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Corporate social responsibility performance, financial distress and firm life cycle: evidence from Australia

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Abstract

This study examines the association between corporate social responsibility (CSR) performance and financial distress and additionally the moderating impact of firm life cycle stages on that association. Based on a sample of 651 publicly listed Australian firm-years' data covering the 2007–2013 period, our regression results show that positive CSR activity significantly reduces financial distress of the firm. In addition, the negative association between positive CSR performance and financial distress is more pronounced for firms in mature life cycle stages. Our results are robust to alternative proxy measures of financial distress, CSR performance and life cycle stages.

Key words: Corporate social responsibility; Financial distress; Corporate life cycle

JEL classification: G01, G32, H26

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1. Introduction

Corporate social responsibility (CSR) and financial distress are prominent research topics, but often these constructs are considered in isolation (Deegan, 2002). The rationale behind corporate CSR engagement is multidimensional and can range from cultural and social reasons to economic and financial reasons. We thus adopt a broad perspective of CSR activities and reporting following Moser and Martin (2012), which encapsulates all corporate actions

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