African Journal of Business Management Vol. 5(15), pp. 6342-6349, 4 August, 2011
Available online at http://www.academicjournals.org/AJBM
DOI: 10.5897/AJBM10.1102
ISSN 1993-8233 ©2011 Academic Journals

Full Length Research Paper

Corporate social performance, financial performance and market value behavior: An information asymmetry perspective

Kashif Hamid[1]*, Rana Shahid Imdad Akash[2], Muhammad Asghar[2] and Sajjad Ahmad[2]

[1]Institute of Business Management Sciences, University of Agriculture Faisalabad- Pakistan.
[2]International Islamic University Islamabad, Pakistan.

Accepted 7 April, 2011

This specific study is based on the slack resource theory, good management theory, singling theory and agency theory. Moreover, this paper estimates an interactive equation structural model, based on above discussed theories that relates corporate financial performance (CFP), corporate social performance (CSP), and market performance (MP) regarding to the firm's share value and relative debt level. The relationship of corporate social performance, financial performance, market value of the share and financial leverage is tried to justify. In this particular study, 166 listed companies on Karachi Stock Exchange from textile sector, chemical sector, cement sector and the tobacco sector are taken. The observations are taken for the entire period of 2005 and 2006 from the published resources of state bank of Pakistan. In aggregate, the results of the study conclude that corporate social performance (CSP) has no effect on financial performance (CFP) under slack resources theory and good management theory. It is obvious from the results that CSP has negative effect on the market value of the share but no relationship to D/E behavior of the firm, significantly. In addition, it is also shown that CFP does not have mediating effect in between the CSP and market value of the share and also in between the CSP and debt level of the firm. This negative relationship indicates that there exists an agency problem. Moreover, the investors do not have the same level of information as the information is captured by the management about the company affairs. In addition, the debt singling hypothesis indicates that the further incorporation of debt into capital structure should influence the behavior of the investor, regarding to the investment in the shares positively, but due to information asymmetry, it is negative. This study further provides the room to test the model of effect of CSP on stock returns in a portfolio construction.

Key words: Slack resources theory, good management theory, agency theory, corporate social performance, financial performance, market performance.

INTRODUCTION

From the last 30 years, there has been an increasing trend and pressure on US firms to progress their corporate social performance (CSP). In Pakistan, this movement is only 7 years old. The companies in Pakistan are now frequently surveyed by credit rating agencies in order to achieve their stakeholder management and to progress their particular interest. Yet the status of CSR in Pakistan is at its premature stage. There are only few companies which have an existing CSR strategy and most of them are the multinationals that pursue their own corporate social responsibility parameters and set of standards. Unfortunately, it seems that the domestic industry is either ignorant of the paybacks brought by corporate social responsibility or they consider that even if they do not take on such parameters, they will not suffer any state of risk. In the year 1996, indifference of the domestic business sector was highlighted. Waheed (2005), by using the corporate data, developed the report regarding to CSR compliance in Pakistan for RBI, (Responsible Business Initiative). Continuous development is

*Corresponding author. E-mail: kashifboparoy@hotmail.com.

becoming a more famous subject, and the empirical researchers are getting interested in awareness of how stakeholder management can transport enhanced financial performance and how well it is performing in the equity and debt market. The ethical funds are supposed to be outperforming the market indices, and the managers now wonder if they should create value for their shareholders or down all their stakeholders. In the past, researchers have studied the relationship between financial performance and company's social responsibility or social performance, but results remain unconvincing (Roman et al., 1999). This study will incorporate initial model used by Waddock and Graves (1997), and the criticism of McWilliams and Siegel (2000). This particular study will base on the slack resource theory, good management theory, singling theory and agency theory. Moreover, this paper estimates a three-equation structural model, based on a theory that relates corporate financial performance (CFP), corporate social performance (CSP), and market performance (MP) regarding the firm's share value and relative debt level. Recent studies in financial and strategic management suggested that there is a positive, neutral, or negative relationship between corporate social performance and financial performance, but lacks ways to determine the relationship with the ultimate goal of increase in market value of the share or the firm. Moreover, the past studies also lack ways to determine the level of debt in the firm by incorporating the CSP parameter. This particular study will use a new source of data on corporate social performance regarding the Pakistan perspective. The study will find out the relationship of corporate social performance with financial performance and how it generates signals for the market participants as well. This study also confirms the necessity to control models for investment in financial assets. Furthermore, this study will also confirm the necessity to design models for investment in financial assets. The ultimate objective of this study is to deal with the issue of the relationship between corporate social and financial performance and the market value of the firm by making choices of the equity and debt. This study will find out the relationship of corporate social performance with financial performance and how it generates signals for the market participants as well.

LITERATURE REVIEW

The relationship between corporate social performance and corporate financial performance

The relationship between corporate social performance and corporate financial performance could be positive, neutral, and negative. Griffin and Mahon (1997) discussed, after reviewing sixteen studies, the relationship between CSP and CFP for the period of 1970s, twenty seven studies for 1980s, and eight studies for 1990s with total of fifty one articles. In the 1970s, there were sixteen studies reviewed with twelve of which was positive trend of the relationship. For the 1980s, the positive relationship had been accounted for fourteen of twenty seven studies. For the 1990s, the positive relationship has been found for seven out of eight studies. The negative results were favored by only one study in the 1970s, and found seventeen studies in the decade of 1980, and there were only three studies in the 1990s decade. The results remained unconvincing for four studies in the decade of 1970, five studies in the decade of 1980, and nothing found in the 1990s. It is considerable in the work of Griffin and Mahon (1997) that one or more studies might have one or more findings. Moreover, the work of Griffin and Mahon (1997) is not all inclusive. There are few studies contributing to the dimension of corporate social performance to corporate financial performance relation in the 1990s. During this period, positive direction of the relationship is shown by Frooman (1997), Waddock and Graves (1997), Preston and O'Bannon (1997), Roman et al. (1999). Wright and Ferris (1997) provided the negative direction of the relationship. Moreover, in the decade of 2000, a few number of researchers provided additional elements to the discussion regarding the corporate social performance and corporate financial performance link with different settings of methodology. Positive dimension had been reflected by the eminent research works of Ruf et al. (2001), Konar and Cohen (2001), Simpson and Kohers (2002), Murphy (2002) and Orlitzky et al. (2003). The negative relationship was found by Patten (2002) and Wu (2006). Gray (2006) remained unconvincing about the results between the relationship of CSP and CFP. Murray et al. (2006) concluded the same results with the support of cross sectional data analysis, however, by considering the longitudinal data analysis, they drew different results. Hill et al. (2007) investigated and found the impact of corporate social responsibility on financial performance with particular center of attention on market-based measures and they concluded positive results regarding the long-run term scenario.

The relationship between corporate financial performance and market return/ market value of the firm/ debt level of the firm

Financial statement analysis and ratio analysis assist investors in decision making regarding investments, and also provide basis for forecasting firm's future performance. It may also provide alarming warning about the slowdown process of firm's financial health and condition (Ohlson, 1980). The financial research indicates that the firm's characteristics like growth, company size and efficiency, can forecast the future stock price in a good manner. Johnson and Soenen (2003) investigated 478 firms in United States of America, during the period of 1982 to 1998 and found that, large sized and profitable companies with greater level of advertising expenditure provides better performance in terms of growth, size and

efficiency measurements. Hobarth et al. (2006) investigated the correlation among the financial indicators and company's performance of the listed companies in USA for the period of nineteen years, using seventeen financial indicators and three variables to measure firm's performance on the basis of stock market value, dividend per share, and return on investment. In addition, companies with lower book to market ratio, efficient working capital management, higher proportionate of equity with lower size of liabilities, smaller size of total assets, and greater Earnings Before net Interest and Tax (EBIT) margin can provide better market performance as measured by changes in stock price. In different researches, accounting information is also used for predicting return on equity shares. Daniati and Suhairi (2006) indicated that cash flows from investing activities, company size and gross profit margin, significantly have an effect on expected return on equity shares. However, cash flow from operating activities does not significantly affect expected return. Meythi (2006) investigated 100 manufacturing companies in BEJ for the period of 1999 to 2002 and found that, with profitability persistence taken as intervening variable, cash flow from operating activities have no effect on stock price. Lev and Thiagarajan (1993) investigated a research on correlation between twelve fundamental variables from different company's financial statements and their abnormal returns in USA from the period of 1974 to 1988. The results revealed that changes in inventory, accounts receivables, capital expenditures, gross profit margin, sales, administrative expenses, and order backlog have significant affect on stock returns, with $\alpha = 5\%$. Further, they concluded that the correlation between stock return and fundamental financial statement variables will be stronger when we take into consideration, the macroeconomics variables like inflation rate and gross national product growth. On the basis of the studies by Lev et al. (1993) and Anggraini et al. (2004), it is inferred that they had tried to find out the impact of fundamental variables on abnormal returns pattern during the period of crisis and non-crisis, simultaneously. Anggraini et al. (2004) took the study period from the year 1995 to 2002, and the year 1998 was considered as crisis time period. They used seven fundamental variables to verify the impact on stock returns. Only gross profit margin affects significantly on abnormal return during crises period. On the other hand, inventory, financial reports, and audit qualifications, significantly affect on abnormal return in non-crises period. The vital element is the low adjusted-R^2 which is only 0.005 regarding the crisis period, and 0.008 for non-crisis period. This element shows the lower ability of fundamental signals to describe the returns variability in the capital market. Sparta and Februwaty (2005) investigated the influence of return on equity, earning per share, and cash flow from operations on stock return of manufacturing industry by taking data of thirty two manufacturing companies during the period from 1999 to 2002. The results reveal that only return on equity significantly influences stock return ($\alpha = 5\%$), while earning per share and cash flow from operations have insignificant negative effect on stock return. Mais et al. (2005) studied the effect of net profit margin, Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), and Earnings per share (EPS), on stock price of companies listed on Jakarta Islamic Index. The results of this study reveal that all variables except Debt to Equity Ratio (DER) are significant, and all others have positive impact on stock price. Kennedy and Johnson (2003) studied the impact of ROA, EPS, ROE, Net Profit Margin, Assets Turnover ratio, Debt to Total Asset (DTA), and DER on stock return by using stock samples from LQ 45 index in BEJ during the period from 2001 to 2002. The findings of this research conclude that, Total Asset Turnover (TATO), ROA, EPS, and DER have positive impact; while on the other hand, ROE and DTA have negative effect on stock return. Though, all variables remained statistically insignificant in deter-mining the influence on stock return. Daniati and Suhairi (2006) studied automotive and textile companies listed on Jakarta Stock Exchange during the period from 1999 to 2004 as samples. They analyzed the affect of cash flow from operating, investing, financing activities, gross profit margin and company size on firm's stock return and found significant results. Hence, these results proves that cash flow from investing activities, gross profit margin, and company size are significantly correlated with stock return while on the other hand, cash flow from operating activities have no affect on the stock return significantly. Based on mentioned relationships and justifications, this study introduces two frameworks for the models.

Model for the study

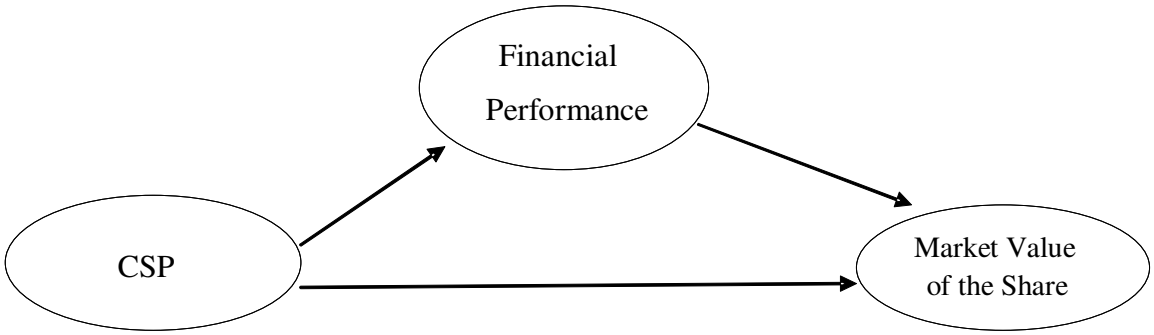
H_1: Higher corporate social performance results to an increase in the market value of the share.
H_2: Financial performance mediates corporate social performance and the market value of the share.
H_3: Higher corporate social performance results to an increase in the debt level of the Firm.
H_4: Financial performance mediates corporate social performance and the debt level of the firm. (Models 1 and 2)

DATA AND METHODOLOGY

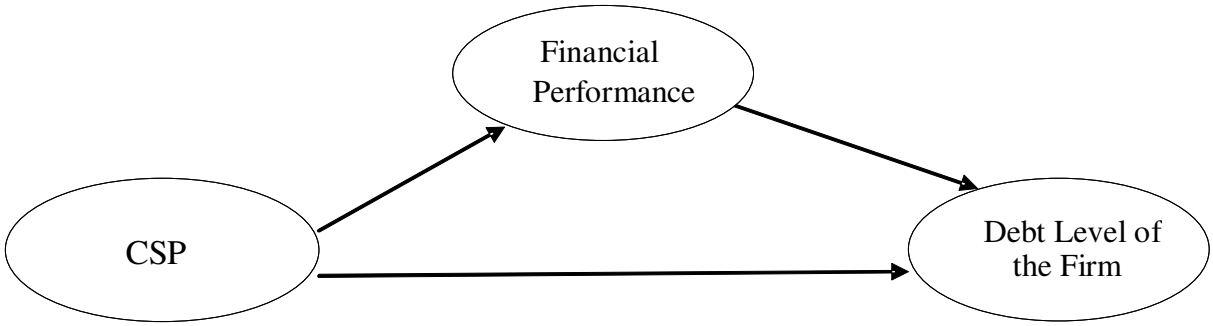
In this particular study, 166 listed companies are considered from textile sector, chemical sector, cement sector and tobacco sector, listed on Karachi stock exchange. The observations are taken for the entire period of 2005 and 2006 from the published resources of state bank of Pakistan.

Measure of corporate social performance

Waheed (2005) developed the report by using the corporate data regarding CSR compliance in Pakistan. By using the study and the criteria given by Waheed (2005), we computed the values for



Model 1. Financial performance mediates CSP and market value of the share.



Model 2. Financial performance mediates CSP and debt level of the firm.

Table 1. Computation of CSR/CSP for the year 2005.

Sector	CG	BE	EC	SC	DR	PI	CC	SH	SS	Average CSP	CSP weighted index
Chemicals	5	3	5	4	4	5	5	4	3	4.75	0.14068
Textile	2.5	0.9	2.1	3	2	4	2.8	3	1.8	2.7625	0.08182
Cement	4	3	1	2	0	4	3	3	2	2.75	0.08145
Oil and Gas	4	2	4	4	3	4	4	4	3	4	0.11847
Footwear	1	0	1	4	4	1	2	3	3	2.375	0.07034
Sugar	3	0	3	4	4	5	4	2	3	3.5	0.10366
Tobacco	4	3	2	4	3	5	1	4	4	3.75	0.11106
Telecom	3	3	2	4	2.3	5	4	4	3	3.7875	0.11218
Consumer	5	2	3	5	0	5	4	0	5	3.625	0.10736
Financial	3	2	0	3	1.2	5	2	2.5	1	2.4625	0.07295

corporate social performance index for each sector. The variables taken by Waheed (2005) in this computations were: Corporate governance (CG), business ethical principles (BE), environmental compliance (EC), social compliance (SC), disclosure environmental and social report (DR), product integrity (PI), corporate giving's and community investment, stakeholders dialogue(SH), financial performance (FP) and supply chain security (SS). To compute relationship between the CSP and financial performance, we excluded the score of financial performance to avoid the similarity in data problem. The 9 parameters for CSR/CSP are represented in Table 1. The values are inspired by the graphical representation as reported by Waheed (2005).

The maximum score for each criterion is 5, and the attained score by each sector is given in Table 1 and then weighted CSP index is computed on the grounds of how much proportionate weight of CSR practices is followed by each sector. We may use average CSP but in our study, we used the CSP weighted index.

Measure of financial performance

Two measures are used to compute the financial performance of

Table 2. Descriptive statistics.

Variable	Range	Minimum	Maximum	Mean	Standard deviation	Variance
D/E	9.01	0.11	9.12	0.7104	0.61006	0.372
ROA	8.34	-1.08	7.26	0.0414	0.35513	0.126
ROE	31.79	-18.39	13.40	-.1101	1.63064	2.659
Size	9.22	1.63	10.85	7.0922	1.49675	2.240
CSP	.07	0.08	0.15	0.1111	0.03157	0.001
MVS	539.95	0.05	540.00	34.5409	54.20513	2938.197

the firms: Return on assets; Return on equity.

Measure of market performance

The market value of the share is used as a measure of market performance of the firms.

Measure of debt performance

Average measure of debt performance is used on the basis of: Total debt to total equity; Total debt to total capital employed

Measure of size of the company

Natural log value of the total assets is used as a measure of the size of the company.

Econometric model

The following econometric model explains the required relationships:

$MPERF_{t,j} = f(CSP_{t-1}, j,)$ (1)

$MPERF_{t,j}$ represents market value of the share for this year; CSP_{t-j} = measure of corporate social performance for last year.

$FPERF_{t,j} = f(CSP_{t-1}, j,)$ (2)

$FPERF_{t-1}$ = measure of financial performance (ROA, ROE) for this year; CSP_{t-1} = measure of corporate social performance for last year.

$MPERF_{t,j} = f(FPERF_{t,j})$ (3)

$MPERF_{t,j}$ represents market value of the share for this year; $FPERF_{t,j}$ = measure of financial performance (ROA, ROE) for this year.

$Debt/Equity_{t,j} = f(CSP_{t-1}, j,)$ (4)

$Debt/Equity_{t,j}$ = measure of debt to equity level for this year; CSP_{t-j} = measure of corporate social performance for last year.

$Debt/Equity_{t,j} = f(FPERF_{t,j})$ (5)

$Debt/Equity_{t,j}$ = measure of debt to equity level for this year; $FPERF_{t,j}$ = measure of financial performance (ROA, ROE) for this year.

$MPERF_{t,j} = f(Debt/Equity_{t,j})$ (6)

$MPERF_{t,j}$ represents market value of the share for this year; $Debt/Equity_{t,j}$ = measure of debt to equity level for this year.

RESULTS AND DISCUSSION

According to financial performance indicators, Table 2 provides the mean value of ROA and ROE, 4.14 and -11.01%, respectively, with standard deviation 0.35 and 1.63, respectively. According to Table 1, market performance indicates that the mean value of the market value of the share remained Rs. 34.5409. The maximum price of the share remained Rs. 540 and the minimum value remained Rs. 0.05 with a standard deviation of Rs. 54.20. Based on a measure initially developed by Waheed (2005), CSR/CSP measure consists of 9 items as indicated in Table 1. The mean and standard deviation for CSP for 4 sectors is 0.1111 and 0.03157. The mean and standard deviation of total assets of the sampled companies are natural logged values 7.092 and 1.49675, respectively. By converting these values into actual numbers, the mean value is Rs.1202.505 million and the standard deviation is Rs 4.467 million. Financial leverage is the financing mix of external debt, equity and internal capital used to finance the company's assets. The mean and standard deviation of debt to equity of the sampled companies were 71.041 and 61%, respectively. The aforementioned discussed facts and figures are reported in the Table 2.

Table 3 represents the degrees of relationship between the debt to equity, ROA, ROE, Size, CSP and market value of the share. The reported results are quite interesting and states that the financial leverage (debt to equity ratio) have significant correlation of 0.10 at 0.05 level of significance. This result supports the argument that the more the firm takes the risk the greater the level of returns.

Here, the firms with high financial leverage have relationship with the positive stream of returns on the asset. Moreover, the D/E ratio has negative correlation with ROE -0.069 but not significant. Greater size of the financial leverage has negative relationship with ROE. D/E ratio is negatively correlated with the size of the company with r = -0.352 at 0.01 level of significance which indicates that as the size increases, a company is more externally financed by debt. Table 1 indicates that the normal average financing mix for these samples

Table 3. Correlation matrix.

Variable	D/E	ROA	ROE	Size	CSP	MVS
DE	1					
ROA	0.100*	1				
ROE	-0.069	-0.421**	1			
Size	-0.352**	-0.130**	0.076	1		
CSP	0.037	-0.015	-0.029	-0.207**	1	
MVS	-0.075	0.030	0.050	0.241**	-0.125**	1

*Significant at 0.05 level; **significant at 0.01 level.

Table 4. Regression analysis.

Regression model	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Dependent variable	MV of share	ROA	MV of share	D/E	D/E	M V of share
Independent variable	CSP	CSP	ROA	CSP	ROA	D/E
R^2	0.016	0.000	0.001	0.001	0.010	0.075
R^2 adjusted	0.014	-0.002	-0.001	-0.001	0.008	0.006
F-Value	7.816	0.114	0.437	0.676	5.019	2.082
Beta	-0.125	-0.015	0.030	0.037	0.100	-0.075
P-value	0.005	0.736[a]	0.509[a]	0.411	0.026	0.095

[a]Significant at 0.05 level

companies is 71% debt and 29% equity.

The important element in this discussion is that the D/E has negative correlation with the market value of the share price but it is not significant. This negative relationship indicates that with an increase in debt financing by the firm, the external investors feels that the company is in financial crises and they try to withdraw their investment. In actual, there is an asymmetry of information between the investors and management of the company. Debt singling effect should be taken as positive because it is argued that the firms incorporating with greater debt financing are considered as growing firms. The internal facts and information are not transmitted to externals, so the behavior of the investors changes due to their risk adverse attitude. Corporate social performance has insignificant relationship with the D/E level of the firm but it has a positive correlation which ultimately indicates that, to become socially responsible, the firms have to incorporate financing through external resources to meet the current industry and competitive challenges. Table 3 indicates that, ROA has -0.130 correlation at 0.01 level of significance which indicates that, the greater the size of the firm, the returns will be distributed over greater size of assets which ultimately decrease the level of ROA. ROA has insignificant correlation with the CSP. However, there is a negative relationship between ROA and CSP. ROA also has insignificant correlation with the market value of the firm but there is a minor positive relationship between ROA and market value of the share price. It may be inferred that, firms with high profitability will be perceived by external investors to better perform in the market. The size of the firm has significantly negative correlation of -0.207 at 0.01 with the CSP. However, size of the firm has significantly positive correlation of 0.241 at 0.01 level with the market value of the firm. CSP has significant negative correlation of -0.125 at 0.01 with the market value of the share price of the company and rejects the H1. The model of this study tests the direct effect of CSP, financial performance and market performance under slack resource and good management theory using variables of company CSP, ROA, ROE, MVS, size and financial leverage. The model of study takes into consideration the test of the mediating effect of financial performance (ROA) under slack resource and good management theory. The mediating effect is considered by the interactive dynamics of the model. Overall models developed, based on these theories, are cleared, regarding the basic assumptions for normality, linearity, homo- secedaticity, and multicollonearity. As indicated in Table 4 (Models 1 and 5) are significant except for Models 2, 3 and 4, and 6 at $\alpha < 0.05$. Based on Table 4, testing the hypothesis H1 indicates that, under the slack resource and good management theory, there is significant effect of CFP on market value of the share ($\beta = -0.125$, p(sig) = 0.005).

According to Baron and Kenny (1986), mediation can be tested with the assistance of 3 regression equations. Firstly, CSP (independent variable) should be significantly related to ROA (mediator). Secondly, independent variable and mediator should be significantly related to market value of the share (dependent variable). Thirdly, when both independent variables and mediator are concurrently included in regression model, through multiple

regression, the relationship between the independent variable and the results should be insignificant as matched to the main effect. To measure the mediating effect, we performed Models 2 and 3 to meet the conditions for mediation for H_2. As Table 3 indicates that the findings of Model 2 (β = -0.015, p(sig.) = 0.736) fails to explain the relationship and impact of CSP on ROA, and rejects the first condition of mediation and Model 3 (β = 0.030, p(sig.) = 0.509) indicates that ROA has no effect on market value of the share. So, the second condition of mediation is also rejected. It means that financial performance has no mediating effect and rejects H_2. So, our mediated hypothesis is not fulfilling the pre-condition prescribed by Baron and Kenny (1986), therefore, we cannot regress our hypothesis. The aforementioned results of Model 2 is not consistent with the conditions of the study of Wadock and Graves (1997) supporting the positive relationship between CSR and CFP. However, the result of test in present study is consistent with the study of Mahoney and Roberts (2007), implicitly based on good management theory, for ROA and ROE model. As indicated in Table 4, the result of test of interaction of D/E and CSP (β = 0.037, p(sig.) = 0.411) indicates that CSP does not effect the financial leverage of the firm under both the slack resource and good management theory and rejects H_3. Models 2 and 4 also rejects the mediation condition for H_4 but Model 5 with β = 0.100, p(sig) = 0.026 accepts the mediation condition. In aggregate, H4 is rejected. However, Model 5 with β = 0.100, p(sig) = 0.026 indicates that the firms riskiness has positive impact on the firm ROA. The increased level of the financial leverage of the firm enhances the profitability. It is argued that, with an increase in risk level, the profitability increases and hence, Model 5 indicates this particular scenario. Model 6 is just taken into consideration to know the relationship and effect of D/E on the market value of the share. Hence, Model 6 (β = -0.075, p = 0.095) is insignificant at 0.05 level. This particular situation indicates that there is asymmetric information prospective and the perception is quite changed by the market participants.

Conclusion

In aggregate, the results of our study conclude that corporate social performance (CSP) has no effect on financial performance (CFP) under slack resources theory and good management theory. However, CSP has effect on market performance under these theories. It is obvious from the results that CSP has negative effect on the market value of the share but no relationship to D/E behavior of the firm significantly. In addition, it was also shown that CFP does not have mediating effect in between the CSP and market value of the share and also in between the CSP and debt level of the firm. However, on the basis of whole analysis, it may be argue that the linkage between CSP and financial performance is spurious as concluded by Orlitzki (2000). On the basis of this study, it is concluded that there exist some limitations. Fauzi (2007) concluded the limitations of relatively low number of sampled companies and their reporting period as matched to the prior studies such as Wardock and Graves (1997) and Mahoney and Roberts (2007) who had used more than three hundred companies and period coverage of four years in their sample consideration. Results reveal the same limitations, along with the actual consideration of CSP parameters by each industry or sector for the latest years. The period coverage is quite significant because the characteristic of corporate social performance, financial performance financial leverage and market value of the share becomes optional sometimes. Furthermore, we conclude that principals are more concerned with the wealth maximization goal of the firm rather than the profitability objective of the firm. So, if CSP practices are incorporated, it may be inferred from this study that the agents have not attempted to attain the goal of the principals, and this negative relationship indicates that there exists an agency problem. Moreover, the investors do not have the same level of information as the information is captured by the management about the company affairs. In addition, the debt singling hypothesis indicates that the further incorporation of debt into capital structure should influence the behavior of the investor, regarding the investment in the shares as positive, due to information asymmetry being negative. In a further study, we can also testify the moderating effect by changing and controlling some variables to justify the above relationships. Moreover, this study provides the room to test the model of effect of CSP on market return in designing an efficient portfolio with lower CSP firms and higher CSP firm's categorization.

REFERENCES

Anggraini RR, Setiawati L, Desembriarto D (2004). The Role of Fundamental Analysis and Financial Statements on Economic Crisis in Indonesia. J. National Symposium on Accounting. Indonesia. Bahasa translated version, p. 218.

Baron RM, Kenny DA (1986). The Moderator–Mediator variable distinction in social Psychological research. Conceptual, strategic and statistical consideration. J. Pers. Social Psychol., 51(6): 1173-1182.

Daniati N, Suhairi N (2006). Influence the information content of the component cash flows, gross profit, and the size of the expected return stock companies (survey on textile and automotive industries listed on the JSE). Padang: National Symposium on Accounting 9.

Fauzi H (2007). Corporate social and financial performance: Empirical evidence from American companies". Unpublished

Frooman J (1997). Socially Irresponsible and Illegal Behavior and Shareholder Wealth. J. Bus. Soc., 36(3): 221-249.

Griffin JJ, Mahon JF (1997). The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research. J. Bus. Soc., 36(1): 5-31.

Gray R (2006). Does responsibility Reporting Improve Corporate Behavior?: Wrong Question? Right Time? J. Account. Bus. Res., 36: 65-88.

Hobarth, Mag, Lukas LC (2006). Modeling the relationship between financial indicators and company performance—an empirical study for US. Listed companies. France: Dissertation Vienna University of Economics and Business Administration.

Hill RP, Ainscough T, Shank T, Manullang D (2007). Corporate Social

Responsibility and Socially Responsible Investing: A Global Perspective. J. Bus. Ethics, 70(2):165-174.
Johnson R, Soenen, Luc (2003). Indicator of successful companies. Eur. Manage. J., 21(3): 364-369.
Kennedy S, Johnson PS (2003). Analysis of the influence of ROA, ROE, EPS, profit margin, asset turnover, leverage, stock return to the DER: Studies on the stocks included in the LQ-45 in Jakarta stock exchange. Graduate Thesis in Management Science FEUI.
Konar S, Cohen MA (2001). Does the Market Value Environmental Performance? Rev. Econ. Stat., 83(2): 281-289.
Lev, Thigarajan (1993). Fundamental information analysis. J. Account. Res., 31(2):190-215.
Mahoney LS, Roberts, RW (2007). Corporate Social Performance. Financial Performance and Institutional Ownership in Canadian Firms. Account. Forum, 31(3): 233-253.
Mais U, Rimi S, Gusliana S (2005). The influence of financial ratios on stock prices the company's main listed companies in Jakarta Islamic Index in 2004. J. Econ., STEI. 14(3): 30
Meythi M (2006). Effect of operating cash flow to share price to earnings persistence as an intervening variable. Padang: Akuntansi.Nachrowi national Symposium, Nacrowi D. & Usman, Haridius. 2006. Popular and practical econometric approach to economic and financial analysis. Publisher Institute of Economics Faculty of the UI, pp.23-26
McWilliams A, Siegel D (2000). Corporate Social Responsibility and Financial Performance: Correlation or Misspecification?. Strate. Manage. J., 21: 603-609.
Murphy E (2002). Best Corporate Citizens Have Better Financial Performance. Strat. Financ., 83(7): 20-21.
Murray A, Sinclair D, Power D, Gray R (2006). Do Financial Markets Care about Social and Environmental Disclosure? Further Evidence and Exploration from the UK. Account. Audit. Account. J., 19(2): 228-255.
Orlitzk M, Schmidt FL, Rynes SL (2003). Corporate Social and Financial performance: A Meta Analysis. Organ. Stud., 24(3): 403-441.
Ohlson JA, (1980). Financial ratios and the probabilistic prediction of bankruptcy. J. Account. Res., 18(1):109-131.
Patten DM, (2002). The Relation Between Environmental Performance and Environmental Disclosure: A Research Note. Account. Organ. Soc., 27(8): 763.
Preston LE, O'Bannon DP (1997). The Corporate Social-Financial Performance Relationship: A Typology and Analysis. Bus. Soc., 36: 419-429.
Roman RM, Hayibor S, Agle BR (1999). The Relationship between Social and Financial Performance: Repainting a Portrait. Bus. Soc., 38: 109-125.
Ruf BM, Muralidhar K, Brown RM, Janney JJ, Paul K (2001). An Empirical Investigation of the Relationship between Change in Corporate Social Performance and Financial Performance: A Stakeholder Theory Perspective. J. Bus. Ethics, 32: 143-156.
Simpson WG, Kohers T (2002). The Link between Social and Financial Performance: Evidence from the Banking Industry. J. Bus. Ethics, 35: 97-109.
Sparta, F (2005). Influence ROE. EPS. OCF. on stock prices in manufacturing industries Jakarta stock exchange ". J. Account., 9 (1).
Waddock SA, Graves S M (1997). The corporate social performance Financial performance link. Strateg. Manage. J., 18(4): 303- 319.
Waheed A, (2005). Corporate social responsibility in Pakistan and a strategy for Implementation Responsible Business Initiative. Lahore.
Wright P, Ferris SP (1997). Agency Conflict and Corporate Strategy: The Effect of Divestment on Corporate Value. Strateg. Manage. J., 18: 77-83.
Wu ML (2006). Corporate Social Performance, Corporate Financial Performance, and Firm Size: A Meta-Analysis. J. Am. Acad. Bus. Cambridge, 8(1): 163.