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Investigating the link between CSR and Financial performance – Evidence from Vietnamese listed companies

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Abstract

Purpose: Many studies have examined different issues around CSR by using data from western countries to examine the nexus between CSR and Corporate Financial Performance (CFP). There are a few literatures about the same topic in Asian countries. The paper therefore investigates the impacts of CSR on CFP by using Vietnamese data

Design/Methodology/Approach: The paper uses content analysis to examine the nexus described above by creating four hypotheses. Apart from CFP variables, the paper controls for size and risk in the model used. We collected data from the annual reports of 20 Vietnamese companies for 3 years giving a total of 60 observations.

Findings: We document a modest relationship between CSR and CFP among companies in Vietnam. The study also found relationship between the level of debt and CSR but document no relationship between CSR and firm size.

Limitations: Content analysis with its measurement problem remains the main limitation of this work. Another limitation is the sample size of 20 companies with a total of 60 observations.

Values: The study provides some important insights for our understanding of CSR in developing economies and its effects on CFP in the context of Vietnamese companies.

Keywords: Corporate social responsibility (CSR), corporate financial performance (CFP), annual report, disclosure, Vietnam

Introduction

The issue of the nexus between CSR and corporate performance continues to be an important research topic in the field of management in general and accounting in particular. This is partly because of the importance of CSR in the scheme of things in the society. The competitive and dynamic market environment has meant that firms can no longer concentrate on maximizing shareholders wealth as hitherto practiced as there are new challenges for them arising from social problems created by them in the process of creating wealth for shareholders. Reverte (2008) reports that CSR activities are of concern to governments of many countries and corporations. This is because of the awareness of the impacts of organizational activities on the society and the environment.

While a large body of literature has explained that corporations engage in CSR activities to ameliorate social problems they created (Frye, Nelling and Webb, 2006, Young and Marais, 2012), many others have suggested that companies engage in CSR activities because of possible effects CSR activities may have on their financial performance (Aras and Crowther, 2007; Arora and Dharwadkar, 2011). However, results and conclusions reached by these second categories have been conflicting. While Jones (2005) and Dhaliwal et al. (2011) found positive association between CSR and CFP, Nelling and Webb (2009) found negative association between the two variables just as Cornell and Shapiro (1987) found no association at all.

This study, therefore, investigates CSR practices among Vietnamese companies and its impact on corporate financial performance (CFP). The study uses a sample of Vietnamese listed companies from Ho Chi Minh and Ha Noi Stock Exchanges to investigate the relationship between CSR practices and their financial performance. The study also uses content analysis to obtain information about their CSR practices and their financial performance from their 2010-2012 annual reports to follow the approach adopted by similar studies in other countries (see Chen and Wang, 2011; Aras and Crowther, 2007). The paper contributes to knowledge by identifying CSR practices in Vietnam and the effects on the companies.

The rest of the paper is structured as follows. The next section discusses related literature in this field. Other sections discuss the research context and design, hypotheses development; present the empirical analyses while the concluding remarks contain a summary and a brief discussion of our findings.

Literature review

CSR has variously been defined to mean the contribution of companies to a better, fairer society and a cleaner environment (Ghazali, 2007; Reverte, 2008; Gamerschlag et al, 2010).

The relevance of CSR can be traced to the stakeholder theory. According to the theory, companies should consider the interest of stakeholders other than the shareholders. Companies activities affect and are affected by groups of people such as shareholders, managers, employees, creditors, suppliers, consumers, governments and the community the company belongs (Freeman, 1984). This means that companies should pursue broader objectives instead of focusing on the maximization of shareholders' wealth. Furthermore, Caroll (1979, 1991) argued that although companies have economic responsibility to their owners, they equally have other responsibilities (legal, ethical, and philanthropic) towards other stakeholders. However, he emphasized that the most fundamental of these responsibilities is economic to reflect the essence of the company's existence as a profit-making business organization. According to him, the other responsibilities are inextricably tied to economic responsibility as without it other responsibilities cannot be carried out. This partly explains the concentration of studies around the nexus between CSR and financial performance. Brown and Fraser (2004) support this view by arguing in favor of the business case approach to CSR which says shareholders' interests should be above the interest of other stakeholders.

Another reason is the findings by extant literature that what started as a regulatory issue is now enhancing shareholders value as earlier posited by the business case approach. This is because stakeholders have continued to reward good CSR practices as their buying decisions have been found to be often based on CSR performance of companies (see Brown and Fraser 2004).

Issues in CSR has been a subject of substantial academic and accounting research in recent years especially since Cochran and Wood (1984) raised the issue of responsible corporation. He linked CSR to corporate financial and stock market performance. The trend is that many organizations have been engaging in CSR activities in different ways and for different reasons. While some organizations see it as capable of helping their visibility and reputation, others see it as a way or complying with relevant regulations on CSR and many others see it as capable of enhancing their financial performance. Cochran and Wood (1984) explain that there is a mutual relationship between CSR and company's image. They measured CSR activities through reputation index using content analysis of annual reports of their sample companies to evaluate the nexus between CSR and company image. Also, Waddock and Graves (1997) and Tsoutsoura (2004) also argue that better financial performance leads to better and improved CSR activities by company in the future. They show evidence of the relationship between CSR and corporate performance.

Many of the extant studies have looked at this relationship using large firms. The Vietnamese capital market is emerging with both Small and medium-sized companies as well as large companies. The aim of this research is to examine the relationship between CSR practices and financial performance using Vietnamese listed companies. So our sample size cuts across size to include some SMEs. This is also because while CSR is mainly applicable to large companies, SMEs also strive to engage in CSR practices in many different ways. This is because, by voluntarily disclosing information concerning their social and environmental performance, companies may reduce levels and quantum of political and social costs.

In addition, CSR activities are usually presented in the annual reports or separate social reports and these are considered as useful channels to connect listed companies to their shareholders as well as attract more potential investors (Gamerschlag, Möller and Verbeeten, 2011). Therefore, the more CSR information companies disclose the more access they have to obtain capital and benefits the company can earn from their shareholders and investors. Verbeeten (2011) argue that shareholders are happy with companies that are socially responsible.

According to Belal (2001), most of the CSR studies conducted so far have been in the context of developed countries such as the U.S.A., Western Europe and Australia where the concept of CSR first emerged. Webb (2006) claimed that the increase in implementing CSR activities in these countries was caused by social influences, domestic political changes and globalization. Crane et al. (2008) argued that the development of CSR activities in developing countries is due to the operation of western multinational corporations in developing countries and the globalization. The current development is that a growing number of domestic companies in developing countries have also paid attention to the development of CSR activities in recent years.

However, Aaronson (2005) explains that CSR practices in developing countries is an issue that cannot be left to the voluntary discretion of business but needs to be highlighted by more stringent regulation in these countries. In Vietnam, issues in CSR were introduced through the World Bank's program 'Strengthening developing country governments' engagement with Corporate Social Responsibility' in 2003 (Twose and Rao, 2003). In 2007, the entrance of Vietnam to the WTO marked a new step forward to a better prospect for globalization as well as implementation of CSR. Lately, a number of laws such as the labor code and the reform of the union law have been passed with the effort to implement CSR activities in Vietnam. Besides, the European Union and Vietnam Chamber of Commerce have supported the project of the United Nations Industrial Development Organization to help SMEs in Vietnam 'Adapt and Adopt CSR for Improved Linkages with Global Supply Chains in Sustainable Production' (Nguyen, 2007). Consequently, Nguyen and Pham (2011) stated that this period is considered to be relevant for the development of CSR in Vietnam and this will help Vietnamese economy develop to be an export-orientated market economy in the future. This assertion by Nguyen and Pham is a further support that CSR may be closely related to financial performance.

Literature on the nexus between CSR and CFP

Evidence to support the relationship between CSR and Corporate Financial Performance (CFP) is mixed Nelling and Webb (2009) While some studies found positive association (see Cochran and Wood, 1984; Ruff et al., 2001; Van der Laan et al., 2008), others found negative association (see Moore, 2001; Nelling and Webb, 2009) and yet others found no relationship (Abbott and Monse, 1979; Lioui and Sharma, 2012). This means that there is no clear empirical relationship between CSR and CFP which makes the relationship controversial.

Those that argue in support of positive relationship have explained that improved CSR practices brings improved employee loyalty and dedication as well as customer goodwill which are factors necessary for companies' economic prosperity (Ruf et al., 2001). They argue that a company rated as high on CSR activities will likely face few labor problems and customers are likely to be favorably disposed towards its products. Secondly, high CSR practices may also assist companies to gain access to cheaper sources of capital and other economic benefits as a result of improved relationship with stakeholders like bankers, investors and government officials. The improved relationship is capable of lowering the cost of doing business and consequently higher reported profit (Lioui and Sharma, 2012).

Furthermore, Rashid and Ibrahim (2002) claimed that if corporations are poor in CSR practices, they may suffer the losses due to low sales or less investment. Moreover, firms perceived to be socially responsible will have an advantage in the market in comparison to other competitors since undertaking CSR activities will create the loyalty of customers and increase firms' sales.

Jones (2005) found positive and significant association between CSR and financial performance after controlling for several factors like firm size, industry and the age of long term assets. Waddock and Graves (1997) found that "better CSR performance leads to better future financial performance". Also, Tsoutsoura (2004, cited by Sun, 2012)) also found a significant and positive association between CSR and financial performance.

On negative relationship, increased responsibility occasioned by improved CSR comes with additional costs compared to less socially responsible firms (Moore, 2001; Vance, 1975; Bragdon and Marlin, 1972). Nelling and Webb (2009) argue that concern for social responsibility may also limit a company's strategic alternatives such as having to forgo certain product lines considered injurious/offensive to some of its stakeholders. Forgoing these products may therefore lower profits. Also, Moore (2001) argue that the implementation of CSR practices requires businesses to make additional investments in such activities and this leads to increase in costs without corresponding offsetting benefits, thereby hurting financial performance. Lastly, those who maintain no causal relationship argue that the additional cost incurred in engaging CSR activities will exactly offset the likely benefit of CSR (see Cornell and Shapiro, 1987)

Methodology, research design and hypothesis development

This study utilizes content analysis as suggested by extant literature as capable of examining the nexus between CSR practices and disclosure and corporate financial performance (see Guthrie, 2004; Schneider, 2006). The use of this approach is consistent with those of Schneider (2006) and Hughes et al (2001). They argue that since the study makes use of annual reports of companies, the approach is very useful in extracting information that is not explicitly in a quantified and structured format just as the approach helps in gathering a large amount of qualitative and quantitative data which can be easily codified into categorical indices as suggested by Krippendorff (1980) and Guthrie et al (2004). Besides, it provides insight into human thought and is devoid of the researcher reactivity influences because of its unobtrusive nature compared to surveys (Maphosa, 1997).

The study uses a sample of 20 largest financial firms in the Vietnamese two stock exchanges – Ha Noi and Ho Chi Minh Stock exchanges. We excluded financial firms because of the unique characteristics of this category of companies in terms of their financial behavior and the nature of their business. We use their annual report for years 2010 to 2012 to collect data on their CSR practices and disclosure which is our independent variable. We use annual report so as to align with the argument of Singh and Kansal (2011) and Gutherie and Petty (2001) that information released in annual reports is more reliable than other sources of information because of the reliance placed on it by various stakeholders.

Hypotheses development

As pointed out in the previous section, the relation between CSR and CFP is mixed suggesting that research is still very much necessary to explore this link. Extant literature has used a number of explanatory variables to explain the nexus between CSR and CFP. CFP variables such as ROA, ROE, ROS, Revenue, asset and DTA have variously been used. Consequently, we examine the nexus between CSR and CFP in the context of Vietnam.

Many studies have found relationships between CSR disclosure and CFP (See Ruf et al., 2001; Moneva et al., 2007; Odemilin et al., 2010). Moneva et al. identified profitability as an important factor in corporate disclosure of CSR practices. Wu (2006) also found a statistically significant relationship between CSR disclosure and CFP in a sample of 197 companies he analyzed in his study. He supports his finding by explaining that a company with good financial performance has more resource to deal with social problems and that the two variables are capable of influencing one another. However, Aupperle et al. (1985) and Moore (2001) found negative relationship arguing that CSR practices/disclosure will increase costs and decrease the efficiency of corporate financial performance. Also, Beccheti and Ciciretti (2006), D'Arcimoles and Trebucq (2002) and Nelling and Webb (2009) found no relationship between CSR and CFP.

In view of the mixed findings on the nexus between CSR activities and CFP, we hypothesize as follows:

H1: Good financial performance will lead to better CSR practices

H2: Good CSR practices will lead to better financial performance

Company Size

Larger companies are likely to be more socially responsible than their smaller counterparts. This is because of increased pressures they face from stakeholders, more recognition by the government as well as competition to outclass other companies in their CSR practices or involvement.

Stanny and Ely (2008) argue that large companies are generally required to provide more information on their CSR practices than smaller companies. They supported this claim by mentioning the costly nature of accumulation and dissemination of information to support their conclusion. They also pointed out that large companies also have greater impact on their community and therefore receive more attention from the public about their CSR practices.

They specifically concluded that large firms have greater incentives to disclose CSR information in their annual reports in order to enhance their reputation and public image, as well as reduce government intervention and agency costs.

However, Roberts (1992) and Ng (1985) found insignificant association between CSR activities and company size in their studies. In view of the mixed findings on the nexus between CSR activities and Company size, we hypothesize without specifying any directions as follows:

H3: Disclosure of CSR practices is predicted to be influenced by company size

Leverage:

Companies with low level of debt and good financial position will invest in CSR activities than companies with high level of debt. Barbosa and Louri (2005) and Kapopoulos and Lazaretou (2007) found statistically significant relationship between CSR activities of companies and leverage.

Aras and Aybars (2010) who adopted the methodology from Waddock and Grave research (1997) argued that the ratio of debt to total assets (DTA) is an appropriate variable to control the financial risk and measure the influence of the financial policy on performance. Consequently, this study also employs the debt to total assets ratio (DTA) as a proxy to control the risk of companies' sample. Based on the above relationship, our hypothesis is stated as follows:

H4: There is a relationship between CSR activities and level of debt of company

Research Design

Measurement of CSR

Our CSR Measurement Instrument is designed to cover six areas so as to examine the extent of CSR practices of our sample companies. To measure CSR disclosure of our sample companies, we used two approaches. Firstly, we relied on the checklist constructed by Gray et al. (1995) which was based on the original work of Ernst and Ernst (1978) to analyze the annual reports of our sample companies. The technique has also been used by Hackston and Milne (1996) and Aras and Aybars (2010). Secondly, to identify the degree of CSR disclosure, we also utilized the number of sentences related to CSR disclosure in the companies' annual report.

Measurement of other variables

We used three proxies of financial performance-Return on Asset (ROA), Return on Equity (ROE) and Return on sales (ROS). We obtained them from the annual reports of 20 Vietnamese companies used as our sample. As for company size, we used total revenue and total asset while we used the ratio of total debt to total assets as our measurement of risk. These variables have been used by extant literatures to examine the nexus between CSR and

CFP (see Waddock and Grave, 1997; Barbosa and Louri, 2005; Kapopoulos and Lazaretou, 2007; Stanny and Ely, 2008; Nelling and Webb, 2009)

Following the methodology of Aras and Aybars (2010) and Waddock and Grave research (1997) multivariate regression is used to examine the effects of CSR on the financial performance of Vietnamese listed companies. The model, expected to hold for each of our sample companies is stated as follows:

CSR practices = β0 + β1*financial indicators + β2*company size – β3*financial risk + α

Variable definition: β - the intercept variable
α - the residual variable

Results and analysis

Descriptive statistic

Table 1 presents the descriptive statistics of CSR disclosure measures of our sample companies. We examined a total of 747 sentences made by the 20 companies in respect of their CSR practices. This is an average of 37 sentences for each company. While Vinamilk Corporation made 88 sentences thereby disclosing the highest, Phalai Thermal Power Joint Stock Company made 11 sentences which is the lowest.

In terms of the dimension on the theme of disclosure, sentences in terms of human resources achieve 100% while 'other factors' achieve 30%. Sentences in terms of human resources achieve 38.4% of all disclosed sentences while other factors achieve only 1.4%. This finding supports the findings of Gao et al., (2005) and Haniffa and Cooke (2005). They argue that information concerning human resource is the most disclosed information by companies when they undertook their studies. This is because human resources are considered as the most valuable resource in many companies. However, unlike developed countries such as in the UK, Australia and USA, customers are not the most important group that create pressure for CSR disclosure in Vietnam companies. This is similar with the theme of energy which shows that Vietnamese listed companies disclosed a small number of sentences in this particular theme.

In terms of the dimension of 'evidence', the incidence figures in non-monetary and declarative disclosures achieve the highest levels with 85% and 100% disclosing companies while only 65% companies disclosed information in monetary type. However, the declarative disclosures are far more than the two other disclosures in term of disclosed sentences.

In terms of the 'news' type, as can be seen, 100% of Vietnamese companies disclosed CSR information under the term ‘neutral’ news, 55% of them revealed good news while 20% of the companies disclosed bad news. Meanwhile, the analysis also reveals that the disclosed sentences of 'neutral' news in annual reports are about 31 sentences each on average. Similarly, companies making disclosures of good news report about 11 sentences each and those disclosing bad news report about 3 sentences each. The reason for this may be because CSR implementation and disclosure are voluntary activities. Besides, there is no existing regulation that should the framework for reporting CSR practices in Vietnam.

Table 1: Descriptive statistics for social disclosure measures of twenty Vietnamese listed companies

CSR dimensions	Number of disclosing companies (making at least one disclosure)	The percentage of disclosing companies over total sample (incidence)	Number of disclosed sentences (amount)	The percentage of disclosed sentences over all disclosed sentences
Theme				
Environmental contribution	19	95	199	26.6
Energy	10	50	31	4.1
Product contribution and customer relation	16	80	109	14.6
Community involvement	18	90	111	14.9
Human resources	20	100	287	38.4
Others	6	30	10	1.4
Total			*747*	*100*
Evidence				
Monetary	13	65	181	24.2
Non – monetary	17	85	139	18.6
Declarative	20	100	427	57.2
Total			*747*	*100*
News				
Good	11	55	121	16.2
Bad	2	20	6	0.8
Neutral	20	100	620	83.0
Total			*747*	*100*

Table 2 presents the descriptive statistics in the form of mean, standard deviation (SD) as well as the minimum and maximum points in respect of our variables: revenue, total of assets, ROA, ROE, ROS, DTA and CSR for all 20 Vietnamese listed companies from 2010 to 2012. The statistics show the characteristics of our variables. CSR disclosure level shows a positive mean of 37% which is lower than 50%. This could be due to absence of CSR regulations to guide the companies in Vietnam. In the descriptive statistics, we have tolerable standard deviations.

Table 2: the descriptive statistics for the measure of size, profitability, risk and CSR

	N	Min.	Max.	Mean	SD
Measure of size					
Revenue 2010	20	138,213	48,076,584	8,025103.45	11,170,364.28
Revenue 2011	20	361,801	64,299,749	10,078296.00	14,736,172.90
Revenue 2012	20	726,567	86,419,862	11,106,695.05	15,448,181.82
Asset 2010	20	729,227	39,679259	11,148,773.75	11,201,417.46
Asset 2011	20	818,065	45,610,767	13,703,519.05	13,479,232.37
Asset 2012	20	1,133,188	55,824,876	15,698,391.75	16,132,119.50
Measure of financial performance					
ROA 2010	20	0.001	0.395	0.147	0.105
ROA 2011	20	0.013	0.330	0.132	0.100
ROA 2012	20	0.000	0.300	0.111	0.091
ROE 2010	20	0.002	0.534	0.285	0.151
ROE 2011	20	0.071	0.498	0.285	0.117
ROE 2012	20	-0.010	0.410	0.196	0.131
ROS 2010	20	0.001	0.812	0.240	0.218

ROS 2011	20	0.003	0.636	0.184	0.172
ROS 2012	20	0.001	0.336	0.161	0.096
Measure of risk					
DTA 2010	20	0.082	0.826	0.446	0.203
DTA 2011	20	0.100	0.820	0.469	0.224
DTA 2012	20	0.104	0.805	0.471	0.214
CSR 2011	20	11	88	37.35	20.283
Valid N (listwise)	20				

Correlation analysis

The correlation and regression analyses were employed in order to test the hypotheses H1, H2, H3 and H4 of this study. Firstly, the correlation of univariate analysis is used to examine the correlation between dependent and independent variables which are: CSR and the financial indicators. Sweet and Grace-Martin (2008) claimed that the relationship will be significant if the correlation coefficient level (p) is ≤ 0.05 or 0.01. Consistent with this, we found many of our variables significant against our measure of CSR

Table 3: the correlation between CSR 2011 and financial data 2010

	CSR 2011	ROA 2010	ROE 2010	ROS 2010	Revenue 2010	Asset 2010	DTA 2010
CSR 2011	1	0.943**	0.780**	0.783**	-0.130	-0.160	-0.807**
ROA 2010		1	0732**	0.820**	0.160	-0.172	-0.811**
ROE 2010			1	0.519*	0.163	0.340	-0.643**
ROS 2010				1	-0.460	-0.271	-0.688**
Revenue 2010					1	0.725**	0.500
Asset 2010						1	0.396
DTA 2010							1

***. Correlation is significant at the 0.01 level (2-tailed)*
**. Correlation is significant at the 0.05 level (2-tailed)*

In this analysis, CSR 2011 is considered as the dependent variable whilst other remaining variables are independent variables. The results show that CSR 2011 is positively and significantly correlated at the level 0.01 with ROA, ROE and ROS 2010 while there is a negative and significant correlation between CSR 2011 and DTA 2010. This is consistent with the findings of previous studies (see Crochran and Wood, 1984; Waddock and Grave, 1997; Tsoutsoura, 2004). In particular, Waddock and Grave (1997) found that CSR is positively and significantly correlated at $p < 0.10$ with ROA, ROE and ROS but negatively significant with the level of debt to total assets (DTA) at the same level. Nevertheless, Waddock and Grave (1997), Denis and Irene (2001) and Aras and Aybars (2010) also found positive correlation between company size and CSR in their studies. However, our findings are inconsistent with theirs as we document insignificant correlation between Vietnamese companies' size and CSR practices/disclosure.

Table 4: the correlation between CSR 2011 and financial data 2012

	CSR 2011	**ROA 2012**	**ROE 2012**	**ROS 2012**	**Revenue 2012**	**Asset 2012**	**DTA 2012**
CSR 2011	1	0.945**	0.482*	0.868**	0.062	0.090	-0.899**
ROA 2012		1	0.446**	0.836**	-0.106	-0.087	-0.866**
ROE 2012			1	0.501*	0.439	-0.116	-0.546*
ROS 2012				1	0.590	-0.208	-0.929**
Revenue					1	0.519*	0.001

2012			
Asset 2012		1	0.217
DTA 2012			1

***Correlation is significant at the 0.01 level (2-tailed)*
**Correlation is significant at the 0.05 level (2-tailed)*

Similarly, the correlation between financial variables ROA, ROE, ROS, Revenue, Asset and DTA 2012 are used to measure their nexus with CSR in 2011 in order to support hypothesis H2. In this model, financial performance variables are treated as the dependent variable while CSR 2011 is considered as independent variable. As can be seen in table 4, the result again indicates positive and significant correlation between ROA, ROS and CSR in 2011, negative and significant correlation between DTA 2012 and CSR 2011 while there is a slightly significant correlation between ROE 2012 and CSR 2011 at the 0.05 level. However, this analysis also shows that there is no significant correlation between total asset and CSR which can be observed table 4 at p = 0.090. Hence, this result suggests that there is a relationship between CSR and financial performance and that CSR may not be related to company size in the context of Vietnamese listed companies.

Multiple Regression Analysis

Hypothesis H1

Then first hypothesis (H1) was tested by regression analysis with CSR 2011 as dependent variable while ROA, ROE and ROS 2010 are independent variables.

Table 5: Model Summary – ROA, ROE, ROS 2010 and CSR 2011 (SPSS output)

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	.955[a]	.911	.887	6.807

[a] Predictors: (Constant), DTA10, ROE10, ROS10, ROA10

Table 5 shows the coefficient of regression analysis under the model as 0.911 meaning that the variables are capable of explaining over 90% of the variation in CSR in 2011.

Table 6: Analysis of variance - ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7121.563	4	1780.391	38.426	.000[a]
Residual	694.987	15	46.332		
Total	7816.550	19			

[a] Predictors: (Constant), DTA10, ROE10, ROS10, ROA10

[b] Dependent Variable: CSR11

Table 6 shows the analysis of variance (ANOVA) result which indicates that the amount of variance predicted by the linear model is substantial in comparison to the total amount of variance in the dependent variable. The ratio of the predicted variance F to the residual variance in this case is 38.426 and this value is both tolerable and statistically significant. This means that there exists relationship between CSR and our proxies for CFP.

Table 7: Regression results (Coefficients[a])

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	13.375	9.845		1.359	.194
ROA10	128.072	37.057	.663	3.456	.004
ROE10	26.699	15.668	.199	1.704	.109
ROS10	6.983	12.855	.075	.543	.595
DTA10	-9.013	13.292	-.090	-.678	.508

[a] Dependent Variable: CSR11

Table 7 presents the result of the regression model used to test the first hypothesis (H1). We document a positive relationship between CSR 2011 and ROA 2010 at 1% significant level which supports our correlation analysis in table 3. The finding is consistent with the prior studies of Cochran and Wood (1984) and Waddock and Grave (1997). Although ROE and ROS 2010 are positively correlated and DTA 2010 is negatively correlated in the Univariate analysis above, the correlations are not significant in the regression analysis. In general, the result suggests that companies with good financial performance will engage in good and improved CSR activities. This is consistent with the findings of Bewley and Li (2000) as they explained that companies seem to be interested in explaining how they earn their profitability through CSR disclosures.

Hypothesis 2

In the second hypothesis, a set of regression analysis was undertaken with CSR 2011 as the independent variable while ROA 2012, ROE 2012, ROS 2012 and DTA 2012 are dependent variables in order to prove "Good CSR practices will lead to better financial performance"

Table 8: Regression results for predictive variables (2011 – 2012)

Independent Variable CSR 2011	Dependent Variable ROA 2012 Model 1	Dependent Variable ROE 2012 Model 2	Dependent Variable ROS 2012 Model 3	Dependent Variable DTA 2012 Model 4
R	0.945	0.482	0.868	0.899
R Square	0.894	0.232	0.753	0.808
Adj. R Square	0.888	0.190	0.739	0.798
F	151.382	5.451	54.847	75.966
Sig.	0.000	0.031	0.000	0.000

The summarized results from table 8 show that the independent variable CSR 2011 is related to all dependent variables in the four models with $p < 0.01$ for ROA, ROS and DTA 2012 and $p < 0.05$ for ROE 2012. Obviously, the finding indicates that corporate financial performance influences the level of CSR disclosure positively and significantly. Some recent studies by Beurden and Gossling (2008), Chen and Wang (2011) and Sun (2012) have documented similar results. They conclude that there is a positive relationship between CSR disclosures and corporate financial performance. They also argue that implementing CSR activities can bring economic benefits which can contribute to maximizing shareholders wealth thereby improving the relationship between them and the manager. The result shows some awareness of the Vietnamese companies about good CSR practices.

Hypothesis 3

The results of the correlation and regression analyses in respect of hypothesis 6 provide no evidence of a significant relationship between CSR and company size among Vietnamese listed companies. The result is consistent with the studies of Roberts (1992) and Ng (1985). They found insignificant association between company size and CSR activities. An important reason that can be adduced for this result is that CSR practices are a new phenomenon in Vietnam and companies are just beginning to the CSR compliant.

Hypothesis 4

The results of the correlation and regression analyses support hypothesis 4. The results show that the level of debt and CSR practices/disclosure by Vietnamese companies are correlated. The result indicates that level of debts is also one of the crucial factors influencing CSR practices in Vietnamese listed companies. This finding is similar to that of D'Arcimoles and Trebucq (2002) who found a negative relationship between CSR and the level of debt and this relationship is significant. Some other studies also investigated the relationship between the level of debt and CSR and found that the two variables are correlated (see Kapopoulos and Lazaretou, 2007; McGuire et al., 2003; Waddock and Grave, 1997; Cochran and Wood, 1984).

Conclusion

This paper has explored the impacts of CSR on corporate financial performance in Vietnamese listed companies by investigating annual reports of twenty companies from 2010 to 2012. The paper documents positive and significant relationship between CSR and financial performance which is consistent with findings of many previous studies that use data from other countries. This suggests that CSR practices and disclosure bring benefits to companies and contributes to their sustainable development. We also found correlation between CSR practices/disclosure and level of debt (DTA) but no correlation was found between it and company size. A finding of no correlation between CSR practices/disclosure may be due to the fact that issues in CSR are just taken root among large companies in Vietnam. Ng and Koh (1994) and Pirsch et al., (2007) explain that large companies in Vietnam are just beginning to show interest in CSR activities which means that future researches may find relationship between CSR practices/disclosure among Vietnamese companies.

The results of this study are expected to make Vietnamese companies more aware of issues in CSR as well as importance of CSR disclosure. The limitation of this study is the sample size but the study is expected to act as a catalyst for future researches on issues in CSR and in the context of Vietnam. Other limitations include the use of content analysis in measuring CSR practices/disclosure. Content analysis has measurement problems but we were painstaking in our scoring process to make the results applicable to companies in Vietnam.

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