



A Study on Relation between Corporate Social Responsibility and Profitability-and-Corporate Value

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ABSTRACT

The purpose of this research is to analyze whether there is a systematic relation between CSR performance and corporate profitability-and-corporate value with Korean companies as target. For the purpose, 943 KEJI indexes that have been calculated from 2012 to 2014 were used as surrogate variables of CSR, and ROA and Tobin's q were used as surrogate variables of corporate profitability-and-corporate value before a correlation analysis and a regression analysis were carried out. As a result of analysis, a significant positive (+) relation appeared between CSR performance measured by KEJI index and corporate profitability (ROA) and corporate value (Tobin's q). Based on this analysis result, we have examined preceding studies with regard to the relation between CSR and financial performance of companies and presented possibility of CSR as a key management strategy of a company.

Keywords: Corporate value, CSR, KEJI, profitability, ROA, shareholder approach; stakeholder approach; Tobin's q.

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1.0 INTRODUCTION

Demand for corporate social responsibility (CSR; hereinafter referred as "CSR") is increasing. Porter and Kramer (2006) have defined CSR from diverse angles such as moral obligation, reputation, sustainability, and license to operation. The concept of CSR denotes maintaining harmony and balance without wasting economic, social, and environmental resources that are to be used by the next generation to satisfy the needs of the present generation or lowering conditions related to the above in an effort to emphasize sustainability with the environment and other related parties. Diverse efforts have been made in order to expand corporate social responsibility globally. In 2000, the United Nations has adopted 10 Principles that should be observed by responsible corporate citizens in such areas as human rights, labor, environment, and anti-corruption through the UN Global Compact, an international convention that was

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drawn up to facilitate fulfillment of corporate social responsibility. In 2010, International Standardization Organization (ISO) has established ISO 26000, an international standard regarding corporate social responsibility (CSR). With regard to social responsibility, ISO 26000 has announced 7 core subjects that encompass governance, human rights, labor practice, environment, fair business practice, consumer issues, community involvement and development as well as 37 major issues. Now, social responsibility (SR) is progressing from the realm of discussion to the direction of international standardization. Standardization and institutionalization of sustainable management as well as social responsibility investment (SRI) are increasing globally. And CSR activities are recognized as one of core management strategies that can enhance corporate profitability and increase corporate value eventually rather than simple cost.

The purpose of this research is to analyze empirically whether there is a systematic relation between CSR performance and financial performance such corporate profitability and corporate value using Korean companies as target. To be more specific, the idea is to set CSR performance that was measured by KEJI index as announced by the Korea Economic Justice Institute as independent variable and set profitability measured by ROA and corporate value measured by Tobin's Q as dependent variable, and grasp the relation between the two as well as the causal relation through a regression analysis and a correlation analysis.

2.0 THEORETICAL BACKGROUND AND HYPOTHESIS

2.01 CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE

Regarding the relation between CSR and financial performance, there are two contrary views. The first view is a shareholder approach in that it emphasizes agency issue caused by imbalance of information. According to this view, as shareholders have exclusive proprietorship and control of a company, the company should make decisions in such a way that shareholders' interests can be maximized. Reflecting this view, [Friedman \(1970\)](#) criticized managers for utilizing CSR as a means for realizing their own political and social goals and developing their career, and asserted that, when seen from the perspective of shareholders, CSR activities are just cost and waste. The second view is a stakeholder approach. [Freeman \(1984\)](#) stated that managers should satisfy desires of diverse stakeholders (ex: shareholders, creditors, employees, customers, local societies, etc.). When seen from the perspective of stakeholders, CSR is regarded as capable of increasing corporate value ultimately by reducing the conflicts between the company and the stakeholders. Quite a few studies have been carried out on the relation between CSR and financial performance that are based on these two contrary views, and many of them reported a positive (+) relation between the two ([Bowman & Haire, 1975](#); [Lev et al., 2010](#); [Dhaliwal et al., 2011](#)). However, there are studies reporting that there is no relation between CSR and financial performance. There are even studies that report a negative (-) relation between the two ([Nelling and Webb, 2009](#); [Brammer et al., 2006](#); [Barnea and Rubin, 2010](#)). Thus, preceding studies show a mixed-result on the relation between CSR and financial performance.

Quite a few studies have been carried out on CSR and financial performance with Korean companies as target. [Choi et al \(2009\)](#) has analyzed the relation between social contribution activities of companies and corporate value empirically from 1999 to 2005 with non-financial listed companies as target. As a result, a non-linear U-type relation was identified between social contribution activities represented by donation expenditure and corporate value, verifying that corporate value of a company with more donation expenditure is higher. [Choi et al \(2009\)](#) used 'donation expenditure' as a measure of CSR activities, but preceding studies in Korea generally used KEJI index as a measure of CSR activities. [Jang & Choi \(2010\)](#) has examined the relation among corporate profitability (ROA), capital costs (WACC), and corporate value (Tobin's q) during 8 years from 1998 to 2005 with upper 200 companies whose KEJI Indexes were disclosed as target. As a result of the empirical analysis, CSR performance, corporate profitability (ROA), and corporate value (Tobin's q) revealed a positive (+) relation respectively, suggesting that a company that invests in CSR actively can expect relatively high profitability and corporate value. However, in the case of capital costs (WACC), the result revealed a positive (+) relation

contrary to the expectation that the higher is the level of CSR, capital costs of the company would be lower. In the case of [Choi et al study \(2010\)](#), which analyzed the relation between CSR performance measured by 1122 KEJI indexes for 6 years from 2002 to 2008 and financial performance measured by ROE, ROA, and Tobin's q, the result revealed a significant positive relation between stakeholder-weighted CSR index, which was calculated by applying a different weighted value depending on industry and year, and financial performance. [Na & Hong study \(2011\)](#) also revealed that employee satisfaction and contribution to economic development are in positive (+) relation with corporate value (Tobin's q), using 74 companies that carried out CSR activities and whose KEJI indexes were chosen as the target for disclosure for 5 years in a row from 2004 to 2008 as target. Likewise, result of [Lee's study \(2014\)](#), which used 2,057 KEJI indexes for 6 years from 2003 to 2009, reported the existence of a significant positive (+) relation with financial performance measured by ROA and Tobin's q.

In short, many of preceding studies in Korea that have been carried out with Korean companies as target on the relation between CSR and financial performance of companies revealed that there was a significant positive (+) relation between the two. Generally, as a measure of financial performance, ROA and Tobin's q were used, and as a surrogate measure KEJI indexes were used.

2.02 KOREA ECONOMIC JUSTICE INSTITUTE INDEX, KEJI INDEX

Commonly used as a measure of CSR in CSR studies with Korean companies as target is KEJI Index. KEJI Index is an inclusive evaluation model on ethical management and social responsibility of representative Korean companies which has been calculated and published by Citizen's Coalition for Economic Justice Institute (CCEJI), an affiliated organization under Citizen's Coalition for Economic Justice (CCEJ) from 1991. KEJI Index is a systematic measure that has been maintained for over 20 years, and many of the preceding studies that have been carried in Korea used KEJI Index as a surrogate variable for CSR performance. KEJI Index underwent a number of partial modifications reflecting changing business environment. Each year, Citizen's Coalition for Economic Justice Institute (CCEJI) conducts quantitative evaluation of all the companies that are listed on the Korea Stock Exchange, and conducts qualitative evaluation with companies that ranked high in the quantitative evaluation by industry as target using questionnaire survey. Of the results of quantitative evaluation and qualitative evaluation, the latter is disclosed, and in CSR research only the results of quantitative evaluation are used.

Until 2011, KEJI Index evaluated CSR performance of Korean companies using 7 types of evaluation item encompassing soundness, fairness, social service contribution, customer protection satisfaction, environment protection satisfaction, employee satisfaction, and economic development contribution. Of evaluation items, 'economic development contribution' has occupied 10 points out of a total 100 points. Regarding content of the evaluation, the main portion was financial performance rather than corporate CSR which encompassed 'R&D expenditure', 'profitability', 'growth', 'dividend payout ratio', and 'growth rate of labor productivity'. For KEJI index to become a pure CSR evaluation index, an improvement was required including exclusion or modification of the 'economic development contribution' item ([Lim, 2011](#)). Thus, from 2012, CCEJI reduced the number of KEJI index evaluation items from 7 to 6 excluding 'economic development contribution'. KEJI evaluation items and evaluation score by item are shown in Table 1 below.

As of the end of 2014, all of CSR preceding studies employing KEJI Index have used pre-2011 data, and no data published since 2012, when the 'economic development contribution' was excluded from evaluation items, was used. Representativeness of KEJI indexes that were calculated after 2012 is much enhanced as a measure of CSR in comparison to the evaluation carried out before that date since the item 'economic development contribution' belonging to financial performance rather than CSR was excluded. Along with it, the possibility of the relation between CSR and financial performance to be exaggerated was also reduced. Accordingly, there is a need to analyze the relation between CSR and financial performance again empirically using the improved KEJI index after 2012 and verify the results of preceding studies. In this research, we have analyzed CSR of Korean companies and financial performance empirically using KEJI indexes that have been published since 2012 when the item

‘economic development contribution’ was excluded from KEJI index, using the new indexes as a measure of CSR, and compared with the results of preceding studies that have been carried using pre-2012 KEJI indexes for verification.

Table 01: Six KEJI evaluation items and their content

Item	Score (100)	Content
Soundness	25	Shareholder composition, soundness of investment expenditure, capital procurement, tax evasion, etc.
Fairness	20	Fair trade, accounting transparency, activities of Outside Directors, etc.
Social Service Contribution	15	Protection and employment of the underprivileged, donation, social welfare support, etc.
Consumer Protection Satisfaction	15	Consumer rights protection, quality, advertisement, etc.
Environment Protection Satisfaction	10	Environment accounting announcement, energy efficiency, environmental investment, contamination record, etc.
Employee Satisfaction	15	Human resource investment, labor management relations, gender equality in employment, employee stock-ownership, etc.

Source: 2013 Economic Justice Company Award Presentation Data, p. 35.

2.03 RESEARCH HYPOTHESIS

Results of many preceding studies that used KEJI as a measure of CSR turned out to reveal a positive relation between CSR and profitability-and-corporate value. In this research, in order to compare and verify these results with the results of analyses that used KEJI indexes not containing the item ‘economic development contribution’ as a surrogate variable, we have set up a research hypothesis in a positive direction regarding CSR and profitability-and-corporate value as follows:

Hypothesis 1: There would be a positive (+) relation between social performance of companies and profitability (ROA).

Companies with high CSR performance may expect an increase in profitability thanks to product preference of consumers, cost reduction related to reduction of greenhouse gas, improved relation with regulators, and company reputation (Kim & Lee 2013). Financial performance of companies can be evaluated with accounting rate of return. As a surrogate variable of profitability (dependent variable), ROA, an accounting rate of return that has been used most often in preceding studies, was used. ROA can be calculated from current net income divided by total asset. This has virtues in that it allows a comparison with preceding studies.

Theoretically, corporate value is defined as current value that is obtained from future cash flow of companies discounted by weighted average cost of capital. Ultimately, it is expected that CSR would have a positive (+) relation with corporate value, and many of the preceding studies support this. Consequently, in this research, we have set up a hypothesis regarding the relation between CSR and corporate value.

Hypothesis 2: There would be a positive (+) relation between social performance of companies and corporate value (Tobin’s q).

As a surrogate variable for corporate value, Tobin’s q, a representative market value index that has been used in many preceding studies, was used. As ROA reflects only corporate performance of the past, it can have weakness in comparability depending on manipulation and accounting practice of the management as characterized by accounting information. In contrast, Tobin’s q has virtues in that it reflects shareholders’ share, makes comparison of companies easy as there is little possibility of accounting manipulation such as depreciation, and it can reflect future profit through evaluation of investors (Lee 2014). Tobin’s q was calculated as follows utilizing the method proposed by Chung and Pruitt (1994).

Tobin's q = (Total amount of market price of common stocks and preferred stocks + Book amount of liabilities) / Book amount of total assets

3.0 METHODOLOGY

3.01 SAMPLE SELECTION

Regarding samples for this research, a total of 943 indexes (Year-Company), which have been surveyed between 2012 and 2014, were selected using KEJI index measured by Citizen's Coalition for Economic Justice Institute (CCEJI). Of KEJI indexes that have been produced during the 3 years of sample selection period (2012-2014), our samples are composed of companies that can utilize financial performance variables and other variables from KIS-VALUE of NICE Information Service. Companies that are included in the sample are the ones that have been listed on the Korea Stock Exchange in accordance with the Selection Principle of KEJI Evaluation Target Companies. Of the listed companies, those that are in the red for longer than 3 years, companies with capital impairment, and companies with interest coverage ratio of less than 1.0 were excluded. For the sake of comparability, financial industry, for which 'environment protection satisfaction' was excluded from the KEJI evaluation items, was also excluded from analysis. Distribution of samples included in the target companies by industry is as shown in Table 2.

Table 02: Distribution of target samples for analysis by industry

Industry	Number of Samples	Ratio (%)	Accumulated Ratio (%)
Steel and Metal	78	8.27	8.27
Chemistry	158	16.76	25.03
Non-metal Mineral	40	4.24	29.27
Machinery	55	5.83	35.10
Service	150	15.91	51.01
Distribution	81	8.59	59.60
Medicine and Medical Supplies	52	5.51	65.11
Paper and Lumber	27	2.86	67.97
Electric and Electronic	55	5.83	73.81
Textile and Clothing	37	3.92	77.73
Transportation Equipment	59	6.26	83.99
Transportation and Warehousing	30	3.18	87.17
Construction	21	2.23	89.40
Telecommunication	17	1.80	91.20
Food and Beverage	51	5.41	96.61
Medical and Precision	4	0.42	97.03
Transportation and Warehousing	28	2.97	100.00
Total	943	100.00	

Preceding studies have analyzed the relation between CSR and financial performance-and-corporate value with 200 companies that ranked higher in KEJI score as disclosed by CCEJI to the media as sample. But in this research, we have included all the companies that scored lower in KEJI score and thus ranked below the 200 companies described above. (The number of these companies not disclosed to the media by KEJI exceeded 130 annually) By doing so, we believe the problem of upward bias that was raised in preceding studies which analyzed only 200 upper-ranking companies with high KEJI score was somewhat resolved.

3.02 RESEARCH MODEL

In this research, only post-2012 KJEI index, which excluded the item 'economic development contribution', was used as a measure of CSR. And to compare the result of this research with those of

preceding studies that used pre-2012 KEJI index for verification, the following research model have been set up. First, to verify Hypothesis 1, the following 'Regression Model 1' was set up.

Regression Model 1

$$ROA_{it} = a_0 + a_1 CSR_{it} + a_2 SIZE_{it} + a_3 LEV_{it} + a_4 IND + a_5 YD + e_{it}$$

where,

ROA_{it}: Profitability surrogate variable of a company iCompany tYear ROA

CSR_{it}: iCompany tYear natural logarithm value for KEJI index

SIZE_{it}: iCompany tYear natural logarithm value for total asset

LEV_{it}: iCompany tYear Debt ratio

IND: Dummy variable for industry (j = 0...16)

YD: Dummy variable for year (j = 0...2)

e: Residual

In order to verify Hypothesis 2, the following regression model was set up.

Regression Model 2

$$TQ_{it} = a_0 + a_1 CSR_{it} + a_2 GROWTH_{it} + a_3 SIZE_{it} + a_4 LEV_{it} + a_5 IND + a_6 YD + e_{it}$$

TQ_{it}: Corporate value surrogate variable of a company iCompany tYear Tobin's q

GROWTH_{it}: iCompany tYear growth rate of sales

In order to analyze effects of CSR on financial performance, other variables that affect profitability and corporate value should be controlled. In this research, efforts were made to control and verify company size, growth rate of sales, debt ratio, and industrial characteristics. Company size seems to be closely related to social performance and financial performance of that company. Company size is an important factor that determines profitability and corporate value. As large corporations are in possession of more resources to utilize, they have relatively bigger capability to invest in CSR. In this research, we have used total asset as a surrogate variable for company size which has been used by many preceding studies (Nelling & Webb, 2009; Choi et al., 2009; Jang & Choi, 2010). In this research, in order to reflect corporate risks, debt ratio or total debt divided by capital was used as control variable. Quite a few preceding studies also used debt ratio as an important control variable for CSR, financial performance, and corporate value. In preceding studies, the higher is debt ratio, CSR performance turned out to be low, suggesting a negative (-) relation (Barnea & Rubins, 2010). This can be interpreted as resulting from procurement of debt which reduces surplus cash flow and puts limitations on discretionary expenditure of the management (Kim & Lee, 2013). With regard to corporate value, this research employed growth rate of sales as control variable. Growth rate of sales is calculated by the rate of sales increase vis-à-vis the sales of previous year. In preceding studies as well, growth rate of sales is regarded as an important factor that determines corporate value, and it was employed as a control variable for CSR and corporate value (Choi et al., 2009; Lee, 2014). And to control industrial factors and characteristics by year, industrial dummy variable and year dummy variable were employed

4.0 EMPIRICAL RESULTS

4.01 DESCRIPTIVE STATISTICS QUANTITY

Descriptive statistics quantity on independent variable CSR, dependent variables profitability and corporate value, and control variables that have been used in preceding studies can be summarized as shown in Table 3 (below).

Average KEJI index for 2012~2014 is 62.10, and standard deviation is not very big as it stands at 2.98. ROA is 0.039 on the average and Tobin's q, representing a surrogate variable for corporate value, is 0.705 on the average. Growth rate of sales is 0.061 and size of total asset is 176.53 billion won on the average. Debt ratio is 1.06 on the average. Companies selected as sample are relatively large companies which are sound

financially. It derives from the fact that, of the listed companies on the Korea Stock Exchange, companies with weak financial structure were excluded from selected target sample for KEJI index evaluation.

Table 03: Descriptive statistics quantity

Division		CSR	ROA	Tobin's q	Growth	SIZE (billion won)	LEV
N	Valid	943	943	943	943	943	943
	Missing	0	0	0	0	0	0
Mean		62.1006	.0389	.7046	.0611	1765.3006	1.0601
Median		62.0677	.0352	.5764	.0272	339.9000	.7420
Standard Deviation (SD)		2.98131	.06349	.55875	.40312	7890.15510	1.13702
Min		51.76	-.34	.03	-.99	7.70	.04
Max		72.16	1.19	4.95	8.65	150016.00	18.72

4.02 CORRELATION ANALYSIS

The result of correlation analysis on independent variable CSR, dependent variables profitability and corporate value, and control variables can be summarized as shown in Table 4.

Table 04: Correlation analysis

Variable	CSR	ROA	Tobin's q	Growth	Size	LEV
CSR	1					
ROA	.111**	1				
Tobin's Q	.175**	.333**	1			
Growth	-.056	.023	-.008	1		
Size	.141**	.024	-.018	-.009	1	
LEV	-.086**	-.362**	-.137**	.050	.039	1

** p < 0.01

Table 4 shows the results of Pearson correlation analysis of the above variables that used 946 Year-Company samples for 2012~2014 period. This indicates that, excluding growth rate of sales, CSR variable is in a significant correlation relation with other variables on the level of 1%. First of all, CSR turned out to be in a significant positive (+) relation with financial performance variables ROA and Tobin's q. This finding is in fact in line with the result of preceding studies which reported that a company with high CSR performance is in a positive (+) relation with high profitability (ROA) and corporate value (Tobin's q), even when the item 'economic development contribution' is excluded from KEJI index as it contains elements of financial performance.

Control variable company size (total asset) and CSR turned out to be in a significant positive (+) correlation. In preceding studies as well, company size is in a positive (+) relation with CSR performance. It seems that the larger is a company's size, the possibility that it will be exposed to mass media or will face a political risk would be that much higher, requiring more active CSR activities (Kim & Lee, 2013). Debt ratio turned out to be in a negative (-) relation with CSR. This finding is in line with the result of a preceding study that the higher is debt ratio, it would have a negative (-) relation with CSR performance (Barnea & Rubins, 2010).

4.03 REGRESSION ANALYSIS

As correlation analysis analyzes correlation rather than causal relation between variables, it does not distinguish variables between independent variable and dependent variable. Hence, in order to analyze causal relation between CSR and financial performance, a regression analysis has been carried out with CSR as an independent variable and financial performance and corporate value as dependent variables. In accordance with Hypotheses presented above, a regression analysis was carried for Regression Model 1 and Regression Model 2. As a surrogate variable for independent variable CSR, natural logarithm value of KEJI index was used. As for dependent variables, ROA was used as a surrogate variable for profitability

and Tobin's q was used as a surrogate variable for corporate value. As for control variable, natural logarithm value of total asset was used as a surrogate variable for company size. And in order to control debt ratio (LEV) and the industry, industrial dummy (IND) and year dummy (YD) were used. And to Regression Formula 2 that is to be used to analyze causal relation between corporate value and CSR, growth rate of sales (GROWTH) was added as a control variable.

The result of regression analysis when CSR is taken as independent variable and profitability measured by ROA is taken as dependent variable is shown in Table 5, and the result of regression analysis when CSR is taken as independent variable and corporate value measured by Tobin's q is taken as dependent variable is shown in Table 6. Although industrial dummy (IND) and year dummy (YD) were included in the estimation of the Regression Formula, they are not display in the Tables for the sake of convenience.

Table 05: CSR, profitability, and result of regression analysis

	Regression Coefficient	t	Significance Probability
CSR	0.067	2.141	0.033*
SIZE	0.056	1.774	0.076
LEV	-0.365	-11.746	0.000***
Adjusted R ²		0.137	
F value		30.957***	

*p < 0.05, *** p < 0.001

Table 06: CSR, corporate value Tobin's Q, and result of regression analysis

	Regression Coefficient	t	Significance Probability
CSR	0.171	5.208	0.000***
GROWTH	0.016	0.504	0.615
SIZE	-0.020	-0.600	0.549
LEV	-0.115	-3.503	0.000***
Adjusted R ²		0.045	
F value		8.446***	

*p < 0.05, *** p < 0.001

As in the case of correlation analysis, the result of regression analysis also showed a similar conclusion. As a result of regression analysis, CSR turned out to have an effect on financial performance of a company or on profitability (ROA) and corporate value (Tobin's q).

When ROA and Tobin's q are taken as dependent variable, regression coefficient (β) of CSR was estimated to be positive (+) signs in both cases, having 1% of significance probability statistically. This kind of result lends support to Hypothesis 1 on the positive (+) relation between CSR performance and profitability (ROA) and to Hypothesis 2 on the positive (+) relation between CSR performance and corporate value (Tobin's q).

In short, the result of this thesis is in line with the results of preceding studies on the relation between CSR and financial performance of Korean companies. However, the result of the present research lends further support to the positive (+) relation between financial performance and corporate value more firmly as it used post-2012 KEJI indexes as surrogate variable of CSR, which eliminated the item 'economic development contribution' from the evaluation items as it contained elements of financial performance.

5.0 CONCLUSION AND IMPLICATION

In this research, an attempt was made to analyze if there is any systematic relation between CSR performance and profitability-and-corporate value with 943 Year-Company samples of companies listed in Korea Stock Exchange for which KEJI indexes are available as target. And as surrogate variable for CSR, 943 KEJI indexes which have been calculated between 2012 and 2014 were employed. Also, as surrogate

variable for corporate profitability ROA was employed whereas, as surrogate variable for corporate value Tobin's q was employed, and correlation and causal relations of these variables were analyzed through a correlation analysis and a regression analysis. As a result of the analysis, a significant positive (+) relation was discovered between CSR performance and corporate profitability-and-corporate value. This finding is in fact in line with the conclusion of many preceding studies that have reported a significant positive (+) relation between CSR and profitability-and-corporate value of Korean companies using KEJI indexes.

This research is different from preceding studies in following regards. First of all, preceding studies that have employed KEJI thus far used pre-2011 KEJI indexes that contained in their evaluation items 'economic development contribution' which belongs to financial performance for the purpose of analysis. In other words, since a component of financial performance is contained in CSR performance, an independent variable, there was a possibility that the relation between the two can be overly measured. But in this research, results of the preceding studies have been verified using post-2012 KEJI indexes which are improved to reflect the true character of CSR by eliminating the controversial item 'economic development contribution'. And the result of the present research turned out to support a positive (+) relation between CSR and financial performance more firmly. This finding may provide an occasion for managers who have entertained negative opinion on CSR or indifferent to view it in a different perspective. This finding suggests that CSR activity is an investment and strategic means that can enhance financial performance of a company rather than simple cost. Even in Korea where economic development and economic growth has been traditionally emphasized, executives must significantly consider CSR activities such as soundness, fairness, social service contribution, customer protection, environment protection, employee satisfaction as business strategies. Also, more research and discussion on the significance of business strategies are needed in individual CSR activity aspect of soundness, fairness, social service contribution, customer protection, environment protection, employee satisfaction.

Limitations of this research and future task can be stated as follows: First, relation between individual CSR activity level such as soundness, fairness, social service contribution, customer protection satisfaction, environment protection satisfaction, employee satisfaction, and profitability- and-corporate values is not analyzed. In future research, relation between individual CSR activities and profitability-and-corporate values must be analyzed. Second, target for this research is limited to larger companies in Korean context and to companies that show better record in financial performance. KEJI index that is the target for sample selection is limited to relatively larger listed companies in the Korea Stock Exchange. Also, of the listed companies, those that recorded deficits for longer than 3 years due to poor financial structure are all excluded. Therefore, the SMB companies that either are not listed on the Korea Stock Exchange or financially less trustworthy were systematically excluded from the target sample. Hence, in the future, it would be necessary to expand this sample base to include SMB companies, and the analysis on the relation between CSR and financial performance should be rendered more general. Third, in an effort to verify the result of preceding studies that employed pre-2011 KEJI index, employed ROA and Tobin's q as surrogate variables for financial performance which have been used frequently in the preceding studies. Consequently, this research failed to include more diverse financial performance indexes in its target sample. Admittedly, other than ROA and Tobin's q, there are other indexes that are closely related to financial performance such as growth, activity, productivity, PE, EVA, and capital cost. Hence, in the future, there would be a need to analyze diverse financial performance indexes in evaluating the effectiveness of corporate CSR.

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