

Do the Corporate Performance and Default Risk Impact on Corporate Social Responsibility in China?

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Abstract

This study mainly discusses the impact of the corporate performance and default risk on corporate social responsibility in China from December 2008 to August 2014. The results showed that the return on equity and return on asset have positively significant influences on corporate social responsibility which is four composing indicators. Moreover, the corporate performance and default risk are positive effect on the corporate social responsibility when the company is central enterprise.

Keywords: Corporate social responsibility, stock return, default risk, financial performance, central enterprises.

1. Introduction

Recent studies have reported the corporate performance and default risk may cause the corporate social responsibility. The issues of corporate social responsibility include: human rights, employee rights, environment, community involvement, supplier relations, supervision (transparency and disclosure) and stakeholders rights; thus, we use corporate social responsibility score and we divided into four kinds score of corporate social responsibility (Community, Environment, Governance and Employees) in China from December, 2008 to August, 2014. We have three objectives. First, we examine the corporate performance may cause the corporate social responsibility. In the past, the corporate performance divided into market and financial performances. Second, we estimate the default risk by using the KMV model to investigate default risk cause the corporate social responsibility. Finally, the corporate performance and default risk whether effect on the corporate social responsibility when the company is central enterprise.

The earliest definition of corporate social responsibility from Bowen [4], corporations should not only focus on profiting, but also there are strong connection between corporations and social responsibility. World business Council for Sustainable development (WBCSD) defined corporate social responsibility as: “*Corporate Social Responsibility is*