

## 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

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Corporate social responsibility . . . . .	4
1.2	The economics of corporate social responsibility . . . . .	6
1.3	Outline of this book . . . . .	7
<b>2</b>	<b>Corporate Social Responsibility and Financial Performance</b>	<b>11</b>
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
<b>3</b>	<b>Banking on the Equator</b>	<b>37</b>
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
<b>4</b>	<b>Socially Responsible Investment in an Overlapping Generations Model</b>	<b>65</b>
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
<b>5</b>	<b>Corporate Social Responsibility and MNEs' Location Decisions</b>	<b>83</b>
5.1	Introduction . . . . .	83
5.2	Data and methodology . . . . .	86
5.3	Results . . . . .	95
5.4	Conclusion . . . . .	98
5.A	Appendix . . . . .	101
<b>6</b>	<b>Conclusion</b>	<b>111</b>
6.1	Summary . . . . .	111
6.2	Policy recommendations . . . . .	113
6.3	Outline for future research . . . . .	114
	<b>Bibliography</b>	<b>117</b>
	<b>Samenvatting (Summary in Dutch)</b>	<b>129</b>

# 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