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Enhancing Firm Value through CSR Disclosure in Crisis Period: Evidence from high-profile Asia-pacific firms

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Abstract

This study investigates the impact of firms' disclosure about their CSR efforts (CSRD) on firm value during crisis periods, focusing on high-profile companies in the Asia-Pacific region. The analysis examines high-profile companies within the Asia-Pacific region during 2020-2021, using archival data sourced from the Thomson Reuters database. This study finds that CSRD significantly impacts firm value during crises. During times of crisis, transparency in CSR activities is especially valued, as stakeholders seek companies with continuous principles and ethical practices that bond as a commitment to firms' social responsibility within their surrounding business environment. This positive reputation helps high-profile companies maintain stakeholder relationships and bolster their market standing during global challenges. It highlights CSRD as a critical strategy for enhancing firm value in crisis periods, underscoring the foundational needs of firms in fulfilling their transparency and responsibility to stakeholder trust and supporting a company's resilience during global crises.

Keywords: Corporate Social Responsibility, Disclosure, Firm value, Crisis periods

INTRODUCTION

The rapidly developing global crisis, such as the COVID-19 pandemic, has prompted governments worldwide to implement emergency response policies, including travel restrictions and lockdowns. These measures severely limited global economic activity, sharply declining economic conditions across nations (Manuel & Herron, 2020; Ding et al., 2021). As Jordà & Taylor (2020) pointed out, high-impact crises, such as a pandemic, often lead to slow recovery periods and significant shifts in economic dynamics, particularly between labour and capital. In response, both governments and societies have been striving to recover from the adverse impacts of these crises, with companies playing a critical role in the recovery process (Irawan et al., 2022). The crisis has disrupted trade, employment, and overall economic productivity in the Asia-Pacific region, where economies are highly interconnected. The region's solid economic contributions to global trade were heavily impacted by lockdowns, which hindered export-import activities, exacerbated job losses, and caused other economic challenges. Furthermore, the interdependence of these countries in trade, manufacturing, and services made the crisis particularly devastating. In short, the pandemic's shock to the region's economic stability has necessitated a robust response from businesses, especially in how they engage with stakeholders and sustain their operations.

CSR initiatives have become a critical focal point in recovery plans, with governments and stakeholders recognising the importance of CSR activities in restoring economic stability. As highlighted by Lee & Chen (2018), CSR is no longer just a voluntary effort but a strategic program essential for economic recovery in many countries, including Asia-Pacific. During crisis periods, CSR activities are especially crucial, as they help address urgent social and environmental issues that have been exacerbated by the crisis, including health concerns, employment instability, and supply chain disruptions (Tsang et al., 2020; Bae et al., 2021; Irawan et al., 2022). In addition to implementing CSR initiatives, companies are increasingly focused on CSRD as a way to communicate their social and environmental efforts. CSRD has emerged as a long-term strategic tool for companies, aiming to attract investors and creditors by demonstrating social responsibility and business sustainability (Sajjad et al., 2020; Qiu et al., 2021). Through clear and transparent CSRD, companies provide essential information to stakeholders, showcasing their commitment to ethical practices and societal well-being. Consequently, these firms' initiatives and efforts help protect their organisational value during crises, fostering stakeholder trust and confidence.

The theoretical foundation supporting this protective action is signalling theory, which explains that CSRD signals the market, conveying the company's commitment to social responsibility and long-term business stability (Gray et al., 1995; Lanis & Richardson, 2013). By consistently disclosing CSR efforts, companies signal to investors, consumers, and other stakeholders that they are committed to short-term survival and focused on creating long-term value and sustainability. In other words, these continuous efforts can enhance the firm's reputation and, consequently, its market position, even amid global or regional crises.

The crisis period in the Asia-Pacific region, marked by economic disruptions and an uncertain recovery, underscores the vital role of CSRD in protecting and enhancing firm value. During such challenging times, CSR transparency stabilises companies, helping them maintain stakeholder trust and preserve their financial health (Zafar et al., 2021). The interconnectedness between CSRD and firm value becomes particularly evident as companies with strong CSR practices are more likely to be viewed favourably by investors, creditors, and consumers, ensuring their ability to recover and thrive in the aftermath of the crisis.

In conclusion, CSRD is not merely the firm's ethical obligation but also a critical component of business strategy, particularly during crises. In the context of the Asia-Pacific region, where economies are deeply intertwined, the ability of companies to disclose their CSR activities effectively can significantly impact their resilience and long-term success. Hence, this study explores how CSRD can influence firm value during a crisis, specifically focusing on high-profile companies in the Asia-Pacific region, thereby providing insights into the interplay between CSRD and firm value in times of uncertainty.

LITERATURE REVIEW & HYPOTHESES DEVELOPMENT

Signalling theory offers an essential framework for understanding how CSRD influences firm value. The theory posits that organisations reduce information asymmetry by sending signals to stakeholders through observable actions (Spence, 1973). In the context of CSR, disclosure signals that the company is committed to ethical practices, sustainability, and long-term stability, especially during uncertain periods like economic crises (Gray et al., 1995; Lanis & Richardson, 2013).

During crises, CSRD helps organisations build trust by demonstrating transparency and reassuring stakeholders about the company's resilience and commitment to societal well-being. Companies that disclose their CSR efforts effectively can differentiate themselves from competitors, attract long-term investors, and improve stakeholder relationships (Kim et al., 2019).

Several previous studies have analysed the relationship between CSRD and firm values. In particular, Kim et al. (2019) found that CSRD increases shareholder value. Nguyen et al. (2020) found that the presence of investors is greater if the company discloses a better and higher CSR report. Likewise, Griffin et al. (2021) showed that the positive relationship between CSRD and firm value was more potent when the environment required greater CSR demand and disclosure. From a crisis period view, Qiu et al. (2021) used an event study, showing that companies involved in CSR activities obtain high stock returns during the crisis.

On the other hand, crises forced the company to experience financial difficulties due to reduced sales and other obstacles that caused the company to lay off employees. Terminating employees is considered one of the actions contrary to CSR (Hale et al., 2020). Yasemin (2010) found that crisis conditions led to a significant decrease in CSR activities. Lins et al. (2017) found the same result: CSRD did not affect firm value and stock prices.

CSR activity is a program that positively impacts the company because it can attract stakeholders and provide a good image for the company. Signalling theory explains the relationship between CSRD information provided by the company and the influences on firm value. Many previous studies have discussed these two relationships and concluded that CSR has a positive impact on firm value (Servaes & Tamayo, 2013; Kim et al., 2019; Nguyen et al., 2020; Bae et al., 2021; Ding et al., 2021; Garel & Petit, 2021; Griffin et al., 2021; Qiu et al., 2021). Despite these contrasting findings, the body of literature supports the notion that CSRD plays a critical role in enhancing firm value even during a crisis period. In other words, companies that consistently engage in and disclose CSR activities demonstrate resilience and a commitment to long-term sustainability, aligning with stakeholder expectations and fostering trust. Hence, based on the theoretical background and the synthesised literature review, this study's hypothesis is:

Hypotheses: CSRD has a positive effect on firm value

RESEARCH DATA & METHODS

This study is quantitative research using secondary data. Overall, 43 countries are part of the Asia-Pacific, but only 12 were included in the sample due to data limitations. Furthermore, the period under study is 2020–2021 because of the global health crisis, namely COVID-19. In addition, the author sorts and analyses 427 high-profile companies in the Asia-Pacific region. Detailing the measurement of each variable in this study, the author uses Tobin's Q, which is obtained from the market value of equity added to total debt and reduces the deferred tax burden, after which the results are divided by total assets (Kaplan & Zingales, 1997), as follow.

$$Tobin's\ Q = \frac{Equity\ Market\ Value + Debt}{Total\ Assets}$$

Furthermore, CSRD is measured using the ESG score in the Thomson Reuters database. The ESG score reflects the company's performance and effectiveness in disclosing accountability reports to the public. Furthermore, the control variable in this study is divided into two levels–the firm and the country. Specifically, it includes firm size, leverage, and profitability at the company level as the control variable at the firm level. In addition, at the country level, GDP is measured by the total monetary value of a country's final goods and services in a certain period (Boubakri et al., 2021).

$$Firm\ Size = Natural\ Logarithm \text{ of Total Assets}$$

$$Leverage = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$Profitability = \text{ROA} = \frac{Net\ Income}{Total\ Asset}$$

CONCLUSION AND RECOMMENDATION

Descriptive statistics involve collecting and analysing data to uncover and summarise the characteristics of the dataset under study. The purpose is to explain the data's features, including key measures such as minimum and maximum values, mean (average), and standard deviation. Importantly, descriptive statistics focus solely on describing and summarising the data at hand without attempting to make generalisations or draw conclusions beyond the specific dataset analysed. Shortly, this study's approach provides a clear understanding of each variable's characteristics and distribution within its context.

Table 1.1 Descriptive Statistical Test Results

	Min.	Max.	Mean	Std. Dev.
CSRDit	4,2732	89,4477	44,8555	20,6641
Fvit	0,3127	18,3966	1,9221	2,3609
SIZEit	151.910.209.100	2.623.022.306.083.100	135.232.833.136.176,66	243.203.891.727.410,9
LEVit	0,0010	1,4411	0,2458	0,1765
PROFit	-0,7975	0,3991	0,0412	0,1072
GDP	3.127.079.608.500.000	253.047.428.557.112.000	82.035.311.783.513.072	91.342.761.676.207.216
Valid N	**842**			
Notes: (CSRD) *Corporate Social Responsibility Disclosure*; (FV) *Firm Value*; (LEV) *Leverage*; (PROF) *Profitability*; (GDP) *Gross Domestic Product*				

This study's hypothesis testing uses simple linear regression (SLR) to identify the relationship between CSRD variables and firm values during the crisis period. This study identified three hypotheses: model 1, model 2, and model 3, as presented in Table 1.2 below.

Table 1. 2 Regression Test Results

Variable	Model 1	
	Coef. β	Sig.
CSRD	,012	,007***
SIZE	-,006	,000***
LEV	-,007	,137
PROF	,058	,000***
GDP	,004	,000***
Adjusted R^2	,191	
Note: *** significant < α (0.01); ** significant < α (0.05); *significant < α (0.1) (CSRD) *Corporate Social Responsibility Disclosure*; (SIZE) *Firm Size*; (LEV) *Leverage*; (PROF) *Profitability; Gross Domestic Bruto* (GDP)		

Corporate Social Responsibility Disclosure (CSRD) on Firm Value

The hypothesis testing results in Table 1.2 indicate a coefficient value of 0.012 for the CSRD variable and a significance value of 0.008. These findings demonstrate that CSRD activities positively affect firm value during crises, thereby supporting the proposed hypothesis.

The significance of the relationship between CSRD and firm value stems from the fundamental nature of CSR as a set of initiatives designed to address societal needs and environmental concerns. CSR activities, mandated by regulations or voluntarily adopted, transcend profit-driven motives and reflect a company's commitment to benefiting the broader community. Transparent disclosure of these CSR efforts signals high accountability (Kim et al., 2019) and corporate responsibility (Bae et al., 2021), which resonate with stakeholders. Over time, these disclosures contribute to a positive corporate image, fostering trust and loyalty among investors, customers, and other stakeholders. This alignment of corporate governance with ethical and societal expectations strengthens market confidence and, in turn, enhances firm value.

Furthermore, CSR disclosure reflects adherence to principles of good governance, including transparency and accountability, which are directly linked to improvements in a company's market capitalisation. The cumulative impact of consistently implementing and transparently reporting CSR activities is particularly notable during economic instability. Even in the face of crisis-induced challenges, companies that maintain their CSR commitments demonstrate resilience and a forward-looking approach, which stakeholders view favourably.

These findings underscore the significant role of CSRD as a strategic tool for building corporate value during crises. However, it is essential to recognise that this positive impact depends on several factors, including stable economic conditions, company financial health, and external variables such as GDP growth, leverage, and profitability. In addition, ceteris paribus, the persistent and transparent execution of CSR initiatives and robust disclosures can serve as a stabilising force that drives firm value, even amid adverse economic conditions.

CONCLUSION AND RECOMMENDATION

This study aimed to empirically analyse the effect of CSRD on firm value, focusing on high-profile companies in the Asia-Pacific region during crisis periods. Using data collected from 2020 to 2021 and a quantitative methodology tested with the SPSS v.26 application, the research provides critical insights into the interconnection between CSRD and firm value amid global economic disruptions. The Asia-Pacific region, known for its substantial contribution to international trade and interconnected economies, faced severe challenges during this period, including supply chain disruptions, reduced trade volumes, and heightened economic uncertainty. Therefore, these challenges emphasise the need for companies to demonstrate transparency and resilience through strategic initiatives like CSRD.

The findings confirm that CSRD presented in company financial reports significantly enhances firm value during crises. By transparently disclosing their social and environmental efforts, companies maintain their reputation and strengthen stakeholder trust, which is critical during uncertain times. Therefore, these findings highlight that the positive impact of CSRD is both direct and indirect, reflecting its role in shaping public perception and bolstering the company's market position. Hence, CSR activities showcased in disclosures are perceived as a commitment to ethical practices and societal well-being, aligning the company with stakeholder expectations.

Moreover, the findings emphasise the strategic value of CSR disclosures during crises, as these efforts help reinforce product branding and the company's overall image. Companies that effectively integrate environmental and social concerns into their operations and transparently communicate these initiatives are better positioned to maintain and enhance their market value. In other words, the study illustrates that CSRD acts as a stabilising force, helping firms navigate uncertainties and emerge stronger by fostering confidence among investors, customers, and other stakeholders.

Based on these findings, this study proposes that future research should explore additional dimensions of the relationship between CSRD and firm value, particularly in the Asia-Pacific region's complex economic environment. Future scholars could combine data from various sources, such as Osiris, Bloomberg, and MSCI, to broaden the scope of observation and ensure a more comprehensive analysis. Additionally, incorporating alternative proxies for CSR-related metrics could offer deeper insights into how CSR efforts influence firm value. Further research might also benefit from adopting qualitative methodologies, such as ethnographic studies or interviews with thematic questions, to capture a broader spectrum of stakeholder perspectives. This approach would provide nuanced insights into how stakeholders perceive CSRD during crises and its implications for firm value.

In conclusion, this study shows that CSRD still has its vital role in enhancing firm value even during crisis periods when transparency, trust, and corporate responsibility become paramount. By prioritising CSR initiatives and effectively communicating their impact, companies in the Asia-Pacific region can mitigate risks during economic disruptions and position themselves as leaders in ethical and sustainable business practices while strengthening the interconnected global economy.

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