

University of Groningen

Corporate social responsibility and financial markets

Dam, Lammertjan

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version

Publisher's PDF, also known as Version of record

Publication date:
2008

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):

Dam, L. (2008). *Corporate social responsibility and financial markets*. [Thesis fully internal (DIV), University of Groningen]. PrintPartners Ipskamp B.V., Enschede, The Netherlands.

Copyright

Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

The publication may also be distributed here under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license. More information can be found on the University of Groningen website: <https://www.rug.nl/library/open-access/self-archiving-pure/taverne-amendment>.

Take-down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): <http://www.rug.nl/research/portal>. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.

Contents

1	Introduction	1
1.1	Corporate social responsibility	4
1.2	The economics of corporate social responsibility	6
1.3	Outline of this book	7
2	Corporate Social Responsibility and Financial Performance	11
2.1	Introduction	11
2.2	The model	14
2.2.1	A centrally planned economy	15
2.2.2	Stock market economy	17
2.3	Implications	21
2.4	Empirical evidence	24
2.4.1	Studies using Market-to-Book	25
2.4.2	Studies using Return on Assets	25
2.4.3	Studies using stock market returns	27
2.4.4	Summary of empirical findings	27
2.5	Conclusion	29
2.A	Appendix	31
3	Banking on the Equator	37
3.1	Introduction	37
3.2	Equator Principles	39
3.2.1	Background of the Equator Principles	39
3.2.2	Costs and benefits of adopting the Equator Principles	41
3.2.3	Governance issues	43
3.3	Hypotheses and data	45
3.4	Results	48

3.4.1	Descriptives and t-test of Equality of Means	53
3.4.2	Event Study	55
3.5	Conclusion	59
3.A	Appendix	62
4	Socially Responsible Investment in an Overlapping Generations Model	65
4.1	Introduction	65
4.2	A two sector environmental OLG model	67
4.2.1	Technology, preferences and environmental quality	67
4.2.2	A centrally planned economy	68
4.3	Competitive economy	69
4.3.1	Consumers	70
4.3.2	Corporate behavior	72
4.3.3	Equilibrium and dynamics	74
4.4	Conclusion	77
4.A	Appendix	80
5	Corporate Social Responsibility and MNEs' Location Decisions	83
5.1	Introduction	83
5.2	Data and methodology	86
5.3	Results	95
5.4	Conclusion	98
5.A	Appendix	101
6	Conclusion	111
6.1	Summary	111
6.2	Policy recommendations	113
6.3	Outline for future research	114
	Bibliography	117
	Samenvatting (Summary in Dutch)	129

List of Figures

3.1	Event study after the announcement effect of adopting the Equator Principles	59
4.1	Comparison of steady state equilibria.	78
5.1	Global presence of European based multinational enterprises	87

List of Tables

2.1	Studies using Market-to-Book	25
2.2	Studies using Return on Assets or equivalent measure	26
2.3	Studies using stock market returns	28
2.4	Overview of empirical findings	29
3.1	Descriptive Statistics and test for equality of means	49
3.2	Factor analysis of corporate social responsibility indicators	54
3.3	Abnormal Returns for event study after the effect of adopting the Equator Principles	57
3.4	Event study results after the effect of adopting the Equator Principles on stock market returns	58
3.A.1	List of private banks, their country of charter, and adoption date of the Equator Principles (list closed at 7/10/2006)	62
3.A.2	List of indices and interest rates used in the event studies in section 3.4.2	63
3.A.3	List of included banks and their country of charter for the descriptive statistics and tests for equality of means in section 3.4.1	64
5.1	Descriptive statistics of variables representing environmental responsibility of multinational enterprises	88
5.2	Number of multinational enterprises by industry and home country.	89
5.3	Average number of countries in which MNEs are operating by industry and region	90
5.4	Descriptive statistics of multinational enterprises	91
5.5	Correlations of country characteristics	92
5.6	Country presence of multinational enterprises and possible havens	96

5.7 Country presence of multinational enterprises in dirty industries and possible havens	97
5.8 Country presence of multinational enterprises and possible havens in poor countries	99
5.A.1 Variable definitions and sources	101