Financial Derivatives, Firm Performance and Corporate Social Responsibility

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ABSTRACT

Based on the data of 803 non-financial listed firms on the Taiwan Stock Exchange (TWSE) covering the period of 2010~2015, this study examines the relationship between firm’s use of financial derivatives affects and performance and risk and how firm’s performance on corporate social responsibility (CSR) strengthens or weakens the relationship. Through multiple regression estimation, empirical evidence generally shows that greater degree of financial derivatives usage is associated with better performance but higher risk, and interestingly, firm with better CSR performance tends to have more pronounced performance increase and less risk increase. CSR strengthens the positive effects of financial derivatives on performance and weakens the adverse effects of financial derivatives on risk, confirming the view that firm’s engaging in CSR helps firm to shape a more cautious and sustainable investment decision in financial derivatives usage and obtain a more favorable consequence.

Keywords: Financial Derivatives, Corporate Social Responsibility

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