



**UNIVERSITI PUTRA MALAYSIA**

**OWNERSHIP CONCENTRATION EFFECT ON MARKET SENTIMENT  
AND CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE IN  
SELECTED ASIAN COUNTRIES**

**ADITI MITRA**

**GSM 2019 17**



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By

**ADITI MITRA**

**Thesis Submitted to the Putra Business School in Fulfillment of the  
Requirements for the Degree of Doctor of Philosophy**

**July 2019**

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Doctor of Philosophy

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**July 2019**

**Chairman : Associate Professor Ahmed Razman Abdul Latiff, PhD**  
**Faculty : Putra Business School**

Investors have been a neglected stakeholder group in studies on firm's motivations to be socially and environmentally responsible. Despite being a strong driving force behind capital support, there is scarcity of studies investigating the influence of market sentiments on firms' CSR performance. Alongside, the phenomenon of corporate social responsibility (CSR) is gaining significance in Asian economies, as these markets are undergoing rapid economic growth coupled with various types of societal challenges and driven by increased business activities. There are expectations that Asian business will come up with solutions to many of the twenty-first century's social and environmental challenges, such as water accessibility, global warming, climate change, and affordable health care in order to keep up with the growth momentum. Investors' concerns about credible CSR information questions the degree of information asymmetry that exists among investors and firms, as well as the nature of CSR in Asian countries, particularly in situations where firms tend to have concentrated ownership. Concentrated ownership encourages firms in Asia to divert the socially responsible investments (SRIs) coming from investors towards personal gains. The distinct contexts of economic, social and ownership structure make it an appropriate environment for comparison between developed and developing markets from within the Asian countries to examine the relationship between market sentiment and CSR performance. Malaysia and Thailand are the two selected developing countries in this study which are undergoing rapid economic growth, thus, a good market to attract SRIs from global investors. Similarly, Singapore and Hong Kong are the chosen developed Asian countries in this study which have seen considerable economic growth and development; thus, a good case to use for studying CSR performance.

This study employs Information Economics theory and Agency theory where the central premise is that firm's trade off the related benefits and costs in their decision-making about the level of engagement between investors and CSR performance compliance. Accordingly, concentrate ownership leads firms to make effective decisions and maximise benefits of their decisions about the value of stakeholder engagement prior to undertaking CSR performance. This study provides an empirical investigation in the developed and developing Asian market context, and proposes a conceptual framework consisting of three variables that potentially influence the nature of CSR in Malaysia, Singapore, Hong Kong and Thailand. These variables include market sentiment, ownership concentration and CSR performance in individual dimension (environment, social and governance). In addition to emphasizing the context in which CSR is conceptualized and practiced, this thesis also builds a theoretical foundation that aids in the development of CSR debates, in particular, the sub-parameters of CSR influencing value maximisation goal of the firm and the future implementation of CSR in these markets.

This study employs a quantitative research design and the findings of this study are based on the analyses of 7,140 firm observations from the chosen Asian markets. This study finds a positive and significant relationship between market sentiment and CSR performance. It also finds that this relationship differs across the CSR performance sub-dimensions (i.e., environment, social, governance and total performance) among firms in the chosen markets, indicating the significance of disclosing detailed CSR performance compliance as a measure to reduce information asymmetry, as opposed to an aggregate or total CSR performance level. Finally, the study finds that there is a significant moderating effect of ownership concentration on the relationship between market sentiment and CSR performance. This study constructs a usable country-specific market sentiment index that can be used for capital investment decisions among firms. The results of this study provide empirical evidence to fill the gap in the knowledge by incorporating the information economics theory and agency theory constructs in a competing way. The findings of this study aim to address the on-going concerns of the investors seeking credible CSR performance information from the firms. Further, the long-standing debate over whether CSR performance enhances the long-term value of firms or not is also discussed in this thesis. Finally, the results imply that standard setters and regulators should seek to persuade firms to engage with investors to strategize CSR related investments prior to undertaking the actual CSR initiatives.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**KEPENTINGAN KONSENTRASI PEMATUHAN KE ATAS PASARAN  
TANGGUNGJAWAB SOSIAL DAN KORPORAT SOSIAL PRESTASI DI  
NEGARA ASIAN TERPILIH**

Oleh

**ADITI MITRA**

**Julai 2019**

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Pelabur telah menjadi kumpulan pemegang kepentingan diabaikan dalam kajian mengenai motivasi firma untuk menjadi tanggungjawab sosial dan alam sekitar. Walaupun menjadi pendorong yang kuat di belakang sokongan modal, terdapat kekurangan kajian yang menyiasat pengaruh sentimen pasaran terhadap prestasi firma CSR. Di samping itu, fenomena tanggungjawab sosial korporat (CSR) semakin penting dalam ekonomi Asia, memandangkan pasaran ini mengalami pertumbuhan ekonomi yang pesat dan ditambah dengan pelbagai jenis cabaran masyarakat dan didorong oleh peningkatan aktiviti perniagaan. Terdapat jangkaan bahawa perniagaan Asia akan menghasilkan penyelesaian kepada banyak masalah sosial dan alam sekitar abad ke-21, seperti akses air, pemanasan global, perubahan iklim, dan penjagaan kesihatan yang berpatutan untuk mengekalkan momentum pertumbuhan. Kebimbangan pelabur mengenai maklumat CSR yang boleh dipercayai menyangi tahap asimetri maklumat yang wujud di kalangan pelabur dan firma, serta sifat CSR di negara-negara Asia, terutamanya dalam keadaan di mana firma cenderung mempunyai pemilikan pekat. Pemilikan berpusat mendorong syarikat di Asia untuk mengalihkan pelaburan bertanggungjawab sosial (SRI) yang berasal dari pelabur ke arah keuntungan peribadi. Konteks yang berbeza struktur ekonomi, sosial dan pemilikan menjadikannya persekitaran yang sesuai untuk perbandingan antara pasaran maju dan membangun dari dalam negara-negara Asia untuk mengkaji hubungan antara sentimen pasaran dan prestasi CSR. Malaysia dan Thailand adalah dua negara membangun terpilih dalam kajian ini yang sedang mengalami pertumbuhan ekonomi yang pesat, oleh itu, pasaran yang baik untuk menarik SRI daripada pelabur global. Begitu juga, Singapura dan Hong Kong adalah negara maju Asia yang dipilih dalam kajian ini yang telah menyaksikan pertumbuhan dan pembangunan ekonomi yang cukup; Oleh itu, kes yang baik digunakan untuk mengkaji prestasi CSR.

Kajian ini menggunakan teori Teknologi Maklumat dan teori Agensi di mana premis utama ialah perdagangan firma daripada faedah dan kos berkaitan dalam membuat keputusan mengenai tahap penglibatan antara pelabur dan pematuhan prestasi CSR. Oleh itu, pemilikan pekat membawa firma untuk membuat keputusan yang berkesan dan memaksimumkan faedah keputusan mereka mengenai nilai penglibatan pihak berkepentingan sebelum melaksanakan prestasi CSR. Kajian ini menyediakan penyelidikan empirikal dalam konteks pasaran maju dan membangun Asia, dan mencadangkan rangka kerja konseptual yang terdiri daripada tiga pembolehubah yang berpotensi mempengaruhi sifat CSR di Malaysia, Singapura, Hong Kong dan Thailand. Pembolehubah ini termasuk sentimen pasaran, kepekatan pemilikan dan prestasi CSR dalam dimensi individu (persekitaran, sosial dan tadbir urus). Di samping menekankan konteks di mana CSR dikonseptualisasikan dan diamalkan, tesis ini juga membina asas teoritis yang membantu dalam pembangunan perdebatan CSR, khususnya, sub-parameter yang mempengaruhi matlamat memaksimumkan nilai firma dan pelaksanaan masa depan CSR di pasaran ini.

Kajian ini menggunakan reka bentuk penyelidikan kuantitatif dan penemuan kajian ini berdasarkan analisis 7,140 pemerhatian firma dari pasaran Asia yang dipilih. Kajian ini mendapati hubungan positif dan signifikan antara sentimen pasaran dan prestasi CSR. Ia juga mendapati bahawa persatuan ini berbeza di antara sub-dimensi prestasi CSR (iaitu persekitaran, sosial, tadbir urus dan prestasi keseluruhan) di kalangan firma di pasaran terpilih, menunjukkan kepentingan mendedahkan pematuhan prestasi CSR terperinci sebagai langkah untuk mengurangkan maklumat asimetri, berbanding dengan tahap prestasi agregat atau keseluruhan CSR. Akhirnya, kajian ini mendapati terdapat pengaruh sederhana kepekatan pemilikan terhadap persaingan antara sentimen pasaran dan prestasi CSR. Kajian ini membina indeks sentimen pasaran khusus negara yang boleh digunakan untuk keputusan pelaburan modal di kalangan firma. Hasil kajian ini memberikan bukti empirikal untuk mengisi jurang dalam pengetahuan dengan menggabungkan teori ekonomi maklumat dan teori agensi dengan cara yang bersaing. Penemuan kajian ini bertujuan untuk menangani kebimbangan berterusan pelabur yang mencari maklumat prestasi CSR yang boleh dipercayai dari firma. Selanjutnya, perdebatan lama mengenai sama ada prestasi CSR meningkatkan nilai jangka panjang firma atau tidak juga dibincangkan dalam tesis ini. Akhirnya, hasilnya menyiratkan bahawa penentu dan pengawal selia standard harus berusaha untuk meyakinkan firma untuk melibatkan pelabur untuk merangka pelaburan berkaitan CSR sebelum melaksanakan inisiatif CSR yang sebenar.

## ACKNOWLEDGEMENTS

I would like to express my sincere gratitude and utmost appreciation to my main supervisor, Assoc Prof Dr Ahmed Razman Abdul Latiff for his continuous support and encouragement for the completion of my thesis. I would also like to thank the other members of the supervisory committee, Assoc Prof Dr Bany Ariffin Amin Noordin and Dr Mohd. Noor Hisham Bin Osman for their kind thoughts and recommendations.

I am grateful to my sibling and mother *Madhuri* and *Maya*, who have given me courage and provided me through moral and emotional support throughout in my life. I am also grateful to my other family members and friends who have supported me along the way. This thesis is dedicated to my mother, *Maya* and my son, *Reyansh*.



I certify that a Thesis Examination Committee has met on 11 July 2019 to conduct the final examination of Aditi Mitra on her thesis entitled “Ownership Concentration Effect on Market Sentiment and Corporate Social Responsibility Performance in Selected Asian Countries” in accordance with The Universities and University College Act 1971 and the Constitution of the Universiti Putra Malaysia [P. U. (A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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## LIST OF ABBREVIATIONS

CGOVP	Governance Performance Scores
CSR	Corporate Social Responsibility
CSR P	CSR Performance
ENVP	Environment Performance Scores
GRI	Global Reporting Initiative
HKEx	Hong Kong Exchanges and Clearing Limited
IHO	Market Horizon
MAS	Monetary Authority of Singapore
MCCG	Malaysian Code of Corporate Governance
MSENT	Market Sentiment
MYX	Bursa Malaysia
NEP	New Economic Policy
OWN_C	Ownership Concentration (Moderating Variable)
PLCs	Public-Listed Companies
RE	Retained Earnings
RISK	Risk
SCCG	Singapore Code of Corporate Governance
SET	Stock Exchange of Thailand
SGR	Sales Growth
SGX	Singapore Stock Exchange
SMEs	Small and Medium Enterprises
SOCP	Social Performance Scores
TCSR P	Total CSR Performance Score

# CHAPTER 1

## INTRODUCTION

This chapter sets the stage for the present study. To begin, Chapter 1 is divided into seven sections, namely the background of the study, the motivations behind the study, statement of the problem, research objectives, research questions, significance of the study, and some key terms operationalised in the study. To conclude, a brief summary of the chapter is provided.

### 1.1 Background to the Study

The present-day competitive business environment has drawn global investors to utilize corporate social responsibility (CSR) performance information and look beyond a company's financials in making long-term viable business and investment decisions (Cheong *et al.*, 2017). Recent studies (Liang & Renneboog, 2017; Cheong *et al.*, 2017; Rezaee *et al.*, 2016) classify CSR performance into three components: (1) environmental performance; (2) social performance; and (3) governance performance. Global investors consider all the three dimensions of CSR performance in their investment analysis particularly among Asian markets (Rezaee *et al.*, 2016). As the Asian markets are undergoing rapid economic growth coupled with societal challenges, driven by increased business activity it is imperative that investors are more cautious prior to making investments in order to up-keep the growth momentum among these firms (Wang & Sarkis, 2017; Dang *et al.*, 2014; Monnet & Quintin, 2014).

Evidence indicates that value-relevant firms move away from merely disclosing CSR information (environmental, social, and governance) and instead prefer to associate market sentiment with CSR performance scores (Dam & Scholtens, 2015; Monnet & Quintin, 2014; Naughton *et al.*, 2014). In this regard, market sentiment has been used as a measure of investors' sentiment (Wang & Sarkis, 2017; Cheong *et al.*, 2017; Naughton *et al.*, 2014) and CSR performance scores have been used as an indication of actual CSR performance made by firms (Liang & Renneboog, 2017; Cheong *et al.*, 2017; Rezaee *et al.*, 2016). Thus, long-term value maximisation can be achieved by fulfilling either of the following two categories: (1) firms actively reducing information asymmetry by engaging with investors in driving value relevant CSR to the society (Cheong *et al.*, 2017; Dang *et al.*, 2014) and (2) controlling the practices which are deemed detrimental to the sustainability of the business, for example, poor environmental practices, and societal and governance issues (Dam & Scholtens, 2015; Monnet & Quintin, 2014; Naughton *et al.*, 2014).

There are numerous reasons investors may not be provided with the adequate CSR performance information. Firstly, it is unclear if global investors are able to understand and influence CSR performance due to the complexity of business operations and the opaqueness of their shared business information (Greenspan, 2008). Consistent with not understanding this complexity, global investors have been criticized for not providing positive market sentiment with regard to improved CSR performance (Desai *et al.*, 2015; Greenspan, 2013). Additionally, failing to predict, or even contributing to, the financial crisis by not making conscientious socially responsible investments (SRIs hereafter) (Cheong *et al.*, 2017).

In the same light, the focus towards building a long-term focus also comes at a time when firms are encountering increased investor pressure to address social and environmental concerns (Wang & Sarkis, 2017; Dang *et al.*, 2014; Monnet & Quintin, 2014). Past studies have raised concerns from investors about firms neglecting their role towards society (Alafi & Hasonah, 2012; Galbreath & Shum, 2012; Lin *et al.*, 2009; Luo & Bhattacharya, 2006). Additionally, investors are concerned about the negative impacts of concentrated ownership or a firm's stakes being held by block-shareholders as they tend to limit CSR performance and channelize SRIs towards the owner's personal interest (Glaum *et al.*, 2013; Dong & Stettler, 2011; Dhouibi & Mamoghli, 2013; Morris *et al.*, 2012). This concern expressed by investors is noteworthy as environmental, societal and governance issues may constrain the value maximisation goal of the firm as discussed below.

Examples include the legal suits against Ferrero, an Italian chocolate company who make Nutella. In Asia, the IOI plantation and Nestle<sup>1</sup> have been subject to similar legal suits. All of these companies have been accused of being *drivers of deforestation*, owing to their use of palm oil from Indonesia. It is worth highlighting that any attempts to rectify socially irresponsible practices involve expending capital resources in activities that do not lead to any firm value creation, and such actions can be penalised by the investors due to the loss of brand name and reduction in sales<sup>2</sup>. Thus, these unforeseen circumstances can be prevented should firms undertake collaborative and strategic decision making with regard to CSR performance, that is, associate market sentiments and CSR performance, and thereby plan for the next coming year's CSR initiatives.

The role and relevance of CSR parameters (environmental, social, and governance) and their linkage to a firm's financial well-being is often questioned by investors when they are not associated with decision making (Cai *et al.*, 2012). This can be attributed to the 'veracity or credibility gap'. Firms failing to provide credible CSR information often impact the investors' investment decisions based on the long-term survival of the firms (Seele & Lock, 2015). CSR performance are unable to reduce the information asymmetry between the firms and the investors, especially in Asian markets. This can be because firms in Asia are perceived to face more societal (Partington, 2014) and governance issues because of their short-term wealth

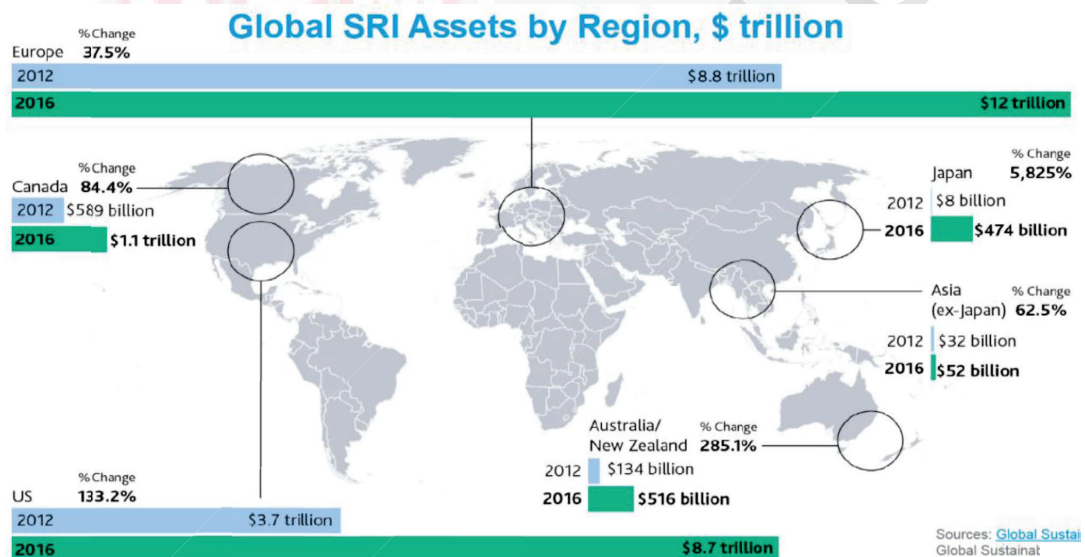
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<sup>1</sup> Source: <https://www.financialexpress.com/industry/maggi-noodles-caught-in-the-loop/85227/>

<sup>2</sup> Source: <https://news.mongabay.com/2016/03/malaysian-palm-oil-giant-ioi-suspended-from-rspo/>

maximisation focus (Al-Malkawi *et al.*, 2014; de Carvalho *et al.*, 2014; Claessens & Yurtoglu, 2013; Fan *et al.*, 2011). Needless to say, the short-term wealth maximisation focus will become more prevalent in firms with concentrated ownership structures.

The credibility gap also exists among global investors that wish to utilise CSR information for investment decisions (Rogers, 2015). According to Global Sustainable Investment Review (2016) (see Figure 1.1 below) SRIs have increased by 62.5 percent in Asia; that is, an approximate asset value of \$52 billion has been observed in the last few years but commensurate increase in the levels of CSR performance related information dissemination has not happened (Rezaee *et al.*, 2016, 2015; Kiron *et al.*, 2015). Thus, if firms are not able to focus on the pressing issues of lack of credible CSR information among investors, they are losing out on the opportunities that come with SRI directed towards them (Sharma, 2013).



**Figure 1.1 : Relevance of CSR parameters in Asian economies**  
(Source: Global Sustainable Investment Review, 2016)

CSR information about a firm is becoming a key consideration for investors around the world (KPMG, 2017). According to CSR Asia's Business Brief (2017), investors consider CSR parameters to be critical information in order to build a sustainable business environment (see Figure 1.2 below). Past studies have concluded that when investors have made SRI, they are able to predict financial crises and determine the location of investment with regards to increased opportunities (Desai *et al.*, 2015; Greenspan, 2013; Hawley *et al.*, 2011; Reinhart & Rogoff, 2008). Alternatively, increased CSR performance reduces future risks of lawsuits or negative corporate news which in turn leads to higher expected returns in the future (Derwall *et al.*, 2011). Since investors can impact the value maximisation goal of a firm by providing capital, it is of paramount importance that firms take into account the investor's requirements (linked to the market sentiment) when investing in CSR performance initiatives.



Year	2016	2017	2018
1	Climate change and water	Sustainable supply chain	Sustainable supply chain
2	Corporate governance, disclosure and reporting	Increased regulation and standards	Community development and value maximisation
3	Sustainable supply chain	Corporate governance, disclosure and reporting	Increased regulation and standards
4	Community development and value maximisation	Environmental pollution	Corporate governance, disclosure and reporting
5	Biodiversity and access to natural resources	Community development and value maximisation	Wealth gaps, poverty and social imbalances
6	Consumer pressure and sustainable consumption	Biodiversity and access to natural resources	Consumer pressure and sustainable consumption
7	Health issues	Health issues	Environmental pollution
8	Environmental pollution	Natural disasters	Biodiversity and access to natural resources
9	Increased regulation and standards	Human capital pressures	Health issues
10	Human capital pressures	Consumer pressure and sustainable consumption	Human capital pressures

**Figure 1.2 : Key CSR issues faced among firms in Asia**

(Source: Corporate Social Responsibility Asia's Business Brief, March 2018)

At the same time, a paradox is evident wherein past studies have indicated an increasing trend in CSR related studies (Amran *et al.*, 2014; Clarkson *et al.*, 2008, Cormier *et al.*, 2005), and the use of CSR as a legitimacy tool (Hahn & Lulfs, 2014; Faisal *et al.*, 2012). However, these studies have been limited in scope as they have primarily focused on the number of pages or sentences, namely reviewing CSR performance (Amran *et al.*, 2014). Notwithstanding, these studies have resulted in the 'veracity gap', whereby they have collectively pointed to the failure of managers to meet investors' expectations of providing credible CSR information (Alon & Vidovic, 2015; Seele & Lock, 2015; Knebel & Seele, 2015; Parsons & Moffat, 2014; Smith *et al.*, 2011; Fonseca, 2010; Manetti & Becatti, 2009; MacLean & Rebernak, 2007; Dando & Swift, 2003; Adams, 2004).

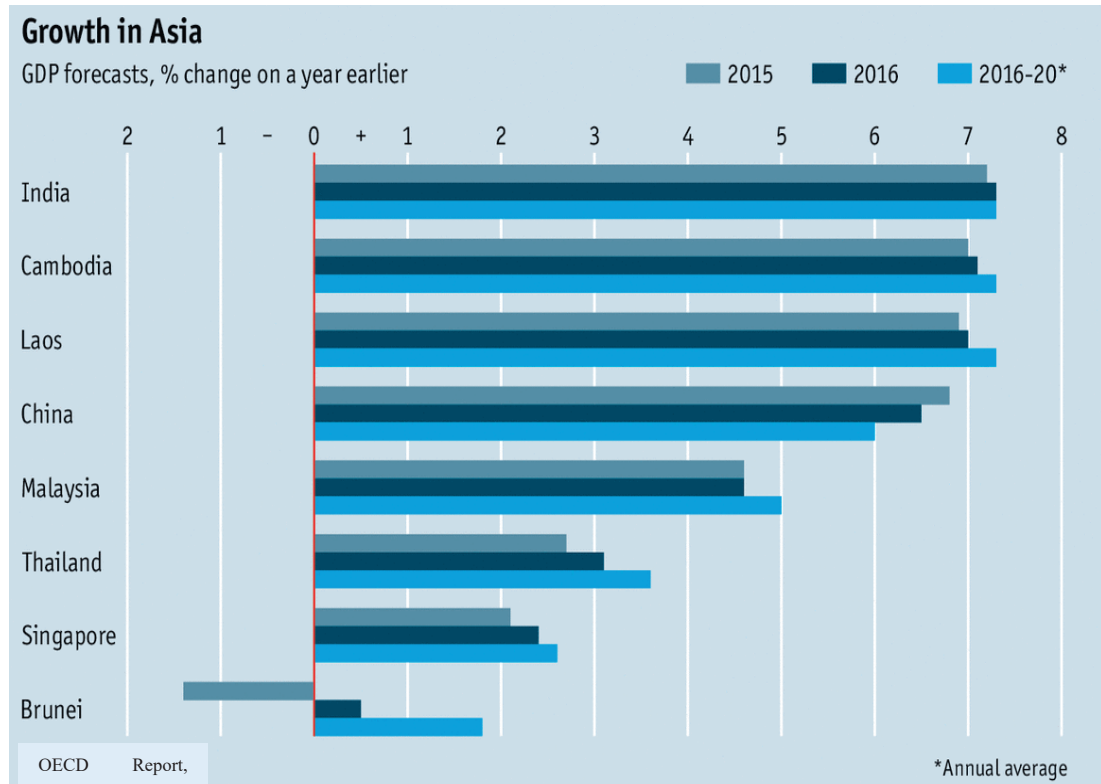
As such, the primary objective of this study is to observe how market sentiments (coming from investors) drive a firm's propensity to be socially and environmentally responsible. This study aims to bridge the veracity gap and to examine the aforementioned paradox as to why the increasing trend in CSR related studies is unable to meet the growing demands of the investors, who are seeking relevant and useful CSR information. It also seeks to answer why the increase in studies is unable to manage the value-hindrance CSR may have on firms, as faced by companies such as Nutella or Nestle. If firms expend their resources on CSR initiatives that do not fulfil the investor's requirement for relevant CSR information, they are in turn hindering the value maximisation goal.

## 1.2 Motivations and Justifications of the Study

In this section, the reason for undertaking this study is explained. First, there is an increased pressure for companies to be held accountable for both social and environmental issues (Soderstrom, 2013). Investors have emphasised the importance of CSR performance among firms; for example, the European Union requires mandatory reporting on business, social and environmental performance (EU Directive, 2015). Thus, if firms do not address the prevailing societal issues, they lose out on the support rendered by investors in fostering growth and development (Edmans, 2011, 2012; Flammer, 2013, 2015).

Second, there has been an ongoing debate in relation to the merits of CSR performance (Margolis *et al.*, 2007; Wang *et al.*, 2015). Researchers are divided in their views, with some appearing to support what is commonly referred as deriving a ‘positive outcome’ in the business by undertaking good for the society (Fombrun, 2005; Tamayo & Servaes, 2013). Thus, it is most important that firms undertake value relevant CSR initiatives in tandem with market sentiment in order to reduce information asymmetry, so that when firms are not going financially well, they can continue to instil investor confidence through CSR performance. The payoffs from investor confidence take longer to materialise owing to the intangible nature of resources such as legitimacy and reputation (Wang & Bansal, 2012; Porter & Kramer, 2006, 2011; Russo & Fouts, 1997; Hart, 1995; Jones, 1995); however these eventually contribute to long-term survival of the business and thus, gain a competitive advantage (Ortiz-de-Mandojana & Bansal, 2016; Hillman & Keim, 2001).

Third, CSR performance have also been subjected to the criticism of irresponsibly using the investors funding (Susela *et al.*, 2015; Higgins & Larrinaga, 2014). This can be justified in that the longitudinal increase in CSR related studies in Asia is measured by the number of sentences or pages using the content analysis measurement approach but is unable to determine the degree of actual CSR initiatives (Hafizah *et al.*, 2014; Zainal *et al.*, 2013). Thus, given the limited resources that are available among firms in Asia, it is of utmost importance that firms invest in value relevant CSR performance initiatives which are in close relationship with market sentiments. Additionally, in order to sustain the growth experienced by the Asian markets (refer to Figure 1.3), it is imperative that firms optimise their resources to build a value-relevant CSR framework (OECD Report, 2018). Figure 1.3 presents the GDP forecasts among the fastest growing Asian markets indicating tremendous economic growth thus requiring SRIs to continue fuelling the growth.



**Figure 1.3 : Growth in Asia**  
(Source: OECD Report, 2018)

Fourth, the recent changes observed in regulations, firms' evolving competitive strategies, and the impact of concentrated ownership have an impact on the degree of CSR performance undertaken by firms (Huiyun & Peng, 2011; Juhmani, 2013; Stubbs *et al.*, 2014; Eccles & Serafeim, 2015). Thus, it is of utmost importance to investigate the effect of ownership concentration in the relationship between market sentiment and CSR performance. This can provide a rationale for the low degree of CSR information made available which in turn can impact investors' confidence in firms and the long-term sustainability of firms.

### 1.3 Problem Statement

Global investors are concerned about the negative impacts of environmental and social issues (Naughton *et al.*, 2016; Cormier & Magnan, 2014; Aerts & Cormier 2009; Freeman *et al.*, 2007; Cormier, Gordon, & Magnan, 2004; Berthelot, Cormier, & Magnan, 2003; McWilliams & Siegel, 2001; Brown & Deegan, 1998). It is important for firms to address the investors' concerns with regard to CSR issues as it may have a direct impact on the availability of capital for a firm (Unerman, 2013; Tullberg, 2012; Fries *et al.*, 2010). This issue is even more pertinent in Asia, where Khmer Water Supply Holding (KWSH), a social enterprise that delivers piped water to remote areas in Cambodia, where only 8.5 per cent of households are connected to a water system were provided with a collateral-free loan worth US\$500,000 by Global

investors (source: Eco Business News Article, February 2019)<sup>3</sup>. Thus, if the detrimental impacts of societal and environmental concerns are not managed by firms in Asia, they may lose the support and trust of the investors and thus, limiting their funding and capital support in the future.

In similar light, Asian developing countries such as Malaysia are often blamed for deforestation and habitat destruction (Jenkins, 2010). This had led to the boycott initiated by Greenpeace, non-governmental organisation (NGO), who initiated graphic scenes of a worldwide multimedia campaign in protest against the drivers of deforestation (Coombs & Holladay, 2012). This campaign was to save guard the interest of the orang-utans, whose natural habitat is on the islands of Borneo and Sumatra only, not the Malaysian peninsular (Meijaard & Wich, 2007). A boycott of palm oil products would also deprive hundreds of thousands of people in the industry based in Peninsular Malaysia from making a living. Thus, it is critical to address these issues as it has an impact on not only the natural resources but also the livelihood of the people residing in those markets. It is of utmost importance that companies address the concerns of the investors with regard to detrimental business practices as well engage investors in strategizing CSR performance initiatives for the following year. Thus, managing detrimental CSR practices is essential for the survival of firms (Dhaliwal *et al.*, 2014, 2011; Short *et al.*, 2009).

It has been argued that firms in Asia are not guided by rational management decision owing to the evidence of propping (Higgins & Larrinaga, 2014). Investors are particularly concerned about the negative impacts of concentrated ownership as owners tend to channelize the funds (i.e. SRI) towards their personal interests (Dhouibi & Mamoghli, 2013; Juhmani, 2013). Over the next decade, US \$40 trillion will be directed as part of SRI initiatives in Asian markets to fuel and support the economic growth coupled with environmental and social welfare (Chasan, 2017). Thus, it is very important that companies operating in the Asian markets particularly work on reducing information asymmetry between investors and the firms, as it will have a negative impact on investors' trust (Rehbein, 2014), which in turn can limit SRI and constrain the long-term value maximisation goal of the firm (Susela *et al.*, 2015; Higgins & Larrinaga, 2014).

There is a tremendous increase in demand for credible CSR information from investors. As such, this demand has faced two key challenges. First, the 'rhetoric problem', that is, CSR performance, is driven by a brand image building exercise by firms without taking into account investor demand for credible CSR performance information (Cho *et al.*, 2015; Rahman *et al.*, 2011; Kent & Monem, 2008). Second, by the 'isomorphism critique', that is CSR performance is made in order to fulfil the regulatory requirements (DiMaggio & Powell, 1991; Maliah *et al.*, 2014; Patten, 1991; Brown & Deegan, 1998). Asian firms are more likely to face both these two challenges (Dhaliwal *et al.*, 2014, 2011; Short *et al.*, 2009). Both the rhetoric and isomorphic approaches to undertaking CSR performance do not support the increased economic

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<sup>3</sup>Source: <https://www.eco-business.com/news/singapore-investor-pours-us500000-into-clean-water-in-cambodia/>

growth phase that the Asian markets are currently under-going (Source: OECD Report, 2018).). Thus, addressing this issue is of utmost importance in Asian markets as firms in these markets have limited resources and investing in value-relevant CSR performance initiatives critically impacts the survival of the firms and further fuel the growth of the economy (Norsyahida *et al.*, 2012; Yusoff *et al.*, 2007).

Firms have a responsibility to dedicate their resources to meet the long-term value maximisation goal. As past studies such as Wood (1991) and Bird *et al.* (2007) have suggested, CSR activities enhance long-term value maximisation goals. But are firms in Asian markets engaging in CSR to enhance firm value by providing credible CSR information as demanded by investors? Finally, while firms continue to emphasise the importance of the value maximisation goal, there is also a need for CSR performance that lead to long-term value maximisation goal. It is therefore critical to investigate how firms undertake CSR initiatives in order to maximise value for both the firm and the society at large.

#### 1.4 Research Questions

As a means to overcome the aforementioned problems stated in Section 1.3, this study has constructed research questions to address growing investor concerns about the lack of credible CSR performance among firms in selected Asian countries. Thus, the present study is guided by the following research questions:

**Table 1.1 : List of research questions**

1. Does market sentiment have an impact on the CSR performance (environmental, social, governance, total) among firms in selected Asian countries?
2. Does ownership concentration moderate the relationship between market sentiment and CSR performance (environmental, social, governance, total) among firms in selected Asian countries?
3. Does the relationship between market sentiment and CSR performance differ among firms between selected developing and developed Asian countries?

## 1.5 Objectives of the Study

In close alignment with the problem statement and research questions of the study, the present study attempts to achieve the following objectives:

**Table 1.2 : List of research objectives**

<b>RO1: In order to identify the role of market sentiment in determining CSR performance (environmental, social, governance) among firms in selected Asian countries, the present study has the following objectives:</b>
1a. To examine the relationship between market sentiment and environmental performance;
1b. To examine the relationship between market sentiment and social performance;
1c. To examine the relationship between market sentiment and governance performance;
1d. To examine the relationship between market sentiment and total CSR performance;
<b>RO2: In order to identify the moderating effect of ownership concentration on the relationship between market sentiment and CSR performance (environmental, social, governance) among firms in selected Asian countries the present study has the following objectives:</b>
2a. To investigate the moderating effect of ownership concentration on the relationship between market sentiment and environmental performance;
2b. To investigate the moderating effect of ownership concentration on the relationship between market sentiment and social performance;
2c. To investigate the moderating effect of ownership concentration on the relationship between market sentiment and governance performance;
2d. To investigate the moderating effect of ownership concentration on the relationship between market sentiment and total CSR performance.
<b>RO3: In order to identify the role of market sentiment in determining CSR performance among firms in selected developed and developing Asian countries the present study has the following objectives:</b>
3a. To examine the relationship between market sentiment and CSR performance among selected developing Asian countries;
3b. To examine the relationship between market sentiment and CSR performance among selected developed Asian countries.

## 1.6 Research Gaps

Upon critically reviewing the past literature, the following is a summary of the four gaps identified by the present study:

First, related previous studies have focused on the perceptions, skills, competencies, and capabilities of investors; however, for unknown reasons studies have excluded the relationship between market sentiment and CSR performance among firms. To the best of the researcher's knowledge, the role of market sentiment in reducing information asymmetry among investors and firms with regard to CSR performance has never been looked into in the chosen Asian markets even though it is critical to investigate this aspect given the role of investors (e.g., socially responsible investments) in developing the emerging Asian markets.

Second, a comprehensive review of studies related to CSR literature revealed that studies have mostly focused on CSR performance analysis using a content analysis methodology. It is worth highlighting that the self-constructed index for CSR performance index are subjected to both human bias and error and limited in scope to an analysis of the number of pages or sentences, as opposed to analysing the database used to collect CSR performance scores. Therefore, there are a limited number of studies in this area owing to the lack of available CSR performance scores on the Thomson Reuters database, which has only been made available since 2011. This study aims to highlight that the investigation of CSR performance using score measurement is a relatively a more robust way of constructing CSR performance index. Thus, this study addresses the gap with using CSR performance data which could be subjected to human biases based on past study references.

Third, it was also discovered through a review of the literature that no related previous studies have investigated the moderating role of ownership concentration or blocked shareholding with regard to its impact on the information asymmetry that exists between investors and firms. To the knowledge of the researcher, very few studies have been carried out in relation to the relationship between market sentiment and CSR performance where investors make capital allocation decisions based on CSR performance. This is very relevant in the Asian market owing to the significance of SRIs in supporting diversification projects.

Fourth, the CSR literature abounds with studies that appear to have overlooked the application of the theoretical foundation, such as information economics theory and agency theory. Past studies have largely looked at CSR performance under the Stakeholder theory construct. In this regard, the present study attempts to test the theory and assess how the relationship between market sentiments and CSR performance among firms can reduce the existing levels of information asymmetry among investors and firms in the chosen Asian markets.

## 1.7 Significance of the Study

### 1.7.1 Practical Contribution

First, from a practical standpoint, the present study discusses a pressing issue expressed by the investors who seek credible CSR performance (environmental, social, governance) among firms in Asian markets. Particularly, this study aims to compare this relationship across selected Asian countries from developed as well as developing market context. The distinct economic, social and ownership structure context makes it an appropriate environment for comparison between developed and developing markets among the Asian countries to examine the relationship between market sentiment and CSR performance. Malaysia and Thailand are the two selected developing countries in this study which are undergoing rapid economic growth, thus, a good market to attract SRIs from global investors. Similarly, Singapore and Hong Kong are the chosen developed Asian countries in this study which have seen considerable economic growth and development; thus, a good model to adopt for studying CSR performance. Expected outcomes of the study are likely to suggest that firms should engage investors prior to undertaking CSR initiatives, which in turn will help them limit wastage of resources and address the information asymmetry issue among the investors and firms.

Second, this study aims to resolve a long-standing debate between researchers concerning whether CSR performance in relationship with market sentiment can reduce the prevailing level of information asymmetry that exists in the chosen markets. Several critics have identified that information asymmetry among investors and CSR performance not only hinders the shareholders' wealth maximisation goals but also negatively impacts the long-term sustainability of a firm. Thus, the findings of this study will be relevant to all the stakeholders of the firm.

Third, this study aims to offer new ideas and solutions to firms who must align their CSR performance in accordance to the regulatory requirements of the policymakers (e.g., Securities Commission Malaysia previously issued the Malaysian Code on Corporate Governance 2016 in Malaysia, which requires all companies to report or explain why there is a lack of CSR initiatives being undertaken) and standard setters (i.e., UN Department of Social and Economic Affairs who are instrumental in framing the sustainability development goals 2020). It specifically aims to encourage firms to promote transparency and disclose relevant to CSR information by means of outlining the actual performance which can be measured by CSR performance scores. Thus, the regulators can produce a template that will allow firms to report CSR initiatives in a way that can be measured and scored.

Fourth, it is also worthy of note that a lack of standard measurement revolving around all the CSR aspects limits Asian companies to the adoption of a holistic approach when drafting sustainability reports. For example, Suruhanjaya Syarikat Malaysia (or the Companies Commission Malaysia) is responsible for drafting the Code of Ethics for Company Directors and Company Secretaries and it requires all firms to focus equally



on all environmental, social, and governance aspects. However, there is no evidence to show that focussing on all aspects is what will lead to a credible CSR performance as demanded by investors. By investigating the relationship between market sentiment and CSR performance, this study will indicate which initiatives under the CSR performance parameter (environmental, social, and governance practices) require the regulators' attention based on lower co-efficient results.

### **1.7.2 Academic Contribution**

The present study has a number of significant implications that broaden the literature. First, the present study has implications for the accounting and finance discipline as it constructs a usable country-specific market sentiment index for four markets. Specifically, through its results, the present study aims to prove that market sentiment may not only be used to justify corporate investment levels (e.g., Polk & Sapienza, 2009; Stein, 1996; Stein *et al.*, 2003) but also other types of capital investments such as CSR initiatives. Particularly, one of the main objectives of the present study is to show that when firms positively respond to market sentiments by improving CSR performance, it can strategize CSR initiatives that lead to reduced information asymmetry and higher return on capital investments.

Second, the present study is closely guided by a review of the literature with a focus on possible constructs identified by past market sentiment studies. It is anticipated that by using the same rationale, the findings of this study can be used to create a construct usable indices of country-specific market sentiment indices. The findings of the present study extend the literature by showing that the country-specific market sentiment index can be used for capital investments toward social and environmental projects and undertake costly business actions with the aim of boosting firms' long-term sustainability.

Finally, by means of its results, the present study aims to fill the gap in the knowledge by conducting empirical evidence to the theoretical information-economics theory and agency theory construct in competing light, whereby, information economics theory posits that firms can trade off the related benefits and costs in their decision-making about the level of engagement between investors and CSR performance. In contrast, the impact of ownership concentration can lead to agency problems, where the block shareholders tend to withhold information to remain in control of the firms' operations or divert capital investments towards personal agendas. Thus, it is important to test this construct in this study to provide empirical evidence of the moderating role of ownership concentration on the relationship between market sentiment and CSR performance among firms.

## 1.8 Summary

The present study is divided into three main sections. The first section of this study examines the relationship between market sentiment and CSR performance among firms in selected Asian countries. The second section assesses the moderating effect of ownership concentration on the relationship between market sentiment and CSR performance among firms in selected Asian countries. The last section of the present study identifies the possible differences that may exist between the selected four Asian markets with regard to the relationship between market sentiment and CSR performance, which in turn may culminate in a significant contribution that indicates how sentiments influence the firm's preference towards undertaking value-relevant CSR.

## 1.9 Key Terminologies

**Corporate social responsibility (CSR)** is defined as a business approach that fulfils the long-term value maximisation goal of a firm. The focus on the firm is on increasing economic benefits by controlling the detrimental environmental, social, and governance activities of the firm. Thus, CSR is the process of creating value-relevant social, environmental and economic performance among firms (Cheong *et al.*, 2017).

**Corporate social responsibility performance (CSRP)** is defined as a management concept whereby firms make investments towards environmental, societal, and governance parameters in their business operations. These initiatives lead to CSR performance among firms in chosen markets (Naughton *et al.*, 2014). Thus, CSRP when aligned to the market sentiments as generated by investors may lead to a reduction in information asymmetry among the investors and the firms with regard to the need for credible CSR information (Dang *et al.*, 2014).

**Difference between CSR and CSRP.** CSR is a broad concept with many definitions and practices. However, CSRP relates to the actual initiatives undertaken by the firm to address CSR related issues. CSRP can lead to the value maximisation goal and achieve long-term survival of the firm (Wang & Sarkis, 2017; Dang *et al.*, 2014; Monnet & Quintin, 2014).

**Market sentiment** is defined as investors' sentiment towards the chosen market (Naughton *et al.*, 2014). Market sentiment is the feeling of a market towards directing CSR performance among firms and is revealed through four exploratory variables in this study: percentage of equity share in new issues, number of initial public offerings (quarterly totalised), stock turnover, and the difference between the logarithms of the market-to-book ratios of dividend-payer firms and non-payer firms (Cheong *et al.*, 2017).

**Ownership concentration** is defined as the amount of stock owned by block-shareholders (Dhouibi & Mamoghli, 2013). Large block shareholders owning a concentration of at least 5 percent of the shares outstanding is considered a firm with concentrated ownership and has been coded as 1 in this study or otherwise as 0.



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## BIODATA OF STUDENT

### Curriculum Vitae

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### EDUCATION

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**Doctor of Philosophy (Accounting), 2019**

University Putra Malaysia (AACSB accredited), Kuala Lumpur, MALAYSIA

**Post Graduate Certificate in Academic Practice (International), 2018**

The University of Lancaster, UK

**Globsyn-Tulane Post Graduate Diploma in International Finance Program, 2011**

Freeman School of Business, Tulane University, New Orleans, Louisiana, USA

**Post Graduate Program in Management – International Finance (equivalent to Master of Business Administration), 2011**

Globsyn Business School, Kolkata, INDIA

**Bachelor of Business Administration (Hons.), 2008**

Jadavpur University, Kolkata, INDIA

### ACADEMIC EXPERIENCE

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**Academic Full Time:**

Lecturer, Sunway University Business School, Sunway University, Sunway City, Malaysia, March'15 – To date (*about 5 years*).

**Research Supervision Experience:**

**Thesis Supervision (as primary supervisor), MBA Level**

*Currently supervising 2 MBA students as main supervisor at Sunway University.*

### Industry Training Experience:

- Key Note Speaker, delivering a talk on *Technology in Management* at the International Vision Seminar, Globsyn Business School, Kolkata, India, January 31, 2020 (*forthcoming*).
- Guest lecturer, delivering a session on *Social Accounting*, Module: Ethics and Global Corporate Governance offered to the Masters of International Business, Monash University, Malaysia. May 30, 2019.
- Delivered training program called *Habitudes* for multicultural global teams as part of Deloitte's employee engagement initiative.

### University Service Experience:

- Member, Academic Council, Globsyn Business School, Kolkata, India, since September 2019.
- Member, Sunway University Business School's Teaching and Learning Committee, Sunway University, Sunway City, Malaysia, January 2017 – to date.

## RESEARCH EXPERIENCE

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### Journal Articles:

1. **Mitra, A. & Gaur, S. S.** (2019). Does Environmental Concern Drive Asian Firms Governance Score? *Journal of Asia Business Studies*. (*Accepted*). (*Scopus Q2*).
2. **Mitra, A., Gaur, S. S., & Giacosa, E.** (2019). Combining organizational change management and organizational ambidexterity using data transformation. *Management Decision*. (*Scopus Q1, Citation 2*).  
<https://doi.org/10.1108/MD-07-2018-0841>
3. **Mitra, A., Latiff, A. R. A., & Bany-Ariffin, A. N.** (2018). Influence of institutional investors on firms' corporate social performance in an emerging market. *Journal for Global Business Advancement*, 11(4), 418-440. (*Scopus Q3*).  
<https://doi.org/10.1504/JGBA.2018.097178>
4. **Mitra, A. & Latiff, A. R. A.,** (2018). "Development of Sustainability Reporting: Evidence from Malaysia." *The International Journal of Sustainability Policy and Practice* 14 (3), 33-58. (*Scopus Q4*).  
<https://doi.org/10.18848/2325-1166/CGP/v14i03/33-58>

### **Journal Articles (Work in progress):**

1. Drivers of Sustainability and Business Performance for Firms in Asia (Being prepared for the Social Responsibility Journal).
2. An experimental study that examines the effect of informal learning in in management education (Being prepared for the Journal of International Business Education).
3. Integrated debt-performance models among REITs among firms in Asian (Being prepared for the Emerging Market Journal).
4. Effect of IT enabled external stakeholder relationship management programmes on drivers of value maximization in the context of financial services (Write up stage).
5. The Impact of Corporate Social Responsibility On Corporate Image and Customer Satisfaction on the Value-Maximization Goal among firms (Data Analysis stage).
6. The Last Straw Campaign (Data Analysis stage).

### **Conference Presentation/Proceedings:**

1. **2019:** “Drivers of Sustainability and Business Performance for Firms in Asia”. 79th Annual Meeting of the Academy of Management, USA, Boston, Aug 9 – 13, 2019.
2. **2019:** “Effect of IT enabled external stakeholder relationship management programmes on drivers of value maximization in the context of financial services”. 21st Malaysia Finance Association, Sunway University, Malaysia, 31 July - 1 August 2019.
3. **2018:** “Does Environmental Concern Drive Asian Firms Governance Score?”. 15<sup>th</sup> Annual World Congress of the Academy for Global Business Advancement, Thailand, Bangkok, July 2-4, 2018.
4. **2018:** “Evolution of Sustainability Reporting: Evidence from an Emerging Market Perspective”. Fourteenth International Conference on Environmental, Cultural, Economic & Social Sustainability. Organized by James Cook University, Cairns, Australia and held at The Cairns Institute, Research in Tropical Societies, Jan 17–19, 2018.
5. **2017:** “Level of CSR disclosure and investor clientele: Evidence from Malaysia”. The 3rd International Conference on Organization and Management, Asia Academy of Management, UAE, Abu Dhabi, Nov 19 – 20, 2017.

6. **2017:** “An experimental study that examines the effect of informal learning in management education”. National Conference on Creativity in Education and Humanities 2017, University Sains Malaysia, Penang, Oct 25 - 26, 2017.

## **AWARDS & RECOGNITION**

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- Graduate on Time Award for Doctoral Degree, Malaysia, September 2019.
- Best Research Paper Award in the Social Responsibility track at 15<sup>th</sup> Annual World Congress of the Academy for Global Business Advancement (AGBA), Bangkok, Thailand, July 2-4, 2018.  
(Paper title: Does Environmental Concern drive Asian Firm’s Governance score?)
- Awarded Communication Excellence at “Mastery Level” by Deloitte (top 1 percentile of Deloitte employees), India, 2011.

### **Conference Leadership:**

Conference Co-chair for the PDW titled “Corporate Reputation, Environment and Governance in Asia” at the 79th Annual Meeting of the Academy of Management, USA, Boston, Aug 9 – 13, 2019.

## **RESEARCH AND TRAVEL GRANTS**

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### **Research Grant:**

- Drivers of Sustainability and Business Performance for Firms in Malaysia. Jan – Dec 2019, amount of RM14,615 (equivalent to **USD3600**; as primary investigator).
- Drivers of Sustainability and Business Performance for Firms in India. May 2019 – Apr 2020, amount of RM6000 (equivalent to **USD1,482**; as co-investigator).

### **Travel Grant:**

- Drivers of Sustainability and Business Performance for Firms in Asia, Jan – Dec 2019, amount of RM9, 500 (equivalent to **USD2340**).
- Does Environmental Concern Drive Asian Firms Governance Score, July 2018, amount of RM2, 000 (equivalent to **USD490**).
- Evolution of Sustainability Reporting: Evidence from an Emerging Market Perspective, Jan 2018, amount RM6, 000 (equivalent to **USD1470**).

- Level of CSR disclosure and investor clientele: Evidence from Malaysia, Nov 2017, amount RM8, 000 (equivalent to **USD1970**).
- An experimental study that examines the effect of informal learning in management education, Oct 2017, amount of RM1, 200 (equivalent to **USD300**).

## **PROFESSIONAL BODY MEMBERSHIP**

---

- Member – Academy of Management, since 2019.
- Member – Academy of International Business, since 2019.
- Member - Academy for Global Business Advancement, since 2018.
- Member – Emerging Market Society, since 2019.
- Member – Malaysian Institute of Management, since 2015.

## **INDUSTRY EXPERIENCE**

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Jan 2013 – Feb 2015 **NIELSEN MALAYSIA, Business Research Manager**

- Managed Customer Experience: Brand Health Project (worth 1M USD) for the largest telecom company in Malaysia.
- Provided end to end research experience which includes designing and planning research projects following client briefing, formulating questionnaires for collecting information, analyzing data and final reporting to various clients.
- Clients: Maxis, RHB Bank, HSBC Bank, Tokio Marine.

Feb 2011 – Oct 2012 **DELOITTE US – HYDERABAD, Financial Risk Analyst**

- Financial Risk analyst for US and Canada working in global teams performing due diligence and international checks on M&A projects for technology focused Fortune 500 clients.
- The assessment and prioritization of opportunities based on detailed analysis of client's financial structure and macro and microeconomic analysis of the target industry.
- Clients: Walmart, Adobe, Dell.



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