employees, investment in training and developing human resources, community support and development, and especially information on product quality contributing to enhancing corporate value. Many enterprises are afraid of costs and resources occurring to implement and report corporate social responsibility, but the results of this research showed that the costs of enterprises will be offset by benefits such as creating a prestigious image for enterprises, boosting sales, and increasing brand value. In addition, this study also showed that impact from Vietnamese government has also led to an increase in the level of CSRD of listed companies in the market. This result suggests that an investment strategy for social responsibility and enhancing information transparency will boost business performance. Last but not least, this result is also a basis for Vietnamese government to adopt more regulations on CSRD to meet the needs of international economic integration.

The results suggest that:

- The Vietnamese government: introduce more regulations on CSRD for enterprises, especially those listed on the Vietnam's stock market. This is necessary to meet the needs of international economic integration.

- The enterprises: recognize the importance of social and environmental information disclosures as an opportunity to legalize products and shares of enterprises in the eyes of consumers and investors. Therefore, companies need to develop specific strategies to enhance the practice and effective disclosure of corporate social responsibility.
- The investors: find more information on social responsibility that enables them to have better assessment of shares of companies.

## 7. Limitations and Recommendations for Future Research

In the world, there have been many studies on the impact of CSRD on corporate value. These studies used different measurements so the results vary considerably. There are many reasons for that, specifically when it is not easy to measure the level of CSRD because social responsibility is a broad concept. In this study, the authors used the content analysis method for the annual reports and the sustainable development reports of the enterprises based on the lists of surveys which were built and adjusted according to the references of previous studies. Thus, the indicators of corporate social responsibility developed by the authors are inevitably subjective. Therefore, in the future, when Vietnam's economy grows and standards of CSRD are standardized, measurement of information disclosures will be easier and more reliable.

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